

# Motor Accident Commission

Financial report  
for the year ended  
30 June 2018



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## To the Chairman Motor Accident Commission

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987* and section 28(3) of the *Motor Accident Commission Act 1992*, I have audited the financial report of the Motor Accident Commission for the financial year ended 30 June 2018.

### Opinion

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the Motor Accident Commission as at 30 June 2018, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2018
- a Statement of Financial Position as at 30 June 2018
- a Statement of Changes in Equity for the year ended 30 June 2018
- a Statement of Cash Flows for the year ended 30 June 2018
- notes, comprising significant accounting policies and other explanatory information
- a Certificate from the Chairman, Chief Executive Officer and the Manager, Finance.

### Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the Motor Accident Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 Code of Ethics for Professional Accountants have been met.

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

## **Responsibilities of the Chief Executive Officer and the Board of Directors for the financial report**

The Chief Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with the Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and that is free from material misstatement, whether due to fraud or error.

The Board of Directors are responsible for overseeing the entity's financial reporting process.

## **Auditor's responsibilities for the audit of the financial report**

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Chief Executive
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Chief Executive Officer and the Board of Directors about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.

A handwritten signature in black ink, appearing to read "A. Richardson", with a long horizontal stroke extending to the right.

Andrew Richardson

**Auditor-General**

5 September 2017

# **Motor Accident Commission**

## **Financial Statements for the year ended 30 June 2018**

**Motor Accident Commission Compulsory Third Party  
ABN: 45 346 597 132**

**Motor Accident Commission Non-Compulsory Third Party  
ABN: 64 416 679 821**

**MOTOR ACCIDENT COMMISSION  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2018**

		MAC Fund		Consolidated	
	Note	2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
Claims paid	6	(215,849)	(254,549)	(215,849)	(254,549)
Claims adjustment	6	344,348	515,050	344,348	515,050
Reinsurance and other recoveries		(393)	(1,758)	(393)	(1,758)
<b>Net claims</b>	20	<b>128,106</b>	<b>258,743</b>	<b>128,106</b>	<b>258,743</b>
Investment revenue and expense	5	(3,577)	46,529	(3,591)	46,242
Investment management fee		(3,492)	(8,666)	(3,492)	(8,666)
<b>Net investments</b>		<b>(7,069)</b>	<b>37,863</b>	<b>(7,083)</b>	<b>37,576</b>
Management expenses	7	(26,380)	(35,015)	(26,180)	(34,154)
Road Safety expenses	8	-	-	(13,823)	(12,947)
<b>Total expenses</b>		<b>(26,380)</b>	<b>(35,015)</b>	<b>(40,003)</b>	<b>(47,101)</b>
Other revenue		31	65	29	69
Road Safety revenue	8	-	-	13,966	13,543
<b>Total revenue</b>		<b>31</b>	<b>65</b>	<b>13,995</b>	<b>13,612</b>
<b>Net profit (loss)</b>		<b>(26,349)</b>	<b>(34,950)</b>	<b>(26,008)</b>	<b>(33,489)</b>
<b>Net Result before market value movements</b>		<b>94,688</b>	<b>261,656</b>	<b>95,015</b>	<b>262,830</b>
Investment market value movements	5	48,026	97,761	48,026	97,761
<b>Net result</b>		<b>142,714</b>	<b>359,417</b>	<b>143,041</b>	<b>360,591</b>
<b>Total comprehensive result</b>		<b>142,714</b>	<b>359,417</b>	<b>143,041</b>	<b>360,591</b>

The net result and total comprehensive result are attributable to the SA Government as owner.

The above statement should be read in conjunction with the accompanying notes.

**MOTOR ACCIDENT COMMISSION  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

		MAC Fund		Consolidated	
	Note	2018	2017	2018	2017
		\$'000	\$'000	\$'000	\$'000
<b>Current Assets</b>					
Cash	24	5,289	11,545	8,157	14,590
Receivables	9	2,832	3,394	2,980	3,596
Reinsurance and other recoveries receivable	10	700	958	700	958
Other financial assets	11	1,012,034	1,001,897	1,012,034	1,001,897
Assets held for sale	12	-	565,500	-	565,500
<b>Total Current Assets</b>		<b>1,020,855</b>	<b>1,583,294</b>	<b>1,023,871</b>	<b>1,586,541</b>
<b>Non-Current Assets</b>					
Receivables	9	500	500	-	-
Reinsurance and other recoveries receivable	10	2,580	3,893	2,580	3,893
Property, plant and equipment	13	-	-	16	417
<b>Total Non-Current Assets</b>		<b>3,080</b>	<b>4,393</b>	<b>2,596</b>	<b>4,310</b>
<b>Total Assets</b>		<b>1,023,935</b>	<b>1,587,687</b>	<b>1,026,467</b>	<b>1,590,851</b>
<b>Current Liabilities</b>					
Payables	14	2,601	2,615	2,741	3,747
Premiums held for other entities	15	15,089	15,089	15,089	15,089
Outstanding claims	16	237,306	337,037	237,308	337,039
Provisions	18	10,560	13,264	10,813	13,515
<b>Total Current Liabilities</b>		<b>265,556</b>	<b>368,005</b>	<b>265,951</b>	<b>369,390</b>
<b>Non-Current Liabilities</b>					
Outstanding claims	16	615,624	860,241	615,689	860,303
Provisions	18	-	-	585	557
<b>Total Non-Current Liabilities</b>		<b>615,624</b>	<b>860,241</b>	<b>616,274</b>	<b>860,860</b>
<b>Total Liabilities</b>		<b>881,180</b>	<b>1,228,246</b>	<b>882,225</b>	<b>1,230,250</b>
<b>Net Assets</b>		<b>142,755</b>	<b>359,441</b>	<b>144,242</b>	<b>360,601</b>
<b>Equity</b>					
Retained earnings		142,755	359,441	144,242	360,601
<b>Total Equity</b>		<b>142,755</b>	<b>359,441</b>	<b>144,242</b>	<b>360,601</b>

**The Total Equity is attributable to the SA Government as owner.**

Commitments	22
Contingent assets and liabilities	26

The above statement should be read in conjunction with the accompanying notes.

**MOTOR ACCIDENT COMMISSION  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2018**

	<b>MAC Fund</b>		<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash Flows from Operating Activities</b>				
Other cash receipts in the course of operations	1,296	2,983	15,227	16,648
Cash payments in settlement of claims	(232,345)	(273,441)	(232,346)	(273,441)
Proceeds from sale of Direct Property Portfolio	565,500	-	565,500	-
Other cash payments in the course of operations	(36,364)	(152,542)	(50,814)	(165,924)
Interest and other investment income	31,204	1,073,622	31,224	1,073,642
GST refunded/(paid) to the ATO	19,872	15,907	20,199	17,236
<b>Net Cash inflows/(outflows) from Operating Activities (Note 24)</b>	<b>349,163</b>	<b>666,529</b>	<b>348,990</b>	<b>668,161</b>
<b>Cash Flows from Investing Activities</b>				
Payment for property, plant and equipment	-	-	(4)	(32)
<b>Net Cash outflows from Investing Activities</b>	<b>-</b>	<b>-</b>	<b>(4)</b>	<b>(32)</b>
<b>Cash Flows from Financing Activities</b>				
Return of capital	(359,400)	(688,200)	(359,400)	(688,200)
<b>Net Cash outflows from Financing Activities</b>	<b>(359,400)</b>	<b>(688,200)</b>	<b>(359,400)</b>	<b>(688,200)</b>
Net change in cash held	(10,237)	(21,671)	(10,414)	(20,071)
Cash at the beginning of the year	15,526	37,197	18,571	38,642
<b>Cash at the end of the year (Notes 2(i), 24)</b>	<b>5,289</b>	<b>15,526</b>	<b>8,157</b>	<b>18,571</b>

The above statement should be read in conjunction with the accompanying notes.

