MACC

Annual Report 2015-16

Northern Territory Motor Accidents (Compensation) Commission

NT Motor Accidents (Compensation) Commission
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25 October 2016

Hon Nicole Manison MLA
Treasurer
GPO Box 3146
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Dear Minister

I have pleasure in submitting for your information and presentation to Parliament the Motor Accidents (Compensation) Commission 2015-16 Annual Report.

This report incorporates the audited financial statements for the Motor Accidents (Compensation) Commission for the year ended 30 June 2016 as required by section 22 of the *Motor Accidents (Compensation) Commission Act 2014.*

Yours sincerely

Jim Colvin
Motor Accidents (Compensation) Commissioner

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This Annual Report outlines Motor Accidents (Compensation) Commission (MACC) operations and financial statements for the 2015-16 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.

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 MAC scheme is owned by the Northern Territory Government.

The key functions of MAC are to:

- Administer the Motor Accidents (Compensation) Commission 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 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 MACC 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.

Over 500 new MAC claims are accepted annually for people with road trauma 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 work to the fullest extent possible and to improve health outcomes in urban, remote and Indigenous 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 contribution rate is indexed to the Northern Territory consumer price index annually on 1 July. There is a legislated requirement for an actuarial review of contribution rates every three years, or more frequently at the discretion of the Minister, to ensure the scheme remains financially viable even if 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 pleasure to report on the activities and achievements of the Motor Accidents (Compensation) Commission (MACC) for the year ending 30 June 2016.

MACC was established as a Government-owned entity on 1 January 2015 with the sale of the Territory Insurance Office to Allianz Insurance Australia Limited. As part of that sale, a formal outsourcing agreement was entered into between the Commission and TIO for the administration of Northern Territory Motor Accidents Compensation scheme (the MAC scheme).

During 2015-16 the MAC scheme reported a statutory loss of $11.6 million. However, this result is largely a function of external factors that do not reflect the underlying performance of the Scheme.

As with all compensation schemes, the reported financial results of the MAC scheme are highly sensitive to changes in interest rates. This is because, for statutory reporting purposes, the future liabilities of the scheme have to be discounted to a present value using Commonwealth Government (risk-free) bond rates. When interest rates are low, this increases the value of the scheme's liabilities. When interest rates are high, it reduces the value of the scheme's liabilities. By way of example, Note 3 to the financial statements highlights that a 1 per cent reduction in the risk free rate increases MACC's reported liabilities by $82.0 million. During 2015-16, Government bond rates reduced and are at historically low levels, which has led to the statutory loss reported in this annual report.

To provide a better measure of MACC's performance, Note 24 of the financial statements re-states the financial results on a "normalised" basis to exclude the impact of interest rate movements. On this preferred measure, the scheme reported a "normalised" profit of $7.2 million during 2015-16. Similarly, while the net assets of the scheme are $104.8 million on a statutory basis, on a "normalised" basis they increase substantially to $260.0 million. It is the Commission's intention to report normalised data on an annualised basis to enable consistent comparison of the annual results of the scheme.

The 2015-16 financial year has been characterised by improved operational performance for the MAC scheme as the outsourcing arrangement has been embedded in TIO's business. The process of transition to the new arrangements has involved substantial changes in operating practices and the business infrastructure. During this time, both TIO and the Commission have sought to minimise the impact on Territorians who access the scheme.

The 2015-2016 financial year is the first year where TIO has been tested against a series of performance benchmarks that have been established for the scheme. These benchmarks are to be met through the life of each claim, and include responsiveness, outcomes and claimant satisfaction. At the time of writing, the draft results for 2016 suggest that, for most measures, Allianz' has exceeded the minimum required benchmark. These draft results are still subject to external verification and will be published by the Commission once they have been audited.

The Commission places great emphasis on ensuring that all Territorians have access to the benefits payable under the MAC scheme. Our data suggests that Indigenous people, particularly those from remote areas, are less likely to access their full benefits. The underlying causes for this include a lack of awareness of the scheme, difficulties in lodging claims and then constraints in receiving appropriate care. The Commission has commenced work with TIO to seek to address the under-utilisation by Indigenous Territorians through an Indigenous Engagement and Support Strategy. Initiatives to date have included: conducting awareness and training among stakeholders, providing training to MAC Claims officers to improve their cultural awareness, better utilising mobile allied health services and making more regular visits to remote communities. The Commission is committed to extending this work over the coming year, with a particular focus on increasing accessibility to the scheme through simplified and better-explained claims lodgement processes.

Commissioner's report (cont)

The performance of the MAC Fund during the year was positive and helped contribute to the ongoing financial viability of the scheme. Total return on investment funds was 7.1 per cent, slightly in excess of the benchmark for the Fund of 6.9 per cent. The Fund is invested in a relatively conservative asset mix, focused largely on government bonds, property and cash. This is not entirely suited to the needs of the Fund, given the long dated nature of its liabilities. The investment mix is currently subject to a review which will likely see a progressive weighting to more growth-oriented assets.

During 2014-15 the MAC Fund invested over $4 million into road safety programs across the Northern Territory. Priorities for this funding are decided in collaboration with other NT Government stakeholders through a Road Safety Executive Group. Funding in 2015-16 included $3 million provided to the Northern Territory Department of Transport to fund government road safety initiatives, including $0.5 million for the motorcycle training program, METAL, and $1.3 million for the driver training program, DriveSafe NT.

The remainder of the road safety funding has been invested by MACC directly into programs identified to produce significant benefits in reducing road accidents and resulting injuries. This includes both direct advertising campaigns and community-based partnerships.

MACC is a leading sponsor of the Michael Long Leadership and Learning Centre (MLLLC). MLLLC runs week-long football residential training courses in Darwin for students from remote communities. Through our partnership, road safety awareness and training courses are provided to all participants as an integral part of the program.

During the year, MACC has continued and extended its partnership with Kidsafe NT to encourage better use of child restraints. As part of the revised agreement, MACC and Kidsafe are trialling a number of programs to facilitate access to restraints in remote communities.

Looking forward, MACC is planning on increasing the level of spending on broad-based advertising campaigns as a means of addressing some of the key drivers of motor vehicle accidents and injury in the Territory: speeding, drink driving and failure to wear a seatbelt. These campaigns will be progressively rolled out during the coming financial year.

The Commission and TIO routinely monitor customers' satisfaction with TIO's performance as administrator of the scheme to ensure that the MAC scheme is meeting the needs and expectations of Territorians. The outcomes of these surveys suggest that the performance of TIO as manager of the scheme is leading to customer satisfaction levels that are consistent with its past performance. Nevertheless, it is our expectation that the new management arrangements should lead to higher levels of customer satisfaction and, as we move into the new financial year, the Commission remains focused on ensuring that we achieve this goal.

Jim Colvin
Motor Accidents (Compensation) Commissioner

Operational highlights 2015-16

The underlying fundamentals of the MAC scheme remain favorable with frequency and payment levels stable. Recovery performance for the no fault and common law portfolios is positive and exceeds the 2014-15 performance by 39 per cent. The average claim size continues to trend downward.

Claims under management

At the end of the financial year there were 1113 open no-fault files. This was an increase of 22 per cent, which is mainly due to a change in the reporting and handling of claims made by dependents where a fatality has occurred. It is also partly attributable to the 1.7 per cent growth in registered vehicles in the Northern Territory. A new claims management system implemented during the year has led to claims made by dependents being handled as a separate claim rather than falling under the umbrella of the fatal accident claim.

There were 535 new claims reported in 2015-16, with 84 per cent of these for accidents in the current year and 16 per cent incurred in previous years.

Twelve claimants who were injured in accidents that occurred during the year were eligible for lifetime care and support benefits according to their injury severity and the National Injury Insurance Scheme benchmarks. These complex claims are managed by a specialist who ensures the claimants' needs are met. This support can make a significant difference to the quality of life for people suffering major injuries. At the end of the year, 17 of the 1113 open claims fell into this category.

Legislative changes

Changes in legislation that came into effect in July 2014 applied reductions to benefits for drivers and passengers under certain circumstances. The reductions apply when the injured claimant was:

- not wearing a seatbelt or helmet (when required by law)
- driving under the influence of alcohol
- driving unregistered or unlicensed
- recklessly ignoring the risk of their conduct
- participating in an organised racing event.

The changes were designed to both make the scheme more sustainable as well as encourage people to take responsibility for their own actions.

Common law claims

Common law claims arise when an interstate motor vehicle accident is caused by a Northern Territory registered vehicle. In previous years, an average of 20 common law claims were lodged. However in 2015-16 only 12 new common law claims were received. Given the small base, fluctuations of this magnitude are not uncommon and are therefore not considered significant.

Significant effort was undertaken during the year to finalise outstanding common law claims. As a result, the total number of common law claims open at the end of the financial year was 44, which is 44 per cent lower than the previous year. Common law claims represent less than 4 per cent of new claims received and open claims files.

Integration of new systems

As TIO integrates with Allianz, TIO has significantly enhanced its ability to manage, analyse and report on MAC claims. Leveraging off a well-established claims management system, and modifying it to best suit the needs of Territorian claimants, claims are handled so that:

- Injuries that fit the National Injury Insurance Scheme (NIIS) benchmarks are flagged and handled by a lifetime care and support specialist
- Improved decisions are made on liability based on police reports, forensics and facts relating to the motor vehicle accident
- Claims are handled by specialists in teams depending on the needs of the claimant, such as the return to work team, return to health team and new claims team.

Best-practice strategies

The embedding of best-practice strategies continued with a specific Estimate Review project undertaken this year. The project involved an investigation into the current practices applied to the estimation of MAC claims costs. In particular, the project reviewed the assumptions applied in the absence of specific evidence when setting the provisional financial estimate for the claim. The project confirmed that estimation practices were consistently applied to ensure the amounts expected to be incurred on the claim is accurate.

Home modifications at Papunya

MAC Claimant Phillip McDonald was a passenger in a motor vehicle accident in August 2012 near his home community of Papunya. Phillip sustained spinal injuries and a fractured right leg in the accident. He was admitted to the Alice Springs Hospital and when his condition improved he relocated to the Ayiparinya hostel in Alice Springs.

MAC arranged for home modifications so he could return to his own home at Papunya. A ramp was built at the entry to his home and the bathroom was modified to meet the needs of Phillip's level of mobility.

MAC will continue to support Phillip in his recovery and provide the necessary aids and equipment that can improve his quality of his life.

Indigenous support

Evidence suggests that Indigenous people are less likely to access their full MAC benefits than other Territorians, particularly if they are living in regional and remote communities. There are a number of reasons for this including low awareness of the MAC scheme and its benefits, the process necessary to enter the scheme following a vehicle-related injury and difficulties in accessing the appropriate medical and rehabilitation care in their home community.

