Annual Report 2016-17

Northern Territory Motor Accidents (Compensation) Commission

MACC

NT Motor Accidents (Compensation) Commission
Email: mac.commission@nt.gov.au
Postal: GPO Box 1974, Darwin NT 0801
ABN 72 532 995 678

29 September 2017

Hon Nicole Manison MLA
Treasurer
GPO Box 3146
DARWIN NT 0801

Dear Minister

I have pleasure in submitting for your information and presentation to Parliament the Motor Accidents (Compensation) Commission 2016-17 Annual Report.

This report incorporates the audited financial statements for the Motor Accidents (Compensation) Commission for the year ended 30 June 2017 as required by section 22 of the *Motor Accidents (Compensation) Commission Act 2014.*

Yours sincerely

Jim Colvin
Motor Accidents (Compensation) Commissioner

Table of Contents

This Annual Report outlines Motor Accidents (Compensation) Commission (MACC) operations and financial statements for the 2016-17 financial year.

This Report is tabled in the Northern Territory Legislative Assembly to allow for public scrutiny of the MACC and its management of the MAC Scheme.

The Annual Report also includes information for those who have an interest in road safety in the Northern Territory.

Front Cover Artwork

The artwork on the front cover is a representation of a painting created by Charmaine Kulitja from Mutijulu Community NT. The original painting is titled Pitjanyi ngura-kutu — Coming home, 2016 and was created by Charmaine for the Enough's Enough drink driving campaign. Her painting tells of family waiting for the safe return of the driver and passengers with a message to drive safely and come home the right way.

About the Motor Accidents Compensation Commission

The Motor Accidents (Compensation) Commission (MACC) commenced operations on 1 January 2015. It is a Government-owned entity with the Commissioner appointed by the Treasurer.

The Northern Territory Motor Accidents Compensation Scheme is owned by the Northern Territory Government.

The key functions of MACC are to:

- administer the MAC Scheme in accordance with the *Motor Accidents (Compensation) Act* on behalf of the Northern Territory Government
- manage the Fund
- promote road safety.

As permitted by legislation, MACC has entered into a MAC Management Agreement with Allianz Australia Insurance Limited for claims and Fund administration, which continue to be provided by Territory Insurance Office (TIO), a division of Allianz.

The MAC Management Agreement sets out the framework for the administration of the MAC Scheme and Fund.

About the Commissioner

The MACC Commissioner is appointed by the Treasurer for a period of three years and is responsible for administering the MAC Scheme in accordance with the *Motor Accidents (Compensation) Act*, to manage the MAC Fund and promote road safety.

Jim Colvin

Jim Colvin was appointed as the MAC Commissioner on 1 July 2015 for a period of three years.

Jim has extensive experience in finance, governance and policy development. Prior to his appointment, he was a senior economist with the Organisation for Economic Cooperation and Development in Paris. He has extensive experience in monopoly regulation, corporate governance for government-owned businesses and industry restructuring. He continues to consult to the World Bank and the International Monetary Fund on these matters.

Jim has previously worked for the Northern Territory Government in senior policy and financial advisory roles before starting his own consultancy.

Drink driving remains the highest contributor to road fatalities and serious injuries

About the MAC Scheme

The MAC Scheme provides benefits to those injured in motor vehicle accidents in the Northern Territory.

It provides a wide range of benefits to compensate for the necessary and reasonable costs of medical, rehabilitation and associated treatment and loss of earning capacity.

These benefits are provided on a no-fault basis to any person injured or the families of those killed in a motor vehicle accident occurring in the Northern Territory. Benefits are defined in the *Motor Accidents (Compensation) Act.*

The scheme also covers the liability of drivers of Northern Territory registered vehicles in interstate accidents, giving rise to a small portfolio of claims on a common law basis if the interstate jurisdiction is a common law scheme.

The scheme's focus is on returning people injured in a motor accident to health and to work to the fullest extent possible and to improve health outcomes in urban, remote and Aboriginal communities.

Reductions in benefits may be applied in cases of irresponsible road user behaviour, such as not wearing a seatbelt or helmet, driving an unregistered vehicle or driving under the influence of alcohol.

The MAC Scheme is funded through compulsory compensation contributions paid when registering vehicles in the Northern Territory.

The premium is indexed to the Darwin Consumer Price Index annually on 1 July. There is a legislated requirement for an actuarial review every three years, or more frequently at the discretion of the Minister, to ensure the scheme remains financially viable, even where there are unanticipated adverse developments in claims costs.

In order to ascertain the amount of reserves that need to be set aside to meet the cost of existing claims in the future, the MAC Scheme and its claims liabilities are reviewed by the scheme actuary twice a year.

Commissioner’s report

It gives me great pleasure to report on the activities and achievements of the Motor Accidents (Compensation) Commission for the year ending June 2017, the third annual report of the Commission since its establishment on 1 January 2015.

The MAC Scheme continued to perform well during 2016-17, with an underlying profit of $33.7 million. While the scheme made a headline net profit $90.4 million, much of this can be contributed to external factors and one-off items including the impact of market interest rates on claim reserves and the positive impact of changes in actuarial assumptions.

The underlying profit is $22.5 million above the budget of $11.2 million and has further strengthened the solvency of the scheme. The Northern Territory Government has established a regulatory framework for the MAC Scheme to ensure it remains financially viable and has appropriate risk controls in place. This framework was updated during 2016/17 and the Commission has undertaken considerable work during the financial year to ensure its compliance with the new framework.

The MAC Scheme holds considerable investment assets to meet the future cost of claims. The manner in which these assets are invested, and the returns they achieve, have a fundamental bearing on the financial performance of the scheme. During 2016-17, the investments of MAC recorded an overall return of 4.02 per cent (net) against an aggregate benchmark of 4.14%.

The Commission has been working with its investment consultants during 2016-17 to develop a revised asset allocation strategy. This work will be completed during 2017-18 and will likely lead to changes in the investment mix of the Commission during the current financial year, with a higher emphasis on long-term growth investments.

The MAC contribution rates are indexed to the Darwin consumer price index (CPI) annually on 1 July. There is a legislated requirement for an actuarial review of contribution rates every three years to ensure the contribution rates reflect the costs of the scheme. This review has just been completed and recommended premiums remain linked to CPI, meaning there will be no rise in premiums from 1 July 2017.

The Commission places great emphasis on ensuring Territorians have equal access to the benefits of the MAC Scheme. Our focus this year has remained on Aboriginal Territorians because our claims history suggests those in remote communities are not accessing the scheme to the same extent as those living in major urban centres. Our priorities are to:

- reduce road trauma in Aboriginal communities
- reduce the barriers to Aboriginal people making claims
- facilitate better claims management and access to appropriate services in Aboriginal communities for claimants.

This will be a long-term process. An Aboriginal Liaison Officer has been appointed, who is tasked with coordinating our work in these priority areas. We will actively seek to work with service providers prepared to travel to communities to support claimants where possible rather than have claimants travel to Darwin or Alice Springs for care. Not only do people respond better to care when it is provided at home, it also enables the wider family group to become involved in providing care.

In terms of reducing road trauma, MACC has undertaken a number of road safety education and awareness programs specifically targeted at people living in remote communities.

Commissioner’s report (cont)

The Enough’s Enough Sorry Business Stories initiative was launched in December 2016 and takes a fresh approach to road safety awareness through storytelling. Sorry Business Stories focussed on the harm caused by drink driving and initial evaluation of the program has shown people are responding well to the messages.

Seatbelt use is an issue across the Territory and this year saw the launch of a new campaign “Always wear your seatbelt”. The campaign includes a specific Aboriginal awareness advertisement that addresses not wearing seatbelts in remote communities. The campaign will be evaluated in 2017-18.

Pilot programs encouraging the use of child restraints among Aboriginal babies and children were undertaken in Borroloola and Groote Eylandt, in partnership with local organisations and Kidsafe NT. In Borroloola, more than 100 child restraints were fitted to local vehicles over a seven-month period and Police have reported a big improvement in compliance among children. The sustainability of these programs will depend fundamentally on local community support. The Commission is committed to extending its support to these programs where there is local capacity and willingness to drive implementation.

MACC continues to be a major funder of road safety programs undertaken by the NT Government, including $1.66 million for DriveSafe NT and $1.256 million to support the Road Safety Branch of the Department of Infrastructure, Planning and Logistics. Over four years, more than 4,000 young Territorians were taught to drive and received their driving licences through the DriveSafe program.

Looking ahead, MACC will continue to feed into a broader Government strategy for road safety with a particular focus on campaigns and activities in the community that work. Our philosophy is that the best way to manage the MAC Scheme is to reduce the incidence of road trauma in the first place.

Jim Colvin
Motor Accidents (Compensation) Commissioner

Operational highlights

The underlying fundamentals of the MAC Scheme continue to remain favourable. Payments are currently tracking on par with previous years and below external actuarial predictions. Recovery performance for not-at-fault claims was tracking 51 per cent more favourable than at the same period the previous year.

Claims under management

In 2016-17 financial year there were 593 new claims received, representing an increase of 11.4 per cent on the previous year, as shown in Figure 1. Of the new claims received, 494 relate to accidents that occurred in the current year, an increase of 10.5 per cent over the previous year. Included are 10 claimants eligible for life-time care and support benefits based on their injury severity and National Injury Insurance Scheme benchmarks.

There are 1185 open claims in the no-fault portfolio at year's end. This is a 6.5 per cent increase in open claim volume from the previous year. This includes 22 claimants who fit the National Injury Insurance Scheme benchmarks.

Aboriginal claimants account for 26.5 per cent of claims. Men account for 61 per cent of open claimants while children aged under 18 years account for 16 per cent.

Figure 1: New claims by financial year

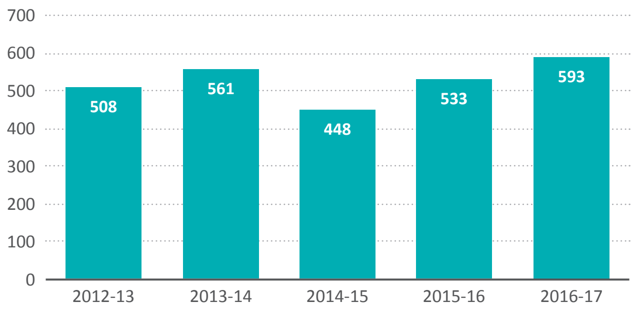
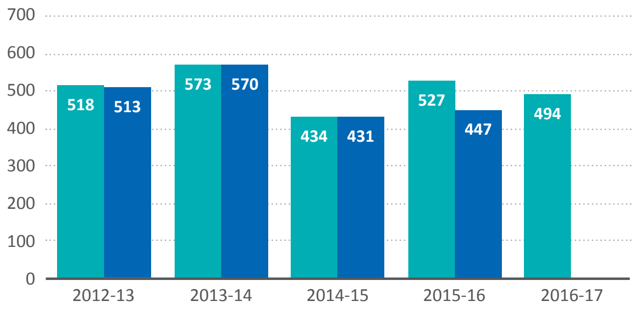


Figure 2: Claims by accident year

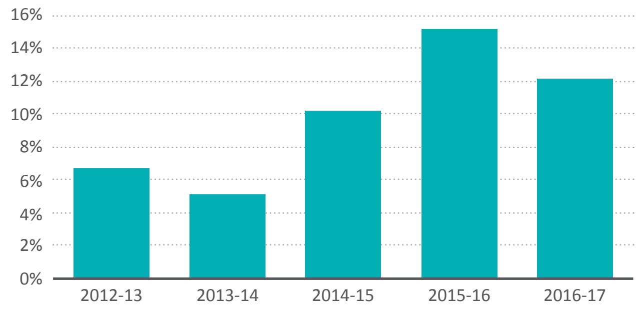


Liability decisions

Upon registration of a new claim, the liability is determined based on the claim meeting specific sections of the Act. For example, there must be evidence that an injury has resulted from the use of a motor vehicle. In line with amendments made to legislation in 2014, full benefit exclusions or partial benefit exclusions will apply under certain situations such as if a person is driving under the influence of drugs or alcohol, recklessly ignoring risk, involved in criminal conduct, unlicensed or driving an unregistered vehicle. Due to these partial exclusions 22 per cent of claims received in 2016-17 had reduced benefits applied.

At the end of the year there were 12 per cent (71 of 593) of claims denied. The main reasons for claims being denied include driving an unregistered vehicle and no proof of injury as a result of a motor vehicle accident. For fatal claims, not being able to prove financial dependency resulted in several dependent spousal, child or parent claims being denied.

Figure 3: Percentage of claims denied by year of claim registration

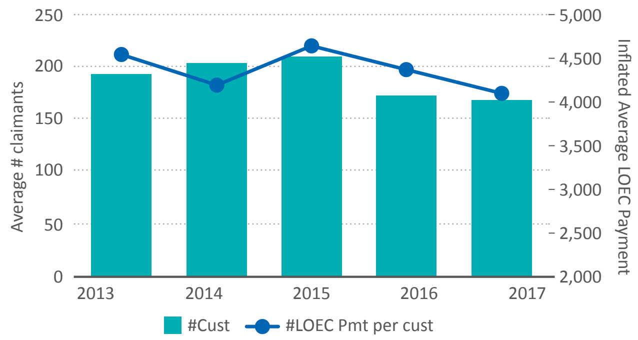


Loss of Earning Capacity entitlements

Compensation for loss of earning capacity (LOEC) is available for claimants if their capacity to earn income is reduced as a result of a motor vehicle accident-related injury. The average LOEC payment in 2016-17 was 6 per cent less than the previous year. The average number of claimants receiving LOEC entitlements has slightly reduced from 173 in 2015-16 to 169 in 2016-17.