**MOTOR ACCIDENT COMMISSION  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2018**

	Note	MAC Fund \$'000	Consolidated \$'000
Balance at 30 June 2016		688,224	688,210
<b>Total Comprehensive Result for 2016-17</b>		<b>359,417</b>	<b>360,591</b>
Return of capital for 2016-17	21	(688,200)	(688,200)
Balance at 30 June 2017		359,441	360,601
<b>Total Comprehensive Result for 2017-18</b>		<b>142,714</b>	<b>143,041</b>
Return of capital for 2017-18	21	(359,400)	(359,400)
Balance at 30 June 2018		142,755	144,242

**All changes in equity are attributable to the SA Government as owner.**

The above statement should be read in conjunction with the accompanying notes.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**1 ACTIVITIES OF THE MOTOR ACCIDENT COMMISSION**

During the year ended 30 June 2018, the principal activities of the Motor Accident Commission (MAC and / or the Commission) were:

- (a) to manage the run off of claims against policies issued up to and including 30 June 2016. From 1 July 2016, the SA Government opened the provision of CTP insurance in South Australia to the private sector. Accordingly MAC no longer has a role as a provider of CTP insurance in South Australia and ceased writing new CTP insurance policies from this date. However, MAC will continue its role as Nominal Defendant (for claims up until 31 December 2016) and run off its claims against policies issued up to and including 30 June 2016;
- (b) to lead in road safety behaviour change and education, with responsibility for managing SA's road safety communications program. As part of this role, MAC promotes road safety awareness through non-commercial programs, including sponsorship of road safety research, partnerships and the delivery of communications aimed at safer road user behavior.

**2 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

MAC has prepared these financial statements in compliance with section 23 of the *Public Finance and Audit Act 1987 (PFAA)*.

The financial report has been prepared with MAC being treated as a Not for Profit entity. The financial report for MAC consists of the MAC Fund and the Consolidated financial statements which includes the Road Safety Fund for the year ended 30 June 2018 and are prepared for the same reporting period, using consistent accounting policies. The MAC CTP Fund formerly established by the Commission continues in existence as the MAC Fund per section 25 of the *Motor Accident Commission Act 1992* and all intra-group balances, transactions, income and expenses are eliminated in full.

The financial statements are general purpose financial statements. The accounts have been prepared in accordance with relevant Australian accounting standards and comply with Treasurer's Instructions (TI) and accounting policy statements promulgated under the provision of the *Public Finance and Audit Act 1987*.

Australian Accounting Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2018. Refer to Note 3.

The financial statements have been prepared on an accrual basis and presented in Australian currency. They are in accordance with the historical cost convention, except for Other financial assets which are valued with the valuation policy applicable.

**(b) Investment Income**

Fees and discounts are amortised over the period to which they relate. Interest is taken to income on an earned basis. Investment income is reported after deducting costs and expenses relating to management, operation and maintenance of the investment portfolio.

**MOTOR ACCIDENT COMMISSION**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2018**

**(c) Claims**

Claims expense and a liability for outstanding claims are recognised in respect of the direct insurance and inwards reinsurance businesses. The liability covers claims reported but not yet paid, incurred but not reported (IBNR) claims, the anticipated direct and indirect costs of settling those claims and estimated reinsurance and other insurance recoveries. Claims outstanding are based on average or individual claim file estimates, with IBNRs and settlement costs calculated using statistics from past experience and trends.

- i) *CTP Claims* - The liability for outstanding CTP claims is measured as the present value of the 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 balance date and a margin is included to provide sufficient confidence that the provision is adequate. The outstanding claims liability is subject to actuarial assessment.

A risk margin is added to the outstanding claims provision to increase the probability that the net liability is adequately provided to a sufficiency level of 80%.

- ii) *Other Claims* - In the insurance and inwards reinsurance businesses, delays occur in the notification of information normally used in the calculation of claims provisions. The directors, having due consideration for the nature of the risks involved and any material event that would adversely affect the operating results, have provided an amount for claims in the accounts that is sufficient to cover known events and at the same time, assist to maintain prudential reserves.

**(d) Reinsurance and Other Recoveries Receivable**

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and IBNRs are recognised as revenue. Recoveries receivable used in the calculation of claims provisions are brought to account where they can be reliably measured. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims.

**(e) Other Financial Assets**

AASB1023 requires that assets backing insurance liabilities are to be measured at fair value with any changes in value taken to the Statement of Comprehensive Income. All assets of an investment nature held by the MAC Fund are considered to be for the purpose of backing insurance liabilities.

- i) *Unit Trusts*  
MAC's investment portfolio is held with Funds SA, the SA State Government investment body. These investments are held via unit trusts in a range of asset classes. Market quotations are used as the valuation basis for these units.
- ii) *Property Securities*  
By market quotations.
- iii) *Other Investments*  
Other investments are valued based on current economic conditions, market interest rates and the latest available information on the investments as considered appropriate by the directors.

Other Financial Assets have been classified as current given the ability to redeem investments/funds within a short period of time if required. The 2016-17 comparatives have also been reclassified on the same basis.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**(f) Employee Benefits**

A liability for employee benefits has been accrued at 30 June 2018.

These benefits accrue for employees as a result of services provided up to the reporting date that remain unpaid. Long term employee benefits are measured at present value and short-term employee benefits are measured at nominal amounts.

*Salaries and wages, annual leave, SERL and sick leave*

The liability for salaries and wages is measured as the amount unpaid at the reporting date at remuneration rates current at reporting date.

The annual leave liability and the SERL is expected to be payable within 12 months and is measured at the undiscounted amount expected to be paid.

No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees is estimated to be less than the annual entitlement for sick leave.

*Long service leave*

The liability for long service leave is measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

The estimated liability for long service leave is based on actuarial assumptions over expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities. Expected future payments are discounted using market yields at the end of the reporting period on government bonds with durations that match, as closely as possible, the estimated future cash outflows.

Employment on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave and annual leave and are accounted for under Payables.

*Superannuation*

MAC makes contributions to SA Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at balance date relates to any contributions due but not yet paid to the South Australian Superannuation Board (SASB) or external schemes.

**(g) Taxation**

MAC is an income tax exempt organisation pursuant to Section 24AK of the *Income Tax Assessment Act 1936*.

MAC is liable for payroll tax, fringe benefits tax and goods and services tax (GST).

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

- when the GST incurred on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO 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 and the GST which is payable to the ATO is disclosed separately.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the ATO. If GST is not payable to, or recoverable from the ATO, the commitment and contingencies are disclosed on a gross basis.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**(h) Payables**

Payables include creditors, accrued expenses, GST payable and employment on-costs.

Creditors represent the amounts owing for goods and services received prior to the end of the reporting period and that are unpaid at the end of the reporting period. Creditors include all unpaid invoices received relating to the normal operations of MAC.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received.