During 2015-16 TIO implemented an Indigenous Engagement and Support Strategy to address these issues. The aim is to encourage more Indigenous Territorians to participate in the scheme to access the benefits available and the medical rehabilitation services necessary to aid their recovery.

The strategy focuses on working with both Indigenous people directly and key stakeholders who can assist in the process. These include North Australian Aboriginal Justice Agency (NAAJA), Central Australian Aboriginal Legal Aid Services (CAALAS), Royal Darwin and Alice Springs hospitals, Aboriginal Interpreter Service, government health centres and health service providers such as Danila Dilba and Bodyfit NT.

Bodyfit NT delivers physiotherapy and rehabilitation services to indigenous claimants in their community so they can continue with their treatment programs after returning home. This mobile service has an extensive remote community visitation service to more than 25 remote Indigenous communities.

This year, TIO has provided MAC scheme awareness sessions in Darwin and Alice Springs to over 50 hospital-based Indigenous liaison officers and social workers who play an important role in supporting injured people. The sessions equip them with an understanding of the MAC scheme, the benefits available and how they can help indigenous people with the MAC claims process to access these benefits.

TIO MAC claims officers commenced attending education sessions run by the Aboriginal Interpreter Service. This assists them in using the interpreter services more effectively and increases their cultural sensitivity and understanding of indigenous claimants.

Visiting long-term claimants in their communities is now undertaken by MAC claims officers on a more regular basis. This provides face-to-face support for the injured person and family members who may be involved in his or her care. It also provides an opportunity for the claims officers to learn about the unique circumstances of the claimant and the challenges of accessing services from a remote community.

Results from these new initiatives over the past year are favourable with an increase in indigenous people accessing the MAC scheme and an increase in treatment participation upon returning to their communities through the Bodyfit NT Mobile services network.

Over the next 12 months, the Indigenous Engagement and Support strategy will see a number of plans implemented to increase MAC scheme accessibility. These include a simplified claim form and telephone claim lodgment. Claimant correspondence is being simplified to aid understanding and provide new communication tools such as a pictorial claims process diagram and SMS travel and appointment reminders.

MACC website

A new 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 are collected to understand how people access the site and what information they are seeking, allowing us to continually improve the service.

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; the second avenue is via a Designated Person Review as defined under the Act. A total of 37 claims went before the Designated Person in 2015-16, including 11 claims carried over from the previous financial year. The initial decision made on these claims was maintained, or confirmed, in about 60 per cent of the cases before the Designated Person. If a claimant is unsatisfied with the outcome from the Designated Person Review, they may lodge an appeal to the Motor Accidents (Compensation) Appeal Tribunal. Four claims were referred to the Tribunal during the year. Three of these claims were settled and a decision is pending on the final claim.

	Designated Person Review				MAC Appeal Tribunal			
	2015-16	2014-15	2013-14	2012-13	2015-16	2014-15	2013-14	2012-13
Total received	26	23	19	20	4	0	1	3
Decision upheld	17	7	6	12	0	0	0	0
Decision varied	6	7	15	10	0	1	0	1
Agreement reached	0	0	0	0	3	1	0	2
Ineligible for review or withdrawn	7	1	0	2	0	0	0	1
Open	7	11	3	5	1	0	2	1

Operational results

Summary of operational results

	2015-16	2014-15	2013-14	2012-13
Number of vehicles insured (000s)	199	195	192	189
Registration income	$544	$531	$511	$501
New claims received	535	470	575	530
Claims received per 1,000 vehicles	2.69	2.41	2.99	2.80
Number of finalised claims	507	532	543	651
Number of active claims at end of period	1,113	1,001	1,025	971
Gross claim payments (000s)	$35,415	$39,406	$40,066	$37,724
Net claim payments (000s)	$33,482	$37,500	$38,149	$34,786
Number of pedestrian claims received	48	45	49	59

Claim payments

MAC no-fault claim payments by major heads of benefits ($millions)	2015-16	2014-15	2013-14	2012-13
Attendant care benefits	$3.90	$2.30	$1.70	$1.80
Hospital costs	$6.70	$6.50	$8.00	$7.40
Weekly benefits	$8.50	$10.00	$8.80	$8.90
Vocational rehabilitation benefits	$1.20	$1.40	$1.10	$0.90
Rehabilitation benefits	$1.60	$1.80	$1.60	$1.40
Medical benefits	$4.20	$3.90	$3.60	$4.10
Death and dependency benefits	$2.90	$2.10	$3.40	$3.20

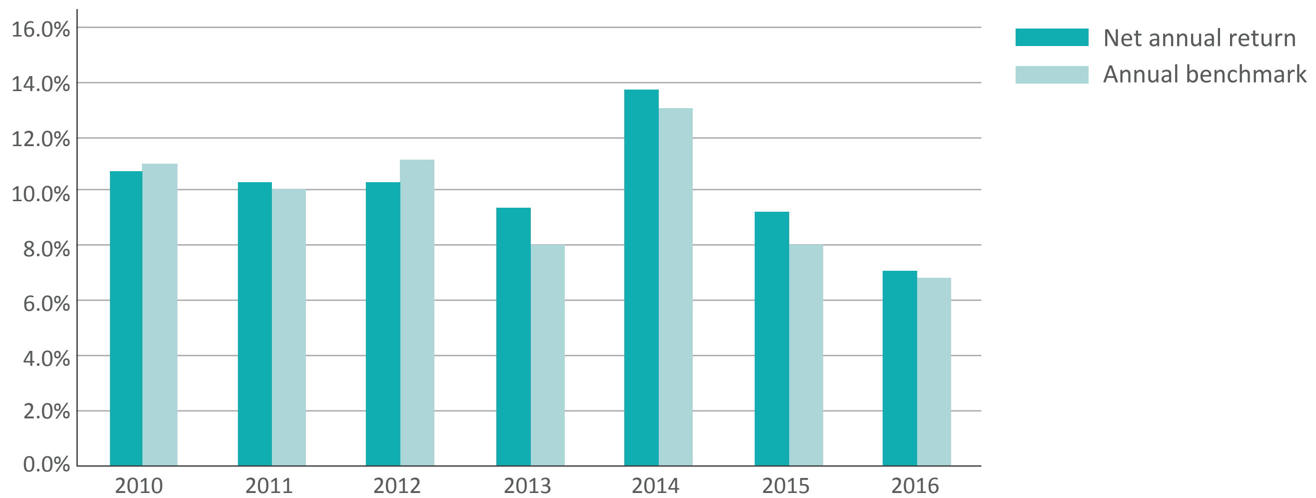
Fund performance

Overview

Over 2015-16, total investment assets grew from $564 million to $617 million as at 30 June 2016. It was a difficult year for equities in local, global and emerging markets, where as the reduction in the Australian yield curve produced gains in our bond portfolios. The 12-month result was a return of 7.1 per cent, which was 2 basis points higher than the composite benchmark of 6.9 per cent.

Our asset allocation took on a defensive bias due to losses in growth assets however we rebalanced the portfolio in the final quarter to our strategic asset allocation (SAA), which remained unchanged as at June 2016. A more comprehensive review of the SAA is underway in conjunction with a review of the overall investment risk appetite for the fund.