Strategic reviews are being undertaken with claimants to ensure they are correctly receiving entitlements. The number of LOEC recipients has been stable since mid-2016 with the average monthly payment trending downward. In addition the number of LOEC active claims is lower than expected, which has been validated by external actuaries.

Figure 4: Annual Loss of Earnings Averages



Common law claims

Common law claims apply for interstate claims received where the accident/injury involves a Northern Territory registered vehicle. In 2016-17 there were 31 new claims received with 27 files closed. This resulted in the common law portfolio having 51 open claims at the end of the year. The outstanding liability on these 51 claims is $11.6 million. While this is an increase on the 2015-16 year, common law claims still represent 4 per cent of the total portfolio claim volume, 5 per cent of new claim volume and 5 per cent of the total gross outstanding.

Best practice strategies

Claims Management System

Continued enhancements to the MAC Claims Management System have been implemented enabling the increased capture of data and improved reporting. This includes flagging for critical triage points for all claims and particularly those associated with life-time care and support.

Provider Services

The current and ongoing focus with provider management is to ensure providers are appropriately skilled to undertake services and able to work collaboratively with MAC to support our claimants achieve the maximum level of return to health and independence appropriate for their injury.

This focus also includes initial identification of suitably qualified and experienced providers as well as development opportunities for service providers.

This involves:

- standardising of documentation across providers where possible
- working with local providers on upskilling opportunities to allow them to meet the needs of the scheme in the Northern Territory
- working with key hospitals to develop earlier reporting, identifying potential interim life-time care and support claimants and clear discharge planning processes to ensure participant care needs are met
- comparing interstate vs. intrastate processes with clear procedures for provider identification, eligibility assessment and case management review.

Lois Munungurr
was injured as a pedestrian in March 2005. Lois lives with her husband who is her full-time carer at Ski Beach, approximately 25km from Nhulunbuy. Support from the MAC Scheme includes ongoing medical and rehabilitation treatment, and mobility aids and equipment.

Aboriginal support

The Aboriginal Support Strategy was launched in 2015-16 with a primary focus on providing improved access to information at the time of the accident as well as assisting claimants to overcome difficulties accessing appropriate medical and rehabilitation care in home communities.

During 2016-17 providers were identified that had the flexibility and appropriate resources to travel directly to remote communities. A trial was instigated to engage collaboratively with local entities in providing effective rehabilitation plans and outcomes, and delivery of services. The results have been varied, but a key outcome is a better understanding of what is important and culturally acceptable for Aboriginal Territorians.

One example of how the learnings have been used to improve access to rehabilitation and treatment is a 40-year-old Aboriginal man living remotely with a severe brain injury. Until recently he would periodically travel to Darwin for treatment and speech therapy sessions. Following the implementation of the Aboriginal Support Strategy, he now has regular access to speech therapy-based applications via a laptop, which are specifically adapted to his rehabilitation needs. He is able to stay in the community with the support of his family. His family have improved access to information relevant to his care, which has resulted in a greater understanding of his needs.

Jasco Yarrawanga Campion
was injured in a motor vehicle accident in June 2002. Jason lives with his mother in the community of Maningrida. He is supported by the MAC Scheme for ongoing medical and rehabilitation treatment and mobility aids and equipment.

From Left Imogen Karpasitis MAC Senior Claims Officer, Jim Colvin MAC Commissioner and Lorenzo Siciliano, MAC Aboriginal Technical Advisor with Jasco Yarrawanga Campion

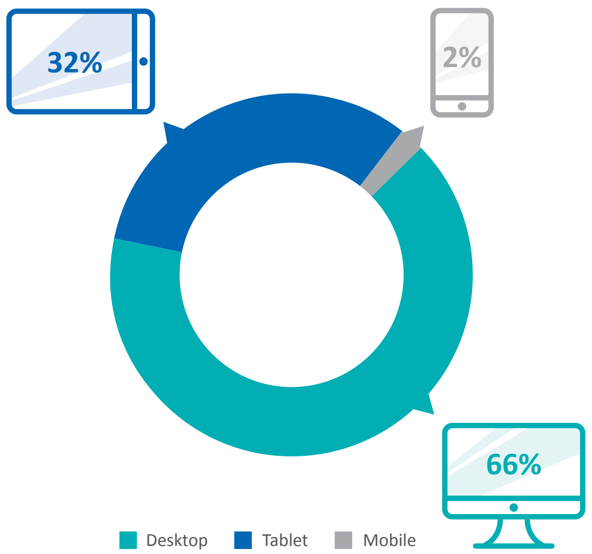
MACC website

The Northern Territory MACC website was launched in February 2016 to provide easier access to MACC information for claimants and stakeholders. The website, at www.ntmacc.com.au, provides information on the scheme, benefits available, how to make a claim, road safety initiatives and a range of publications and fact sheets.

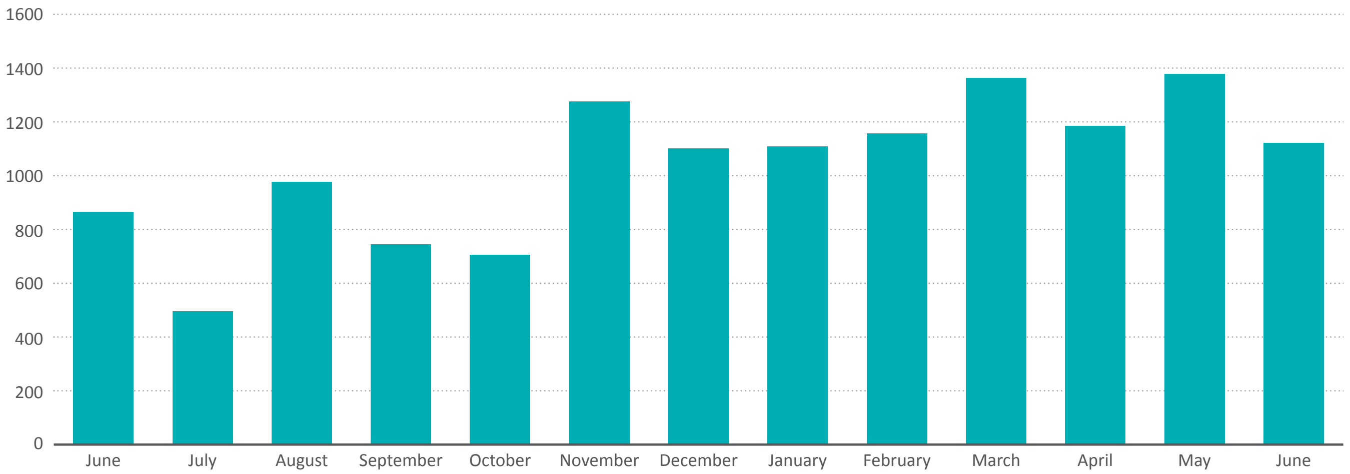
Analytics collected over the life of the site show a number of trends:

- the number of visitors per month has grown from around 800 to more than 1,100 in 12 months
- mobile use has risen from 4 to 34 per cent of all visitors over the same period
- 60 per cent of visitors are typing the website address directly into their browser, indicating a high recognition of our brand.

Desktop versus mobile access to website - June 2017



Page views



Appeals

Under the *Motor Accidents (Compensation) Act*, claimants have the right to request a review of decisions made about their claims, whether it be to change elements of a decision or have an adverse decision revoked. The first avenue of appeal is a non-legislated Internal Review process, while the second avenue is via a Designated Person Review as defined under the Act. There were 25 reviews by the Designated Person over the course of 2016-17. A decision was made on a total of 20 claims throughout the year with 65 per cent of the initial decisions maintained.

Designated Person Review

	2012-13	2013-14	2014-15	2015-16	2016-17
Total received	20	19	23	26	25
Decision upheld	12	6	7	17	13
Decision varied	10	15	7	6	7
Agreement reached	0	0	0	0	0
Ineligible for review or withdrawn	2	0	1	7	5
Open	5	3	11	7	1

Six claims were referred to the Tribunal during the course of the year with a decision made on three claims. The increase in the number of Tribunal matters as indicated in the table below is reflective of an increase in legal providers in the Northern Territory becoming involved in the management and determination of motor accident claims.

A Litigation Protocol was developed to ensure matters will only continue to a Tribunal hearing in appropriate circumstances. The Protocol is reflective of MACC's commitment to following model litigant principles and to resolving matters without undue delay or cost in the interests of both the claimant and the MAC Scheme.

MAC Tribunal

	2012-13	2013-14	2014-15	2015-16	2016-17
Total received	3	1	0	4	6
Decision upheld	0	0	0	0	0
Decision varied	1	0	1	0	1
Agreement reached	2	0	1	3	2
Ineligible for review or withdrawn	1	0	0	0	0
Open	1	2	0	1	4

Scheme operational results

	2012-13	2013-14	2014-15	2015-16	2016-17
Number of vehicles insured	189 000	192 000	195 000	199 010	199 540
Premium normal private vehicle	$501.00	$511.00	$531.00	$544.15	$546.85
New claims received	530	575	470	535	593
Claims received per 1,000 vehicles	2.80	2.99	2.41	2.69	2.97
Number of finalised claims	651	543	532	507	565
Number of active claims at end of period	971	1025	1001	1113	1185
Gross claim payments ($millions)	37.73	40.07	39. 41	35.42	35.38
Net claim payments ($millions)	34.79	38.15	37.50	33.48	32.37
Number of pedestrian claims received	59	49	45	48	62

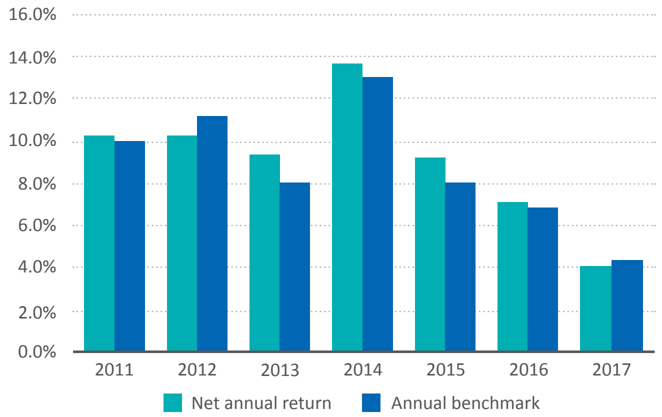
MAC no fault claim payments by major heads of benefits ($millions)	2012-13	2013-14	2014-15	2015-16	2016-17
Attendant Care benefits	1.8	1.7	2.3	3.9	2.3
Hospital costs	7.4	8.0	6.5	6.7	7.9
Weekly benefits	8.9	8.8	10.0	8.5	7.8
Vocational rehabilitation benefits	0.9	1.1	1.4	1.2	1.6
Rehabilitation benefits	1.4	1.6	1.8	1.6	1.4
Medical benefits	4.1	3.6	3.9	4.2	3.6
Death and dependency benefits	3.2	3.4	2.1	2.9	3.1

Fund performance

MAC Fund performance

Total Investment assets grew from $617 million to $654 million over the year to 30 June 2017. During this period, Australian bond prices rose, which led to losses from our holdings of defensive fixed-income assets. However, most equity markets in which we are invested rose, leading to equity returns making up for these bond losses. Market behaviour was opposite to what we experienced in the previous year, showing the value of diversifying our investment assets.

Annual performance



Despite these variances, our overall return of 4.02 per cent was very close to our Budget expectations for the year. However, it was lower than the return achieved in 2015-16.

Sensitivity of operating result

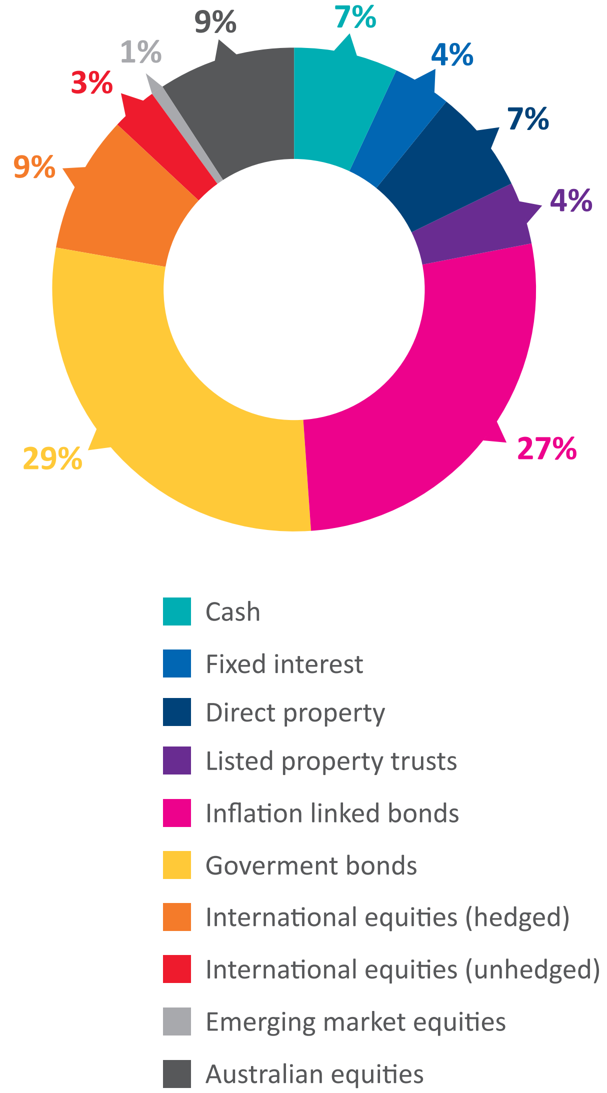
Due to the long-term nature of the MAC Scheme volatility can impact the Fund significantly, as shown below. The Fund is particularly sensitive to changes in interest rates, wage inflation assumptions as well as local and global equity markets.

