Motor Accident Commission Annual Report 2012-13

MAC

Government of South Australia

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The Hon. Michael O'Brien MP
Minister for Finance
Level 2, 45 Pirie Street
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30 September 2013

Dear Minister

I have pleasure in submitting for your information and presentation to Parliament the Motor Accident Commission's 2012-13 Annual Report.

This report outlines the activities and achievements of the Motor Accident Commission and incorporates audited financial statements for the year ended 30 June 2013, as required by Section 29 of the *Motor Accident Commission Act 1992.*

Yours sincerely

JEROME MAGUIRE
Chief Executive Officer

Government
of South Australia

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Corporate Directory

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About MAC

The Motor Accident Commission (MAC) is South Australia's Compulsory Third Party (CTP) insurer and provides approximately $380 million each year in compensation to road crash victims.

CTP insurance is built into the government's motor vehicle registration process and Allianz Australia Ltd, MAC's CTP claims manager, processes approximately 6,000 new claims each year.

South Australia currently has an 'at-fault' CTP scheme, which means that victims of road crashes may be eligible for compensation where the owner or driver of an SA registered vehicle is at fault. The scheme also covers injured victims where a passenger is at fault.

The Government of South Australia guarantees the liabilities of MAC's CTP Fund.

MAC also manages the State's road safety communications program and collaborates with lead agencies, key stakeholders and partners to deliver campaigns and programs that support South Australia's road safety priorities, as detailed in the State Road Safety Strategy 2020, *Towards Zero Together,* and Road Safety Action Plan 2013-2016.

These initiatives focus on increasing community awareness and changing road user attitudes and behaviours to reduce the incidence of road trauma.

Our vision is to provide a viable system of CTP injury insurance for South Australians and contribute to road trauma reduction. **Our mission** is to ensure the long term viability of the CTP Scheme by working with partners and stakeholders for the benefit of South Australian road users.

shaping the future

Chairman's Report

It gives me pleasure to report on the activities and achievements of the Motor Accident Commission (MAC) for the year ending 30 June 2013.

Major changes to South Australia's Compulsory Third Party (CTP) Scheme will come into effect on 1 July 2013 and the enormous amount of work associated with this significant legislative reform agenda continued to draw heavily on MAC's resources across the year.

The performance of the CTP Scheme remained stable and within actuarial expectations. Total claims received reduced by 2.4% to 5,684 (down from 5,825 in 2011-12); while the total number of claims (excluding recoveries) as at 30 June 2013 was 9,861 and represented the lowest on record for any year since 2003.

MAC's commitment to road safety is a cornerstone of our strategy, in reducing the trauma associated with accidents and the cost to the Fund arising from road accidents. Our partnerships with SAPOL, DPTI, CASR, RAA and others has played a major role in achieving a record low number of fatalities and serious injuries in 2012-13, 94 fatalities and 787 serious injuries. We will continue to increase our commitment both financially and by further investment in road safety expertise in the coming years.

Along with our key stakeholders, MAC was a participant in the development of the SA Road Safety Action Plan 2013-2016, which will be launched early in 2013-14 and, in recognition of its road safety communications capability and expertise, I am proud to report that MAC has lead agency responsibility for two Action Plan projects and is nominated to be a key contributor to a further nine projects.

In terms of investment management performance, I am pleased to report that the insurance investment Fund managed by MAC had a strong year. As at 30 June 2013, the Fund had a total asset base of $3.2 billion with $768 million in net assets. MAC's conservative yet dynamic approach has allowed it to efficiently manage market risks and take advantage of volatility where opportunities have arisen. So much so that MAC's strategic asset allocation including Australian and international equities and property – a portfolio that comprises 13 buildings in five states – contributed significantly to an outperformance of +1.8% relative to benchmark. That is, a return of +10.2% compared to a benchmark of +8.3% and contributing $299.6 million to the CTP Scheme's profit result of $371 million.

MAC's financial performance over many years including the traumatic early period of the GFC has placed it in a strong position to continue to make a major contribution to road safety in South Australia.