Fund performance

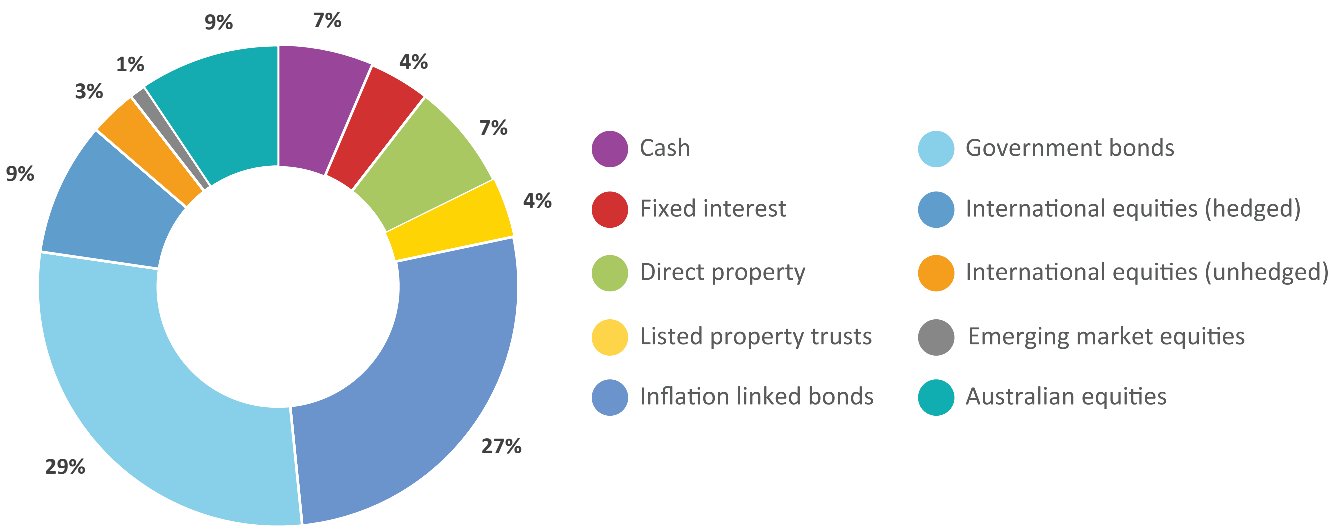


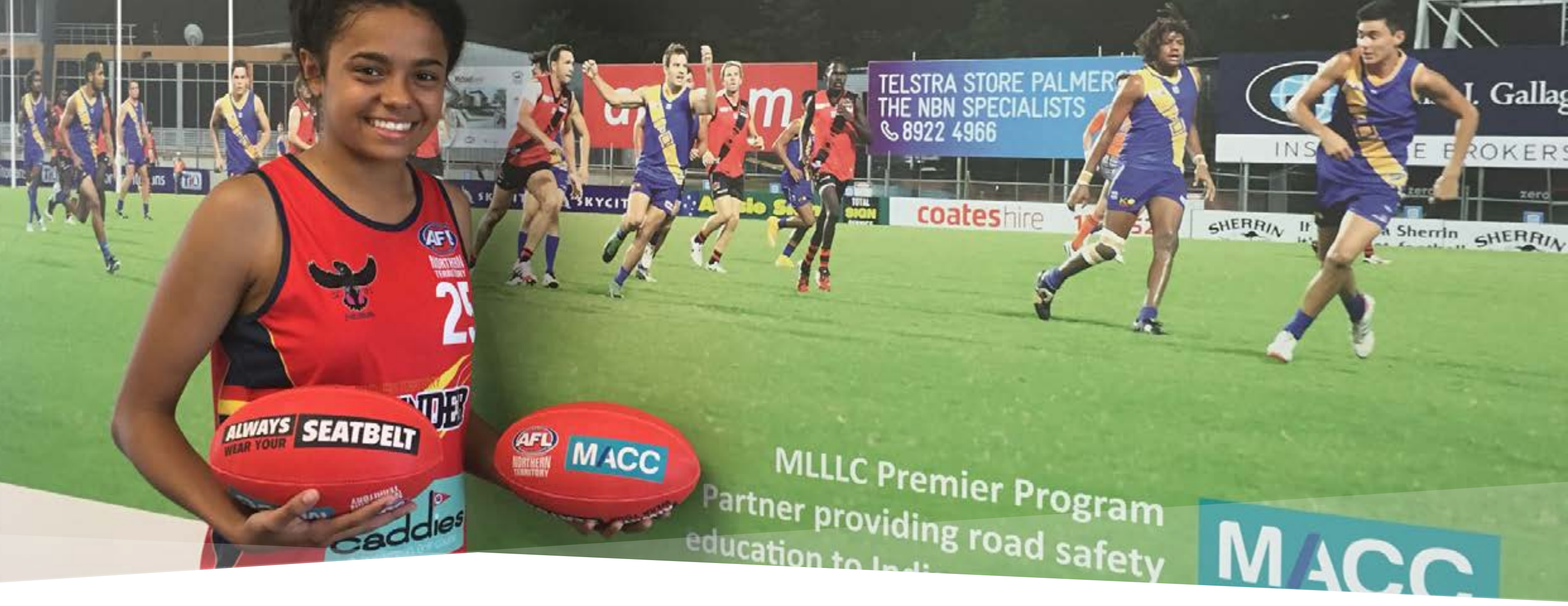
Sensitivity of operating result

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

Sensitivity to external factors	**2015-16**
1% decrease in interest rates	$51 (million)
1% decrease in wage inflation (Average Weekly Earnings) assumptions	$28 (million)
20% decrease in equity markets	$28 (million)

Asset allocation





MACC's partnership with the Michael Long Leadership and Learning Centre delivered road safety education to 266 youth from 11 remote communities this year.

Road Safety

Road safety in the Northern Territory

The Northern Territory remains the most dangerous place in Australia to be on the road. Over the past 10 years 475 people were killed and 5,415 people seriously injured on Territory roads. If you were on the road in the Northern Territory in 2015 you were four times more likely to be killed than other Australians.

There were 49 fatalities in the Northern Territory in the 2015 calendar year, compared with 39 the previous year. In the first half of 2016, there have been 18 fatalities against 23 during the same period in 2015.

Of people killed on Territory roads in 2015, 70 per cent were male. Almost half the deceased were Indigenous, even though Indigenous Territorians make up just 30 per cent of our population.

Around 60 per cent of all fatalities are in rural areas and 45 per cent of all fatal crashes are single vehicle accidents. This outcome is driven by the outer-regional and remote mix of higher speeds, lower safety awareness, long distances and impaired driving.

Alcohol and not wearing seatbelts are the most prevalent causes for fatalities. Alcohol and speed are the most common causes of accidents leading to serious injuries while 38 per cent of those killed in vehicles were not wearing a seatbelt. Tragically, 11 of the 49 (22 per cent) fatalities were pedestrians.

Changing road user behaviour is the best way to reduce the cost and trauma of road accidents. MACC invests in the promotion of road safety with advocacy and awareness programs in urban, regional and remote areas.

Research

Understanding how, why and where accidents occur is fundamental to improving road safety and reducing road trauma. This year MACC has invested in the statistical analysis of road crash data, which will be used in collaboration with Territory Police and the Department of Transport to inform the development of a Road Safety Strategic Action Plan. Data is drawn from Territory Police reports as well as the vehicle accidents database. Both fatal and serious injury accidents are examined.

Campaigns

Campaigns undertaken this year included:

- The No Rego, No Cover campaign continued through 2015-16. The campaign is designed to raise awareness about MACC and MAC benefits. Our aims are to encourage people to ensure the vehicle they are driving or riding in is registered and to encourage good road user behaviour.
- The You Deserve It drink driving campaign continued this year. This campaign has now been running for a number of years.

Megan Fernando manages the Kidsafe NT Child Car Restraint service, which fitted 896 car seats and carried out 243 free community checks this year.

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. Examples include:

- A new partnership with ***Kidsafe NT*** began on 1 January 2016 focussed on encouraging better use of child restraints. A key element of this three-year partnership is to extend the use of child restraints into regional and remote areas. While Kidsafe NT has provided a child restraint fitting service in Darwin, our partnership will see this service extended into other parts of the Territory.
- The ***Michael Long Leadership and Learning Centre*** continues to be an important way to deliver meaningful road safety education and messaging into remote communities. Targeted road safety classes form an integral part of the centre's week-long football camps and mechanisms are in place to continue road safety awareness when students return to their own community. Education sessions were delivered to students from Maningrida, Hermannsburg, Lajamanu, Big River Region, Groote Eylandt, Ngukurr and Katherine with a total of 130 students participating. In addition, AFLNT has appointed road safety ambassadors in 14 communities. The ambassadors must each sign a pledge to become road safety role models in the communities in which they live both during and outside work hours.
- MACC's sponsorship of the ***Darwin Cup Carnival*** provides for overnight security at the Darwin Turf Club carpark on key nights of the carnival. The sponsorship came about following research that showed people were taking the risk to drive home after drinking because they were concerned about their vehicle being vandalised if left in the carpark overnight. Since security has been available there has been an extraordinary increase in the number of vehicles left overnight – from around 15 before carpark security was put in place to well over 300 now.

1,021 people from remote indigenous communities were issued with their P-plates this year through the Drivesafe NT Remote program.

MACC-funded Northern Territory Government programs

DriveSafe NT

MACC provides $1.3 million annual funding for DriveSafe NT and DriveSafe NT Remote, which provide driver training and licensing Territory-wide in urban, regional and remote areas.

DriveSafe NT Remote program operates in 74 remote communities. Unlicensed driving is a major issue for Indigenous Territorians. In remote communities, there is a lack of access to driver education and training as well as licence testing. DriveSafe NT Remote brings MVR and training services directly to the community.

During this financial year 1,129 driving lessons were given, 3,242 learner permits were issued and 1,021 people achieved a provisional driving licence.

Other MACC-funded Territory Government programs

MACC provided funding of $1.2 million to the Northern Territory Government’s Road Safety program to deliver a range of campaigns and initiatives.

School education

Visits by Road Safety Community Engagement Officers and Hector the Road Safety Cat are offered for all children from childcare to senior school. The sessions aim to give students road safety knowledge and skills to keep them safe as road users and pedestrians.

The sessions aim to teach students how to be safer road users and pedestrians, focusing on key safety issues facing Territorians on the roads. Each session is tailored to the age of students and any key issues in the school community at the time.

This work is based on the Safer Roads Curriculum Teacher Resources (Early Childhood, Primary and Middle/ Senior years), which are provided to schools for ongoing education.

The *Choices Program* is a road safety pre-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.

During 2015, Road Safety staff began delivering road safety education sessions to visiting Indigenous children at the Michael Long Leadership and Learning Centre on behalf of MACC.

In total, 308 sessions were delivered in 110 schools to more than 17,000 students. A total of 38 childcare centres were also visited, 12 vacation care sessions and 15 sessions were delivered as part of the MACC partnership with the Michael Long Leadership and Learning Centre.

Road safety lessons are offered for primary students at the Parap Road Safety Centre.

Parap and Newland Park road safety centres

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

- a theory element that is delivered in the classroom at school
- a practical element, where schools visit the centres to be given a theory refresh, an introduction to road rules and how to perform a bike safety check. They then put in place what they have learnt through various exercises by riding bikes in a simulated road environment.

Bike safety lessons are available for students from years 4 to 6 at the Parap Road Safety Centre and years 2 to 6 at Newland Park. The Parap Road Safety Centre only operates bike education lessons in school terms two and three. Newland Park Centre operates throughout the school year and in partnership with Territory Police when road safety staff is not available.

The Parap Road Safety Centre is also open to the public year round and is the base of operation for Pedals NT. Drivesafe NT use the centre to conduct theory sessions in its drivers licensing program.

In 2015-16, 43 bike education sessions were held at the centres with 975 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 considered important to their community.

This program aims to:

- facilitate projects that target local road safety concerns
- encourage greater community involvement in road safety
- empower people and build capacity in the communities.

Grants up to $5,000 are available, although funding for larger more complex initiatives may be approved in accordance with the Grants Scheme guidelines.

The program is open to 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.

Two rounds of grants were conducted in 2015-16 with 33 organisations receiving funding totalling $150,000 for the year.

There is a high level of awareness of the Sober Bob designated driver campaign, which runs year round.

Who's Your Sober Bob? Campaign

The Who's Your Sober Bob? Campaign aims to encourage Territorians not to 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 2016, Sober Bob is 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 you have a safe way home, which does not involve drink driving.

It is primarily promoted in licensed venues at point-of-sale locations in our major centres. There is a also a bus in Darwin and Alice Springs and some taxis with Sober Bob branding in the wider community.

RADD is contracted to engage high profile athletes, actors and recording artists to deliver targeted Sober Bob road safety messages on radio, television and social media sites in the Territory through media outlets.

In 2015-16 market research confirmed that there is a high level of awareness and brand recognition of the Sober Bob campaign and key messages.

Road Safety Short Film Competition and Festival

Delivered in partnership with Skinnyfish Music, the Road Safety Short Film Competition and Festival 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 and the winners announced at the 2016 Barunga Festival in June. Over $5,000 in prize money was awarded. The winning film is currently being modified for a community service television commercial.

Other programs and activities

- The Road Safety Education Team participated in 40 community events including Barunga Festival, Northern Territory Show Circuit and Police Fire and Emergency Services Open Day.
- Sponsorship of V8 super car drivers as Territory Ambassadors to deliver road safety messages.
- Multilingual trip planners for tourists.
- National Road Safety Week.
- Are You Road Ready – safe holiday driving including a free safe vehicle check day at Bunnings in December 2015 in partnership with Automobile Association of the Northern Territory.
- Motorcycle Rider Awareness Week in partnership with Rider Awareness NT.
- Back to School campaigns.
- National Ride to School and Walk to School days, National Ride to Work day and Rail Safety Week.

There is more than 15,000km of unsealed roads in the Northern Territory.

