

# **Annual Report 2015**

Northern Territory Motor Accidents (Compensation) Commission

Annual Report 2015 Letter of Transmittal

# MACC

NT Motor Accidents (Compensation) Commission

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30 September 2015

The Hon. David Tollner MLA Treasurer GPO Box 3146 DARWIN NT 0801

Dear Minister

I have pleasure in submitting for your information and presentation to Parliament the Motor Accidents (Compensation) Commission 2014-15 Annual Report.

This report incorporates the audited financial statements for the Territory Insurance Office from 1 July to 31 December 2015 and the Motor Accidents (Compensation) Commission for the year ended 30 June 2015, as required by section 22 of the Motor Accidents (Compensation) Commission Act 2014.

**Yours Sincerely** 

Jim Colvin

Motor Accidents (Compensation) Commissioner

Annual Report 2015 Contents

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### 2014-2015 Annual Report

The Motor Accidents (Compensation) Commission is a statutory corporation as prescribed by section 5 of the Motor Accidents (Compensation) Commission Act 2014.

In November 2014, the Government announced the sale of the Insurance and Banking businesses of the Territory Insurance Office (TIO). The Government retained ownership of the Motor Accidents (Compensation) Scheme, with the management outsourced to Allianz for a 10 year period. As part of this arrangement, the MAC

Commission was set up to oversee the management of the Scheme and ensure it is managed in the best interest of Territorians.

This annual report includes the financial statements for the Territory Insurance Office from 1 July to 31 December 2014 and for the Motor Accidents (Compensation) Commission from 1 January to 30 June 2015, as required by Section 41 of the Motor Accidents (Compensation) Commission Act, and reflects the sale of the Banking and Insurance businesses.

# Motor Accidents (Compensation) Commission (MACC)

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

The key functions of MACC are to:

- Administer the MAC Scheme in accordance with the Motor Accidents (Compensation) Act on behalf of the Northern Territory Government
- Manage the Fund
- Promote road safety

The Northern Territory Motor Accidents (Compensation) (MAC) Scheme is owned by the Northern Territory Government. Prior to January 2015, the Scheme was administered by the Territory Insurance Office (TIO), also then a NT Government owned entity.

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

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

# The MAC Commissioner

From 1 July 2015, Jim Colvin was appointed by the Treasurer as 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, to manage the MAC Fund and promote road safety.



#### Jim Colvin

Jim was previously employed by the Northern Territory Government (Departments of Treasury and Finance and Chief Minister) in senior policy and financial advisory roles. He has subsequently been engaged as a consultant to

assist with a wide range of projects, including the sale of TIO's insurance and banking businesses.

Prior to his appointment as MAC Commissioner, Jim was a Senior Economist with the Organisation for Economic Cooperation and Development in Paris, France. He has extensive experience in monopoly regulation, corporate governance for government owned businesses and industry restructuring. He continues to consult to the World Bank and the International Monetary Fund on these matters.



# **About the MAC Scheme**

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

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

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

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

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

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

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

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

In order to ascertain the amount of reserves that need to be set aside to meet the cost of existing claims in the future, the MAC Scheme and its claims liabilities are reviewed by the Scheme actuary twice a year. Annual Report 2015 Commissioner's Report

# Commissioners' report

It gives me pleasure to report on the activities and achievements of the Motor Accidents (Compensation) Commission (MACC) for the year ending 30 June 2015.

The last financial year has been one of transition for the Northern Territory Motor Accidents Compensation Scheme. On 1 January 2015, the commercial businesses of the Territory Insurance Office were sold to Allianz Insurance Australia Limited, while the Northern Territory Government retained ownership of the MAC Scheme. The MAC Commission, a wholly owned government entity, was established to own and operate the Scheme. At the same time, the Commission entered into a management agreement with Allianz, for the management of claims and the management of the MAC Fund, for a period of 10 years.

The establishment of the Commission, and the new MAC management agreement with Allianz, provide significant opportunities to improve the way in which the Scheme meets the needs of Territory motorists.

A rigorous series of performance benchmarks have been established for the Scheme, to be met through the life of each claim, including responsiveness, outcomes and claimant satisfaction. Allianz' remuneration under the contract is tied to their performance against these benchmarks. Scoring of the Scheme's performance against these measures will commence on 1 July 2016 and will be reported in future annual reports of the Commission.

A key focus of the transition to the new management arrangements has been to minimise disruption to claimants. The operational performance of the scheme over the last six months would suggest that the transition has, to date, been effectively managed. Early intervention in claims provides the best prospects of successful recovery and rehabilitation, and the reduction in active claims over the year provides a good indication of the success of this strategy. A key focus of the new management arrangements is more active support for long term claimants, through the establishment of the Lifetime Care and Support Team. While long term claimants are a relatively small group, they have the most serious injuries and complex needs. The new team will be better able to respond to their requirements and provide meaningful improvements in their quality of life.

At the commencement of the financial year, legislative changes to the MAC scheme took effect to increase the benefits payable, and this will have a meaningful impact on the services available, particularly to long term claimants. These changes focus on the implementation of the National Injury Insurance Scheme (NIIS)

Benchmarks. As part of the changes, the 32 hour cap on attendant care benefits has been removed, and the retirement age for loss of earnings will be progressively increased in step with the Commonwealth Government pension age increases.

Annual Report 2015 Commissioner's Report

# **Commissioners' Report** (cont)

The performance of the MAC Fund during the year was positive and helped contribute to the ongoing financial viability of the Scheme. Total return on investment funds was 7.3 per cent, slightly below the benchmark. The Fund returned \$140 million in excess capital to Government on 1 January 2015, and remains well capitalised. Solvency at the end of the financial year was over 38 per cent, which is consistent with the long term targets for the Scheme.

During 2014-2015 the MAC Fund invested \$4.7 million into road safety programs across the Northern Territory. This included \$3.1 million provided to the Northern Territory Department of Transport to fund government proad safety initiatives, including \$0.5 million for the motorcycle training program, METAL, and \$1.3 million for the driver training program, DriveSafe NT.

The remainder of the road safety funding was invested by MACC directly into programs identified to produce significant benefits in reducing road accidents and resulting injuries. During the last financial year, MACC entered into a long term arrangement with the AFLNT to provide ongoing funding to the Michael Long Learning and Leadership Centre. Based at TIO Stadium in Darwin, this state-of-the art sport, education and accommodation facility delivers leadership and personal development programs to young Indigenous Territorians.

The Commission's investment in the partnership will see road safety awareness and education as a core component of the program, as part of the Commission's ongoing efforts to reduce the over-representation of Indigenous Territorians in road accident statistics.

Jim Colvin

Motor Accidents (Compensation) Commissioner



# MAC Scheme – Operational highlights 2014-2015

# Claims under management

There was a pleasing decline in the number of claims in 2014-2015, with fewer claims than our actuaries had projected. Claims frequency has declined after an increase during the latter part of 2013-2014. For the most recent accident year, the average no fault claim size increased by \$22,000 from \$75,772 to \$97,772 per claim, principally reflecting the impact of the increased Life Time Attendant Care benefits introduced through the legislative reforms. Apart from the impact of the National Injury Insurance Scheme (NIIS) changes, there is no evidence of an upwards trend in average claim sizes since the 2002 accident year.

The number of active claims has dropped from 1025 active claims at the start of the financial year and ended on 1001 claims at July 2015. In the no fault portfolio the year started with 944 active claims and ended on 922. Throughout the year 447 new reports were received and 507 were finalised.

Thankfully, the majority of people injured in motor vehicle accidents suffer minor to moderate injuries and are able to return to health in a relatively short period of time. Unfortunately, some suffer very significant injuries and will require assistance over a long period of time. Many of these people will never return to full health and independence and these claimants need specialist care and support over the long term.

This year TIO created a new Lifetime Care and Support Team in response to legislative reforms discussed below. The focus of the team is to work with life-time care claimants who have the most serious injuries to ensure their complex needs are met. Although this represents only a small group of people, this specialist support can make a significant difference to their quality of life.

Our aim is to help injured people be more independent in their daily life and within the community. The claims management process starts at the earliest possible stage after injury, engaging with the claimants to plan their discharge from a hospital or rehabilitation clinic to return home or to the community. TIO supports them in planning and identifying clear pathways to ensure medical and allied health provider activities are aligned to their life goals and anticipate key life transition points, such as returning to the workforce or children leaving school.

Annual Report 2015 Operational Highlights

#### **Common Law claims**

The MAC Scheme also has a portfolio of common law claims, either from recent motor vehicle accidents in common law jurisdictions in Australia, or pre 2007 claims from non-residents of the Territory. The management of several large pre-2007 claims from overseas residents is nearing completion. During 2014-2015 the scheme received 23 new common law claims, slightly more than the 14 and 22 claims respectively lodged in the two previous years. At June 2015 the number of common law claims under management was 79, down from 81 at June 2014.

## **Governance changes**

With the sale of TIO to Allianz and the establishment of the new Motor Accidents (Compensation)
Commission, TIO has entered into a new agreement for the administration of the Scheme with the MAC
Commissioner. The new management agreement sets benchmarks to be met through the life of each claim, including responsiveness, outcomes and claimant satisfaction. These benchmarks will ensure TIO's performance continues to improve, resulting in better claimant service.

### **Legislative reforms**

The MAC Legislative Reforms took effect on 1 July 2014 with a specific focus on the implementation of the National Injury Insurance Scheme (NIIS) Benchmarks in the NT which led to the creation of our Lifetime Care and Support Team as discussed above. The eligibility criteria for the qualification of benefits including attendant care benefits were brought in line with the NIIS benchmarks. Other legislative amendments were also implemented.

## **Key changes**

- Removing the 32-hour per week cap on attendant care benefits for accidents occurring on or post 1 July 2014.
- Increasing the attendant care hourly rate from 2 per cent of AWE to a market reference rate for accidents occurring on or after 1 July 2014.
- A provision was made to fund the increase in the attendant care rate for existing claims from the MAC Fund. The 32-hour per week cap remains in place.
- Progressively increasing the retirement age for loss of earnings in step with the Commonwealth Government pension age increases, commencing with 65.5 years from 1 July 2017 and reaching 67 years by 1 July 2023. A provision was made from the MAC Fund to fund the increase for existing customers.
- Removing the cost of injuries to owners/drivers of unregistered vehicles and non-compliant vehicles such as quad bikes, dirt bikes and motorised bicycles (currently only excluded from loss of earnings and permanent impairment benefits).
   Benefit exclusions only apply if the vehicle was unregistered for a period of more than three months, if a registered vehicle was not involved in the accident and if the driver/owner ought to have known that the vehicle was unregistered.
- Removing the full cost of injuries to drivers, riders, officials and those involved in motor sports events.
   Previously they were only excluded from loss of earnings and permanent impairment benefits.
- Removing the cost of injuries arising from acts of terrorism involving a motor vehicle.

Annual Report 2015 Operational Highlights

## Impact of legislative changes

Throughout the year we received eight claims with injuries possibly eligible for qualification of long term attendant care benefits in line with the NIIS benchmarks. Only one customer, who sustained serious paraplegic injuries, met the necessary and reasonable long-term attendant care criteria. As such it is too early to assess the financial impact of the changes to the scheme.

The racing event exclusion applied for the first time during the 2014-2015 financial year. The likely impact is about four fewer claims per year which has had only a moderate impact to the lower numbers of new claims reported.

## **Managing appeals**

All claimants and potential claimants have the right to request a review of decisions made about their claims, whether it be to change elements of a decision or have an adverse decision revoked. The first avenue of appeal is a non-legislated Internal Review process, while the second avenue is via a Designated Person Review as defined under the Act.

Because the Internal Review process is a non-legislated process, some appellants choose to go directly to the Designated Person Review. Of the appeals that went through the Internal Review process, 23 escalated their concerns to a Designated Person Review. Upon receiving the request, the Designated Person reviews the facts of the claim to reach a decision that is equitable and within the provisions of legislation.

The final avenue of appeal is to the Motor Accidents (Compensation) Appeal Tribunal, which is constituted by a Judge of the Supreme Court. There are presently no matters at the Tribunal relating to recent review decisions by the Designated Person.

This dispute resolution framework has now been in place for three and a half years and can more effectively provide customers with a timely review decision and detailed reasons for the decision.

Although used less frequently than the Designated Person Review, the Internal Review process provides a valuable avenue for dispute resolution.

The number of appeals to the Designated Person over the past two years is shown in the following table. To put these statistics into perspective, on average MAC receives around 500 claims a year, and multiple decisions can be made during the life of a claim.

	<b>Designated Person Review</b>			MAC Tri		
	2013	2014	2015	2013	2014	2015
Total received	20	19	23	3	1	0
Decision upheld	12	6	7	0	0	0
Decision varied	10	15	7	1	0	1
Agreement reached	0	0	0	2	0	1
Ineligible for review or withdrawn	2	0	1	1	0	0
Open	5	3	11	1	2	0

Annual Report 2015 Operational Results

# **MAC Scheme operational results**

# **Summary of operational results**

	2014-15	2013-14	2012-13
Number of vehicles insured (000's)	195	192	189
Average Premium per vehicle *1	\$411	\$397	\$385
Premium normal private vehicle	\$531	\$511	\$501
New claims received	470	575	530
Claims received per 1,000 vehicles	2.41	2.99	2.80
Number of finalised claims	532	543	651
Number of active claims at end of period	1,001	1,025	971
Gross claim payments (000's)	\$39,406	\$40,066	\$37,724
Net claim payments (000's)	\$37,500	\$38,149	\$34,786
Number of pedestrian claims received	45	49	59

<sup>\*1</sup> Average premium per vehicle is much lower than the premium of private vehicles due to low premium cost of trailers.

18% of vehicles are trailers.

# **Claim Payments**

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

Annual Report 2015 MAC Fund Performance

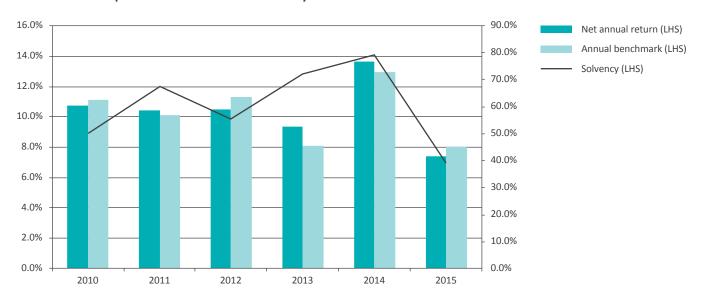
# **MAC Fund performance**

## **Overview**

Consistent with previous years the investment funds performed well for the year with income exceeding budget. The payment of \$140m million in surplus funds to the Northern Territory saw a re-allocation of the growth heavy portfolio back to more defensive assets in line with the strategic asset allocation. The strategic asset allocation remained unchanged over the year. The three year strategic asset allocation review was underway as at 30 June 2015.

## **MAC Fund performance**

## MAC Net annual performance return and solvency



The Fund returned a performance slightly below benchmark for the most recent financial year. This was largely due to a large cash allocation held to facilitate the payment of the \$140 million surplus to the Northern Territory. Despite several significant events global markets performed strongly during the year. Fixed interest markets saw strong gains driven by the Reserve Bank of Australia further reducing the official cash rate. While the current low interest rate environment has been favourable to fixed interest investments, this is offset by the increase in scheme liabilities that are discounted by the same interest rates. Although solvency has reduced in 2015 due to the payment to the Northern Territory the Scheme remains well capitalised.

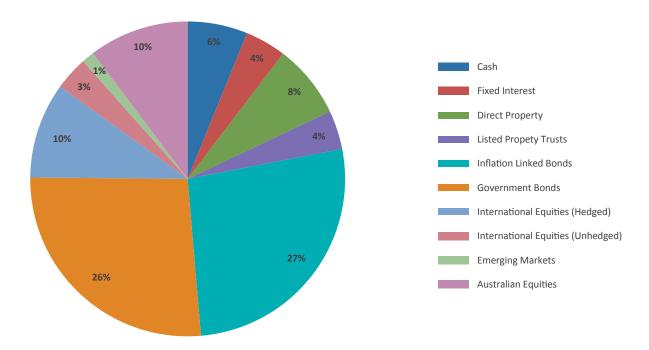
Annual Report 2015 MAC Fund Performance

# Sensitivity of operating result

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

Sensitivity to external factors	2015-2014
1% decrease in interest rates	(33.1)
1% decrease in wage inflation (AWE) assumptions	52.7
20% decrease in equity markets	(27.6)

### **MAC Asset Allocation**





# **Road safety**

# **Overview of road safety in the Northern Territory**

Over the past 10 years an average of 48 people are killed and 535 seriously injured each year on Territory roads.

Our road toll has generally followed the recent Australian downward trend but remains the most dangerous place in Australia to be on the road. In 2014 the Northern Territory's fatality rate was 16.7 people per 100,000 population, compared with the national average of 4.9.

There were 39 fatalities in the Northern Territory in the 2014 calendar year, compared with 37 the previous year. Already in first half of 2015, there have been 23 fatalities against 21 in the same period in 2014.

Of people killed on NT roads in 2014, an average of around 70 per cent are male, with men under 25 years representing one third of all fatalities. Over half of the deceased are Indigenous, even though Indigenous Territorians make up just 30 per cent of our population.

Around 70 per cent of all fatalities are in rural areas and half of all fatal crashes are single vehicle accidents. This outcome is driven by the outer-regional and remote mix of higher speeds, lower safety awareness, long distances and impaired driving.

Alcohol and not wearing seatbelts are the most prevalent causes for fatalities. Alcohol and speed are the most common causes of accidents leading to serious injuries. This year eight of the 39 (20.5 per cent) fatalities were pedestrians.