All payables are measured at their nominal amount and are normally settled within 30 days from the date of the invoice or the date the invoice is first received.

Employee benefits on-costs include superannuation contributions and payroll tax with respect to outstanding liabilities for salaries and wages, long service leave, annual leave and skills and experience retention leave.

The carrying amount of payables approximates fair value due to amounts owing being payable on demand.

**(i) Cash**

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. Cashflows managed by Funds SA are presented on a net movement basis.

**(j) Rounding**

All amounts in the financial statements and accompanying notes have been rounded to the nearest thousand dollars (\$'000).

**(k) Interest in a Jointly Controlled Property**

During July 2017, MAC had a 50% interest in a jointly controlled property at 400 George Street, Brisbane. MAC recognised its interest in the jointly controlled property by recognising its share of liabilities, expenses and income from the use and output of the jointly controlled property.

On 31 July 2017, 100% of the Direct Property Portfolio was sold including the 50% interest MAC held in 400 George Street, Brisbane.

**3 CHANGES IN ACCOUNTING POLICIES**

The Commission did not voluntarily change any of its accounting policies during the year.

Australian accounting standards and interpretations that have recently been issued and amended but not yet effective, have not been adopted by MAC for the reporting period ending 30 June 2018. MAC has assessed the impact of the new and amended standards and interpretations and considers there will be no material impact on the accounting policies or the financial report.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

4	NET RESULT	MAC Fund		Consolidated	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
	Net result is arrived at after crediting and charging the following specific items:				
	<b>Credits</b>				
	Interest received/receivable	328	703	350	724
	<b>Charges</b>				
	Amounts set aside to provide for:				
	- Employee benefits	-	-	119	(28)
	- Depreciation of property, plant and equipment	-	-	405	93
<b>5</b>	<b>INVESTMENTS</b>				
	Investment revenue and expense				
	- Interest	328	685	341	706
	- Rentals	(3,905)	45,844	(3,932)	45,536
	<b>Total Investment revenue and expenses</b>	<b>(3,577)</b>	<b>46,529</b>	<b>(3,591)</b>	<b>46,242</b>
	Investment market value movements – unrealised gains/(losses)				
	- Fixed Interest	15,908	6,037	15,908	6,037
	- Equities	21,141	57,453	21,141	57,453
	- Properties	-	(25,774)	-	(25,774)
	- Other	9,400	59,143	9,400	59,143
	- Profit/(loss) – investments realised	1,577	902	1,577	902
	<b>Total Investment market value</b>	<b>48,026</b>	<b>97,761</b>	<b>48,026</b>	<b>97,761</b>
	<b>Total Investments</b>	<b>44,449</b>	<b>144,290</b>	<b>44,435</b>	<b>144,003</b>

Rentals include conveyancing and settlements costs. Further details in note 12, conveyancing fees and settlement costs are included in direct operating expenses.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

6 CLAIMS	MAC Fund		Consolidated	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Claims paid	215,849	254,549	215,849	254,549
Claims provision adjustment	(333,476)	(520,051)	(333,476)	(520,051)
Adjustment for economic assumptions	(10,872)	5,001	(10,872)	5,001
<b>Total Claims</b>	<b>(128,499)</b>	<b>(260,501)</b>	<b>(128,499)</b>	<b>(260,501)</b>

**7 MANAGEMENT EXPENSES**

Management expenses	26,380	35,015	26,180	34,154
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Management expenses include supplies and services paid or payable to SA Government entities as follows:

Corporate support services			201	289
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**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

<b>8 ROAD SAFETY</b>	<b>MAC Fund</b>		<b>Consolidated</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Road Safety Revenue				
- Road Safety Funding	-	-	13,931	13,525
- Interest received	-	-	35	18
<b>Total Road Safety Revenue</b>	<b>-</b>	<b>-</b>	<b>13,966</b>	<b>13,543</b>
Road Safety Expenses	-	-	(13,823)	(12,947)
<b>Total Road Safety Expenses</b>	<b>-</b>	<b>-</b>	<b>(13,823)</b>	<b>(12,947)</b>
<b>Total Road Safety</b>	<b>-</b>	<b>-</b>	<b>143</b>	<b>596</b>

Road Safety expenses include supplies and services paid or payable to SA Government entities as follows:

Road safety supplies & services	2,278	2,561
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In 2016-17, MAC and the SA CTP Regulator entered into a 3 year Memorandum of Administrative Arrangement (MoAA). Amongst other things, this MoAA establishes a funding arrangement whereby the CTP Regulator provides funding to MAC to continue to perform its road safety function. The funding provided in 2017-18 was \$13.9 million.

Road Safety expenses comprise management and road safety program expenditure. MAC promotes road safety awareness through non-commercial programs, including sponsorship of road safety research, partnerships and the delivery of communications aimed at safer road user behavior.

**9 RECEIVABLES**

<b>Current</b>				
Trade debtors	2,583	2,901	2,705	3,035
Other debtors	-	-	25	67
	<b>2,583</b>	<b>2,901</b>	<b>2,730</b>	<b>3,102</b>
Investment debtors	249	493	250	494
	<b>249</b>	<b>493</b>	<b>250</b>	<b>494</b>
<b>Total Current Receivables</b>	<b>2,832</b>	<b>3,394</b>	<b>2,980</b>	<b>3,596</b>
<b>Non-Current</b>				
Payroll Advance	500	500	-	-
<b>Total Non-Current Receivables</b>	<b>500</b>	<b>500</b>	<b>-</b>	<b>-</b>
<b>Total Receivables</b>	<b>3,332</b>	<b>3,894</b>	<b>2,980</b>	<b>3,596</b>

Trade debtors principally relates to ATO refunds that are receivable at balance date and Other debtors generally arise from transactions within the usual operating activities of the Commission.

Investment debtors consists of interest and rent due on investments.

**MOTOR ACCIDENT COMMISSION  
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**10 REINSURANCE AND OTHER RECOVERIES**

	<b>MAC Fund</b>		<b>Consolidated</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Expected future recoveries (undiscounted)	3,585	5,267	3,585	5,267
Discount to present value	(305)	(416)	(305)	(416)
<b>Reinsurance and other recoveries receivable</b>	<b>3,280</b>	<b>4,851</b>	<b>3,280</b>	<b>4,851</b>
Reinsurance and other recoveries receivable				
- Current	700	958	700	958
- Non-current	2,580	3,893	2,580	3,893
	<b>3,280</b>	<b>4,851</b>	<b>3,280</b>	<b>4,851</b>

Refer to Note 16(b) for details of the inflation and discount rates used in the determination of the discounting adjustment.

