

2015 / 16

Annual Report



COVER

Brendan

**“I remember the doctor saying
“your spinal cord is crushed.”
And the first thing I turned
around and said was “can’t
you take it out and iron it?”**

There’s times that I didn’t want to be here, and there’s times that I wasn’t. There’s times that I was just sitting there... empty.

I had to find something before it ruined me. Everyone needs something to push them on. I found sport. I took to wheelchair basketball like a duck to water. Tennis – wheelchair tennis – netball, I love it all. I’ll try just about anything.

Sport was my biggest avenue to get back into life. It was my outlet, my saviour.



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Letter from the Chair to the Ministers

21 September 2016

The Honourable Luke Donnellan MP
Minister for Roads and Road Safety

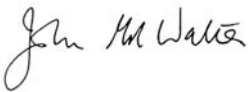
Level 22, 1 Spring Street
MELBOURNE VIC 3000

The Honourable Robin Scott MP
Minister for Finance

Level 5, Macarthur Street
EAST MELBOURNE VIC 3002

Dear Ministers

I am pleased to submit the 30th Annual Report of the Transport Accident
Commission for presentation to Parliament pursuant to Part 7 of the
Financial Management Act 1994.



John Walter
Chair

Vision

**Zero deaths and
serious injuries
on our roads**

Mission

**To be the
world's leading
social insurer**

Highlights this year 2015/16

**\$1.22
billion**

**Paid to injured Victorians to help them
get their life back on track after a crash**

\$542 million

**Performance from insurance operations,
a record result for the TAC**

TWELVE

new independent living units opened for our most seriously injured Victorians

84%

Of all employees sustainably engaged, exceeding the average of similar workplaces nationally and globally

Developed

The TAC 2020 strategy to guide our future

Towards Zero

The State Government's new Road Safety Strategy launched

Launched

Phase One of the Towards Zero public education campaign

Launched

New Protocols to provide a better process to deliver appropriate compensation to TAC clients, minimise disputes and avoid lengthy litigation

Chair and CEO's Report

The TAC has a proud history of leading the world in road safety and providing high quality care to people impacted by road trauma.

For 30 years our ground-breaking road safety campaigns and projects have been the envy of jurisdictions world-wide. We are also highly regarded for the way we help injured Victorians get their lives back on track after a crash.

While acknowledging our past achievements, the 2015/16 year provided an opportunity for us to look to the future.

Over the past 12 months the TAC involved staff at all levels of the organisation to develop a new strategy. Our aim was to use the thousands of years of cumulative experience held by our dedicated staff to build the foundations for our next chapter. Out of this process *TAC 2020* – a strategy that is bold, brave and promises a better way for our clients – was born.

Under *TAC 2020*, we have committed to a new vision, mission and set of values to provide the business clear direction. Our vision is crystal clear, and is summarised by one word, zero. Over the long term the TAC believes serious road trauma can and will be eliminated in Victoria.

Guiding our work is the State Government's Towards Zero Road Safety Strategy launched earlier this year. It is the most ambitious strategy ever unveiled with a record \$1.1 billion investment dedicated to improving the safety of Victorians by ensuring they are driving the safest cars on the safest roads within safe speed limits.

Preventing road trauma in country Victoria remains a priority as we manage more than \$340 million of funding to improve rural and regional roads. Victorians are four times more likely to be killed on country roads and twice as likely to be seriously injured. In 64% of fatal crashes vehicles have crossed the centre line of the road. By building wire rope barriers or tactile centre and edge lines on roads, we will save lives.

The new mission of the TAC is to lead the world in social insurance by 2020. We believe injured Victorians deserve the very best levels of support, so we are aiming for nothing less. Already we have taken steps to achieve this mission. Over the past year we have built and opened 12 new independent living units where seriously injured Victorians can now live with the dignity and freedom they deserve.

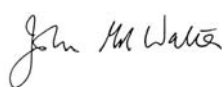
A critical component of the *TAC 2020* Strategy is a new set of values. Following workshops with staff and stakeholders, the TAC has created a unique set of values that will guide our thinking, strengthen our culture and enhance our interactions with the community. As a service business, it is the combination of the intellect of the staff and our passion for delivery that will drive the performance of the scheme into the future.

Initiatives such as this demonstrate that we not only have the motivation to lead the world but that we also have the ability to deliver.

The Performance from Insurance Operations was \$542 million, the highest reported. This result is built upon evidence led accident prevention, effective claims management and ensuring that the business operates efficiently. The fact that over 20,000 new claims for assistance were lodged in this year highlights the pressing need to reduce these unacceptable levels of trauma in our community.

TAC 2020 will further ensure that the TAC remains financially sustainable, and that future generations will be able to rely on the services of the TAC in times of need.

Empowered with greater insight into who our clients are and what we need to do to help them get back on track, it is with great confidence that we progress into the next chapter of the TAC's history.



John Walter
Chair, TAC



Joe Calafiore
Chief Executive Officer, TAC



IMPACTS ON PROFIT

	11/12 \$M	12/13 \$M	13/14 \$M	14/15 \$M	15/16 \$M
Performance from insurance operations	351	(12)	325	413	542
Impact on profit from external factors:					
/ Difference between actual investment returns and long-term expected returns	(245)	618	644	395	(524)
/ Change in inflation assumptions and discount rates	(1,581)	772	(277)	(586)	(1,268)
/ Repayment of capital	-	-	-	-	(78)
Tax	451	(405)	(193)	(47)	395
Net profit/(loss) after tax	(1,024)	973	499	175	(933)
Accounting Funding Ratio*	70.8%	84.9%	91.1%	92.3%	81.3%
Economic Funding Ratio*	117.2%	130.8%	145.7%	156.4%	153.9%

*The accounting funding ratio is defined as the ratio of net funding assets to net outstanding claims liabilities which are valued using the risk free discount rate and includes a prudential margin, as required by the applicable Australian Accounting Standards. The economic funding ratio is defined as the ratio of net funding assets to net outstanding claims liabilities which are valued using the long term market rate and excludes a prudential margin. Net funding assets are defined as net assets plus net outstanding claims liabilities less intangibles, deferred tax assets and an allowance for expected final dividend.

About the TAC

The TAC is a Victorian Government-owned organisation, established under the *Transport Accident Act 1986* to reduce the social and financial cost of transport accident injuries to the Victorian community.

The TAC's key functions are paying for treatment and support services for people injured in transport accidents, promoting road safety in Victoria and improving the state's trauma system.

The funds the TAC needs to perform these functions come from payments made by Victorian motorists when they register their vehicles each year with VicRoads.

The TAC covers transport accidents directly caused by the driving of a car, motorcycle, bus, train or tram.

The scheme operates on a 'no-fault' basis, which means that anyone injured in a transport accident within Victoria (or interstate if in a Victorian-registered vehicle) is eligible to receive support services, irrespective of who caused the crash.

Where a person suffers a serious injury in a transport accident and the accident is someone else's fault, they may receive a lump sum payment and make a common law claim.

The TAC funds medical treatment for transport accident-related injuries for as long as it is necessary. For people with severe injuries, funding and support may continue for the rest of their lives.

The treatment and services the TAC pays for include ambulance services, surgery and medical visits, medicines, therapies and nursing visits. Depending on the seriousness of the injury, the TAC's support may extend to income support, rehabilitation and disability services, return to work programs, attendant care, allowances for parents to visit dependent children in hospital, travel costs to and from medical appointments and equipment or aids, such as wheelchairs.

Our Values

In developing TAC 2020 we created a new set of values to guide our thinking, our behaviour and ultimately the service we provide to injured Victorians.

We value life

We will find a better way, today

We make the complicated simple

We make every conversation count.

The Board of Management and Executive Management Structure

BOARD OF MANAGEMENT



Chair: John Walter

Appointed Chair in March 2014,
Director since October 2013



Dr. Tien Kieu Appointed
September 2015



Paul Kirk
Appointed October 2014



Dr. Robert Nethercote
Appointed October 2013



Sue O'Connor
Appointed October 2014



Colin Radford
Appointed September 2015

RECENT DEPARTURES

Deborah Hallmark
Appointed 2010

Sonia Petering
Appointed 2007

EXECUTIVE LEADERSHIP TEAM

Joe Calafiore
Chief Executive Officer

Tony Dudley
Financial and Corporate Services

Amanda Bavin
Community Relations

Jane Barker
Human Resources

Marion Nagle
Health and Disability Strategy
Group

Bruce Crossett
Claims

Ashley West
Information Technology Shared Services

Prevention

LIVES LOST

In 2015/16 there were 270 lives lost in Victoria in transport accidents. The following information highlights how we are working with our road safety partners to reduce lives lost and serious injuries on our roads.

TOWARDS ZERO STRATEGY LAUNCHED

Underpinned by extensive research and modelling from the Monash University Accident Research Centre, the state's new Towards Zero Road Safety Strategy and Action Plan was launched in July 2016.

This strategy aims to achieve the most ambitious reduction in road trauma in Victoria's history, a 20 per cent reduction in deaths and 15 per cent reduction in serious injury in five years.

The Towards Zero Strategy and Action Plan focuses on the following key areas:

- Putting the most effort into areas where most fatalities happen – on country roads.
- People most likely to become road casualties – younger and older Victorians, motorcyclists, cyclists and pedestrians.
- New technology to make our cars, roads and our own driving safer.

The strategy and action plan identified five key safety packages all supported by the TAC.

They are:

1. Making rural roads safer including over 2,500 kilometres of country roads treated with state-of-the-art safety features like wire rope barriers and tactile centre and edge lines.

This type of investment in the regions is critical because Victorians are four times more likely to be killed on country roads.

2. Saving lives in busy, built-up areas and regional centres.

This includes a major focus on building new roundabouts, introducing advanced ramp treatments at intersections and creating a safer environment for pedestrians and cyclists through traffic calming measures as well as more separated bike paths and priority cycling paths and lanes.

3. Introducing new measures to support and help drivers to travel at safe speeds.

This includes:

- Launching a new Towards Zero campaign to educate road users on the science of speed and human vulnerability.
- Making Intelligent Speed Assist – a technology that alerts drivers when they are travelling over the speed limit – available to the broader community via a free smart phone app and
- Introducing a fresh approach to advise drivers and riders who travel over the speed limit in new speed zones on key major routes about why safer speeds are important.

4. Improving the safety standards of the vehicles Victorians drive through safer vehicles and technology.

To do this the TAC is working with the State Government and our key road safety stakeholders to:

- Trial life-saving technologies like auto emergency braking (AEB).
- Provide incentives for vehicle suppliers to bring technologies like motorcycle Automatic Braking System (ABS) to the market.
- Trial new technologies such as passive alcohol sensors to determine a driver's blood alcohol level within a car.
- Facilitate a trial of connected vehicles and/or vehicles with automated technology and safety features – this is where vehicles use transponders to communicate with each other and infrastructure like traffic lights to flag potential hazards, and use technology to assist the driver to avoid dangers such as through 'Lane Keep Assist' and lane departure warnings.

5. Delivering a safety package dedicated to ensuring Victorians are safer road users.

The TAC is looking at new measures to help protect Victorian drivers. In particular, the TAC has commenced work to enhance the focus on the enforcement of drink and drug driving laws.

Work in this area includes:

- 10 new booze buses and roadside drug testing expanded to 100,000 tests a year.
- A trial of 'alco gates'. This involves placing automatic Blood Alcohol Content (BAC) testing devices on boom gates at exits to licensed venue car parks.
- Examining how lower legal BAC limits have worked overseas.

Measures to improve safety for motorcyclists include:

- The expansion of the Graduated Licensing System to include mandatory training and testing requirements and, possibly, a hazard perception test.
- Public education activities to promote the use of protective clothing, footwear and equipment.

Measures to improve safety for pedestrians and cyclists include:

- Improving the safety of routes to train stations and the CBD, as well as creating new routes in regional Victoria
- Implementing the Safer Cyclists and Pedestrians Fund for new dedicated paths and routes where pedestrians and cyclists are likely to interact with motor vehicles.
- Introducing traffic calming measures at busy locations and in local streets
- Developing new safe cycling resources for communities and schools.

6. Addressing the over-representation of young drivers by:

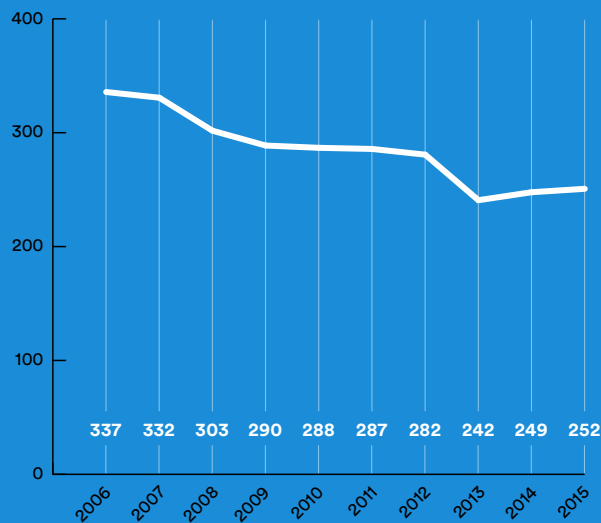
- Developing a practical safe driving program targeting beginner drivers
- Extending the L2P program
- Opening a new road safety education complex
- Launching a youth grants program to drive youth initiatives at a community level
- Rewarding responsible young drivers with a free three-year licence for those who don't record an offence while on their P-plates.



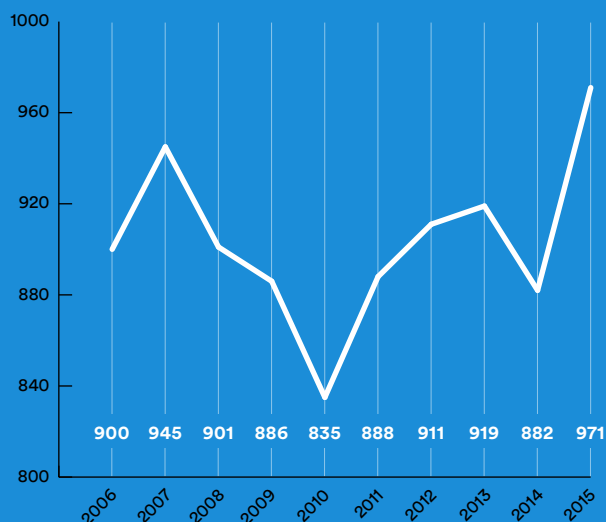
Road Trauma Statistics

YEAR ENDING DECEMBER 2015

REPORTED LIVES LOST 2006-2015



SERIOUS INJURIES 2006-2015



PEDESTRIAN LIVES LOST

33 

COMPARED TO 44 IN 2014

115

LIVES LOST IN
METROPOLITAN
MELBOURNE, UP
FROM 110 IN 2014

137

LIVES LOST IN
COUNTRY VICTORIA,
DOWN FROM
138 IN 2014

46

ROAD USERS AGED
80+ KILLED, UP
FROM 40 IN 2014

30

MOTORCYCLIST
LIVES LOST
IN VICTORIA

179

MALE DEATHS,
UP FROM 178
IN 2014

73

FEMALE DEATHS,
UP FROM 70
IN 2014

PUBLIC EDUCATION CAMPAIGNS

For the first time in 2015/16 the TAC introduced the Towards Zero philosophy to the Victorian public.

The starting point for this bold new approach was to raise the ethical issue of road trauma by asking Victorians what they saw as an 'acceptable' number of deaths on our roads.

In our 30-year history we have never asked the community to self-reflect on this issue. The first Towards Zero campaign centred on asking the community to think about what mattered most to them – their own loved ones.

Man on the Street – empowering the community to really think about road deaths

Ultimately the campaign's message personalised road deaths and made people realise that no loss of life is acceptable and that zero is the only goal we should aim for.

'Man on the street' brought this to life and saw an incredible 90% agreement from the community that zero should be our goal. The campaign provided the context of 'why' we should not accept deaths and serious injuries as an inevitable part of the road system – because no one deserves to die on our roads.

Progressing the vision

After publicly announcing our new goal of zero, we needed to convince Victorians that it is possible.

The first step in doing this was to start educating the community about the four key pillars of Towards Zero: Safer roads, safer speeds, safer vehicles and safer people – a safe system approach to road safety.


To achieve our goal we need to create a system designed to protect the vulnerable road user. Towards Zero is about creating a forgiving system that takes into account the interaction between roads, speeds, vehicles and people and protects people when mistakes happen. While taking responsibility for our actions, as humans we all make mistakes. We should not have to pay for those mistakes with our life or our health.

Then and Now

The campaign titled 'Then and Now' aimed to show how road safety has evolved. It used a comparison between an iconic TAC commercial, 'Kombi', and brought it into 2016 to show what that crash scenario might look like today. In the ad we see the driver using cruise control to maintain a safe and legal speed; he is then alerted by fatigue warning technology in a safer car, travelling on a safer road that has wire rope barrier down the centre of the road, preventing him from colliding with an on-coming truck. This is an example of all the pillars of the system working together to protect the vulnerable road user when he has made a mistake, driving while tired.