# **Commitment to promoting road safety**

Changing road user behaviour is the best way to reduce the cost and trauma of road accidents. MACC invests in the promotion of road safety with advocacy and awareness programs in urban, regional and remote areas aimed at two of the most significant road user behaviours that contribute to death and serious injury – drink driving and not wearing seatbelts.

Annual Report 2015 Road Safety

### Case study: No Rego, No Cover campaign

The MACC No Rego, No Cover campaign was launched in late 2014 to raise awareness about the need to ensure vehicles are registered or run the risk of losing MAC benefits. The aim is to increase the percentage of registered vehicles in the Northern

Territory and followed the introduction of legislative reform on 1 July outlined earlier in this report. The campaign included television and print advertising as well as social media. It also supports enforcement by NT Police.

Road safety programs managed by TIO on behalf of MACC in 2014-15 include but were not limited to:

## Mass media, advertising, promotion and social media

Community awareness was created and maintained through mass media advertising campaigns addressing key issues such as wearing seatbelts, drink driving, driving to conditions and driver distraction. The campaigns are also designed to support NT police enforcement activities. Examples of activities include:

- Drink Driving Mass Media Campaign (TV, Radio, Press, Billboards)
- No Rego No Cover Campaign (TV, Radio, Press, Social Media)
- Seatbelts Campaign "Always wear your Seatbelt".

## Community programs and sponsorships

MACC road safety campaigns target high-risk groups to influence their behaviour through grass roots programs such as the Party Safe program which directly engage with the community or target specific audiences. The leveraging of key sponsorships for road safety includes:

- Party Safe volunteer drink driving program
- St Johns First @ Scene
- Indigenous road safety animations for education programs
- Darwin Cup Carnival Car Park Security Sponsorship
- Partnership with McArthur River Mine to bring programs to Borroloola and the mine
- Passport to Drive

## Case study: Darwin Cup Carnival car park security

The Darwin Cup Carnival attracts around 20,000 patrons each year. Road Safety promotion has been part of the event since 2009 with the Party Safe drink driving program and the sponsorship of overnight car park security operating throughout the carnival. This encourages people who drink too much to leave their car behind in the secure car park and take alternative transport home.

Involvement in the event complements NT
Police enforcement with random breath testing,
a free bus service and TV advertising specifically
targeting the event.

Statistics from 2009 to 2014 indicate the program as a whole is creating behavioural change – at least at the Cup Day event. In 2014, only three people were charged with drink driving compared with 20 in 2009.

The number of vehicles left in the Turf Club car park overnight on Cup Day 2014 was estimated to be around 300, compared with less than 18 vehicles left overnight in 2009.



## **Key partnerships**

MACC works collaboratively with other road safety stakeholders such as NT Police, NT Government, St Johns, and partner with groups or organisations such as AFLNT to support their programs and encourage broader community support for road safety initiatives. Examples include:

• NTFL road safety activations

- CAFL road safety activations
- Michael Long Leadership and Learning Centre
- Drive Safe NT seed funding and on-going support
- Automatic Number Plate Recognition technology funding for NT Police
- Kidsafe NT

# Case study: Michael Long Centre road safety program

The Michael Long Leadership and Learning Centre is changing the lives of young Indigenous Territorians. Based at TIO Stadium in Darwin, the state-of-the art sport, education and accommodation facility delivers leadership and personal development programs using sport to keep young teens motivated.

The MACC has formed a unique partnership with the centre to help young people learn about road safety. With the indigenous population significantly over represented in road safety statistics, the Commission's investment in the partnership will see road safety awareness and education as a core component of the program. Teachers and others from the local community are involved throughout the week long camp so they can take the messages home with them.

The centre was officially opened in March 2015 with a trial program in May and the role out of the annual program from September 2015. The Centre will engage with around 400 indigenous students each year aged 12-17 as they attend a week long, structured, tailored and measured educational program, delivered by professional educators in a safe, residential, sports themed facility.

It's about taking a serious road safety message and creating engagement and connection through sport, art, hands-on activities and games. The aim is to create generational change in road user attitudes and behaviours to reduce death and serious injury.

# MACC

# **Motor Accidents (Compensation) Commission**

# **2015 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 and the MAC Fund's financial position as at 30 June 2015 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

29 September 2015

# **Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2015**

	Notes		2015			2014	
		MACC \$'000	TIO Insurance & Banking Discontinued Operations (see Note 36) \$'000	MAC Fund	TIO \$'000	TIO Insurance & Banking Discontinued Operations (see Note 36) \$'000	MAC Fund
Profit and loss		\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Revenue	5	267,397	113,171	160,917	350,181	210,228	153,113
Outwards reinsurance premium expense		(33,503)	(22,671)	(10,832)	(54,974)	(49,710)	(5,264)
Claims expense	21	(160,323)	(45,864)	(114,459)	(170,221)	(61,286)	(108,935)
Acquisition costs		(3,698)	(4,039)	341	(6,753)	(6,448)	(305)
Unexpired risk expense		706	-	706	(800)	-	(800)
Grants provided to fund road safety programs		(3,888)	-	(3,888)	(4,022)	-	(4,022)
Finance costs		(13,435)	(13,435)	-	(21,239)	(21,239)	-
Depreciation and amortisation expense		(784)	(784)	-	(1,718)	(1,287)	(431)
Salaries and employee benefits expense		(18,979)	(18,979)	-	(29,012)	(29,012)	-
Other expenses		(22,573)	(15,148)	(14,116)	(13,642)	(15,436)	(11,366)
Profit before tax		10,920	(7,749)	18,669	47,800	25,810	21,990
Income tax expense	10	2,254	2,254	-	(7,435)	(7,435)	
Profit for the period		13,174	(5,495)	18,669	40,365	18,375	21,990
Other comprehensive income Item that will not be reclassified subsequently to profit or loss: ORevaluation of property, plant and equipment Tax on items that will not be reclassified to profit or loss Total items that will not be reclassified to profit or loss		-	- -	- -	(491) 37 ( <b>454</b> )	(123) 37 (86)	(368)
Item that may be reclassified subsequently to profit or loss: Net fair value gain on hedging instruments entered into for cash flow hedge Tax on items that may be reclassified subsequently to profit or loss		194	194 (21)	-	(80)	(80)	-
Total items that may be reclassified subsequently to profit or loss		173	173	-	(80)	(80)	-
Other comprehensive income (loss) for the period, net of tax		173	173	-	(534)	(166)	(368)
Total comprehensive income for the period		13,347	(5,322)	18,699	39,831	18,209	21,622

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 2015

	Notes		2015			2014	
	Notes		2015 TIO			2014 TIO	
		MACC	Insurance & Banking	MAC Fund	TIO	Insurance & Banking	MAC Fund
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
CURRENT ASSETS							
Cash and cash equivalents	11	13,469	-	13,469	49,850	28,507	21,344
Trade and other receivables	12	2,892	-	2,892	64,740	62,518	3,349
Other financial assets	13	507,726	-	507,726	851,918	272,105	579,813
Loans	14	-	-	-	11,672	11,672	-
Reinsurance and other recoveries receivable	17	11,481	-	11,481	7,177	7,158	19
Deferred reinsurance expense	18	-	-	-	18,854	18,854	-
Deferred acquisition costs	18	65	-	65	5,898	5,898	-
<b>Total Current Assets</b>		535,633	-	535,633	1,010,109	406,712	604,525
NON-CURRENT ASSETS							
Intangible assets	15	-	-	-	391	391	-
Loans	14	-	-	-	572,607	572,607	-
Property, plant and equipment	16	-	-	-	47,046	3,528	43,518
Reinsurance and other recoveries receivable	17	50,437	-	50,437	51,937	22,468	29,469
Deferred tax assets	10	-	-	-	4,340	4,340	-
Investment property	34	43,000	-	43,000	-	-	-
<b>Total Non-Current Assets</b>		93,437	-	93,437	676,321	603,334	72,987
Total Assets		629,070	-	629,070	1,686,430	1,010,046	677,512
CURRENT LIABILITIES							
Outstanding claims liability	19	55,631	-	55,631	71,535	31,311	40,224
Trade and other payables	22	5,593	-	5,593	30,041	26,398	4,771
Deposits	23	-	-	-	556,274	556,274	-
Borrowings	31	-	-	-	25,000	25,000	-
Other financial liabilities	13	258	-	258	1,594	234	1,360
Current tax liabilities	10	-	-	-	5,353	5,353	-
Provisions	24	-	-	-	4,399	4,399	-
Unearned premium liability	20	32,939	-	32,939	106,512	75,246	31,266
Unexpired Risk Liability	20	-	-	-	706	-	706
Securitisation liabilities	25	-	-	-	910	910	-
<b>Total Current Liabilities</b>		94,421	-	94,421	802,324	725,125	78,327
NON-CURRENT LIABILITIES							
Outstanding claims liability	19	386,174	-	386,174	421,958	92,579	329,379
Borrowings	31	-	-	-	25,000	25,000	-
Deferred tax liabilities	10	-	-	-	1,811	1,811	-
Provisions	24	-	-	-	1,208	1,208	-
Securitisation liabilities	25	-	-	-	27,353	27,353	-
<b>Total Non-Current Liabilities</b>		386,174	-	386,174	477,330	147,951	329,379
Total Liabilities		480,595	-	480,597	1,279,654	873,076	407,706
Net Assets		148,475	-	148,475	406,776	136,970	269,806
EQUITY							
Retained earnings	26	148,475	-	148,475	337,687	91,450	260,902
Asset revaluation reserve	26	-	-	-	18,569	-	3,904
Contributed equity	26	-	-	-	39,340	39,340	-
Hedging reserve	26	-	-	-	(173)	(173)	-
MAC road safety reserve	26	-	-	-	5,000	-	5,000
Catastrophe reserve	26				6,353	6,353	
Total Equity		148,475	-	148,475	406,776	136,970	269,806

 $\label{thm:conjunction} The above Statement of Financial Position should be read in conjunction with the accompanying notes.$ 

# Statement of Changes in Equity for the year ended 30 June 2015

MACC	Notes	Retained Earnings	Asset Revaluation Reserve	MAC Road Safety Reserve	Catastrophe Reserve	Contributed Equity	Hedging Reserve	Total
		\$′000	\$'000	\$′000	\$'000	\$'000	\$'000	\$′000
Balance as at 1 July 2013 - TIO		311,164	19,023	5,000	3,010	39,340	(93)	377,445
Profit for the period		40,365	-	-	-	-	-	40,365
Other comprehensive income		-	(454)	-	-	-	(80)	(534)
Total comprehensive income for the period		40,365	(454)	-	-	-	(80)	39,831
Transactions with owners in their capacity as owner MAC road safety reserve		_	_	_	_	_	_	_
Catastrophe reserve		(3,343)	-	-	3,343	_	-	_
Dividend paid		(10,500)	-	-	-	-	-	(10,500)
		(13,843)	-	-	3,343	-	-	(10,500)
Balance as at 30 June 2014 - TIO		337,687	18,569	5,000	6,353	39,340	(173)	406,776
Profit for the period		13,174	-	-	-	-	-	13,174
Other comprehensive income		-	-	-	-	-	173	173
Total comprehensive income for the period		13,174	-	-	-	-	173	13,347
Transactions with owners in their capacity as owners								
MAC road safety reserve		5,000	-	(5,000)	-	-	-	-
Catastrophe reserve		6,353	-	-	(6,353)	-	-	-
Asset revaluation reserve		18,569	(18,569)	-	-	-	-	-
Contributed equity		-	-	-	-	(39,340)	-	(39,340)
Dividend paid		(140,000)	-	-	-	-	-	(140,000)
Balance transferred to owner		(92,308)	-	-		-	-	(92,308)
		(202,386)	(18,569)	(5,000)	(6,353)	(39,340)	-	(271,648)
Balance as at 30 June 2015 - MACC	_	148,475	-	-	-	-	-	148,475

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

# Statement of Changes in Equity for the year ended 30 June 2015 continued...

TIO Insurance & No Banking	tes Retained Earnings	Asset Revaluation Reserve	MAC Road Safety Reserve	Catastrophe Reserve	Contributed Equity	Hedging Reserve	Total
_	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2013	82,571	4,433	-	3,010	39,340	(93)	129,261
Profit for the period	18,375	-	-	-	-	-	18,375
Other comprehensive income	-	(86)	-	-	-	(80)	(166)
Total comprehensive income for the period	18,375	(86)	-	-	-	(80)	18,209
Transactions with owners in their capacity as owner							
MAC road safety reserve	-	-	-	-	-	-	-
Catastrophe reserve	(3,343)	-	-	3,343	-	-	-
Dividend paid Transferred to retained	(10,500)	- (4.247)	-	-	-	-	(10,500)
earnings	4,347	(4,347)	-	-		-	-
	(9,496)	(4,347)	-	3,343	-	-	(10,500)
Balance as at 30 June 2014	91,450	-	-	6,353	39,340	(173)	136,970
Profit for the period Other comprehensive income	(5,495)	-	-	-	-	173	(5,495) 173
Total comprehensive income for the period	(5,495)	-	-	-	-	173	(5,322)
Transactions with owners in their capacity as owners							
MAC road safety reserve	-	-	-	(6.05=)	-	-	-
Catastrophe reserve	6,353	-	-	(6,353)	(00.065)	-	(00.045)
Contributed equity Balance transferred to	(92,308)	-	-	-	(39,340)	-	(39,340) (92,308)
owner	,	_	_	(6,353)	(39,390)	_	
Balance as at 30 June	(85,955)			(6,353)	(39,390)		(131,648)
2015	-	-	-	-	-	-	-

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

# Statement of Changes in Equity for the year ended 30 June 2015 continued...

MAC Fund	Notes	Retained Earnings	Asset Revaluation Reserve	MAC Road Safety Reserve	Catastrophe Reserve	Contributed Equity	Hedging Reserve	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2013		238,912	4,272	5,000	-	-	-	248,184
Profit for the period		21,990	-	-	-	-	-	21,990
Other comprehensive income		-	(368)	-	-	-	-	(368)
Total comprehensive income for the period		21,990	(368)	-	-	-	-	21,622
Transactions with owners in their capacity as owner								
MAC road safety reserve		-	-	-	-	-	-	-
Catastrophe reserve		-	-	-	-	-	-	-
Dividend paid		-	-	-	-	-	-	-
Balance as at 30 June		-	-	-	-	-	-	-
2014		260,902	3,904	5,000	-	-	-	269,806
Profit for the period								
Other comprehensive income		18,669	-	-	-	-	-	18,669
Total comprehensive income for the period		18,669						18,669
Transactions with owners in their capacity as owners								
MAC road safety reserve		5,000	-	(5,000)	-	-	-	-
Asset revaluation reserve	34	3,904	(3,904)	-	-	-	-	-
Dividend paid		(140,000)	-	-				(140,000)
		(131,096)	(3,904)	(5,000)	-	-	-	(140,000)
Balance as at 30 June 2015	=	148,475	-	-	-	-	-	148,475

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 2015**

Not	es		2015			2014	
		масс	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund	тіо	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund
		\$'000	\$′000	\$′000	\$'000	\$'000	\$'000
Cash flows from operating activities							
Premiums received		162,189	74,283	87,905	223,560	140,827	82,733
Outwards reinsurance premiums paid		(37,187)	(25,818)	(11,370)	(53,563)	(48,052)	(5,511)
Claims paid		(74,399)	(32,409)	(41,990)	(102,338)	(59,688)	(42,650)
Reinsurance recoveries received		11,707	8,549	3,158	13,141	11,266	1,874
Trust distributions received		21,687	1,403	20,284	18,301	5,611	12,690
Interest received		18,845	7,841	11,004	17,172	9,013	8,158
Operating lease income received		3,955	147	3,808	3,048	1,130	1,918
Other income received		3,736	3,370	366	7,485	6,908	577
Acquisition costs paid		(8,219)	(8,590)	371	(8,894)	(8,529)	(365)
General and administration expenses paid		(44,865)	(28,819)	(16,046)	(50,325)	(38,355)	(11,970)
Funding for road safety programs paid		(3,888)	-	(3,888)	(3,816)	-	(3,816)
Goods and services tax paid		(8,179)	(4,005)	(4,174)	(10,980)	(6,348)	(4,632)
Monies held on trust received / (paid)		(2,112)	(2,112)	-	1,074	1,074	-
Interest expense paid on deposits		(14,208)	(14,208)	-	(20,516)	(20,516)	-
Unrealised investment income		(1,781)	(61)	(1,720)	1,126	-	1,126
Interest income received from loans		15,482	15,482	-	29,584	29,584	-
Income tax paid		(6,442)	(6,442)	-	(7,557)	(7,557)	_
Net cash flow from/ (used in) operating activities	31	36,321	(11,389)	47,708	56,502	16,368	40,132
Cash flows from investing activities							
Net loans extended to customers		(21,990)	(21,990)	-	(53,202)	(53,202)	-
Net (payments) / receipts for investments		167,415	82,998	84,417	(38,441)	(23,202)	(15,236)
Payments for property, plant and equipment and intangibles		(784)	(784)	-	(1,328)	-	(10,875)
Proceeds from property, plant and equipment		354	354	-	132	9,679	-
Net cash flow from/ (used in) investing activities		144,995	60,578	84,417	(92,839)	(66,725)	(26,111)
Cash flows from financing activities							
Net increase/(decrease) in savings		15,975	15,975	-	79,785	79,785	-
and other deposit accounts  Dividend Paid		(140,000)	_	(140,000)	(10,500)	(10,500)	_
Borrowings		(50,000)	(50,000)	-	-	-	-
Repayments of securitisation		(5,645)	(5,645)	-	(12,763)	(12,763)	-
funding Net cash flow from/ (used in) financing activities		179,670	(39,670)	(140,000)	56,522	56,522	_
Net increase/ (decrease) in cash held		1,646	9,519	(7,875)	20,185	6,165	14,021
Cash at the beginning of the period		49,850	28,508	21,344	29,665	22,343	7,323
Cash transferred to owner		(38,027)	(38,027)	-	-	-	-
Cash at the end of the period	11	13,469	-	13,469	49,850	28,508	21,344

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

# 1. Corporate Information

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

For the financial year ended 30 June 2015 any reference to TIO also includes reference to the MACC and vice versa due to the name change as at 1 January 2015. MACC is domiciled in the Northern Territory. The principal commercial activities of MACC are the operation of the Insurance and Banking businesses for the first 6 months as TIO and the administration of the MAC Scheme on behalf of the NT Government for the full 12 months.

