MACC

Annual Report 2018-19

Northern Territory Motor Accidents (Compensation) Commission

MACC

NT Motor Accidents (Compensation) Commission
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10 October 2019

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 2018-2019 Annual Report.

This report incorporates the audited financial statements for Motor Accidents (Compensation) Commission for the year ended 30 June 2019, 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 2018-19 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.

About the Motor Accidents Compensation Commission

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

The key functions of MACC are to:

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

Under the legislation, MACC entered into the MAC Management Agreement with Allianz Australia Insurance Limited. The agreement sets out the framework for the administration of the MAC scheme and MAC fund. Territory Insurance Office (TIO), a division of Allianz, provides claims and fund administration.

About the Commissioner and Associate Commissioner

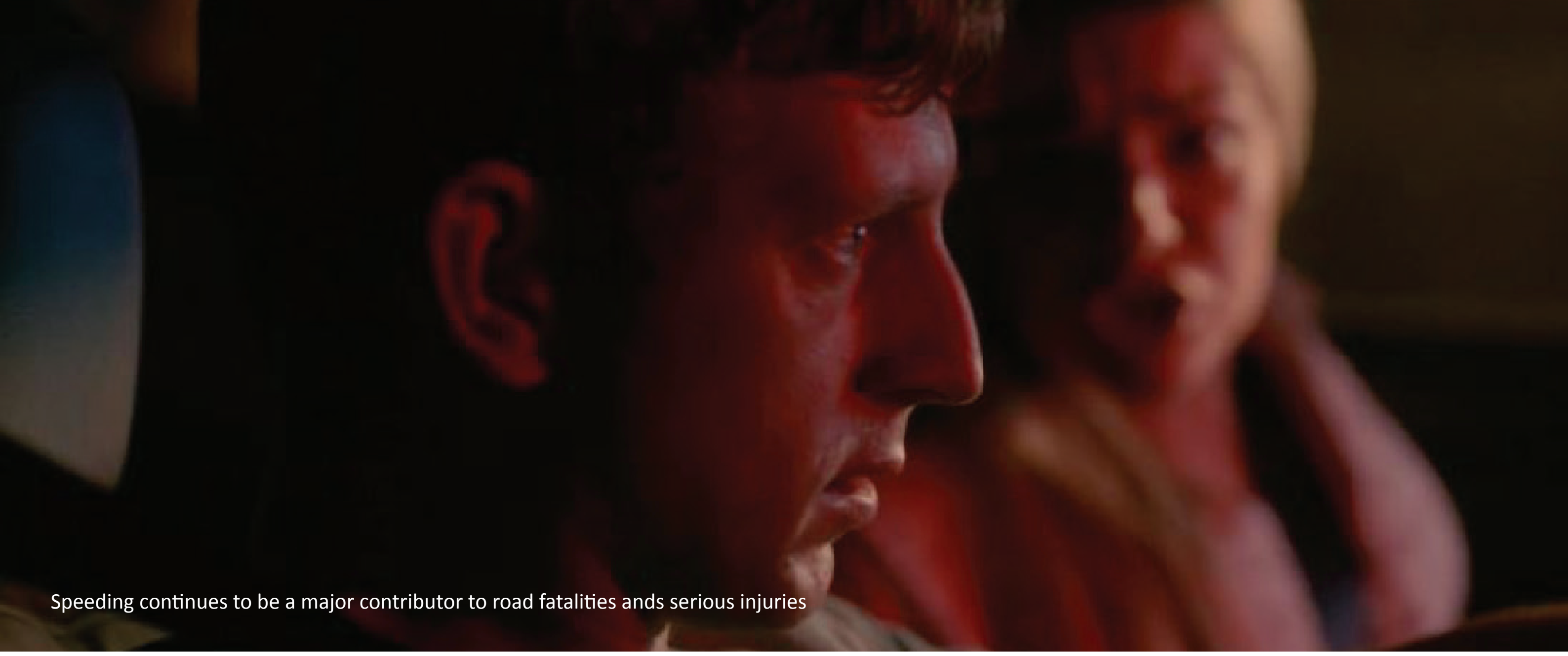
The Northern Territory Treasurer appoints the MAC Commissioner for a period of three years. The Commissioner is responsible for administering the MAC scheme in accordance with the *Motor Accidents (Compensation) Act*, managing the MAC fund and promoting road safety.

Jim Colvin

The Treasurer reappointed Jim Colvin as MAC Commissioner from 1 July 2018 for a further 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. Jim 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 worked for the Northern Territory Government in senior policy and financial advisory roles before starting his own consultancy.

William Oliver

The Treasurer appointed William Oliver as Associate Commissioner for two years from 23 April 2019. Will has extensive experience in personal injury compensation schemes including the MAC Scheme and has held executive level roles in operational business units inclusive of General Manager, Banking and Personal Injury Management, TIO. He practised law as a partner of a national law firm before moving in-house where he gained significant experience in corporate governance, enterprise wide risk management and prudential compliance frameworks. After a stint as general counsel at Jacana Energy following the sale of TIO, Will joined the Commission as Executive Director in April 2018.


Speeding continues to be a major contributor to road fatalities and serious injuries

About the MAC scheme

The MAC scheme provides benefits to those injured in motor vehicle accidents in the Northern Territory. It provides a wide range of benefits to compensate for the necessary and reasonable costs of medical treatment, rehabilitation and any associated treatment and loss of earning capacity.

The MAC scheme provides benefits on a no-fault basis to any person injured or the families of those killed in motor vehicle accidents occurring in the Northern Territory. *The Motor Accidents (Compensation) Act* defines the benefits available. The MAC scheme also:

- covers the liability of drivers of Northern Territory registered vehicles in interstate accidents
- focuses on returning people injured in motor vehicle accidents to health and to work to the fullest extent possible and on improving health outcomes in urban, regional and remote communities
- allows for reductions in benefits 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 or drugs.

The MAC scheme is funded through compulsory contributions paid when registering vehicles in the Northern Territory. The contribution is indexed to the Darwin consumer price index annually on 1 July. There is a legislated requirement for an actuarial review every three years, or more frequently at the discretion of the Treasurer. This ensures the scheme remains financially viable, even where there are unanticipated claims costs.

In order to calculate the amount of reserves needed to be set aside to meet the future costs of existing claims, the actuary reviews the MAC scheme and its claims liabilities twice yearly.

Commissioner's report

It gives me great pleasure to report on the results and activities of the Motor Accidents (Compensation) Commission (MACC) for the year ended 30 June 2019.

Since 1979, the MAC scheme has been helping Territorians recover from the impact of road trauma. Our principal activities involve supporting Territory road users who are injured in accidents, by providing a range of benefits including: medical and rehabilitation support; home and car modifications; benefits for lost income; compensation for non-economic loss; and financial support to the dependants of people killed on our roads.

This is challenging, but rewarding work. The Commission has appointed the Territory Insurance Office (TIO) to manage claims on its behalf, with all claims managed locally in the Territory, by Territorians. Each year we conduct a detailed claimant satisfaction survey to get an honest opinion of how we are performing. This independent survey is conducted by the Australian National University's Centre for Social Research. Pleasingly, overall claimant satisfaction increased again this year to 7.68 out of 10, compared to 7.63 last year. In addition, for the second consecutive year, ratings for all TIO service performance attributes increased compared to the year prior. Last year we highlighted that there was room for improvement, particularly around keeping our claimants up to date and informed in a timely manner. There were marked improvements on both of these measures this year.

Despite the improvements, MACC continues to work with TIO to improve our claimant experience, through rigorous monitoring of claim outcomes and ongoing training and development of the TIO claims staff.

Remote Strategy

As highlighted last year, Aboriginal Territorians are over-represented in Northern Territory road trauma. MACC has a fundamental obligation to facilitate access to the MAC scheme and to provide access to appropriate care, particularly for those living in remote areas, to bring the service they receive in line with the experience of claimants living in major urban centres.

While the issues are complex, MACC is committed to a three pronged approach to address the particular needs of Aboriginal road users. These are to:

1. Reduce road trauma in Aboriginal communities.
2. Reduce the barriers to Aboriginal people making claims.
3. Facilitate better claims management and access to appropriate services in Aboriginal communities for claimants.

In the past year, MACC has sought to make improvements across all three of these areas.

With respect to reducing road trauma, MACC has sought to adopt both practical measures that will have an impact in the short term, and educational/awareness campaigns that seek to make longer term changes to behaviours and attitudes. In terms of practical actions, MACC has:

- Entered into an innovative partnership with Kidsafe NT to fund the supply and installation of child restraints in remote communities across the Territory. Since commencement, the program has delivered a total of 1525 seats and trained 82 local Aboriginal people in how to properly fit child restraints. The program (which won the national 2018 3M-ACRS Diamond Road Safety Award) will continue through the coming year.
- Funded a project to distribute reflective beanies and t-shirts to people living rough in the hope that greater visibility might reduce the incidence of pedestrian injuries. Pedestrian safety is an issue that particularly affects Aboriginal communities. On average eight Aboriginal pedestrians die on Territory roads each year, with many more seriously injured. This is a complicated issue which will require work across many stakeholders. Providing free reflective clothing is but a small step in what remains one of the biggest road safety challenges facing the Territory.

Territorians push the limit

Consistent with its role in promoting road safety, MACC is concerned about the relationship between road trauma attributed to speed and driver attitudes towards speeding.

There is a marked difference between attitudes in the Northern Territory to speeding and those of the rest of Australia. It’s no coincidence that, proportionally, higher numbers of Territorians die or are injured due to excessive speed.

A key finding of a research study, commissioned by MACC this year, provides an insight into the attitudes and self-reported behaviours of Northern Territory drivers.

A total of 16 per cent think it is okay to exceed the speed limit if you are driving safely, compared to 27 per cent nationally, and 16 per cent admitted to always driving 10km/h over the speed limit compared to 6 per cent nationally.

Apart from quantifying the extent of the problem, the purpose of the study was to establish a benchmark against which we can measure the effectiveness of current and future public education campaigns.