Our new approach – shifting the blame

This new approach to public education is shifting away from blaming the driver, and instead looks at what other forces are at play in a crash. It is a holistic view of road use and road user behaviour, and just as there may be multiple causes of a crash, there must be multiple solutions to crash avoidance, or at the very least, a reduction in the severity of crash outcomes. The next step in public education will be to further explain how vulnerable we are as humans, and how we all play a role in protecting ourselves and others on the road.

A portrait of a man with short dark hair, a beard, and glasses, wearing a dark hoodie. The image is overlaid with a blue geometric design consisting of a large triangle pointing upwards and another smaller triangle pointing downwards, creating a diamond-like shape in the center. The entire image has a blue tint.

“I had to get back to a helpful health
as soon as I could. I had to get back
to normality for my family.”

Gareth

Partnerships



The TAC's long-term strategic and community partnerships are developed to ensure road safety messages reach a diverse audience at all levels of the community. It also partners with local, community-based organisations to support community and economic development.

STRATEGIC PARTNERSHIPS	TOTAL
Tennis Australia - Australian Open	\$800,000
AFL Victoria - TAC Cup & Youth Girls Academies	\$477,200
Melbourne Victory	\$312,120
Geelong Football Club	\$200,000
Australian Grand Prix Corporation - Moto GP	\$195,200
Country Racing Victoria	\$175,000
Falls Festival	\$70,000
The Winemakers of Rutherglen	\$51,600
Yarra Valley Winegrowers	\$34,700

STRATEGIC PARTNERSHIPS

These partnerships with organisations and events enable us to engage directly with the community. Together with our partners the TAC is represented in a variety of settings where we explain our Towards Zero vision and involve Victorians from all walks of life in road safety activities. The value of these partnerships is reviewed on an annual basis to ensure the TAC and the wider community continues to receive value from the investment. The partnerships provide opportunities for the TAC to speak directly with the community about Towards Zero and why it is an important message for them and their families.

COMMUNITY PARTNERSHIPS

Road Trauma Support Services

Road Trauma Support Services Victoria is a not-for-profit organisation that provides counselling and support to people affected by road trauma.

Give Where You Live

Give Where You Live is a charitable organisation that raises funds to address the symptoms and fundamental causes of disadvantage in the Geelong region.

SpinChat

The SpinChat program aims to promote prevention and educate secondary school students about spinal cord injury.

COMMUNITY PARTNERSHIPS	TOTAL
Road Trauma Support Services	\$450,000
Give Where You Live	\$60,000
SpinChat	\$50,000
Cadel Evans Great Ocean Road Race	\$50,000
Barwon Health Foundation	\$35,000
Barwon Sports Academy	\$30,000
Cotton On Foundation - Run Geelong / Run Ballarat	\$20,000
Back to Back Theatre	\$15,000
Karingal	\$15,000

Cadel Evans Great Ocean Road Race

The Cadel Evans Great Ocean Road Race is an elite race on the world cycling calendar. It is inspired by the world's most prestigious one-day cycling races and the first event of its kind in Australia. The event also features the People's Ride for cyclists of all ages and abilities. The event provides an opportunity to remind the community about how vulnerable cyclists are out on the road.

Barwon Health Foundation

The Barwon Health Foundation supports Barwon Health in its mission to deliver comprehensive medical, surgical, aged care, rehabilitation, community and mental health services.

Barwon Sports Academy

The Barwon Sports Academy is a non-profit organisation that provides pathways for aspiring athletes to reach higher goals at State and National levels.

Run Geelong

Run Geelong is a local event where 100% of registration fees go towards supporting and improving health facilities for young people.

Back to Back Theatre

Back to Back Theatre creates new forms of contemporary theatre imagined from the minds and experiences of a unique ensemble of actors with disabilities.

Karingal

Karingal is a not-for-profit organisation that commenced services in Geelong in 1952. It was established to improve the quality of life for people with a disability by providing and promoting valued services and care.

Supporting Injured Victorians 2015/16

WORLD FIRST HUMANOID TRIAL HELPING INJURED CHILDREN

A TAC-funded humanoid robot is helping young Victorians recover from major illnesses and injuries in a world-first trial at Melbourne's Royal Children's Hospital.

Experts from Swinburne University worked with rehabilitation therapists from the hospital to program the robot, called NAO, to deliver tailored rehabilitation programs to young patients.

The trial was made possible after the TAC provided \$25,000 to Geelong-based educational organisation The Brainary, under a grants program to improve the lives of Victorians injured in transport accidents. The Brainary holds the Australian rights to the NAO robot which was developed overseas.

NAO is being trialled on children with conditions ranging from brain and spinal cord injury to cerebral palsy. It has found that children are better motivated and engaged with their rehabilitation programs, primarily physiotherapy, when delivered by the talking robot.

HELPING OUR CLIENTS LIVE INDEPENDENTLY

Another 12 Victorians with severe injuries moved into purpose-built units as part of the TAC's project designed to support people with disabilities to live as independently as possible in their own home.

This year new units were opened at Frankston and Glenroy.

The project is expanding as the TAC continues to address a shortfall in accessible housing for clients with a disability. Under TAC 2020 we believe all of our clients are entitled to live a life of dignity and we are committed to opening more units in future.

LAUNCH OF THE PROTOCOLS

Launched on 1 July 2016, the new Protocols are a reflection of true collaboration between the TAC and plaintiff community, with the TAC, Australian Lawyers Alliance (ALA) and Law Institute of Victoria (LIV) agreeing to shared commitments and an ongoing focus on our relationship.

The Protocols were first implemented in 2005 to provide an efficient and transparent process to deliver appropriate compensation to TAC clients, minimise disputes and avoid lengthy litigation. In recent years the TAC and representatives of the ALA and LIV have negotiated changes to further improve the process.

Over the last 10 years the Protocols have successfully reduced timeframes, legal costs and contributed to positive client outcomes.

PROACTIVE CLIENT VISITS

As part of the 'Safeguards for Clients' at Risk' project, a small team was set up dedicated to quality service provision and the safety of all of the TAC's most seriously injured clients. This team has now transitioned to a permanent business function and so far has visited over 300 clients. The team values their work in making a difference to clients by improving their quality of life. The team achieves this through client empowerment and prevention, detection and responses to allegations of abuse and neglect.

HOSPITAL CLAIM LODGEMENT PILOT

The TAC has been working with the main Victorian trauma hospitals on an innovative project to remodel client service experience and improve outcomes for them. The approach, which uses digital technology and live response at the bed-side, enables clients to lodge a claim, receive immediate claim notification and streamline access to services within hours of their accident. This pilot empowers clients to solely focus on their recovery while providing valuable insight into further opportunities to work with the broader trauma system to create a contemporary service experience and enhance patient care.

RESPONSE TO OMBUDSMAN'S REPORT

The TAC has taken steps to implement the recommendations the Ombudsman made in the report *Reporting and Investigation of allegations of abuse in the disability sector: Phase 2 – incident reporting*.

Recommendation 12: Implement an information-sharing protocol and extend this to incidents in SRS.

The TAC has worked with the Department of Health and Human Services to agree on the scope and general principles of an information-sharing protocol to assist both organisations in addressing gaps in oversight of service providers. The TAC delivered its approved draft of the protocol to the Department in April, 2016. The TAC continues to work with the Department as we finalise our plans for future work.

Recommendation 13: Provide for access by Community Visitors to TAC registered providers.

The TAC and the Office of the Public Advocate have met to discuss how they will work together to facilitate community visitors' access to TAC registered providers. The TAC will continue to work with the Office of the Public Advocate to enable Community Visitors access to TAC registered providers and to identify and address gaps in oversight.

CLIENT EXPERIENCE

The TAC Client Experience Survey overall satisfaction score was 7.54 compared to a target of 7.70. Although lower than the June 2015 score of 7.65 this is a statistically stable result.

Other highlights from the results include:

- Clients with claims less than 12 months old remain the most satisfied, with an overall satisfaction score of 8.33; significantly higher than clients with claims spanning longer than 12 months.
- Overall satisfaction with the TAC Customer Service Centre is stable with a mean score of 7.4 in June 2016. 60% of people said their contact with the TAC Customer Service Centre fully met their needs.
- Satisfaction with all contacts with the TAC was stable with a mean score of 7.6.
- The proportion of clients who mention contact with the TAC by email has been steadily increasing over time and is now at 20%.
- 79% of Independence clients have set goals in relation to improving their independence, either within an Independence Plan or on their own.

Resolving disputes and complaints

The TAC makes hundreds of decisions that affect clients each week. Where a client does not agree with a decision made by the TAC a client may choose to have the decision:

- Informally reviewed by the TAC;
- Reviewed under the No Fault Dispute Resolution Protocols; or
- Reviewed by the Victorian Civil and Administrative Tribunal (VCAT) – known as a merit review.

INFORMAL REVIEWS

There were 283 requests for an informal review or Joint Medical Exam Notice of Intent to dispute (NOI) a TAC decision lodged by clients in 2015/16, compared to 429 in 2014/15 and 266 in 2013/14. Around 75% of informal reviews were resolved within four months, with 51% of all reviews maintaining the TAC's original decision and 43% being resolved through compromise or overturned.

NO FAULT DISPUTE RESOLUTION PROTOCOLS

In 2005, No Fault Dispute Resolution Protocols (the Protocols) were implemented in collaboration with legal stakeholders to provide an alternative dispute resolution process to the formal disputation process at VCAT, with a view to reducing the time and cost to resolve disputes about TAC decisions.

In recent years the TAC and representatives from the legal community have worked together to negotiate changes to the dispute process to improve the outcome for injured Victorians.

This year the TAC launched the new Protocols which provides an efficient and transparent process to deliver appropriate compensation to TAC clients, minimise disputes and avoid lengthy litigation.

In 2015/16, the total number of dispute applications lodged pursuant to the No Fault Dispute Resolution Protocols was 932 compared to 1,243 in 2014/15 and 1,042 applications in 2013/14.

MERIT REVIEWS

A total of 311 merit review applications were lodged at VCAT in 2015/16 compared to 465 in the previous year. In September 2014, section 77(1A) of the *Transport Accident Act 1986* was amended to change the timeframe to lodge a merit review application with VCAT for applicants who have already sought review of a TAC decision under the Protocols. The legislation now allows an applicant, who has already sought and been notified of the conclusion of the review of a TAC decision under the Protocols, three months to lodge an application for merit review with VCAT. For applicants who have not participated in the dispute resolution process under the Protocols, a merit review application must be lodged within 12 months of the date of the TAC decision.

MODEL LITIGANT

The TAC is committed to the Victorian Government's Model Litigant Guidelines. The Guidelines require the TAC to act fairly and consistently, to avoid litigation, pay legitimate claims promptly and to minimise legal costs. The Guidelines require fairness and the utmost propriety. During 2015/16 three Model Litigant complaints were received compared to 14 the previous year. All complaints were investigated internally, and no breaches of the Guidelines were found to be sustained.

COMPLAINTS

The TAC takes service complaints very seriously and has a formal complaints office to manage these issues, including matters of inquiry from the Chief Executive Officer and the Victorian Ombudsman. In 2015/16 the TAC received 320 formal complaints compared to 327 in 2014/15 and 217 in 2013/14.



“You don’t realise how much of a
flow-on effect your accident has and
impacts on the people in your life.”

Karen

Managing the Scheme

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

PERFORMANCE FROM INSURANCE OPERATIONS

For 2015/16, the TAC's performance from insurance operations (PFIO) was \$542 million compared to \$413 million in 2014/15. The favourable result was achieved through continued strong claims management and effective marketing and road safety programs. Also, the TAC recorded an actuarial release of \$120 million in 2015/16, compared to \$93 million in 2014/15.

OPERATING RESULTS

The TAC recorded a total comprehensive result of negative \$933 million in 2015/16, compared to a positive \$175 million in 2014/2015, primarily as a result of the downward movement in discount rates and the lower investment return, partially offset by the strong PFIO.

Despite volatile investment markets, the TAC achieved an investment return of 3.0 per cent, compared to 11.7 per cent in 2014/15. Over the 10 year period to June 2016, the TAC investment fund returned 6.3 per cent per annum (after fees), compared to a benchmark return of 6.48 per cent per annum, relative to the estimated rolling 10-year investment objective return of 7.5 per cent (CPI plus 5 per cent).

The TAC's funding ratio at 30 June 2016 was 81.3 per cent, compared to 92.3 per cent at 30 June 2015.

The TAC's total assets as at June 2016 have increased to \$13.67 billion (\$12.86 billion as at June 2015), whilst total liabilities increased to \$14.92 billion (\$13.04 billion as at 30 June 2015). Based on the cash flow projections being positive twelve months to the signing of the financial statements, the Directors have concluded that the going concern assumption of the TAC remains appropriate.

DIVIDEND AND REPAYMENT OF CAPITAL

Under the *Transport Accident Act 1986*, the TAC may pay an annual dividend or a capital repayment to the Victorian Government. The dividend or capital repayment is determined each year by the Treasurer in consultation with the TAC and the Minister responsible for the TAC, having regard to funding levels and other factors.

A final dividend of \$115.9 million relating to the 2014/15 financial year, an interim dividend of \$15.7 million relating to the 2015/16 financial year and a \$78 million repayment of capital were paid during 2015/16.

TRANSPORT ACCIDENT CHARGE

Consistent with the *Transport Accident Act 1986*, transport accident charge levels for motorists increased in line with CPI (1.4%) on 1 July 2015. The TAC also covers people injured in train and tram accidents with charges paid by the railway and tramway managers to fund these claims. Transport accident charge levels for both railways and tramways are set following a review of claims experience by independent actuaries.

Reducing Fraud

One of the Forensics Group key deliverables is to discover and deliver factual information to the business to enable a fair compensation scheme. We continue to focus on enhancing our toolkit of analytical methods and intelligence reporting techniques in order to identify known and unknown behaviours indicative of potential fraud or claim anomalies. The ongoing development and refinement of this capability is crucial in ensuring effective support of strategic business change through proactively identifying, preventing, and investigating potential fraud and other inappropriate payments in a timely manner.

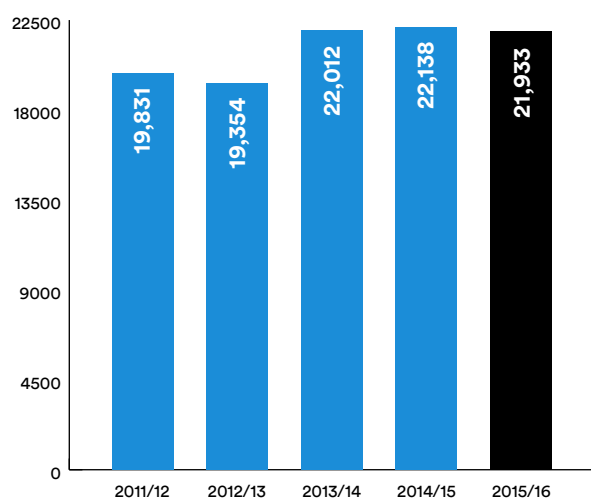
When endeavouring to reduce fraud across the scheme the following enforcement action was taken during 2015/16.

- There were 21 prosecutions finalised through the Magistrates Court. In 16 cases, a conviction was recorded and a total of \$563,655 in restitution was awarded to the TAC. Nine matters are currently before the courts at various stages where TAC is alleging fraud against the scheme totalling \$253,887. Forty-nine warning letters for breaches of the Act relating to fraud and providing false information to the TAC were sent to clients, Medical and Service Providers incorporating demands for reimbursement of \$302,205.
- The Forensics Group has also continued its focus on ensuring payments made to medical and health practitioners and service providers were appropriate and complied with the relevant TAC policies and fee schedules. Reviews were completed on 15,321 payments made to 223 providers across a wide range of different disciplines. Over \$174,000 was reimbursed to the TAC for payments received that providers were not entitled to.