TIO for the first 6 months was only authorised to transact business and carry out functions as provided in the TIO Act up to 31 December 2014, or as approved or directed by the Minister. Its policies and contracts of insurance or indemnity and deposits placed with it were fully guaranteed by the Northern Territory Government under section 30 of the TIO Act up until 31 December 2014.

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

# 2. Summary of significant accounting policies

## 2.1 Basis of Preparation

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

During the year the Northern Territory Government disposed of both the TIO Insurance and Banking divisions as at 1 January 2015. Assets and liabilities as at 31 December 2014 associated with these business divisions have been transferred to the Northern Territory Government as owner. No associated sales transaction has been recorded in the Financial Statements of the Motor Accidents (Compensation) Commission. Accordingly, headings used through this document for 2015 are defined as:

Heading	Context	Definition
MAC Fund	Performance	12 months operations comprising 6
		months under TIO and 6 months
		under MACC.
	Position	Balances as at 30 June for MACC.
TIO Insurance & Banking	Performance	6 months of trading from 1 July 2014
		to 31 December 2014.
	Position	No balances as at 30 June 2015.
MACC	Performance	Consolidated view of MACC,
		comprising 6 months of Insurance and
		Banking and 12 months of MACC.
	Position	Balances as at 30 June for MACC.

These general purpose financial statements were authorised by the MACC Commissioner on 29 September 2015.

The financial statements have been prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies set below at Note 2.3. Balances among TIO Insurance & Banking and the MAC Fund are gross of inter-business transactions and in the MACC balance (which is the combined total of TIO Insurance & Banking and the MAC Fund as a whole) the inter-business transactions are eliminated. Motor Accidents (Compensation) Commission is a for profit entity for financial reporting purposes, from 1 July 2014 to 31 December 2014. MAC Fund is not subject to income tax.

# Fiduciary Responsibilities in respect of the Motor Accidents Compensation Fund

TIO administered the MAC Scheme pursuant to section 5(c) of the TIO Act (repealed) up until 31 December 2014. The establishment of the MAC Fund on 1 July 2006 did not create a trust and TIO and its Board members were not trustees in relation to the MAC Fund. From 1 January 2015 the management of the MAC Fund and Scheme fell under the provisions of a management agreement between the Northern Territory Government and Allianz Australia Pty Limited.

For the first 6 months up to 31 December 2014, pursuant to Section 22C of the TIO Act (repealed), the assets of the fund had to be solely applied for the following purposes:

- Operating the MAC Scheme;
- The promotion of road safety;
- The acquisition of assets for the MAC Fund;
- The discharge of liabilities in relation to the MAC business.

Under the TIO Act, the Annual report of TIO had to consist of:

- a) a report for the Territory Insurance Office as a whole; and
- b) a separate report for the commercial business; and
- c) a separate report for the MAC business.

The provisions of the Motor Accidents (Compensation) Act 2014 do not detail the financial reporting requirements associated with the previous provisions of the TIO Act. In the interest of comparability and consistency, this document has been produced in a consistent manner.

TIO previously addressed its obligations under the TIO Act by segregating the assets and liabilities of the MAC Fund and presenting in the financial statements the above information requirements using a 6 column approach.

The disclosures for both TIO [Insurance and Banking] and the MAC Fund are their standalone results and balances and necessarily disclose all transactions that occur between the two business activities.

Accounting policies applicable to both TIO and the MAC Fund are outlined throughout Note 2.3.

# 2.2 New and Revised Accounting Standards

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

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

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

# Standards and Interpretations in issue not yet adopted

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

Title	Amendment	Effective on or after	Financial year expected to be applied
AASB 9 'Financial Instruments (December 2014)'	Financial Instruments – December 2014	1 January 2018	30 June 2018
AASB 15 'Revenue from Contracts with Customers – (December 2014)	Revenue from Contracts with Customers – December 2014 (Principal)	1 January 2017	30 June 2017

AASB 2010-7	Amendments to Australian Accounting Standards arising from AASB 9	1 January 2018	30 June 2018
AASB 2015-1	Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110,, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137, & AASB 140]	1 January 2016	30 June 2016
AASB 2015-2	Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]	1 January 2016	30 June 2016

# 2.3 Significant Accounting Policies

In addition to MACC's primary operations of providing Insurance and Banking services for the first 6 months to the Northern Territory, MACC administered the MAC Fund pursuant to the former TIO Act. The results and balances are disclosed separately to fulfil the reporting obligations set out by both the former TIO Act (up to 31 December 2014) and the current regime of the MACC Act.

All accounting policies are consistent with the previous year unless otherwise stated.

## a) Revenue recognition

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

### Premium revenue

Premium is comprised of amounts charged to policyholders or other insurers, but excludes stamp duties, GST and other amounts collected on behalf of third parties. The earned portion of premiums received and receivable, including unclosed business, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Premiums on unclosed business are estimated with reference to the previous year's premium processing delays and the impact of recent trends and events on the pattern of new business and renewals.

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

# Reinsurance and other recoveries receivable

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

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

# **Interest, fees and commission**

Interest income is recognised on an accrual basis. Banking related fees and commissions are brought to account on an accrual basis whilst loan establishment fees are brought to account over the estimated average life of the loan on an effective interest rate basis.

## Rental revenue

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

# b) Unexpired risk liability

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

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

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

## c) Outwards reinsurance

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

# d) Outstanding claims liability

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

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

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

# e) Receivables

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

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

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

# f) Deferred acquisition costs

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

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

# **Liability Adequacy Test**

Refer to Note 2 (b)

# g) Assets backing insurance liabilities

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

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

All assets backing insurance liabilities that are owned by TIO Insurance and Banking businesses were transferred to owners effective 1 January 2015.

### Receivables

Refer to note 2.3(e)

### Financial Assets

Investment assets held to back insurance liabilities, have been categorised as "at fair value through profit and loss".

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

Details of fair value for financial assets are listed below:

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

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

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

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

# Investment property

During the year the Freehold Land and Building at 24 Mitchell Street was reclassified from Property Plant and Equipment to Investment Property. The transfer of TIO Insurance and Banking businesses to owners and its subsequent sale changed the status of the property as at 1 January 2015. The property 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 profit and loss.

# h) Fire service levy and other charges - TIO Insurance & Banking

A liability for fire service levy and other charges is recognised on certain business written to the reporting date. Levies and charges payable are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as an asset.

# i) Taxes

### **Income tax**

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

## TIO Insurance & Banking:

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or the liabilities are settled. The tax rate is applied to the cumulative amounts of deductible and assessable temporary differences to measure the deferred tax asset or liability.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

All tax balances have been transferred to the Northern Territory Government as part of the discontinued operation.

## MAC Fund:

The MAC Fund is not subject to the National Tax Equivalents Regime and accordingly the MAC Fund has no tax related balances or transactions reported.

# **Goods and Services Tax (GST)**

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

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

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

# j) Dividend

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

# k) Property, plant and equipment

The property located at 24 Mitchell Street is used in the supply of services and for administrative purposes and has been held to back insurance liabilities.

During the year the building was reclassified from Property Plant and Equipment to Investment Property due to change in owner-occupied status (see Note 2.3 g).

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using either the straight-line method or diminishing value method.

Leasehold assets are depreciated over the life of the assets or term of the lease, whichever is shorter.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The expected useful lives for plant and equipment, other than owner-occupied property, range from 2.5 to 13 years (2014: 2.5 to 13 years).

# I) Financial instruments not held to back insurance liabilities

Financial assets not held to back insurance liabilities include financial instruments used in the provision of banking services and assets not included in note 2.3(g). Financial assets and financial liabilities are recognised on MACC's Statement of Financial Position when MACC becomes a party to the contractual provisions of the instrument.

All financial instruments not held to back insurance liabilities that are owned by TIO Insurance and Banking businesses were transferred to owners effective 1 January 2015.

# <u>Trade receivables (excluding premium receivables)</u>

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

### Loans - TIO Insurance & Banking

All loans are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate calculation includes the contractual terms of loans together with fees and transaction costs.

All loans are kept under continuous management review to assess whether there is any objective evidence that any loan or group of loans is impaired. A specific provision is made for all identified impaired loans when there is reasonable doubt over the collectability of principal and interest in accordance with the loan agreement. All bad debts are written off against the specific provision in the period in which they are classified as not recoverable. An appropriate collective impairment provision is determined by estimation of expected losses in relation to

loan portfolios where specific identification is impractical, based on peer group experience. Adjustments to the collective impairment provision are accounted for through the Statement of Profit or Loss and Other Comprehensive Income. The provision recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate.

# Securitisation - TIO Insurance & Banking

The applicability of this section is for the period leading up to the sale of the Insurance and Banking divisions.

MACC has a sub origination and management agreement with Integris Securitisation Services Pty Ltd (Master Servicer) and Cuscal Management Pty Limited (Manager) which are wholly owned subsidiaries of Cuscal Limited, to assign securitised home loans with Integrity Trust, which is managed by Perpetual Trustee Company Limited (Trustee of the Trust).

These securitised loans are reported as "on Statement of Financial Position" mortgage products under AASB 139, and are subject to mortgage insurance. MACC recognises the financial liability to the Trust as a securitisation liability. The contractual arrangements of the securitisation program do not meet the criteria outlined in AASB139 *Financial Instruments: Recognition and Measurement* for transferring assets off the Statement of Financial Position.

MACC is the loan originator and it services and assigns selected loans to the Trustee of the Trust in exchange for cash consideration. MACC passes on all cash flows of the loans to the Trust. MACC will continue to service these securitised loans on behalf of the trust and receives fee income for doing so. MACC receives interest from the loan portfolio and pays interest expense in relation to the funding costs of the securitisation. As loans are not derecognised, MACC will continue to recognise interest income on an accrual basis.

In respect of insurance costs associated with mortgage insurance, MACC account for these costs as a prepayment and they will be charged to the Statement of Profit or Loss and Other Comprehensive Income over the life of the contract.

Loan assets are assessed for impairment.

## <u>Investments</u>

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention ('regular way' transactions) are recognised on the date of settlement, being the date the asset is delivered to or by MACC. In cases where the period between trade and settlement exceeds this time frame, the transaction is also recognised at settlement date. Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and MACC has transferred substantially all the risks and rewards of ownership.

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

# Cash and cash equivalents

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

# Subordinated loans and deposits

Interest-bearing subordinated loan and deposits are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

# Trade payables

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

### Derivative financial instruments

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

MACC uses interest rate swaps to hedge its risks associated with interest rate fluctuations relating to certain loans attracting a fixed rate of interest.

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

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

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

# Hedge accounting

MACC designates its Banking interest rate swaps as cash flow hedges. The movement in fair value is recognised in the Statement of Profit or Loss and Other Comprehensive Income for all derivatives other than those which qualify for hedge accounting.

At the inception of the hedge relationship MACC documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking the hedge transaction. Furthermore, at

the inception of the hedge and on an ongoing basis, MACC documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

Note 33 include details of the fair values of the derivative instruments used for hedging purposes. Movements in the hedging reserve in equity are also detailed in the Statement of Changes in Equity.

## Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss as part of other expenses or other income. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss in the same line of the Statement of Profit or Loss and Other Comprehensive Income as the recognised hedged item. Hedge accounting is discontinued when MACC revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

## m) 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. They 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 the valuation team 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.

## n) Employee benefits

## TIO Insurance & Banking:

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These 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.

#### MAC Fund:

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

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

## o) Translation of foreign currency transactions

Foreign currency transactions are initially translated into Australian currency at the rate of exchange at the date of the transaction. At reporting date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange at that date. Resulting exchange differences are recognised in the Statement of Profit or Loss and Other Comprehensive Income for the year.

## p) Cash and Cash Equivalents

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

## q) Intangible assets

Intangible assets are measured at cost. Following initial recognition, the intangible asset is carried at cost less any accumulated amortisation and accumulated

impairment losses. TIO amortises intangible assets on a basis which reflects the pattern of when expected economic benefits are likely to be realised.

Software development expenditure that meets the criteria for recognition as an intangible asset is capitalised on the Statement of Financial Position and amortised over 1-4 years, subject to impairment testing.

## r) Funding for road safety programs – *MAC Fund*

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

## s) Trade payables

These amounts 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.

## t) Deposits - TIO Insurance & Banking

Interest-bearing deposits are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

## u) 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.

## Operating leases where TIO is a lessee

MACC enters into operating leases for office accommodation. Rentals payable under operating leases are charged to the Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

## Operating leases where MACC is a lessor

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.

#### v) Provisions

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

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

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

## w) 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.

## x) Commitments

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

## y) Comparatives

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

## z) Rounding of amounts

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

## 2.4 Critical accounting judgments and estimates

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

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

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

MACC takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing

claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

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

For the short-tail personal and domestic classes, claims are typically reported soon after the claim event, are settled within a reasonably short period, and hence tend to display lower levels of volatility. 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
- changes in the mix of business
- 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 impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

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

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

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

## b) Assets arising from reinsurance contracts

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

## 3. Actuarial assumptions and methods

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

For the period 1 July to 31 December 2014 and for comparative purposes, TIO Insurance business wrote the following classes of business:

Disclosure category	Category of business	Class of business	Nature
General Insurance	Personal lines	Home	Short Tail
		Motor	Short Tail
		Marine	Short Tail
		Other	Short Tail
	Commercial lines	Fire and ISR	Short Tail
		Contractors	Short Tail
		Marine	Short Tail
		Motor	Short Tail
		Other	Short Tail
	Workers compensation	Workers compensation	Long Tail
	Liability	Public liability	Long Tail
		Indemnity	Long Tail

Short Tail – claims are typically settled within one year of being reported. Long Tail – claims are typically settled over a period longer than one year of being reported or are not typically reported within a year of inception of the loss event.

The process for determining the value of outstanding claims liabilities in respect of these classes of business categories is described below.

## Personal and commercial lines (short tail)

With personal and commercial lines short tail business, there is not a significant delay between the occurrence of the claim and the claim being reported to MACC. Historic loss ratios are analysed to determine how claims incurred in previous periods have developed over time. In addition, ultimate claims incurred are estimated based on past reporting patterns, and payments per claim incurred models are used to project future payments. Final estimates are adopted taking both loss ratio and payments based models into account.

## 3. Actuarial assumptions and methods continued...

## Workers compensation, liability and MAC Fund (long tail)

Claims estimates for MACC's long tail business are derived from analysis of the results of several different actuarial models including claims incurred, payment per active claims, claims estimates, loss ratio and annuity. Payment reporting patterns and payment experience are analysed to develop a weighting to each method that the actuary expects to best represent likely future payments at that the valuation date. In the latest valuation for MACC, the short tail classes were valued using a combination of the payments per claim incurred and loss ratio models. A combination of payment and annuity models was used for Workers Compensation.

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. Superimposed inflation arises from non-economic factors such as developments of legal precedent.

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.

#### Inwards reinsurance

MACC's inwards reinsurance portfolio is in run-off. Claims estimates for MACC's inwards reinsurance business are derived from an analysis of the historic development of incurred claims, paid claims and loss ratios. For some classes, ultimate loss ratios are applied which reflect the long term expected level. For other classes, estimates are based on case estimates, with appropriate allowance for future development based on historic experience. Allowance is made for inflation and projected payments are discounted to allow for the time value of money.

## **Actuarial assumptions**

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

	2015 Insurance	2014 Insurance	2015 MAC Fund	2014 MAC Fund
Average weighted term to settlement (years)	-	4.26	13.12	11.09
Average claim frequency (latest accident year)	-	10.35%	0.25%	0.29%
Average claim size (\$)	-	3,793	97,772	83,538
Expense rate	-	6.88%	7.50%	7.50%
Discount rate	-	2.5%-5%	2%-5.5%	2.5%-5%
Inflation	-	4.49%	4.00%	4.49%

## **Process used to determine assumptions**

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

## 3. Actuarial assumptions and methods continued...

## 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 by reference to budgeted future expenditure, allocated to class of business and compared to past 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 - insurance contracts

## i) Summary

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

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

# 3. Actuarial assumptions and methods continued...

## ii) Impact of changes in key variables

Effect	on	Profit/(	loss	) before

	_	Gross of reinsurance \$'000	Net of reinsurance \$'000	Equity \$'000
MAC Fund				
Weighted term to settlement	+10%	9,024	7,072	7,072
	-10%	(9,222)	(7,206)	(7,206)
Average claim frequency – latest accident year	+10%	(5,256)	(5,256)	(5,256)
	-10%	5,256	5,256	5,256
Average claim size	+10%	(42,069)	(37,989)	(37,989)
	-10%	42,069	37,989	37,989
Expense rate	+1%	(3,913)	(3,913)	(3,913)
	-1%	3,913	3,913	3,913
Discount rate	+1%	46,713	41,014	41,104
	-1%	(59,398)	(52,062)	(52,062)
Inflation	+1%	(58,368)	(51,105)	(51,105)
	-1%	46,783	41,039	41,039

# 4. Insurance contracts – risk management policies and procedures

Unless stated otherwise the following disclosures relate to both MACC and the MAC Fund.