While the problem exists across the Northern Territory, the research provided information on what sections of the population should be more specifically targeted.

Young males – with 13 per cent admitting to always driving at least 10km/h over the speed limit and 19 per cent doing it over 90 per cent of the time – are the prime audience.

Informed by the research and other sources, MACC embarked on a new campaign titled Speeding - there’s no future in it, which was launched in February 2019.

The speed attitudes and behaviours research is a valuable source of evidence available to all road safety stakeholders to inform future road safety plans and strategies.

In terms of education and awareness, MACC has continued during the year to develop targeted road safety messaging for remote communities:

- Our partnership with the Michael Long Learning and Leadership Centre means that every participant in the Centre’s week-long residential program receives two hours of road safety education from the Government road safety educators. This year road safety sessions were delivered to 314 students from 14 communities.
- Following on from the remote specific seatbelt and drink driving campaigns, this year MACC developed a campaign around driving on unsealed roads and the unique conditions in regional and remote areas.

To assist the Territory’s indigenous population to be aware of the MAC scheme and reduce any barriers in making claims, the following initiatives are in place:

- Weekly visits to Darwin hospitals to meet in-patients involved in a motor accident, to ensure the MAC scheme is explained and claim forms are completed appropriately.

Commissioner's report (cont)

- Quarterly Alice Springs visits, including the local hospital to ensure staff are aware of the requirements of the MAC scheme and claim forms are appropriately lodged.
- Regular contact and community visits, including health clinics to ensure there is an understanding of the MAC scheme and the entitlements that are available to claimants. In 2018-19 community visits included Jabiru, Wadeye, Minyerri, Nhulunbuy/Ski Beach.
- Quarterly meetings with Aboriginal legal services to ensure they are familiar with the MAC scheme benefits and to discuss the progress of individual claims that they are representing.

To facilitate better claims management and access to appropriate services in Aboriginal communities, the following strategies are in place:

- Working with families and medical teams to source appropriate care and accommodation, promoting and facilitating a safe and culturally appropriate return to community where possible.
- Establishing a dedicated Remote Claims Team to manage the claims of remote community residents, with team members having attended Cultural Awareness training.
- Providing a proactive claims management approach with discharge planning and engagement with the hospital medical team to ensure a safe return and transition back to community.
- Establishing quarterly meetings with the Primary Health Network physiotherapy services to ensure our MAC claimants are receiving treatment and exercises in the community.
- Establishing a remote schedule with a mobility equipment provider (currently servicing over 50 communities), to ensure all technology to assist with independent living and mobility is serviced and repaired.
- Monitoring allied health remote services in the Territory to ensure therapy is available.
- Increasing the use of tele-health services for assessments and facilitation of ongoing exercise programs.
- Working with the National Disability Insurance Scheme (NDIS) and Coordinator of Supports to provide ongoing services in remote communities.
- Reviewing culturally appropriate housing and hostels to assist with the barriers in returning to Aboriginal communities, and assist in long term supported care and independent living.

Road Safety

MACC is a major funder of Government road safety programs. As part of the Territory's Road Safety Executive Group, we are working with other Government agencies to deliver road safety initiatives under the Government's 2018-22 Towards Zero Road Safety Action Plan.

MACC provided $3.4 million in 2018-19 to the Government for road safety promotion and prevention programs. Further detail on the programs delivered through this funding is provided in the Road Safety section of this report.

Aside from the funds provided to Government, MACC also funds a range of remote specific campaigns highlighted above, as well as general road safety promotional campaigns. In 2018-19 the major new campaigns developed related to Speeding and Driving to Conditions, with materials developed in English and three Aboriginal languages for TV, radio, online and outdoor media.

Buckled up in the bush

By providing properly fitted child restraints in remote communities spanning Yirrkala to Docker River, MACC's Car Seats for Kids program is reducing the risk of death and serious injury to Aboriginal children aged seven and under.

The program provides easy access to, and fitting of, car seats and boosters to Aboriginal people's vehicles. An important part of the program is training local people to fit the restraints in communities.

Along with our program partner Kidsafe NT, the program gets support from organisations like Families as First Teachers, community childcare centres and local schools.

The Kidsafe NT team manage the day to day program operations and plan and co-ordinate logistics for sourcing, storing, distributing and fitting the car seats on fitment days held in remote communities.

In recognition of its innovative approach and commitment to preventing injury and death, the program was presented with the 3M-ACRS Diamond Road Safety Award at the Australian College of Road Safety's national conference in October 2018.

Since it's 1 July 2017 start, the program has delivered 28 fitment days in communities with a total of 1525 seats fitted and 82 local Aboriginal people trained in communities to fit seats.

Operational Performance

From an operational perspective, the key development in 2018-19 was the continued increase in claims incidence, despite declining numbers of registered vehicles. During the year there was a 4 per cent increase in new claims lodged (to 631), while the number of registered vehicles declined by 1 per cent. As a result, claims per 1000 vehicles increased from 3.01 to 3.19, its highest level in the last five years. Last year's increase is reflective of a general upward trend in claims frequency over the last five years.

It is not possible to be definitive about the causes for this increase. Part is down to natural variation. Part is also due to better utilisation of the scheme, caused by the increased activity of TIO and others to ensure that valid claims are identified and lodged. Whether there are underlying increases in the rate of accidents beyond this is harder to discern, but it is an area of focus for the Commission, to understand better the forces that are play.

Despite the increase in claims, the actual number of outstanding claims at the end of the year was little changed compared to the prior year (1265 versus 1253). This reflected an increase in the number of claims that were able to be finalised. In addition, claim payments were little changed compare to last year ($47.6 million compared to $47.5 million). Both of these statistics tend to suggest that the increased number of claims are concentrated around less severe injuries that are finalised early and at lower costs.

Aside from the increased claim volumes, the scheme metrics are little changed from prior years, and the operational performance of the scheme was steady.

Commissioner's report (cont)

Financial Results

The MAC scheme reported a loss for the financial year ended 30 June 2019 of $41 million. This loss was not reflective of the underlying performance of the scheme, but was instead caused by movements in market interest rates, which has a fundamental impact on how MACC reports its profits. Each year, MACC has to revalue its liabilities using the Commonwealth Government bond rate. When these bond rates decline, MACC's reported liabilities increase, with the increase recorded as an expense against profit.

2018-19 was an unprecedented year for Commonwealth bond rates, with ten year bond rates falling below 1 per cent. The impact of this movement was to reduce MACC's profit by $94.1 million.

In this context, it is important to understand that this is a temporal accounting adjustment that does not reflect the underlying performance of the business or its cashflows. Over time these movements will fluctuate. By way of context, in the last three years, MACC has reported a profit of $90 million in 2016-17, a restated profit of $2.6 million in 2017-18 and a loss of $41 million this year. But during that period, cash flows have been consistently positive and highly stable at between $39 and $42 million in each year.

Because of the large fluctuations in reported profits, MACC prefer to evaluate its results on an underlying basis, using average long term interest rates, rather than mark to market rates. On this preferred basis (which excludes the impact of interest rate movements), MACC made a profit of $36.2 million, compared to a restated $18.0 million in 2017-18 and $33.7 million in 2016-17.

This profit was significantly above budget, largely because of better than expected returns on MACC's investment portfolio. Total investment returns were $72.5 million, which was $39.3 million above our target. This result was positively impacted by the above average performance of both defensive and growth assets.

Again, reflecting the stability of the scheme's financial performance, the scheme's solvency at 30 June 2019 was unchanged from the previous year at 138 per cent. This remains comfortably within the target range set by the Treasurer of 110 - 150 per cent.

We are acutely aware that the cost of providing MACC's services is ultimately paid for by the contributions of motorists through the motor vehicle registration. During the year, contribution rates were increased by only 1 per cent, benchmarked to CPI increases in the Territory. We remain vigilant in ensuring that the MAC scheme operates efficiently to minimise the costs to motorists.

Looking ahead to 2019-20 , MACC is committed to continuous improvement in providing benefits and supports to people injured in motor vehicle accidents in the Territory and reducing road trauma.

Jim Colvin
Motor Accidents (Compensation) Commissioner

Operational highlights

Claims under management

In 2018-19 there were 631 new No Fault claims received. This represents an increase of four per cent on the previous year, as shown in Figure 1. Of the new claims, 522 or 82 per cent relate to accidents that occurred this year. This represents an increase of three per cent over the previous year. Included are 54 claimants eligible for Lifetime Care and Support benefits based on their injury severity and National Injury Insurance Scheme benchmarks.

There were 1265 open claims in the No Fault portfolio at year's end, an increase of 12 claims on the previous year.

Aboriginal claimants accounted for 31 per cent of all open claims. Men represented 61 per cent of the entire portfolio and claimants aged less than 18 years accounted for 15 per cent.