The financial outcome for 2012-13 allowed MAC to volunteer a one-off $100 million contribution to the State Government for investment in road safety infrastructure. The Board had supported this contribution to Government on the basis that it would be reported in the 2012-13 Accounts. That did not occur and the Board is concerned that the contribution will now be included in the 2013-14 financial accounts which will adversely affect the result for a period that may not be an outperforming year. That concern aside, MAC now looks forward to working with government to identify appropriate projects that will see an accelerated delivery of a safer road environment in South Australia, which in turn reduces costs paid by MAC.

MAC is continuing to systematically and opportunistically improve its property portfolio to focus on new or virtually new office buildings of 5 star green rating and strategically located industrial buildings.

In 2013 we purchased a 50% interest in 400 George Street, Brisbane for $195.8M plus costs. This is a 2 year old iconic building with long term leases, now giving MAC excellent office buildings in Adelaide, Melbourne, Perth and Brisbane. At the same time we are selling some of our smaller investment properties.

In conclusion, my thanks go to my fellow Directors for their ongoing considerable effort and expertise they bring to MAC. I want to particularly congratulate Ms Juliet Brown, Mr Jim Hazel and Ms Yvonne Sneddon on their re-appointments to the MAC Board and to acknowledge the Hon Trish White's appointment to the role of Deputy Chair. My thanks also to Mr Terry Groom for his six years of service to the Board and its Finance and Audit Committee. Likewise, I am appreciative of the effort of the management team and staff.

Lastly, I wish to express my appreciation to the Treasurer and Premier the Hon Jay Weatherill, Road Safety Minister the Hon Michael O'Brien and the Government for their continued support of the Motor Accident Commission.

Roger A Cook AM
Chairman

Chief Executive Officer's Report

The approval by State Parliament of the Compulsory Third Party (CTP) Reforms that included tort reforms, the introduction of a no-fault catastrophic scheme and a focus on optimal recovery of the injured person covered by the CTP Scheme has heralded fundamental change to the future management and insurance cover of road trauma victims in this State.

As a result, MAC will change its business model and I anticipate that positive cultural change in claims management will also occur.

In terms of the new Scheme, MAC will deliver a simplified claims process with the ability to determine compensation more easily and consistently under a new Injury Scale Value system and the removal of the need to obtain multiple medical reports. MAC is especially pleased that children under the age of 16 at the time of being injured will be entitled to treatment, care and support benefits irrespective of who was at fault for the crash.

We will build on these important reforms to ensure an enhanced process focused on optimal recovery for claimants and, to this end, the new contract that MAC is negotiating with its CTP claims manager, Allianz, will see the incorporation of incentives to continually improve claims leakage, while achieving Scheme Reform outcomes.

Likewise, forging very positive working relationships with first-at-scene respondents, general practitioners and other health professionals who are often the first point of contact for a CTP claimant will be an important step in achieving optimal recovery for road crash victims.

A fundamentally important element of the package of reforms is the Lifetime Support Scheme. This will commence as of 1 July 2014 and will provide lifetime treatment, care and support for persons catastrophically injured in a car crash.

Within MAC, a cultural change has already commenced. In line with MAC's key values of being ethical, diligent, efficient and innovative, and with the staff working as a team and taking pride in all that it does, will see MAC recognised as exemplar across all its operations.

To this end, a number of independent reviews were commissioned during 2011-12 to ensure that MAC operates to its optimal capacity. Skills and experience in procurement, project management and ICT have since been strengthened. The future looks bright with a similar strengthening of MAC's capabilities in both road safety and CTP insurance; thereby ensuring the best outcomes for all motorists in South Australia.

MAC's internal investment team continually review and assess the financial markets environment and examine various insurance investment strategies to ensure the CTP Fund investment portfolio meets its short and long-term objectives within a risk management framework. This year, risk management and MAC's liability-driven investment approach played a key role in reducing the impact of global financial uncertainty. These factors, along with dynamic asset allocation, assisted in realising an extremely positive absolute performance for the CTP Fund. MAC is currently at 111% of its gazetted sufficient solvency.

In managing the State's road safety communications program, MAC invests heavily in the delivery of an impactful media and communications schedule. This is developed on a foundation of robust market research and is regularly fine-tuned to reflect community and target audience preferences, particularly given the ever-expanding range of communication channels and the changing media consumption habits of an increasingly sophisticated market.