**11 OTHER FINANCIAL ASSETS**

**Current**

Fixed interest

- Cash and deposits	-	3,981	-	3,981
- Cash - Unit trust	74,065	40,412	74,065	40,412
- Fixed interest - Unit trust	670,258	268,210	670,258	268,210

Equities

- Australian equities - Unit trust	-	78,129	-	78,129
- International equities - Unit trust	-	80,360	-	80,360

Other

- MAC infrastructure - Unit trust	-	132,484	-	132,484
- MAC diversified strategies income - Unit trust	267,711	398,321	267,711	398,321

**Total Current Other Financial Assets** **1,012,034** **1,001,897** **1,012,034** **1,001,897**

**Total Other Financial Assets** **1,012,034** **1,001,897** **1,012,034** **1,001,897**

**MOTOR ACCIDENT COMMISSION**  
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12 ASSETS HELD FOR SALE	MAC Fund		Consolidated	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Balance at 1 July	565,500	587,900	565,500	587,900
Capitalised subsequent expenditure	43	3,374	43	3,374
Net loss on revaluation to sale price	-	(25,774)	-	(25,774)
Disposal of Direct Property Portfolio	(565,543)	-	(565,543)	-
<b>Direct property portfolio</b>	<b>-</b>	<b>565,500</b>	<b>-</b>	<b>565,500</b>
<b>Amounts recognised in the Statement of Comprehensive Income for investment property held for sale</b>				
Rental income	6,473	61,664	6,446	61,356
Direct operating expenses	(10,378)	(15,820)	(10,378)	(15,820)
<b>Total amount recognised</b>	<b>(3,905)</b>	<b>45,844</b>	<b>(3,932)</b>	<b>45,536</b>

In 2015-16, Investment Properties were classified as Assets Held for Sale. The sale of the Property Portfolio was finalised on 31 July 2017 for \$565.5m. Amounts recognised in the Statement of Comprehensive Income for rental income and direct property expenses relate to pre-settlement transactions. With the sale of MAC's Direct Property Portfolio on 31 July 2017, there are no leasing commitments under non-cancellable operating leases as at 30 June 2018. Further details are included in Commitments note 22.

**Valuation basis**

The Investment Property portfolio was classified as held for sale in 2015-16 and recorded at fair value in the Statement of Financial Position. The sale was finalised on the 31 July 2017 for \$565.5m which was reflective of the fair value at 30 June 2017.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
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13 PROPERTY, PLANT AND EQUIPMENT	MAC Fund		Consolidated	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Building Fitout	-	-	1,024	1,024
Accumulated depreciation	-	-	(1,024)	(691)
	-	-	-	333
Plant and equipment	-	-	130	125
Accumulated depreciation	-	-	(114)	(65)
	-	-	16	60
Other	-	-	38	38
Accumulated depreciation	-	-	(38)	(14)
	-	-	-	24
<b>Total Property Plant and Equipment</b>	-	-	<b>16</b>	<b>417</b>

Reconciliation of Property, Plant and Equipment is as follows:

***Building Fitout***

Carrying amount at beginning of year	-	-	333	401
Additions	-	-	-	11
Depreciation	-	-	(333)	(79)
<b>Carrying amount at end of year</b>	-	-	-	<b>333</b>

***Plant and equipment***

Carrying amount at beginning of year	-	-	60	49
Additions	-	-	4	21
Depreciation	-	-	(48)	(10)
<b>Carrying amount at end of year</b>	-	-	<b>16</b>	<b>60</b>

***Other***

Carrying amount at beginning of year	-	-	24	28
Depreciation	-	-	(24)	(4)
<b>Carrying amount at end of year</b>	-	-	-	<b>24</b>

**14 PAYABLES**

**Current**

Creditors and accruals	2,601	2,615	2,741	3,747
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**MOTOR ACCIDENT COMMISSION  
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15 PREMIUMS HELD FOR OTHER ENTITIES	MAC Fund		Consolidated	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Premiums held for other entities	15,089	15,089	15,089	15,089

During 2016-17, MAC was directed by the Minister for Finance in accordance with section 25(5)(a) of the *Motor Accident Commission Act 1992* to make a payment of \$105.0 million to Department of Treasury and Finance for distribution to the approved Insurers and to the South Australian CTP Insurance Regulator. The remainder is payable on such dates and in such instalments as notified to MAC by the Department of Treasury and Finance.

**16 OUTSTANDING CLAIMS**

a) Expected future claims payments (undiscounted)	793,589	1,110,576	793,656	1,110,640
Risk margin applied (undiscounted)	121,930	168,653	121,930	168,653
Discount to present value - central estimate	(54,459)	(71,352)	(54,459)	(71,352)
Discount to present value - risk margin applied	(8,130)	(10,599)	(8,130)	(10,599)
<b>Liability for outstanding claims</b>	<b>852,930</b>	<b>1,197,278</b>	<b>852,997</b>	<b>1,197,342</b>
Current	237,306	337,037	237,308	337,039
Non-current	615,624	860,241	615,689	860,303
<b>Liability for outstanding claims</b>	<b>852,930</b>	<b>1,197,278</b>	<b>852,997</b>	<b>1,197,342</b>

On 1 July 2013, a new South Australian CTP Scheme came into effect. The New Scheme embodies a series of scheme reforms designed to improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and promote optimal recovery for injured people.

Old Scheme	296,393	460,625	296,393	460,625
New Scheme	556,537	736,653	556,537	736,653
Non-CTP	-	-	67	64
<b>Liability for outstanding claims</b>	<b>852,930</b>	<b>1,197,278</b>	<b>852,997</b>	<b>1,197,342</b>

b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding				
For the succeeding year				
- Inflation rate	5.00%	5.25%	5.00%	5.25%
- Discount rate	2.50%	2.25%	2.50%	2.25%
For subsequent years				
- Inflation rate	5.00%	5.25%	5.00%	5.25%
- Discount rate	2.50%	2.25%	2.50%	2.25%
c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:	2.8 years	2.9 years	2.8 years	2.9 years

The method of calculating outstanding claims is set out in detail in Note 2(c).

**MOTOR ACCIDENT COMMISSION  
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**16 OUTSTANDING CLAIMS (continued)**

The claims provision for the MAC Fund as at 30 June 2018 has been reviewed by the Fund Actuary, Gillian Harrex BEc, FIAA of Finity Consulting Pty Limited. The directors have adopted a central estimate plus a risk margin as determined by the Actuary to achieve an 80% probability that the provision will prove adequate. An overall risk margin of 15% (2017:15%) has been applied and is derived using the framework established by the Actuaries Institute. As MAC only includes one class of insurance, no allowance has been made for diversification of insurance classes.

For Inwards Reinsurance, the directors have adopted an internal valuation of the estimated outstanding liability.

**Sensitivity analysis**

There is considerable uncertainty inherent in the estimation of the outstanding claims liability and in particular there is uncertainty arising from:

- a) The MAC Fund now being in run-off. It is possible that claims development patterns may change now that MAC has ceased underwriting new business. This could be due to differences that emerge in terms of claims management and also the potential for the external claims environment (which is now influenced by the four insurers who have entered the market) having an impact on Scheme performance.
- b) The actual impact of the CTP legislative changes effective 1 July 2013 (i.e. "New Scheme") and the commencement of the LSS from 1 July 2014. The key risks include:
  - \* Estimating the claims frequency and number of claim settlements.
  - \* Estimating the impact of tort reform on the ultimate cost of claims.
- c) Large claims, given their potential to cause significant one-off effects on the valuation and the difficulty in estimating future large claims experience, particularly as the Scheme goes further into run-off. The claims which are harder to resolve will become a greater proportion of the overall liability.
- d) Future inflation and superimposed inflation. While the claims environment has been benign for some years, it is possible for some level of claims cost escalation to emerge as service providers (particularly solicitors) adjust to the New Scheme environment, and as the new market participants start to exert influence on the market overall.