Sensitivity to external factors	2016-17
1% decrease in interest rates	$(46.5) million
1% decrease in wage inflation (AWE) assumptions	$25.5 million
20% decrease in equity markets	$(32.4) million

MAC asset allocation

We have almost completed the comprehensive review of our strategic asset allocation, which commenced midway through the year. The intent is to increase the proportion held in growth assets, which should create greater funding stability for the MACC Fund in the longer term. At this time, we continue to manage the Fund at the current allocation of 64 per cent defensive assets and 36 per cent growth assets. The complete allocation is shown in the following pie chart.

Asset allocation



The Enough's Enough Drink Driving Campaign launched in December 2016

Road Safety

The Northern Territory remains the most dangerous place in Australia to be on the road. Over the past 10 years 475 people have been killed and 4242 people seriously injured on Territory roads. If you were on the road in the Northern Territory in 2016, you were four times more likely to be killed than other Australians.

There were 45 fatalities in the Northern Territory in the 2016 calendar year, compared with 49 the previous year. In first half of 2017, there were 17 fatalities, against 18 in the same period in 2016.

Of people killed on Northern Territory roads in 2016, an average of around 76 per cent were male. Just over half of the deceased are Aboriginal, even though Aboriginal Territorians make up just 30 per cent of our population.

Around 76 per cent of all fatalities were in rural areas, compared with 60 per cent in 2015. This is a worrying trend and justifies MACC's decision to ensure rural and Aboriginal communities receive targeted education communication materials as part of campaigns.

Alcohol, speeding and not wearing seatbelts continue to be the most prevalent factors in both fatalities and serious injuries. Changing behaviours in these three key areas remains a high priority for MACC.

Overview

In 2016-17 MACC continued to develop and implement strategic road safety campaigns and initiatives to increase community awareness and change road user attitudes and behaviour to reduce the incidence of road trauma.

Key road safety issues were addressed through a range of targeted communications platforms including mass media, partnership strategies, and digital initiatives and community programs.

Each platform offered a different way to approach key issues and audiences groups, with the laying of multiple methods in some campaigns providing the most effective way to create awareness and achieve behaviour change.

MACC's campaigns and programs have been developed in consultation with key stakeholders including Northern Territory Police (NT Police), Government Road Safety branch and the First Circles Aboriginal Engagement group.

New campaigns in 2016-17 focussed on the main road safety issues of drink driving, speed, seatbelts and child restraints.

Early in the year MACC facilitated a data project in collaboration with Department of Infrastructure, Planning and Logistics (DIPL) and NT Police to analyse road safety fatalities and serious injuries to provide an evidence base for road safety priorities and inform the development of a road safety action plan.

The Always wear your seatbelt campaign launched in June 2017

Campaigns

Enough's Enough drink driving urban campaign

The Enough's Enough urban drink driving campaign was launched in December 2016. The campaign was produced by Brand+Story and in consultation with other road safety stakeholders such as NT Police and the DIPL. The campaign comprises a broad range of media executions including television, radio, cinema, print, bus advertising and billboards.

The purpose of the campaign is to address the ongoing problem of drink driving in the Northern Territory, to raise awareness and draw people's attention to the consequences of drink driving and influence people not to drink and drive.

The campaign cycled in and out of market to 30 June 2017 and will continue in the coming year.

The awareness of the campaign was assessed as part of the Northern Territory Government Road Safety community consultation process, which recorded 88 per cent awareness among 437 people surveyed. This is an outstanding achievement for a campaign in market less than six months. The campaign will be more comprehensively evaluated in 2017-18.

Aboriginal drink driving – Sorry Business Stories

The Aboriginal Drink Driving campaign was launched in December 2016. The campaign was developed in collaboration with road safety and Aboriginal stakeholders.

This was a challenging campaign that needed to engage Aboriginal Territorians across 600 communities and outstations spanning more than 100 languages.

The strategy developed was to allow Aboriginal people to tell their own story and in a language that all Aboriginal people can understand – art and culture.

Understanding that storytelling is at the heart of Aboriginal culture, and art is the way many stories are told, we reached out to respected Aboriginal elders and artists who had been personally affected by a drink driving tragedy to tell their stories first hand.

The Sorry Business Stories campaign has received very favourable feedback from Aboriginal people and the Aboriginal Broadcasting Association. The campaign will be evaluated in 2017-18.

Always Wear your Seatbelt – urban and remote

The Always Wear your Seatbelt campaign was launched in June 2017. The campaign was produced in consultation with other road safety stakeholders such as NT Police and DIPL.

The campaign comprises a broad range of media executions including television, radio, cinema, print and digital advertising.

The purpose of the campaign is to address the issue of people not wearing seatbelts or securing children in proper child restraints. The campaign aims to create awareness and draw people's attention to how simple it is to save lives by wearing a seatbelt.

Local residents trained by Kidsafe NT as accredited fitters for the Buckle Up Borroloola Child Restraint Program

The campaign will cycle in and out of the media throughout 2017-18.

A complementary campaign was produced for remote and Aboriginal audiences addressing both general behavioural issues as well as specific issues such as riding in the backs of utes.

Child Restraint Programs – Borroloola and Groote Eylandt

A Pilot program "Buckle Up Borroloola" for Aboriginal child restraints was launched in November 2016.

The program was developed in collaboration with key stakeholders McArthur River Mine, Mabunji Aboriginal Resource Aboriginal Corporation and Kidsafe NT to provide access to child car seats and fitment services in the Borroloola area, including the communities of Robinson River, Kiana and 26 outstations.

The program is supported by promotional banners and local radio advertising. Since the launch of the program in November 2016, 103 child car seats have been fitted into local vehicles, nine local people have been trained as car seat fitters and two open days have been run by Kidsafe NT in the community. The Buckle Up Borroloola program evaluation and lessons learned have been completed for review.

MACC funding was provided to support a program launched by Groote Eylandt and Bickerton Island Enterprises for distribution of child seats and fitting services at Angurugu, Umbakumba and Milyakburrato. The funding enabled Kidsafe NT to provide accredited training to nine local Aboriginal fitters and participate in three open days to assist with seat fitting.

Speeding Fast Facts

A small print campaign was implemented in October 2016 to coincide with the reduction of speed limits on Territory Roads. The campaign ran for three weeks.

The print-based campaign provided a series of 10 "Fast Facts" using front-page strip advertisements in the NT News, Sunday Territorian and Centralian Advocate.

Towards Zero

MACC provided support to the Northern Territory Government road safety community consultation project in May and June 2017 by way of production of a vox pop "Towards Zero" campaign.

The campaign aims to raise awareness in the community that road fatalities and serious injuries on Territory roads is a serious issue.

The campaign was developed in consultation with road safety stakeholders and comprises a series of interviews with people from the top end and central Australia.

Two video productions were launched in May 2017 and broadcast on television over a period of four weeks.

Youth from remote communities engaging in road safety education with the Michael Long Learning and Leadership Centre residential program

National Road Safety Week

MACC support for National Road Safety Week this year was aligned to the Enough's Enough road safety themes.

In collaboration with NT Police, 200 posters were distributed on road sides Territory wide. Northern Territory Government distributed Enough's Enough posters in pubs and clubs throughout the Territory. The campaign was highly visible and attracted considerable community feedback. The campaign was supported by print advertising.

No Rego, No Cover

The No Rego No Cover campaign continued in 2016-17 to remind owners and drivers of unregistered vehicles and to encourage people to check their registration, register their vehicle and change over interstate plates. Media activity cycled in and out throughout the year on television, radio, bus wraps and digital advertising.

A campaign research study was undertaken in October 2016. The survey sample size of 400 for the population of the Northern Territory provides the maximum achievable confidence level of 95 per cent with a margin of error of plus or minus 5 points.

Key findings include:

- awareness of the MAC Scheme has increased by **19%**
- **28%** indicated they had heard of MACC (from a zero base in 2014)
- awareness of the campaign has increased by **23%** (51% up from 28%)
- recall of the No Rego No cover message increased by **18%**
- three quarters recalled the message on television, **74%** (up from 56%)
- **79%** recalled Police "It's Cheaper to Check your Rego before we do" message up 18%
- **20%** recalled the message on radio, down from 36%
- the MACC brand is becoming established in the community with 28% recognition.

MAC awareness

The MAC Scheme awareness advertising was published in the NT News and Centralian Advocate in May to coincide with National Road Safety Week. The purpose of the advertisement is to raise awareness of the MAC Scheme and to educate the community about MAC, its cover and how to access the scheme.

Our partnership with Kidsafe NT is increasing access to properly installed Child Car Seats in Aboriginal communities

Key partnerships

MACC makes use of partnerships with like-minded organisations to deliver road safety awareness and education in ways we couldn't do on our own.

Michael Long Learning and Leadership Centre

The Michael Long Learning and Leadership Centre (MLLLC) sponsorship continues to perform well in accordance with agreed key performance indicators. A number of MLLLC management changes over the past 18 months have resulted in a more structured and professionally run centre and program coordination.

Key results include:

- 1 residential program undertaken
- 381 program participants
- two one-hour road safety sessions delivered by Northern Territory Government Road Safety educators
- all AFLNT Regional Development Manager's job includes Road Safety ambassador expectations
- Enough's Enough campaign extension to the exterior of the MLLLC with permanent signage and campaign artworks installed in the foyer of the building
- MACC Road Safety banners displayed regularly at AFL training and club matches in the community.

Road Safety staff introduced a new way of surveying program participants to gauge their learnings. This includes a pre and post-art piece, showing initially what the students know and subsequently illustrating what they have learnt.

This year the MLLLC recently appointed an education coordinator, who is available to work with MACC on the development and implementation of future surveys.

Kidsafe NT

The Kidsafe NT partnership continues to perform well. Key results include:

- 17 people completing accredited training
- programs delivered in Borroloola and Groote Eylandt.
- regular visitation program to Alice Springs and Katherine, with local stakeholders in each location engaged to provide local support for restraint fitting and workshops with community groups.
- Chief Executive Officer role increased to a full-time position and Darwin office hours increased to 30 hours per week including Saturday mornings to be more accessible to the community.

Darwin Cup Carnival

The Darwin Turf Club car park security continues to perform well with promotion of the Drink Driving message and allowing patrons to leave their car behind in a safe environment and take alterative transport home after the eight race days of the Darwin Cup Carnival.

Initiatives for 2016-17 included:

- replacement of external signage and banners throughout the carnival
- promotion of the drink driving message in race day books and carnival advertising
- permanent drink driving signage at three locations, which is visible year round.

Hector the Cat, Road Safety Mascot engaging with the community

Data project

MACC funded and managed a Data Analysis project, which was finalised in September 2016.

The purpose of the data project was to inform the development of the 2016-20 Road Safety Strategic Action Plan and ensure funding and policy initiatives are based on evidence and agreed priorities.

MACC's role was to manage the project and work with the consultant, Northern Territorty Government and NT Police to facilitate the analysis of 10 years of Northern Territory's Vehicle Accident Crash Database maintained by the DIPL.

DriveSafe NT

MACC contributed $1.66 million of funding to the DriveSafe NT (urban) driver education and licensing program, which continues to improve the road safety and safe driving practices and behaviours of our most at-risk drivers, young Territorians aged 16 years and over living in greater Darwin/Palmerston, Katherine and Alice Springs.

By 30 June 2017, 4,055 participants, 1,000 on average each year, have enrolled in the program and taken advantage of subsidised driving lessons and other benefits of the program including free licences and testing. DriveSafe NT program participant's access professional driving instruction from a panel of 26 approved Northern Territory driving schools and can complete their practical driving tests with one of 36 approved industry assessors.

DriveSafe NT works in partnership with over 25 community organisations to ensure disadvantaged road user groups have access to the program. Recently, this focus has been concentrated in the Alice Springs region to combat road safety and licensing issues in this location, DriveSafe NT is currently working with organisations such as Clontarf Foundation, Yirara College, St Joseph's Flexible Learning Centre, Central Australian Aboriginal Congress (CAAC), Tangentyere Employment Services, Department of Children Family Services (DCF), Youth Detention and Red Cross.

MACC-funded Northern Territory Government programs

MACC contributed $1.256 million of funding to the Northern Territory Government's Road Safety program to deliver a range of campaigns and initiatives.

School education

School education sessions delivered by Road Safety Community Engagement Officers are offered to all children from childcare to senior school. The sessions provide students with road safety information and skills to help keep them safer as road users and pedestrians. Each session is tailored to the age of the students and focuses on key road safety issues facing Territorians and or identified by the school community.