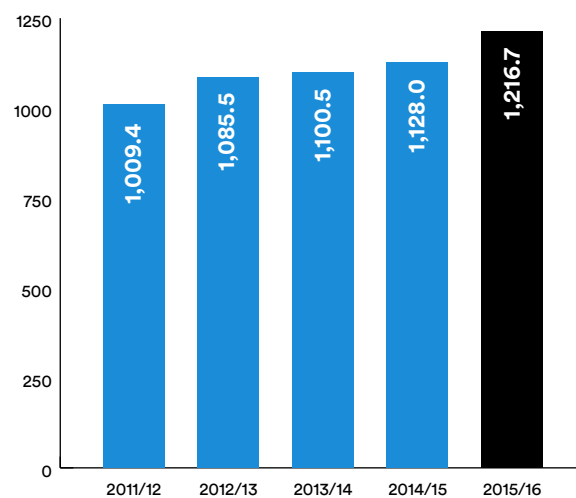
Key Performance Measures

SUPPORTING INJURED VICTORIANS

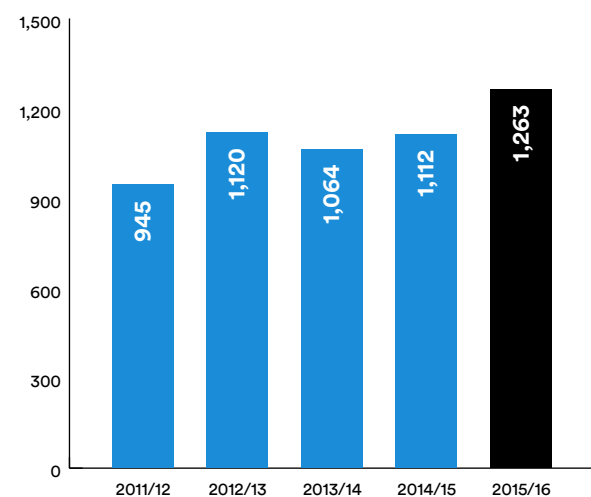
TOTAL CLAIM LODGEMENTS




TOTAL BENEFITS PAID (\$ MILLION)



VICTORIAN COMMON LAW RESOLUTIONS





“The most invigorating and confidence boosting thing to have happened to me was when I had my TAC team meeting and it was explained that I am the team leader.”

Jimmy



Financial Report

FOR THE FINANCIAL YEAR
ENDED 30 JUNE 2016



COMPREHENSIVE INCOME STATEMENT

For the financial year ended 30 June 2016

	NOTE	2016 \$000	2015 \$000
Premium revenue		1,663,307	1,594,194
Reinsurance premium expense		-	(879)
Net premium revenue		1,663,307	1,593,315
Gross claims incurred	6	(2,946,631)	(2,205,672)
Claims recoveries revenue	6	20,259	21,396
Net claims incurred		(2,926,372)	(2,184,276)
Administration costs	4	(156,692)	(152,908)
Marketing and road safety expenditure		(66,916)	(58,176)
Safer road infrastructure expenditure		(53,113)	(97,637)
Trauma projects expenditure		(7,392)	(9,338)
Premium collection fees	10	(40,786)	(38,959)
Underwriting expenses		(324,899)	(357,018)
Underwriting profit / (loss)		(1,587,964)	(947,979)
Investment income	5	375,992	1,205,529
Investment expense	5	(37,653)	(35,395)
Net Investment Income		338,339	1,170,134
Repayment of capital		(78,000)	-
Profit / (loss) before income tax		(1,327,625)	222,155
Income tax benefit / (expense)	7(a)	394,885	(47,272)
Net result for the year		(932,740)	174,883
Other comprehensive income		-	-
Other comprehensive income for the year		-	-
Total comprehensive result for the year		(932,740)	174,883

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

BALANCE SHEET

As at 30 June 2016

	NOTE	2016 \$000	2015 \$000
Current assets			
Cash and cash equivalents	22(a)	39,923	34,592
Receivables	8	85,848	82,073
Investments	9	1,958,638	1,689,788
Deferred acquisition costs	10	20,354	19,835
Other assets	11	2,837	2,495
Total current assets		2,107,600	1,828,783
Non-current assets			
Receivables	8	572,544	489,100
Investments	9	9,974,863	9,917,973
Controlled entity	24	25,200	22,000
Plant and equipment	12	13,199	13,790
Intangibles	13	41,359	45,003
Deferred tax assets	7(c)	936,808	541,923
Total non-current assets		11,563,973	11,029,789
Total assets		13,671,573	12,858,572
Current liabilities			
Outstanding claims	15	1,180,079	1,138,134
Unearned premiums	16	828,888	804,266
Derivative liabilities	9	68,218	85,191
Payables	14	99,185	98,276
Provisions	17	17,068	14,185
Lease liabilities	18(c)	878	840
Total current liabilities		2,194,316	2,140,892
Non-current liabilities			
Outstanding claims	15	12,721,136	10,895,650
Derivative liabilities	9	1,869	3,035
Provisions	17	3,841	4,326
Lease liabilities	18(c)	1,031	949
Total non-current liabilities		12,727,877	10,903,960
Total liabilities		14,922,193	13,044,852
Net assets / (liabilities)		(1,250,620)	(186,280)
Equity			
Reserves		22,999	18,589
Accumulated surplus / (deficit)		(1,273,619)	(204,869)
Total equity		(1,250,620)	(186,280)

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

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2016

	MOTORCYCLE ROAD SAFETY RESERVE \$000	ACCUMULATED SURPLUS / (DEFICIT) \$000	TOTAL \$000
At 1 July 2014	13,194	(121,207)	(108,013)
Total comprehensive result			
Net result for the year	-	174,883	174,883
Other comprehensive income	-	-	-
Total comprehensive result for the year	-	174,883	174,883
Transactions with owners, recorded directly in equity			
Transfer to Motorcycle Road Safety Reserve	-	(6,930)	(6,930)
Transfer from Motorcycle Road Safety Reserve	-	1,535	1,535
Transfer to accumulated surplus	(1,535)	-	(1,535)
Transfer from accumulated surplus	6,930	-	6,930
Final dividend paid for 2013/14 year	-	(162,500)	(162,500)
Interim dividend paid for 2014/15 year	-	(90,650)	(90,650)
Total transactions with owners	5,395	(258,545)	(253,150)
At 30 June 2015	18,589	(204,869)	(186,280)
Total comprehensive result			
Net result for the year	-	(932,740)	(932,740)
Other comprehensive income	-	-	-
Total comprehensive result for the year	-	(932,740)	(932,740)
Transactions with owners, recorded directly in equity			
Transfer to Motorcycle Road Safety Reserve	-	(7,172)	(7,172)
Transfer from Motorcycle Road Safety Reserve	-	2,762	2,762
Transfer to accumulated surplus	(2,762)	-	(2,762)
Transfer from accumulated surplus	7,172	-	7,172
Final dividend paid for 2014/15 year	-	(115,900)	(115,900)
Interim dividend paid for 2015/16 year	-	(15,700)	(15,700)
Total transactions with owners	4,410	(136,010)	(131,600)
At 30 June 2016	22,999	(1,273,619)	(1,250,620)

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

CASH FLOW STATEMENT

For the financial year ended 30 June 2016

	NOTE	2016 \$000	2015 \$000
Cash flows from operating activities			
Premiums received		1,858,441	1,803,841
Dividends received		451,763	305,139
Interest received		68,350	125,008
Claims paid		(1,229,889)	(1,144,064)
Claims recoveries received		13,195	16,059
Payments to suppliers and employees		(230,121)	(199,394)
Payments for marketing and road safety projects		(69,799)	(63,180)
Payments for trauma projects and safer road infrastructure expenditure		(66,670)	(122,837)
Goods and services tax paid		(71,382)	(65,232)
Net cash inflow / (outflow) from operating activities	22(b)	723,888	655,340
Cash flows from investing activities			
Purchase of investments		(4,066,710)	(9,270,001)
Sale of investments		3,655,507	8,169,489
Funds provided to controlled entity		(3,200)	(6,000)
Purchase of plant and equipment		(2,270)	(1,717)
Proceeds from sale of plant and equipment		673	835
Funds received from VFMC		37,367	32,345
Expenditure on intangibles		(12,407)	(8,391)
Net cash inflow / (outflow) from investing activities		(391,040)	(1,083,440)
Cash flows from financing activities			
Dividend paid		(131,600)	(253,150)
Repayment of capital		(78,000)	-
Net cash outflow from financing activities		(209,600)	(253,150)
Net increase / (decrease) in cash and cash equivalents		123,248	(681,250)
Cash and cash equivalents at the beginning of the year		1,278,281	1,943,733
Effects of exchange rate changes on cash held in foreign currencies		(1,105)	15,798
Cash and cash equivalents at end of the year	22(a)	1,400,424	1,278,281

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

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NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

The Transport Accident Commission (TAC) was established and is governed by the *Transport Accident Act 1986*. The TAC operates the transport accident compensation scheme for Victorians who are injured or die as a result of a transport accident.

Its principal address is:

Transport Accident Commission
60 Brougham St
Geelong VIC 3220

For the purposes of this financial report prepared under Australian Accounting Standards:

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

The financial statements do not consolidate the controlled entity of the TAC, the Residential Independence Pty Ltd (RIPL) as trustee for Residential Independence Trust (RIT) (note 24) as the financial impact of consolidation is considered not material.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other event is reported.

The Minister of Finance has determined that the TAC is a "for-profit" entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors on 21 September 2016.

Basis of preparation

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

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

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

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial report and estimates with a significant risk of material adjustments in the next year are disclosed in notes 1(e), 2, 7 and 23 in the financial report.

The TAC determines the policies and procedures for fair value measurements in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the purpose of fair value disclosures, the TAC has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above. In addition, the TAC determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation at the end of each reporting period.

The TAC recorded an operating loss for the year of \$933 million (2015: \$175 million profit) primarily as a result of the downward movements in discount rates. Notwithstanding this result, the performance of the scheme remains sound.

The TAC delivered positive cash flows from operating activities of \$724 million (2015: \$655 million). Based on the cash flow projections being positive twelve months to the signing of the financial statements, the Directors have concluded that the going concern assumption of the TAC remains appropriate.

Australian Accounting Standards issued but not yet effective

The AASB has issued the following amendments to Australian Accounting Standards which are applicable to the TAC. These amendments are not effective for the annual reporting period ended 30 June 2016 and have not been applied in preparing the TAC's financial report.

The nature of the application of these standards could impact the classification and measurement of financial assets. The extent of any impact has not yet been determined. The TAC will apply these standards for the annual reporting periods beginning on or after the operative dates set out below.

	TITLE	OPERATIVE DATE
AASB 9	Financial Instruments	1 January 2018
AASB 2014-1	Amendments to Australian Accounting Standards	1 January 2018
AASB 2014-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018
AASB 16	Leases	1 January 2019

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

(a) Premium revenue

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

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

(b) Investment income

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

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

(c) Unearned premiums

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

(d) Unexpired risk liability

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

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

The entire deficiency is recognised immediately in the comprehensive income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability. No deficiency resulted in the year ended 30 June 2016 (2015: No deficiency).

(e) Outstanding claims liability

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

A risk margin (refer note 15) is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the claims liability is adequately provided for to a 75% (2015: 75%) probability of sufficiency.

(f) Claim recovery receivables

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

(g) Deferred acquisition costs

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

(h) Assets backing insurance liabilities

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

The TAC has determined that all assets, except for plant and equipment and intangibles, are held to back insurance liabilities. Investments are designated at fair value through the comprehensive income statement on the basis that the investments are managed as a portfolio based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies (refer note 9). Initial recognition is at cost in the balance sheet and subsequent measurement is at fair value with any resultant unrealised profits and losses recognised in the comprehensive income statement.

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

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

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

- cash assets, deposits held at call with banks and investments in money market instruments are carried at face value which approximate to their fair value;
- investments in discounted money market instruments are valued at their quoted mid price at the balance sheet date, as with fine trading spreads in this market, there is an ability to transact at mid price;
- shares, fixed interest securities, options and units in trusts listed on stock exchanges or traded in an open market are initially recognised at cost (which is equal to fair value) and the subsequent fair value is taken as the quoted bid price of the instruments at the balance sheet date;
- futures contracts listed on recognised exchanges are valued using the quoted settlement price; and
- units in unlisted trusts are recorded at fair value as determined by the fund manager or valuation by other skilled independent third parties. In determining fair value, the manager or third parties use observable market transactions of the units and underlying assets where available and applicable; some of the underlying assets of the trusts are valued using valuation models that include inputs which are not based on observable market data.

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

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

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

(i) Foreign currency translation

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

(j) Derivative financial instruments

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

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

(k) Employee benefits

Provision is made for benefits accruing to employees in respect of salaries, annual leave and long service leave. In determining the provisions, allowance is made for on-costs including payroll tax, workers compensation and superannuation. No provision is made for non-vesting sick leave as the TAC has no legal obligation to pay accumulated sick leave upon staff termination.

Short Term employee benefit obligations

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

Other Long Term employee benefit obligations

Liabilities arising which the entity does not expect the obligations to be wholly settled within twelve months from the end of the reporting period are classified as long term benefits.

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

Employee entitlements for which the TAC has an unconditional right to defer settlement of the liability beyond twelve months after the reporting date are shown as a non-current liability. This is measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

Termination Benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The TAC recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than twelve months after the end of the reporting period are discounted to present value.

Defined contribution superannuation plans

Contributions to defined contribution superannuation plans are expensed when incurred.

Defined benefit superannuation plans

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

(l) Plant and equipment

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

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

Any gain or loss on disposal is recognised in the comprehensive income statement.

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

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

- Leasehold improvements, plant and equipment - 5% - 15% (2015: 5% - 15%)
- Computer equipment - 20% - 33% (2015: 20% - 33%)
- Motor vehicles under lease - 33% (2015: 33%)

(m) Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated depreciation/amortisation and accumulated impairment losses.

Costs associated with the acquisition or development of computer software are capitalised and amortised on a straight line basis over the expected useful life of the computer software. The useful lives range from 3 to 10 years (2015: 3 to 10 years). The amortisation period for an intangible asset is reviewed annually.

(n) Impairment of assets

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

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

(o) Leases

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

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

Operating lease payments are charged as an expense in the comprehensive income statement on a straight-line basis over the lease term except where another systematic basis is more representative of time pattern in which economic benefits from the leased assets are consumed.

(p) Dividends

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

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

(q) Income tax

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

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

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

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

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

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

(r) Motorcycle Road Safety Reserve

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

(s) Goods and services tax

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

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

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

(t) Commitments

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

(u) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value inclusive of GST.

(v) Events after reporting date

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the TAC and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur between the end of the reporting period and the date when the financial statements are authorised for issue, where those events provide information about conditions which existed at the reporting date. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

(w) Rounding

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

(x) Functional and presentation currency

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

(y) Correction of prior period classification error

During the financial year, the TAC discovered that equity swap income of \$49.0m for the financial year ended 30 June 2015 had incorrectly been classified as interest income as opposed to realised profit/loss on investments. The classification error has been corrected by restating each of the financial statement line items and corresponding note disclosures (Notes 5 and 22) affected for prior periods. The following tables summarise the impact on the TAC's Cash Flow Statement.

CASH FLOW STATEMENT

For the financial year ended 30 June 2015

	AS PREVIOUSLY REPORTED	ADJUSTMENTS	AS RESTATED
	\$000	\$000	\$000
Interest received	174,049	(49,041)	125,008
Others	530,332	-	530,332
Net cash inflow / (outflow) from operating activities	704,381	(49,041)	655,340
Sale of investments	8,120,448	49,041	8,169,489
Others	(9,252,929)	-	(9,252,929)
Net cash inflow / (outflow) from investing activities	(1,132,481)	49,041	(1,083,440)
Net cash outflow from financing activities	(253,150)	-	(253,150)
Net increase / (decrease) in cash and cash equivalents	(681,250)	-	(681,250)

2. ACTUARIAL ASSUMPTIONS AND METHODS

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

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

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

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

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

- Payments per claim incurred (PPCI)
- Payments per active claim (PPAC)
- Payments per claim settled (PPCS)
- Annuity based individual claim models (ICM)

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

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

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

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

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

	30 JUNE 2016	30 JUNE 2015
Average claim frequency (claims per 1000 registered vehicles)	3.66	3.63
Average claim size	\$79,306	\$74,104
- Average attendant care	\$14,903	\$14,486
- Average common law size	\$24,665	\$23,312
- Average all other payment size	\$39,738	\$36,306
Expense rate	8.5%	8.7%
Weighted average discount rate (0 to 20 years)	2.49%	3.51%
Long term discount rate (21+ years)	5.50%	5.50%
Weighted average AWE inflation rate (0 to 20 years)	3.48%	3.50%
Long term AWE inflation rate (21+ years)	3.75%	3.75%
Weighted average CPI inflation rate (0 to 20 years)	2.50%	2.50%
Long term CPI inflation rate (21+ years)	2.50%	2.50%
Average weighted term to settlement from balance date	16.3 years	15.3 years
Risk margin	10.0%	10.0%

Process used to determine assumptions

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

Average claim frequency

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

Average claims size

The average claim size is in respect of the current underwriting year and takes into account the expected payments for each payment type (e.g. attendant care, weekly, medical, impairment benefits, common law, other), as well as the proportion of total injured motorists which receive each benefit. The figures shown in the above table are in "current values" i.e. in dollars at the respective balance date before the impact of inflation to the time of payment and discounting the resultant payments back to the valuation date.

The average claim size is further broken down into two key components; the costs of attendant care and common law compensation (including legal costs) per no fault claim. This takes into account the number of injured motorists expected to access the particular compensation as well as the amount of compensation expected to be paid. For completeness, the average size of all other compensation is also shown.

Expense rate

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

- 17.2% of benefits managed by Recovery (2015: 20.9%)
- 7.1% of benefits managed by Independence (2015: 7.2%)
- 8.0% of benefits managed by Lump Sum Compensation (2015: 8.0%)

Discount rate

Discount rates adopted are "risk-free" rates, set by reference to traded Commonwealth Government securities. For years 21 onwards there are few risk free securities on issue with term to maturity beyond this point. Therefore, the long term discount rates are set with reference to historic observed discount rates, as well as the real rate of return above inflation.