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

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

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

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

The RMS and REMS put in place by TIO has been adopted by the MACC. 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.
- Documented procedures are followed for underwriting and accepting insurance risks.
- Natural disasters such as cyclones are more challenging to manage. MACC monitor exposure to such risks through special modelling techniques involving the collation of data on weather patterns which support decisions on limiting exposure.
- Reinsurance is used to limit MACC's exposure to large single claims and catastrophes. When selecting a reinsurer we only consider those companies that provide high security. In order to assess this we use rating information from the public domain or gathered through internal investigations.
- In order to limit concentrations of credit risk, in purchasing reinsurance MACC has regard to existing reinsurance assets and seeks to limit excess exposure to any single reinsurer or group of related reinsurers.
- The mix of assets in which we invest is driven by the nature and term of the insurance liabilities.

# 4. Insurance contracts – risk management policies and procedures continued...

## b) Terms and conditions of insurance and inwards reinsurance business

The terms and conditions attaching to insurance contracts affect the level of insurance risk accepted by MACC. The majority of direct insurance contracts written are entered into on a standard form basis. All inwards reinsurance contracts are subject to substantially the same terms and conditions. There are no special terms and conditions in any non standard contracts that have a material impact on the financial statements. All insurance contracts written in the Northern Territory are subject to substantially the same terms and conditions.

## c) Concentration of insurance risk

MACC's exposure to concentrations of insurance risk is lessened by a portfolio diversified into numerous classes of business. Specific processes for monitoring identified key concentrations are set out below.

Risk	Source of concentration	Risk management measures
Natural catastrophes	Properties concentrated in regions that are subject to cyclones, floods and storm surges.	MACC has modelled aggregated risk by postcode using commercially available catastrophe models with a specific MACC model developed in conjunction with Willis Re.
		Based on the probable maximum loss per the models, MACC purchases catastrophe reinsurance cover to limit exposure to any single event.

## d) Development of claims

There is a possibility that changes may occur in the estimate of our obligations at the end of a contract period. The tables in note 19 show our estimates of total claims outstanding for each underwriting year at successive year ends.

## e) Interest rate risk

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

## f) Credit risk

Financial assets and liabilities arising from insurance and reinsurance contracts are stated in the Statement of Financial Position at the amount that best represents the maximum credit risk exposure at reporting date. There are no significant concentrations of credit risk. Additional information relating to the ageing of premium debtors is included in note 33 (b).

# 4. Insurance contracts – risk management policies and procedures continued...

## g) Reinsurance counterparty risk

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

- Treaty or facultative reinsurance is placed in accordance with the requirements of MACC's reinsurance management strategy.
- Reinsurance arrangements are regularly reassessed to determine their effectiveness based on current exposures, historical losses and potential future losses based on Realistic Disaster Scenarios and MACCs Maximum Event Retention.
- Exposure to reinsurance counterparties and the credit quality of those counterparties is actively monitored.

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

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

		Credit Ratings				
		AAA \$'000	AA \$'000	A \$′000	Unrated \$'000	Total \$'000
Reinsurance and other recoveries on outstanding	2015	-	-	-	-	-
claims	2014	-	34,392	16,294	6,384	57,070
Reinsurance and other	2015	-	-	-	-	-
recoveries on paid claims	2014	-	-	239	1,805	2,044

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

			0 to 3 months \$'000	3 to 6 months \$'000	Greater than 6 months \$'000	Impaired	Total \$'000
	2015	Insurance	-	-	-	-	-
		MAC Fund	-	-	-	-	-
Reinsurance and		Total TIO	-	-	-	-	-
recoveries on paid							
claims	2014	Insurance	2,025	8	11	-	2,044
		MAC Fund	-	-	-	-	-
		Total TIO	2,025	8	11	-	2,044

## 5. Revenue

Part			2015			2014	
MACC (Department of propertions (Propertions (P							
Direct (note 9)		MACC	& Banking Discontinued Operations	MAC Fund	тіо	& Banking Discontinued Operations	MAC Fund
Total premium revenue   142,892   64,554   78,338   203,778   127,298   76,480		\$′000	\$'000	\$'000	\$'000	\$'000	\$'000
Total premium revenue   142,892   64,554   78,338   203,778   127,298   76,480	Premium revenue						
Revenue from the rendering of services   42,930   8,684   34,246   13,046   13,192   (146)	Direct (note 9)	142,892	64,554	78,338	203,778	127,298	76,480
Revenue from the rendering of services         Revenue from financial assets and liabilities not at fair value through profit and loss         2,617         2,617         -         6,092         6,092         -         -         -         -         6,092         6,092         -         -         -         -         -         6,092         6,092         -	Total premium revenue	142,892	64,554	78,338	203,778	127,298	76,480
Services   Revenue from financial assets and liabilities not at fair value through profit and loss   Services   Service	Reinsurance and other recoveries	42,930	8,684	34,246	13,046	13,192	(146)
Revenue from financial assets and liabilities not at fair value through profit and loss   2,617   2,617   - 85   175   43   132							
Services         85         -         85         175         43         132           Total Revenue from the rendering of services         2,702         2,617         85         6,267         6,135         132           Finance revenue         Interest revenue – Banking         19,874         19,874         -         34,394         34,394         -           Interest revenue – Non Banking         13,227         2,321         10,906         13,018         4,831         8,187           Financial assets at fair value through profit and loss:         33,101         22,195         10,906         47,412         39,225         8,187           Financial assets at fair value through profit and loss:         33,101         22,195         10,906         47,412         39,225         8,187           Financial assets at fair value through profit and loss:         21,687         1,403         20,284         18,301         5,611         12,690           Change in the fair value of finvestments held for trading investments held for trading Programments	Revenue from financial assets and liabilities not at fair value through	2,617	2,617	-	6,092	6,092	-
Total Revenue from the rendering of services   Finance revenue	3	85	-	85	175	43	132
Interest revenue - Banking   19,874   19,874   - 34,394   34,394   - 33,101   13,227   2,321   10,906   13,018   4,831   8,187   33,101   22,195   10,906   47,412   39,225   8,187   1,403   33,101   3,101	Total Revenue from the rendering	2,702	2,617	85	6,267	6,135	132
13,227   2,321   10,906   13,018   4,831   8,187	Finance revenue						
Sample   S	Interest revenue – Banking	19,874	19,874	-	34,394	34,394	-
Financial assets at fair value through profit and loss:   Trust distributions   21,687   1,403   20,284   18,301   5,611   12,690     Change in the fair value of investments held for trading Net gain on the disposal of investments held for trading Change in fair value of derivatives - ineffective cash flow hedges   21,146   2,025   19,121   9,248   997   8,251     Total finance revenue   74,903   31,265   43,638   123,755   50,906   72,849     Revenue from properties   74,903   31,265   43,638   123,755   50,906   72,849     Revenue from properties   3,832   - 4,864   2,558   639   3,436     Change in the fair value of investment property   (618)   - 4,246   2,558   639   3,436     Change in the fair value of investment property   (618)   - 4,246   2,558   639   3,436     Other income   38   38   - 63   63   63   63     Other gapeness recovered   38   38   - 63   63   63   63     Operating expenses recovered from related party   718   354   364   714   352   362     Total other revenue   756   6,051   364   777   12,058   362	Interest revenue – Non Banking	13,227	2,321	10,906	13,018	4,831	8,187
profit and loss:         Trust distributions         21,687         1,403         20,284         18,301         5,611         12,690           Change in the fair value of investments held for trading Net gain on the disposal of investments held for trading Change in fair value of derivatives – ineffective cash flow hedges         21,146         2,025         19,121         9,248         997         8,251           Change in fair value of derivatives – ineffective cash flow hedges         74,903         31,265         43,638         123,755         50,906         72,849           Revenue from properties         Rental revenue         3,832         -         4,864         2,558         639         3,436           Change in the fair value of investment property         (618)         -         4,246         2,558         639         3,436           Other income           Bad debts recovered         38         38         -         63         63         -           Operating expenses recovered from related party         -         5,659         -         -         11,643         -           Other miscellaneous income         718         354         364         714         352         362           Total other revenue         756         6,051         364         777         12,058		33,101	22,195	10,906	47,412	39,225	8,187
Change in the fair value of investments held for trading Net gain on the disposal of investments held for trading Net gain on the disposal of investments held for trading Change in fair value of derivatives – ineffective cash flow hedges         21,146         2,025         19,121         9,248         997         8,251           Change in fair value of derivatives – ineffective cash flow hedges         -         -         -         (109)         (109)         -           Total finance revenue         74,903         31,265         43,638         123,755         50,906         72,849           Revenue from properties         8         -         4,864         2,558         639         3,436           Change in the fair value of investment property         (618)         -         4,246         2,558         639         3,436           Change in the fair value of investment property         3,214         -         4,246         2,558         639         3,436           Other income         8         38         38         -         63         63         -           Bad debts recovered         38         38         -         63         63         -           Operating expenses recovered from related party         -         5,659         -         -         11,643         -							
Investments held for trading   Net gain on the disposal of investments held for trading   Change in fair value of derivatives - ineffective cash flow hedges   -   -   -   (109)   (109)   -		21,687	1,403	20,284	18,301	5,611	12,690
19,121   9,248   997   8,251		(1,031)	5,642	(6,673)	48,903	5,182	43,721
Change in fair value of derivatives - ineffective cash flow hedges         -         -         -         (109)         (109)         -           Total finance revenue         74,903         31,265         43,638         123,755         50,906         72,849           Revenue from properties         Rental revenue           Rental revenue         3,832         -         4,864         2,558         639         3,436           Change in the fair value of investment property         (618)         -         (618)         -         -         -         -         -           Total property revenue         3,214         -         4,246         2,558         639         3,436           Other income           Bad debts recovered         38         38         -         63         63         -           Operating expenses recovered from related party         -         5,659         -         -         11,643         -           Other miscellaneous income         718         354         364         714         352         362           Total other revenue         756         6,051         364         777         12,058         362		21,146	2,025	19,121	9,248	997	8,251
Total finance revenue         74,903         31,265         43,638         123,755         50,906         72,849           Revenue from properties         3,832         -         4,864         2,558         639         3,436           Change in the fair value of investment property         (618)         -         (618)         -         -         -         -         -           Total property revenue         3,214         -         4,246         2,558         639         3,436           Other income         8         38         -         63         63         -           Bad debts recovered         38         38         -         63         63         -           Operating expenses recovered from related party         -         5,659         -         -         11,643         -           Other miscellaneous income         718         354         364         714         352         362           Total other revenue         756         6,051         364         777         12,058         362	Change in fair value of derivatives –	-	-	-	(109)	(109)	-
Rental revenue       3,832       -       4,864       2,558       639       3,436         Change in the fair value of investment property       (618)       -       (618)       -	-	74,903	31,265	43,638	123,755	50,906	72,849
Change in the fair value of investment property         (618)         -         (618)         -	Revenue from properties						
Total property         3,214         -         4,246         2,558         639         3,436           Other income         38         38         -         63         63         -           Operating expenses recovered from related party         -         5,659         -         -         11,643         -           Other miscellaneous income         718         354         364         714         352         362           Total other revenue         756         6,051         364         777         12,058         362	Rental revenue	3,832	-	4,864	2,558	639	3,436
Other income           Bad debts recovered         38         38         -         63         63         -           Operating expenses recovered from related party         -         5,659         -         -         11,643         -           Other miscellaneous income         718         354         364         714         352         362           Total other revenue         756         6,051         364         777         12,058         362		(618)	-	(618)	-	-	-
Bad debts recovered       38       38       -       63       63       -         Operating expenses recovered from related party       -       5,659       -       -       11,643       -         Other miscellaneous income       718       354       364       714       352       362         Total other revenue       756       6,051       364       777       12,058       362	Total property revenue	3,214	-	4,246	2,558	639	3,436
Operating expenses recovered from related party         -         5,659         -         -         -         11,643         -           Other miscellaneous income         718         354         364         714         352         362           Total other revenue         756         6,051         364         777         12,058         362	Other income						
related party     -     5,659     -     -     11,643     -       Other miscellaneous income     718     354     364     714     352     362       Total other revenue     756     6,051     364     777     12,058     362	Bad debts recovered	38	38	-	63	63	-
Other miscellaneous income         718         354         364         714         352         362           Total other revenue         756         6,051         364         777         12,058         362		-	5,659	-	-	11,643	-
	• •	718	354	364	714	352	362
Total revenue 267,397 113,171 160,917 350,181 210,228 153,113	Total other revenue	756	6,051	364	777	12,058	362
	Total revenue	267,397	113,171	160,917	350,181	210,228	153,113

# 6. Other specific net (losses)/gains and expenses included in the statement of profit or loss and other comprehensive income

	2015			2014			
	MACC	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund	тіо	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund	
	\$′000	\$′000	\$′000	\$′000	\$′000	\$'000	
Profit (Loss) on sale of property, plant and equipment	33	33	-	(22)	(22)	-	
Depreciation – property, plant and equipment	(442)	(442)	-	(1,211)	(660)	(551)	
Amortisation - intangible assets	(391)	(391)	-	(747)	(747)	-	
Impairment loss – Loans and receivables	(172)	(172)	-	(5)	(5)	-	
Interest expense – Banking	(13,497)	(13,497)	-	(21,239)	(21,239)	-	
Interest Expense - Total	(13,497)	(13,497)		(21,239)	(21,239)	-	
Operating expenses on-charged by related party	-	-	(5,659)	-	-	(11,643)	
Rental expense relating to operating leases – minimum lease payments	(382)	(1,415)	-	(736)	(2,254)	-	

# 7. Interest revenue and interest expense — Discontinued Operations (see Note 36)

The following table shows the amount of interest revenue or expense for each of the major categories of Banking's interest-bearing assets and liabilities.

TIO - BANKING		
	2015	2014
	\$'000	\$'000
Interest revenue		
From assets carried at amortised cost:		
Commercial loans	508	1,166
Home loans	14,868	28,153
Personal loans	105	265
From assets at fair value through profit and loss:	-	-
Investment securities & Cash at bank	1,148	2,323
Interest rate swaps	3,245	2,378
	19,874	34,285
Interest expense		
From liabilities carried at amortised cost:	-	-
Customer deposits	9,156	17,178
Securitisation	568	1,561
From Liabilities at fair value through profit and loss:	-	-
Interest rate swaps	3,773	2,500
	13,497	21,239
Net interest income	6,377	13,046

# 8. Underwriting result

	2015			2014			
	МАСС	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund	тіо	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund	
	\$′000	\$′000	\$'000	\$′000	\$'000	\$'000	
Premium revenue	142,892	64,554	78,338	203,778	127,298	76,480	
Outwards reinsurance premium expense	(33,503)	(22,671)	(10,832)	(54,975)	(49,711)	(5,264)	
Net premium revenue (note 9)	109,389	41,883	67,506	148,803	77,587	71,216	
Claims expense	(160,323)	(45,864)	(114,459)	(170,221)	(61,287)	(108,934)	
Reinsurance and other recoveries revenue	42,930	8,684	34,246	13,046	13,191	(145)	
Net claims incurred (note 21)	(117,393)	(37,180)	(80,213)	(157,175)	(48,095)	(109,080)	
Acquisition costs (note 18)	(3,698)	(4,039)	341	(6,753)	(6,448)	(305)	
Deficiency adjustment (note 20)	706	-	706	(800)	-	(800)	
Underwriting profit/(loss)	(10,996)	664	(11,660)	(15,925)	23,044	(38,969)	

# 9. Net premium revenue

		2015	2014			
	МАСС	TIO Insurance & Banking Discontinued Operations (see Note36)	MAC Fund	TIO Insurance & Banking Discontinued Operations (see Note 36)		MAC Fund
	\$′000	\$'000	\$'000	\$′000	\$'000	\$'000
Gross written premiums	136,048	56,036	80,012	204,975	128,688	76,287
Movement in unearned premiums	6,844	8,518	(1,674)	(1,197)	(1,390)	193
Premium revenue	142,892	64,554	78,338	203,778	127,298	76,480
Outwards reinsurance premiums	(33,503)	(22,671)	(10,832)	(54,975)	(49,711)	(5,264)
Net premium revenue	109,389	41,883	67,506	148,803	77,587	71,216

# 10. Income tax - Discontinued Operations (see Note 36)

The following disclosures relate to the operation of the MACC for the period 1 July to 31 December 2014 and the comparative full year TIO operation in 2014:

(a) The major components of income tax expense are:

	2015	2014
	\$′000	\$'000
Current income tax		
Current income tax charge	(787)	8,132
Adjustment in respect of current income tax of previous years	-	(36)
Total current income tax	(787)	8,095
Deferred income tax		
Relating to originating and reversing temporary differences of deferred tax asset items charged to the statement of profit or loss Relating to originating and reversing temporary differences of deferred tax liability items charged to the statement of profit or loss and other	(3,048)	(4)
comprehensive income	1,581	(656)
Changes due to prior year adjustments	-	-
Total deferred income tax	(1,467)	(660)
Income tax expense / (benefit)	(2,254)	7,435

(b) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by MACC's applicable tax rate is as follows:

	2015 \$'000	2014 \$′000
Accounting profit for the period before income tax	(20,762)	47,798
Income tax expense calculated at the tax rate of 30%	(6,229)	14,340
Tax effect of permanent differences:		
Internal transactions	-	(32)
Non-deductible expenses	46	31
MAC Fund (profit)	3,903	(6,597)
Other items (net)	26	89
Income tax expense adjusted for permanent differences	(2,254)	7,830
Adjustments relating to previous years – current income tax	-	(36)
Income tax credits	-	(359)
Income tax expense / (benefit)	(2,254)	7,435