These sessions are based on the Safer Roads Curriculum Teacher Resources (early childhood, primary and middle/ senior years), which are provided to schools for ongoing education.

The Road Safety Community Grants Program funded the road safety bus shelter project

Northern Territory Government Road Safety Team conducing community consultations for road safety in May 2017

Road Safety (cont)

The Choices Program is a road safety pre-learner and learner driver educational workshop delivered to senior schools in partnership with Police Fire and Emergency Services and St John Ambulance with a focus on risk and harm minimisation strategies.

Remote and regional schools are priority with a target of at least one remote school visit program each month.

Educational presentations and workshops are also delivered to community groups and workplaces.

Since 2015, Road Safety Community Engagement Officers have been delivering road safety education sessions to visiting Aboriginal children at the MLLLC on behalf of MACC. In 2016-17, Road Safety Community Engagement Officers delivered 17 road safety education sessions to over 180 visiting Aboriginal children.

In 2016-17 Road Safety Community Engagement Officers visited 113 schools, delivering 159 sessions to more than 11,000 students. In the same period Hector the Road Safety Cat shows were delivered at 34 childcare centres to more than 900 children.

Parap and Newland Park Road Safety Centres

The centres are an important element of the Bicycle Safety Education program that shows students how to be safer bike riders, teaching them the basics of riding safely on the roads. The program has two elements:

- theory is delivered in the classroom at school
- practical introduction to road rules and participate in various exercises in the simulated road environment to demonstrate their learning.

Practical bike-safety lessons are available for students from years 4 to 6 at the Parap Road Safety Centre and Years 2 to 6 at the Newland Park Road Safety Centre. The Parap Road Safety Centre operates bike education lessons in school terms two and three to coincide with favourable climatic conditions. Newland Park Centre operates throughout the school year and in partnership with NT Police when Road Safety staff are not able to attend.

The Parap Road Safety Centre is also open to the public all year round and is used by DriveSafe NT to conduct driver theory sessions.

In 2016-17, 21 bike education sessions were held at the centres with 646 students.

Road Safety Community Grants

The Road Safety Community Grants program provides an opportunity for community organisations and schools to develop and implement road safety initiatives important to their community.

This program provides an opportunity for community groups to develop and implement road safety projects at a local level. It aims to:

- provide an opportunity for community groups to develop and implement projects that target local road safety concerns
- encourage greater community involvement in road safety
- empower people and build capacity in the communities.

Grants are available up to $5,000 per organisation, although applications seeking more funding for larger more complex initiatives can be made and may be approved under specific conditions outlined in the grant guidelines.

The program is open to all not-for-profit Northern Territory-based community and local government organisations as well as to schools that want to develop and implement projects to address local road safety concerns and increase road safety awareness.

The 2016-17 grants round closed on 1 December 2016. Seventeen organisations received around $80,000 in funding.

Who's Your Sober Bob? Campaign

The 'Who's Your Sober Bob?' campaign aims to encourage Territorians to not drink and drive, think ahead and use a designated driver to get home when they are drinking.

Although the formal advertising campaign finished in early January 2017, the key messages are promoted throughout the year at appropriate community events.

The 'Who's Your Sober Bob?' campaign is conducted with the support and assistance of the Australian Hotels Association (AHA) and Recording Artists Actors and Athletes Against Drink Driving (RADD).

The campaign's focus is working with partners, such as AHA and licensed venues, to help spread the message of taking self-responsibility to ensure people have planned for a safe way home, which does not involve drink driving.

The campaign is primarily promoted in licensed venues and at alcohol retail locations in our major centres. The campaign is also supported with bus advertising in Darwin.

Road Safety contracts RADD to engage high profile athletes, actors and recording artists to deliver t argeted community service road safety messages on radio, television and social media sites in the Territory through media outlets.

The 2016-17 campaign focussed on direct promotion to patrons of drive-through bottle shops, restaurant, bars and clubs, and major alcohol retail outlets in Darwin and Alice Springs. The campaign was also supported by NT Police, who distributed Sober Bob merchandise to drivers passing through major roadside breath-testing stations.

Northern Territory Government Road Safety Team conducing community consultations for road safety in May 2017

National Road Safety 8 May 2017. Each yellow ribbon represented a death on Territory roads over the past year

Road Safety Short Film competition

Delivered in partnership with Skinnyfish Music, the Road Safety Short Film competition encourages people living in regional and remote communities to make a short film with a road safety theme. The competition aims to:

- promote, encourage and stimulate the development of road safety messages that target our regional and remote areas
- share through modern media, innovative road safety messages created and developed by the people themselves within regional communities and towns
- encourage community ownership and interest in the Territory's road safety challenges.

The nominations were showcased the winners announced at the 2017 Barunga Festival in June. More than $5,000 in prize money was awarded. The winning films are currently used as part of the Road Safety school education program.

Toward Zero Road Safety Discussion Paper consultation

On 11 May 2017 the Minster for Transport released the Towards Zero Road Safety Discussion Paper to start a conversation with Territorians about reducing the death and injury on our roads. It was developed in partnership with MACC and the NT Police. Significantly it proposed a Towards Zero Vision where no person is killed or seriously injured on our roads.

The Towards Zero vision has been adopted across all jurisdictions and internationally by the World Health Organisation. It aims to inspire ownership of the Territory's Road Safety challenge and motivate people to take action.

The Discussion Paper and associated summary document was supported with more detailed information on the www.Haveyoursay.nt.gov.au website. It focussed on five proposed priority areas for action and discussed some options for consideration over the next five years. These were:

- alcohol and drugs
- seatbelts and child restraints
- speed and driving to the conditions
- roads and roadsides
- vulnerable road users
    - Aboriginal people
    - young drivers
    - motorcyclists

The Discussion Paper also proposed options around enhanced information sharing, investment in research, community action, heavy vehicle, safer vehicles and cycling safety. The community consultation started on

11 May 2017 and officially closed on 30 June 2017. Opportunities for feedback included completion of an online survey, attending community meetings or providing feedback through a written submission. More than 275 people participated in 26 community forums, meetings and information sessions across the Territory, and 452 responded to the survey. Seventeen written submissions were also received from community members and organisations.

Other significant programs and activities

- The Road Safety Education Team participated in 73 community events including the Barunga Festival, Northern Territory Show Circuit and Police Fire and Emergency Services Open Day, engaging with over 21,000 event attendees
- Five presentations were held to workplace/community groups including Laing O'Rourke and KAEFER at Icthys LNG Project engaging with 512 participants
- Yellow Ribbon National Road Safety Week 8-14 May 2017
- The June 2017 Check. Plan. Go. safe holiday driving campaign included a free safe vehicle check day at Bunnings Alice Springs in partnership with Automobile Association of the Northern Territory (AANT) and Kidsafe NT. This campaign followed on from the inaugural campaign in December 2016
- Road Safety School Bus Shelter artwork competition resulting in 13 Darwin/Palmerston schools providing road safety themed artwork for painting 20 bus shelters in the Darwinbus network
- Back to school campaigns in July 2016 and January 2017
- National Ride to School and Walk to School days, National Ride to Work day and Rail Safety Week awareness campaigns.

This page has been left blank intentionally.

MACC

Motor Accidents (Compensation) Commission

2016-17 Financial Statements

Motor Accidents (Compensation) Commissioners' Statement

The Motor Accidents (Compensation) Commissioner is of the opinion that to the best of his belief:

The Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements of the Motor Accidents (Compensation) Commission are drawn up so as to present fairly Motor Accidents (Compensation) Commission's financial position as at 30 June 2017 and its performance for the year ended on that date.

The financial statements are drawn up in accordance with Australian Accounting Standards and-Interpretations, International Financial Reporting Standards, other mandatory professional reporting requirements, and the *Motor Accidents (Compensation) Commission Act,* as amended.

James Colvin
Commissioner

28 September 2017

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017

	Notes	2017	2016
		$'000	$'000
Profit and loss			
Revenue	5	108,817	196,172
Insurance expense		(9,731)	(10,433)
Claims expense	12 (c)	12,195	(182,112)
Grants provided to fund road safety programs		(4,594)	(3,573)
Other expenses		(16,246)	(11,642)
Profit/(Loss) before tax		**90,441**	**(11,588)**
Income tax expense		-	-
Profit/(Loss) for the period		**90,441**	**(11,588)**
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on hedging instruments entered into for cash flow hedge		-	-
Total items that may be reclassified subsequently to profit or loss		**-**	**-**
Other comprehensive income (loss) for the period		**-**	**-**
Total comprehensive income (loss) for the period		**90,441**	**(11,588)**

The total comprehensive income for the period is attributable to the owner.

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2017

	Notes	2017	2016
		$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	7	21,378	65,008
Trade and other receivables	8	4,491	3,631
Other financial assets	9	587,455	507,357
Insurance and other recoveries receivable	10	9,203	11,195
Total Current Assets		**622,527**	**587,191**
NON-CURRENT ASSETS			
Insurance and other recoveries receivable	10	114,594	118,694
Investment property	11	45,000	44,500
Total Non-Current Assets		**159,594**	**163,194**
Total Assets		**782,121**	**750,385**
CURRENT LIABILITIES			
Outstanding claims provision	12	71,205	77,164
Trade and other payables	14	5,532	6,641
Unearned CTP contributions	13	35,132	34,633
Total Current Liabilities		**111,869**	**118,438**
NON-CURRENT LIABILITIES			
Outstanding claims provision	12	475,018	527,154
Total Non-Current Liabilities		**475,018**	**527,154**
Total Liabilities		**586,887**	**645,592**
Net Assets		**195,234**	**104,793**
EQUITY			
Retained earnings		195,234	104,793
Total Equity		**195,234**	**104,793**

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2017

	Notes	Retained Earnings	Total
		$'000	$'000
Balance as at 30 June 2015		**116,381**	**116,381**
Profit/(Loss) for the period		(11,588)	(11,588)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		**(11,588)**	**(11,588)**
Transactions with owners in their capacity as owners			
Dividend paid		-	-
		-	**-**
Balance as at 30 June 2016		**104,793**	**104,793**
Profit/(loss) for the period		90,441	90,441
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		**90,441**	**90,441**
Transactions with owners in their capacity as owners			
Dividend paid		-	-
		-	**-**
Balance as at 30 June 2017		**195,234**	**195,234**

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2017

	Notes	2017	2016
		$'000	$'000
Cash flows from operating activities			
CTP Contributions received		92,898	91,139
Insurance paid		(10,392)	(11,164)
Claims paid		(41,315)	(44,026)
Insurance recoveries received		3,104	4,385
Trust distributions received		15,669	14,694
Interest received		10,638	10,461
Operating lease income received		4,422	5,064
Other income received		385	329
General and administration expenses paid		(25,664)	(23,031)
Funding for road safety programs paid		(4,594)	(3,598)
Goods and services tax paid		(3,512)	(4,012)
Monies held on trust received/(paid)		(89)	89
Net cash flow from operating activities	**18**	**41,550**	**40,330**
Cash flows from investing activities			
Net (payments)/receipts for investments		(85,180)	11,209
Net cash flow from/(used in) investing activities		**(85,180)**	**11,209**
Net increase/(decrease) in cash held		**(43,630)**	**51,539**
Cash at the beginning of the period		65,008	13,469
Cash at the end of the period	**7**	**21,378**	**65,008**

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1. Corporate Information

Motor Accidents (Compensation) Commission ("MACC") is domiciled in the Northern Territory. The principal commercial activities of MACC are the administration of the MAC Scheme on behalf of the Northern Territory Government.

Motor Accidents (Compensation) Commission Principal Place of Business
24 Mitchell Street
DARWIN NT 0800

2. Summary of significant accounting policies

2.1 Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with the requirements of the *Financial Management Act, Treasurer's Directions, Motor Accidents (Compensation) Commission Act 2014*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB). The principal accounting policies adopted are consistent with those of the previous year, except where otherwise stated. The financial statements comply with Australian Accounting Standards and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

These general purpose financial statements were authorised by the MAC Commissioner on 21 September 2017.

The financial statements have been prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies set below at Note 2.3. Motor Accidents (Compensation) Commission is a for profit entity for financial reporting purposes. MACC is not subject to income tax as per Income Tax Assessment Act 1936 Part III Division 1AB section 24AK.

2.2 New and Revised Accounting Standards

Standards and Interpretations affecting amounts, presentation and disclosure reported in the current period

No accounting standard has been adopted earlier than the applicable dates as stated in the standard.

New standards/revised standards/interpretations/amending standards issued prior to the sign off date applicable to the current reporting period did not have a financial impact on MACC and are not expected to have future financial impact on MACC.

Standards and Interpretations in issue not yet adopted

The following new and revised Standards and Interpretations have recently been issued or amended but are not yet effective. MACC will apply these standards in its financial statements for the annual reporting periods beginning on or after the effective dates. Adoption of these standards is not expected to have a material impact on MACC.