Inflation

Economic inflation assumptions are set by reference to current bank and other economic forecasters.

Average weighted term to settlement

The average weighted term to settlement is calculated separately by benefit type based on historic settlement patterns. It is an outworking of the models rather than an explicit assumption and represents the average inflated and discounted term of payments in the outstanding liability from the balance date to payment.

Risk margin

A risk margin is applied to the outstanding claims liability to reflect the inherent uncertainty in the central estimate of the outstanding claims liability. The risk margin increases the probability that the claims liability is adequately provided up to a 75% probability of sufficiency. The risk margin applied at balance date was 10.0% (2015: 10.0%).

Sensitivity analysis – insurance contracts

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

VARIABLE	IMPACT OF MOVEMENT IN VARIABLE
Average attendant care size	The average attendant care size per no fault claim will vary with the number of injured motorists receiving attendant care and the amount of that compensation. The amount depends not only on the amount of care paid per year but also on the age at which motorists are injured, as many will require care for the rest of their lives. Increases or decreases in any of these components will result in a corresponding impact on claims expense. The +/- x% movement shown in the impact table below represents a x% increase or decrease in all future estimated attendant care payments included in the outstanding claims liability.
Average common law size	The average common law size per no fault claim will vary with the number of injured motorists receiving common law compensation and the amount of that compensation (including legal costs). Increases or decreases in any of these components will result in a corresponding impact on claims expense. The +/- x% movement shown in the impact table below represents a x% increase or decrease in all future estimated common law payments included in the outstanding claims liability.
Expense rate	An estimate of the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Inflation and superimposed inflation rates	Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding impact on claims expense, with particular reference to longer tail benefits.

IMPACT OF CHANGES IN KEY VARIABLES

VARIABLE	MOVEMENT	2016 NET RESULT \$000	2015 NET RESULT \$000	2016 EQUITY \$000	2015 EQUITY \$000
Recognised amounts per the financial statements		(932,740)	174,883	(1,250,620)	(186,280)
Average attendant care size	+10%	(1,356,673)	(181,844)	(1,674,553)	(543,007)
	-10%	(508,807)	531,610	(826,687)	170,447
Average common law size	+10%	(1,080,601)	40,524	(1,398,561)	(320,639)
	-10%	(784,799)	309,242	(1,102,679)	(51,921)
Expense rate	+1%	(1,022,311)	97,542	(1,340,191)	(263,621)
	-1%	(843,169)	252,224	(1,161,049)	(108,939)
Weighted average discount rate (0-20 years)	+0.5%	(430,889)	583,502	(748,769)	222,339
	-0.5%	(1,479,593)	(269,351)	(1,797,473)	(630,514)
Long term discount rate (21+ years)	+0.5%	(733,869)	333,089	(1,051,749)	(28,074)
	-0.5%	(1,156,671)	(3,374)	(1,474,551)	(364,537)
Weighted average inflation rate - AWE and CPI (0-20 years)	+0.5%	(1,476,367)	(269,458)	(1,794,247)	(630,621)
	-0.5%	(428,468)	587,699	(746,348)	226,536
Long term inflation rate - AWE and CPI (21+ years)	+0.5%	(1,164,650)	(9,683)	(1,482,530)	(370,846)
	-0.5%	(725,311)	339,860	(1,043,191)	(21,303)

3. INSURANCE CONTRACTS - RISK MANAGEMENT POLICIES AND PROCEDURES

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

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

(a) Risks arising from insurance operation and policies for mitigating those risks

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

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

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

Key aspects of the processes established to mitigate risks include:

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

(b) Terms and conditions

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

Where coverage is elected, reinsurance contracts are negotiated and entered into annually to protect the TAC against large losses.

(c) Concentration of insurance risk

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

(d) Interest rate risk

Assets or liabilities arising from insurance or, where applicable, reinsurance contracts entered into by the TAC are directly exposed to interest rate risk.

(e) Credit risk

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

4. ADMINISTRATION COSTS

	2016 \$000	2015 \$000
Staff and related	100,995	94,595
Information technology	15,432	13,326
Occupancy and utilities	8,697	8,486
Other operating costs	14,025	14,716
Depreciation and amortisation	17,543	21,785
Total	156,692	152,908
Total administration costs include the following		
Impairment of plant, equipment and intangibles	733	1,294
Operating lease rentals	7,304	7,277
Auditor-General's fees ¹	225	219
Interest on finance lease	26	18
Finance costs ²	545	282

¹ Fees are for audit of the financial report.

² Finance costs relate to the impact of changes in the discount rate on provision for employee benefits.

5. NET INVESTMENT INCOME

	2016 \$000	2015 \$000
Dividends	452,637	300,321
Interest	67,730	129,514
Changes in fair values of investments ¹		
- realised profit / (loss)	8,243	485,296
- unrealised profit / (loss)	(152,618)	290,398
Investment income	375,992	1,205,529
Investment expense ²	(37,653)	(35,395)
Net investment income ³	338,339	1,170,134

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

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

³ During the 2014/15 financial year, the VFMC undertook a significant structural change to TAC's investment portfolio whereby investments in Australian and international equities and inflation linked bonds were consolidated into VFMC trusts. This resulted in higher realised profits in 2014/15.

The TAC investment portfolio recorded a return of 2.97% for 2015/16, compared to 11.7% for the previous year, as a result of weak global growth, declining corporate earnings and falling AUD.

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

	2016			2015		
	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000	CURRENT YEAR \$000	PRIOR YEARS \$000	TOTAL \$000
Gross claims incurred						
Undiscounted	3,000,166	(1,185,152)	1,815,014	2,855,697	(1,078,554)	1,777,143
Discount movement	(1,329,962)	2,461,579	1,131,617	(1,370,394)	1,798,923	428,529
	1,670,204	1,276,427	2,946,631	1,485,303	720,369	2,205,672
Claims recoveries						
Undiscounted	(14,588)	(1,859)	(16,447)	(13,205)	(5,592)	(18,797)
Discount movement	2,608	(6,420)	(3,812)	2,937	(5,536)	(2,599)
	(11,980)	(8,279)	(20,259)	(10,268)	(11,128)	(21,396)
Net claims incurred	1,658,224	1,268,148	2,926,372	1,475,035	709,241	2,184,276

The net claims incurred of \$2,926 million (2015: \$2,184 million) is impacted by both internal and external factors as noted below:

	2016 \$M	2015 \$M
Claims incurred – internal ¹	1,658	1,598
Claims incurred – external ²	1,268	586
Total claims incurred	2,926	2,184

¹ Claims incurred – internal is \$1,658 million which is slightly higher than that for the previous year. In a maturing scheme like the TAC, claims incurred – internal would normally be expected to increase annually reflecting inflation. For 2015/16 claims experience was favourable for long term care benefits, offset in part by unfavourable experience for Victorian Common Law.

² Claims incurred – external reflects the financial impact on changes in inflation assumptions, discount rates and risk margins. In 2015/16, these external factors have had an unfavourable impact of \$1,268 million on claims liabilities, arising primarily from reductions to bond yields over the period.

7. INCOME TAX

(a) INCOME TAX RECOGNISED IN COMPREHENSIVE INCOME STATEMENT	2016 \$000	2015 \$000
Income tax expense / (benefit) comprises:		
Current tax expense / (benefit)	(325,565)	196,351
Deferred tax adjustment	(66,531)	(142,921)
Adjustment in respect of prior years	(2,789)	(6,158)
Total tax expense / (benefit)	(394,885)	47,272
Deferred tax adjustment comprises:		
(Increase) / Decrease in deferred tax assets	(35,778)	23,730
Increase in deferred tax liabilities	(30,753)	(166,651)
	(66,531)	(142,921)
(b) RECONCILIATION BETWEEN NET RESULT BEFORE TAX AND INCOME TAX EXPENSE / (BENEFIT)	2016 \$000	2015 \$000
Net profit / (loss) before tax	(1,327,625)	222,155
Tax at the statutory rate of 30% (2015 – 30%)	(398,287)	66,647
Imputation gross-up on dividends received	7,394	5,946
Franking credits and withholding tax on dividends received	(24,616)	(19,127)
Sundry items	(20,624)	(6,194)
Income tax expense / (benefit)	(394,885)	47,272
(c) DEFERRED TAX BALANCES	2016 \$000	2015 \$000
Deferred tax assets comprise:		
Carry forward tax losses	650,284	322,956
Claims handling expense included in outstanding claims	326,301	289,955
Provisions and accrued employee entitlements not currently deductible	6,845	6,146
Prepayment	2,113	2,372
Accruals not currently deductible	88	70
	985,631	621,499
Deferred tax liabilities comprise		
Unrealised gain on investments	47,555	77,527
Difference in depreciation/amortisation of plant and equipment and intangible assets for accounting and income tax purposes	1,268	2,049
	48,823	79,576
Net deferred tax assets	936,808	541,923

8. RECEIVABLES

	2016 \$000	2015 \$000
Current		
Premiums receivable ¹	16,034	16,103
Claims GST receivable ²	56,545	54,219
Claims recoveries and other debtors ³	13,269	11,926
Less: Provision for impairment	-	(175)
	13,269	11,751
Total current	85,848	82,073
Non-current		
Claims GST receivable ²	509,168	432,359
Claims recoveries and other debtors ³	63,376	56,754
Less: Provision for impairment	-	(13)
	63,376	56,741
Total non-current	572,544	489,100

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

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

³ Included within the claims recoveries and other debtors balance is \$74.333 million (2015: \$67.269 million) of actuarially determined recoveries with the remaining \$2.312 million (2015: \$1.223 million) relating to actual receivables from known counterparties which are past due as at the reporting date. The TAC has provided for impairment of these on the basis of past experience. The average age of those receivables that are past due but not impaired is less than 90 days. The TAC does not hold any collateral over these balances.

(a) Movement in provision for impairment

	2016 \$000	2015 \$000
Balance at 1 July	(188)	(272)
Increase in allowance recognised in the net result	-	-
Decrease in allowance recognised in the net result	-	84
Reversal of unused provision recognised in the net result	188	-
Balance at 30 June	-	(188)

9. INVESTMENTS

The TAC's investment activity is undertaken pursuant to the *Transport Accident Act 1986*, the *Borrowing and Investment Powers Act 1987* and the Treasurer's Prudential Statement. It is the Victorian Government's policy that all the investment assets of the TAC be managed by the Victorian Funds Management Corporation (VFMC).

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

The TAC Board is not responsible for the management or prudential supervision of the investments – the management responsibility rests with the VFMC and the prudential supervision responsibility rests with the Department of Treasury and Finance. The VFMC Board is required to certify to the DTF on an annual basis and on a semi-annual basis to the TAC, that the TAC's investment portfolio has been managed in accordance with the accepted IRMP and with the TAC's investment objectives. The TAC is responsible for the review of the contractual and service level agreements and for periodically reviewing and discussing with VFMC its investment performance against its investment objectives.

Investment performance, including comparisons to market benchmarks, is reported to the TAC Board. The Board's Risk Committee also convened during the year to review the VFMC's investment performance, discuss the investment strategy and review the implications for achieving the TAC's investment objectives.

The investment portfolio consists of a range of assets that broadly resemble: cash and nominal bonds to cover short term risk and liquidity needs; inflation linked assets that more closely match TAC's liability characteristics; and equities to provide for long term growth and other assets that provide diversification benefits across the general portfolio.

	2016 \$000	2015 \$000
Asset category		
Cash investments	391,943	422,499
Australian equities	1,477,956	1,379,903
International equities	4,216,561	4,180,533
Private equity	358,344	337,266
Inflation linked bonds	1,488,498	1,438,932
Infrastructure	660,545	573,199
Property	796,701	793,670
Diversified fixed income	1,237,865	1,282,270
Insurance	203,950	195,868
Non traditional strategies	1,027,142	907,506
Overlays ¹	3,909	7,889
Total	11,863,414	11,519,535
Cash and cash equivalents	1,360,501	1,243,689
Investments	10,502,913	10,275,846
Total	11,863,414	11,519,535

¹ The VFMC uses derivatives and other investments, including share price and bond futures, swaps and forward currency contracts, to manage exposures resulting from changes in interest rates, foreign currencies, equity price risks and exposures arising from forecast transactions. Overlays represent the unrealised gains or losses on various derivative and swap positions in interest rate, foreign currency and equity markets.

9. INVESTMENTS (CONTINUED)

	2016 \$000	2015 \$000
Current		
Investments	1,958,638	1,689,788
Derivative Liabilities	(68,218)	(85,191)
Non-current		
Investments	9,974,863	9,917,973
Derivative Liabilities	(1,869)	(3,035)
Total	11,863,414	11,519,535

TAC has uncalled capital commitments within its investments totalling \$1,240 million as at 30 June 2016 (2015: \$681.7 million), which have not been recognised on the balance sheet.

10. DEFERRED ACQUISITION COSTS

	2016 \$000	2015 \$000
Balance at 1 July	19,835	18,656
Acquisition costs incurred in the year	41,305	40,138
Amount expensed to comprehensive income statement	(40,786)	(38,959)
Balance at 30 June	20,354	19,835

Deferred acquisition costs represent premium collections fees.

11. OTHER ASSETS

	2016 \$000	2015 \$000
Current		
Prepayments and others	2,473	2,495
GST receivable	364	-
Total Current	2,837	2,495

12. PLANT AND EQUIPMENT

	2016 \$000	2015 \$000
Leasehold improvements	11,586	11,552
Accumulated depreciation	(4,130)	(3,553)
	7,456	7,999
Plant and equipment	9,807	9,511
Accumulated depreciation	(5,997)	(5,487)
	3,810	4,024
Motor vehicles under lease	2,559	2,385
Accumulated depreciation	(626)	(618)
	1,933	1,767
Balance at fair value at 30 June	13,199	13,790

(a) Reconciliation of carrying amount

MOVEMENTS IN CARRYING AMOUNTS	LEASEHOLD IMPROVEMENTS \$000	PLANT & EQUIPMENT \$000	MOTOR VEHICLES \$000	TOTAL \$000
Balance at 1 July 2014	8,576	4,911	1,793	15,280
Additions	-	512	1,205	1,717
Disposals	-	(9)	(655)	(664)
Impairment loss	-	-	-	-
Depreciation expense	(577)	(1,390)	(576)	(2,543)
Balance at 30 June 2015	7,999	4,024	1,767	13,790
Additions	34	889	1,347	2,270
Disposals	-	(3)	(633)	(636)
Impairment loss	-	-	-	-
Depreciation expense	(577)	(1,100)	(548)	(2,225)
Balance at 30 June 2016	7,456	3,810	1,933	13,199

(b) Measurement of fair value

(i) Fair Value hierarchy

Leasehold Improvements and plant and equipment are held at fair value using the depreciated replacement cost method. The inputs used in the valuation include cost of assets, accumulated depreciation and impairment in value in accordance with Note 1(l).

On average the useful life is 20 years for leasehold improvements and 3 – 7 years for plant and equipment with the majority of the assets located in Geelong. The assets are in optimum working condition.

There were no changes in valuation techniques during the year.

FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING

	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
30 June 2016				
Leasehold improvements	-	-	7,456	7,456
Plant and equipment	-	-	3,810	3,810
Total at fair value	-	-	11,266	11,266
30 June 2015				
Leasehold improvements	-	-	7,999	7,999
Plant and equipment	-	-	4,024	4,024
Total at fair value	-	-	12,023	12,023

The significant unobservable input to Level 3 valuations is the useful life of the leasehold improvements and plant and equipment. A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

(ii) Level 3 fair values

The following table shows the reconciliation from the opening balances to the closing balances for Level 3 fair values.

	TOTAL LEVEL 3 \$000
Balance at beginning of the year	12,023
Profit recognised in the comprehensive income statement	
Depreciation	(1,677)
Sales	(3)
Purchases	923
Closing Balance	11,266
Unrealised gains/(losses) for assets held at the end of the period	-

13. INTANGIBLES

	2016 \$000	2015 \$000
Computer software		
At cost	140,635	129,328
Less: Accumulated amortisation	(99,276)	(84,325)
Balance at 30 June	41,359	45,003
Movements in carrying amounts		
Balance at 1 July	45,003	57,148
Additions	12,407	8,391
Write down of intangibles	(733)	(1,294)
Current year amortisation	(15,318)	(19,242)
Balance at 30 June	41,359	45,003

14. PAYABLES

	2016 \$000	2015 \$000
Current		
Advance premiums ¹	32,838	32,038
GST Payable	-	668
Other creditors and accruals ²	66,347	65,570
Total Current	99,185	98,276

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

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

15. OUTSTANDING CLAIMS

(a) Outstanding claims liability

Outstanding claims liability as at 30 June 2016 has been determined by the Directors after appropriate consideration of the actuarial advice provided by an independent actuarial firm, PricewaterhouseCoopers Actuarial Pty Ltd.