Figure 1: New claims (No Fault) received by financial year

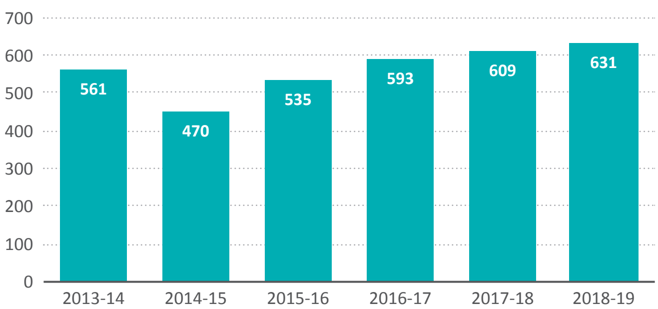
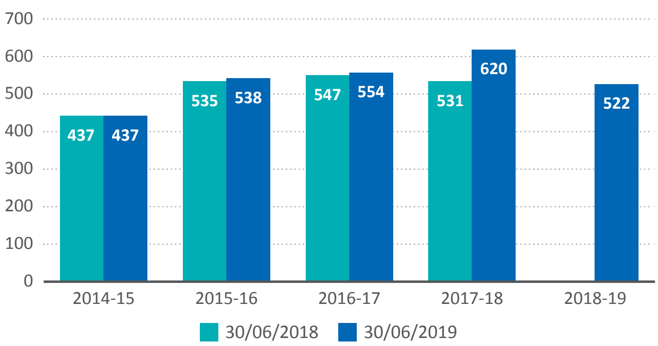


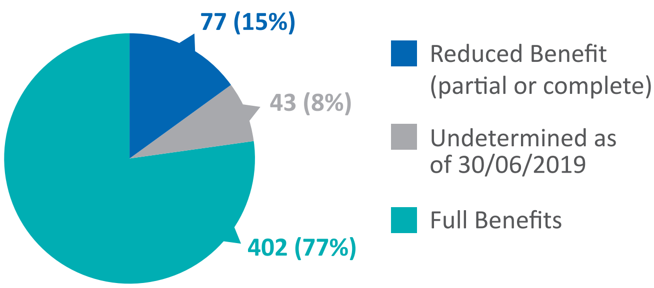
Figure 2: Claims by accident year



Liability decisions

Upon registration of a new claim, the liability is determined based on eligibility under the Act. In line with amendments made to legislation in 2014, full benefit exclusions or partial benefit exclusions apply under certain situations, such as if a person is driving under the influence of drugs or alcohol, recklessly ignoring risk, involved in criminal conduct, an unlicensed driver or driving an unregistered vehicle. Due to these exclusions 15% of claims received in 2018-19 have had either a full or partial reduction of benefits applied.

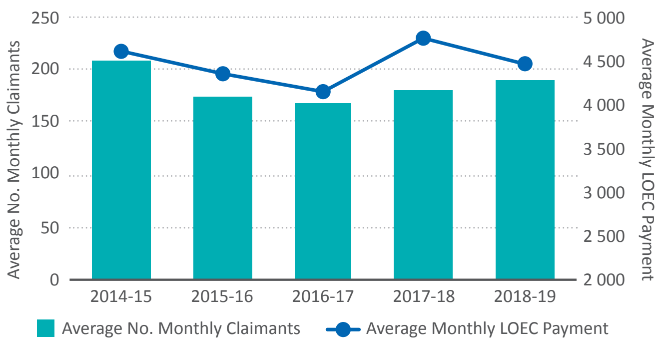
Figure 3: Effect of Liability on the Number of Claims with Benefits



Loss of earning capacity entitlements

Compensation for loss of earning capacity (LOEC) is available for claimants if their capacity to earn income is reduced as a result of a motor vehicle accident related injury. The average LOEC payment in 2018-19 was 6.9 per cent lower than the previous year. The average number of claimants receiving LOEC entitlements has increased from 182 in 2017-18 to 190 in 2018-19.

Figure 4: Annual loss of earnings averages



Common law claims

Common law claims apply for certain interstate claims received where the accident and injury involves a Northern Territory registered vehicle. In 2018-19 there were 20 new common law claims received with 18 files closed. This has resulted in the common law portfolio ending the year with 43 open claims.

Best practice strategies

Claims management

The 2019-20 key focus areas are:

- ensure claims management supports early intervention, proactive communication and claims management plans that address claimants' needs with solutions developed that achieve claimant outcomes
- embed a disciplined approach to the management of claims with a strong focus on managing the Scheme liabilities
- continue to build team capability to ensure the structure supports the needs of MACC with skilled and engaged employees

The 2019 claimant satisfaction survey result of 7.68 out of 10 highlights the success of the initiatives introduced in previous years. This year's result was an improvement from last year's 7.63 and the highest since the claimant satisfaction survey began in 2012.

Remote claims strategy

A strategy was launched in 2015-16 with the aim of improving access to information following an accident as well as assisting claimants to overcome difficulties accessing appropriate medical and rehabilitation care in home communities.

During 2018-19 we:

- introduced a dedicated Remote Claims Team to manage the claims of remote community residents, with team members who have Cultural Awareness training and some have personal experience of NT communities
- were in regular contact with claimants including community visits to ensure an understanding of the MAC Scheme and entitlements to benefits, together with liaising with Health Clinics in remote communities
- worked closely with hospital medical teams to ensure the discharge planning of claimants allows the transition to a safe return to community
- established a remote schedule with a mobility equipment provider to ensure all assisted technology is serviced and repaired, to assist with independent living and mobility of remote claimants, the provider is currently servicing over 50 remote communities.

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.

Designated person review

The first avenue of appeal is a non-legislated internal review process, while the second avenue is via a Designated Person Review as defined under the Act. There were 30 new reviews by the Designated Person in 2018-19 and 13 carried over from the previous year, with a decision made on 34 claims.

Designated person review	2014-15	2015-16	2016-17	2017-18	2018-19
Total received	23	26	23	34	30
Decision upheld	7	17	18	13	19
Decision varied	7	6	9	8	14
Agreement reached	0	0	0	0	0
Ineligible for review or withdrawn	1	7	1	2	2
Open	11	7	2	13	8

Tribunal

A litigation protocol is also in place to ensure that matters only continue to a Tribunal hearing in appropriate circumstances. The protocol is reflective of MACC's commitment to following model litigant principles and to resolving matters without undue delay or cost in the interests of both the claimant and the MAC scheme.

Of the seven claims that were referred to the tribunal, three were carried over from the previous year. Decisions were made on five of those claims.

MAC tribunal	2014-15	2015-16	2016-17	2017-18	2018-19
Total received	0	4	6	4	4
Decision upheld	0	0	0	0	0
Decision varied	1	0	1	0	1
Agreement reached	1	3	2	5	2
Ineligible for review or withdrawn	0	0	0	0	2
Open	0	1	4	3	2

MAC scheme operational results

No fault claim portfolio results	2014-15	2015-16	2016-17	2017-18	2018-19
Number of vehicles insured	195,000	199,010	199,540	200,950	198,580
Premium normal private vehicle	$ 531.00	$ 544.15	$ 546.85	$ 547.95	$ 552.30
New claims received	470	535	593	609	631
Claims received per 1,000 vehicles	2.41	2.69	2.97	3.01	3.19
Number of finalised claims	532	507	565	583	678
Number of active claims at end of period	1,001	1,113	1,185	1,253	1,265
Gross No Fault claim payments (millions)	$39.4	$35.4	$35.4	$47.5	$47.6
Net No Fault claim payments (millions)	$37.5	$33.5	$32.4	$45.3	$45.4
Number of pedestrian claims received	46	47	63	72	74

No fault payments by major heads of benefits ($millions)	2014-15	2015-16	2016-17	2017-18	2018-19
Attendant care benefits	2.3	3.9	2.3	2.7	3.2
Hospital costs	6.5	6.7	7.9	9.5	11.7
Weekly benefits	10.0	8.5	7.8	8.9	8.8
Vocational rehabilitation benefits	1.4	1.2	1.6	1.9	1.7
Rehabilitation benefits	1.8	1.6	1.4	1.6	1.4
Medical benefits	3.9	4.2	3.6	3.9	3.8
Death and dependency benefits	2.1	2.9	3.1	4.4	3.4

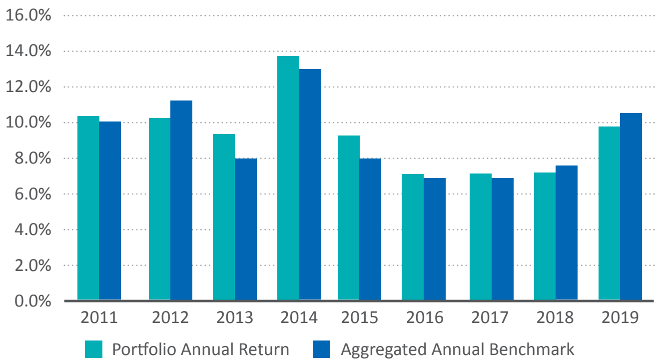
Fund performance

MACC fund performance

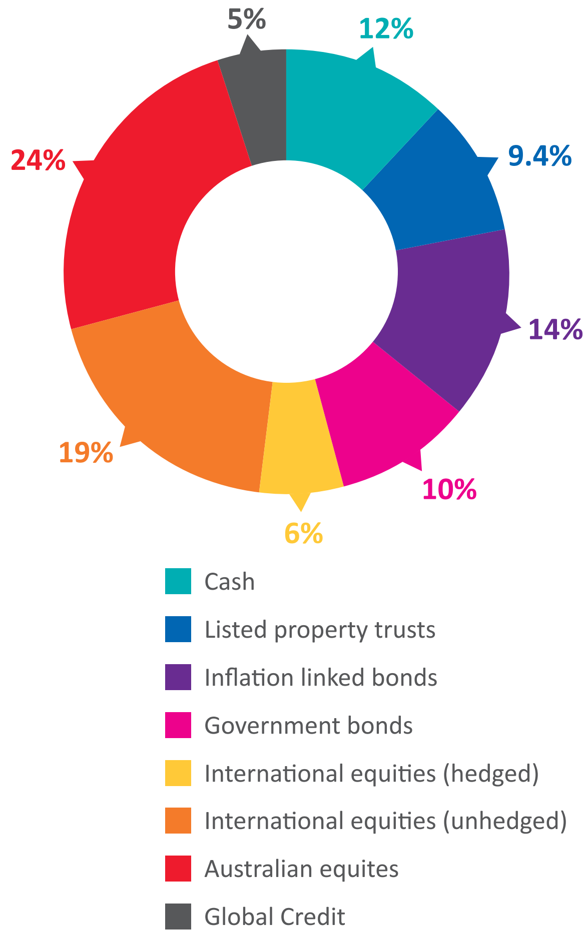
In 2018-19 the total Investment assets grew from $705 Million to $795 Million as at 30 June 2019. The performance of the fund was boosted by a significant rally in Australian and global share markets in the second half of the financial year, supported strong returns from the fund's holdings of property and longer dated fixed income securities.

The total fund return of 9.7 per cent slightly lagged the aggregate benchmark, primarily due to the defensive nature of MACC's Australian equity allocation.