# **10.** Income tax – Discontinued Operations (see Note 36) continued...

## (c) Amount Recognised in Other Comprehensive Income

	2015	2014
	\$'000	\$'000
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited to equity	-	(37)
Revaluation of Property, Plant and Equipment	-	(37)
Hedging Reserve	-	<u>-</u>
	-	(37)

## (d) Deferred income tax at 30 June relates to the following:

	2015	2014
	\$′000	\$'000
Deferred tax assets:		
Provisions deductible against future taxable income	1,542	1,743
Accrued expenditure deductible against future taxable income	513	1,175
Claims handling expense deductible against future taxable income	2,350	1,156
Financial Asset losses deductible against future taxable income	3,008	-
Tax losses	787	-
Other	266	266
Balance transferred to owner	(8,466)	-
	-	4,340

Deferred tax assets: Movement	Employee entitlements	Impairment provisions	Expense accruals	Claims handling	Financial Assets	Other	Tax Losses	Total
	\$'000	\$'000	\$'000	\$'000		\$'000		\$'000
1 July 2013 Charged /(credited) to	1,471	277	1,095	1,234	-	259	-	4,336
profit or loss Charged directly to other	93	(98)	80	(78)	-	7	-	4
comprehensive income	-	-	-	-	-	-	-	
30 June 2014	1,564	179	1,175	1,156	-	266	-	4,340
Charged /(credited) to profit or loss Charged directly to other comprehensive income	(152)	(54) -	(582)	1,112	3,008	7	787	4,125
Balance transferred to owner	(1,412)	(125)	(593)	(2,268)	(3,008)	(273)	(787)	(8,466)
31 December 2014	-	-	-	-	-	-	_	-

# 10. Income tax continued...

	2015	2014
	\$'000	\$'000
Deferred tax liabilities:		
Fair value adjustments to financial assets	3,391	1,771
Other	-	40
Net amount transferred to owner	(3,391)	-
	-	1,811

Deferred tax liabilities: Movement	Interest receivable	Property, plant and equipment	Financial assets	Other	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
1 July 2013	-	2,039	435	30	2,504
Charged /(credited) to profit or loss	-	(2,002)	1,336	10	(656)
Charged /(credited) to other comprehensive income		(37)		-	(37)
30 June 2014	_	-	1,771	40	1,811
Charged /(credited) to profit or loss	-	-	1,620	(40)	1,580
Net amount transferred to owner	-	-	(3,391)	-	(3,391)
30 June 2015	-	-	-	-	-

## (e) Tax (payable) or prepaid is as follows:

Current tax asset/(liability) is comprised of:
Current income tax charge/(credit)
Amount transferred to owner

2015	2014
\$'000	\$'000
798	(5,353)
(798)	5,353
-	-

# 11. Cash and cash equivalents

		2015 2014			2014	
	МАСС	TIO Insurance & Banking	MAC Fund	TIO TIO Insurance MAC & Banking		MAC Fund
	\$′000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	13,469	-	13,469	49,850	28,506	21,344
Total cash at bank and on hand	13,469	-	13,469	49,850	28,506	21,344

## 12. Trade and other receivables

		2015			2014	
	MACC	TIO Insurance & Banking	MAC Fund	TIO	TIO Insurance & Banking	MAC Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Premiums receivable – direct insurance	1,194	-	1,194	58,857	57,236	1,621
Less: allowance for impairment loss	-	-	-	(136)	(136)	-
	1,194	-	1,194	58,721	57,100	1,621
Interest receivable	1,631	-	1,631	3,797	2,069	1,728
Related party receivable	67	-	67	-	1,127	-
Other debtors	-	-	-	2,222	2,222	-
Total trade and other receivables	2,892	-	2,892	64,740	62,518	3,349

The table below provides a reconciliation of the allowances for impairment losses as at 30 June.

		2015		2014			
	TIO MACC Insurance MAC Fund & Banking			тіо	MAC Fund		
	\$'000	\$'000	\$'000	\$'000	\$′000	\$'000	
Opening balance as at 1 July	(136)	(136)	-	(136)	(136)	-	
Premium receivables written off	27	27	-	109	109	-	
(Increase)/ Decrease in the allowance for the year charged to the Statement of Profit or Loss and Other Comprehensive Income	(135)	(135)	-	(109)	(109)	-	
Balance transferred to owner (Note 36)	244	244	-	-	-	-	
Closing balance as at 30 June	-	-	-	(136)	(136)		

Refer to Note 33 (b) for further disclosures.

## 13. Other financial assets and other financial liabilities

Other Financial Assets		2015		2014		
	MACC	& Banking		TIO	TIO Insurance & Banking	MAC Fund
	\$'000	\$′000	\$'000	\$′000	\$'000	\$'000
Other Financial assets						
At fair value through profit and loss: Investments held for trading						
Securities	507,726	-	507,726	851,918	272,105	579,813
Total other financial assets	507,726	-	507,726	851,918	272,105	579,813
						_
Current financial assets						
Short term deposits	26,176	-	26,176	114,800	86,675	28,125
Bonds	280,689	-	280,689	340,932	88,084	252,848
Other investments	13,901	-	13,901	2,506	2,506	-
Units in unlisted trusts	186,960	-	186,960	393,680	94,840	298,840
Total current financial assets	507,726	-	507,726	851,918	272,105	579,813
Total non-current financial assets	-	-	-	-	-	-
Total other financial assets	507,726	-	507,726	851,918	272,105	579,813

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

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

Financial Liabilities		2015			2014	
	TIO MACC Insurance MAC Fund			TIO TIO Insurance MAC Fund		
	\$′000	& Banking \$'000	\$'000	\$'000	& Banking \$'000	\$'000
	\$ 000	\$ 000	<b>\$ 000</b>	<b>\$ 000</b>	<b>\$ 000</b>	\$ 000
Derivative financial liabilities						
Interest rate swaps	(258)	-	(258)	(1,594)	(234)	(1,360)
Total derivative financial liabilities	(258)	-	(258)	(1,594)	(234)	(1,360)
Total other financial liabilities	(258)	-	(258)	(1,594)	(234)	(1,360)

## 14. Loans

	2015			2014			
	TIO MACC Insurance MAC Fund & Banking		TIO TIO Insurance MA & Banking		MAC Fund		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Loans (i)	-	-	-	584,739	584,739	-	
Less: allowance for impairment loss	-	-	-	(460)	(460)	-	
	-	-	-	584,279	584,279	-	
Loans - Current assets	-	-	-	11,672	11,672	-	
Loans - Non-current assets	-	-	-	572,607	572,607		
	-	-	-	584,279	584,279	-	

(i) The comparatives include securitised home loans of \$28 million which have an associated securitised liability of \$28 million.

Refer to the comparatives in notes 32 and 33 for the financial instrument disclosures relating to these loans. Refer to note 27 for related party loan disclosures.

The comparatives in the table below provide a reconciliation of the allowances for impairment losses as at 30 June:

Opening balance
Loans written off
(Increase)/Decrease in the allowance for the year charged to the Statement of Profit or Loss and Other Comprehensive Income Balance transferred to owner (Note 36)
Closing balance

	2015		2014				
МАСС	TIO Insurance & Banking	MAC Fund	TIO	TIO Insurance & Banking	MAC Fund		
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000		
(460)	(460)	-	(686)	(686)	-		
26	26	-	83	83	-		
(75)	(75)	-	143	143	-		
509	509	-	-	-	-		
-	-	-	(460)	(460)	-		

# 14. Loans continued...

	2015			2014			
	MACC	TIO Insurance & Banking	MAC Fund	TIO	TIO Insurance & Banking	MAC Fund	
	\$'000	\$′000	\$'000	\$'000	\$′000	\$′000	
(a) Maturity analysis							
Not longer than three months	-	-	-	3,043	3,043	-	
Longer than three months and not longer than 12 months Longer than one year and not longer	-	-	-	8,630	8,630	-	
than five years	-	-	-	50,720	50,720	-	
Longer than five years	-	-	-	513,684	513,684	-	
No maturity specified	-	-	-	8,202	8,202	-	
	-	-	-	584,279	584,279	•	
(b) Loans by purpose							
Personal	-	-	-	2,319	2,319	-	
Commercial	-	-	-	13,360	13,360	-	
Home	-	-	-	568,600	568,600	-	
	-	-	-	584,279	584,279		
(c) Concentration of risk							
TIO has an exposure to the following geographical segments:							
Northern Territory residents	-	-	-	544,885	544,885	-	
Non-Northern Territory residents	-	-	-	39,394	39,394	-	
	-	-	-	584,279	584,279		

# 15. Intangible assets

## **EXTERNALLY GENERATED INTANGIBLES**

At 1 July 2013, net of accumulated amortisation
Additions
Amortisation charge for the year
At 30 June 2014, net of accumulated amortisation
Additions
Amortisation charge for the year
At 30 June 2015, net of accumulated amortisation
At 1 July 2013
Fair value or Cost
Accumulated amortisation

At 30 June 2014
Fair value or Cost
Accumulated amortisation
Net carrying amount
At 30 June 2015
Fair value or Cost
Accumulated amortisation
Net carrying amount

Net carrying amount

MACC	TIO Insurance & Banking	MAC Fund
\$′000	\$′000	\$′000
648	648	-
300	300	-
(557)	(557)	-
391	391	-
-	-	-
(391)	(391)	-
-	-	-
9,090	9,090	-
(8,442)	(8,442)	-
648	648	-
9,390	9,390	-
(8,999)	(8,999)	-
391	391	-
-	-	-
-	-	-
-	-	-

# 15. Intangible assets continued...

INTERNALLY GENERATED INTANGIBLES	MACC	TIO Insurance & Banking	MAC Fund
	\$'000	\$'000	\$′000
At 1 July 2013, net of accumulated amortisation	190	190	-
Amortisation charge for the year	(190)	(190)	-
At 30 June 2014, net of accumulated amortisation	-	-	-
Amortisation charge for the year	-	-	-
At 30 June 2015, net of accumulated amortisation			
At 1 July 2013			
Fair value or Cost	529	529	-
Accumulated amortisation	(339)	(339)	-
Net carrying amount	190	190	-
At 30 June 2014			
Fair value or Cost	529	529	-
Accumulated amortisation	(529)	(529)	-
Net carrying amount	-	-	-
At 30 June 2015			
Fair value or Cost	-	-	-
Accumulated amortisation	-		-
Net carrying amount	-		-

Intangible assets consist of software which is not an integral part of related hardware. Software classified in this manner is amortised over a period of 1-4 years.

# 16. Property, plant and equipment

MACC	Freehold land and buildings	Deferred lease incentives	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2013, net of accumulated depreciation	44,725	18	3,079	6	47,828
Additions	-	-	380	648	1,028
Increase in fair value of owner occupied property	(491)	-	-	-	(491)
Disposals	-	-	(109)	-	(109)
Depreciation charges for the year	(734)	-	(476)	-	(1,210)
At 30 June 2014, net of accumulated	43,500	18	2,874	654	47,046
depreciation	43,300	16	,	054	•
Additions	-	-	784	-	784
Disposals	-	-	(45)	-	(45)
Depreciation charges for the year	-	-	(442)	-	(442)
Transfers to PPE/Intangibles from WIP	-	-	-	(342)	(342)
Reclassified to Investment Property	(43,500)	-	-	-	(43,500)
Transfers to Statement of Profit or Loss and Other Comprehensive Income	-	(18)	-	-	(18)
Balance transferred to owner (Note 36)	-	-	(3,171)	(312)	(3,483)
At 30 June 2015, net of accumulated depreciation	-	-	-	-	-
At 30 June 2014					
Cost or fair value	43,500	18	8,566	654	52,738
Accumulated depreciation	-	-	(5,692)	-	(5,692)
Net carrying amount	43,500	18	2,874	654	47,046
At 30 June 2015					
Cost or fair value	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net carrying amount	-	-	-	-	-

# 16. Property, plant and equipment continued...

TIO Insurance & Banking	Freehold land and buildings	Deferred lease incentives	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2013, net of accumulated depreciation	11,181	4	3,079	6	14,270
Additions	-	-	380	648	1,028
Increase in fair value of owner occupied property	(123)	-	-	-	(123)
Disposals	(10,874)	-	(109)	-	(10,983)
Amortisation of lease incentives	-	(4)	-	-	(4)
Depreciation charges for the year	(184)	-	(476)	-	(660)
At 30 June 2014, net of accumulated depreciation	-	-	2,874	654	3,528
Additions	-	-	784	-	784
Increase in fair value of owner occupied property	-	-	(45)	-	(45)
Disposals	-	-	-	-	-
Amortisation of lease incentives	-	-	(442)	-	(442)
Depreciation charges for the year	-	-	-	-	-
Transfers to Plant and Equipment	-	-	-	(342)	(342)
Balance transferred to owner	-	-	(3,171)	(312)	(3,483)
At 30 June 2015, net of accumulated depreciation	-	-	-	-	-
At 30 June 2014					
Cost or fair value	_	4	8,455	654	9,113
Accumulated depreciation	-	(4)	(5,581)	-	(5,585)
Net carrying amount	-	-	2,874	654	3,528
At 30 June 2015					
Cost or fair value	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Net carrying amount	-	-	-	_	-

## 16. Property, plant and equipment continued...

MAC Fund	Freehold land and buildings	Deferred lease incentives	Plant and equipment	Work in progress	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2013, net of accumulated depreciation	33,543	13	-	-	33,556
Additions	10,875	5	-	-	10,880
Increase in fair value of owner occupied property	(368)	-	-	-	(368)
Depreciation charges for the year	(550)	-	-	-	(550)
At 30 June 2014, net of accumulated depreciation	43,500	18	-	-	43,518
Additions	-	-	-	-	-
Increase in fair value of owner occupied property	-	-	-	-	-
Depreciation charges for the year	-	-	-	-	-
Reclassified to Property held for investment (Note 34)	(43,500)	-	-	-	(43,500)
Transfers to Statement of Profit or Loss and Other Comprehensive Income	-	(18)	-	-	(18)
At 30 June 2015, net of accumulated depreciation	-	-	-	-	-
At 30 June 2014					
Cost or fair value	43,500	18	-	-	43,518
Accumulated depreciation	-	-	-	-	-
Net carrying amount	43,500	18	-	-	43,518
At 30 June 2015					
Cost or fair value	-	-	-	-	-
Accumulated depreciation	-		-		-
Net carrying amount	-	-	-	-	-

During the year the Freehold land and building at 24 Mitchell Street was reclassified from Property Plant and Equipment to Investment Property. The change of ownership associated with the transfer of the Insurance and Banking businesses to owners and its subsequent sale changed the status of the property from owner-occupied to investment properties.

The Freehold land and buildings in 2014 represents the building located at 24 Mitchell Street, Darwin. This building has been classified as Property, plant and equipment by virtue of the fact that a significant portion is occupied by TIO. Portions of this building are however leased out for rental income and any costs incurred in the negotiation and arrangement of leases have been capitalised and amortised over the term of the respective leases and are included as part of the carrying value of the respective asset as "Deferred lease incentives".