	2016 \$000	2015 \$000
Expected future claims payments (undiscounted)	27,831,736	27,212,965
Discount to present value	(16,124,872)	(17,101,464)
	11,706,864	10,111,501
Claims handling expenses	988,790	878,652
	12,695,654	10,990,153
Risk margin	1,205,561	1,043,631
Outstanding claims liability	13,901,215	12,033,784
Current	1,180,079	1,138,134
Non-current	12,721,136	10,895,650
Outstanding claims liability	13,901,215	12,033,784

(b) Risk margin

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

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

The assumptions regarding uncertainty were applied to the central estimates in order to arrive at an overall provision that allows for a 75% probability of sufficiency in meeting the actual amount of liability to which it relates. The risk margin applied at balance date was 10.0% (2015: 10.0%).

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

	2016			2015		
	GROSS \$000	RECOVERIES \$000	NET \$000	GROSS \$000	RECOVERIES \$000	NET \$000
Outstanding claims brought forward	12,033,784	(553,847)	11,479,937	10,848,404	(491,471)	10,356,933
Effect of changes in economic assumptions	1,241,902	(4,098)	1,237,804	583,914	(2,227)	581,687
Effect of past inflation rate different to assumptions	(40,404)	474	(39,930)	(35,231)	791	(34,440)
Effect of changes in other assumptions	(158,742)	(2,639)	(161,381)	(62,945)	(7,519)	(70,464)
Increase in claims incurred/ recoveries in current accident year	1,670,204	(11,980)	1,658,224	1,485,303	(10,266)	1,475,037
Release of risk margin and claims handling expenses	(203,131)	-	(203,131)	(197,033)	-	(197,033)
Cost of prior year claims moving one year closer to payment	436,802	(2,016)	434,786	431,664	(2,175)	429,489
Included claims recognised in the comprehensive income statement	2,946,631	(20,259)	2,926,372	2,205,672	(21,396)	2,184,276
Claims payments and recoveries during the year	(1,158,335)	13,195	(1,145,140)	(1,077,331)	16,059	(1,061,272)
Increase in provision for GST credits	79,135	(79,135)	-	57,039	(57,039)	-
Outstanding claims carried forward	13,901,215	(640,046)	13,261,169	12,033,784	(553,847)	11,479,937

(d) **Claims development table**

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

ACCIDENT YEAR	2007 \$000	2008 \$000	2009 \$000	2010 \$000	2011 \$000	2012 \$000	2013 \$000	2014 \$000	2015 \$000	2016 \$000	TOTAL \$000
Estimate of ultimate claims costs:											
At end of accident year	1,924,878	2,103,279	1,902,683	1,868,977	2,095,677	2,190,740	2,375,635	2,770,542	2,582,261	2,725,521	
One year later	1,896,843	1,818,182	1,870,243	1,822,545	2,122,859	2,089,306	2,643,268	2,368,520	2,577,731		
Two years later	1,964,435	1,787,095	1,980,985	2,048,727	2,179,206	1,973,791	2,410,547	2,245,457			
Three years later	1,925,678	1,789,816	2,091,361	1,972,760	2,280,844	2,046,791	2,314,780				
Four years later	1,925,684	1,761,781	1,917,496	2,196,216	2,281,185	1,996,622					
Five years later	1,820,379	1,821,568	2,106,249	2,402,436	2,234,721						
Six years later	1,952,761	1,902,933	2,077,367	2,229,752							
Seven years later	2,000,101	1,909,672	2,026,409								
Eight years later	1,942,290	1,834,636									
Nine years later	1,924,605										
Current estimate of cumulative claims costs	1,924,605	1,834,636	2,026,409	2,229,752	2,234,721	1,996,622	2,314,780	2,245,457	2,577,731	2,725,521	22,110,234
Cumulative payments	(767,355)	(737,413)	(763,361)	(697,010)	(697,134)	(673,635)	(571,348)	(423,952)	(315,442)	(190,339)	(5,836,989)
Outstanding claims - undiscounted	1,157,250	1,097,223	1,263,048	1,532,742	1,537,587	1,322,987	1,743,432	1,821,505	2,262,289	2,535,182	16,273,245
Discount											(9,410,890)
2006 and prior claims											5,410,024
Claims handling expenses											988,790
Recoveries and GST credits											640,046
Outstanding claims per balance sheet											13,901,215

16. UNEARNED PREMIUMS

	2016 \$000	2015 \$000
Balance at 1 July	804,266	759,978
Deferral of premium written in the year	828,888	804,266
Earning of premium written in previous year	(804,266)	(759,978)
Balance at 30 June	828,888	804,266

17. PROVISIONS

	2016 \$000	2015 \$000
Current		
Employee benefits ¹	17,068	14,185
Total current	17,068	14,185
Non-current		
Employee benefits	3,841	4,326
Total non-current	3,841	4,326
¹ Entitlements expected to be settled:		
- within 12 months of reporting date	7,599	6,984
- beyond 12 months of reporting date	9,469	7,201
Total	17,068	14,185

(a) Movement in provision

	EMPLOYEE BENEFITS ¹ \$000	TOTAL \$000
Balance at the beginning of the year	18,511	18,511
Additional provision recognised	10,683	10,683
Reduction arising from payments	(8,830)	(8,830)
Unwind of discount and effect of changes in the discount rate	545	545
Balance at 30 June 2016	20,909	20,909

¹The provisions for employee benefits consist of annual leave, long service leave entitlements and deferred salary, including on costs.

18. COMMITMENTS

	2016 \$000	2015 \$000
(a) Administrative expenditure ¹		
Estimated administrative expenditure contracted at balance date, but not provided for:		
- not later than one year	142,787	132,712
- later than one year but not later than five years	502,087	568,637
- later than five years	244,483	280,907
	889,357	982,256
(b) Operating leases ²		
Minimum lease payments:		
- not later than one year	7,837	7,576
- later than one year but not later than five years	34,189	33,033
- later than five years	78,231	87,224
	120,257	127,833
(c) Finance leases		
- not later than one year	936	905
- later than one year but not later than five years	1,057	978
Total minimum lease payments	1,993	1,883
- future finance charges	(84)	(94)
Lease liability ³	1,909	1,789
- current liability	878	840
- non-current liability	1,031	949
	1,909	1,789

¹ Included in the administrative expenditure is a total amount of approximately \$849 million (nominal) of commitments by the TAC to provide funding for major road safety infrastructure programs (SSRIP) in Victoria (2015: \$908 million (nominal)). The programs are aimed at reducing the incidence of serious casualty crashes and road trauma and are expected to result in lower TAC claims costs.

As part of Victoria's Road Safety Strategy & Action Plan it was announced that TAC will fund a further \$426.6 million (nominal) in infrastructure projects. This has not been recognised as a commitment at this time and will be reported in due course once funding agreements are finalised.

² Operating leases relate to TAC premises. The TAC does not have an option to purchase the leased asset at the expiry of the lease period.

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

19. EMPLOYEE SUPERANNUATION

Superannuation is provided for employees via the following superannuation funds:

	2016 \$000	2015 \$000
Emergency Services Superannuation Scheme - Revised and New Scheme ¹	314	367
Victorian Superannuation Fund - VicSuper Scheme	4,692	4,675
Private sector complying funds	2,682	2,321
Total	7,688	7,363

¹These schemes are defined benefit superannuation plans.

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

The basis of superannuation contributions is based on the relevant rules of each plan. At 30 June 2016, contributions outstanding were \$nil (2015: \$nil).

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

20. RESPONSIBLE PERSON RELATED DISCLOSURES

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, the responsible persons who held office during the financial year were:

Responsible Ministers:

Honourable Robin Scott MP, Minister for Finance

Honourable Luke Donnellan MP, Minister for Roads and Road Safety

Directors:

Mr John Walter (Chair)

Ms Deborah Hallmark (end of term 2 July 2016)

Dr Tien Kieu (appointed 1 September 2015)

Mr Paul Kirk

Dr Rob Nethercote

Ms Sue O'Connor

Ms Sonia Petering (end of term 2 July 2016)

Mr Colin Radford (appointed 1 September 2015)

Chief Executive Officer:

Ms Janet Dore¹

Mr Joe Calafiore

¹ Ms Janet Dore ended her term as Chief Executive Officer on 2 August 2015 and Mr Joe Calafiore was appointed as the new Chief Executive Officer effective 3 August 2015

(a) Remuneration of responsible persons

	2016 \$000	2015 \$000
Total remuneration received or receivable by responsible persons ¹	1,258	933

The number of responsible persons of the TAC whose remuneration falls within the following bands were:

INCOME BAND	2016 \$000	2015 \$000
\$30,000 – \$39,999	–	3
\$40,000 – \$49,999	2	–
\$50,000 – \$59,999	5	4
\$120,000 – \$129,999	–	1
\$130,000 – \$139,999	1	–
\$310,000 – \$319,999	1	–
\$420,000 – 429,999	1	–
\$470,000 – \$479,999	–	1

¹Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet. For more information regarding related transactions of ministers, the register of members' interest is publicly available from www.parliament.vic.gov.au/publications/register-of-interests.

The Australian Accounting Standards Board has extended the scope of *AASB 124 Related Party Disclosures* to include not-for-profit public sector entities from 1 July 2016. The amendments made to AASB 124 provide clarification of key management personnel (KMP) in the public sector context and this has resulted in the identification of the portfolio ministers as a KMP and the remaining Cabinet ministers as related parties for for-profit public sector entities which is a change from previous disclosures.

TAC has prepared the related party disclosures for the year based on reasonable enquiries made by management in relation to the portfolio ministers and their related parties and the information available to the organisation.

(b) Related party transactions

Mr Paul Kirk and Mr John Walter were directors of the Victorian WorkCover Authority (WorkSafe), which is entitled to recover from the TAC under the *Accident Compensation Act 1985*, all compensation payable under the WorkCover scheme for injury in a transport accident during the course of work. The TAC also makes payments for the annual Workplace Injury Insurance premium to WorkSafe.

The TAC and WorkSafe reimbursed each other for the cost of external services acquired jointly, and internal services provided to each other, in relation to collaborative initiatives between WorkSafe and the TAC. In addition, the TAC received payments from WorkSafe for the management of WorkSafe claims of injured workers with catastrophic injuries.

The aggregate amounts in respect of the above transactions with responsible person-related entity were:

	2016 \$000	2015 \$000
Claim compensation paid	(77,600)	(79,340)
Workplace Injury Insurance premium paid	(653)	(578)
Cost reimbursement received and receivable	6,404	5,558
Cost reimbursement paid and payable	(9,302)	(7,386)
Management of catastrophic claims	1,730	1,767

Transactions with responsible person-related entities are made on normal commercial terms and conditions. Conflicts of interest are overcome where warranted, by Directors declaring their interests and abstaining from voting at the TAC's Board meetings.

The spouse of Mr John Walter is a Board member of the Victorian Funds Management Corporation (VFMC). It is the Victorian Government's policy that all the investment assets of the TAC be managed by the VFMC to which TAC agrees to pay a base and performance fee as endorsed by DTF for all VFMC mandated clients. During 2015/16, the total investment fees incurred to VFMC amounted to \$37.7 million (2015: \$35.4 million).

(c) Other transactions

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

21. REMUNERATION OF EXECUTIVE OFFICERS AND PAYMENTS TO OTHER PERSONNEL

(a) Remuneration of executives

The remuneration of executive officers, being operational key management personnel of the TAC, is set out below.

	2016 \$000	2015 \$000
Short-term employee benefits	1,416	1,589
Post-employment benefits	95	109
Other long-term employee benefits	-	-
Termination benefits	92	91
Total	1,603	1,789

The number of executive officers of the TAC, excluding the Chief Executive Officer is shown in the table below. Base remuneration is exclusive of bonus, long service leave and redundancy payments.

The executive numbers vary from year to year due to the timing of appointments, resignations, and the composition of the executive officers.

Income band	BASE REMUNERATION		TOTAL REMUNERATION	
	2016 NO.	2015 NO.	2016 NO.	2015 NO.
less than \$100,000	4	4	3	4
\$150,000 - \$159,999	-	1	1	1
\$160,000 - \$169,999	-	1	-	-
\$200,000 - \$209,999	-	1	-	-
\$220,000 - \$229,999	-	-	-	1
\$240,000 - \$249,999	1	-	-	-
\$250,000 - \$259,999	-	-	-	1
\$260,000 - \$269,999	-	-	1	-
\$280,000 - \$289,999	-	1	-	-
\$290,000 - \$299,999	1	1	-	-
\$300,000 - \$309,999	1	1	-	-
\$310,000 - \$319,999	1	-	-	-
\$330,000 - \$339,999	-	-	2	2
\$340,000 - \$349,999	-	-	-	1
\$350,000 - \$359,999	-	-	1	-
Total Number	8	10	8	10
Total annualised employee equivalent ¹	4.5	5.0	4.5	5.0
Total amount (\$000)	1,368	1,525	1,603	1,789

¹Annualised employee equivalent is based on working 38 ordinary hours per week over the reporting period

Executives within the collaborative initiatives of TAC and Victorian WorkCover Authority are shared between the two organisations. TAC's share of executives employed by Victorian WorkCover Authority in the collaborative initiatives is included within Note 21(b) payments to other personnel.

(b) Payments to other personnel

The number of payments to other personnel charged with significant management responsibilities is disclosed in the table below, within the \$10,000 expense band. These other personnel are responsible for planning, directing or controlling, directly or indirectly, the entity's activities.

EXPENSE BAND	2016 NO.	2015 NO.
less than \$100,000	-	1
\$120,000 - \$129,999	1	-
Total number	1	1
Total expenses exclusive of GST (\$000)	127	8

22. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

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

	2016 \$000	2015 \$000
Cash and cash equivalents (bank)	39,923	34,592
Cash equivalents (investments)	1,360,501	1,243,689
Total	1,400,424	1,278,281

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

	2016 \$000	2015 \$000
Net result for the year	(932,740)	174,883
Depreciation and amortisation	17,543	21,785
Impairment of plant, equipment and intangibles	733	1,294
Finance costs	545	282
Realised profit on sale of investments	(8,243)	(485,296)
Unrealised loss / (profit) on investments	152,618	(290,398)
Loss / (profit) on sale of plant and equipment	(37)	(171)
Repayment of capital	78,000	-
Changes in assets and liabilities		
Increase / (decrease) in outstanding claims	1,867,431	1,185,380
Increase / (decrease) in unearned premiums	24,622	44,288
Decrease / (increase) in receivables and other assets	(84,581)	(60,233)
Increase / (decrease) in creditors and provisions	2,882	16,254
Decrease / (increase) in net deferred tax balances	(394,885)	47,272
Net cash inflow / (outflow) from operating activities	723,888	655,340

23. FINANCIAL INSTRUMENTS

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

Market risk

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

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

For the sensitivity analysis of each type of market risk, the percentage change used for each of the variables has been determined by the TAC as at 30 June 2016 and 30 June 2015, in consultation with VFMC.

(a) Interest rate risk

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

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

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

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

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

	VARIABLE INTEREST RATE \$000	FIXED MATURITY DATES				NON INTEREST BEARING \$000	TOTAL VALUE \$000
		3 MONTHS OR LESS \$000	4 TO 12 MONTHS \$000	1 TO 5 YEARS \$000	OVER 5 YEARS \$000		
2016							
Financial assets							
Cash and cash equivalents	39,923	-	-	-	-	-	39,923
Investments:							
- derivative assets	178,654	-	-	-	-	67,637	246,291
- other investments	262,645	1,171,065	26,939	342,916	263,105	9,620,540	11,687,210
Other assets	-	-	-	-	-	2,312	2,312
	481,222	1,171,065	26,939	342,916	263,105	9,690,489	11,975,736
Financial liabilities							
Payables	-	-	-	-	-	66,347	66,347
Derivative liabilities	25,364	-	-	-	-	44,723	70,087
Other liabilities	-	220	658	1,031	-	-	1,909
	25,364	220	658	1,031	-	111,070	138,343
Net financial assets	455,858	1,170,845	26,281	341,885	263,105	9,579,419	11,837,393

	VARIABLE INTEREST RATE \$000	FIXED MATURITY DATES				NON INTEREST BEARING \$000	TOTAL VALUE \$000
		3 MONTHS OR LESS \$000	4 TO 12 MONTHS \$000	1 TO 5 YEARS \$000	OVER 5 YEARS \$000		
2015							
Financial assets							
Cash and cash equivalents	34,592	-	-	-	-	-	34,592
Investments:							
- derivative assets	99,700	-	-	-	-	25,712	125,412
- other investments	336,503	1,105,470	36,610	330,070	304,395	9,369,301	11,482,349
Other assets	-	-	-	-	-	1,411	1,411
	470,795	1,105,470	36,610	330,070	304,395	9,396,424	11,643,764
Financial liabilities							
Payables	-	-	-	-	-	65,570	65,570
Derivative liabilities	33,377	-	-	-	-	54,849	88,226
Other liabilities	-	210	630	949	-	-	1,789
	33,377	210	630	949	-	120,419	155,585
Net financial assets	437,418	1,105,260	35,980	329,121	304,395	9,276,005	11,488,179

RECONCILIATION OF NET FINANCIAL ASSETS TO NET ASSETS

	2016 \$000	2015 \$000
Net financial assets as above	11,837,393	11,488,179
Non-financial assets and liabilities:		
- Other receivable	656,080	569,762
- Deferred acquisition costs	20,354	19,835
- Other assets	2,837	2,495
- Controlled Entity	25,200	22,000
- Plant and equipment	13,199	13,790
- Intangibles	41,359	45,003
- Deferred tax assets	936,808	541,923
- Outstanding claims	(13,901,215)	(12,033,784)
- Unearned premiums	(828,888)	(804,266)
- Other payables	(32,838)	(32,706)
- Provisions	(20,909)	(18,511)
Net assets per balance sheet	(1,250,620)	(186,280)

Interest rate sensitivity

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

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

	2016 \$000	2015 \$000
Impact on profit and equity of a 0.5% increase in interest rates:		
- Before impact of interest rate derivatives	(11,747)	(11,818)
- Impact of interest rate derivatives	(3,035)	6,532
- After impact of interest rate derivatives	(14,782)	(5,286)
Impact on profit and equity of a 0.5% decrease in interest rates:		
- Before impact of interest rate derivatives	11,755	11,826
- Impact of interest rate derivatives	3,036	2,861
- After impact of interest rate derivatives	14,791	14,687

(b) Foreign currency risk

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

VFMC limits foreign exchange risk through the use of forward currency contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The proportion of foreign exchange risk which is hedged is reviewed regularly to ensure that the net exposure is maintained at a level which is consistent with the overall investment objectives.