Title	Amendment	Effective for accounting periods on or after	Financial year expected to be applied
AASB 9 'Financial Instruments, and relevant amending standards'	AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*. Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Debt instruments are subsequently measured at fair value through profit or loss (FVTPL), amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held. There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch. Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by-instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income (OCI) without subsequent reclassification to profit or loss. For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss. All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO. The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9. The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers, and relevant amending standards'	AASB 15 replaces all existing revenue requirements in Australian Accounting Standards (AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB Interpretation 13 *Customer Loyalty Programmes*, AASB Interpretation 15 *Agreements for the Construction of Real Estate*, AASB Interpretation 18 *Transfers of Assets from Customers* and AASB Interpretation 131 *Revenue – Barter Transactions Involving Advertising Services*) and applies to all revenue arising from contracts with customers, unless the contracts are in the scope of other standards, such as AASB 117 (or AASB 16 *Leases*, once applied). The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps: ► Step 1: Identify the contract(s) with a customer ► Step 2: Identify the performance obligations in the contract ► Step 3: Determine the transaction price ► Step 4: Allocate the transaction price to the performance obligations in the contract ► Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation	1 January 2018	30 June 2019

Title	Amendment	Effective for accounting periods on or after	Financial year expected to be applied
IFRS 17 'Insurance Contracts'	IFRS 17 replaces IFRS 4 *Insurance Contracts* and applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. The core of IFRS 17 is the General (building block) Model, supplemented by: ► A specific adaptation for contracts with direct participation features (the Variable Fee Approach) ► A simplified approach (Premium Allocation Approach) mainly for short-duration contracts The main features of the new accounting model for insurance contracts are: ► A measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows) ► A Contractual Service Margin (CSM) that is equal and opposite to any day one gain in the fulfilment cash flows of a group of contracts, representing the unearned profitability of the insurance contract to be recognised in profit or loss over the service period (i.e., coverage period) ► Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining contract service period ► The effect of changes in discount rates will be reported in either profit or loss or other comprehensive income (OCI), determined by an accounting policy choice.	1 January 2021	30 June 2022

2.3 Significant Accounting Policies

MACC's primary operation is to administer the MACC Scheme pursuant to the MACC Act. All accounting policies are consistent with the previous year unless otherwise stated.

a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria are also used before revenue is recognised:

Compulsory Third Party contributions ("CTP Contributions or Contributions")

CTP Contributions relate to amounts charged to owners of motor vehicles registered in the Northern Territory that relate to the funding of the MACC Scheme. The earned portion of CTP contributions collected and receivable are recognised as revenue. CTP contributions are treated as earned from the date of attachment of risk.

The pattern of recognition of income over the contribution is in accordance with the pattern of the incidence of risk to which the contribution relates or over its expected life. Unearned CTP contribution liability, which is the proportion of contribution collected or receivable not earned in the Statement of Profit or Loss and Other Comprehensive Income, is determined by apportioning the CTP contribution in the year over the periods of indemnity from the attachment of risk, and is treated as a liability on the Statement of Financial Position at the reporting date.

Insurance and other recoveries receivable

Insurance and other recoveries receivable on paid claims expenses, reported claims not yet paid, claims incurred but not reported are recognised as revenue.

Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims provision. Recoveries receivable are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims. The details of discount and inflation rates applied are included in note 3.

Interest

Interest income is recognised on an accrual basis.

Rental revenue

Rental revenue is recognised as income on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

b) Adequacy of Unearned CTP Contributions

The adequacy of the unearned CTP contributions is assessed by considering current estimates of all expected future cash flows relating to future claims provision covered by current CTP contribution contracts. This assessment is referred to as the liability adequacy test and is performed separately for each group of the contracts subject to broadly similar risks and managed together in a single portfolio.

If the unearned CTP contribution less related intangible assets and related deferred acquisition costs, if any, is exceeded by the present value of the expected future cash flows relating to future claims provision plus the additional risk margin to reflect the inherent uncertainty in the central estimate, then the unearned CTP contribution is deemed to be deficient. MACC applies a risk margin to achieve the same probability of sufficiency for future claims provision as is achieved on the outstanding claims provision.

The entire deficiency, gross and net of insurance is recognised immediately in the Statement of Profit or Loss and Other Comprehensive Income. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, if any, with any excess being recorded in the Statement of Financial Position as an unexpired risk liability.

c) Insurance expense

Insurance expense is in the Statement of Profit or Loss and Other Comprehensive Income from the attachment date over the period of indemnity of the contributions received in accordance with the pattern of insurance protection received. Where appropriate, an unearned portion of insurance expense is treated at the reporting date as an asset.

d) Receivables

Receivables comprise CTP contributions receivable, interest receivables, other debtors and insurance and other recoveries. These amounts are initially recognised at fair value.

CTP contribution receivable and insurance and other recoveries, which include amounts due from insurers and intermediaries, are subsequently measured at fair value through the profit and loss section of the Statement of Profit or Loss and Other Comprehensive Income. Interest receivables and other debtors are subsequently measured at amortised cost using the effective interest rate method.

An allowance for impairment of receivables is established when there is objective evidence that MACC will not be able to collect all moneys due. The amount of the allowance is equal to the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment charge is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

e) Income Taxes

MACC is not subject to income tax as per Income Tax Assessment Act 1936 Part III Division 1AB Section 24AK and accordingly MACC is not subject to the National Tax Equivalents Regime and has no tax related balances or transactions recorded.

f) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable or payable to the taxation authority is included as part of receivables or payables in the Statement of Financial Position. Cash flows are included in the Statement of Cash Flows on a gross basis.

g) Dividend

Pursuant to Section 20 of the *Motor Accidents (Compensation) Commission Act*, the Minister may direct that any amount of funds held by MACC Which, in the Minister's opinion, is in excess of that required as adequate provision for actual and contingent liabilities or for the reasonable operating and other expenses of MACC shall be paid by MACC to the Central Holding Authority of the Territory.

h) Financial instruments

Financial assets and financial liabilities are recognised on MACC's Statement of Financial Position when MACC becomes a party to the contractual provisions of the instrument.

Financial Assets: Cash and cash equivalents, receivables and investment assets.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value.

Receivables

Refer to note 2.3(d)

Investments

MACC actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from outstanding claim provisions.

Investment assets have been categorised as "at fair value through profit and loss".

Initial recognition is at fair value in the Statement of Financial Position and subsequent measurement is at fair value with any resultant gains or losses recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Details of fair value for financial assets are listed below:

Financial asset	Details of how fair value is determined
Listed fixed interest securities, units in listed unit trusts and Government securities.	Initially recognised at cost and the subsequent fair value is taken as the quoted bid price of the instrument at the reporting date.
Unlisted fixed interest securities.	Initially recognised at cost and the subsequent fair value is measured based on valuations using rates of interest equivalent to the yields obtainable on comparable investments at the reporting date.
Units in unlisted unit trusts.	Initially recognised at cost and the subsequent fair value is measured at fund manager's valuation at the reporting date.
Cash assets and bank overdrafts.	Initially recognised at cost and the subsequent fair value is measured at face value of the amounts deposited or drawn.

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention ('regular way' transactions) are recognised on the date of settlement, being the date the asset is delivered to or by MACC.

In cases where the period between trade and settlement exceeds this time frame, the transaction is also recognised at settlement date. Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and MACC has transferred substantially all the risks and rewards of ownership or control of the asset.

Finance revenue, comprising trust distributions and interest, is brought to account on an accruals basis. Revenue on investments in unlisted unit trusts is deemed to accrue on the date the distributions are declared.

Impairment of Financial Assets
MACC assesses, at each reporting date, whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Liabilities: Trade Payables, derivative financial instruments and receivables

Trade payables
Trade payables represent liabilities for goods and services provided to MACC prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Derivative financial instruments
MACC's activities expose it primarily to the financial risk associated with changes in interest rates.

MACC's external investment managers utilise derivatives as part of the management of exposures associated with those portfolios of investments held for trading.

The use of financial derivatives is governed by MACC's policies approved by MAC Commissioner, which provide written principles on the use of financial derivatives consistent with MACC's risk management strategy. MACC does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

i) Fair value measurement

A number of MACC's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

MACC has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values. MACC regularly review significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then MACC assesses the evidence obtained from third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the MAC Commissioner.

When measuring the fair value of an asset or a liability, MACC uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: the fair value is calculated using quoted prices in active markets.
- Level 2: the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3: the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level of input that is significant to the entire measurement.

MACC recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

j) Investment Property

Freehold Land and Building at 24 Mitchell Street is valued using the fair value as the date of the revaluation less any impairment losses.

A valuation is conducted annually and is based on an external property valuation report. Any change in the valuation is accounted for through the Statement of Profit or Loss and Other Comprehensive Income.

k) Management Fee
MACC does not employ staff in its own right; accordingly there are no employee benefit liabilities.

The management of the MAC Fund and Scheme fell under the provision of the management agreement between NT Government and Allianz, effective 1 January 2015. In return, MACC pays a management fee in accordance with the provision of the management agreement.

The management agreement is a 10 year contract beginning 1 July 2015 for the provision of the following services:

- Manage all claims in respect of the MAC Scheme, pay benefits and settle claims for Benefits
- Undertake all duties and perform all roles of MACC under the MAC Act except to the extent that the power of function has been expressly reserved to MACC under the contract or by written notice by MACC
- Enter into any MAC Scheme Contracts (including in relation to management of the MAC Fund, MAC Agency Contracts) which it is required to enter into or it considers appropriate or desirable for the purposes of managing the MAC Scheme and / or MAC Fund to which it is not expressly prohibited from entering
- Administer and manage the investment of the MAC Fund in accordance with the MAC Act and Prudential Documents
- Perform such other functions as the parties agree in writing from time to time.

The management fee payable for the provision of management services is comprised of the following:

(a) Base Remuneration which is adjusted for each period in accordance with:

(i) the Service Level Bonus/Malus; and
(ii) the Liability Management Bonus/Malus; and

(b) the Funds under Management fee is calculated using a percentage applied to the level of Funds under Management over the relevant period.

The Base Remuneration and amounts used in the calculation of the Service Level and the Liability Management Bonus/Malus, are adjusted on each CPI Adjustment Date by the applicable CPI.

l) Funding for road safety programs

MACC provides the Northern Territory Government with funds to meet certain costs in relation to the operation of the road safety programs.

m) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

MACC is a lessor in respect of operating leases that are entered into with tenants who occupy properties owned by MACC. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

n) Claims provision

Claims include statutory benefits and compensation claimed by eligible persons as defined under the Motor Accidents (Compensation) Act (“MAC Act”).

The outstanding claims provision is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

Claims expense and the outstanding claims provision are recognised in respect of MACC Scheme. The provision covers claims reported but not yet paid, incurred but not reported claims ("IBNR") and the anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends. Valuation of outstanding claims is subject to independent actuarial assessment.

The outstanding claims provision is measured as the present value of expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation. The expected future payments are discounted to present value at the Statement of Financial Position date using a risk free rate. The details of rates applied are included in note 3.

o) Contingent liabilities and contingent assets

Contingent liabilities are not recognised in the Statement of Financial Position but are disclosed in the notes to the financial statements, unless the possibility of settlement is remote, in which case no disclosure is made. If settlement becomes probable, a provision is recognised.

Contingent assets are not recognised in the Statement of Financial Position but are disclosed in the notes to the financial statements when inflows are probable. If inflows become virtually certain, an asset is recognised.

The amount disclosed as a contingent liability or contingent asset is the best estimate of the settlement or inflow.

p) Commitments

Commitments are not recorded on the Statement of Financial Position but are disclosed in the financial statements at their face value.

q) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

r) Rounding of amounts

Amounts in the financial statements are presented in Australian dollars and have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

2.4 Critical accounting judgments and estimates

MACC makes estimates, judgments and assumptions in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below and relate to outstanding claims provision and insurance recoveries assets.

a) The ultimate liability arising from Compulsory Third Party

Provision is made at the year-end for the estimated cost of claims incurred but not yet settled at the Statement of Financial Position date, including the cost of claims incurred but not yet reported to MACC. The estimated cost of claims provision include direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries.

MACC takes all reasonable steps to ensure that it has appropriate information regarding its outstanding claims provision exposures. However, given the uncertainty in establishing claims provision, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to MACC, where more information about the claim event is generally available. IBNR claims may often not be apparent to MACC until many years after the events giving rise to the claims have happened. There is also typically a greater variation between initial estimates and final outcomes due to the uncertainty in estimating the ultimate cost of claims reported.

In calculating the estimated cost of unpaid claims MACC uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- Changes in MACC processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods
- Changes in the legal environment
- The effects of inflation
- The impact of large losses
- Movements in industry benchmarks
- Medical and technological developments.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these claims MACC has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims 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.

Where possible, MACC adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.

Claims provisions are calculated gross of any insurance recoveries. A separate estimate is made of the amounts that will be recoverable from insurers based upon the gross provisions.

Details of specific assumptions used in deriving the outstanding claims provisions at year end are detailed in note 3.

b) Assets arising from insurance and other recoveries

Assets arising from insurance and other recoveries are also computed using the above methods. The recoverability of these assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as counterparty and credit risk. Impairment is recognised where there is objective evidence that MACC may not receive amounts due to it and these amounts can be reliably measured.

3. Actuarial assumptions and methods

Provisions of claims estimates for MACC are derived from analysis of the results of several different actuarial models including claims incurred, payment per active claims, claims estimates, loss ratio and annuity. Payment reporting patterns and payment experience are analysed to develop a weighting to each method that the actuary expects to best represent likely future payments at the valuation date.

Claims inflation is incorporated into the resulting projected payments, to allow for both general economic inflation as well as any superimposed inflation detected in the modelling of payments experience.