The relative financial sensitivity of the outstanding claims provision to changes in the key valuation assumptions is illustrated in the following table. The sensitivities shown should not be considered to be equally probable, nor are they mutually exclusive. Furthermore, they do not represent upper or lower bounds of all possible outcomes.

Change in Model parameters	Impact on Provision	
	%	\$'000
Change in Valuation Assumption:		
For accidents before 1 July 2013:		
- average size of attritional claims increased by 15% (2012/13 accidents only)	2.1	17,900
- average size of large claims increased by 43%	8.1	68,500
For accidents after 30 June 2013:		
- number of claims involving a settlement decreased by 15%	(7.2)	(61,400)
- average size of attritional claims increased by 15%	8.1	68,400
- average size of large claims increased by 43%	5.3	44,900
Number of large claims increased by 20% to 54	0.8	7,000
Discount rate increased from 2.50% to 3.0% p.a.	(1.3)	(11,200)
Discount rate decreased from 2.50% to 2.0% p.a.	1.4	11,600
Superimposed inflation rate increased from 2.0% to 3.0% p.a.	2.4	20,300
Superimposed inflation rate decreased from 2.0% to 1.0% p.a.	(2.3)	(19,300)

**MOTOR ACCIDENT COMMISSION  
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**16 OUTSTANDING CLAIMS (continued)**

**Claims Development**

	2009	2010	2011	2012	2013	2014	2015	2016	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net ultimate claims cost estimate</b>									
At end of accident year	444,156	459,249	483,650	492,426	514,693	400,476	338,287	330,164	
One year later	426,282	458,570	469,417	488,162	461,742	373,204	289,240	304,856	
Two years later	433,527	440,122	466,825	432,909	428,069	316,737	249,295	284,835	
Three years later	411,612	426,006	429,090	422,326	384,174	247,424	232,867		
Four years later	408,503	400,245	402,857	399,451	355,826	233,463			
Five years later	366,346	359,144	390,716	370,748	358,766				
Six years later	336,619	350,019	364,330	360,417					
Seven years later	329,045	352,922	364,469						
Eight years later	328,184	348,554							
Nine years later	326,246								
Current est. of net ultimate claims cost	326,246	348,554	364,469	360,417	358,766	233,463	232,867	284,835	
Cumulative payments	(316,559)	(319,778)	(340,070)	(319,300)	(287,342)	(126,530)	(96,197)	(70,834)	
Net undiscounted claims liability for the ten most recent accident years	9,687	28,776	24,399	41,117	71,424	106,933	136,670	214,001	<b>633,007</b>
Discount to present value	(773)	(6,665)	(1,492)	(3,129)	(5,309)	(5,499)	(7,145)	(14,486)	<b>(44,498)</b>
Net discounted claims liability for the ten most recent accident years	8,914	22,111	22,907	37,988	66,115	101,434	129,525	199,515	<b>588,509</b>
<b>Reconciliation</b>									
Net discounted claims liability for accident years 2007/08 and prior									80,446
Claims handling expenses									66,895
Risk margin									113,800
<b>Net outstanding claims liability</b>									<b>849,650</b>
Gross outstanding claims liability on the statements of financial position									852,930
Reinsurance and other recoveries on outstanding claims liability									(3,280)
<b>Net outstanding claims liability</b>									<b>849,650</b>

Estimated timing of net cash outflows resulting from recognised insurance liabilities is provided below. This is provided instead of a maturity analysis for financial liabilities showing remaining contractual liabilities.

**Estimated timing of net cashflows**

	Up to 1	2 - 4	5 - 9	10 - 14	15 - 19	20 - 24	Total
	year	years	years	years	years	years	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities</b>	236,608	449,309	116,816	37,386	9,305	226	<b>849,650</b>

**MOTOR ACCIDENT COMMISSION  
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**17 INSURANCE CONTRACTS RISK MANAGEMENT**

A key risk from operating in the CTP insurance industry is the exposure to insurance risk arising from underwriting CTP insurance contracts. CTP insurance policies transfer risk to the insurer by indemnifying the policyholders against adverse affects arising from the occurrence of specified uncertain future events. The risk is that the actual amount of claims to be paid in relation to CTP insurance policies will be different to the amount estimated at the time CTP premiums are determined. MAC is exposed to this risk because the price for a policy must be set before the losses relating to the insurance cover are known. Hence the insurance business involves inherent uncertainty. MAC also faces other risks relating to the conduct of the CTP insurance business including financial and capital risks.

A fundamental part of the overall risk management strategy is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance policies.

**Risk Management objectives and policies for mitigating insurance risk**

The risk management activities can be broadly separated into underwriting (acceptance and pricing of risk), claims management and investment management. The objective of these risk management functions is to secure the longer term financial performance of the CTP insurance scheme.

The key policies in place to mitigate risks arising from underwriting CTP insurance policies include the following:

*Pricing*

Actuarial models are used which combine historical and projected data to calculate premiums and monitor claims patterns. The data used includes historical pricing, investment behaviours and claims experience and takes account of current market and Scheme trends. All data used is subject to thorough verification and reconciliation processes.

A recommendation in relation to the premiums which MAC may charge is made by an independent body, the Third Party Premiums Committee (TPPC), taking into account actuarial models and having regard to MAC's obligation to seek to achieve and maintain a sufficient level of solvency in the Fund. The CTP Premiums to be charged for each financial year are ultimately determined by Cabinet.

Whilst premiums are set based on assumptions regarding the behaviour of claims and investments during the year, actual claims and investment behaviour often varies from these assumptions and the results achieved by MAC can therefore be affected by a range of factors over which MAC has limited or no control, including variations in economic factors (such as inflation and interest rates) and investment market volatility and directions by the Minister to charge premiums other than those recommended by the TPPC.

As MAC ceased writing new CTP insurance policies from 1 July 2016, its involvement in the premium setting process has now ended.

*Reinsurance*

The use of reinsurance is to limit exposure to large single claims and accumulation of claims that arise from the same event or the accumulation of similar events. This includes the monitoring of reinsurers' credit risk to control exposure to potential reinsurance counterparty default. All reinsurers are required contractually to have a minimum security Standard & Poor's rating of "A -". MAC's reinsurance broker monitors the Standard & Poor's rating of all panel reinsurers.

As MAC ceased writing new CTP insurance policies from 1 July 2016, its involvement in the premium setting process has now ended.

*Claims management*

Claim determination is managed by Allianz on behalf of MAC by their employees who possess the requisite degree of experience and competence. It is MAC's policy to respond and settle claims quickly whenever possible and to pay claims fairly, in accordance with the law and in line with community and Government expectations.

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**17 INSURANCE CONTRACTS RISK MANAGEMENT (continued)**

*Investment management*

Assets and liabilities are managed so as to correlate the expected pattern of claims payments with the assets that are held to back insurance liabilities. Further information regarding investment related risks is contained in the Notes to the Accounts.

*Risk reduction*

MAC looks to reduce the frequency and severity of claims by investing in community road safety initiatives.