The foreign exchange risk disclosures have been prepared on the basis of the TAC's direct investment and not on a look-through basis for investments held indirectly through unit trusts. Consequently the disclosure of currency risk in the note may not represent the true currency risk profile of the TAC where the unit trust has significant investments in other trusts which also have exposure to the currency markets.

The table below summarises the TAC's exposure to foreign exchange risk:

	INVESTMENT IN FOREIGN CURRENCY		FORWARD CONTRACT COVER		NET EXPOSURE	
	2016 \$000	2015 \$000	2016 \$000	2015 \$000	2016 \$000	2015 \$000
- Australian Dollar	10,317,709	10,147,710	2,867,404	2,527,818	13,185,113	12,675,528
- United States Dollar	1,490,753	1,360,881	(1,856,346)	(1,629,556)	(365,593)	(268,675)
- British Pound	368	(247)	(163,329)	(156,489)	(162,961)	(156,736)
- Euro Dollar	22,658	25,639	(422,408)	(342,916)	(399,750)	(317,277)
- Japanese Yen	(855)	720	(183,811)	(173,639)	(184,666)	(172,919)
- Other currencies	11,117	11,871	(219,846)	(252,257)	(208,729)	(240,386)
Total investments					11,863,414	11,519,535

Foreign currency sensitivity

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

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

The sensitivity analysis includes foreign currency denominated investments items and adjusts their translation at the period end for a 10% change in the value of the Australian dollar relative to foreign currency.

	2016 \$000	2015 \$000
Impact on profit and equity of a 10% increase in foreign exchange rates:		
- Before impact of foreign exchange derivatives	(96,984)	(89,019)
- Impact of foreign exchange derivatives	181,093	162,582
- After impact of foreign exchange derivatives	84,109	73,563
Impact on profit or equity of a 10% decrease in foreign exchange rates:		
- Before impact of foreign exchange derivatives	118,537	108,801
- Impact of foreign exchange derivatives	(221,335)	(198,711)
- After impact of foreign exchange derivatives	(102,798)	(89,910)

(c) Other price risk

The TAC is exposed to equity price risk arising from equity investments (both within Australian markets and overseas, refer to note 9). Equity investments are held for strategic rather than trading purposes.

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

Equity price sensitivity

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

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

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

	2016 \$000	2015 \$000
Impact on profit and equity of a 10% increase in equity prices:		
- listed equities	15,807	10,459
- unlisted equities - Australian	588,285	573,287
- unlisted equities - overseas	50,197	58,000
	654,289	641,746
Impact on profit and equity of a 10% decrease in equity prices:		
- listed equities	(15,807)	(10,459)
- unlisted equities - Australian	(588,285)	(573,287)
- unlisted equities - overseas	(50,197)	(58,000)
	(654,289)	(641,746)

Credit risk

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

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

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

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

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

Concentrations of credit risk

VFMC manages credit risk by diversifying the exposure amount with particular issuers and counterparties. The TAC does not have any significant concentration of credit risk on an industry, regional or country basis. The investment strategy for the TAC is to ensure a diversified portfolio. The table below provides information regarding credit risk exposure of the TAC by classifying assets according to VFMC's credit ratings of counterparties:

2016	INVESTMENT GRADE ¹ \$000	NON-INVESTMENT GRADE ² \$000	TOTAL \$000
Financial assets at fair value through comprehensive income statement			
Cash and cash equivalents	39,923	-	39,923
Cash equivalents (investments)	1,360,501	-	1,360,501
Debt securities	670,832	43,756	714,588
Derivative Assets	-	246,291	246,291
Other assets	-	2,312	2,312
Total	2,071,256	292,359	2,363,615

2015			
Financial assets at fair value through comprehensive income statement			
Cash and cash equivalents	34,592	-	34,592
Cash equivalents (investments)	1,243,689	-	1,243,689
Debt securities	793,708	72,660	866,368
Derivative Assets	-	125,412	125,412
Other assets	-	1,411	1,411
Total	2,071,989	199,483	2,271,472

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

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

Liquidity risk

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

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

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

2016	LESS THAN 3 MONTHS \$000	4-12 MONTHS \$000	1 - 5 YEARS \$000	5 + YEARS \$000	TOTAL \$000
Financial liabilities					
Other creditors and accruals	66,347	-	-	-	66,347
Finance lease liabilities	220	658	1,031	-	1,909
Derivative liabilities	54,161	14,057	1,869	-	70,087
Total	120,728	14,715	2,900	-	138,343

2015

Financial liabilities					
Other creditors and accruals	65,570	-	-	-	65,570
Finance lease liabilities	210	630	949	-	1,789
Derivative liabilities	70,466	14,725	2,964	71	88,226
Total	136,246	15,355	3,913	71	155,585

The table above includes only the liquidity analysis in relation to contractual (as opposed to statutory) financial liabilities. While the liability for outstanding claims is the most significant liability for which payments will need to be made in the future, these do not meet the definition of a financial liability. The average term to settlement from injury date for claims liabilities is 16.3 years (2015: 15.3 years).

Offsetting financial assets and financial liabilities

The following table identifies financial assets and liabilities which have been offset in the balance sheet in accordance with AASB 132 *Financial Instruments: Presentation* and those which have not been offset in the balance sheet but are subject to enforceable master netting agreements (or similar arrangements) with trading counterparties.

Financial assets and financial liabilities subject of offsetting arrangements:

2016	GROSS AND NET AMOUNT INCLUDED IN BALANCE SHEET \$000	RELATED AMOUNT NOT SET OFF IN BALANCE SHEET \$000	NET AMOUNT \$000
Derivative assets	246,291	(64,235)	182,056
Derivative liabilities	(70,087)	64,235	(5,852)
Total	176,204	-	176,204

2015

Derivative assets	125,412	(40,328)	85,084
Derivative liabilities	(88,226)	40,328	(47,898)
Total	37,186	-	37,186

Fair Value

The TAC uses various methods in estimating the fair value of a financial instrument. The fair value of the financial assets and liabilities reflects the amount at which the instrument could be exchanged in an orderly transaction between market participants at the measurement date.

The following tables illustrate the level in the fair value hierarchy in which fair value measurements are categorised for financial assets.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observables for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING

30 JUNE 2016	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
Cash and cash equivalents	39,923	-	-	39,923
Investments				
Cash investments	285,131	106,812	-	391,943
Australian equities	81,975	1,395,981	-	1,477,956
International equities	843,719	3,372,842	-	4,216,561
Private equity	72,425	213,242	72,677	358,344
Inflation linked bonds	85	1,488,413	-	1,488,498
Infrastructure	-	3,268	657,277	660,545
Property	6,355	246	790,100	796,701
Diversified fixed income	(58,232)	1,226,810	69,287	1,237,865
Insurance	-	(253)	204,203	203,950
Non traditional strategies	555,314	124,278	347,550	1,027,142
Overlays	4,218	(309)	-	3,909
Other assets	2,312	-	-	2,312
Payables	(66,347)	-	-	(66,347)
Other liabilities	(1,909)	-	-	(1,909)
Net financial assets	1,764,969	7,931,330	2,141,094	11,837,393

FAIR VALUE MEASUREMENT AT END OF THE REPORTING PERIOD USING

30 JUNE 2015	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	TOTAL \$000
Cash and cash equivalents	34,592	-	-	34,592
Investments				
Cash investments	326,138	96,361	-	422,499
Australian equities	41,706	1,338,180	17	1,379,903
International equities	677,716	3,502,817	-	4,180,533
Private equity	72,264	198,792	66,210	337,266
Inflation linked bonds	35,682	1,403,250	-	1,438,932
Infrastructure	-	27,838	545,361	573,199
Property	7,104	(633)	787,199	793,670
Diversified fixed income	12,213	1,207,341	62,716	1,282,270
Insurance	2	(1,933)	197,799	195,868
Non traditional strategies	402,414	123,085	382,007	907,506
Overlays	4,565	3,324	-	7,889
Other assets	1,411	-	-	1,411
Payables	(65,570)	-	-	(65,570)
Other liabilities	(1,789)	-	-	(1,789)
Net financial assets	1,548,448	7,898,422	2,041,309	11,488,179

Transfers between categories

During the year, there have been no transfers between levels.

Reconciliation of Level 3 fair value movements

The following table presents the changes in Level 3 instruments (financial assets) for the year ended 30 June 2016.

	TOTAL LEVEL 3 \$000
Balance at beginning of the year	2,041,309
Gain/(loss) recognised in the comprehensive income statement	15,343
Sales	(276,175)
Purchases	360,617
Transfer in to Level 3	-
Transfer out of Level 3	-
Closing Balance	2,141,094
Total gains for the period included in profit or loss for assets held at the end of the period	85,636

The investments managed by VFMC on behalf of the TAC include unlisted investments. These unlisted investments are not traded in an active market, and hence their fair value at reporting date is based on the price advised by fund managers or valuations determined by appropriately skilled independent third parties.

Where valuation techniques including discounted cash flows, multiples based analysis, comparison with similar transactions and other techniques considered appropriate in the circumstances have been employed in pricing or valuing investments, the valuations are inherently subject to estimation uncertainty. Given this inherent subjectivity, the underlying inputs and assumptions are reviewed on an ongoing basis to ensure the valuations reflect the best estimates of the economic conditions at reporting date.

The value of such investments is set out in the following table:

INVESTMENT CLASSES	2016 \$000	2015 \$000
Infrastructure	657,277	545,361
Private Equity	72,677	66,210
Property	790,100	787,199
Insurance	204,203	197,799
Diversified Fixed Income	69,287	62,716
Non Traditional Strategies	347,550	382,007
	2,141,094	2,041,292

It is reasonably possible that outcomes within the next financial year would be different from the assumptions used in the current valuation models and a material adjustment to the carrying amounts of the related investments could be required.

The disclosures below provide details of the inputs and assumptions used in the current valuation models. Further detailed information has been provided where available. A majority of these investments are held via third party pooled investment vehicles, and as such the TAC is not privy to the detailed assumptions or valuation techniques used to value the underlying investment assets. The TAC is reliant on third parties for these valuations and the quantitative information regarding significant unobservable inputs used in the fair value measurement cannot be assessed.

Infrastructure Investments

Infrastructure investments comprise both domestic and international exposures to transport, social, energy and other infrastructure assets.

The valuations of unlisted infrastructure investments are based primarily on the discounted cash flow methodology. Key inputs and assumptions which are subject to estimation uncertainty include the choice of risk free discount rates, risk premium, asset utilisation rates, capital expenditure and operating cost forecasts and other estimated future cash flows dependent on the longer term general economic forecasts and the forecast performance of applicable underlying assets (including, for example, gearing level forecasts, expected foreign taxation rates, long term retail price indices, counter party risks and group taxation relief).

Private Equity Investments

Private Equity Investments comprise both domestic and international exposures to venture capital, buyout, special situations and expansion capital sectors. The investments include externally managed unlisted pooled vehicles and trusts.

The valuations of unlisted private equity investments are primarily based on multiples of earnings, discounted cash flow, market equivalents and other market accepted methodologies. Assumptions which may be subject to estimation uncertainty would include the identification of appropriate comparables, estimated future profits, risk free rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

Property Investments

Property investments comprise externally managed unlisted property trusts with exposure to domestic and international commercial, industrial, retail and development property market.

The valuations of unlisted property investments are primarily based on discounted cash flow, capitalisation and direct comparison methodologies. Assumptions which may be subject to estimation uncertainty would include the identification of appropriate comparables, estimated future profits, risk free rate, risk premium, estimated future cash flows and future economic and regulatory conditions.

Insurance Investments

The valuation of insurance investments is primarily based on a discounted cash flow methodology. The portfolio of US life insurance policies is valued by an independent valuer using the actuarial asset share method. The actuarial asset share method is based on the assumptions of probabilities of insured's mortality and premium payments on the valuation date. Other assumptions and interdependencies in the valuation model include weighted average discount rate applied to the portfolio of 16.16% (2015: 16.4%), life expectancy estimates obtained from qualified providers and expected premium payments based on "back solving" premiums' optimisation method.

An increase in the weighted average discount rate would decrease the value of the insurance investments. Reductions would result in an increase to the fair value.

An increase in the life expectancy estimates would decrease the value of the insurance investments. Reductions would result in an increase to the fair value.

Diversified Fixed Income Investments

Diversified fixed income investments comprise of investments in government, government-related, corporate and securitised bonds, loans and other debt instruments, primarily from Australian issuers but with some limited exposure to international issuers, and fixed interest and currency instruments through externally managed unlisted pooled vehicles and segregated portfolios.

The valuation of diversified fixed income investments are primarily provided by third party pricing servicers, which source prices from brokers and market makers. For less liquid securities, valuations are based on valuation methodologies determined to be appropriate by the manager or their independent valuation agent. Such methodologies applied may include discounted cash flow, amortised cost, direct comparison and others.

Assumptions which may be subject to estimation uncertainty would include appropriate credit spread and other risk premium, future risk free rate, future cash flows, identification of appropriate comparables, future economic and regulatory conditions.

Non Traditional Strategies Investments

The non traditional strategies investments comprise investments in hedge funds and other non traditional investments that do not fit within the definition of other asset classes but which provide diversification benefits to the total portfolio. Investments are made through externally managed unlisted pool vehicles.

The valuation of non traditional strategies investments are primarily based on prices quoted on an exchange or traded in a dealer market. For less liquid securities, valuation methodologies are set out by each manager. Depending on the investment, the methodologies applied include discounted cash flow, amortised cost, direct comparison and other market accepted methodologies. The investment manager may choose to appoint independent valuation agents to seek independent price verification.

Assumptions which may be subject to estimation uncertainty would include appropriate credit spread and other risk premium, future risk free rate, future cash flows, identification of appropriate comparables, future economic and regulatory conditions.

Capital management strategy

Capital maintained by the TAC is an integral part of managing the uncertainties impacting on the value of outstanding claims liabilities and returns from its investment portfolio. Consistent with the outcome of the State Government review, the TAC has adopted a target funding level of 100%, being the midpoint of a preferred funding level range of 80-120%. It is expected that from time to time the TAC's actual funding ratio will be outside that preferred funding range. In such circumstances, corrective action may be recommended to transition the actual funding range to the preferred funding level over time.

The TAC will seek to continually aim towards the target funding ratio of 100% over rolling five-year periods. Where funding ratio exceeded 120%, 'special' dividends may be payable in addition to the ordinary dividend, or other options such as increasing benefits or reducing premiums may be considered.

24. CONTROLLED ENTITY

	2016 \$000	2015 \$000
Non current		
Controlled entity	25,200	22,000
Balance at 30 June	25,200	22,000

Residential Independence Pty Ltd (RIPL) as trustee for the Residential Independence Trust (RIT) is a controlled entity of the TAC which is wholly owned by the TAC. The RIT was established on 1 February 2011. The RIPL was incorporated in Victoria, Australia on 21 December 2010 and its principal activity is to establish a portfolio of residential property configured so that the accommodation is suitable for TAC's seriously injured clients. The financial statements of RIPL have not been consolidated in the preparation of the financial report of the TAC as the financial impact of consolidation is considered not material. The valuation included in the financial statements is the cost of the units held as at 30 June 2016 by the TAC which are 25,200,000 ordinary units issued at \$1 each, fully paid.