Projected payments are discounted to allow for the time value of money. The long tail classes of business are also subject to the emergence of new types of latent claims, but no specific allowance is included for this as at the Statement of Financial Position date. Such uncertainties are considered when setting the risk margin appropriate for this class.

Actuarial assumptions
The following assumptions were made in determining the outstanding claims provisions.

	2017	2016
	MACC	MACC
Average weighted term to settlement (years)	15.15	15.59
Average claim frequency (latest accident year)	0.28%	0.26%
Average claim size ($)	110,281	93,944
Expense rate *	6.0% - 16.0%	7.5% – 22.5%
Discount rate	1.6% - 5.0%	1.6%-5.0%
Inflation	3.5%	3.5%

* 16% (2016: 22.5%) is used for the period applicable to the MACC management agreement. A rate of 6% (2016: 7.5%) has been applied for the period after 30 June 2025.

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

Average weighted term to settlement
The average weighted term to settlement is calculated separately by class of business based on historical payment patterns.

Average claim frequency
Claim frequency is estimated by projecting the number of claims incurred based on past patterns and dividing this by the number of policies in force.

Expense rate
Claims handling expenses were calculated through the application of the CHE rate to central estimate of gross outstanding claims liability. The rate is derived with reference to 63% of the budgeted base contract fee as a proportion of expected claim payments.

Discount rate
Discount rates derived from market yields on Commonwealth Government securities as at the reporting date have been adopted.

Inflation
Economic inflation assumptions are set by reference to current economic indicators.

Sensitivity analysis

i) Summary
MACC 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 MACC. The tables below describe how a change in each assumption will affect the outstanding claims provision and show an analysis of the sensitivity of the profit/(loss) and equity to changes in these assumptions both gross and net of insurance.

Variable	Impact of movement in variable
Average weighted term to settlement	A decrease in the average term to settlement in the long tail classes would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims provision. An increase or decrease in the average weighted term would have a corresponding increase or decrease on claims expenses respectively.
Average claim frequency	Claims frequencies are used in determining the level of claims incurred but not reported (IBNR). An increase or decrease in the assumed average frequency levels would have a corresponding impact on claims expense.
Expense rate	An estimate for the internal costs of handling claims is included in the outstanding claims provision. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	The outstanding claims provision 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	Expected future payments are inflated to take account of inflationary increases. Such rates of inflation are specific to the model adopted. An increase or decrease in the assumed levels of inflation would have a corresponding impact on claims expense, with particular reference to longer tail business.
Average claim size	Average amount paid per claim. An increase or decrease in the average claim size would have a corresponding impact on claims expense.

ii) Impact of changes in key variables

		Effect on Profit/(loss) before tax		
		Gross of insurance $'000	Net of insurance $'000	Equity $'000
MACC				
Weighted term to settlement	+10%	9,982	9,124	9,124
	-10%	(10,178)	(9,326)	(9,326)
Average claim frequency – latest accident year	+10%	(7,028)	(7,028)	(7,028)
	-10%	7,028	7,028	7,028
Average claim size	+10%	(51,705)	(42,304)	(42,304)
	-10%	51,705	42,304	42,304
Expense rate	+1%	(4,692)	(4,692)	(4,692)
	-1%	4,692	4,692	4,692
Discount rate	+1%	58,395	52,140	52,140
	-1%	(74,949)	(68,098)	(68,098)
Inflation	+1%	(77,979)	(77,979)	(77,979)
	-1%	61,546	61,546	61,546

4. Risk management policies and procedures

a) Objectives in managing risks arising from CTP contribution scheme and policies for mitigating those risks

MACC has an objective to control CTP contributions risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of risks attached to CTP contributions, which can lead to significant variability in the loss experience, profits from the scheme are affected by market factors. Short-term variability is, to some extent, a feature of CTP contribution schemes.

The MAC Commissioner, through the management agreement with Allianz has developed, implemented and maintained a sound and prudent Risk Management Strategy (RMS) and Reinsurance Management Strategy (ReMS). ReMS relates to insurance transactions with MACC.

The RMS and ReMS identify MACC's policies and procedures, processes and controls that comprise its risk management and control systems. These systems address all material risks, financial and non-financial, likely to be faced by MACC.

The RMS and ReMS have been approved by the MAC Commissioner. Key aspects of these processes established in both the RMS and ReMS to mitigate risks include:

- The maintenance and use of management information systems, which provide up to date, reliable data on the risks to which the business is exposed at any point in time.
- Multiple claim events are more challenging to manage. MACC monitors exposure to such risks through special modelling techniques involving the collation of data on historical claim events which support decisions on limiting exposure.
- Insurance is used to limit MACC's exposure to large single and multiple claim events. When selecting an insurer MACC only considers those companies that provide high security. In order to assess this, MACC use rating information from the public domain or gathered through internal investigations.
- In order to limit concentrations of credit risk, in purchasing insurance MACC has regard to existing insurance assets and seeks to limit excess exposure to any single reinsurer or group of related insurers.
- The mix of assets in which MACC invests is driven by the nature and term of the Schemes liabilities.

b) Terms and Conditions of the MAC Act

The terms and conditions of the MAC Act attaching to each CTP contributions affect the level of risk accepted by MACC. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements. All CTP contributions registered in the Northern Territory are subject to substantially the same terms and conditions.

4. Risk management policies and procedures continued…

c) Interest rate risk

Interest rate risk arises from CTP contributions due to the extent that there is an economic mismatch between the fixed-interest portfolios used to back the outstanding claims' provisions and those outstanding claims. The degree of matching is in accordance with approved risk tolerance. The interest rate risk can be managed by matching the duration profiles of the investment assets and the outstanding claims' provision.

d) Credit risk

Financial assets and liabilities are stated in the Statement of Financial Position at the amount that best represents the maximum credit risk exposure at reporting date. There are no significant concentrations of credit risk. Additional information relating to the ageing of CTP contribution debtors is included in note 2.3 (b).

e) Insurance counterparty risk

MACC insures a portion of risks to control exposure to losses, reduce volatility and protect capital. MACC's strategy in respect of the selection, approval and monitoring of insurance arrangements is addressed by the following protocols, which are overseen by the MAC Commissioner:

- Treaty or facultative insurance is placed in accordance with the requirements of MACC's insurance management strategy.
- Insurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on Realistic Disaster Scenarios and MACC's Maximum Event Retention.
- Exposure to insurance counterparties and the credit quality of those counterparties is actively monitored.
- Insurance contracts are expected to be commuted 10 years following the inception of the contract. Commutation recoveries are assessed based on the commutation agreement for each insurance arrangement. Commutation agreements provide for the valuation, payment, and complete discharge of all obligations between the parties under a particular insurance contract. Commutation settlements are due and payable to MACC immediately upon agreement of the commutation, unless otherwise stated.

Strict controls are maintained over insurance counterparty exposures. Insurance is placed with counterparties that have a strong credit rating and concentration of risk is managed by adherence to counterparty limits. Counterparty limits are reviewed by management on a regular basis. Credit risk exposures are calculated regularly and compared with authorised credit limits.

4. Risk management policies and procedures continued…

The following table provides information about the quality of MACC's credit risk exposure in respect of insurance and other recoveries on outstanding claims provision at the reporting date. The analysis classifies the assets according to Standard & Poor's counterparty credit ratings. AAA is the highest possible rating.

		Credit Ratings				
		AAA $'000	AA $'000	A $'000	Unrated $'000	Total $'000
Insurance and other recoveries on paid claims	2017	-	389	149	76	614
	2016	-	809	180	80	1,069

The following table provides further information regarding the ageing of insurance and other recoveries on paid claims as at 30 June.

		0 to 3 months $'000	3 to 6 months $'000	Greater than 6 months $'000	Impaired $'000	Total $'000
Insurance and other recoveries on paid claims	2017	563	-	51	-	614
	2016	1,016	-	53	-	1,069

5. Revenue

	2017 $'000	2016 $'000
CTP contributions revenue		
CTP contributions received (note 6)	84,658	82,296
Total CTP contributions revenue	**84,658**	**82,296**
Insurance and other recoveries	**(2,735)**	**71,060**
Finance revenue		
Interest revenue	10,688	10,488
	10,688	**10,488**
Financial assets at fair value through profit and loss:		
Trust distributions	15,669	14,694
Change in the fair value of investments	(3,904)	12,961
Net gain on the disposal of investments	(716)	(1,363)
Total finance revenue	**21,737**	**36,780**
Revenue from properties		
Rental revenue	4,732	4,720
Change in the fair value of investment property	40	1,000
Total property revenue	**4,772**	**5,720**
Other income		
Other miscellaneous income	385	316
Total other revenue	**385**	**316**
Total revenue	**108,817**	**196,172**

6. Net CTP contributions revenue

	2017 $'000	2016 $'000
CTP contributions received	85,157	83,991
Movement in unearned CTP contributions	(499)	(1,695)
CTP contributions revenue	**84,658**	**82,296**
Insurance expense	(9,731)	(10,433)
Net CTP contributions revenue	**74,927**	**71,863**

7. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	21,378	65,008
Total cash at bank and on hand	**21,378**	**65,008**

8. Trade and other receivables

	2017 $'000	2016 $'000
CTP contributions receivable	2,082	1,899
Less: allowance for impairment loss	-	-
	2,082	**1,899**
Interest receivable	1,708	1,659
Others	701	73
Total trade and other receivables	**4,491**	**3,631**

9. Other financial assets

Other Financial Assets	2017	2016
	$'000	$'000
Derivative financial assets		
Interest rate swaps	14,296	3,257
Total derivative financial assets	**14,296**	**3,257**
Other financial assets		
At fair value through profit and loss: Investments held for trading		
Securities	573,159	504,100
Total other financial assets	**573,159**	**504,100**
Current financial assets		
Short term deposits	35,000	31,000
Bonds	320,436	282,915
Units in unlisted trusts	217,723	190,185
Derivative financial instruments	14,296	3,257
Total current financial assets	**587,455**	**507,357**

The financial assets included above represent investments in unlisted unit trusts, bonds and floating rate notes, which offer MACC the opportunity for return through interest income, trust distributions and fair value gains. The fair values of these financial assets are based on quoted market prices.

The derivative financial asset or financial liability represents the fair value of derivatives in existence at year end. MACC is a party to derivative financial instruments in the normal course of business in order to economically hedge exposure to fluctuations in interest rates. Interest rate swaps convert the variable nature of the deposits portfolio into fixed.

10. Insurance and other recoveries receivable

	2017	2016
	$'000	$'000
Undiscounted on claims paid	**614**	**1,069**
Expected future recoveries undiscounted on outstanding claims provisions	165,201	164,771
Discount to present value	(42,018)	(35,951)
Discounted expected future recoveries on outstanding claims provisions (Note 12 (c))	**123,183**	**128,820**
Allowance for impairment loss – insurance recoveries	-	-
Total allowance for impairment loss	-	-
Insurance and other recoveries receivable	**123,797**	**129,889**
Current	9,203	11,195
Non-current	114,594	118,694
Insurance and other recoveries receivable	**123,797**	**129,889**

Average inflation rates (normal) and discount rates that were used in the measurement of insurance and other recoveries receivable were the same as for outstanding claims provision as per note 3.

11. Investment Property

	2017	2016
	$'000	$'000
Balance at 1 July 2016	**44,500**	**43,000**
Capital expenditure on existing property	460	500
Changes in fair value	40	1,000
Balance at 30 June 2017	**45,000**	**44,500**

Measurement of fair value

(i) Fair value hierarchy

The fair value of MACC's property held for investment as at 30 June 2017 has been determined and approved by the MAC Commissioner on the basis of an independent valuation carried out at that date by Nick Bell of Knight Frank Valuations who is a certified practicing valuer. The independent valuer provides the fair value of the investment property every 12 months.

The fair value measurement for the property of $45 million has been categorised as Level 3 fair value based on the inputs to the valuation technique used (see Note 2.3(j)).

(ii) Level 3 fair value

The following table shows the valuation technique used in measuring the fair value of property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation Approach: The valuation model considers yields indicated by sales by similar property investments to reflect any expectations of future growth in income and capital value. Adjustments are then made for any relevant rental reversion including letting up allowances for vacant space, incentives, leasing fees, capital expenditure and other appropriate capital allowances	Current market rental per square metre. Vacancy periods (average 12 months after the end of each lease) Rent-free periods (1 year period on new leases). Capitalisation rate of 8.50% based on recent sales of comparable properties.	The estimated fair value would increase (decrease) if: Expected market rental growth were higher (lower); Vacancy periods were shorter (longer); The occupancy rate were higher (lower); Rent-free periods were shorter (longer); or The capitalisation rate were lower (higher).

12. Outstanding claims provision

a) Outstanding claims provision

	2017	2016
	$'000	$'000
Central estimate undiscounted	847,345	809,160
Claims handling costs undiscounted	66,758	107,188
Risk margin undiscounted	116,091	116,376
Gross claims incurred undiscounted	**1,030,194**	**1,032,724**
Discount to present value	(483,971)	(428,406)
Gross outstanding claims provision	**546,223**	**604,318**
Central estimate discounted	449,379	473,542
Current	71,205	77,164
Non-current	475,018	527,154
Gross outstanding claims provision	**546,223**	**604,318**

b) Risk margin

Process for determining risk margin

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

The assumptions regarding uncertainty for each class was applied to the net central estimates, and the results were aggregated, in order to arrive at an overall provision which is intended to have a 75% probability of adequacy.