**18 PROVISIONS**

	MAC Fund		Consolidated	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Current</b>				
Employee benefits				
- Annual leave	-	-	248	235
- SERL	-	-	5	16
Incentive payments	10,560	13,264	10,560	13,264
<b>Total Current Provision</b>	<b>10,560</b>	<b>13,264</b>	<b>10,813</b>	<b>13,515</b>
<b>Non-Current</b>				
Employee benefits				
- LSL	-	-	585	557
<b>Total Non-Current Provisions</b>	<b>-</b>	<b>-</b>	<b>585</b>	<b>557</b>
<b>Total Provisions</b>	<b>10,560</b>	<b>13,264</b>	<b>11,398</b>	<b>14,072</b>

Liabilities for payment of incentives to Allianz have been accrued at 30 June 2018. Payment of these incentives is based on Allianz's performance in reducing the cost of claims over the 2017-18 financial year compared to benchmarks in accordance with the terms of the CTP Services Contract.

*AASB 119 Employee Benefits* contains the calculation methodology for long service leave liability. The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave.

AASB 119 requires the use of the yield on long term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth bonds remains unchanged for 2018 at 2.5%.

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**19 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES**

**(1) Categorisation of Financial Instruments**

The total carrying amount for all financial assets is equal to the fair value of these assets. Property, Plant and Equipment in note 13 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price. The direct property portfolio was classified as Assets Held for Sale at June 2017 as detailed in note 12 and recorded at the sale price as at 31 July 2017. All assets held in unit trusts as detailed in note 11 are classed as level 2 assets being fair values that are based on inputs that are directly or indirectly observable for the assets other than unadjusted quoted price.

**(2) Derivative Financial Instruments**

Derivatives can be defined as financial contracts whose value depend on, or are derived from assets, liabilities, reference rates or indices. Derivatives are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively. MAC's external investment managers use a variety of derivative instruments, such as over the counter swap agreements, forward rate agreements, futures and options.

Derivatives are an authorised investment within certain mandates managed by MAC's external investment managers, for the purposes described above.

The fair values of all derivative positions as at 30 June 2018 are incorporated within the Statement of Financial Position.

**(3) Foreign Exchange Risk**

As part of a diversified investment strategy, MAC invested funds in international markets. During 2017-18, MAC's external currency overlay manager for international equities, hedged 20% of the developed markets exposure within international equities to Australian dollars. As at 30 June 2018 MAC did not hold any international equities and was not exposed to any foreign exchange risk. MAC's external fund managers for International Fixed Income Securities and Infrastructure Securities hedged 100% of this exposure back to Australian dollars.

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**19 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(4) Interest Rate Risk**

Interest Rate risk is the risk that movements in interest rates will cause the value of fixed interest securities and the discount rate used to calculate MAC's outstanding liabilities, to deviate from expectations. MAC manages interest rate risk by using an appropriate asset / liability duration matching strategy and ensuring that asset allocations for different investment products are consistent with the time horizon for each. The risk is also managed through the use of specialist external investment managers.

MAC's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	<b>Floating interest rate \$'000</b>	<b>Non-interest bearing \$'000</b>	<b>Total carrying amount \$'000</b>
<b>30 June 2018</b>			
<b>Financial Assets</b>			
Cash and deposits	8,157	-	8,157
Receivables	-	2,980	2,980
Cash - Unit trust	-	74,065	74,065
Fixed interest - Unit trust	-	670,258	670,258
Other - Unit trust	-	267,711	267,711
<b>Total financial assets</b>	<b>8,157</b>	<b>1,015,014</b>	<b>1,023,171</b>
<b>Weighted average interest rate %</b>	<b>1.93%</b>		
<b>Financial Liabilities</b>			
Creditors	-	2,741	2,741
<b>Total financial liabilities</b>	<b>-</b>	<b>2,741</b>	<b>2,741</b>
<b>Net financial assets</b>	<b>8,157</b>	<b>1,012,273</b>	<b>1,020,430</b>

Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

**MOTOR ACCIDENT COMMISSION**  
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**19 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(4) Interest Rate Risk (continued)**

The entity's exposure to interest rate risk, repricing maturities and the weighted average effective interest rates on financial assets and liabilities at balance date is set out below:

	Floating interest rate \$'000	Non-interest bearing \$'000	Total carrying amount \$'000
<b>30 June 2017</b>			
<b>Financial Assets</b>			
Cash and deposits	18,571	-	18,571
Receivables	-	3,596	3,596
Cash - Unit trust	-	40,412	40,412
Fixed interest - Unit trust	-	268,210	268,210
Australian equities - Unit trust	-	78,129	78,129
International equities - Unit trust	-	80,360	80,360
Other - Unit trust	-	530,805	530,805
<b>Total financial assets</b>	<b>18,571</b>	<b>1,001,512</b>	<b>1,020,083</b>
<b>Weighted average interest rate %</b>	<b>2.00%</b>		
<b>Financial Liabilities</b>			
Creditors	-	3,747	3,747
<b>Total financial liabilities</b>	<b>-</b>	<b>3,747</b>	<b>3,747</b>
<b>Net financial assets</b>	<b>18,571</b>	<b>997,765</b>	<b>1,016,336</b>

Investments are held in unit trusts which are exposed directly to market risk only. Any income derived is directly attributable to market movements.

<b>Reconciliation of Net Financial Assets</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Net Financial Assets	1,020,430	1,016,336
Add - Reinsurance and other recoveries receivable	3,280	4,851
- Assets held for sale	-	565,500
- Property, plant and equipment	16	417
Less - Premiums held for other entities	(15,089)	(15,089)
- Outstanding claims	(852,997)	(1,197,342)
- Provisions	(11,398)	(14,072)
<b>Net Assets</b>	<b>144,242</b>	<b>360,601</b>

**MOTOR ACCIDENT COMMISSION  
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**19 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(5) Credit Risk**

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

*Recognised Financial Instruments*

The carrying amounts of financial assets included in the Statement of Financial Position represent MAC's maximum exposure to credit risk to these assets.

The credit risk relating to investments is monitored and assessed, and maximum exposures are limited. The following table provides information regarding the credit risk exposure relating to MAC's interest bearing investments, based on S&P's counterparty credit ratings.

<b>30 June 2018</b>	<b>A1+</b>	<b>A1</b>				
<b>Short Term</b>	<b>Allocation %</b>					
Cash	90.0	10.0				
Cash & Deposits	100	-				
	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>Below BBB</b>	<b>Not Rated</b>
<b>Long Term</b>	<b>Allocation %</b>					
Fixed interest	70.7	29.2	0.1	-	-	-
Diversified strategies income	20.8	27.8	27.2	18.0	5.2	1.0
<b>30 June 2017</b>	<b>A1+</b>	<b>A1</b>				
<b>Short Term</b>	<b>Allocation %</b>					
Cash	88.0	12.0				
Cash & Deposits	100	-				
	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>Below BBB</b>	<b>Not Rated</b>
<b>Long Term</b>	<b>Allocation %</b>					
Fixed interest	80.6	19.3	0.1	-	-	-
Diversified strategies income	27.5	20.3	27.6	20.1	3.5	1.0

The MAC Cash portfolio is predominately comprised of highly liquid Floating Rate Deposits.

The MAC Fixed Interest Liability Matched portfolio is comprised of Australian Government and Semi Government Bonds.

The MAC Diversified Strategy Income (DSI) portfolio is predominantly invested in investment grade securities (rated BBB and above by S&P).

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**19 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(6) Market Risk**

In addition to the effects of movements in interest rates, the Fund is exposed to market risks influencing investment valuations.

Market risk represents the risk that investment returns generated by different financial markets will be volatile and will deviate from long term expectations over the short / medium term. Market risk analysis is conducted on a regular basis and is conducted on a total portfolio basis.