## 17. Reinsurance and other recoveries receivable

		2015			2014	
	MACC	TIO Insurance & Banking	MAC Fund	тіо	TIO Insurance & Banking	MAC Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Undiscounted on claims paid:						-
Expected future recoveries undiscounted on outstanding claims	140,046	-	140,046	98,641	42,725	55,916
Discount to present value	(78,128)	-	(78,128)	(39,527)	(13,099)	(26,428)
Discounted expected future recoveries on outstanding claims	61,918	-	61,918	59,114	29,626	29,488
Allowance for impairment loss – Reinsurance Recoveries Total allowance for impairment	-	-	-	-	-	-
loss	-	-	-	-	-	-
Reinsurance and other recoveries receivable	61,918	-	61,918	59,114	29,626	29,488
Current	11,481	-	11,481	7,177	7,158	19
Non-current	50,437	-	50,437	51,937	22,468	29,469
Reinsurance and other recoveries receivable	61,918	-	61,918	59,114	29,626	29,488

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

# The table below provides a reconciliation of the allowances for impairment losses as at 30 June 2015.

		2015		2014		
	MACC	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund	тіо	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund
	\$′000	\$'000	\$'000	\$'000	\$′000	\$'000
Opening balance	-	-	-	(101)	(101)	-
(Increase)/Decrease in the allowance for the year charged to the Statement of Profit or Loss and Other Comprehensive Income	F	-	-	101	101	-
Closing balance as at 30 June	-	-	-	-	-	-

# 18. Deferred acquisition and reinsurance costs

<b>Deferred acquisition</b>		2015			2014	
costs	MACC \$'000	TIO Insurance & Banking \$'000	MAC Fund	TIO \$'000	TIO Insurance & Banking \$'000	MAC Fund
Deferred acquisition costs as at 1 July	5,898	5,898	-	4,851	4,757	94
Acquisition costs deferred	2,919	3,195	(276)	7,894	7,589	305
Amortisation charged to Statement of Profit or Loss and Other Comprehensive Income	(3,698)	(4,039)	341	(6,753)	(6,448)	(305)
Deficiency adjustment (Note 20)	-	-	-	(94)	-	(94)
Balance transferred to owner (Note 36)	(5,054)	(5,054)	-	-	-	
Deferred acquisition costs as at 30 June	65	-	65	5,898	5,898	-

# Deferred reinsurance expense

at 30 June

Deferred reinsurance expense as at 1 July
Reinsurance expenses deferred
Amortisation charged to Statement of
Profit or Loss and Other
Comprehensive Income
Balance transferred to owner (Note 36)
Deferred reinsurance expense as

	2015			2014	
МАСС	TIO Insurance & Banking	MAC Fund	тіо	TIO Insurance & Banking	MAC Fund
\$′000	\$'000	\$′000	\$'000	\$′000	\$′000
18,854	18,854	-	23,497	23,497	-
30,298	19,466	10,832	50,331	45,067	5,264
(33,503)	(22,671)	(10,832)	(54,974)	(49,710)	(5,264)
(15,649)	(15,649)	-	-	-	-
-	-	-	18,854	18,854	-

# 19. Outstanding claims liability

## a) Outstanding claims liability

	2015			2014			
	MACC	TIO Insurance & Banking	MAC Fund	TIO	TIO Insurance & Banking	MAC Fund	
	\$'000	\$′000	\$'000	\$'000	\$'000	\$'000	
Central estimate undiscounted	744,253	-	744,253	677,540	128,874	548,666	
Claims handling costs undiscounted	47,684	-	47,684	49,611	8,622	40,989	
Risk margin undiscounted	100,576	-	100,576	95,100	16,676	78,424	
Gross claims incurred undiscounted	892,513	-	892,513	822,251	154,172	668,079	
Discount to present value	(450,708)	-	(450,708)	(328,758)	(30,282)	(298,476)	
Gross outstanding claims liability	441,805	-	441,805	493,493	123,890	369,603	
Central estimate discounted	368,415	-	368,415	407,046	103,507	303,539	
Current	55,631	-	55,631	71,535	31,311	40,224	
Non-current	386,174	-	386,174	421,958	92,579	329,379	
Gross outstanding claims liability	441,805	-	441,805	493,493	123,890	369,603	

## 19. Outstanding claims liability continued...

## b) Risk margin

Process for determining risk margin

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

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

## Risk margins applied

Class of business	2015	2014
	%	%
TIO Insurance & Banking	-	12.080
MAC Fund	12 700	13 300

## Reconciliation of movement in discounted outstanding claims liability

MACC/TIO (2014)		2015		2014			
	Gross	Reinsurance	Net	Gross	Reinsurance	Net	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Brought forward	493,493	(59,114)	434,379	427,217	(56,071)	371,146	
Effect of changes in assumptions	54,565	(9,628)	44,937	60,936	3,707	64,643	
Increase in claims incurred/recoveries anticipated over the year	105,758	(33,302)	72,456	109,285	(18,795)	90,490	
Incurred claims recognised in the Statement of Profit or Loss and Other Comprehensive Income	160,323	(42,930)	117,393	170,221	(15,380)	154,841	
Net claim payments	(75,683)	9,792	(65,891)	(103,945)	12,045	(91,900)	
Balance transferred to owner (Note 36)	(136,328)	30,334	(105,994)	-	-	-	
At 30 June	441,805	(61,918)	379,887	493,493	(59,114)	434,379	

## 19. Outstanding claims liability continued...

# TIO Insurance & Banking

#### **Brought forward**

Effect of changes in assumptions Increase in claims incurred/recoveries anticipated over the year

Incurred claims recognised in the Statement of Profit or Loss and Other Comprehensive Income

Net claim payments

At 31 Dec

Balance transferred to owner (Note 36)

At 30 June

	2015			2014	
Gross	Reinsurance	Net	Gross	Reinsurance	Net
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
123,890	(29,626)	94,264	123,579	(24,627)	98,952
17,036	(4,112)	12,924	5,875	(103)	5,772
28,828	(4,572)	24,256	55,411	(15,131)	40,280
45,864	(8,684)	37,180	61,286	(15,234)	46,052
(33,426)	7,976	(25,450)	(60,976)	10,236	(50,740)
136,328	(30,334)	105,994	-	-	-
(136,328)	30,334	(105,994)	-	-	-
-	-	-	123,890	(29,626)	94,264

## **MAC Fund**

#### **Brought forward**

Effect of changes in assumptions
Increase in claims incurred/recoveries
anticipated over the year
Incurred claims recognised in the
Statement of Profit or Loss and
Other Comprehensive Income
Net claim payments

At 30 June

	2015			2014	
Gross	Reinsurance	Net	Gross	Reinsurance	Net
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
369,603	(29,488)	340,115	303,638	(31,444)	272,194
37,529	(5,516)	32,013	55,061	3,810	58,871
76,930	(28,730)	48,200	53,873	(3,664)	50,209
114,459	(34,246)	80,213	108,934	146	109,080
(42,257)	1,816	(40,441)	(42,969)	1,810	(41,159)
441,805	(61,918)	379,887	369,603	(29,488)	340,115

## d) Claims development tables

The following tables show the development of gross and net undiscounted outstanding claims relative to the ultimate expected claims for the nine most recent accident years.

19. Outstanding claims liability continued...

(iii) MAC Fund - gross

Total \$'000	566,193 458,730 391,746 330,687 274,859 219,107 168,065 132,780 69,361 29,339	298,016 (191,293) 406,723 (206,425) 15,023 215,321 157,964 18,735 392,020 49,785
2015 \$'000	93,396	93,390 (5,593) <b>87,803</b> (45,116) 3,202 <b>45,889</b>
2014 \$'000	70,346 68,239	98,738 (14,109) 54,130 (24,842) 2,197 31,485
2013 \$'000	54,904 61,246 66,103	(20,497) 45,606 (22,097) 1,763
2012 \$'000	50,813 46,633 53,868 61,696	(17,577) 44,119 (21,641) 1,686 24,164
2011 \$'000	47,030 45,001 42,274 52,384 61,931	(23,531 (23,549) (20,784) (20,784) 1,320 18,918
2010 \$'000	51,285 43,481 44,057 42,520 54,342 66,197	(22,197) (22,780) <b>43,417</b> (23,866) 1,466
\$'000	44,114 44,738 49,057 44,178 40,096 36,763 42,496	(20,496 (20,760) 21,736 (9,267) 935 13,404
\$,000	50,732 57,243 53,026 52,402 48,732 49,071 57,925 65,278	(21,414) 43,864 (26,258) 1,320 18,926
2007 \$'000	52,863 46,692 45,928 41,553 37,925 40,803 39,966 41,166 43,341	(23,524) (23,524) 19,817 (9,460) 777 11,134
2006 \$'000	50,710 45,457 37,433 35,954 31,833 26,276 26,336 26,020 29,339	(21,490) 7,849 (3,094) 357 <b>5,112</b>
Accident year	At end of the accident year One year later Two years later Three years later Four years later Four years later Six years later Six years later Six years later Six years later Current eastlater Current estimate of cumulative	cialms costs culculative payments Outstanding claims - undiscounted Discount Claims handling expenses Total net outstanding claims 2015 2004 and prior outstanding claims Other recoveries Total gross outstanding claims central estimate Risk margin Total MAC Fund gross outstanding claims

# 19. Outstanding claims liability continued...

(iv) MAC Fund - net

	252 001 417 014 014 643 548 501 262	<b>546</b> 95) <b>351</b> 74) 323	300 781 81 306 887
Total \$'000	522,252 445,001 374,417 316,014 256,943 151,548 109,901 58,813 25,262	551,546 (186,195) 365,351 (182,074) 15,023	198,300 138,781 337,081 42,806 379,887
2015 \$'000	77,975	77,975 (5,593) 72,382 (36,407) 3,202	39,177
2014 \$'000	66,702 68,239	<b>68,239</b> (14,109) <b>54,130</b> (24,842) 2,197	31,485
2013 \$'000	52,174 61,246 66,103	66,103 (20,497) 45,606 (22,097) 1,763	25,272
2012 \$'000	46,857 44,988 52,976 57,239	57,239 (17,577) 39,662 (19,187) 1,686	22,161
2011 \$'000	45,364 45,001 42,274 52,384 61,931	<b>61,931</b> (23,549) <b>38,382</b> (20,784) 1,320	18,918
2010 \$'000	50,110 42,089 44,057 45,520 54,342 63,892	<b>63,892</b> (22,780) <b>41,112</b> (22,427) 1,466	20,151
2009 \$′000	41,816 43,489 49,057 44,178 40,096 36,763 42,496	<b>42,496</b> (20,760) <b>21,736</b> (9,267) 935	13,404
2008 \$'000	47,908 51,657 46,124 45,645 39,621 40,353 50,835 51,539	<b>51,539</b> (21,460) <b>30,079</b> (17,451) 1,320	13,948
2007 \$'000	47,284 43,274 41,202 38,506 33,438 35,438 36,102 36,870	<b>36,870</b> (22,456) <b>14,414</b> (6,518)	8,673
2006 \$'000	46,062 45,018 32,624 32,542 27,756 22,197 23,602 22,260 21,943	25,262 (17,414) 7,848 (3,094) 357	5,111
	ims cost: rulative	idiscounted	g claims i <b>claims</b> standing
L	ultimate cle accident yea er ter er r in r in r in r iner er r iner er r iner er er r iner	lyments claims - un ig expenses standing cl	r outstandin outstanding nate ind net out:
Accident year	Estimate of ultimate claims cost: At end of the accident year One year later Three years later Four years later Four years later Five years later Six years later Conreat estimate of cumulative	claims costs Cumulative payments Outstanding claims - undiscounted Discount Claims handling expenses Total net outstanding claims 2005-	2015 2004 and prior outstanding claims Total gross outstanding claims central estimate Risk margin Total MAC Fund net outstanding claims

# 19. Outstanding claims liability continued...

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

	1 year or less	> 1 year and < 5 years	> 5 years	Total
30 June 2015	\$'000	\$'000	\$'000	\$'000
Direct Insurance	-	-	-	-
Inwards Reinsurance	-	-	-	
Total Insurance	-	-	-	-
MAC Fund	37,621	94,958	247,308	379,887
Total discounted net outstanding claims	37,621	94,958	247,308	379,887
		> 1 year and		
	1 year or less	> 1 year and < 5 years	> 5 years	Total
30 June 2014	1 year or less \$'000	•	> 5 years \$'000	Total \$'000
<b>30 June 2014</b> Direct Insurance	•	< 5 years	•	
	\$'000	< 5 years \$'000	\$′000	\$'000
Direct Insurance	<b>\$'000</b> 23,979	< 5 years \$'000	<b>\$′000</b>	<b>\$'000</b> 94,047
Direct Insurance Inwards Reinsurance	<b>\$'000</b> 23,979 44	< 5 years \$'000 39,526 96	\$' <b>000</b> 30,542 77	<b>\$'000</b> 94,047 217

# 20. Unearned premium liability

Unearned premium liability as at 1 July Deferral of premiums on contracts written in the period Earning of premiums written in previous periods Unearned premium liability as at 30 June

	2015			2014	
МАСС	TIO Insurance & Banking	MAC Fund	тіо	TIO Insurance & Banking	MAC Fund
\$′000	\$'000	\$′000	\$'000	\$′000	\$'000
31,266	-	31,266	105,315	73,856	31,459
32,939	-	32,939	106,512	75,246	31,266
(31,266)	-	(31,266)	(105,315)	(73,856)	(31,459)
32,939	-	32,939	106,512	75,246	31,266

## 20. Unearned premium liability continued...

## **Premium Liability and Liability Adequacy Test**

Central estimate of present value of expected future cash flows from future claims.
Central estimate of present value of expected future cash inflows arising from reinsurance recoveries on future claims
Risk margin
Net premium liabilities
Risk margin percentage

Probability of adequacy

	2015			2014	
MACC \$'000	TIO Insurance & Banking \$'000	MAC Fund	TIO \$'000	TIO Insurance & Banking \$'000	MAC Fund
7 000	+	7 000	<b>+</b> • • • •	7 333	7 000
26,521	-	26,521	65,366	41,228	24,138
(3,737)	_	(3,737)	(10,858)	(8,951)	(1,907)
(=,:=:,		(=7:=:7	(//	(5/222)	(=/551/
3,853	-	3,853	8,444	4,306	4,138
26,637	-	26,637	62,952	36,583	26,369
16.91%	-	16.91%	15.49%	13.34%	18.61%
75%	-	75%	75%	75%	75%

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

The liability adequacy test has identified a surplus for all contracts that are subject to broadly similar risks and are managed together as a single portfolio. As there is no deficiency in the unexpired risk liability as at the reporting date, no write down of deferred acquisition costs is required (2014 unearned premium in the MAC Fund was found to be deficient by \$800k) The MAC Fund net deficiency adjustments in 2014 were reversed during the year.

### 20. Unearned premium liability continued...

Information relating to comparatives and MACC:

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

The prudential margin for TIO Insurance has been determined based on selected Coefficient of Variation (CoV) for each class of business. The prudential margin determined in the manner described above only applies to claims costs and the claims handling expense component and has not been applied to the policy administration expense component. The premium liabilities risk margin for Insurance incorporates diversification benefits separately, based on the same correlation assumptions as for outstanding claims.

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

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

The risk margin adopted for MAC Fund has been determined excluding any diversification benefit and for Insurance including a component for diversification benefit.

### 21. Net claims incurred

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

### 21. Net claims incurred continued...

TIO (Insurance &	2015			2014		
Banking) - Discontinued	Current Year	Prior Year	Total	Current Year	Prior Year	Total
Operations (see Note 36)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Direct business						
Gross claims incurred – undiscounted	31,775	8,845	40,620	56,828	1,650	58,477
Discount movement	(1,199)	6,430	5,231	(2,412)	5,227	2,816
Gross claims incurred – discounted	30,576	15,275	45,851	54,416	6,877	61,293
Reinsurance and other recoveries - undiscounted	(3,397)	(10,377)	(13,774)	(8,142)	(7,260)	(15,401)
Discount movement	-	5,090	5,090	20	2,190	2,210
Reinsurance and other recoveries - discounted	(3,396)	(5,287)	(8,684)	(8,122)	(5,070)	(13,191)
Net claims incurred	27,180	9,988	37,167	46,294	1,807	48,102

MAC Fund	2015			2014		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$′000
Direct business						
Gross claims incurred – undiscounted	117,419	149,273	266,691	71,824	111,120	182,944
Discount movement	(54,659)	(97,573)	(152,232)	(21,105)	(52,904)	(74,009)
Gross claims incurred – discounted	62,760	51,700	114,459	50,719	58,216	108,935
Reinsurance and other recoveries - undiscounted	(22,411)	(63,535)	(85,946)	(4,134)	10,644	6,510
Discount movement	9,815	41,885	51,700	1,756	(8,121)	(6,365)
Reinsurance and other recoveries - discounted	(12,596)	(21,650)	(34,246)	(2,378)	2,523	145
Net claims incurred	50,164	30,050	80,213	48,341	60,739	109,080

MACC		2015		2014		
	Current Year	Prior Year	Total	Current Year	Prior Year	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Direct business						
Gross claims incurred – undiscounted	149,194	158,118	307,311	128,652	112,770	241,421
Discount movement	(55,858)	(91,143)	(147,001)	(23,517)	(47,678)	(71,193)
Gross claims incurred – discounted	93,336	66,975	160,310	105,135	65,092	170,228
Reinsurance and other recoveries - undiscounted	(25,808)	(73,912)	(99,720)	(12,276)	3,384	(8,891)
Discount movement	9,816	46,975	56,790	1,776	(5,930)	(4,155)
Reinsurance and other recoveries - discounted	(15,992)	(26,937)	(42,930)	(10,500)	(2,546)	(13,046)
Net claims incurred	77,344	40,038	117,380	94,635	62,546	157,182

### 21. Net claims incurred continued...

Inwards		2015			2014	
Reinsurance	Current Year	Prior Year	Total	Current Year	Prior Year	Total
Business - Discontinued Operations (see Note 36)	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross claims incurred- undiscounted	-	12	12	-	(7)	(7)
Discount movement	-	1	1	-	-	-
Gross claims incurred – discounted	-	13	13	-	(7)	(7)
Reinsurance and other recoveries - undiscounted	-	-	-	-	-	-
Discount movement	-	-	-	-	-	-
Reinsurance and other recoveries - discounted	-	-	-	-	-	
Net claims incurred	-	13	13	-	(7)	(7)
Total net claims incurred for direct and inwards reinsurance business	77,344	40,051	117,393	94,635	62,539	157,175
Total gross claims incurred for direct and inwards reinsurance business	93,336	66,988	160,323	105,135	65,085	170,221
Total reinsurance and other recoveries	(15,992)	(26,937)	(42,930)	(10,500)	(2,546)	(13,046)
Total net claims incurred for direct and inwards reinsurance business	77,344	40,051	117,393	94,635	62,539	157,175

### 22. Trade and other payables

Trade payables
Reinsurance payables
Related party payable
Other

	2015			2014	
MACC	TIO Insurance & Banking	MAC Fund	TIO	TIO Insurance & Banking	MAC Fund
\$′000	\$'000	\$′000	\$′000	\$'000	\$′000
3,629	-	3,629	21,362	18,875	2,487
1,523	-	1,523	7,767	6,731	1,036
385	-	385	-	-	1,128
56	-	56	912	792	120
5,593	-	5,593	30,041	26,398	4,771

### 23. Deposits

		2015		2014			
	МАСС	TIO Insurance & Banking	MAC Fund	тіо	TIO Insurance & Banking	MAC Fund	
	\$′000	\$′000	\$'000	\$′000	\$′000	\$'000	
Deposits - current liabilities	-	-	-	556,274	556,274	-	
Deposits - non-current liabilities	-	-	-	-	-	-	
Total Deposits	-	-	-	556,274	556,274	-	
Deposits maturity analysis							
At call	-	-	-	99,932	99,932	-	
No longer than three months	-	-	-	290,183	290,183	-	
Longer than three months and not longer than 12 months	-	-	-	145,718	145,718	-	
Longer than one year and not longer than five years	-	-	-	20,441	20,441	-	
	-	-	-	556,274	556,274	-	
Concentration of deposits							
Northern Territory residents	-	-	-	191,432	191,432	-	
Non-Northern Territory residents	-	-	-	364,842	364,842	-	
	-	-	-	556,274	556,274	-	

### 24. Provisions

		2015		2014		
	TIO MACC Insurance MAC Fund & Banking		TIO	TIO Insurance & Banking	MAC Fund	
	\$′000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Current provisions						
Employee benefits	-	-	-	4,399	4,399	-
	-	-	-	4,399	4,399	-
(b) Non-current provisions						
Employee benefits	-	-	-	1,208	1,208	-
Total provisions	-	-	-	5,607	5,607	-

### 25. Securitisation liabilities

		2015			2014	
	MACC	TIO Insurance & Banking	MAC Fund	тіо	TIO Insurance & Banking	MAC Fund
	\$′000	\$'000	\$'000	\$'000	\$'000	\$′000
Current	-	-	-	910	910	-
Non-current	-	-	-	27,353	27,353	-
Securitisation Liabilities	-	-	-	28,263	28,263	-
Securitisation liabilities maturity analysis						
Not longer than three months	-	-	-	230	230	-
Longer than three months and not longer than 12 months	-	-	-	680	680	-
Longer than one year and not longer than five years	-	-	-	4,059	4,059	-
Longer than five years	-	-	-	23,294	23,294	-
No maturity specified	-	-	-	-	-	-
	-	-	-	28,263	28,263	-

### 26. Equity and Reserves

### **Contributed equity**

The contributed equity represents equity contributed by the Northern Territory Government of \$39 million for TIO Insurance business.