Risk margins applied

	2017	2016
	%	%
MACC	12.700	12.700

12. Outstanding claims provision continued….

c) Reconciliation of movement in discounted outstanding claims provision

	2017			2016		
	Gross $'000	Insurance $'000	Net $'000	Gross $'000	Insurance $'000	Net $'000
Brought forward	**604,318**	**(128,820)**	**475,498**	**473,899**	**(61,916)**	**411,983**
Effect of changes in assumptions	(91,715)	8,941	(82,774)	87,034	(49,168)	37,866
Increase in claims incurred/recoveries anticipated over the year	79,520	(6,206)	73,314	95,078	(21,892)	73,186
Incurred claims recognised in the Statement of Profit or Loss and Other Comprehensive Income	**(12,195)**	**2,735**	**(9,460)**	**182,112**	**(71,060)**	**111,052**
Net claim payments	(45,900)	2,902	(42,998)	(51,693)	4,156	(47,537)
At 30 June	**546,223**	**(123,183)**	**423,040**	**604,318**	**(128,820)**	**475,498**

d) The maturity profile of MACC's discounted net outstanding claims provision is analysed below.

30 June 2017	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	Total $'000
MACC	41,698	108,593	272,749	423,040
Total discounted net outstanding claims provision	**41,698**	**108,593**	**272,749**	**423,040**

30 June 2016	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	Total $'000
MACC	50,662	106,180	318,656	475,498
Total discounted net outstanding claims provision	**50,662**	**106,180**	**318,656**	**475,498**

13. Unearned CTP contributions

	2017 $'000	2016 $'000
Unearned CTP contributions as at 1 July	**34,633**	**32,939**
Deferral of contributions received in the period	35,132	34,633
Earning of contributions received in previous periods	(34,633)	(32,939)
Unearned CTP contributions as at 30 June	**35,132**	**34,633**

14. Trade and other payables

	2017 $'000	2016 $'000
Trade payables	4,043	4,956
Insurance payables	1,000	1,249
Related party payable	385	385
Other	104	51
Total trade and other payables	**5,532**	**6,641**

15. Equity and Reserves

Dividends

No dividends were declared this financial year.

16. Remuneration of auditors

The auditor of MACC is the Auditor-General for the Northern Territory.

	2017 $	2016 $
Amounts paid, or due and payable to the NT Government for services provided by the Northern Territory Auditor-General for:		
° Audit of MACC financial statements	284,770	282,990
	284,770	**282,990**

17. Related party disclosure

a) Related Parties

The Northern Territory Government is the ultimate parent entity of MACC. Companies and/or agencies that have the Northern Territory Government as a common parent are considered related parties to MACC.

The related parties of MACC include:

- the MAC Commissioner, as MACC's key management personnel (KMP) for having authority and responsibility for planning, directing and controlling the activities of MACC directly; and
- spouses, children and dependants who are close family members of the MAC Commissioner; and
- all public sector entities that are controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled and consolidated into the whole of government financial statements; and
- any entities controlled or jointly controlled by the MAC Commissioner or controlled or jointly controlled by their close family members.

b) Remuneration of Key Management Personnel

Total remuneration of $223,000 was paid to the MAC Commissioner for the year ended 30 June 2017.

17. Related party disclosure continued….

c) Other related party disclosures:

The following is a list of transactions that MACC enters into with related parties at market price and on normal commercial terms.

Cash collected

Related Party	**Details**
Motor Vehicle Registry	CTP Contributions collected on behalf of MACC from motor vehicle registrations to fund the MACC Scheme

Expenses

Related Party	**Details**
Jacana Energy	Electricity transactions
Receiver of Territory Monies	METAL funding, Road safety funding and DTAL reimbursement

Outstanding balances at year end are unsecured, interest free and settlement occurs in cash.

For the year ended 30 June 2017, MACC has not made any allowance for doubtful debts relating to amounts owed by related parties as the payment history does not warrant an allowance (2016: $nil).

The following table provides quantitative information about related party transactions entered into during the year with all other Northern Territory Government controlled entities.

	2017			
	Revenue from related parties $'000	Payments to related parties $'000	Amounts owed from related parties $'000	Amounts owed to related parties $'000
All NTG Government departments	-	3,118	-	1,338

18. Reconciliation of net profit to net cash inflow from operating activities

	2017	2016
	$'000	$'000
Net profit/(loss)	90,443	(11,588)
Changes in net market value of investments	3,904	(12,961)
Profit on Sale of Investment Securities	716	1,363
Change in investment property fair value	(40)	(1,000)
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	(861)	(674)
(Increase)/Decrease in insurance and other recoveries receivable	3,686	(57,505)
Increase/(Decrease) in outstanding claims provisions	(55,688)	119,953
Increase/(Decrease) in unearned CTP contributions	499	1,694
Increase/(Decrease) in payables	(1,183)	1,138
Increase/(Decrease) in GST payable	74	(90)
Net cash inflow from operating activities	**41,550**	**40,330**

19. Risk management and financial instruments information

Classes of Financial Instruments

	2017	2016
	$'000	$'000
Financial Assets		
Cash at bank and on hand	21,378	65,008
Interest receivables and others	2,409	1,663
CTP contributions receivable	2,082	1,899
Insurance recoveries on claims paid	123,797	129,889
Short term securities	35,000	31,000
Bonds	320,436	282,915
Other instruments	-	-
Units in unlisted unit trusts	217,723	190,185
Derivative financial assets	14,296	3,257
Financial Liabilities		
Trade creditors and accruals	4,187	5,392
Insurance creditors and accruals	1,000	1,249

19. Risk management and financial instruments information continued…

Financial Risk Management objectives

MACC has exposure to the following key financial risks through the use of financial instruments:

- Market risk (interest rate risk and price risk)
- Credit risk
- Liquidity risk

Exposure to these financial risks is managed in accordance with the Risk Management Strategy (RMS) and Treasury Policy (TP). The principal objective of MACC's TP is to establish a robust structure for the investment of and measuring, monitoring and reporting of financial investments and financial risks.

MACC seeks to manage financial risks to:

- Ensure there is sufficient cash flow available to meet contractual obligations.
- Outperform an asset allocation strategy benchmark set by the Board based on the expected growth in the liability portfolio.

The MAC Commissioner has overall responsibility for the establishment and oversight of the risk management strategy. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and MACC's activities.

Financial Risk Management structure

The MAC Commissioner has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively.

a) Market Risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market factors. Market risk at MACC comprises interest rate risk due to fluctuations in market interest rates, and price risk due to fluctuations in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimising the return.

(i) Interest rate risk

MACC's exposure to interest rate risk arises predominantly when a change in the value of the liabilities due to a change in interest rates, does not lead to an exactly offsetting change in the value of the assets.

The MAC Commissioner has approved the use of interest rate swaps, to reduce exposure to unmatched maturity patterns and for hedging purposes.

19. Risk management and financial instruments information continued…

MACC has externally managed portfolios which are exposed to interest rate risk. For externally managed portfolios, management may use derivatives to manage interest rate risk, but not to leverage or gear the asset.

Interest rate risk tables

The following table sets out MACC's exposure to interest rate risk showing the carrying value of financial instruments and the weighted average effective interest rates, when applicable. The banding is based upon the earlier of the contractual repricing or maturity dates.

The interest rate risk table does not disclose financial assets and financial liabilities that are non-interest bearing.

30 June 2017	Fixed or floating	1 year or less $'000	> 1 year and <2 years $'000	>2 years and <3 years $'000	>3 years and <4 years $'000	>4 years and <5 years $'000	More than 5 years $'000	Total $'000	Weighted average effective interest rate %
Financial assets									
Cash at bank and on hand	Floating	21,378	-	-	-	-	-	**21,378**	1.50%
Short term securities	Fixed	35,000	-	-	-	-	-	**35,000**	2.42%
Bonds	Floating	29,883	-	371	-	544	1,657	**32,455**	1.50%
Bonds	Fixed	-	-	-	4,829	9,287	273,865	**287,981**	3.45%
Total		**86,261**	**-**	**371**	**4,829**	**9,831**	**275,522**	**376,814**	
Derivative Financial Instruments									
Interest rate swaps		(776,000)	136,000	151,900	111,000	159,800	217,300	**-**	-
Total		**(776,000)**	**136,000**	**151,900**	**111,000**	**159,800**	**217,300**	**-**	
Total Financial Assets		**(689,739)**	**136,000**	**152,271**	**115,829**	**169,631**	**492,822**	**376,814**	

19. Risk management and financial instruments information continued…

30 June 2016	Fixed or floating	1 year or less $'000	> 1 year and <2 years $'000	>2 years and <3 years $'000	>3 years and <4 years $'000	>4 years and <5 years $'000	More than 5 years $'000	Total $'000	Weighted average effective interest rate %
Financial assets									
Cash at bank and on hand	Floating	65,008	-	-	-	-	-	**65,008**	1.75%
Short term securities	Fixed	31,000	-	-	-	-	-	**31,000**	2.54%
Bonds	Fixed	16,356	-	5,784	461	28,685	231,629	**282,915**	4.07%
Total		**112,364**	**-**	**5,784**	**461**	**28,685**	**231,629**	**378,923**	
Derivative Financial Instruments									
Interest rate swaps		(244,500)	93,700	20,000	65,600	-	65,200	**-**	-
Total		**(244,500)**	**93,700**	**20,000**	**65,600**	**-**	**65,200**	**-**	
Total Financial Assets		**(132,136)**	**93,700**	**25,784**	**66,061**	**28,685**	**296,829**	**378,923**	

Interest Rate Risk Sensitivity Analysis

The following table demonstrates MACC's sensitivity to movement in interest rates in relation to the value of interest bearing financial assets and liabilities.

		2017		2016	
	Change in interest rate	Impact on profit after tax $'000	Impact on Equity $'000	Impact on profit after tax $'000	Impact on Equity $'000
Interest bearing financial assets and liabilities	+100 basis points	32,821	32,821	37,889	37,889
Interest bearing financial assets and liabilities	-100 basis points	(46,050)	(46,050)	(53,320)	(53,320)

19. Risk management and financial instruments information continued…

The effect of interest rate movements on MACC's provision for outstanding claims is included in note 3.

(ii) Currency Risk
MACC does not have any exposure to currency risk, as there are no sales, purchases, liabilities or assets denominated in a currency other than the Australian dollar.

(ii) Price Risk
MACC is exposed to price risk through the holding of units in unlisted unit trusts. Price risk arises due to the changes in the market value of the units as advised by the respective fund managers.

Price risk is managed through the use of strictly monitored allocation limits for units held in each class of managed fund. MACC invests in a diverse range of managed funds thereby limiting the impact of any one underlying variable affecting unit prices.

Returns achieved by appointed fund managers are continuously assessed by the MAC Commissioner in relation to its stated objectives and are compared to returns earned by a suitable peer group of other professional fund managers.

19. Risk management and financial instruments information continued…

Price Risk Sensitivity Analysis

The analysis below demonstrates the impact of a movement in the prices of units held in unlisted unit trusts. It is assumed that any relevant price change occurs as at the reporting date.

MACC	Change in unit price	2017 Impact on profit after tax $'000	2017 Impact on Equity $'000	2016 Impact on profit after tax $'000	2016 Impact on Equity $'000
Upside					
Australian equities	+20%	38,405	38,405	33,072	33,072
International equities	+20%	-	-	-	-
Global listed properties	+20%	5,139	5,139	4,965	4,965
Australian fixed interest	+2%	-	-	-	-
International fixed interest	+2%	-	-	-	-
Australian inflation linked	+2%	-	-	-	-
International inflation linked	+2%	-	-	-	-
Total		**43,544**	**43,544**	**38,037**	**38,037**
Downside					
Australian equities	-20%	(38,405)	(38,405)	(33,072)	(33,072)
International equities	-20%	-	-	-	-
Global listed properties	-20%	(5,139)	(5,139)	(4,965)	(4,965)
Australian fixed interest	-2%	-	-	-	-
Australian inflation linked	-2%	-	-	-	-
Total		**(43,544)**	**(43,544)**	**(38,037)**	**(38,037)**

b) Credit risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

Trade and other receivables
Trade receivable balances are monitored on an ongoing basis to ensure that MACC's exposure to bad debts is not significant. A provision for impairment is recognised when there is objective evidence that the receivable is impaired. Other receivable balances do not contain impaired assets as they are not past due, they are expected to be received when due.

19. Risk management and financial instruments information continued…

Interest bearing Investments
The credit risk associated with interest bearing investments is managed by MACC as follows:

- The setting and review of credit limits as they relate to recognised external credit assessment institution's ratings.
- The setting and review of credit limits as they relate to exposures to individual entities.
- The monitoring of limit usage for both the credit ratings and the individual entities.

MACC has a maximum exposure equal to the carrying amount of each financial asset, including derivatives, on the Statement of Financial Position.

Units held in unlisted unit trusts
Fund managers are selected pursuant to a strategic asset allocation approved by the MAC Commissioner. Fund managers manage applicable credit risk in accordance with their product disclosure statements. Their approach to credit risk is one of the factors in the selection process and their compliance with their product disclosure statements is confirmed annually.