During 2012-13, MAC dedicated significant resources to the development of a digital strategy framework that will allow us to extend our reach and amplify our road safety messages to key target audiences. I am particularly excited at the prospect of recruiting a Digital Community Manager early in the new financial year to drive this strategy and to maximise MAC's social media presence.

At the same time, I acknowledge that much of MAC's success can be attributed to the very positive working relationships that it enjoys with leading road safety stakeholders such as the SA Police, DPTI, CASR and the RAA. MAC has forged valuable partnerships with these and other stakeholders to see the delivery of significant initiatives such as the Street Smart, SAPOL road safety education sessions, the MAC State Rescue Helicopter; as well as partnerships with sporting groups such as the SA Community Football League; events such as Tour Down Under and Clipsal 500; and professional forums such as the Australasian College of Road Safety. These partnerships are integral to the success of MAC's road safety advertising campaigns as they not only complement and enhance campaigns but often also provide direct access to target audiences.

My sincere thanks go to the senior management team and, indeed, every member of staff for their efforts over these last 12 months. This has been an exceptionally busy period and I look forward to the continued support of all MAC staff as the volume of work and the pace of change is likely to be equally challenging in 2013-14.

Jerome Maguire
Chief Executive Officer

small but profound change

MAC Business Review

CTP insurance scheme management

Overview

MAC manages the CTP insurance scheme for South Australia to meet the current and future cost of claims for those affected by road trauma and focuses its efforts on the efficient and effective management of those claims.

Allianz Australia Ltd has been the claims manager responsible for managing CTP claims on behalf of MAC since 2003.

Performance

The performance of the CTP Scheme continues to be stable and within actuarial expectations.

The number of claims received in 2012-13 reduced by 2.4% (5,684 compared to 5,825 in 2011-12) while the total number of current claims (excluding recoveries) as at 30 June 2013 was the lowest on record for any year since 2003 (9,861).

Premiums

The premium for private or business passenger vehicles (Class 1, non-ITC entitled) increased by 4.7% from $489 to $512 on 1 July 2012.

Subsequently, in May 2013, the Treasurer approved a 20% reduction in premiums to $408 for 2013-14. This is the first time since 2006 that premiums will have reduced and is the result of reforms to the CTP Scheme that will be implemented from 1 July 2013.

Working with Partners

Allianz continued to deliver improved claims management outcomes, consistent with the objectives of MAC, including:

- Finalising 5,858 claims and contributing to a reduction in the current claims portfolio, including 'recoveries', from 10,695 to 10,641.
- Working with MAC to prepare for the introduction of the *Motor Vehicle Accidents (Lifetime Support Scheme) Act 2013.*
- Attending major crashes involving fatalities and serious injuries, from which the gathering of on-site and other crash-related information enabled Allianz to quickly respond to the requirements of these claims.
- Delivering in excess of 3,700 training hours to staff to ensure a skilled and professional workforce.
- Continuing to maintain a strong focus on the identification, analysis, investigation and management of fraudulent claims, with matters referred to the Police for investigation and prosecution, when appropriate.

Estimated claim savings have been maintained at a level consistent with the yearly averages over the last five years:

INVESTIGATIONS AND CLAIM SAVINGS 2009-2013

	2013	2012	2011	2010	2009
Fraud Team Investigations	128	130	122	125	147
Estimated Savings ($m)	4.6	5.7	5.4	4.7	4.2

Nominal Defendant

Nominal Defendant claims arise where the at-fault vehicle is either uninsured or unidentified. Allianz manages such claims made against the Nominal Defendant on behalf of MAC.

Nominal Defendant claims reported this year was slightly higher compared to last year (359 to 348). Of these claims, the portion involving unidentified vehicles decreased slightly from 290 to 268.