Annual performance



MAC asset allocation



Sensitivity of operating result

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

Sensitivity to external factors	2018-2019
1% decrease in interest rates	$(122.5) million
1% decrease in wage inflation (AWE) assumptions	$42.7 million
20% decrease in equity markets	$(79.6) million

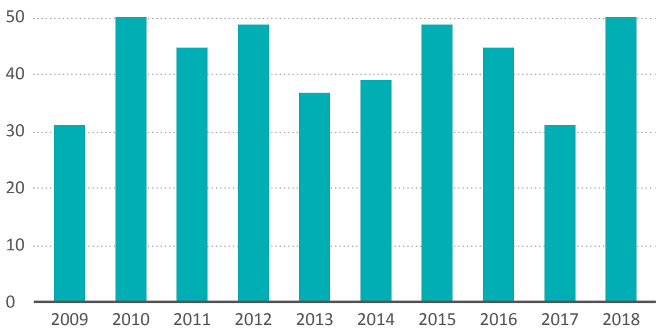
During the year the Strategic Asset Allocation position of the fund was tilted more towards growth assets, such as Australian Equities and International Equities. This was undertaken largely as a result of the substantial decline in fixed income yields in recent years and the fund's objective to generate a positive real return over wage inflation over the longer term.

Road Safety

Road safety in the Northern Territory

The Northern Territory is the most dangerous place in Australia to be on the road. In the 2018 calendar year there were 50 fatalities, up from 31 in 2017. The number of serious injuries (480) was consistent with 2017. It is important to note that small populations exhibit statistical volatility so large fluctuations can be expected over time.

Number of NT fatalities - past 10 years

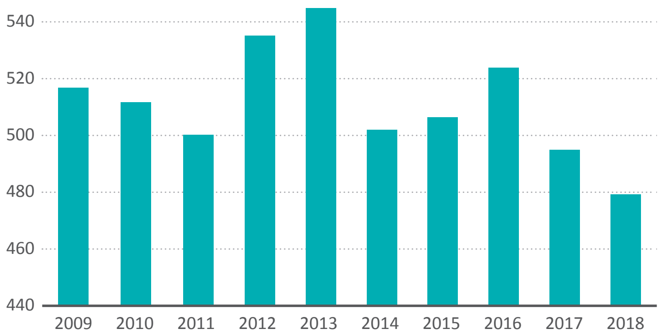


In 2018, 58 per cent of those killed on Northern Territory roads were male, which was lower than the 10 year average of 70 per cent. Conversely, 42 per cent were female which was higher than the 10 year average of 29 per cent.

Aboriginal fatalities increased significantly in 2018 with 27 deaths compared to 11 in the previous year. Sadly 14, or 51 per cent, of Aboriginal fatalities were pedestrians, also an increase on the previous year.

Across the Northern Territory from 1 January to 30 June 2019, there were 14 fatalities, around half the number of deaths over the same period last year.

Number of NT serious injuries - past 10 years



MACC road safety

MACC's targeted campaigns and programs to reduce the incidence of road trauma continued to influence road user attitudes and behaviours. Campaigns were prioritised around the key contributors to road trauma such as drink driving, speed, seatbelts and driving to the conditions. Each campaign was evidence based and designed for specific audiences, with materials produced in up to six Aboriginal languages. In addition to traditional media channels, road safety messaging was also delivered through digital and social media in line with emerging evidence of a high use of social media among Aboriginal and Torres Strait Islander people. Two core partnerships and programs were focussed on Aboriginal road safety education and the installation and use of proper child restraints.

Speed campaign – urban and regional areas

We launched our new speed campaign in February 2019 to appeal to young male's common sense, presenting them with the choice of the dangerous consequences of speeding or the prospective joys of future life moments.

Historically, one in five deaths and serious injuries in the Northern Territory involves speeding. The campaign targeted male drivers, who account for 75 per cent of those killed or seriously injured on Northern Territory roads, particularly male drivers aged between 16 and 25.

Before the launch of the new speed campaign, MACC undertook a study to benchmark the attitudes and behaviours of Territorians towards speed so that we could evaluate over time the campaign's effectiveness in influencing driver attitudes and behaviours towards speed.

Drive to the conditions campaign – regional and remote areas

Commencing in June 2019, our new drive to the conditions campaign targeted Aboriginal people living and driving in regional and remote areas.

A total of 85 per cent of crashes involving Aboriginal people occur when vehicles leave the road or overturn. A key contributing factor is not driving at the right speeds for the unsealed road conditions often experienced. The new campaign took a fresh approach to engaging with Aboriginal audiences, with the Djuki Mala dancers delivering the serious messages in a light hearted way about:

- driving at the right speed for remote area conditions such as dirt roads, which can be slippery, dusty and unpredictable
- understanding the dangers of water crossings, particularly after wet season rain
- being aware of animals and stock wandering on roads, particularly at dusk and dawn
- understanding the dangers of severe weather conditions such as heavy rain and smoke impeding visibility.

Production of the campaign was in English plus three Aboriginal languages for television and radio broadcast into remote areas. We used social media to geo-target Aboriginal language groups.

Drink driving campaigns – urban, regional and remote areas

Two drink driving campaigns continued throughout the year – the Enough's Enough campaign targeting the urban audience and the Sorry Business Stories campaign, developed specifically for Aboriginal audiences in regional and remote areas. We broadcasted campaign materials in English and in six Aboriginal languages.

Seatbelt campaigns – urban, regional and remote areas

Two seatbelt campaigns continued throughout the year, with materials for urban and remote community audiences. The Always Wear Your Seatbelt campaign for regional and remote communities specifically addressed the dangers of vehicles being overcrowding, riding in the back of utilities and unrestrained children. Broadcasting of the campaigns was in English and in six Aboriginal languages.

Michael Long Learning and Leadership Centre (MLLLC) partnership

The MLLLC partnership continued to deliver meaningful road safety education and messaging into remote communities. Targeted road safety classes delivered by Northern Territory Government road safety educators

formed an integral part of the MLLLC week-long football camps to see road safety awareness continue when students returned to their communities. The partnership delivered safety education sessions to 314 students from 14 remote communities. Regional development managers from the AFLNT served as road safety ambassadors supporting the program in the communities where they are based.

Car Seats for Kids - Aboriginal communities program

The Car Seats for Kids program was aimed at reducing the risk of death and serious injury to children aged seven and under through using properly fitted child restraints. The program supplies and fits child car seats and boosters into Aboriginal-owned vehicles in remote communities. We fully funded the program and contracted Kidsafe NT as program delivery partner.

Recognising the enormity of the challenge, the approach was to make the change one community at a time with a simple program model that is scalable and easily replicated. By 30 June 2019, the total number of child restraints fitted was 1525 across 22 communities with 82 Aboriginal fitters trained in communities. The program will conclude in December 2020.

In 2018 the program received the 3M-ACRS Diamond Road Safety Award which is Australia's highest accolade for road safety campaigns or programs.

Pedestrian safety

We introduced a reflective apparel initiative aimed at reducing the road trauma to Aboriginal pedestrians. The most vulnerable are those people living rough in and around town centres and town camps who walk on roads or attempt to cross roads. Drivers cannot easily see them, particularly after dark. We produced reflective t-shirts and beanies for which the Northern Territory Department of Infrastructure, Planning and Logistics managed distribution in collaboration with Aboriginal welfare agencies and night patrols.

Darwin Cup Carnival - car park security

Our sponsorship of the Darwin Cup Carnival Car Park Security provided for overnight safe car parking at the Darwin Turf Club during the Darwin Cup Carnival. The sponsorship followed research showing people were taking the risk of driving home after drinking because they were concerned about their vehicle being vandalised if left in the car park overnight. There was car park security from 6pm to 6am on each day of the carnival.

MACC-funded Government programs

We provided the Northern Territory Government with $3.1 million for road safety promotion and prevention programs.

DriveSafe NT

The DriveSafe NT urban and remote driver education and licensing program operated across the Northern Territory. Around 1000 people enrolled in the DriveSafe NT (urban) program. The program included driver education, subsidised driving lessons, licences and testing fees. Participants could access professional driving instruction from a panel of 30 approved driving schools and could complete their practical driving tests with one of 22 approved industry assessors.

DriveSafe NT worked in partnership with over 25 community-based organisations in over 70 communities to ensure disadvantaged road user groups in our remote areas have access to driver education and licensing.

School and community education

Community engagement officers visited 80 schools, delivering 213 road safety education sessions to around 12 000 students from pre-school through to senior years. Remote and regional schools were prioritised, with at least one remote school visit each month.

In partnership with Police, Fire and Emergency Services and St John Ambulance, the Choices Program delivered road safety pre-learner and learner driver educational workshops in senior schools. The program delivered 55 road safety presentations and workshops to community groups and workplaces. This included sessions at the Michael Long Learning and Leadership Centre and sessions for disadvantaged youth participating in the Motoscouts Indigenous employment pathways and youth diversion programs.

Hector the Road Safety Cat visited 20 childcare centres, engaging with more than 530 children. There was promotion of road safety at 19 community events including the Barunga Festival, Garma Festival, Red CentreNATS, Defence expos, NTFL Towards Zero round and the Northern Territory show circuit.

Parap and Newland Park Road Safety centres

There were 64 bike education sessions at the Parap Road Safety Centre in Darwin and the Newland Park Road Safety Centre in Alice Springs, delivering practical bike safety education to 1300 students.

The centres promote bicycle safety education and teaching the basics of riding safely on the roads. The theory component was delivered in the classroom and practical lessons were delivered in the centres' simulated road environment.

Who's Your Sober Bob? campaign

The Who's Your Sober Bob? drink driving preventative strategy continued to encourage Territorians to plan their transport options ahead of time if they will be drinking. The campaign promoted its messages year-round, with an emphasis on the Christmas and New Year period. The Australian Hotels Association and Recording Artists Actors and Athletes against Drunk Driving supported the Who's Your Sober Bob? campaign.