The following table provides information regarding the aggregate credit risk exposure of MACC as at 30 June in respect of the major classes of financial assets, excluding units in unlisted unit trusts, loans and receivables. The analysis classifies the assets according to recognised counterparty credit ratings.

	Credit Ratings				
	AAA or A1+	AA or A1	A or A2	Unrated	Total
	$'000	$'000	$'000	$'000	$'000
30 June 2017					
Cash at bank and on hand	15,886	-	5,493	-	**21,379**
Short term securities and floating rate notes	-	23,000	12,000	-	**35,000**
Other instruments	-	-	-	-	**-**
Bonds	320,437	-	-	-	**320,437**
Derivative financial instruments	-	-	-	14,296	**14,296**
Total	**336,323**	**23,000**	**17,493**	**14,296**	**391,112**
30 June 2016					
Cash at bank and on hand	8,482	234	55,504	788	**65,008**
Short term securities and floating rate notes	-	28,000	3,000	-	**31,000**
Other instruments	-	-	-	-	**-**
Bonds	282,915	-	-	-	**282,915**
Derivative financial instruments	-	-	-	3,257	**3,257**
Total	**291,397**	**28,234**	**58,504**	**4,045**	**382,180**

19. Risk management and financial instruments information continued…

The following table provides further information regarding the carrying balance of MACC's financial assets that have been impaired and the ageing of those that are past due but not impaired at the reporting date. Information relating to the ageing of insurance financial assets on paid claims is disclosed in note 4 (e).

		Past due but not impaired				
	Neither past due nor impaired	0 to 3 months	3 to 6 months	Greater than 6 months	Impaired	Total
30 June 2017	$'000	$'000	$'000	$'000	$'000	$'000
CTP contributions receivable	-	2,082	-	-	-	**2,082**
Other receivables	-	701	-	-	-	**701**
Investment receivables	1,708	-	-	-	-	**1,708**
Loans and advances	-	-	-	-	-	**-**
Total	**1,708**	**2,783**	**-**	**-**	**-**	**4,491**
30 June 2016						
CTP contributions receivable	-	1,899	-	-	-	**1,899**
Other receivables	-	4	-	-	-	**4**
Investment receivables	1,659	-	-	-	-	**1,659**
Loans and advances	-	-	-	-	-	**-**
Total	**1,659**	**1,903**	**-**	**-**	**-**	**3,562**

c) Liquidity risk

Liquidity is the ability to access funds at short notice via internal or external sources to the organisation. Liquidity risk is the risk that MACC will be unable to meet its obligations in an orderly manner as and when they fall due. This includes the risk that MACC may not be able to borrow funds when required, or at an acceptable cost.

Liquidity risk arises due to unanticipated obligations arising. This may occur when anticipated receipts do not eventuate, or when short term sources of funds are withdrawn, or where MACC is exposed to one particular market sector.

The three main elements of managing liquidity risk are:

Day-to-day cash management: Involves the use of working cash and investment balances. The key tool used to manage cash balances involves the use of cash flow forecasts.

19. Risk management and financial instruments information continued…

Short Term Liquidity management: Involves the use of both internal and external tools and facilities. MACC utilises tools including cash flow forecasts and investment maturity profiles to ensure liquidity does not fall below prudential limits. The external facilities include committed and uncommitted stand-by lines for planned and emergency funding requirements.

Long Term Liquidity management: Involves the use of budgets and business plans to protect against a liquidity problem in the future.

The following table summarises the maturity profile of MACC's liabilities. This is based on contractual undiscounted repayment obligations, which includes estimated interest repayments. The maturity profiles of outstanding claims provisions are determined on the basis of discounted estimated timing of net cash outflows and are disclosed in note 12 (d). Repayments that are subject to notice are treated as if notice were to be given immediately.

Maturity profiles of undiscounted financial liabilities.

	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	No term $'000	Total $'000
30 June 2017					
Trade and other payables	4,802	-	-	-	**4,802**
Related party payables	385	-	-	-	**385**
Total undiscounted financial liabilities	**5,187**	**-**	**-**	**-**	**5,187**
30 June 2016					
Trade and other payables	6,256	-	-	-	**6,256**
Related party payables	385	-	-	-	**385**
Total undiscounted financial liabilities	**6,641**	**-**	**-**	**-**	**6,641**

19. Risk management and financial instruments information continued…

d) Derivative financial instruments

MACC uses derivative financial instruments to hedge financial risk from movements in interest rates. All such transactions are carried out within the parameters set by the third party.

Derivative financial instruments are carried at fair value and recorded in the Statement of Financial Position as assets and liabilities. Changes in values of derivative financial instruments are recognised in the profit and loss section of the statement of profit or loss or other comprehensive income.

e) Capital Management

MACC manages its capital requirements by assessing capital levels on a regular basis. The capital policy has been designed to:

- Ensure compliance with the Motor Accidents (Compensation) Commission Act, and prudential standards of the regulator (Northern Territory Government).
- Provide policies that will be consistent with an APRA regulated organisation.

The adequacy of the MAC Fund's capital is measured as a solvency ratio of retained earnings to net outstanding claims. Although there is no minimum regulatory capital ratio to which the MAC Fund is required to comply, the minimum target set by the Northern Territory Government has been exceeded at all times during the current financial year.

The following table provides information about MACC's capital resources:

	2017 $'000	2016 $'000
Retained earnings	195,234	104,793
Total capital resources	**195,234**	**104,793**

MACC

The MAC Commissioner requires MACC to maintain the minimum levels of capital taking into account regulation 19 (2) (b) of the Motor Vehicles Regulations. These regulations set a minimum solvency level which the MAC Scheme must comply with.

19. Risk management and financial instruments information continued…

f) Fair values

The fair values of listed held for trading financial assets have been determined using market values.

The fair values of derivatives have been calculated by discounting the expected future cash flows at applicable interest rates. The fair values of other financial assets have been calculated using the market interest rates.

The carrying amount of receivables, cash at bank, insurance recoveries and creditors approximate their fair value due to their short term nature. The carrying amount of loans and advances and deposits are not materially different from their fair values.
The following table provides an analysis of financial instruments that are measured at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Level 1 – the fair value is calculated using quoted prices in active markets.
Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

19. Risk management and financial instruments information continued…

MACC

	Carrying Amount			Fair Value			
30 June 2017	Held-for-trading	Fair value - hedging instruments	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Derivative instruments							
Interest rate swaps	-	14,296	**14,296**	14,296	-	-	**14,296**
Non-derivative instruments							
Short term deposits	35,000	-	**35,000**	35,000	-	-	**35,000**
Bonds	320,436	-	**320,436**	320,436	-	-	**320,436**
Units in unlisted trusts	217,723	-	**217,723**	-	217,723	-	**217,723**
Total	**573,159**	**14,296**	**587,455**	**369,732**	**217,723**	**-**	**587,455**
Financial Liabilities							
Derivative instruments							
Interest rate swaps	-	-	**-**	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

MACC

	Carrying Amount			Fair Value			
30 June 2016	Held-for-trading	Fair value - hedging instruments	Total	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial Assets							
Derivative instruments	-	-	**-**	-	-	-	**-**
Interest rate swaps	-	3,257	**3,257**	3,257	-	-	**3,257**
Non-derivative instruments							
Short term deposits	31,000	-	**31,000**	31,000	-	-	**31,000**
Bonds	282,915	-	**282,915**	282,915	-	-	**282,915**
Units in unlisted trusts	190,185	-	**190,185**	-	190,185	-	**190,185**
Total	**504,100**	**3,257**	**507,357**	**317,172**	**190,185**	**-**	**507,357**
Financial Liabilities							
Derivative instruments	-	-	**-**	-	-	-	-
Interest rate swaps	-	-	**-**	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

19. Risk management and financial instrument information continued...

The fair value disclosure in 2017 represents MACC's financial assets and liabilities.

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

- The fair values of financial assets and liabilities with standard terms and conditions and traded on active markets are determined with reference to quoted market prices (includes, floating rate notes, bonds and units in unlisted trusts).
- The fair values of other financial assets and liabilities are determined using prices from observable current market data and other relevant models used by market participants (includes short term deposits, other floating rate investments and interest rate swaps).
- Financial instruments that do not have an active market are based on valuation techniques using market data that is not observable.

20. Commitments

	2017	2016
	$'000	$'000
(a) Non-cancellable operating leases where TIO/ MACC is the lessor		
Future minimum lease payments for rent receivable in relation to direct property held by MACC:		
Within one year	3,900	3,643
Later than one year but not later than five years	5,707	7269
Later than five years	-	-
	9,607	**10,912**
(b) Management Agreement		
Future minimum base line fee payments for outsourcing arrangement:		
Within one year	13,174	12,800
Later than one year but not later than five years	52,694	51,200
Later than five years	39,521	51,200
	105,389	**115,200**

Certain properties, where MACC is a lessor, are leased under non-cancellable operating leases. Most leases are subject to annual reviews with increases subject to a set percentage or based upon either movement in consumer price indices or market criteria. Where appropriate, a right of renewal has been incorporated in the lease agreements.

Management Agreement refer Note 2.3 (k).

21. Impact of alternative net outstanding claims measurement

In accordance with a directive from the Treasurer of the Northern Territory Government, the net outstanding claims provision was restated using an alternative measurement basis. This basis has not been accounted for in the financial statements, the impact of this request is for illustrative purposes only.

The alternative method for the outstanding claims provision is measured as the present value of expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and "superimposed" inflation. The expected future payments are discounted to present value at the Statement of Financial Position date using a flat discount rate of 5.5%. Claims handling expense rate has been adopted as 7.5% for all future payment years. The impact of using the alternative measurement basis is reflected as follows:

21. Impact of alternative net outstanding claims measurement continued…

	Notes	30 June 2017	Alternative Measure	Change
Statement of Profit or Loss and Other Comprehensive Income		**$'000**	**$'000**	**$'000**
Revenue	5	108,817	115,365	6,548
Insurance expense		(9,731)	(9,731)	-
Claims expenses	12	12,195	(54,537)	(66,732)
Grants provided to fund road safety programs		(4,594)	(4,594)	-
Other expenses		(16,246)	(16,246)	-
Profit/(Loss) for the period		**90,441**	**30,257**	**(60,184)**

	Notes	30 June 2017	Alternative Measure	Change
Statement of Financial Position		**$'000**	**$'000**	**$'000**
Assets				
Cash and cash equivalents	7	21,378	21,378	-
Trade and other receivables	8	4,491	4,491	-
Other financial assets	9	587,455	587,455	-
Insurance and other recoveries receivable	10	123,797	100,566	(23,231)
Investment property	11	45,000	45,000	-
Total Assets		**782,121**	**758,890**	**(23,231)**
Liabilities				
Outstanding claims provision	12	546,223	427,981	118,242
Trade and other payables	14	5,532	5,532	-
Other financial liabilities	9	-	-	-
Unearned CTP contributions	13	35,132	35,132	-
Total Liabilities		**586,887**	**468,645**	**118,242**
Net Assets		**195,234**	**290,245**	**95,011**
Equity				
Opening Retained Earnings		104,793	259,988	155,195
Profit/(Loss) for the period		90,441	30,257	(60,184)
Total Equity	15	**195,234**	**290,245**	**95,011**

22. Events subsequent to balance date

There are no events subsequent to balance date.

23. Contingent liabilities and contingent assets

a) Contingent liabilities

MACC has legal matters in progress which arise in the normal course of business. MACC defends such matters; however the outcome and quantum of any liabilities are contingent upon the Courts' decisions.

b) Contingent assets

MACC has no contingent assets.

Appendix 1 of the Annual Report

Regulatory Capital
Under the Motor Accidents Compensation Commission Act, MACC is regulated for prudential purposes by the Northern Territory Government through Treasurer's Determinations that state the MAC Fund must separately comply with all APRA prudential standards unless any standard is specifically exempted.

MACC
MACC is exempt from the APRA prudential standards GPS110 to GPS 116.

The solvency of the MACC is measured as a ratio of Retained Earnings to Net Outstanding Claims.

As at 30 June 2017, the Solvency ratio was 46.22%.

Auditor-General

Independent Auditor's Report to the Treasurer
Motor Accidents (Compensation) Commission

Page 1 of 2

Opinion

I have audited the accompanying financial report of the Motor Accidents (Compensation) Commission, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the Motor Accidents (Compensation) Commissioner's statement.

In my opinion the accompanying financial report of the Motor Accidents (Compensation) Commission, is in accordance with Australian Accounting Standards and the *Motor Accidents (Compensation) Commission Act,* including:

- Giving a true and fair view of the Commission's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- Complying with *International Financial Reporting Standards* as disclosed in Note 2.1.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the Motor Accidents (Compensation) Commission in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Motor Accidents (Compensation) Commissioner for the Financial Report

The Motor Accidents (Compensation) Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Motor Accidents (Compensation) Commission Act*, and for such internal control as the Motor Accidents (Compensation) Commissioner determines 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.

In preparing the financial report, the Motor Accidents (Compensation) Commissioner is responsible for assessing the Motor Accidents (Compensation) Commission's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Motor Accidents (Compensation) Commission or to cease operations, or has no realistic alternative but to do so.

The Motor Accidents (Compensation) Commissioner is responsible for the overseeing Motor Accidents (Compensation) Commission's financial reporting process.

Auditor-General

Page 2 of 2

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

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

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

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

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

28 September 2017