In managing market risks, MAC aims to reduce the impact of short term fluctuations on the reported result for the period. Over the longer term, sustained variations in economic variables will have an ongoing impact on the reported results. MAC manages the risk of financial market volatility through ensuring a diversity of exposures to different financial markets and sub-markets and via an asset liability matching process.

The estimated financial impact of changes in interest rates and in the value of equities is shown in the following table. It should be noted that the financial impact on MAC's reported total comprehensive result and equity are the same.

	Movement in Variable %	Financial Impact	
		2018 S'000	2017 S'000
<b>Interest rates</b>	(1.0)	30,830	24,628
	(0.5)	14,772	11,682
	0.5	(13,487)	(10,418)
	1.0	(25,687)	(19,573)
<b>Australian equity markets</b>	(10)	-	(7,813)
	(5)	-	(3,906)
	(1)	-	(781)
	5	-	3,906
	10	-	7,813
<b>International equity markets</b>	(10)	-	(8,036)
	(5)	-	(4,018)
	(1)	-	(804)
	5	-	4,018
	10	-	8,036

An interest rate change will inversely affect the values of fixed interest investments. This change is calculated by multiplying the modified duration plus an adjustment for convexity of the fixed interest portfolio by the interest rate change.

Changes in Australian and International Equities markets will proportionally affect the values of the Australian and International Equity investments. The currency movement of the AUD will also have an impact on the International Equities portfolio.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**19 ADDITIONAL FINANCIAL INSTRUMENT DISCLOSURES (continued)**

**(7) Liquidity and Cash Flow Risk**

Liquidity risk is the risk that MAC will not be able to meet its financial obligations as they fall due. The liquidity risks associated with the need to satisfy requests for business cash outflows are mitigated by maintaining sufficient cash reserves to satisfy usual levels of demand. MAC ensures that a very high proportion of the Fund is invested in securities that are actively traded and highly liquid. Liquidity risks are further minimised through trading with approved exchanges and counterparties. An outstanding liabilities cash flow matching process has also been implemented to assist the business in managing future cash flow requirements.

**20 NET CLAIMS INCURRED**

Prior period claims relate to a reassessment of the risks borne in all previous reporting periods, there were no current claims.

	MAC Fund		Consolidated	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
	Prior	Prior	Prior	Prior
	Years	Years	Years	Years
Gross claims incurred and related expenses				
- undiscounted	(147,861)	(281,701)	(147,861)	(281,701)
Reinsurance and other recoveries				
- undiscounted	504	1,907	504	1,907
<b>Net claims incurred</b>				
- <b>undiscounted</b>	<b>(147,357)</b>	<b>(279,794)</b>	<b>(147,357)</b>	<b>(279,794)</b>
Discount and discount movement				
- gross claims incurred	19,362	21,200	19,362	21,200
Discount and discount movement				
- reinsurance and other recoveries	(111)	(149)	(111)	(149)
<b>Net discount movement</b>	<b>19,251</b>	<b>21,051</b>	<b>19,251</b>	<b>21,051</b>
<b>Net claims incurred</b>	<b>(128,106)</b>	<b>(258,743)</b>	<b>(128,106)</b>	<b>(258,743)</b>

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

21 RETURN OF CAPITAL	MAC Fund		Consolidated	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Return of capital	359,400	688,200	359,400	688,200

During 2017-18, MAC made a payment of \$359.4 million to the State Government's Highways Fund, an account maintained by the Department of Planning, Transport and Infrastructure in accordance with the *Public Finance and Audit Act 1987*. The payment was a return of net surplus capital as required by the Treasurer pursuant to section 26(2) of the *Motor Accident Commission Act 1992*.

**22 COMMITMENTS**

**Operational expenditure commitments**

*Road Safety and Sponsorship expenditure*

Committed but not provided for and payable:

Not later than one year	-	-	2,663	2,990
Later than one year but no later than five years	-	-	-	1,857
	-	-	<b>2,663</b>	<b>4,847</b>

The amounts indicated above are contract amounts and do not allow for CPI adjustments.

*Management agreements*

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund currently expires on 30 June 2019. The initial contract arrangement with AAL commenced on 1 July 2003. The base management fee payable each year to AAL until the contract period concludes has been supplemented with an Incentive Fee arrangement. AAL is part of Allianz AG.

**Operating Leasing arrangements**

Commitments under non-cancellable operating leases at the reporting date are receivable as follows:

Not later than one year	-	4,719	-	4,719
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These operating leases are not recognised in the Statement of Financial Position as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent is payable monthly in advance. Provisions within the lease agreements typically require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. In some cases options exist to renew the leases at the end of the term of the leases. With the sale of MAC's Direct Property Portfolio on 31 July 2017, there are no leasing commitments under non-cancellable operating leases as at 30 June 2018.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**23 AUDITORS' REMUNERATION**

	MAC Fund		Consolidated	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Audit fees paid/payable to the Auditor-General's Department relating to work performed under the PFAA	89	99	99	110

No other services were provided by the Auditor-General's Department.

Auditor's remuneration costs are recognised in the Statement of Comprehensive Income and included in the balance of 'Management expenses' (refer to note 7) and 'Road Safety' (refer to note 8).

**24 CASH FLOW RECONCILIATION**

**1) Reconciliation of cash**

Cash	5,289	11,545	8,157	14,590
Deposits at call	-	3,981	-	3,981
	<b>5,289</b>	<b>15,526</b>	<b>8,157</b>	<b>18,571</b>

**2) Reconciliation of net cash inflows/(outflows) from operating activities**

Total comprehensive result	142,714	359,417	143,041	360,591
Add/(less) non-cash items:				
- Depreciation	-	-	405	93
- (Profit) Loss on sale and revaluation to market value of investments	(46,448)	(96,859)	(46,448)	(96,859)
Increase in taxes payable and provisions	-	-	(27)	39
<b>Net cash inflows/(outflows) from operating activities before changes in assets and liabilities</b>	<b>96,266</b>	<b>262,558</b>	<b>96,971</b>	<b>263,864</b>
Change in assets and liabilities				
- (Inc)/dec in investments	598,073	1,020,590	598,073	1,021,861
- (Inc)/dec in receivables	70	(29)	20	(281)
- Inc/(dec) in payables and provisions	(2,469)	492	(3,300)	(198)
- Inc/(dec) in outstanding claims	(342,777)	(512,045)	(342,774)	(512,048)
- Inc/(dec) in unearned premium	-	(105,037)	-	(105,037)
<b>Net cash (outflows)/inflows from operating activities</b>	<b>349,163</b>	<b>666,529</b>	<b>348,990</b>	<b>668,161</b>

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**25 SUFFICIENT LEVEL OF SOLVENCY**

Section 13A of the *Motor Accident Commission Act 1992* states that the MAC Fund has a sufficient level of solvency if the amount in the Fund equals or exceeds an amount calculated in accordance with the formula published in the South Australian Government Gazette. A revised formula to calculate a Sufficient Level of Solvency was issued by the Treasurer on 7 December 2016 and subsequently published in The South Australian Government Gazette. The formula specifies that the MAC Fund will have a Sufficient level of Solvency if its assets exceed the sum of the Fund's liabilities.