Looking ahead

MACC road safety campaign planning for the coming year is well advanced. With much of the data analysis now available to inform our priorities and decision-making, 2016-17 will see the implementation of a number of new initiatives and campaigns included but not limited to:

- A new Road Safety Strategy and Action Plan developed by the Department of Infrastructure, Planning and Logistics in collaboration with Territory Police and MACC.
- Two new drink driving campaigns informed by detailed research targeting the urban areas and regional and remote locations.
- A new seatbelts campaign with media targeting all walks of life throughout the Territory.
- A new speed campaign to create awareness of the impact and severity of road trauma in urban areas and on highways.
- A focus will continue on increasing the access to and use of approved child restraints by Indigenous families. Training programs will also be carried out in a number of Indigenous communities to increase capabilities for child car seats to be fitted locally.
- A pilot program in partnership with McArthur River Mine will be rolled out in the Borroloola region before the end of 2016 that will provide child seats and installation services for Borroloola and surrounding communities. MACC's aim is to work with partners in remote communities to help deliver programs that are sustainable.
- MACC will support a new program in partnership with Groote Eylandt and Bickerton Island Enterprises (GEBIE) and KidSafe NT to provide 260 child car seats and fitment services for the communities of Angurugu, Milyakburra and Umbakumb. A minimum of 10 local people from Community Development Program will receive Type 1 training to provider ongoing local fitting of car seats in the three communities.

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MACC

Motor Accidents (Compensation) Commission

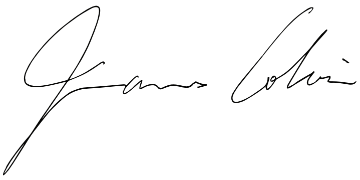
2015-16 Financial Statements

Motor Accidents (Compensation) Commissioner's 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 2016 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

25 October 2016

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2016

	Notes	2016	2015 Restated		
		MACC	MACC	TIO Insurance & Banking Discontinued Operations	MAC Fund
		$'000	$'000	$'000	$'000
Profit and loss					
Revenue	5	196,172	267,397	113,171	160,917
Outwards reinsurance premium expense		(10,433)	(33,503)	(22,671)	(10,832)
Claims expense	16	(182,112)	(192,418)	(45,864)	(146,554)
Acquisition costs		170	(3,698)	(4,039)	341
Unexpired risk expense		-	706	-	706
Grants provided to fund road safety programs		(3,573)	(3,888)	-	(3,888)
Finance costs		-	(13,435)	(13,435)	-
Depreciation and amortisation expense		-	(784)	(784)	-
Salaries and employee benefits expense		-	(18,979)	(18,979)	-
Other expenses		(11,812)	(22,573)	(15,148)	(14,116)
Profit/(Loss) before tax		**(11,588)**	**(21,175)**	**(7,749)**	**(13,426)**
Income tax expense		-	2,254	2,254	-
Profit/(Loss) for the period		**(11,588)**	**(18,921)**	**(5,495)**	**(13,426)**
Items that may be reclassified subsequently to profit or loss:					
Net fair value gain on hedging instruments entered into for cash flow hedge		-	194	194	-
Tax on items that may be reclassified subsequently to profit or loss		-	(21)	(21)	-
Total items that may be reclassified subsequently to profit or loss		**-**	**173**	**173**	**-**
Other comprehensive income (loss) for the period, net of tax		**-**	**173**	**173**	**-**
Total comprehensive income (loss) for the period		**(11,588)**	**(18,748)**	**(5,322)**	**(13,426)**

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 2016

	Notes	2016	2015 Restated
		$'000	$'000
CURRENT ASSETS			
Cash and cash equivalents	8	65,008	13,469
Trade and other receivables	9	3,562	2,892
Other financial assets	10	507,357	507,726
Reinsurance and other recoveries receivable	11	11,195	11,481
Deferred acquisition costs	12	69	65
Investment property	13	44,500	43,000
Total Current Assets		**631,691**	**578,633**
NON-CURRENT ASSETS			
Reinsurance and other recoveries receivable	11	118,694	50,437
Total Non-Current Assets		**118,694**	**50,437**
Total Assets		**750,385**	**629,070**
CURRENT LIABILITIES			
Outstanding claims liability	14	77,164	60,752
Trade and other payables	17	6,641	5,593
Other financial liabilities	10	-	258
Unearned premium liability	15	34,633	32,939
Total Current Liabilities		**118,438**	**99,542**
NON-CURRENT LIABILITIES			
Outstanding claims liability	14	527,154	413,148
Total Non-Current Liabilities		**527,154**	**413,148**
Total Liabilities		**645,592**	**512,690**
Net Assets		**104,793**	**116,380**
EQUITY			
Retained earnings	18	104,793	116,380
Total Equity		**104,793**	**116,380**

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 2016

	Notes	Retained Earnings	Asset Revaluation Reserve	MAC Road Safety Reserve	Total
		$'000	$'000	$'000	$'000
Balance as at 30 June 2014		**260,902**	**3,904**	**5,000**	**269,806**
Profit/(Loss) for the period, restated		(13,426)	-	-	(13,426)
Other comprehensive income		-	-	-	-
Total comprehensive income for the period, restated		**(13,426)**			**(13,426)**
Transactions with owners in their capacity as owner					
MAC road safety reserve	18	5,000	-	(5,000)	-
Asset revaluation reserve	18	3,904	(3,904)	-	-
Dividend paid		(140,000)	-	-	(140,000)
		(131,096)	**(3,904)**	**(5,000)**	**(140,000)**
Balance as at 30 June 2015 Restated		**116,380**	**-**	**-**	**116,380**
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**

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 2016

	Notes	2016	2015		
		MACC	MACC	TIO Insurance & Banking Discontinued Operations	MAC Fund
		$'000	$'000	$'000	$'000
Cash flows from operating activities					
Premiums received		91,139	162,189	74,283	87,905
Outwards reinsurance premiums paid		(11,164)	(37,187)	(25,818)	(11,370)
Claims paid		(44,026)	(74,399)	(32,409)	(41,990)
Reinsurance recoveries received		4,385	11,707	8,549	3,158
Trust distributions received		14,694	21,687	1,403	20,284
Interest received		6,945	17,064	7,780	9,284
Operating lease income received		5,064	3,955	147	3,808
Other income received		329	3,736	3,370	366
Acquisition costs paid		263	(8,219)	(8,590)	371
General and administration expenses paid		(23,294)	(44,865)	(28,819)	(16,046)
Funding for road safety programs paid		(3,598)	(3,888)	-	(3,888)
Goods and services tax paid		(4,011)	(8,179)	(4,005)	(4,174)
Monies held on trust received / (paid)		89	(2,112)	(2,112)	-
Interest expense paid on deposits		-	(14,208)	(14,208)	-
Interest income received from loans		-	15,482	15,482	-
Income tax paid		-	(6,442)	(6,442)	-
Net cash flow from/ (used in) operating activities	21	**36,815**	**36,321**	**(11,389)**	**47,708**
Cash flows from investing activities					
Net loans extended to customers		-	(21,990)	(21,990)	-
Net (payments) / receipts for investments		14,724	167,415	82,998	84,417
Payments for property, plant and equipment and intangibles		-	(784)	(784)	-
Proceeds from property, plant and equipment		-	354	354	-
Net cash flow from/ (used in) investing activities		**14,724**	**144,995**	**60,578**	**84,417**
Cash flows from financing activities					
Net increase/(decrease) in savings and other deposit accounts		-	15,975	15,975	-
Dividend Paid		-	(140,000)	-	(140,000)
Borrowings		-	(50,000)	(50,000)	-
Repayments of securitisation funding		-	(5,645)	(5,645)	-
Net cash flow from/ (used in) financing activities		**-**	**179,670**	**(39,670)**	**(140,000)**
Net increase/ (decrease) in cash held		**51,539**	**1,646**	**9,519**	**(7,875)**
Cash at the beginning of the period		13,469	49,850	28,508	21,344
Cash transferred to owner		-	(38,027)	(38,027)	-
Cash at the end of the period	8	**65,008**	**13,469**	**-**	**13,469**

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

1. Corporate Information

MACC is domiciled in the Northern Territory. The principal commercial activities of MACC are the administration of the MAC Scheme on behalf of the NT Government.

The Territory Insurance Office [TIO] was established in 1979 by virtue of section 4 of the Territory Insurance Office Act [TIO Act]. During the year 2014/2015 the Northern Territory Government introduced the *Territory Insurance Office (Sale) Act 2014* which provided for the sale of the TIO Insurance and Banking businesses by TIO owners. At the same time, the Northern Territory Government introduced the *Motor Accidents (Compensation) Commission Act 2014 (MACC Act),* which came into effect to repeal the TIO Act. The MACC Act provides for TIO to continue as the same corporate entity in the name of the Motor Accidents (Compensation) Commission (MACC), which has the primary responsibility of administering the MAC Scheme.

For the comparative year any reference to TIO also includes reference to MACC and vice versa due to the name change as at 1 January 2015.

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

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.

As at 1 January 2015, the Northern Territory Government disposed of both the TIO Insurance and Banking divisions. Assets and liabilities as at 31 December 2014 associated with these business divisions have been transferred to the Northern Territory Government as owner. No associated sales transaction has been recorded in the Financial Statements of the Motor Accidents (Compensation) Commission.

The MAC Fund has previously valued fund liabilities based on AASB 1023 General Insurance Contracts (AASB 1023). On assessment of the nature of the Fund's statutory relationship with its customers, it is not of the nature of an insurance contract as defined under AASB 1023. As such, the Commissioner has determined that the use of AASB 137 Provisions Contingent Liabilities and Contingent Assets is more appropriate in valuing the fund liabilities.

Notwithstanding the application of AASB 137 the financial statements continue to make reference to insurance contracts for comparability and consistency with the prior year. Reclassification, or changes to descriptions will be applied from the 2017 financial year.

Accordingly, headings used through this document for 2016 are defined as:

Heading	Context	Definition
MAC Fund	Performance	Comparative year: 12 months operations comprising 6 months under TIO and 6 months under MACC.
	Position	Comparative year: Balances as at 30 June 2015.
TIO Insurance & Banking	Performance	Comparative year: 6 months of trading from 1 July 2014 to 31 December 2014.
	Position	Comparative year: Balances as at 30 June 2015.
MACC	Performance	Current year: 12 months operations under MACC Comparative year: Consolidated view of MACC, comprising 6 months of Insurance and Banking and 12 months of MACC.
	Position	Balances as at 30 June 2016.

These general purpose financial statements were authorised by the MACC Commissioner on _ October 2016.

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. Balances among TIO Insurance & Banking and the MAC Fund are gross of inter-business transactions and in the MACC balance (which is the combined total of TIO Insurance & Banking and the MAC Fund as a whole) the inter-business transactions are eliminated. 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 the MACC and are not expected to have future financial impact on the 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 the MACC.