Other Northern Territory Government initiatives

A total of 35 schools, local government and community organisations received over $109 000 in Toward Zero Road Safety Grants. Government initiated partnerships with the AFLNT and Arafura Games to promote road safety.

Other road safety initiatives delivered by government included:

- National Yellow Ribbon Road Safety Week
- Check. Plan. Go (safe holiday driving)
- Back to School.

The road safety bus shelter artwork project saw five more bus shelters around the Darwin region painted with eye-catching road safety messaging.

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MACC

Motor Accidents (Compensation) Commission

2018-19 Financial Statements

Motor Accidents (Compensation) Commissioners' Statement

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

The Statement of Profit or Loss and Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and Notes to the Financial Statements of the Motor Accidents (Compensation) Commission are drawn up so as to present fairly Motor Accidents (Compensation) Commission's financial position as at 30 June 2019 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

8 October 2019

Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

	Notes	2019	2018 Restated
		$'000	$'000
Profit and Loss			
Revenue	5,25	183,514	156,462
Insurance expense	6	(5,034)	(6,285)
Claims expense	13 (c)	(191,736)	(127,350)
Grants provided to fund road safety programs		(4,657)	(4,305)
Management fees	7	(17,686)	(13,819)
Other expenses		(5,390)	(2,109)
Profit/(Loss) before tax		**(40,989)**	**2,594**
Income tax expense	2.3	-	-
Profit/(Loss) for the period		**(40,989)**	**2,594**
Items that may be reclassified subsequently to profit or loss:			
Net fair value gain on hedging instruments entered into for cash flow hedge		-	-
Total items that may be reclassified subsequently to profit or loss		**-**	**-**
Other comprehensive income/(loss) for the period		**-**	**-**
Total comprehensive income/(loss) for the period		**(40,989)**	**2,594**

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 2019

	Notes	2019 $'000	2018 Restated $'000
CURRENT ASSETS			
Cash and cash equivalents	8	98,177	61,225
Trade and other receivables	9	2,233	4,296
Other financial assets	10	695,664	599,674
Insurance and other recoveries receivable	11	2,706	3,921
Total Current Assets		**798,780**	**669,116**
NON-CURRENT ASSETS			
Insurance and other recoveries receivable	11	146,629	136,341
Investment property	12	-	45,500
Total Non-Current Assets		**146,629**	**181,841**
Total Assets		**945,409**	**850,957**
CURRENT LIABILITIES			
Outstanding claims provision	13	63,387	53,340
Unearned CTP contributions	14	31,308	32,593
Trade and other payables	15	8,012	5,383
Provisions	21	15	-
Total Current Liabilities		**102,722**	**91,316**
NON-CURRENT LIABILITIES			
Outstanding claims provision	13	685,848	561,813
Total Non-Current Liabilities		**685,848**	**561,813**
Total Liabilities		**788,570**	**653,129**
Net Assets		**156,839**	**197,828**
EQUITY			
Retained earnings		156,839	197,828
Total Equity		**156,839**	**197,828**

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 2019

	Notes	Retained Earnings	Total
		$'000	$'000
Balance as at 30 June 2017		**195,234**	**195,234**
Profit/(Loss) for the period, restated		2,594	2,594
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period, restated		**2,594**	**2,594**
Transactions with owners in their capacity as owners			
Dividend paid		-	-
		-	**-**
Balance as at 30 June 2018, restated		**197,828**	**197,828**
(Loss)/Profit for the period		(40,989)	(40,989)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the period		**(40,989)**	**(40,989)**
Transactions with owners in their capacity as owners			
Dividend paid		-	-
		-	**-**
Balance as at 30 June 2019		**156,839**	**156,839**

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 2019

	Notes	2019	2018
		$'000	$'000
Cash flows from operating activities			
Cash receipts from customers and service providers		137,191	132,544
Cash paid to suppliers and claimants		(95,401)	(93,497)
Net cash flow from operating activities	**19**	**41,790**	**39,047**
Cash flows from investing activities			
Receipts for investments		384,891	109,634
Payments for investments		(439,166)	(108,187)
Payments for investment property		-	(647)
Proceeds from sale of investment property	**12**	49,437	-
Net cash flow from/(used in) investing activities		**(4,838)**	**800**
Net increase/(decrease) in cash and cash equivalents		**36,952**	**39,847**
Cash and cash equivalents at the beginning of the period		61,225	21,378
Cash and cash equivalents at the end of the period	**8**	**98,177**	**61,225**

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

1. Corporate Information

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

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

2. Summary of significant accounting policies

2.1 Basis of Preparation

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

These general purpose financial statements were authorised by the MAC Commissioner on 8 October 2019.

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

2.2 New and Revised Accounting Standards

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

MACC has adopted AASB 9 *Financial Instruments* (AASB 9) for the first time. The nature and effect of the changes as a result of adoption of AASB 9 are described below.

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

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

AASB 9 *Financial Instruments*

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments; classification and measurement; impairment; and hedge accounting.

MACC applied AASB 9 retrospectively, but has not restated the comparative information which is reported under AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139). Any differences arising from the adoption of AASB 9 have been recognised directly in accumulated funds and other components of equity.

a) Classification and measurement of financial instruments

Under AASB 9, debt instruments are subsequently measured at fair value through profit and loss, amortised cost, or fair value through OCI. The classification is based on two criteria: MACC's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

The assessment of MACC's business model was made as of the date of initial application, 1 July 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The classification and measurement requirements of AASB 9 did not have a significant impact to MACC. MACC continued measuring at fair value all financial assets previously held at fair value under AASB 139.

The following are the changes in the classification of MACC's financial assets:

- Trade receivables and other financial assets classified as "Loans and receivables" under AASB 139 as at 30 June 2018 are held to collect contractual cash flows representing solely payments of principal and interest. At 1 July 2018, these are classified and measured as debt instruments at amortised cost.
- Other financial assets classified as *Financial assets at fair value through profit and loss* as at 30 June 2018 are classified and measured as *Financial assets at fair value through profit and loss* beginning 1 July 2018.
- MACC has not designated any financial liabilities as at fair value through profit or loss. There are no changes in classification and measurement for MACC's financial liabilities.

In summary, upon the adoption of AASB 9, MACC had the following required or elected reclassifications as at 1 July 2018:

	Measurement category		Carrying amount		
	AASB 139	AASB 9	Original $'000	New $'000	Difference $'000
Trade and other receivables	L&R	Amortised cost	4,296	4,296	-
Other financial assets	FVPL	FVPL	599,674	599,674	-

b) *Impairment*

The adoption of AASB 9 has changed MACC's accounting for impairment losses for financial assets by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. AASB 9 requires MACC to recognise an allowance for ECLs for all debt instruments not held at fair value through profit and loss. There is no material impact to MACC on adopting the new impairment model.

c) *Hedge Accounting*

Before the adoption of AASB 9, MACC designated the change in fair value of the entire forward contracts in its cash flow hedge relationships. Upon adoption of the hedge accounting requirements of AASB 9, MACC designates only the spot element of forward contracts as hedging instruments. The forward element is recognised in OCI and accumulated as a separate component of equity under cost of hedging reserve.

Under AASB 139, all gains and losses arising from MACC's cash flow hedging relationships were eligible to be subsequently reclassified to profit or loss. However, under AASB 9, gains and losses arising on cash flow hedges of forecast purchases of non-financial assets need to be incorporated into the initial carrying amounts of the non-financial assets. This change only applies prospectively from the date of initial application of AASB 9 and has no impact on the statement of financial position as at 1 July 2018.

Standards and Interpretations in issue not yet adopted

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

Title	Amendment	Effective for accounting periods on or after	Financial year expected to be applied
AASB 16 'Leases and relevant amending standards'	This standard will first apply to MACC from its financial statements for 2019-20. When applied, the standard supersedes *AASB 117 Leases*, AASB Interpretation *4 Determining whether an Arrangement contains a Lease*, AASB Interpretation *115 Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. Unlike AASB 117 Leases, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value. In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the statement of financial position under AASB 16. The impact on the reported assets and liabilities would be largely in proportion to the scale of MACC's leasing activities. MACC entered into a property lease agreement on the 28 June 2019 for office accommodation at 24 Mitchell Street, Darwin. Based on current arrangements, it is not anticipated that the introduction of the standard will result in any significant changes to MACC's financial statements.	1 January 2019	30 June 2020

2.3 Significant Accounting Policies

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

a) Revenue recognition

The following specific recognition criteria are used before revenue is recognised:

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

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

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

Insurance and other recoveries receivable

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

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

Interest

Interest income is recognised on an accrual basis.

Rental revenue

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

b) Insurance expense

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

c) Receivables

Receivables comprise CTP contributions receivable, interest receivables, other debtors and insurance and other recoveries. These amounts are initially recognised at fair value. Trade receivables that do not contain a significant financing component are measured at the transaction price.

CTP contribution receivable and insurance and other recoveries, which include amounts due from insurers and intermediaries, are subsequently measured at fair value through the profit and loss section of the Statement of Profit or Loss and Other Comprehensive Income. MACC holds trade receivables and other debtors with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest rate method.

For trade receivables MACC applies a simplified approach in calculating ECL's. MACC recognises a loss allowance based on lifetime ECL's at each reporting date. MACC has established a provision matrix based on its historical credit loss experience for trade receivables, adjusted for forward looking factors specific to the receivable. The resulting impairment charge is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

d) Income Taxes

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

e) 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.

f) Dividend

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

g) Financial instruments

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

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

(i) Classification

From 1 July 2018, MACC classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit and loss, and
- those measured at amortised cost

The classification depends on MACC's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will be recorded in profit and loss.

MACC reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

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.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and MACC has transferred and MACC has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, MACC measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs or financial assets carried at FVPL are expensed in profit or loss.

Debt instruments
Subsequent measurement of debt instruments depends on MACC's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which MACC classifies its debt instruments:

- Amortised costs: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Any gain or loss arising on derecognition is recognised directly in the Statement of Profit or Loss and Other Comprehensive Income.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Equity instruments
MACC subsequently measures all equity investments at fair value. Changes in fair value of financial assets at FVPL are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

<u>Cash and cash equivalents</u>
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.