### Nature and purpose of reserves

### Asset revaluation reserve

The asset revaluation reserve is used to record the increments and decrements in the fair value of the owner-occupied land and building net of tax, to the extent that such decrements relate to a net increment on the same asset previously recognised as equity. The asset revaluation reserve was reclassified to retained surplus in 2015 following the change in as the status of the property from an owner occupied to investment property upon the transfer of TIO Insurance and Banking businesses to owners (see Note 16 and 36)

### Hedging Reserve

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss, consistent with the applicable accounting policy. The hedging reserve was reclassified in 2015 following the transfer of TIO Insurance and Banking business to owners.

### Catastrophe Reserve

The reserve has been established to assist TIO Insurance business in meeting its obligations to cover liability for claims under the contracts of insurance in the event of a Catastrophe. The catastrophe reserves were reclassified to retained surplus following the transfer of TIO Insurance and Banking businesses to owners in 2015 (see Note 36).

### 26. Equity and Reserves continued...

### MAC Road Safety Reserve

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

### Dividends

A dividend of \$140 million was paid by MACC on 5 January 2015.

### 27. Executive disclosures

The Board was dissolved on 18 December 2014 before the transfer of the Insurance and Banking businesses to the owner (see Note 36) and the subsequent cancellation of the TIO Act.

The following disclosures are for the period 1 July to 31 December 2014 and the comparatives for 30 June 2014.

### Compensation of key management personnel

Short term benefits
Post employment benefits
Other long-term benefits
Termination benefits

2015	2014
\$'000	\$'000
3,741	3,138
215	260
-	6
1,312	105
5,268	3,509

### Loans to key management personnel

The following loan balances are in respect of loans made to key management personnel of TIO or to their related parties.

Year	Balance at beginning of period \$'000	Interest Charged \$'000	Write-off \$'000	Balance at end of the period \$'000	Number in Group
2015	-	-	-	-	-
2014	1,040	45	-	917	3

Prior to the transfer to owners, TIO Banking business makes loans to key management personnel and related parties in its capacity as a provider of financial services. These loans are made on commercial terms and conditions no more favourable than those made on similar loans to other employees or customers.

### 27. Executive disclosures continued...

These loans are predominantly secured home loans with some minor unsecured TIO Banking business credit card advances.

### Other transactions and balances with key management personnel

In addition, TIO Insurance and Banking business sells insurance policies, pays insurance claims, makes loans to and accepts deposits from key management personnel and their related parties in its capacity as a provider of insurance and banking services. These transactions are entered into on commercial terms and conditions no more favourable than those made on similar transactions to other employees or customers and are trivial or domestic in nature.

### **MACC** superannuation scheme

The MACC staff superannuation operates a defined contribution plan through a Master Trust under the Colonial First State First Choice Superannuation Plan. Under the plan, MACC makes contributions on behalf of Board members and employees which are charged as an expense as they fall due.

### 28. Remuneration of auditors

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

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
- ° Other services in relation to TIO
  - Audit of completion accounts
  - special audits required by regulators

2015 \$	2014 \$
55,000	418,229
235,500 23,377	- 114,079
313,877	532,308

### 29. Related party disclosure

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

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

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

### 29. Related party disclosure continued...

T	-		n	m	_
1	п	U	u	m	E

Related Party Workers Compensation	Details  Management fee from NT Government for workers
Fee	compensation (up to 31 December 2014)
Home Builders Certification Fee	Management fee for the administration of Home Builders Certification Fund (up to 31 December 2014)
Department of Housing Administration Fee	Fees from Department of Housing for the administration of the Homestart NT Scheme (up to 31 December 2014)
Motor Vehicle Registry	Gross earned premiums collected from motor vehicle registrations to fund the MAC Scheme
Expenses	
Related Party	Details
Power Water	Electricity transactions
Receiver of Territory Monies	METAL funding, Road safety funding and DTAL reimbursement
NT Chamber of Commerce	Membership and various transactions
Motor Vehicle Registry	Gross commission paid for the collection of premiums relating to the MAC Scheme

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

For the year ended 30 June 2015, 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 (2014: \$nil).

# 30. Reconciliation of net profit to net cash inflow from operating activities

		2015			2014	
	масс	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund	тіо	TIO Insurance & Banking Discontinued Operations (see Note 36)	MAC Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Net Profit	13,174	(5,495)	18,669	40,365	18,375	21,990
Depreciation and amortisation expense	833	833	-	1,957	1,411	546
Provision for impairment	147	147	-	(327)	(327)	-
Changes in net market value of investments	1203	(5,470)	6,673	(48,984)	(5,263)	(43,721)
Profit on Sale of Investment Securities	(21,146)	(2,025)	(19,121)	(9,250)	(998)	(8,252)
Loss on sale of non-current assets	33	33	-	(22)	(22)	-
Change in investment property fair value	618	-	618	-	-	-
Changes in operating assets and liabilities:						
(Increase)/Decrease in receivables (Increase)/Decrease in reinsurance and other recoveries receivable	5,697 (12,022)	5,241 (708)	455 (11,314)	(1,164) 1,910	(508) (46)	(646) 1,956
(Increase)/Decrease in deferred acquisition costs	779	844	(66)	(1,047)	(1,141)	93
Increase/(Decrease) in outstanding claims	63,525	12,438	51,087	66,276	310	65,966
Increase/(Decrease) in derivatives (Increase)/Decrease in net deferred broker	(1,334)	(234)	(1,100)	1,316	190	1,126
charges	132	132	-	(34)	(34)	-
(Increase)/Decrease in lease incentives	18	-	18	-	-	-
Increase/(Decrease) in unearned premiums	(6,845)	(8,518)	1,673	1,197	1,390	(193)
Increase/(Decrease) in payables	4,806	4,667	139	4,249	2,928	1,309
Increase/(Decrease) in employee benefits and other liabilities Increase/(Decrease) in provision for income tax	(612)	(612)	-	447	447	-
payable	(6,151)	(6,151)	-	539	539	-
Increase/(Decrease) in deferred tax liabilities	1,581	1,581	-	(656)	(656)	-
(Increase)/Decrease in deferred tax assets	(4,126)	(4,126)	-	(4)	(4)	-
Increase/(Decrease) in GST payable	(3,989)	(3,966)	(23)	(266)	(224)	(42)
Net cash inflow from operating activities	36,321	(11,389)	47,708	56,502	16,367	40,132

### 31. Financing arrangements and borrowings

		2015		2014			
	MACC	TIO Insurance & Banking	MAC Fund	тіо	TIO Insurance & Banking	MAC Fund	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Unrestricted access was available at reporting date to the following lines of credit							
Total facilities							
Bank multiple option facility (1)	-	-	-	20,000	20,000	-	
Revolving credit facility (2)	-	-	-	50,000	50,000	-	
	-	-	-	70,000	70,000	-	
Used at reporting date							
Bank multiple option facility (1)	-	-	-	-	-	-	
Revolving credit facility (2)	-	-	-	50,000	50,000	-	
	-	-	-	50,000	50,000		
Unused at reporting date							
Bank multiple option facility (1)	-	-	-	20,000	20,000	-	
Revolving credit facility (2)	-	-	-	-	-	-	
	-	-	-	20,000	20,000	-	
Current	-	-	-	25,000	25,000	-	
Non-current	-	-	-	25,000	25,000	-	
	-	-	-	50,000	50,000	-	

- (1) The multiple option facility may be drawn by TIO Banking business at any time and may be terminated by the bank with due notice. Interest rates on this facility are variable. The financing arrangements were settled in December 2014.
- (2) The revolving credit facility was established on the 29<sup>th</sup> of November 2012 for a period of 2 years for the day to day cash management and liquidity requirements of the Banking business. On the 29<sup>th</sup> of November 2013 \$25m was extended for another 2 years.

Repayment scheduled to occur under the terms and conditions of the rolling facility as follows, unless the facilities are rolled over:

\$25m 29 November 2014 \$25m 29 November 2015

### 32. Transferred financial assets not derecognised

TIO Banking business had a sub origination and management agreement with Integris Securitisation Services Pty Ltd and Cuscal Management Pty Limited (Trust) to assign securitised home loans with Integrity Trust.

The contractual arrangements of the securitisation program did not meet the criteria outlined in AASB139 *Financial Instruments*: *Recognition and Measurement* for transferring assets off the Statement of Financial Position. TIO Banking business recognised the financial liability to the Trust as a securitisation liability.

TIO Banking business was the loan originator and it serviced and assigned selected loans to the Trustee of the Trust in exchange for cash consideration. It passed on all cash flows of the loans to the Trust. It will continued to service the securitised loans on behalf of the trust and received fee income for doing so.

TIO Banking as at 30 June 2015	Fair Value	Carrying Amount
	\$'000	\$'000
Securitisation Loans	-	-
Securitisation Funding	_	-
Net Balance	-	_
TIO Banking as at 30 June 2014	Fair Value	Carrying Amount
	\$'000	\$'000
Securitisation Loans	28,26	3 28,263
Securitisation Funding	(28,263	(28,263)

The above securitised loans and liabilities were included in the transfer of TIO Banking business to owners effective 1 January 2015 (see Note 36).

**Net Balance** 

# 33. Risk management and financial instruments information

### **Classes of Financial Instruments**

		2015		2014			
		TIO Insurance			TIO Insurance		
	MACC \$'000	& Banking \$'000	MAC Fund \$'000	TIO \$'000	& Banking \$'000	MAC Fund \$'000	
Financial Assets							
Cash at bank and on hand	13,469	-	13,469	49,850	28,507	21,344	
Non-insurance receivables	1,698	-	1,698	6,019	5,419	1,728	
Insurance receivables premiums	1,194	-	1,194	58,719	57,100	1,619	
Insurance recoveries on claims paid	61,918	-	61,918	59,114	29,626	29,488	
Short term securities	26,176	-	26,176	114,800	86,675	28,125	
Floating rate notes	-	-	-	-	-	-	
Bonds	280,689	-	280,689	340,932	88,084	252,848	
Other instruments	13,901	-	13,901	2,506	2,506	-	
Units in unlisted unit trusts	186,960	-	186,960	393,680	94,840	298,840	
Loans and advances	-	-	-	584,279	584,279	-	
Derivative financial assets	-	-	-	-	-	-	
Financial Liabilities							
Non-insurance creditors and accruals	4,070	-	4,070	22,274	19,667	3,735	
Insurance creditors and accruals	1,523	-	1,523	7,767	6,731	1,030	
Deposits	-	-	-	556,274	556,274	-	
Borrowings	-	-	-	50,000	50,000	-	
Derivative financial liabilities	258	-	258	1,594	234	1,360	
Securitisation liabilities	-	-	-	28,263	28,263	-	

### **Financial Risk Management objectives**

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

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

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

MACC seeks to manage financial risks to:

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

The MACC Commissioner (TIO Board: 2014) 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. MACC through training and management standards and procedures aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

### **Financial Risk Management structure**

The MACC Commissioner (TIO Board: 2014) has ultimate responsibility for risk management and governance, including ensuring an appropriate risk framework is in place and is operating effectively. There are, however, other committees and individuals that manage and monitor financial instrument risks.

### 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. There is no interest rate risk associated with the portion of the home loans that are securitised.

The MACC Commissioner (TIO Board in 2014) has approved the use of interest rate swaps, to reduce exposure to unmatched maturity patterns and for hedging purposes.

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

### Interest rate swap contracts

Under interest rate swap contracts, MACC agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable MACC to mitigate the risk of changing interest rates on the cash flow exposures on the deposit liabilities so that the profit sensitivity of a 1% movement in interest rates is less than 5% of Banking capital.

The interest rate swaps settle on a predetermined basis. MACC will settle the difference between the fixed and floating interest rate on a net basis.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at 30 June 2014 (nil: 2015).

### Cash flow hedges

### TIO Banking Less than 1 year 1 to 2 years 2 to 5 years Greater than 5 years

### **TIO Insurance** 2 to 5 years

	Average contracted fixed interest rate		Principal unt	Fair Value			
2015 %	<b>2014</b> %	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000		
-	2.49%	-	265,000	-	(43)		
-	2.83%	-	44,000	-	(111)		
-	3.02%	-	(20,000)	-	(79)		
-	-	-	-	-			
		-	289,000	-	(233)		
		_					
-	-	-	-	-	-		

In 2014, interest rate swaps and the interest payments on the deposits occur simultaneously and the amount deferred in equity was recognised in profit or loss over the period that the floating interest payments on deposits impact profit or loss.

The notional value and variable rate resets of the swaps are matched to existing deposits and are therefore considered highly effective. The swaps are valued at fair value and all gains and losses attributable to the hedged risk are taken directly to equity and re-classified into profit and loss section of the Statement of Profit or Loss and Other Comprehensive Income when the interest income or expense is recognised.

The cash flow hedge ineffectiveness which is recognised immediately in the profit and loss section of the statement of profit or loss and other comprehensive income was a loss in 2014 of \$0.070 million (n/a:2015).

### 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.

MACC	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
30 June 2015		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	%
Financial assets									
Cash at bank and on hand	Floating	13,469	-	-	-	-	-	13,469	2.04%
Short term securities	Floating	176	-	-	-	-	-	176	2.63%
Short term securities	Fixed	26,000	-	-	-	-	-	26,000	2.04%
Bonds	Floating		-	-	-	-	-	-	
Bonds	Fixed	477	-	-	9,349	577	270,286	280,689	3.74%
Other instruments	Fixed	13,901	-	-	-	-	-	13,901	2.08%
Loans and advances	Floating	-	-	-	-	-	-	-	
Loans and advances	Fixed	-	-	-	-	-	-	-	
Total		54,023	-	-	9,349	577	270,286	334,235	
Derivative Financial Instruments									
Interest rate swaps		53,900	74,000	(86,200)	(4,000)	(14,600)	(23,100)	-	2.23%
Total		53,900	74,000	(86,200)	(4,000)	(14,600)	(23,100)	-	
Total Financial Assets		107,923	74,000	(86,200)	5,349	(14,023)	247,186	334,235	
Financial liabilities									
Deposits	Floating	-	-	-	-	-	-	-	
Deposits	Fixed	-	-	-	-	-	-	-	
Borrowings	Fixed	-	-	-	-	-	-	-	
Securitisation liabilities	Floating	-	-	-	-	-	-	-	
Securitisation liabilities	Fixed	-	-	-	-	-	-	-	
<b>Total Financial Liabilities</b>		-	-	-	-	-	-	-	

The financial instruments in 2015 represent MACC's financial assets and liabilities, whereas the 2014 comprises TIO Insurance and Banking business and MAC Fund financial assets and liabilities.

MACC	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	Weighte d average effective interest rate
30 June 2014		\$'000	\$'000	\$'000	\$'000	\$′000	\$'000	\$'000	%
Financial assets									
Cash at bank and on hand	Floating	49,851	-	-	-	-	-	49,851	2.67%
Short term securities	Floating	52,451	-	-	-	-	-	52,451	2.96%
Short term securities	Fixed	62,349	-	-	-	-	-	62,349	2.93%
Bonds	Floating	1,756	-	-	-	-	-	1,756	3.45%
Bonds	Fixed	9,260	10,263	6,620	10,595	26,491	275,946	339,175	3.28%
Other instruments	Fixed	-	-	-	-	-	2,506	2,506	3.23%
Loans and advances	Floating	423,190	-	-	-	-	-	423,190	5.43%
Loans and advances	Fixed	49,289	66,459	34,765	2,467	7,943	166	161,089	5.39%
Total		648,146	76,722	41,385	13,062	34,434	278,618	1,092,367	
Derivative Financial Instruments									
Interest rate swaps		52,500	20,800	(68,000)	(5,000)	(4,000)	3,700	-	2.51%
Total		52,500	20,800	(68,000)	(5,000)	(4,000)	3,700	-	
<b>Total Financial Assets</b>		700,646	97,522	(26,615)	8,062	30,434	282,318	1,092,367	
Financial liabilities									
Deposits	Floating	99,975	-	-	-	-	-	99,975	1.99%
Deposits	Fixed	435,857	6,730	13,712	-	-	-	456,299	1.98%
Borrowings	Fixed	50,000	_	_	_	-	_	50,000	2.98%
Securitisation liabilities	Floating	25,301	_	_	_	-	_	25,301	4.47%
Securitisation liabilities	Fixed	-	569	1,961	434	-	-	2,964	5.71%
Total Financial Liabilities		611,133	7,299	15,673	434	-	-	634,539	

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.