Title	Amendment	Effective on or after	Financial year expected to be applied
AASB 9 'Financial Instruments (December 2014)'	Financial Instruments – December 2014	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers – (December 2014)	Revenue from Contracts with Customers – December 2014 (Principal)	1 January 2018	30 June 2019
AASB 16 'Leases'	Leases	1 January 2019	30 June 2020
AASB 2015-1	Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 cycle – AASB7 and AASB119	1 January 2016	30 June 2017
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative Amendments to AASB 101 – Presentation of Financial Statements	1 January 2016	30 June 2017

2.3 Significant Accounting Policies

MACC's primary operation is to administer the MAC Fund pursuant to the MACC Act. For the comparative year MACC's primary operation was providing Insurance and Banking services from 1 July 2014 to 31 December 2014 to the Northern Territory and MACC administered the MAC Fund pursuant to the former TIO Act. The results and balances are disclosed separately to fulfil the reporting obligations set out by both the former TIO Act (up to 31 December 2014) and the current regime of 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:

Premium revenue

Premium is comprised of amounts charged to policyholders, but excludes stamp duties, GST and other amounts collected on behalf of third parties. It also includes the amounts charged to owners of vehicles registered in the Northern Territory that relate to the funding of the MACC Scheme. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Premiums on unclosed business are estimated with reference to the previous year's premium processing delays and the impact of recent trends and events on the pattern of new business and renewals.

The pattern of recognition of income over the policy or indemnity periods is in accordance with the pattern of the incidence of risk expected under the insurance contracts. In most cases, time approximates the pattern of risks underwritten. Unearned premium liability, which is the proportion of premium received or receivable not earned in the Statement of Profit or Loss and Other Comprehensive Income, is determined by apportioning the premiums written 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.

Reinsurance and other recoveries receivable
Reinsurance and other recoveries receivable on paid claims, 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. Recoveries receivable in relation to "long-tail" classes 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) Unexpired risk liability
The adequacy of the unearned premium liability is assessed by considering current estimates of all expected future cash flows relating to future claims covered by current insurance 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 premium liability less related intangible assets and related deferred acquisition costs is exceeded by the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate, then the unearned premium liability is deemed to be deficient. MACC applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved on the outstanding claims liability.

The entire deficiency, gross and net of reinsurance 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, with any excess being recorded in the Statement of Financial Position as an unexpired risk liability.

c) Outwards reinsurance
Premium ceded to reinsurers is recognised as an expense in the Statement of Profit or Loss and Other Comprehensive Income from the attachment date over the period of indemnity of the insurance contract in accordance with the pattern of reinsurance protection received. Where appropriate, an unearned portion of outwards reinsurance is treated at the reporting date as an asset.

d) Outstanding claims liability
The MAC Fund has previously valued fund liabilities based on AASB 1023 General Insurance Contracts (AASB 1023). On assessment of the nature of the Fund’s statutory relationship with its customers, it is not of the nature of an insurance contract as defined under AASB 1023. As such,

the Commissioner has determined that the use of AASB 137 Provisions Contingent Liabilities and Contingent Assets is more appropriate in valuing the fund liabilities.

Despite this change, the methodology, basis and assumptions used in valuing the fund liabilities remain consistent with the previously adopted approach. As such, there has been no impact to the value of the outstanding claims liability.

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

Claims expense and a provision for outstanding claims are recognised in respect of direct insurance and inwards reinsurance business and the Motor Accidents Compensation 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 are subject to independent actuarial assessment.

The provision for outstanding claims 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.

e) Receivables

Receivables comprise premium receivables, interest receivables, other debtors and reinsurance and other recoveries. These amounts are initially recognised at fair value.

Premium receivables and reinsurance and other recoveries, which include amounts due from reinsurers 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.

f) Deferred acquisition costs

Acquisition costs are costs associated with obtaining and recording insurance contracts. These costs include other selling costs, premium collection costs and other administrative costs. Acquisition costs incurred in obtaining insurance contracts are deferred and recognised as an asset where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the Statement of Profit or Loss and Other Comprehensive Income in subsequent reporting periods.

Deferred acquisition costs are amortised in accordance with the expected pattern of the incidence of risk under the contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue recognition.

g) Assets backing insurance liabilities

MACC actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from insurance liabilities. MACC undertook a process of identifying and matching all assets which arise from the issuing of insurance contracts. This review determined that the following assets are held to back insurance liabilities. These assets comprise:

Receivables:	Premium receivables, reinsurance and other recoveries.
Financial Assets:	Investment assets, cash and cash equivalents and overdrafts.

Receivables

Refer to note 2.3(e)

Financial Assets

Investment assets held to back insurance liabilities, 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.

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.

h) Taxes

Income tax

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.

TIO Insurance & Banking:

For the period 1 July to 31 December 2014 TIO Insurance and Banking businesses were assessable for income tax by the Australian Taxation Office under the National Tax Equivalent Regime (NTER). Under this arrangement, TIO Insurance and Banking businesses were required to be assessed in accordance with the Income Tax Assessment Act (as amended). TIO Insurance and Banking businesses elected under S148 (2) of the Income Tax Assessment Act, to have allowed as a deduction, reinsurance payments to non-resident reinsurers.

i) 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.

j) 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 their 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.

k) Financial instruments not held to back insurance liabilities

Financial assets not held to back insurance liabilities include financial instruments used in the provision of banking services and assets not included in note 2.3(g). 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.

Trade receivables (excluding premium receivables)

Trade receivables and other debtors are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the Statement of Profit or Loss and Other Comprehensive Income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Investments

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.

Investment assets other than those held to back insurance liabilities, have been categorised as "at fair value through the profit and loss", as they are held for trading. They are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

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.

Trade payables

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 the MACC's policies approved by MACC's Commissioner, which provide written principles on the use of financial derivatives consistent with the 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.

l) 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.

m) Management Fee

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

The management of 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 and the MACC 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.

n) 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 an insignificant risk of changes in value.

o) 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.

p) 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.

q) 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.

r) Provisions

A provision is a liability of uncertain timing or amount which is recognised in the Statement of Financial Position when:

- MACC has a present obligation (legal or constructive) as a result of a past event;
- It is probable that an outflow of economic benefits will be required to settle the obligation; and
- The amount can be reliably measured.

If the effect is material, provisions are determined by discounting the expected future cash flows that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

s) 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.

t) Commitments

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

u) Comparatives

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

v) 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 liabilities and reinsurance assets.

a) The ultimate liability arising from claims made under insurance contracts

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Statement of Financial Position date, including the cost of claims incurred but not reported to MACC. The estimated cost of claims includes 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 claims exposures. However, given the uncertainty in establishing claims provisions, 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 the insured 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.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions.

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

b) Assets arising from reinsurance contracts

Assets arising from reinsurance contracts 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

MACC currently underwrites compulsory third party insurance for the Northern Territory.

Claims estimates for MACC's long tail business 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 liabilities.

	2016	2015 Restated
	MACC	MACC
Average weighted term to settlement (years)	15.59	13.12
Average claim frequency (latest accident year)	0.26%	0.25%
Average claim size ($)	93,944	97,772
Expense rate	7.50% - 22.5% *	7.50 – 24.0% *
Discount rate	1.6%-5.0%	2%-5.5%
Inflation	3.50%	4.00%

* 22.5% (2015: 24.0%) is used for the period applicable to the MACC management agreement. A rate of 7.5% has been applied for the period after 30 June 2025.

3. Actuarial assumptions and methods continued…

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 75% 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 insurance liabilities and show an analysis of the sensitivity of the profit/(loss) and equity to changes in these assumptions both gross and net of reinsurance.

Variable	Impact of movement in variable
Average weighted term to settlement	A decrease in the average term to settlement in the long tail classes of business class would lead to more claims being paid sooner than anticipated. Expected payment patterns are used in determining the outstanding claims liability. An increase or decrease in the average weighted term would have a corresponding increase or decrease on claims expense 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 liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. An increase or decrease in the assumed discount rate will have an opposing impact on total claims expense.
Inflation	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.

3. Actuarial assumptions and methods continued…

ii) Impact of changes in key variables

		Effect on Profit/(loss) before tax		
		Gross of reinsurance $'000	Net of reinsurance $'000	Equity $'000
MACC				
Weighted term to settlement	+10%	11,353	10,549	10,549
	-10%	(11,583)	(10,789)	(10,789)
Average claim frequency – latest accident year	+10%	(5,499)	(5,499)	(5,499)
	-10%	5,499	5,499	5,499
Average claim size	+10%	(57,274)	(47,550)	(47,550)
	-10%	57,274	47,550	47,550
Expense rate	+1%	(5,021)	(5,021)	(5,021)
	-1%	5,021	5,021	5,021
Discount rate	+1%	68,549	62,624	62,624
	-1%	(88,344)	(82,027)	(82,027)
Inflation	+1%	(86,381)	(76,171)	(76,171)
	-1%	68,141	60,427	60,427

4. Risk management policies and procedures

a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

MACC has an objective to control insurance risk thus reducing the volatility of operating profits. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, profits from insurance business are affected by market factors, particularly competition and movements in asset values. Short-term variability is, to some extent, a feature of insurance business.

The MACC Commissioner, through the management agreement with Allianz has developed, implemented and maintained a sound and prudent Risk Management Strategy (RMS) and a Reinsurance Management Strategy (REMS).

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 MACC 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 monitor exposure to such risks through special modelling techniques involving the collation of data on historical claim events which support decisions on limiting exposure.
- Reinsurance is used to limit MACC's exposure to large single and multiple claim events. When selecting a reinsurer we only consider those companies that provide high security. In order to assess this we use rating information from the public domain or gathered through internal investigations.
- In order to limit concentrations of credit risk, in purchasing reinsurance MACC has regard to existing reinsurance assets and seeks to limit excess exposure to any single reinsurer or group of related reinsurers.
- The mix of assets in which we invest is driven by the nature and term of the insurance liabilities.

b) Terms and conditions on insurance business

The terms and conditions attaching to insurance contracts affect the level of insurance 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 insurance contracts written in the Northern Territory are subject to substantially the same terms and conditions.

4. Risk management policies and procedures continued…

c) Development of claims

There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 14 show our estimates of total claims outstanding for each underwriting year at successive year ends.

d) Interest rate risk

Interest rate risk arises from insurance contracts due to the extent that there is an economic mismatch between the fixed-interest portfolios used to back the outstanding claims' liabilities 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' liability.

e) Credit risk

Financial assets and liabilities arising from insurance and reinsurance contracts 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 premium debtors is included in note 22 (b).

f) Reinsurance counterparty risk

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

- Treaty or facultative reinsurance is placed in accordance with the requirements of MACC's reinsurance management strategy.

- Reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on Realistic Disaster Scenarios and MACCs Maximum Event Retention.

- Exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

Strict controls are maintained over reinsurance counterparty exposures. Reinsurance 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 reinsurance and other recoveries on outstanding claims 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**
Reinsurance and other recoveries on paid claims	2016	-	809	180	80	**1,069**
	2015	-	-	-	-	**-**

The following table provides further information regarding the ageing of reinsurance 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**
Reinsurance and other recoveries on paid claims	2016	1,016	-	53	-	**1,069**
	2015	-	-	-	-	**-**

5. Revenue

	2016	2015		
	MACC	MACC	TIO Insurance & Banking Discontinued Operations (see Note 1)	MAC Fund
	$'000	$'000	$'000	$'000
Premium revenue				
Gross Written Premium (note 7)	82,296	142,892	64,554	78,338
Total premium revenue	**82,296**	**142,892**	**64,554**	**78,338**
Reinsurance and other recoveries	**71,060**	**42,930**	**8,684**	**34,246**
Revenue from the rendering of services				
Revenue from financial assets and liabilities not at fair value through profit and loss	-	2,617	2,617	-
Other Revenue from the rendering of services	-	85	-	85
Total Revenue from the rendering of services	**-**	**2,702**	**2,617**	**85**
Finance revenue				
Interest revenue – Banking	-	19,874	19,874	-
Interest revenue – Non Banking	10,488	13,227	2,321	10,906
	10,488	**33,101**	**22,195**	**10,906**
Financial assets at fair value through profit and loss:				
Trust distributions	14,694	21,687	1,403	20,284
Change in the fair value of investments	12,961	(1,031)	5,642	(6,673)
Net gain on the disposal of investments	(1,363)	21,146	2,025	19,121
Change in fair value of derivatives – ineffective cash flow hedges	-	-	-	-
Total finance revenue	**36,780**	**74,903**	**31,265**	**43,638**
Revenue from properties				
Rental revenue	4,720	3,832	-	4,864
Change in the fair value of investment property	1,000	(618)	-	(618)
Total property revenue	**5,720**	**3,214**	**-**	**4,246**
Other income				
Bad debts recovered	-	38	38	-
Operating expenses recovered from related party	-	-	5,659	-
Other miscellaneous income	316	718	354	364
Total other revenue	**316**	**756**	**6,051**	**364**
Total revenue	**196,172**	**267,397**	**113,171**	**160,917**

6. Underwriting result

	2016	2015 Restated		
	MACC	MACC	TIO Insurance & Banking Discontinued Operations (see Note 1)	MAC Fund
	$'000	$'000	$'000	$'000
Premium revenue	82,295	142,892	64,554	78,338
Outwards reinsurance premium expense	(10,433)	(33,503)	(22,671)	(10,832)
Net premium revenue (note 7)	**71,862**	**109,389**	**41,883**	**67,506**
Claims expense	(182,112)	(192,418)	(45,864)	(146,554)
Reinsurance and other recoveries revenue	71,060	42,930	8,684	34,246
Net claims incurred (note 16)	**(111,052)**	**(149,489)**	**(37,180)**	**(112,309)**
Acquisition costs (note 12)	170	(3,698)	(4,039)	341
Deficiency adjustment (note 15)	-	706	-	706
Underwriting profit/(loss)	**(39,020)**	**(43,092)**	**664**	**(43,756)**

7. Net premium revenue

	2016	2015		
	MACC	MACC	TIO Insurance & Banking Discontinued Operations (see Note 1)	MAC Fund
	$'000	$'000	$'000	$'000
Gross written premiums	83,990	136,048	56,036	80,012
Movement in unearned premiums	(1,695)	6,844	8,518	(1,674)
Premium revenue	**82,295**	**142,892**	**64,554**	**78,338**
Outwards reinsurance premiums	(10,433)	(33,503)	(22,671)	(10,832)
Net premium revenue	**71,862**	**109,389**	**41,883**	**67,506**

8. Cash and cash equivalents

	2016	2015
	MACC	MACC
	$'000	$'000
Cash at bank and on hand	65,008	13,469
Total cash at bank and on hand	**65,008**	**13,469**

9. Trade and other receivables

	2016 MACC $'000	2015 MACC $'000
Premiums receivable	1,899	1,194
Less: allowance for impairment loss	-	-
	1,899	**1,194**
Interest receivable	1,659	1,631
Others	4	67
Total trade and other receivables	**3,562**	**2,892**

10. Other financial assets and other financial liabilities

Other Financial Assets	2016 MACC $'000	2015 MACC $'000
Derivative financial assets		
Interest rate swaps	3,257	-
Total derivative financial assets	**3,257**	-
Other financial assets		
At fair value through profit and loss: Investments held for trading		
Securities	504,100	507,726
Total other financial assets	**504,100**	**507,726**
Current financial assets		
Short term deposits	31,000	26,176
Bonds	282,915	280,689
Other investments	-	13,901
Units in unlisted trusts	190,185	186,960
Derivative financial instruments	3,257	-
Total current financial assets	**507,357**	**507,726**

The investments securities 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 securities 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. Other financial assets and other financial liabilities continued...

Financial Liabilities	2016	2015
	MACC	MACC
	$'000	$'000
Derivative financial liabilities		
Interest rate swaps	-	(258)
Total derivative financial liabilities	**-**	**(258)**
Total other financial liabilities	**-**	**(258)**

11. Reinsurance and other recoveries receivable

	2016	2015
	MACC	MACC
	$'000	$'000
Undiscounted on claims paid	1,069	-
Expected future recoveries undiscounted on outstanding claims	164,771	140,046
Discount to present value	(35,951)	(78,128)
Discounted expected future recoveries on outstanding claims	**128,820**	**61,918**
Allowance for impairment loss – reinsurance recoveries	-	-
Total allowance for impairment loss	-	-
Reinsurance and other recoveries receivable	**129,889**	**61,918**
Current	11,195	11,481
Non-current	118,694	50,437
Reinsurance and other recoveries receivable	**129,889**	**61,918**

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

12. Deferred acquisition costs

Deferred acquisition costs	2016	2015		
	MACC $'000	MACC $'000	TIO Insurance & Banking $'000	MAC Fund $'000
Deferred acquisition costs as at 1 July	**65**	**5,898**	**5,898**	**-**
Acquisition costs deferred	(166)	2,919	3,195	(276)
Amortisation charged to Statement of Profit or Loss and Other Comprehensive Income	170	(3,698)	(4,039)	341
Balance transferred to owner	-	(5,054)	(5,054)	-
Deferred acquisition costs as at 30 June	**69**	**65**	**-**	**65**

13. Investment Property

	2016 $'000	2015 $'000
Balance at 1 July 2015	43,000	-
Reclassification from Property, Plant and Equipment	-	43,500
Capital expenditure on existing property	500	118
Changes in fair value	1,000	(618)
Balance at 30 June 2016	**44,500**	**43,000**

Prior to 1 January 2015, there was no property held for investment. The property located at 24 Mitchell Street, Darwin was reclassified from property, plant and equipment to investment property, following the change of ownership associated with the transfer of TIO Insurance and Banking business to owners. The transfer changed the status of the property from owner occupied to investment properties.

Measurement of fair value

(i) Fair value hierarchy

The fair value of MACC's property held for investment as at 30 June 2016 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 $44.5 million has been categorised as Level 3 fair value based on the inputs to the valuation technique used (see Note 2.3(l)).

13. Investment Property continued….

(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).

14. Outstanding claims liability

a) Outstanding claims liability

	2016	2015 Restated
	MACC	MACC
	$'000	$'000
Central estimate undiscounted	809,160	714,213
Claims handling costs undiscounted	107,188	106,201
Risk margin undiscounted	116,376	104,193
Gross claims incurred undiscounted	**1,032,724**	**924,607**
Discount to present value	(428,406)	(450,707)
Gross outstanding claims liability	**604,318**	**473,900**
Central estimate discounted	473,542	365,974
Current	77,164	60,752
Non-current	527,154	413,148
Gross outstanding claims liability	**604,318**	**473,900**

14. Outstanding claims liability continued...

(i) MACC - gross

Accident year	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	Total $'000
Estimate of ultimate claims cost:											
At end of the accident year	52,863	50,732	44,114	51,285	47,030	50,813	54,904	70,346	93,396	112,819	628,302
One year later	46,692	57,243	44,738	43,481	45,001	46,633	61,246	68,239	105,523		518,796
Two years later	45,928	53,026	49,057	44,057	42,274	53,868	66,103	88,946			443,259
Three years later	41,553	52,402	44,178	42,520	52,384	61,696	85,971				380,704
Four years later	37,925	48,732	40,096	54,342	61,931	64,680					307,706
Five years later	40,803	49,071	36,763	66,197	72,564						265,398
Six years later	39,966	57,925	42,496	85,881							226,268
Seven years later	41,166	65,278	44,236								150,680
Eight years later	43,341	72,985									116,326
Nine years later	47,062										47,062
Current estimate of cumulative claims costs	**47,062**	**72,985**	**44,236**	**85,881**	**72,564**	**64,680**	**85,971**	**88,946**	**105,523**	**112,819**	**780,667**
Cumulative payments	(24,069)	(22,285)	(24,136)	(24,202)	(26,709)	(20,533)	(24,907)	(17,506)	(11,309)	(4,985)	(200,641)
Outstanding claims - undiscounted	**22,993**	**50,700**	**20,100**	**61,679**	**45,855**	**44,147**	**61,064**	**71,440**	**94,214**	**107,834**	**580,026**
Discount	10,394	29,420	6,298	34,400	23,815	17,320	25,527	32,319	46,705	51,312	277,510
Claims handling expenses	1,624	2,508	2,137	3,379	2,916	4,145	5,078	5,678	6,778	8,533	42,776
Total net outstanding claims 2007-2016	**14,223**	**23,788**	**15,939**	**30,658**	**24,956**	**30,972**	**40,615**	**44,799**	**54,287**	**65,055**	**345,292**
2006 and prior outstanding claims											162,905
Other recoveries											28,021
Total gross outstanding claims central estimate											**536,220**
Risk margin											68,098
Total MAC Fund gross outstanding claims											**604,318**