<u>Receivables</u>
Refer to note 2.3(c)

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

Investment assets are classified "at fair value through profit and loss" because the business model test is neither to collect contractual cash flows, nor both to collect contractual cash flows and sell the assets. Hence these investments are mandatorily required to be measured at fair value through profit and loss.

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.

(iv) Impairment

From 1 July 2018, MACC assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. MACC uses a provision matrix to calculate ECL's for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (ie by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

(v) Accounting policies applied until 30 June 2018

Cash and cash equivalents

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

Receivables

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

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

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

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

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

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

Details of fair value for financial assets are listed below:

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

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

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

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

Impairment of Financial Assets
At each reporting date, MACC assesses whether there is objective evidence that a financial asset is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred ‘loss event’), has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include indications that the debtor is experiencing significant financial

difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial Liabilities: Trade Payables, derivative financial instruments and receivables.

Trade payables

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

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

Derivative financial instruments

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

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

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

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

h) 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.

i) 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.

j) Management Fee

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

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

- Manage all claims in respect of the MAC Scheme, pay benefits and settle claims for Benefits
- Undertake all duties and perform all roles of MACC under the MAC Act except to the extent that the power of function has been expressly reserved to MACC under the contract or by written notice by MACC
- Enter into any MAC Scheme Contracts (including in relation to management of the MAC Fund, MAC Agency Contracts) which it is required to enter into or it considers

appropriate or desirable for the purposes of managing the MAC Scheme and / or MAC Fund to which it is not expressly prohibited from entering

- Administer and manage the investment of the MAC Fund in accordance with the MAC Act and Prudential Documents
- Perform such other functions as the parties agree in writing from time to time.

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

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

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

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

The Base remuneration and amounts used in the calculation of the Service Level and the Liability Management Bonus/Malus are adjusted on each CPI adjustment date by the applicable CPI.

k) 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.

l) 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.

m) Claims provision

Claims include statutory benefits and compensation claimed by eligible persons as defined under the Motor Accidents (Compensation) Act 1979 (“MAC Act”).

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

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

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

n) Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. The benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their undiscounted amounts based on remuneration rates which are expected to be paid when the liability is settled.

All other employee benefit liabilities are recognised, and are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

o) Contingent liabilities and contingent assets

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

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

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

p) Commitments

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

q) Comparatives

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

r) Rounding of amounts

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

2.4 Critical accounting judgments and estimates

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

a) The ultimate liability arising from Compulsory Third Party

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

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

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

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

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

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

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

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

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

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

b) Assets arising from insurance and other recoveries

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

3. Actuarial assumptions and methods

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

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

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

Actuarial assumptions

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

	2019	2018
Average weighted term to settlement (years)	15.86	14.74
Average claim frequency (latest accident year)	0.31%	0.28%
Average claim size ($)	123,621	116,385
Expense rate *	9%	9.7%
Discount rate	0.9% - 3.8%	1.9% - 4.5%
Inflation	2.75%	3.25%

* 16% (2018: 16%) is used for the period applicable to the MACC management agreement. A rate of 6% (2018: 6%) 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 claims handling expense (CHE) rate to central estimate of gross outstanding claims liability. The rate is derived with reference to 63% of the budgeted base contract fee as a proportion of expected claim payments.

Discount rate

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

Inflation

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

Sensitivity analysis

i) Summary

MACC conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of MACC. The tables below describe how a change in each assumption will affect the outstanding claims provision and show an analysis of the sensitivity of the profit/(loss) and equity to changes in these assumptions both gross and net of insurance.

3. Actuarial assumptions and methods continued...

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

ii) Impact of changes in key variables

		Effect on Profit/(loss) before tax		
		Gross of insurance $'000	Net of insurance $'000	Equity $'000
MACC				
Weighted term to settlement	+10%	9,629	9,155	9,155
	-10%	(9,762)	(9,297)	(9,297)
Average claim frequency – latest accident year	+10%	(8,846)	(8,846)	(8,846)
	-10%	8,846	8,846	8,846
Average claim size	+10%	(70,961)	(60,065)	(60,065)
	-10%	70,961	60,065	60,065
Expense rate	+1%	(6,513)	(6,513)	(6,513)
	-1%	6,513	6,513	6,513
Discount rate	+1%	89,845	83,637	83,637
	-1%	(117,455)	(110,670)	(110,670)
Inflation	+1%	(115,100)	(107,703)	(107,703)
	-1%	89,701	83,743	83,743

4. Risk management policies and procedures

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

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

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

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

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

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

b) Terms and Conditions of the MAC Act

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

4. Risk management policies and procedures continued…

c) Interest rate risk

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

d) Credit risk

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

e) Insurance counterparty risk

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

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

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

4. Risk management policies and procedures continued…

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

		Credit Ratings				
		AAA $'000	AA $'000	A $'000	Unrated $'000	Total $'000
Insurance and other recoveries on paid claims	2019	-	310	338	104	752
	2018	-	166	178	62	406

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

		0 to 3 months $'000	3 to 6 months $'000	Greater than 6 months $'000	Impaired $'000	Total $'000
Insurance and other recoveries on paid claims	2019	547	-	205	-	752
	2018	294	38	74	-	406

5. Revenue

	2019	2018 Restated
	$'000	$'000
CTP contributions revenue		
CTP contributions received (note 6)	86,428	88,299
Total CTP contributions revenue	**86,428**	**88,299**
Insurance and other recoveries	**19,977**	**19,416**
Finance revenue		
Interest revenue	5,822	9,801
	5,822	**9,801**
Financial assets at fair value through profit and loss:		
Trust distributions	20,055	20,287
Change in the fair value of investments	39,654	1,762
Net gain on the disposal of investments	2,060	11,904
Total finance revenue	**67,594**	**43,755**
Revenue from properties		
Rental revenue	4,956	4,734
Profit on sale of investment property	3,937	(147)
Total property revenue	**8,893**	**4,587**
Other revenue		
Other miscellaneous revenue	623	405
Total other revenue	**623**	**405**
Total revenue	**183,514**	**156,462**

6. Net CTP contributions revenue

	2019	2018 Restated
	$'000	$'000
CTP contributions received	85,142	85,761
Movement in unearned CTP contributions	1,286	2,538
CTP contributions revenue	**86,428**	**88,299**
Insurance expense	(5,034)	(6,285)
Net CTP contributions revenue	**81,394**	**82,014**

7. Management fees

	2019	2018
	$'000	$'000
Scheme management fees	16,591	13,206
Investment management fees	1,095	613
Management fees	**17,686**	**13,819**

8. Cash and cash equivalents

	2019	2018
	$'000	$'000
Cash at bank and on hand	98,177	61,225
Total cash at bank and on hand	**98,177**	**61,225**

9. Trade and other receivables

	2019	2018
	$'000	$'000
CTP contributions receivable	1,620	2,633
Less: allowance for impairment loss	-	-
	1,620	**2,633**
Interest receivable	479	1,152
Others	135	511
Total trade and other receivables	**2,233**	**4,296**

10. Other financial assets

Other Financial Assets	2019	2018
	$'000	$'000
Derivative financial assets		
Interest rate swaps	-	15,195
Total derivative financial assets	**-**	**15,195**
Other financial assets		
At fair value through profit and loss: Investments held for trading		
Securities	695,664	584,479
Total other financial assets	**695,664**	**584,479**
Current financial assets		
Short term deposits		-
Bonds	79,739	259,468
Units in unlisted trusts	615,925	325,011
Derivative financial instruments	-	15,195
Total current financial assets	**695,664**	**599,674**

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

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

11. Insurance and other recoveries receivable

	2019	2018
	$'000	$'000
Undiscounted on claims paid	**752**	**406**
Expected future recoveries undiscounted on outstanding claims provisions	167,916	179,096
Discount to present value	(19,332)	(39,240)
Discounted expected future recoveries on outstanding claims provisions (Note 13 (c))	**148,584**	**139,856**
Allowance for impairment loss – insurance recoveries	-	-
Total allowance for impairment loss	-	-
Insurance and other recoveries receivable	**149,335**	**140,262**
Current	2,706	3,921
Non-current	146,629	136,341
Insurance and other recoveries receivable	**149,335**	**140,262**

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

12. Investment Property

	2019	2018
	$'000	$'000
Balance at 1 July 2018	**45,500**	**45,000**
Capital expenditure on existing property	33	647
Changes in fair value	-	(147)
Profit on Sale of investment property	3,937	-
Net proceeds	(49,470)	-
Balance at 30 June 2019	**-**	**45,500**

The investment property located at 24 Mitchell Street, Darwin was disposed of on the 27 June 2019.

13. Outstanding claims provision

a) Outstanding claims provision

	2019	2018
	$'000	$'000
Central estimate undiscounted	883,771	874,035
Claims handling costs undiscounted	67,411	67,799
Risk margin undiscounted	152,726	151,225
Gross claims incurred undiscounted	**1,103,908**	**1,093,059**
Discount to present value	(354,673)	(477,906)
Gross outstanding claims provision	**749,235**	**615,153**
Central estimate discounted	600,175	492,135
Current	63,387	53,340
Non-current	685,848	561,813
Gross outstanding claims provision	**749,236**	**615,153**

b) Risk margin

Process for determining risk margin

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

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

13. Outstanding claims provision continued….

Risk margins applied

	2019	2018
	%	%
MACC	16.056	16.056

c) Reconciliation of movement in discounted outstanding claims provision

	2019			2018		
	Gross $'000	Insurance $'000	Net $'000	Gross $'000	Insurance $'000	Net $'000
Brought forward	615,153	(139,856)	475,297	**546,223**	**(123,183)**	**423,040**
Effect of changes in assumptions	70,529	(8,783)	61,746	38,141	(11,747)	26,394
Increase in claims incurred/recoveries anticipated over the year	121,207	(11,193)	110,014	89,209	(7,668)	81,541
Incurred claims recognised in the Statement of Profit or Loss and Other Comprehensive Income	**191,736**	**(19,976)**	**171,760**	**127,350**	**(19,415)**	**107,935**
Net claim payments	(57,654)	11,248	(46,406)	(58,420)	2,742	(55,678)
At 30 June	**749,235**	**(148,584)**	**600,651**	**615,153**	**(139,856)**	**475,297**

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

30 June 2019	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	Total $'000
MACC	41,807	127,800	431,045	600,652
Total discounted net outstanding claims provision	**41,807**	**127,800**	**431,045**	**600,652**

30 June 2018	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	Total $'000
MACC	40,972	118,472	315,853	475,297
Total discounted net outstanding claims provision	**40,972**	**118,472**	**315,853**	**475,297**

14. Unearned CTP contributions

	2019	2018 Restated
	$'000	$'000
Unearned CTP contributions as at 1 July	**32,594**	**35,132**
Deferral of contributions received in the period	31,308	32,593
Earning of contributions received in previous periods	(32,594)	(35,132)
Unearned CTP contributions as at 30 June	**31,308**	**32,593**

15. Trade and other payables

	2019	2018
	$'000	$'000
Trade payables	7,624	4,767
Insurance payables	306	535
Other	82	81
Total trade and other payables	**8,012**	**5,383**

16. Equity and Reserves

Dividends
No dividends were declared this financial year.