As at 30 June 2018, the Sufficient Solvency target was \$881.2 million (2017: \$1,228.2 million) which compares to the Fund's assets of \$1,023.9 million (2017: \$1,587.7 million) and this equates to 116.2% (2017: 129.3%) of the required level of Sufficient Solvency.

In recent years, there has been significant movement in MAC's solvency, which demonstrates the potential volatility of the MAC Fund on an annual basis and its dependence on strong investment market returns to achieve and maintain Sufficient Solvency.

The Sufficient Solvency Target has created a prudential reserve for MAC which has allowed it to remain in a strong net asset position (\$142.7 million). The Sufficient Solvency Target has therefore fulfilled its role of underpinning the viability of the MAC Fund.

The accounts are prepared on a going concern basis after consideration of the following issues:

- The Fund reports positive net assets as at 30 June 2018;
- The Fund's investment strategy ensures adequate liquidity to meet liabilities as and when they fall due;
- The Fund's investment strategy is designed to assist in maintaining Sufficient Solvency; and
- MAC is supported by a Government guarantee pursuant to sub-section 21(1) of the *Motor Accident Commission Act 1992*.

**26 CONTINGENT ASSETS AND LIABILITIES**

Insurance underwriting by its very nature has liabilities contingent upon certain events occurring which give rise to a claim under the policy of insurance. All of the known and expected claims in respect of events that have occurred up to balance date have been accounted for in the preparation of these financial statements. Occasionally certain claims may require legal judgment to determine a suitable settlement. The result of such legal arbitration may result in a liability to the Commission different to that incorporated in these accounts.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**27 CONSULTANTS**

The number and value of consultancies paid /payable that fell within the following bandwidths during the financial year were:

	MAC			
	2018		2017	
	Number	\$'000	Number	\$'000
Below \$10,000	5	19	6	30
Above \$10,000	13	2,992	17	2,933
<b>Total paid/payable to the consultants engaged</b>	<b>18</b>	<b>3,011</b>	<b>23</b>	<b>2,963</b>

**28 DIRECTORS' REMUNERATION**

The names of each person holding the position of director of MAC during the financial year are:

J Brennan	G McCarthy
K O Foley (Retired 7 August 2017)	S M Rapo
W M Griggs	G Stevens (Appointed 13 February 2018)
R A Korotcoff	A G Tisato (Retired 30 June 2018)
M Lydon (Appointed 21 November 2017)	
M Deegan (Appointed 13 February 2018, retired 19 April 2018)	

	2018 \$'000	2017 \$'000
Total remuneration paid or payable, or otherwise made available, to all directors of MAC from the Commission:	322	316

The number of directors of MAC whose remuneration received or receivable from the Commission falls within the following bands:

	2018 Number	2017 Number
\$0	2	-
\$1 - \$9,999	1	-
\$20,000 - \$29,999	1	1
\$30,000 - \$39,999	2	2
\$40,000 - \$49,999	2	3
\$50,000 - \$59,999	1	-
\$70,000 - \$79,999	-	1
\$80,000 - \$89,999	1	-
<b>Total</b>	<b>10</b>	<b>7</b>

Directors of MAC receive remuneration in the form of statutory fees. In accordance with the Department of the Premier & Cabinet circular No. 016, government employees did not receive any remuneration from the Commission for Board or Committee duties during the financial year.

**Superannuation and retirement benefits**

Directors of MAC are not paid superannuation or retirement benefits for their activities associated with MAC other than the amount set aside by the Commission in compliance with the Superannuation Guarantee Charge of \$29,000 (2017: \$27,000).

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**29 REMUNERATION OF EMPLOYEES**

	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries & Wages	3,541	4,056
Employment on-costs - superannuation	336	346
Board & committee fees	322	316
Employment on-costs - other	202	248
LSL	30	(52)
Annual Leave	15	(3)
SERL	(12)	27
<b>Total</b>	<b>4,434</b>	<b>4,938</b>

The number of employees whose remuneration received or receivable falls within the following bands:

	<b>Number</b>	<b>Number</b>
\$147,000 - \$149,000*	n/a	2
\$159,001 - \$169,000	1	-
\$189,001 - \$199,000	-	1
\$199,001 - \$209,000	1	1
\$229,001 - \$239,000	-	1
\$299,001 - \$309,000	-	1
\$359,001 - \$369,000	1	-
\$659,001 - \$669,000**	-	1
<b>Total</b>	<b>3</b>	<b>7</b>

The table includes all employees who received remuneration equal to or greater than the base executive remuneration level during the year. Remuneration of employees reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, fringe benefits tax and any other salary sacrifice benefits. The total remuneration received by these employees for the year was \$0.7 million (2017 \$1.9 million).

\* This band has been included for the purposes of reporting comparative figures on the executive base level remuneration rate for 2016-17.

\*\* This includes payments on termination.

**MOTOR ACCIDENT COMMISSION  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2018**

**30 RELATED PARTIES**

MAC is a statutory authority and is wholly owned and controlled by the Crown.

Related parties of MAC include all key management personnel and their close family members, all Cabinet Ministers and their close family members and all public authorities that are controlled and consolidated into the whole of government financial statements and other interests of the Government.

**Key Management Personnel**

The Key management personnel of MAC include the Ministers, the governing board members and senior management (including the Chief Executive Officer) who have responsibility for the strategic direction and management of MAC. The compensation detailed below excludes salaries and other benefits the Minister for Police and Minister for Finance receives, the Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account (via the Department of Treasury and Finance) under section 6 the *Parliamentary Remuneration Act 1990*.

<b>Compensation</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Salaries and other short-term employee benefits	1,091	1,257
Post-employment benefits	92	117
Other Long-term employee benefits	75	383
Termination benefits	-	208
<b>Total</b>	<b>1,258</b>	<b>1,965</b>

**Transactions with Key Management Personnel and other related parties**

There were no transactions requiring disclosure for key management personnel and related parties.

**Directors' transactions with the Commission**

The directors of MAC may hold positions in other organisations in which MAC invests or provides funding in the ordinary course of business. The terms and conditions of those transactions with director-related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arms' length basis.

**Transactions with other government entities**

There were no significant transactions with government entities. All transactions have been adequately disclosed elsewhere in the financial statements.

**MOTOR ACCIDENT COMMISSION  
CERTIFICATION OF THE FINANCIAL STATEMENTS**

We certify that the attached general purpose financial statements for the Motor Accident Commission:

- 1 comply with relevant Treasurer's Instructions issued under section 41 of the *Public Finance and Audit Act 1987*, and relevant Accounting Standards;
- 2 are in accordance with the accounts and records of the Commission;
- 3 present a true and fair view of the financial position of the Commission as at 30 June 2018 and the results of its operation and cash flows for the financial year.

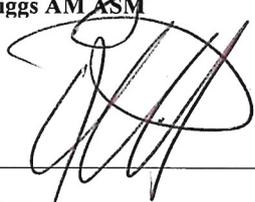
We certify that the internal controls employed by the Motor Accident Commission for the financial year over its financial reporting and its preparation of the general purpose financial statements have been effective throughout the reporting period.

Signed in accordance with a resolution of the directors.



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**William (Bill) Griggs AM ASM**  
Chairman



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**Trudy Minett**  
Chief Executive Officer



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**Marianne Panzarino CPA**  
Manager, Finance

**Adelaide**

**Dated the 31st day of August 2018**