14. Outstanding claims liability continued...

(ii) MACC - net

Accident year	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	Total $'000
Estimate of ultimate claims cost:											
At end of the accident year	48,308	47,861	41,816	50,110	45,364	46,857	52,174	66,702	77,975	104,580	581,747
One year later	44,343	51,610	43,489	42,089	45,001	44,988	61,246	68,239	97,978		498,983
Two years later	42,271	46,078	49,057	44,057	42,274	52,976	66,103	84,681			427,497
Three years later	39,575	45,598	44,178	42,520	52,384	57,239	81,148				362,642
Four years later	34,265	39,574	40,096	54,342	61,931	61,648					291,856
Five years later	36,506	40,306	36,763	63,892	69,337						246,804
Six years later	35,684	50,788	42,496	76,120							205,088
Seven years later	37,171	51,492	41,167								129,830
Eight years later	37,938	63,134									101,072
Nine years later	42,141										42,141
Current estimate of cumulative claims costs	**42,141**	**63,134**	**41,167**	**76,120**	**69,337**	**61,648**	**81,148**	**84,681**	**97,978**	**104,580**	**721,934**
Cumulative payments	(24,069)	(22,285)	(23,424)	(24,202)	(26,709)	(20,533)	(24,907)	(17,506)	(11,309)	(4,985)	(199,929)
Outstanding claims - undiscounted	**18,072**	**40,849**	**17,743**	**51,918**	**42,628**	**41,115**	**56,241**	**67,175**	**86,669**	**99,595**	**522,005**
Discount	9,524	29,190	6,214	33,887	23,591	17,050	24,999	31,759	45,545	49,855	271,614
Claims handling expenses	1,624	2,508	2,137	3,379	2,916	4,145	5,078	5,678	6,778	8,533	42,776
Total net outstanding claims 2007-2016	**10,172**	**14,167**	**13,666**	**21,410**	**21,953**	**28,210**	**36,320**	**41,094**	**47,902**	**58,273**	**293,167**
2006 and prior outstanding claims											128,749
Total gross outstanding claims central estimate											**421,916**
Risk margin											53,584
Total MAC Fund net outstanding claims											**475,498**

14. Outstanding claims liability continued…

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

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	**50,662**	**106,180**	**318,656**	**475,498**

30 June 2015, restated	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	Total $'000
MAC Fund	43,395	109,535	259,054	411,984
Total discounted net outstanding claims	**43,395**	**109,535**	**259,054**	**411,984**

15. Unearned premium liability

	2016 MACC $'000	2015 MACC $'000
Unearned premium liability as at 1 July	**32,939**	**31,266**
Deferral of premiums on contracts written in the period	34,633	32,939
Earning of premiums written in previous periods	(32,939)	(31,266)
Unearned premium liability as at 30 June	**34,633**	**32,939**

15. Unearned premium liability continued…

Premium Liability and Liability Adequacy Test

	2016	2015
	MACC Fund $'000	MACC Fund $'000
Central estimate of present value of expected future cash flows from future claims.	34,397	26,521
Central estimate of present value of expected future cash inflows arising from reinsurance recoveries on future claims	(4,835)	(3,737)
Risk margin	2,924	3,853
Net premium liabilities	**32,486**	**26,637**
Risk margin percentage	9.89%	16.91%
Probability of adequacy	75%	75%

The liability adequacy test (LAT) assesses whether the net unearned premium liability less any related intangible assets and deferred acquisition costs is sufficient to cover future claims costs for in-force policies. Future claims costs are calculated as the present value of the expected cash flows relating to future claims, and includes a risk margin to reflect the inherent uncertainty in the central estimate for each portfolio of contracts. The test is based on prospective information and is heavily dependent on assumptions and judgements.

The liability adequacy test has identified a surplus for all contracts that are subject to broadly similar risks and are managed together as a single portfolio. As there is no deficiency in the unexpired risk liability as at the reporting date, no write down of deferred acquisition costs is required (2015 there was no deficiency).

The prudential margin for MACC has been determined with reference to that adopted for the outstanding claims estimate, increased by approximately 50% to reflect the higher level of uncertainty surrounding the estimates of claims costs related to claims which have not yet occurred compared to those which have already occurred. The prudential margin determined in the manner described only applies to claims cost and the claims handling expense component and has not been applied to the policy administration expense component.

The prudential margin applied to the policy administration expense component of premium liabilities has been determined using a risk margin of 5%. This reflects a lower uncertainty level associated with these expenses because they are incurred over the remaining policy period, being the next 12 months.

The risk margin adopted was determined to give a probability of adequacy of 75% which is consistent with the probability of adequacy adopted in the determination of outstanding claims liability.

15. Unearned premium liability continued…

The risk margin adopted has been determined excluding any diversification benefit.

16. Net claims incurred

The following tables show the impact on current year results of over or under estimation of claims provisions relating to prior years. Current year claims relate to risks borne in the current reporting period whilst prior year's claims relate to a reassessment of the risks borne in all previous reporting years.

	2016			2015 Restated		
	Current Year $'000	Prior Year $'000	Total $'000	Current Year $'000	Prior Year $'000	Total $'000
Gross claims incurred – undiscounted	139,506	20,304	159,810	153,622	185,827	339,418
Discount movement	(57,829)	80,131	22,302	(55,858)	(91,173)	(147,031)
Gross claims incurred – discounted	**81,677**	**100,435**	**182,112**	**97,764**	**94,654**	**192,418**
Reinsurance and other recoveries - undiscounted	(10,734)	(18,150)	(28,883)	(25,824)	(73,896)	(99,720)
Discount movement	1,643	(43,819)	(42,177)	9,815	41,976	56,792
Reinsurance and other recoveries - discounted	**(9,091)**	**(61,969)**	**(71,060)**	**(16,009)**	**(31,920)**	**(47,929)**
Net claims incurred	**72,586**	**38,466**	**111,052**	**81,755**	**62,734**	**144,489**

17. Trade and other payables

	2016 MACC $'000	2015 MACC $'000
Trade payables	4,956	3,629
Reinsurance payables	1,249	1,523
Related party payable	385	385
Other	51	56
Total trade and other payables	**6,641**	**5,593**

18. Equity and Reserves

Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record the increments and decrements in the fair value of the owner-occupied land and building net of tax, to the extent that such decrements relate to a net increment on the same asset previously recognised as equity. The asset revaluation reserve was reclassified to retained surplus in 2015 following the change in the status of the property from an owner occupied to investment property upon the transfer of TIO Insurance and Banking businesses to owners (see Note 13).

MAC Road Safety Reserve

For the comparative the MAC Road Safety Reserve was established in response to the elevated levels of road fatalities in the Northern Territory. MACC in consultation with the Northern Territory Government and other relevant organisations and agencies determine how to utilise the reserve to benefit the community and achieve an improved outcome for Northern Territory road fatalities.

Dividends

No dividends were declared this financial year.

19. Remuneration of auditors

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

	2016 $	2015 $
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	282,990	55,000
° Other services in relation to TIO		
- Audit of completion accounts	-	235,500
- Special audits required by regulators	-	23,377
	282,990	**313,877**

20. Related party disclosure

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

Prior to the rescission of the TIO Act, TIO administered the MAC Fund in accordance with the Motor Accidents (Compensation) Act. TIO provided key management personnel, systems and all administration functions to operate the MAC Scheme pursuant to a Service Level Agreement.

Income

Related Party	**Details**
Workers Compensation Fee	Management fee from NT Government for workers compensation (up to 31 December 2014)
Home Builders Certification Fee	Management fee for the administration of Home Builders Certification Fund (up to 31 December 2014)
Department of Housing Administration Fee	Fees from Department of Housing for the administration of the Homestart NT Scheme (up to 31 December 2014)
Motor Vehicle Registry	Gross earned premiums collected from motor vehicle registrations to fund the MAC Scheme

Expenses

Related Party	**Details**
Jacana Energy	Electricity transactions
Receiver of Territory Monies	METAL funding, Road safety funding and DTAL reimbursement
NT Chamber of Commerce	Membership and various transactions
Motor Vehicle Registry	Gross commission paid for the collection of premiums relating to the MAC Scheme

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

For the year ended 30 June 2016, 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 (2015: $nil).

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

	2016	2015		
	MACC $'000	MACC $'000	TIO Insurance & Banking Discontinued Operations $'000	MAC Fund $'000
Net Profit/(loss)	(11,588)	(18,921)	(5,495)	(13,426)
Depreciation and amortisation expense	-	833	833	-
Provision for impairment	-	147	147	-
Changes in net market value of investments	(12,961)	1,203	(5,470)	6,673
Profit on Sale of Investment Securities	1,363	(21,146)	(2,025)	(19,121)
Loss on sale of non-current assets	-	33	33	-
Change in investment property fair value	(1,000)	618	-	618
Changes in operating assets and liabilities:				
(Increase)/Decrease in receivables	(670)	5,697	5,241	455
(Increase)/Decrease in reinsurance and other recoveries receivable	(57,505)	(12,022)	(708)	(11,314)
(Increase)/Decrease in deferred acquisition costs	(4)	779	844	(66)
Increase/(Decrease) in outstanding claims	119,953	95,620	12,438	83,182
Increase/(Decrease) in derivatives	(3,515)	(1,334)	(234)	(1,100)
(Increase)/Decrease in net deferred broker charges	-	132	132	-
(Increase)/Decrease in lease incentives	-	18	-	18
Increase/(Decrease) in unearned premiums	1,694	(6,845)	(8,518)	1,673
Increase/(Decrease) in payables	1,138	4,806	4,667	139
Increase/(Decrease) in employee benefits and other liabilities	-	(612)	(612)	-
Increase/(Decrease) in provision for income tax payable	-	(6,151)	(6,151)	-
Increase/(Decrease) in deferred tax liabilities	-	1,581	1,581	-
(Increase)/Decrease in deferred tax assets	-	(4,126)	(4,126)	-
Increase/(Decrease) in GST payable	(90)	(3,989)	(3,966)	(23)
Net cash inflow from operating activities	**36,815**	**36,321**	**(11,389)**	**47,708**

22. Risk management and financial instruments information

Classes of Financial Instruments

	2016	2015
	MACC $'000	MACC $'000
Financial Assets		
Cash at bank and on hand	65,008	13,469
Non-insurance receivables	1,663	1,698
Insurance receivables premiums	1,899	1,194
Insurance recoveries on claims paid	129,889	61,918
Short term securities	31,000	26,176
Bonds	282,915	280,689
Other instruments	-	13,901
Units in unlisted unit trusts	190,185	186,960
Derivative financial assets	3,257	-
Financial Liabilities		
Non-insurance creditors and accruals	5,392	4,070
Insurance creditors and accruals	1,249	1,523
Derivative financial liabilities	-	258

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 MACC 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.

22. Risk management and financial instruments information continued…

Financial Risk Management structure
The MACC 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 MACC Commissioner has approved the use of interest rate swaps, to reduce exposure to unmatched maturity patterns and for hedging purposes.

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

<u>Interest rate risk tables</u>
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.

22. 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**	**28,682**	**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**	

30 June 2015	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	13,469	-	-	-	-	-	**13,469**	2.04%
Short term securities	Floating	176	-	-	-	-	-	**176**	2.63%
Short term securities	Fixed	26,000	-	-	-	-	-	**26,000**	2.04%
Bonds	Fixed	477	-	-	9,349	577	270,286	**280,689**	3.74%
Other instruments	Fixed	13,901	-	-	-	-	-	**13,901**	2.08%
Total		**54,023**	**-**	**-**	**9,349**	**577**	**270,286**	**334,235**	
Derivative Financial Instruments									
Interest rate swaps		53,900	74,000	(86,200)	(4,000)	(14,600)	(23,100)	**-**	-
Total		**53,900**	**74,000**	**(86,200)**	**(4,000)**	**(14,600)**	**(23,100)**	**-**	
Total Financial Assets		**107,923**	**74,000**	**(86,200)**	**5,349**	**(14,023)**	**247,186**	**334,235**	

22. Risk management and financial instruments information continued…

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.