17. Remuneration of auditors

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

	2019 $	2018 $
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	296,851	289,058
	296,851	**289,058**

18. Related party disclosure

a) Related Parties

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

The related parties of MACC include:

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

b) Remuneration of Key Management Personnel

Compensation of key management personnel	2019 $	2018 $
Short term benefits	519,885	269,180
Long term benefits	-	-
Termination benefits	-	-
	519,885	**269,180**

18. Related party disclosure continued….

c) Other related party disclosures:

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

Cash collected

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

Expenses

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

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

For the year ended 30 June 2019, 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 (2018: $nil).

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

	2019				2018			
	Revenue from related parties $'000	Payments to related parties $'000	Amounts owed from related parties $'000	Amounts owed to related parties $'000	Revenue from related parties $'000	Payments to related parties $'000	Amounts owed from related parties $'000	Amounts owed to related parties $'000
All NTG Government departments	-	3,543	-	120	-	3,411	-	293

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

	2019	2018 Restated
	$'000	$'000
Net (Loss)/Profit	(40,989)	2,594
Changes in net market value of investments	(39,654)	(1,762)
Profit on Sale of Investment Securities	(2,061)	(11,904)
Profit on Sale of Investment Properties	(3,937)	-
Change in investment property fair value	-	147
Changes in operating assets and liabilities:		
(Increase)/Decrease in receivables	2,065	196
(Increase)/Decrease in insurance and other recoveries receivable	(9,074)	(16,465)
Increase/(Decrease) in outstanding claims provisions	134,083	68,930
Increase/(Decrease) in unearned CTP contributions	(1,287)	(2,539)
Increase/(Decrease) in payables	2,762	(244)
Increase/(Decrease) in employee benefits and other liabilities	15	-
Increase/(Decrease) in GST payable	(133)	94
Net cash inflow from operating activities	**41,790**	**39,047**

20. Risk management and financial instruments information

Classes of Financial Instruments

	2019	2018
	$'000	$'000
Financial Assets		
Cash at bank and on hand	98,177	61,225
Interest receivables and others	614	1,663
CTP contributions receivable	1,620	2,633
Insurance recoveries on claims paid	149,336	140,262
Bonds	79,739	259,468
Units in unlisted unit trusts	615,925	325,011
Derivative financial assets	-	15,195
Financial Liabilities		
Trade creditors and accruals	7,706	4,409
Insurance creditors and accruals	306	535

20. Risk management and financial instruments information continued…

Financial Risk Management objectives

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

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

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

MACC seeks to manage financial risks to:

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

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

Financial Risk Management structure

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

a) Market Risk

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

(i) Interest rate risk

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

20. Risk management and financial instruments information continued…

Interest rate risk tables

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

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

30 June 2019	Fixed or floating	1 year or less	> 1 year and <2 years	>2 years and <3 years	>3 years and <4 years	>4 years and <5 years	More than 5 years	Total	Weighted average effective interest rate
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	%
Financial assets									
Cash at bank and on hand	Floating	98,177	-	-	-	-	-	**98,177**	
Bonds	Fixed	-	-	-	-	-	79,739	**79,739**	
Total		**98,177**	**-**	**-**	**-**	**-**	**79,739**	**177,916**	
Derivative Financial Instruments									
Interest rate swaps		-	-	-	-	-	-	-	
Total		**-**	**-**	**-**	**-**	**-**	**-**	**-**	
Total Financial Assets		**98,177**	**-**	**-**	**-**	**-**	**79,739**	**177,916**	

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

30 June 2018

	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	61,225	-	-	-	-	-	**61,225**	1.50%
Bonds	Floating	22,566	-	-	-	-	-	**22,566**	1.50%
Bonds	Fixed	-	255	-	434	26,373	209,840	**236,902**	3.46%
Total		**83,791**	**255**	**-**	**434**	**26,373**	**209,840**	**320,693**	
Derivative Financial Instruments									
Interest rate swaps		(23,000)	-	-	(64,000)	34,000	53,000	-	-
Total		**(23,000)**	**-**	**-**	**(64,000)**	**34,000**	**53,000**	**-**	
Total Financial Assets		**60,791**	**255**	**-**	**(63,566)**	**60,373**	**262,840**	**320,693**	

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.

	Change in interest rate	2019 Impact on profit after tax $'000	2019 Impact on Equity $'000	2018 Impact on profit after tax $'000	2018 Impact on Equity $'000
Interest bearing financial assets and liabilities	+100 basis points	90,698	90,698	41,242	41,242
Interest bearing financial assets and liabilities	-100 basis points	(122,558)	(122,558)	(56,283)	(56,283)

20. Risk management and financial instruments information continued…

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

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

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

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

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

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.

20. Risk management and financial instruments information continued…

MACC	Change in unit price	2019 Impact on profit after tax $'000	2019 Impact on Equity $'000	2018 Impact on profit after tax $'000	2018 Impact on Equity $'000
Upside					
Australian equities	+20%	38,644	38,644	25,993	25,993
International equities	+20%	39,394	39,394	28,043	28,043
Australian listed properties	+20%	14,875	14,875	5,700	5,700
Australian inflation linked	+2%	2,265	2,265	527	527
Global credit	+2%	762	762	-	-
Total		**95,940**	**95,940**	**60,262**	**60,262**
Downside					
Australian equities	-20%	(38,644)	(38,644)	(25,993)	(25,993)
International equities	-20%	(39,394)	(39,394)	(28,043)	(28,043)
Australian listed properties	-20%	(14,875)	(14,875)	(5,700)	(5,700)
Australian inflation linked	-2%	(2,265)	(2,265)	(527)	(527)
Global credit	-2%	(762)	(762)	-	-
Total		**(95,940)**	**(95,940)**	**(60,262)**	**(60,262)**

b) Credit risk

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

Trade and other receivables

MACC applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on historical observed loss rates. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. MACC has identified the GDP and the unemployment rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

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

The loss allowance for trade debtors as at 30 June 2019 and 1 July 2018 (on adoption of AASB 9) was determined as follows:

30 June 2019 $	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	0.08%	0.11%	0.19%	2.31%	2.31%	
Estimated total gross carrying amount at default	11,252	5,784	443	7,370	25,879	50,728
Expected credit loss	13	7	1	170	597	788

30 June 2018 $	Current	<30 days	30-60 days	61-90 days	>91 days	Total
Expected credit loss rate	0.08%	0.11%	0.19%	2.31%	2.31%	
Estimated total gross carrying amount at default	5,183	6,835	109,639	9,317	28,145	148,753
Expected credit loss	6	8	207	215	638	1,074

Other financial assets

Expected credit loss on other financial assets is calculated by adopting the simplified approach, which uses a lifetime expected loss allowance.

To measure the expected credit losses, other financial assets have been grouped based on shared credit risk characteristics.

The expected loss rates are based on the following:

- probability of default (PD), which is the likelihood of a default over a particular time horizon
- loss given default (LGD) which is the share of an asset lost if a default occurs
- Maturity factor which is the holding period of the asset

The loss allowance for other financial assets as at 30 June 2019 was determined to be $294 in 2019 (2018: $168).

20. Risk management and financial instruments information continued…

Accounting policy for impairment of trade debtors and other financial assets under ASSB 139 (comparative period only).

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.

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

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

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

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

The following table provides information regarding the aggregate credit risk exposure of MACC as at 30 June 2019 in respect of the major classes of financial assets, excluding units in unlisted unit trusts, loans and receivables. The analysis classifies the assets according to recognised counterparty credit ratings.

	Credit Ratings				
	AAA or A1+	AA or A1	A or A2	Unrated	Total
	$'000	$'000	$'000	$'000	$'000
30 June 2019					
Cash at bank and on hand	98,177	-	-	-	**98,177**
Bonds	61,692	18,047	-	-	**79,739**
Total	**159,869**	**18,047**	**-**	**-**	**177,916**
30 June 2018					
Cash at bank and on hand	43,246	-	17,869	110	**61,225**
Bonds	202,459	57,009	-	-	**259,468**
Derivative financial instruments	-	-	-	15,195	**15,195**
Total	**245,705**	**57,009**	**17,869**	**15,305**	**335,888**

20. Risk management and financial instruments information continued…

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

		Past due but not impaired				
	Neither past due nor impaired	0 to 3 months	3 to 6 months	Greater than 6 months	Impaired	Total
30 June 2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
CTP contributions receivable	-	1,619	-	-	-	**1,619**
Other receivables	85	17	7	27	(1)	**135**
Investment receivables	479	-	-	-	-	**479**
Total	**564**	**1,636**	**7**	**27**	**(1)**	**2,233**
30 June 2018						
CTP contributions receivable	-	2,633	-	-	-	**2,633**
Other receivables	223	260	29	-	(1)	**511**
Investment receivables	1,152	-	-	-	-	**1,152**
Total	**1,375**	**2,893**	**29**	**-**	**(1)**	**4,296**

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.