The assets and liabilities as at 30 June 2016 and 30 June 2015 of the RIT for which RIPL acts in the capacity of trustee are:

	2016 \$000	2015 \$000
Total assets	23,061	21,255
Total liabilities	64	513
Net assets	22,997	20,742

The total comprehensive result for the financial year ended 30 June 2016 and 30 June 2015 of the RIT for which RIPL acts in the capacity of trustee are:

	2016 \$000	2015 \$000
Income	352	313
Expenses	(1,297)	(693)
Total comprehensive result	(945)	(380)

25. REPAYMENT OF CAPITAL

In accordance with section 29A of the *Transport Accident Act 1986*, the TAC paid a \$78 million repayment of capital to the Victoria State Government on 29 June 2016 as determined by the Treasurer after consultation with the TAC and the responsible Minister. The transaction has been recorded as an expense in accordance with FRD 119A *Transfers through contributed capital*.

26. EVENTS AFTER REPORTING DATE

There have not been any events after reporting date of the financial year that have significantly affected the results of the TAC.

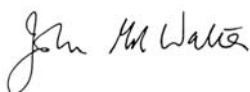
**STATEMENT BY
CHAIR, CHIEF EXECUTIVE OFFICER AND CHIEF FINANCE AND ACCOUNTING OFFICER**

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

We further state that, in our opinion, the information set out in the comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement and notes to and forming part of the financial statements, present fairly the financial transactions for the year ended 30 June 2016 and the financial position of the Transport Accident Commission as at that date.

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

We authorise the financial report for issue on 21 September 2016.



John Walter
Chair



Joe Calafiore
Chief Executive Officer



Tony Dudley
Chief Financial Officer



Victorian Auditor-General's Office

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Transport Accident Commission

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 of the Transport Accident Commission which comprises the comprehensive income statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by chairman, chief executive officer and chief finance and accounting officer.

The Board Members' Responsibility for the Financial Report

The Board Members of the Transport Accident Commission are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)


Independence

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

Opinion

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Transport Accident Commission as at 30 June 2016 and of its financial performance and its cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE
26 September 2016



Andrew Greaves
Auditor-General

Corporate Governance





CORPORATE GOVERNANCE

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

BOARD OF MANAGEMENT

Chair: John Walter

Appointed Chair in March 2014,
Director since October 2013

Dr Tien Kieu

Appointed September 2015

Paul Kirk

Appointed October 2014

Dr. Robert Nethercote

Appointed October 2013

Sue O'Connor

Appointed October 2014

Colin Radford

Appointed September 2015

RECENT DEPARTURES

Deborah Hallmark

Appointed 2010 – end of term July 2016

Sonia Petering

Appointed 2007 – end of term July 2016

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.

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

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

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

Risk Committee

Members at 30 June 2016: Paul Kirk (Chair), John Walter, Sue O'Connor and Colin Radford all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

The purpose of the Risk Committee is to assist the Board to fulfil its oversight responsibilities relating to:

- the implementation, operation and adequacy of the risk management and internal control framework that the TAC uses to identify and manage key business, financial, fraud and regulatory risks
- the TAC's compliance with relevant laws, regulations, standards and codes including the Prudential Insurance Standard for Victorian Government Insurance Agencies, Prudential Standard: the Victorian Funds Management Corporation and the Centralised Investment Model, the Victorian Government Risk Management Framework and Insurance Attestation.

Audit Committee

Members at 30 June 2016: Paul Kirk (Chair), John Walter, Sue O'Connor and Tien Kieu all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

The purpose of the Audit Committee is to assist the Board to fulfil its oversight responsibilities relating to:

- the integrity, effectiveness and quality of the TAC's financial reporting and disclosures
- the effectiveness of the TAC's risk management framework
- the independence, work plan, and effectiveness of the TAC's External Auditor
- the External Auditor's annual audit of the TAC's financial statements
- the qualifications, engagement, fees, scope of work and effectiveness of the TAC's Internal Audit function
- the TAC's compliance with relevant laws, regulations, standards and codes including the Prudential Insurance Standard for Victorian Government Insurance Agencies, the *Financial Management Act 1994* (Vic) and the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

Remuneration Committee

Members at 30 June 2016: John Walter (Chair), Rob Nethercote, Paul Kirk, Sue O'Connor, Deborah Hallmark and Sonia Petering all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

Role:

- to establish and maintain a Remuneration Policy which meets the strategic goals of the TAC and make recommendations to the TAC Board on the Policy
- to oversee the application of the Policy for senior executives, ensuring that the Policy is consistent with the Government Sector Executive Remuneration Panel (GSERP) guidelines and policies
- to approve the remuneration increase budget and the incentive remuneration budget for the TAC
- to make annual recommendations to the TAC Board on the remuneration of the Chief Executive Officer, direct reports of the Chief Executive Officer and other employees whose activities may, in the Remuneration Committee's opinion, affect the financial soundness of the TAC
- to make annual recommendations to the TAC Board on the remuneration of the categories of employees covered by the Remuneration Policy, other than those employees for whom recommendations are provided pursuant to the previous requirement above
- to ensure that the Remuneration Committee complies with the requirements of 'Prudential Standard CPS 510 Governance' and any other relevant laws, regulations, standards and codes
- to ensure that appropriate and required disclosure is made of director and executive remuneration in accordance with regulatory requirements and good governance practices.

Board Workshop Advisory Committee

Members at 30 June 2016: John Walter, Deborah Hallmark, Sonia Petering, Rob Nethercote, Paul Kirk, Tien Kieu, Colin Radford and Sue O'Connor all of whom are independent persons for the purpose of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994* (Vic).

Role:

- This forum provides Board members with the opportunity to interact and engage with relevant stakeholders and provide background information to assist directors in the discharge of their responsibilities.

Prudential Standards

The Board is required to submit annual confirmations or attestations of compliance with the Prudential Insurance Standards for Victorian Government Insurance Agencies and the Prudential Standard: Victorian Funds Management Corporation and the Centralised Investment Model. These standards impose obligations regarding governance, strategic planning, liability reserving, capital management, pricing, reinsurance, actuarial review, breach reporting, risk management, outsourcing, fit and proper requirements and the setting of appropriate investment objectives for TAC funds.

Certifications or attestations have been issued by the Board for the year ending 30 June 2016.

RISK MANAGEMENT

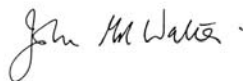
The TAC has in place a risk management framework to ensure effective identification, assessment and management of risks. That framework details the roles of the Board and its committees, management and the internal auditor. The Board is responsible for setting the risk priorities on which the framework is focused. The Risk Committee oversees the framework and is responsible for ensuring the effectiveness of the design and implementation of control strategies and operational practices.

Compliance with the Victorian Government Risk Management Framework

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

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

On this basis, I certify that the Transport Accident Commission has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Transport Accident Commission Risk Committee has verified this.



John Walter
Chair

Transport Accident Commission
21 September 2016

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. 13 dated 1 January 2014). The Act sets out the objectives, functions and powers of the TAC.

The Minister for Finance and the Minister for Roads and Road Safety is the Minister administering the *Transport Accident Act 1986*.

MINISTERIAL DIRECTIONS

There was one Ministerial Direction given by the Acting Minister for Finance in the period 1 July 2015 to 30 June 2016:

On the 29 June 2016, the Acting Minister made the following direction: "Pursuant to Section 14 of the *Transport Accident Act 1986* and all other enabling powers vested in me, I Tim Pallas MP, Acting Minister for Finance of the State of Victoria, hereby direct the Transport Accident Commission to, in accordance with this instrument, increase its accumulated deficit by \$78 million and increase its contributed capital by the same amount."

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 such 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* or the *Workplace Injury Rehabilitation and Compensation Act 2013* as an authorised agent of the Victorian WorkCover Authority as effectively, efficiently and economically as possible
- If appointed as an agent of a self-insurer under section 143A of the *Accident Compensation Act 1985*, to carry out the functions and powers of a self-insurer as effectively, efficiently and economically as possible.

Functions of the 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 referred to in subsection (3) 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 501 of the *Workplace Injury Rehabilitation and Compensation Act 2013*
- If appointed, to act as an agent of a self-insurer under section 392(2) of the *Workplace Injury Rehabilitation and Compensation Act 2013*
- 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 design and promote, so far as possible, a program designed to secure the early and effective medical and vocational rehabilitation of people injured as a result of transport accidents to whom or on behalf of whom the Commission is or may become liable to make any payment under the Act.

Powers of the Commission (section 13)

- To do all things that are necessary or convenient to be done for, or in connection with, the performance of its functions and to enable it to achieve its objectives
- To enter into agreements or arrangements and settle or compromise differences or disputes with other persons
- To apply for, obtain and hold intellectual property rights (including patents, copyrights, trade marks and registered designs)

- To enter into agreements or arrangements for the commercial exploitation within or outside Victoria of intellectual property rights and ancillary services on any terms or conditions as to royalties, lump sum payments or otherwise as the Commission may see fit
- To enter into agreements or arrangements within or outside Victoria for the provision by the Commission of administration, management or information systems or services
- To do all things necessary or convenient to be done in connection with acting as an authorised agent of the Victorian WorkCover Authority under section 501 of the *Workplace Injury Act 2013* and as an agent of a self-insurer under section 392(2) of that Act.

Accountability of the Commission (section 14)

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

If the Commission is given a written direction, the Commission may cause the direction to be published in the Government Gazette and must publish the direction in its next annual report.

LEGISLATION

The following legislative changes have occurred in the period from 1 July 2015 to 30 June 2016:

On 19 April 2016, the *Transport Accident Amendment Act 2016* (the 2016 Amendment Act) received Royal Assent. The objective of the 2016 Amendment Act was to implement the Government's election commitment to reverse specific amendments made to the *Transport Accident Act 1986* (the Act) by the *Transport Accident Amendment Act 2013*, namely:

- The repeal of sections 46A(2C) and 46A(2D) of the Act, which provided the TAC with power (with the approval of the Minister) to create guidelines to amend the American Medical Association Guides to the Evaluation of Permanent Impairment (Fourth Edition) (the A.M.A. Guides) for the assessment of the degree of permanent impairment. This amendment came into effect on the day after Royal Assent (20 April 2016).
- The insertion of the amount of \$32.50 into section 61(2) of the Act making it subject to annual indexation in line with the Consumer Price Index (CPI) rather than Average Weekly Earnings (AWE). This change was made to rectify a previous drafting error, and applies retrospectively from 20 November 2013.
- The repeal of section 93(2A) of the Act, which limited the TAC's liability to pay damages at common law to persons who suffer a mental injury or nervous shock as a result of an injured person's own negligence or if they were attempting to commit suicide as a result of a transport accident. This amendment applies retrospectively from 20 November 2013.

- The repeal of section 93(17A) of the Act, which provided a clinical definition of what constitutes a '*severe long-term mental or severe long-term behavioural disturbance disorder*' for the purposes of defining a '*serious injury*' under section 93 of the Act. This amendment is to apply retrospectively from 16 October 2013.

SUBORDINATE LEGISLATION

Regulations

There were no Regulations made during 2015/16.

Orders in Council

Two Orders in Council were made during 2015/16:

- The Transport Accident Charges (Declared Apprentices) Order (No.2) 2015 was made on 9 November 2015 (Special Gazette No S 331 on 9 November 2015). The purpose of this order was to declare certain approved training schemes to be declared apprenticeships for the purposes of determining eligibility for a 50% discount on the fee to be paid for registration or renewal of registration of a vehicle that needs to be used in the course of employment under a declared apprenticeship.
- The Transport Accident Charges Order (No. 1) 2016 was made on 19 May 2016 (Special Gazette No. G20 on 19 May 2016). The purpose of this order was to fix the transport accident charges to apply during the 2016/17 financial year. The order increased the transport accident charges for vehicles in all classes by the CPI.

NATIONAL COMPETITION POLICY

Review of Legislative Restrictions

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

Competitive Neutrality

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

VICTORIAN INDUSTRY PARTICIPATION POLICY (VIPP)

During 2015/16, the TAC commenced one panel of 13 contracts with an average of 90 per cent estimated to be of local content and one contract with a total of 100 per cent estimated to be of local content to which VIPP Plans were not required as the procurement activity was local by nature.

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

Details of Information and Communication Technology (ICT) expenditure

For the 2015/16 reporting period, TAC had a total ICT expenditure of:

\$ MILLION				
BAU ICT Expenditure	Non-BAU ICT Expenditure	Operational Expenditure	Capital Expenditure	
Total	Total = A+B	A	B	
\$38.1	\$16.5	\$2.7	\$13.8	


ICT expenditure refers to the TAC's costs in providing business-enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure. Non-BAU ICT expenditure relates to extending or enhancing the TAC's current ICT capabilities. BAU ICT expenditure is all remaining ICT expenditure (including depreciation and amortisation) which primarily relates to ongoing activities to operate and maintain the current ICT capability.

CONSULTANTS

CONSULTANCIES (>\$10,000)	DESCRIPTION OF WORK	TOTAL APPROVED PROJECT FEE \$000	2015/16 EXPENDITURE \$000	FUTURE EXPENDITURE \$000
ADIIS Group	Benchmarking TAC as a world leading social insurer	38	28	10
Finity	External review panel for the development of the 2020 Strategy	225	223	-
ARRB Group	Study of the current pedestrian road crossing treatment priorities and the improvement of crash reduction factors	206	206	-

During 2015/16, there were three consultants engaged where the cost of each individual engagement was in excess of \$10,000.

There were no other consultants engaged during the year where the total cost was less than \$10,000 per individual engagement. Total approved project fees and expenditure for 2015/16 exclude GST.

A portrait of a man with dark, slightly messy hair, looking directly at the camera with a neutral expression. The image is heavily tinted with a blue color. A large, white, semi-transparent triangle is positioned on the left side of the frame, pointing towards the top right corner. The man is wearing a dark jacket over a dark sweater.

“Sport was my biggest
avenue to get back into life.
It was my outlet, my saviour.”

Brendan

BUILDING ACT 1993

The TAC's policy with respect to new building works, and alterations to existing buildings, is to comply with the *Building Act 1993* as though the TAC were not exempt from compliance as a public authority (this is provided for in section 217 (3) of the *Building Act 1993*).

Some premises occupied by the TAC may have been constructed or altered under exemptions for public bodies which applied at the time.

The TAC is unaware of any material non-compliance with the current building standards for buildings of their nature and age.

THE PROTECTED DISCLOSURE ACT 2012

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

Since the *Protected Disclosure Act 2012* came into operation, there have been no known disclosures made to the Independent Broad-based Anti-corruption Commission under section 21(2) of that Act.

ENVIRONMENTAL PERFORMANCE

The TAC has a Green Office policy focussed on protecting the environment and supporting sustainable outcomes. During 2015/16, the TAC continued a number of environmentally sustainable initiatives, supported by the building owners, their representatives and external sustainability companies to reduce waste and improve resource efficiency.

CHARTER OF HUMAN RIGHTS AND RESPONSIBILITIES COMPLIANCE

All claims policies and work practices are audited for compliance with the Charter of Human Rights and Responsibilities to help claims staff make decisions that are consistent with the provisions of the *Transport Accident Act 1986* (TA Act) and the Charter.

MISCELLANEOUS DISCLOSURE

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

ADVERTISING AND COMMUNICATIONS DISCLOSURE

Effective 1 July 2012, new disclosures relating to the State Government's commitment to transparency of advertising and communications expenditure, must be included in the report of operations. The disclosure of advertising expenditure is required for each government advertising campaign with total media buy of \$100,000.

Working closely with its road safety partners – Victoria Police, the Department of Justice and VicRoads – the TAC develops public education campaigns that increase awareness of specific road safety issues, to change behaviour and ultimately reduce the incidence of road trauma.

Significant research and planning goes into the development of the campaigns, ensuring they are evidence-based, relevant and are able to be used over many years.

TRANSPORT ACCIDENT COMMISSION

There were 21 campaigns with a media spend of over \$100,000. The largest being the Towards Zero 'Then & Now' campaign with a media spend of \$1,060,493.90.