		20	15	2014		
MACC	Change in interest rate	Impact on profit after tax \$'000	Impact on Equity \$'000	Impact on profit after tax \$'000	Impact on Equity \$'000	
Interest bearing financial assets and liabilities	+100 basis points	26,200	26,200	15,794	15,794	
Interest bearing financial assets and liabilities	-100 basis points	(33,097)	(33,097)	(19,826)	(19,826)	
TIO - Incurance and Panking						
TIO - Insurance and Banking						
Interest bearing financial assets and liabilities	+100 basis points	-	-	525	525	
Interest bearing financial assets and liabilities	-100 basis points	-	-	(704)	(704)	
MAC Fund						
	+100 basis					
Interest bearing financial assets and liabilities	points	26,200	26,200	15,269	15,269	
Interest bearing financial assets and liabilities	-100 basis points	(33,097)	(33,097)	(19,122)	(19,122)	

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

### (ii) Currency Risk

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

### (iii) Price Risk

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

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

Returns achieved by appointed fund managers are continuously assessed by the Board in relation to their stated objectives and the objectives of each business unit

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	15	2014		
MACC	Change in unit price	Impact on profit after tax \$'000	Impact on Equity \$'000	Impact on profit after tax \$'000	Impact on Equity \$'000	
Upside		φ 000	φ 000	φ 000	φ 000	
Australian equities International equities Global listed properties Australian fixed interest International fixed interest Australian inflation linked International inflation linked Total	+20% +20% +20% +2% +2% +2% +2%	11,627 16,488 4,512 476 - - - 33,103	11,627 16,488 4,512 476 - - - 33,103	22,294 33,058 6,581 815 - 296 -	22,294 33,058 6,581 815 - 296 -	
Downside						
Australian equities International equities Global listed properties Australian fixed interest Australian inflation linked	-20% -20% -20% -2% -2%	(11,627) (16,488) (4,512) (476)	(11,627) (16,488) (4,512) (476)	(22,294) (33,058) (6,581) (815) (296)	(22,294) (33,058) (6,581) (815) (296)	
Total		(33,103)	(33,103)	(63,044)	(63,044)	

The sensitivity analysis in 2015 represent MACC's instruments held in unit trusts, whereas the 2014 comprises of TIO Insurance and Banking business and MAC Fund investments held in unit trusts.

### b) Credit risk

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

### Trade and other receivables

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

### 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 it relates to exposures to individual entities.
- The monitoring of limit usage for both the credit ratings and the individual entities.

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

### Units held in unlisted unit trusts

Fund managers are selected pursuant to a strategic asset allocation approved by the MACC Commissioner (TIO Board: 2014). 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.

### Loans and advances

The credit risk associated with TIO Banking business retail financial loan assets including securitised loans were managed by the TIO Board as follows:

- Clearly defined credit policies.
- The established credit policies set out specific requirements for different loan types based on the purpose for which they are made and includes an assessment of a counter party's repayment capacity and security (where applicable).
- The established policies specify the acceptable terms and conditions for all loan types.
- The Credit Policy incorporates Delegated Lending Authorities (DLA) according to different classes of security and the lending officer's experience.
- The regular monitoring of compliance with the credit risk policy.

The TIO Banking business operations manages all loan arrears on a daily basis. The nature of credit risk varies between business and retail loans and is managed accordingly. With the securitisation program in place over some home loans, TIO has taken out insurance contracts on every loan that has been securitised to cover the risk of borrowers defaulting on their loan repayments. Although credit risk associated with these loans is insured with a third party, there is the residual risk that TIO may not be eligible in some exceptional cases to seek recovery under the policy.

At 30 June 2014 there were no significant concentrations of credit risk (nil: 2015).

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

	(	Cred
MACC	AAA or A1+	AA
30 June 2015	\$'000	\$
Cash at bank and on hand Short term securities and floating rate notes Other instruments	7,576 16,176	
Bonds Derivative financial instruments	275,214	
Total	298,966	
30 June 2014		
Cash at bank and on hand	42,243	
Short term securities and floating rate notes Other instruments Bonds	54,210 2,506 297,576	
Derivative financial instruments	297,370	
Total	396,535	. !

C	Credit Rating	js		
AAA or A1+	AA or A1	A or A2	Unrated	Total
\$'000	\$′000	\$′000	\$'000	\$'000
7,576 16,176	60	6,515 10,000	(682) -	13,469 26,176
- 275,214 -	13,901 5,475 -	-	- - (258)	13,901 280,689 (258)
298,966	19,436	16,515	(940)	333,977
42,243	7,446	-	160	49,850
54,210	29,132	28,192	3,265	114,799
2,506				2,506
297,576	14,375	13,265	15,716	340,932
_	(234)	-	(1,360)	(1,594)
396,535	50,719	41,457	17,781	506,493

The credit risk exposure in 2015 represents MACC's financial assets and liabilities, whereas the 2014 comprises of TIO Insurance and Banking business and MAC Fund financial assets.

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

### **MACC**

30 June 2015

Loans and advances

Total

Insurance receivables -premiums Non-insurance receivables Investment receivables Loans and advances <b>Total</b>
<b>30 June 2014</b> Insurance receivables -premiums Non-insurance receivables Investment receivables

### Past due but not impaired

Neither past due nor impaired	0 to 3 months	3 to 6 months	Greater than 6 months	Impaired	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	1,194	-	-	-	1,194
-	67	-	-	-	67
1,631	-	-	-	-	1,631
-	-	-	-	-	-
1,631	1,261	-	-	-	2,892
30,613	27,029	447	631	136	58,857
-	2,222	-	-	-	2,222
3,797	-	-	-	-	3,797
569,064	12,802	1,484	929	460	584,739
603,474	42,053	1,931	1,560	596	649,615

The ageing analysis in 2015 represents MACC's financial assets, whereas the 2014 comprises of TIO Insurance and Banking business and MAC Fund financial assets.

### (c) Liquidity risk

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

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

The three main elements of managing Liquidity risk are:

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

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

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

The following table summarises the maturity profile of MACC's liabilities. This is based on contractual undiscounted repayment obligations, which includes estimated interest repayments. The maturity profiles of Insurance contract liabilities are determined on the basis of discounted estimated timing of net cash outflows and are disclosed in note 19 (e). Repayments that are subject to notice are treated as if notice were to be given immediately.

Maturity profiles of undiscounted financial liabilities.

MACC	1 year or less	> 1 year and < 5 years	> 5 years	No term	Total
	\$'000	<b>\$</b> ′000	\$'000	\$'000	\$'000
30 June 2015					
Deposits	-	-	-	-	-
Borrowings	-	-	-	-	-
Securitisation liabilities	-	-	-	-	-
Trade and other payables	5,208	-	-	-	5,208
Related party payables	385	-	-	-	385
Interest rate swaps	-	-	-	-	-
Total undiscounted financial liabilities	5,593	-	-	-	5,593
nabilities					
30 June 2014					
Deposits	429,858	22,412	-	111,550	563,820
Borrowings	25,530	26,170	-	-	51,700
Securitisation liabilities	2,964	11,788	43,938	-	58,690
Trade and other payables	30,041	-	-	-	30,041
Interest rate swaps	124	35	-	-	159
Total undiscounted financial liabilities	488,567	60,405	43,938	111,550	704,410

The maturity analysis disclosure in 2015 represents MACC's undiscounted financial liabilities, whereas the 2014 comprises of TIO Insurance and Banking business and MAC Fund undiscounted financial liabilities

### 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, other than interest rate swaps designated as cash flow hedges, are recognised in the profit and loss section of the statement of profit or loss or other comprehensive income. The accounting treatment of interest rate swaps designated as cash flow hedges is described in note 33 a (i).

At year end MACC held derivative exposures to manage exposure on the investments held for trading portfolio, and deposit portfolio, of Interest Rate Swaps with a net notional value of \$357 million (2014: \$329 million) and a fair value of \$0.2 million (2014: \$0.23 million).

### e) Capital Management

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

The capital policy has been designed to:

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

Prior to its transfer to owners, TIO Banking business measures a capital adequacy ratio in accordance with APRA prudential standard APS 110, and has at all times exceeded the minimum regulatory capital adequacy ratio of 10% for the current financial year.

As above TIO Insurance business measures a Prudential Capital Requirement (PCR) ratio in accordance with APRA prudential standard GPS 110, and has at all times exceeded the minimum regulatory PCR ratio of 120% for the current financial year.

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:

		2015		2014			
	MACC \$'000	TIO Insurance & Banking \$'000	MAC Fund \$'000	TIO \$'000	TIO Insurance & Banking \$'000	MAC Fund \$'000	
Contributed equity (note 26)	-	-	-	39,340	39,340	-	
Asset revaluation reserve	-	-	-	18,569	-	3,904	
Catastrophe reserve	-	-	-	6,353	6,353	-	
Road Safety reserve	-	-	-	5,000	-	5,000	
Retained earnings	148,475	-	148,475	337,687	91,450	260,900	
Hedging reserves	-	-	-	(173)	(173)	-	
Total capital resources	148,475	-	148,475	406,776	136,970	269,804	

### Insurance and Banking

The TIO Board requires TIO Insurance and Banking to maintain the minimum levels as determined by the prudential standards as well as a capital requirement for each business unit. Although TIO Insurance and Banking divisions are not regulated by APRA, the Northern Territory Government has imposed compliance requirements in line with APRA regulations.

### MAC Fund

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

# f) Fair values

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

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

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

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

 the fair value is estimated using inputs for the asset or liability that are not based on observable market data. Level 3

Fair Value
Carrying Amount
MACC

MACC		Carrying Amount			Fair Value	/alue	
30 June 2015	Held-for- trading	Fair value - hedging instruments	Total	Level 1	Level 2	Level 3	Total
	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000	\$,000
Financial Assets							
Non-derivative instruments		•	•	1	'	•	•
Short term deposits	26,176	•	26,176	26,176	'	•	26,176
Other floating rate investments	13,901	•	13,901	13,901	1	•	13,901
Bonds	280,689	•	280,689	280,689	•	•	280,689
Units in unlisted trusts	186,960	-	186,960	-	186,960	-	186,960
Total	507,726	•	507,726	320,766	186,960	•	507,727

	Total	\$,000	114,800	2,506	340,931	393,680	851,918	(1,594)	(1,594)
Fair Value	Level 3	\$,000		ı	1	1	•	-	•
Fair V	Level 2	\$,000		'	'	-089'868	393,680	-	•
	Level 1	\$,000	114,800	2,506	340,931		458,237	(1,594)	(1,594)
	Total	\$,000	114,800	2,506	340,931	393,681	851,918	(1,594)	(1,594)
Carrying Amount	Fair value - hedging instruments	\$,000		•	•	1	•	(1,594)	(1,594)
_	Held-for- trading	\$,000	114,800	2,506	340,931	393,681	821,918		•

(258)(258)

(258)(258)

(258)

(258)(258)

Financial Liabilities
Derivative instruments
Interest rate swaps

Total

30 June 2014

Financial Assets

Non-derivative instruments

Short term deposits

Other floating rate investments

Units in unlisted trusts

Financial Liabilities
Derivative instruments
Interest rate swaps Total Total

The fair value disclosure in 2015 represent MACC's financial assets and liabilities, whereas the 2014 comprises of TIO Insurance and Banking business and MAC Fund 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.

### 34. Investment Property

Reclassification from Property, Plant and Equipment Additions Revaluation of Property, Plant and Equipment

2015	2014
\$'000	\$'000
43,500	-
118	-
(618)	-
43,000	-

Prior to 1 January 2015, there was no property held for investment. The property located at 24 Mitchell Street, Darwin has been reclassified from property, plant and equipment (see Note 16) to investment property, following the change of ownership associated with the transfer of TIO Insurance and Banking business to owners. The transfer changed the status of the property from owner occupied to investment properties.

### Measurement of fair value

### (i) Fair value hierarchy

The fair value of MACC's property held for investment as at 30 June 2015 has been determined and approved by the MAC Commissioner on the basis of an independent valuation carried out at that date by Nick Bell of Knight Frank Valuations who is a certified practicing valuer of the Australian Valuation Office. The independent valuer provides the fair value of the property every 12 months.

The fair value measurement for the property of \$43 million has been categorised as Level 3 fair value based on the inputs to the valuation technique used (see Note 2.3(m)).

### (ii) Level 3 fair value

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

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation Approach: The valuation model considers yields indicated by sales by similar property	Current market rental per square metre.	The estimated fair value would increase (decrease) if:
investments to reflect any expectations of future growth in income and capital value.	Vacancy periods (average 12 months after the end of each lease)	Expected market rental growth were higher (lower);
Adjustments are then made for any relevant rental reversion including	Rent-free periods (1 year period on new leases).	Vacancy periods were shorter (longer);
letting up allowances for vacant space, incentives, leasing fees, capital expenditure and other appropriate	Capitalisation rate of 9.5% based on recent sales of comparable properties.	The occupancy rate were higher (lower);
capital allowances		Rent-free periods were shorter (longer); or
		The capitalisation rate were lower (higher).

### 34. Investment Property continued...

The above technique and methodology is consistent when the property was assessed in 2014 being an owner occupied property.

### 35. Commitments for expenditure

		2015			2014	
	MACC	TIO Insurance & Banking	MAC Fund	тіо	TIO Insurance & Banking	MAC Fund
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
(a) Capital commitments						
Commitments for miscellaneous property, plant and equipment contracted for at reporting date but not recognised as liabilities, payable:						
Within one year	-	-	-	455	455	-
Later than one year but not later than five years	-	-	-	-	-	-
	-	-	-	455	455	-
(b) Non-cancellable operating leases where TIO/ MAC Fund is the lessee Future minimum lease payments for rent payable: Within one year Later than one year but not later than five years	-	-	-	621 1,668 101	621 1,668 101	-
Later than Five years	-	<u> </u>		2,390	2,390	
(c) Non-cancellable operating leases where TIO/ MAC Fund is the lessor Future minimum lease payments for rent receivable in relation to direct property held by TIO:				2,330	2,330	
Within one year	3,779	-	3,779	2,459	-	2,459
Later than one year but not later than five years Later than five years	7,532	-	7,532	2,890	-	2,890
Later trial five years	11,311	<u> </u>	11,311	5,349	<u> </u>	5,349

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. There are no options to purchase the relevant assets on expiry of the lease.

### 36. Discontinued Operations

On 1 January 2015, the Insurance and Banking segments of TIO were transferred to the NT Government and are reported in the financial statements as discontinued operations. The Insurance business was acquired by Allianz Australia Insurance Limited and the Banking business was acquired by People's Choice Credit Union. Below is the financial impact of this transfer. As the net assets were transferred to the NT Government at book value there was no profit or loss recorded on the transfer in the Financial Statements of TIO. (Refer to the Statement of Profit or Loss and Other Comprehensive Income and the Statement of Cash Flows for the financial information relating to the profit/(loss) and cash flows of the discontinued operations).

The financial impact on the TIO Financial Statements of the major classes of assets and liabilities of the Insurance and Banking business transferred to the NT Government on 1 January 2015 are as follows:

	2015
	\$'000
Premium debtors	(49,594)
Other receivables	(2,543)
Reinsurance and other recoveries	(30,334)
Deferred reinsurance expense	(15,649)
Deferred acquisition costs	(5,054)
Financial assets	(196,775)
Property, plant and equipment	(3,482)
Loans	(583,525)
Intercompany receivable	(279)
Future income tax benefit	(8,466)
Outstanding claims	136,328
Unearned premium	66,728
Other liabilities	15,955
Employee provisions	4,720
Banking clearing accounts	10,529
Deposits	565,226
Tax liabilities	2,594
Net assets transferred to owner	(93,621)
Consideration received, satisfied in cash	-
Cash and cash equivalents disposed of	(38,027)
Net cash outflow	(38,027)
	000 ===
Assets transferred	933,728
Liabilities transferred	(802,080)
Net assets/liabilities transferred to owner	131,648

### 37. Events subsequent to balance date

There are no events subsequent to balance date.

### 38. Contingent liabilities and contingent assets

### a) Contingent liabilities

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

### b) Contingent assets

MACC has no contingent assets.

### **Appendix 1 of the Annual Report**

### **Regulatory Capital**

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

### MAC Fund

The MAC fund is exempted from the APRA prudential standards GPS110 to GPS 116.

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

As at 30 June 2015, the Solvency ratio was 39.08%.



# Independent Auditor's Report to the Commissioner Motor Accident (Compensation) Commission Year ended 30 June 2015

I have audited the accompanying financial report of the Motor Accident (Compensation) Commission (the Commission), which comprises a statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Commissioner's statement.

### The Responsibility of the Commissioner for the Financial Report

The Commissioner is responsible for the preparation and presentation of the financial report in accordance with Australian Accounting Standards and the *Motor Accident (Compensation) Commission Act*, and for such internal control as the Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2.1, the Commissioner also states, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

### Auditor's Responsibility

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

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

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

### Opinion

In my opinion:

- The financial report gives a true and fair view of the financial position of Motor Accident (Compensation)
  Commission as at 30 June 2015, and of its financial performance and its cash flows for the year then ended
  in accordance with Australian Accounting Standards and the Motor Accident (Compensation) Commission
  Act.
- The financial report also complies with International Financial Reporting Standards as disclosed in Note 2.1.

Julie Crisp
Auditor-General for the Northern Territory
Darwin, Northern Territory
2 October 2015



Northern Territory Motor Accidents (Compensation) Commission

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