20. Risk management and financial instruments information continued…

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

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

The following table summarises the maturity profile of MACC's liabilities. This is based on contractual undiscounted repayment obligations, which includes estimated interest repayments. The maturity profiles of outstanding claims provisions are determined on the basis of discounted estimated timing of net cash outflows and are disclosed in note 13 (d). Repayments that are subject to notice are treated as if notice were to be given immediately.

Maturity profiles of undiscounted financial liabilities.

	1 year or less $'000	> 1 year and < 5 years $'000	> 5 years $'000	No term $'000	Total $'000
30 June 2019					
Trade and other payables	7,720	-	-	-	**7,720**
Total undiscounted financial liabilities	**7,720**	**-**	**-**	**-**	**7,720**
30 June 2018					
Trade and other payables	4,944	-	-	-	**4,944**
Total undiscounted financial liabilities	**4,944**	**-**	**-**	**-**	**4,944**

20. Risk management and financial instruments information continued…

d) Derivative financial instruments

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

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

e) Capital Management

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

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

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

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

	2019	2018 Restated
	$'000	$'000
Retained earnings	156,839	197,828
Total capital resources	**159,839**	**197,828**

MACC

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

20. Risk management and financial instruments information continued…

f) Fair values

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

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

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

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

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

MACC

30 June 2019	Carrying Amount			Fair Value			
	Fair value through P&L	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	-	-	**-**	-	-	-	**-**
Bonds	79,739	-	**79,739**	79,739	-	-	**79,739**
Units in unlisted trusts	615,925	-	**615,925**		615,925	-	**615,925**
Total	**695,664**	**-**	**695,664**	**79,739**	**615,925**	**-**	**695,664**
Financial Liabilities							
Derivative instruments	-	-	**-**	-	-	-	-
Interest rate swaps	-	-	**-**	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

MACC

30 June 2018	Carrying Amount			Fair Value			
	Fair value through P&L	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	-	15,195	**15,195**	15,195		-	**15.195**
Non-derivative instruments							
Short term deposits	-	-	**-**	-	-	-	**-**
Bonds	259,468	-	**259,468**	259,468	-	-	**259,468**
Units in unlisted trusts	325,011	-	**325,011**	-	325,011	-	**325,011**
Total	**584,479**	**15,195**	**599,674**	**274,663**	**325,011**	**-**	**599,674**
Financial Liabilities							
Derivative instruments	-	-	**-**	-	-	-	-
Interest rate swaps	-	-	**-**	-	-	-	**-**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**

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

The fair value disclosure in 2019 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.

21. Provisions

	2019	2018
	$'000	$'000
(a) Current		
Employee benefits	12	-
(b) Non-current		
Employee benefits	3	-
	-	-
Total provisions	**15**	**-**

22. Commitments

	2019	2018
	$'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	-	3,909
Later than one year but not later than five years	-	3,779
Later than five years	-	438
	-	**8,126**
(b) Non-cancellable operating leases where TIO/ MACC is the lessee		
Future minimum lease payments for rent receivable in relation to direct property held by MACC:		
Within one year	58	-
Later than one year but not later than five years	57	-
Later than five years	0	-
	115	-
(c) Management Agreement		
Future minimum base line fee payments for outsourcing arrangement:		
Within one year	13,665	13,450
Later than one year but not later than five years	54,652	53,801
Later than five years	13,665	26,901
	81,992	**94,152**

Certain properties, where MACC is a lessee or 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 (j).

23. Impact of alternative net outstanding claims measurement

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

The alternative method for the outstanding claims provision is measured as the present value of expected future payments. These payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and “superimposed” inflation. The expected future payments are discounted to present value at the Statement of Financial Position date using a flat discount rate of 4.75%. Claims handling expense rate of 16% is used for the period applicable for MACC management agreement, a rate of 6% has been applied for the period after 30 June 2025. The impact of using the alternative measurement basis is reflected as follows:

23. Impact of alternative net outstanding claims measurement continued...

Statement of Profit or Loss and Other Comprehensive Income	Notes	30 June 2019 $'000	Alternative Measure $'000	Change $'000
Revenue	5	182,850	175,669	(7,181)
Insurance expense		(5,034)	(5,034)	-
Claims expenses	13	(191,736)	(107,301)	84,435
Grants provided to fund road safety programs		(4,657)	(4,657)	-
Other expenses		(22,412)	(22,412)	-
(Loss)/Profit for the period		**(40,989)**	**36,265**	**77,254**

Statement of Financial Position	Notes	30 June 2019 $'000	Alternative Measure $'000	Change $'000
Assets				
Cash and cash equivalents	8	98,177	98,177	-
Trade and other receivables	9	2,233	2,233	-
Other financial assets	10	695,664	695,664	-
Insurance and other recoveries receivable	11	149,335	118,181	(31,154)
Investment property	12	-	-	-
Total Assets		**945,409**	**914,254**	**(31,154)**
Liabilities				
Outstanding claims provision	13	749,235	530,877	218,358
Trade and other payables	15	8,012	8,012	-
Unearned CTP contributions	14	31,308	31,308	-
Provisions		15	15	-
Total Liabilities		**788,570**	**570,212**	**218,358**
Net Assets		**156,839**	**344,042**	**187,204**
Equity				
Opening Retained Earnings, restated		197,828	307,778	109,950
(Loss)/Profit for the period		(40,989)	36,265	77,254
Total Equity		**156,839**	**344,042**	**187,204**

24. Events subsequent to balance date

There are no events subsequent to balance date.

25. 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.

26. Prior period error

a) Correction of error in classification of current outstanding claims provision
During the financial year it was discovered the amount classified as current outstanding claims provision was incorrect. Current outstanding claims provision was incorrectly reported as the value of the outstanding claims provision for the current accident year, however this should have been reported as the amount that is due to be settled within twelve months after the reporting date. As a consequence current outstanding claims provision was overstated by $19 million.

b) Correction of error in unearned CTP contributions
During the financial year it was discovered that in 2018 the Motor Vehicle Registry, who collects CTP contribution money from motor vehicle registrations on behalf of MACC, offered a new renewal option to members of three months. On subsequent reporting of registration renewals to MACC the three month renewal option was incorrectly categorised in the general category of "other", resulting in three month renewal contributions being earned over a twelve month period instead of three months. As a consequence, the portion earned was incorrectly recognised as unearned CTP contributions.

The errors have been corrected by restating each of the affected financial statement line items for the prior period as follows:

	30 June 2018 Original $'000	30 June 2018 Restated $'000	30 June 2018 Change $'000
Statement of Profit and Loss			
Revenue	153,446	156,462	3,016
Profit/(loss) before tax	(423)	2,594	3,016
Profit/(loss) for the period	(423)	2,594	3,016
Total comprehensive income (loss) for the period	**(423)**	**2,594**	**3,016**
Statement of Financial Position			
Unearned Premium	35,610	32,594	(3,016)
Outstanding claims provision	72,092	53,340	(18,752)
Total current liabilities	**113,085**	**91,316**	**(21,768)**
Outstanding claims provision	543,061	561,813	18,752
Total non-current liabilities	**543,061**	**561,813**	**18,752**
Total Liabilities	**656,146**	**653,129**	**(3,016)**
Net Assets			
Retained Earnings	194,811	197,828	3,016
Total Equity	**194,811**	**197,828**	**3,016**
Statement of Changes in Equity (Total)			
Balance as at 30 June 2017	195,234	195,234	-
Profit/(loss) for the period (2018)	(423)	2,594	3,016
Total comprehensive income for the period (2018)	(423)	2,594	3,016
Balance as at 30 June 2018	**194,811**	**197,828**	**3,016**

Appendix 1 of the Annual Report

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

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

The solvency of the MACC is measured as a ratio of Capital over Liabilities plus 100%, as defined in Treasurer Determination 1/2017.

As at 30 June 2019, the Solvency ratio was 138%.

Auditor-General

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

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Opinion

I have audited the accompanying financial report of the Motor Accidents (Compensation) Commission, which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes and the statement by the Motor Accidents (Compensation) Commissioner.

In my opinion the accompanying financial report of the Motor Accidents (Compensation) Commission, is in accordance with the *Motor Accidents (Compensation) Commission Act 2014,* including:

- giving a true and fair view of the Commission's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards.

Basis for Opinion

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

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

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. These matters were addressed in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Key Audit Matters	Audit scope response to the Key Audit Matter
Valuation of Outstanding Claims Provision and Insurance and Other Recoveries Receivable	
The determination of the value of the Outstanding Claims Provision and associated value of Insurance and Other Recoveries Receivable involve significant assumptions and judgements by management and complex actuarial calculations.	My procedures included but were not limited to: ▪ obtaining the independent Third Party Valuation of Claims Liability and Recoveries Report (the valuation report) for the financial year ended 30 June 2019 and: o assessing the valuation report for appropriateness, including evaluating the work of the expert;

Auditor-General

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Key Audit Matters	Audit scope response to the Key Audit Matter
	○ confirming the final valuation within the valuation report agrees to the balances reported within the financial statements as at 30 June 2019; and ○ agreeing total claims paid as documented within the valuation report to the total claims recorded in the general ledger. ▪ evaluating estimation uncertainty of the accounting estimates by: ○ assessing management's consideration of alternative assumptions or outcomes and the basis upon which assumptions have been determined; ○ determining whether the significant assumptions used by management appear reasonable; and ○ when relevant to the reasonableness of the significant assumptions used by management or the appropriate application of the applicable financial reporting framework, assessing management's intent and ability to carry out specific courses of action.

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

The Motor Accidents (Compensation) Commissioner is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Motor Accidents (Compensation) Commission Act 2014*, and for such internal control as the Motor Accidents (Compensation) Commissioner determines is necessary to enable the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor-General

Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

Julie Crisp
Auditor-General for the Northern Territory

Darwin, Northern Territory

8 October 2019

MACC

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