		2016		2015	
	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	37,889	37,889	26,200	26,200
Interest bearing financial assets and liabilities	-100 basis points	(53,320)	(53,320)	(33,097)	(33,097)

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.

(iii) 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.

22. 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	2016 Impact on profit after tax $'000	2016 Impact on Equity $'000	2015 Impact on profit after tax $'000	2015 Impact on Equity $'000
Upside					
Australian equities	+20%	33,072	33,072	11,627	11,627
International equities	+20%	-	-	16,488	16,488
Global listed properties	+20%	4,965	4,965	4,512	4,512
Australian fixed interest	+2%	-	-	476	476
International fixed interest	+2%	-	-	-	-
Australian inflation linked	+2%	-	-	-	-
International inflation linked	+2%	-	-	-	-
Total		**38,037**	**38,037**	**33,103**	**33,103**
Downside					
Australian equities	-20%	(33,072)	(33,072)	(11,627)	(11,627)
International equities	-20%	-	-	(16,488)	(16,488)
Global listed properties	-20%	(4,965)	(4,965)	(4,512)	(4,512)
Australian fixed interest	-2%	-	-	(476)	(476)
Australian inflation linked	-2%	-	-	-	-
Total		**(38,037)**	**(38,037)**	**(33,103)**	**(33,103)**

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.

22. 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 MACC 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 tables provide 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+ $'000	AA or A1 $'000	A or A2 $'000	Unrated $'000	Total $'000
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**
30 June 2015					
Cash at bank and on hand	7,576	60	6,515	(682)	**13,469**
Short term securities and floating rate notes	16,176	-	10,000	-	**26,176**
Other instruments	-	13,901	-	-	**13,901**
Bonds	275,214	5,475	-	-	**280,689**
Derivative financial instruments	-	-	-	(258)	**(258)**
Total	**298,966**	**19,436**	**16,515**	**(940)**	**333,977**

22. 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 reinsurance financial assets on paid claims is disclosed in note 4 (g).

		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 2016	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Insurance receivables - premiums	-	1,899	-	-	-	**1,899**
Non-insurance receivables	-	4	-	-	-	**4**
Investment receivables	1,659	-	-	-	-	**1,659**
Loans and advances	-	-	-	-	-	**-**
Total	**1,659**	**1,903**	**-**	**-**	**-**	**3,562**
30 June 2015						
Insurance receivables - premiums	-	1,194	-	-	-	**1,194**
Non-insurance receivables	-	67	-	-	-	**67**
Investment receivables	1,631	-	-	-	-	**1,631**
Loans and advances	-	-	-	-	-	**-**
Total	**1,631**	**1,261**	**-**	**-**	**-**	**2,892**

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.

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.

22. Risk management and financial instruments information continued…

Long Term Liquidity management: Involves the use of budgets and business plans to protect against a liquidity problem in the future. MACC maintain close relationships with bankers and financial intermediaries to ensure the availability of committed and uncommitted funds from a number of sources.

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 Insurance contract liabilities are determined on the basis of discounted estimated timing of net cash outflows and are disclosed in note 14 (e). 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 2016					
Trade and other payables	6,256	-	-	-	**6,256**
Related party payables	385	-	-	-	**385**
Total undiscounted financial liabilities	**6,641**	**-**	**-**	**-**	**6,641**
30 June 2015					
Trade and other payables	5,208	-	-	-	**5,208**
Related party payables	385	-	-	-	**385**
Total undiscounted financial liabilities	**5,593**	**-**	**-**	**-**	**5,593**

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.

22. Risk management and financial instruments information continued…

e) Capital Management

MACC manages its capital requirements by assessing capital levels on a regular basis. The capital management objectives have been determined to protect policy holders, depositors and creditors from unexpected losses, and to avoid premium volatility for the MAC scheme.

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:

	2016	2015 Restated
	MACC $'000	**MACC $'000**
Retained earnings	104,793	116,381
Total capital resources	**104,793**	**116,381**

MACC

The MACC Commissioner requires MAC 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.

22. 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 and subordinated loans 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.

22. Risk management and financial instruments information continued...

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**
Other floating rate investments	-	-	**-**	-	-	-	**-**
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**	**212,367**	**296,297**	**-**	**507,357**
Financial Liabilities							
Derivative instruments							
Interest rate swaps	-	-	**-**	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

MACC

	Carrying Amount			Fair Value			
30 June 2015	**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	-	-	**-**	-	-	-	**-**
Non-derivative instruments							
Short term deposits	26,176	-	**26,176**	26,176	-	-	**26,176**
Other floating rate investments	13,901	-	**13,901**	13,901	-	-	**13,901**
Bonds	280,689	-	**280,689**	280,689	-	-	**280,689**
Units in unlisted trusts	186,960	-	**186,960**	-	186,960	-	**186,960**
Total	**507,726**	**-**	**507,726**	**320,766**	**186,960**	**-**	**507,727**
Financial Liabilities							
Derivative instruments	-	-	**-**	-	-	-	-
Interest rate swaps	(258)	-	**(258)**	(258)	-	-	**(258)**
Total	**(258)**	**-**	**(258)**	**(258)**	**-**	**-**	**(258)**

22. Risk management and financial instruments information continued…

The fair value disclosure in 2016 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.

23. Commitments

	2016	2015
	MACC	MACC
	$'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	3,643	3,779
Later than one year but not later than five years	7,269	7,532
Later than five years	-	-
	10,912	**11,311**
(b) Management Agreement		
Future minimum base line fee payments for outsourcing arrangement:		
Within one year	12,800	12,800
Later than one year but not later than five years	51,200	51,200
Later than five years	51,200	64,000
	115,200	**128,000**

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 (m).

24. Impact of alternative net outstanding claims measurement

In accordance with a directive from the Treasurer of the Northern Territory Government, the net outstanding claims liability 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 provision for outstanding claims 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:

24. Impact of alternative net outstanding claims measurement continued…

Statement of Profit and Loss	Notes	30 June 2016 $'000	Alternative Measure $'000	Change $'000
Revenue	5	196,172	184,679	(11,493)
Outwards reinsurance premium expense		(10,433)	(10,433)	-
Claims expense	16	(182,112)	(151,838)	30,274
Acquisition costs		170	170	-
Grants provided to fund road safety programs		(3,573)	(3,573)	-
Other expenses		(11,812)	(11,812)	-
Profit/(Loss) for the period		**(11,588)**	**7,193**	**18,781**

Statement of Financial Position	Notes	30 June 2016 $'000	Alternative Measure $'000	Change $'000
Assets				
Cash and cash equivalents	8	65,008	65,008	-
Trade and other receivables	9	3,562	3,562	-
Other financial assets	10	507,357	507,357	-
Reinsurance and other recoveries receivable	11	129,889	101,449	(28,440)
Deferred acquisition costs	12	69	69	-
Investment Property	13	44,500	44,500	-
Total Assets		**750,385**	**721,945**	**(28,440)**
Liabilities				
Outstanding claims liabilities	14	604,318	420,684	183,634
Trade and other payables	17	6,641	6,641	-
Other financial liabilities	10	-	-	-
Unearned premium liability	15	34,633	34,633	-
Total Liabilities		**645,592**	**461,958**	**183,634**
Net Assets		**104,793**	**259,987**	**155,194**
Equity				
Opening Retained Earnings		116,381	252,794	136,413
Profit/(Loss) for the period		(11,588)	7,193	18,781
Total Equity	18	**104,793**	**259,987**	**155,194**

25. Events subsequent to balance date

There are no events subsequent to balance date.

26. 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.

27. Prior year error

During the financial year ending 30 June 2016, it was determined that the percentage used to account for costs associated with the handling and management of claims did not accurately reflect the terms and conditions of the MACC Management Agreement. The rate used to determine costs associated with the management of claims has been assessed to be greater than that previously used.

The adjusted claims management expense rate for 2016 and 2015 was recalculated as 22.5% and 24% respectively. The new rates are applied to the expected future payments for the remainder of the Management Agreement which applies until 30 June 2025, with the payment periods post 30 June 2025 reverting back to the original rate of 7.5%. The adjusted claims management expense rate has resulted in an increase of the outstanding claims liability of $33 million (2015: $32 million).

The new rate for 30 June 2016 has been incorporated into the annual financial report for 30 June 2016 with the rate for 30 June 2015 resulting in the restatement of the comparatives.

27. Prior year error continued...

The impact of this change has been summarised in the table below.

	30 June 2015 Original $'000	30 June 2015 Restated $'000	30 June 2015 Change $'000
Statement of Profit and Loss			
Claims expense	114,459	146,554	32,095
Profit/(loss) before tax	**10,920**	**(21,175)**	**(32,095)**
Profit/(loss) for the period	10,920	(21,175)	(32,095)
Total comprehensive income (loss) for the period	**13,347**	**(18,748)**	**(32,095)**
Statement of Financial Position			
Outstanding claims liability (current)	55,631	60,752	5,121
Total Current Liabilities	**94,421**	**99,542**	**5,121**
Outstanding claims liability (non-current)	386,174	413,148	26,974
Total Non-Current Liabilities	**386,174**	**413,148**	**26,974**
Total Liabilities	**480,595**	**512,690**	**32,095**
Net Assets	**148,475**	**116,380**	**(32,095)**
Retained Earnings	148,475	116,380	(32,095)
Total Equity	**148,475**	**116,380**	**(32,095)**
Statement of Changes in Equity (Total)			
Balance as at 30 June 2014	269,806	269,806	-
Profit/(loss) for the period (2015)	10,920	(21,175)	(32,095)
Total comprehensive income for the period (2015)	13,347	(18,748)	(32,095)
Balance as at 30 June 2015	**148,475**	**116,380**	**(32,095)**

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 2016, the Solvency ratio was 22.04 %.

Auditor-General

Independent Auditor's Report to the Commissioner
Motor Accidents (Compensation) Commission
Year ended 30 June 2016

I have audited the accompanying financial report of the Motor Accidents (Compensation) Commission (the Commission), which comprises a statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Commissioner's statement.

The Responsibility of the Commissioner for the Financial Report

The Commissioner is responsible for the preparation and 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 Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2.1, the Commissioner also states, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

Opinion

In my opinion:

- The financial report gives a true and fair view of the financial position of Motor Accidents (Compensation) Commission as at 30 June 2016, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the *Motor Accidents (Compensation) Commission Act*.
- The financial report also complies with International Financial Reporting Standards as disclosed in Note 2.1.

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory
26 October 2016

Level 12 Northern Territory House 22 Mitchell Street Darwin 0800 Tel: 08 8999 7155