NAME OF CAMPAIGN	CAMPAIGN SUMMARY	START/ END DATE	ADVERTISING (MEDIA) EXPENDITURE 2015/16 (EX. GST)	CREATIVE AND CAMPAIGN DEVELOPMENT EXPENDITURE 2015/16 (EX. GST)	RESEARCH AND EVALUATION EXPENDITURE 2015/16 (EX. GST)
Drug Driving - 'Double Bus'	A campaign reminding road users that booze buses are also drugs buses. The original version was edited for this burst of the campaign to place more emphasis on methamphetamine testing to tackle the growing issue of 'ice' use.	25/06/15 - 26/07/15	\$407,345.96	\$9,468.78 (NB. Most costs incurred in 2014/2015)	\$42,000.00
Cocktail Offence	A campaign to announce to the community that the Victorian Government (inc the road safety partners) are taking action to address drink driving and encourage positive community support.	15/07/15 - 7/08/15	\$288,980.39	\$21,763.50	\$42,000.00
Parental Influence - 'Red Line'	A campaign addressing the risk factor of newly licenced drivers, and aimed at parents of these drivers encouraging them to continue to play a role in the safety and decision making of their young drivers through continued mentoring and role modelling.	27/07/15 - 16/08/15	\$253,080.05	\$47,528.80	\$42,000.00
Towards Zero - 'Man on the Street'	The launch campaign for the new Towards Zero philosophy for Road Safety. This campaign aims to remind Victorians that the 'road toll' is more than just a number, its lives lost, the lives of mothers, fathers, sisters, brothers and friends. Every life matters, that's why the goal we should be aiming for is zero.	26/08/15 - 20/09/15	\$880,062.17	\$1,094,998.08	\$85,000.00
Drink Driving - 'Interlocks'	A launch campaign announcing legislation changes for drink driving offences. From the 1st of October 2014 anyone who loses their licence for drink driving will have an alcohol interlock fitted to their vehicle.	21/09/15 - 18/10/15	\$733,525.04	\$159,508.40	\$63,450.00
Drink Driving - 'Levels'	A campaign targeting low-level drink drivers and educating road users about the difficulty of judging how much alcohol it takes to put them over the limit.				\$21,000.00
Young Drivers - 'Urban Spread'	Urban Spread' is a grass roots music festival that takes music 'back out to the suburbs'. The objective of the TAC's partnership with Urban Spread is to support the Victorian youth market by providing easier accessibility to social events in their local area and to discourage drink driving and other youth risk taking behaviours.	21/11/15 - 29/02/16	\$108,289.79	\$115,265.00	\$0.00
Motorcycles - 'Perfect Ride'	The objective of the TAC's partnership with Urban Spread is to support the Victorian youth market by providing easier accessibility to social events in their local area and to discourage drink driving and other youth risk taking behaviours. By supporting and providing local events, we are looking to reduce the need for young people to be travelling long distances to events and thereby having to drive.	5/10/15 - 8/11/15	\$274,482.78	\$117,537.63	\$42,000.00

NAME OF CAMPAIGN	CAMPAIGN SUMMARY	START/ END DATE	ADVERTISING (MEDIA) EXPENDITURE 2015/16 (EX. GST)	CREATIVE AND CAMPAIGN DEVELOPMENT EXPENDITURE 2015/16 (EX. GST)	RESEARCH AND EVALUATION EXPENDITURE 2015/16 (EX. GST)
Towards Zero - 'Then & Now'	The second phase of Towards Zero campaigns, 'Then & Now' started to talk to the community about how we can reach our goal of zero - through safer roads, speeds, vehicles and people.	4/11/15 - 7/12/15	\$1,060,493.90	\$281,433.00	\$65,000.00
Enforcement - 'Second Hand Holidays'	This launch campaign supporting Victoria Police shows enforcement in a new light. Rather than showing police as 'punishers' it reframes their roles as 'protectors'. We know that the majority of people do the right thing most of the time, and so the role of police is to protect these road users from those few who break the law.	7/12/15 - 10/01/16	\$973,505.59	\$701,209.30	\$65,000.00
Towards Zero - 'Man on the Street'	A repeat of the August campaign. This campaign aims to remind Victorians that the 'road toll' is more than just a number, its lives lost, the lives of mothers, fathers, sisters, brothers and friends. Every life matters, that's why the goal we should be aiming for is zero.	4/11/15 - 7/12/15	\$1,060,493.90	\$281,433.00	\$65,000.00
Enforcement - 'Second Hand Holidays'	A repeat of the Christmas campaign - supporting Victoria Police by showing enforcement in a new light. Rather than showing police as 'punishers' it reframes their roles as 'protectors'. We know that the majority of people do the right thing most of the time, and so the role of police is to protect these road users from those few who break the law.	24/03/16 - 31/03/16	\$266,604.85	\$988.27	\$42,000.00
Drowsy Driving - 'SES'	A tactical campaign to the support the SES Driver Reviver campaign, encouraging all holiday makers to use the stops and take a 15 minute power nap over the Easter period.	8/06/16 - 14/06/16	\$113,317.71	\$88,880.83	
Drowsy Driving - 'Pillow'	A campaign speaking to all drivers and riders about the issues of 'drowsy driving' and educating the community about the science of sleep and ultimately the bodies inability to fight it, highlighting the potential traumatic outcomes when using the road network.	24/03/16 - 10/04/16	\$417,625.18		
Parental Influence - 'Strings'	A launch campaign focussing on positive parental role modelling and the potential this has to influence their child's future driving behaviour. The long term goal is to contribute to a reduction in road trauma for young drivers in their first months of solo driving and beyond, by instilling safe driving behaviours and attitudes from a young age.	13/04/16 - 1/05/16	\$536,160.87	\$91,453.43	\$42,000.00
Enforcement - 'Second Hand Holidays'	A repeat of the Christmas campaign - supporting Victoria Police by showing enforcement in a new light. Rather than showing police as 'punishers' it reframes their roles as 'protectors'. We know that the majority of people do the right thing most of the time, and so the role of police is to protect these road users from those few who break the law.	8/06/16 - 14/06/16	\$249,999.88	\$66,537.16	\$42,000.00

NAME OF CAMPAIGN	CAMPAIGN SUMMARY	START/ END DATE	ADVERTISING (MEDIA) EXPENDITURE 2015/16 (EX. GST)	CREATIVE AND CAMPAIGN DEVELOPMENT EXPENDITURE 2015/16 (EX. GST)	RESEARCH AND EVALUATION EXPENDITURE 2015/16 (EX. GST)
Vehicle Safety - 'AEB'	A launch campaign demonstrating the "Auto Emergency Braking" vehicle technology and highlighting the potential to reduce collision/trauma outcomes. The campaign directs consumers to the HISYC website for more information and encourages them to choose this technology when purchasing their next new vehicle.	2/06/16 - 26/06/16	\$657,587.07	\$126,819.00	\$42,000.00
Child Safety - 'Thingle Toodle'	A year long campaign using five existing executions as part of the Victorian "Starting Out Safely" program addressing early childhood education and parental influence around issues such as seatbelts, helmet wearing, crossing the road, etc.	1/07/15 - 30/06/16	\$221,966.69	\$0.00	\$0.00
Drink Driving - 'Country Racing'	A campaign addressing drink driving issues and specifically highlighting the increased police breath-testing activity in the lead up to 60 key regional country racing events throughout regional Victoria. The campaign encourages race goers to plan ahead to avoid drink driving and enforcement detection.	1/09/15 - 30/06/16	\$162,887.01	\$78,378.35	\$0.00
Large Format Outdoor	The TAC's extensive outdoor network provides important 'point of sale' messaging to road users at the time it is most relevant to them. The portfolio covers metropolitan Melbourne and Regional Victoria.	1/07/15 - 30/06/16	\$4,555,322.13	Included in campaign costs	\$0.00
Regional Media - Press and Radio	With over 50% of deaths in Victoria occurring on regional roads, it is important that we continue to engage with these local communities about road safety issues that affect them, by using local radio and press.	1/07/15 - 30/06/16	\$522,650.51	Included in campaign costs	\$0.00
AFL Media Sponsorship	With young men over-represented in road trauma stats, the AFL's large supporter base provides the perfect opportunity to speak to this target market about issues such as drinking and driving when they are most likely to be taking risks. The sponsorship provides a range of channels such as tv and radio for the TAC to promote road safety messages.	1/07/15 - 30/06/16	\$1,321,198.17	Included in campaign costs	\$0.00

Service of documents

Section 130 of the *Transport Accident Act 1986* sets out the method of service of documents on the TAC, by personally serving an authorised officer at the TAC's Geelong office. People wishing to effect service should attend the TAC's Customer Service Centre, 60 Brougham Street, Geelong, and ask for an authorised officer to accept service.

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

Head of Claims

PO Box 742

GEELONG 3220

Ausdoc: DX 216079 Geelong

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

ACCESS TO INFORMATION

Freedom of Information

In the 2015/16 financial year, the TAC officers responsible for decision making under the *Freedom of Information Act 1982* include Justine Adams, Emily Smyth, Ellen Jennings, Dorna Pakzmir, Victoria Cammorota and Felicity Wright.

Documents created and maintained for claims administration, and for general administrative, financial and investment functions are primarily electronic. A small minority of documents are stored using paper, or for aged documents, on microfiche.

During 2015/16 the TAC received 1,281 Freedom of Information (FOI) requests for access to documents, compared with 1,202 in the 2014/15 financial year, and 1,170 requests in 2013/14. Most requests related to personal documentation of TAC clients. There were no requests for amendment of personal records.

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

If a formal FOI request is required, it must be submitted in writing, detailing the documents sought, as well as enclosing the statutory application fee of \$27.90, in the form of a cheque payable to "Transport Accident Commission". The statutory application fee of \$27.90 is applicable for the period 1 July 2016 to 30 June 2017 in accordance with the *Monetary Units Act 2004*. The TAC also has a dedicated FOI bank account where applicants can pay the application fee, and any FOI charges incurred for TAC processing and providing copies of documents.

The application fee and access charges will be waived for applicants demonstrating hardship (irrespective of the kind of information sought). There is no application fee for a request for amendment to personal records.

The TAC is an agency subject to the *Freedom of Information Act 1982* and is therefore not subject to the direct access provisions of the *Privacy & Data Protection Act 2014* or the *Health Records Act 2001*.

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

Medical Reports for Common Law Purposes

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

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

Subpoenas

All subpoenas should be addressed to 'The Authorised Person' and must be personally served on an authorised officer at the TAC's offices at 60 Brougham Street, Geelong. The TAC prefers to have a minimum of 14 days notice prior to the return date of the subpoena.

PUBLICATIONS

The TAC produces and makes available the following publications:

DESCRIPTION	MODE OF ACCESS
About the TAC	Internet
Supporting you after a transport accident	Copy/Internet
Working for the TAC	Internet
After Your Transport Accident	DVD
Annual Transport Accident charges including GST and duty	Internet
At home with the family	Copy/Internet
Choosing an Attendant Care Agency	Internet
Choosing a supported accommodation service (information sheet)	Copy/Internet
Support leisure options (information sheet)	Copy/Internet
Community Road Safety Grants newsletter	Internet
Community services (information sheet)	Copy/Internet
Connecting the Dots secondary school resource	Copy/Internet
Daily support (information sheet)	Copy/Internet
Drive Smart 2 CD-ROM (available to learner drivers)	Internet
Empower	Copy/Internet
GST compliance (information sheet)	Copy/Internet
Treatment and Support Services	Internet
Independence – an overview for providers	Copy/Internet
Information for people with major injuries (Booklets 1 – 4)	Copy/Internet
Information on TAC medical examinations (information sheet)	Copy/Internet
Integration support billing information (information sheet)	Copy/Internet
Kids on the Move primary school resource	Internet
Loss of earnings capacity (information sheet)	Copy/Internet
Occupational physicians – helping you get back to work for clients with spinal cord injuries	Copy/Internet
Pharmacy expenses (information sheet)	Copy/Internet
Post-hospital support (information sheet)	Copy/Internet
Preparing to go home – hospital discharge checklist	Copy/Internet
RAW DVD secondary school resource	Copy/Internet
Returning to work – information for employers	Copy/Internet
Returning to work – information for new employers	Copy/Internet
Returning to work	Copy/Internet
Ride Smart	Internet
Road Safety Statistical Summary	Internet
Safe driving policy	Internet
Get Your Gear On	Copy

DESCRIPTION	MODE OF ACCESS
TAC Annual Reports	Copy/Internet
TAC loss of earnings benefits for self-employed people	Copy/Internet
How to invoice the TAC	Internet
TAC client service charter	Copy/Internet
TAC dependency benefits – a guide for funeral directors	Copy/Internet
TAC equipment suppliers billing standards	Internet
TAC Enterprise Agreement 2014-2017	Copy
TAC fee schedules	Internet
TAC home modifications (information sheet)	Copy/Internet
TAC home services	Copy/Internet
TAC hospital charter	Copy/Internet
TAC hospital services billing guidelines	Copy/Internet
TAC information for people with soft tissue injuries	Copy/Internet
TAC impairment benefits	Copy/Internet
TAC impairment examination (information sheet)	Copy/Internet
TAC loss of earnings	Copy/Internet
Invoice guidelines for medical practitioners	Internet
TAC post-acute support services	Internet
TAC prosthetics and orthotics billing standards (information sheet)	Copy/Internet
TAC research charter	Copy/Internet
TAC support when a person dies	Copy/Internet
TAC vehicle modifications	Copy/Internet
Freedom of Information	Internet
The TAC's complaints process	Copy/Internet
Therapy Support (information sheet)	Copy/Internet
Traffic Safety Essentials	Internet
Using modified vehicles – cost exemptions	Copy/Internet
Your Feedback	Copy
Mental Health (general)	Copy/Internet
E-therapy client information sheet	Copy/Internet
Peer support services client information sheet	Copy/Internet
Your Privacy and the TAC	Copy/Internet
Your Voice newsletter	Copy/Internet
4th Edition Impairment Examinations Information Manual	Copy

RESEARCH INFORMATION

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

The request must be in writing, setting out:

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

ACCESS TO INFORMATION ON THE INTERNET

The TAC's corporate website (www.tac.vic.gov.au) includes information about the TAC, its claim policies, fees and benefit entitlement information for the public, clients, providers and key stakeholder groups. Information about road safety initiatives, statistics, promotions, and advice for drivers is available on the TAC's website (www.tac.vic.gov.au).

The TAC offers the community information about vehicle crash test results on the How Safe Is Your Car website (www.howsafeisyourcar.com.au). Access to information for specific campaigns and target audiences can be found at:

Spokes website (www.spokes.com.au (motorcyclists))

How Safe is Your First Car website
(www.howsafeisyourfirstcar.com.au)

Safer P Platers website (www.saferpplaters.com.au)

Pictures of You website (www.picturesofyou.com.au)

TAC on youtube (www.youtube.com.au/tac)

TAC on Twitter (www.twitter.com/tacvictoria)

TAC on Facebook
(www.facebook.com/transportaccidentcommission)

I Like Vanessa on Facebook (www.facebook.com/ilikevanessa)

Vanessa Bus website (www.vanessabus.com.au)

Drive Smart website (www.drivesmart.vic.gov.au)

APPLICATION OF MERIT AND WORKPLACE EQUITY PRINCIPLES

The TAC strongly believes that all people have the right to work in an environment free of discrimination and harassment. It is the objective of the TAC's Workplace Equity policy to ensure that there shall be no discrimination or harassment relating to race, colour, sex, sexual preference, age, physical or mental disability, marital status, family responsibilities, pregnancy or potential pregnancy, religion, political opinion, national extraction, social origin, trade union association or non-association.

The TAC regularly undertakes Equal Employment Opportunity training as part of its obligation and commitment to a workplace free of harassment and discrimination. The TAC's objective is to have a workplace free of these issues. To do this, managers must continually show leadership in order to develop and maintain a culture where these sorts of behaviours are unacceptable.

CARER'S RECOGNITION ACT 2012

The TAC has promoted the care relationship principles and definition of a carer under the *Carer's Recognition Act 2012* through the intranet.

WORKFORCE DATA

	2016	2015	2014	2013
TAC (FTE)	836	768	781	884
Average age	39	40	40	38

Staffing levels increased to improve the service provided to injured Victorians.

OCCUPATIONAL HEALTH AND SAFETY

This year the TAC made substantial gains in the management of staff work health safety.

The TAC Executive has established a reinvigorated Safety & Wellness program aimed at benefiting the work experience of all staff.

Over the past financial year TAC managed 4 (<.038 % of total staff) standard work cover claims. These claims resulted in a premium reduction compared to the prior financial year with the 2015/16 claim at \$610,186 compared to \$792,953 in FY 2014/15.

A total of 1,512.4 lost hours were recorded equating to 199 paid claim days. Two staff have fully returned to full duties with the other two on graduated return to work plans.

EMPLOYEE OPINION SURVEY

Each year the TAC conducts an Employee Opinion Survey (EOS) to measure employee engagement and staff morale. This year our Sustainable Engagement score increased to 84%, six per cent higher than in 2014/15 which exceeds the average of similar workplaces nationally and globally.

In addition, our traditional engagement score was 95, a four point rise from the 2014/15 result. This is 13 points above the Australian National Norm and 6 points above the Global High Performing Norm.



TAC BOARD OF MANAGEMENT

Minister for Roads and Road Safety
Luke Donnellan MP

Minister for Finance
Robin Scott MP

TAC Board

John Walter (Chair)
Colin Radford
Paul Kirk
Dr. Robert Nethercote
Sue O'Connor
Dr. Tien Kieu

Chief Executive Officer
Joe Calafiore

Head of Claims
Bruce Crossett

Chief Financial Officer
Tony Dudley

Head of Community Relations
Amanda Bavin

Head of Human Resources
Jane Barker

Head of IT Shared Solutions
Ashley West

**Head of Health and
Disability Strategy Group**
Marion Nagle

DISCLOSURE INDEX

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

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* Throughout