Summary of Operational Results

	2013	2012	2011	2010	2009	2008
Number of vehicles insured (000's)[1]	1,340	1,317	1,302	1,256	1,264	1,195
Average premium per vehicle[2]	$468.20	$447.50	$437	$408	$380	$358
Class 1 insurance rating district 1 premium[3]	$512	$489	$476	$444	$410	$382
Number of claims lodged	5,684	5,825	5,985	6,452	6,623	6,012
Claims lodged per 1,000 vehicles[4]	4.2	4.4	4.6	5.1	5.2	5.0
Number of settlements[5]	3,594	3,521	3,675	3,695	3,504	3,646
Number of claims finalised[6]	5,858	6,110	6,796	7,297	6,312	6,611
Number of claims current at end of period[7]	10,641	10,695	10,710	11,251	12,034	11,610
Average duration – months open to finalised[8]	22.3	22.1	22.6	21.1	24.6	25.3
Net claim payments ($'000)	$382,623	$337,987	$361,329	$327,318	$337,460	$325,498
Average claim cost (settlements) (adjusted to current values)[9]	$107,300	$98,700	$107,900	$102,600	$113,600	$111,200
Number of uninsured vehicle claims lodged	91	58	64	77	84	79
Number of hit and run vehicle claims lodged	268	290	282	271	307	219
Total Nominal Defendant claims lodged[10]	359	348	346	348	391	298

NOTES:

1 Annualised number of risks excluding trailers

2 Based on premium earned (GST inclusive) divided by annualised number of risks

3 As at commencement of the financial year

4 Based on annualised number of risks excluding trailers

5 Number of claims where an amount is paid for general damages

6 Number of claims with a status of Finalised as at 30 June 2013

7 Includes Recoveries

8 Based on year claim finalised

9 Amounts paid to date on claims settled during each of the last seven settlement years, adjusted for inflation to be equivalent to 2012-13 values

10 Also included in number of claims lodged (above)

Claim Payments

TOTAL PAYMENTS BY HEADS OF DAMAGE (GROSS OF RECOVERIES)

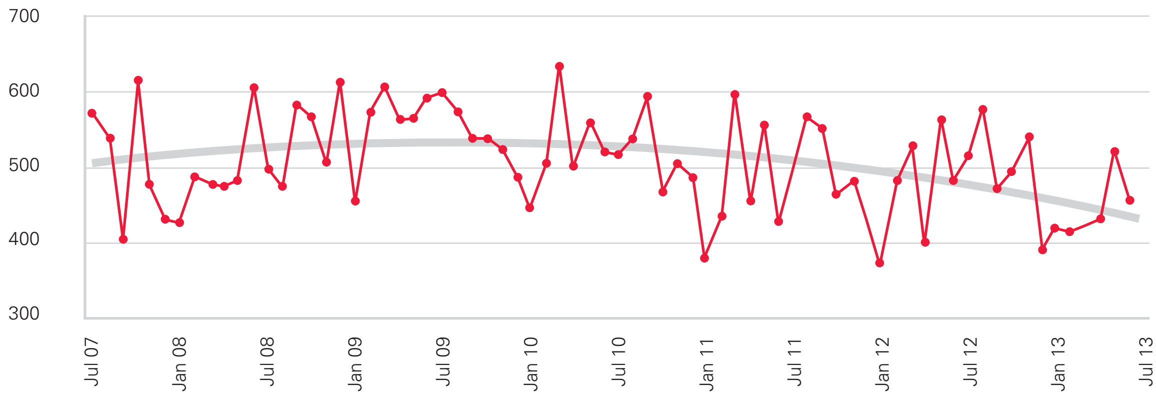
Group Claimant Benefits		2013	2012	2011	2010	2009	2008
Non-Economic Loss		10.6%	11.5%	11.7%	13.5%	14.1%	15.2%
Economic Loss	Past	8.7%	8.5%	7.7%	7.5%	6.8%	7.0%
	Future	32.0%	30.3%	30.9%	30.6%	30.0%	29.3%
Treatment	Hospital	6.1%	5.6%	5.0%	3.1%	4.6%	4.9%
	Medical	4.4%	5.0%	5.2%	6.0%	5.9%	5.6%
	Future Care	15.6%	15.1%	17.2%	18.7%	19.6%	18.4%
Other		4.2%	3.7%	3.5%	2.7%	2.6%	3.4%
Total		**81.6%**	**79.7%**	**81.1%**	**82.1%**	**83.7%**	**83.8%**
Claim Costs							
Legal	Plaintiff Costs	8.7%	9.8%	9.6%	8.8%	8.1%	7.7%
	Defendant Costs	4.4%	4.7%	4.2%	3.5%	3.3%	3.1%
Other		5.3%	5.8%	5.1%	5.6%	5.0%	5.4%
Total		**18.4%**	**20.3%**	**18.9%**	**17.9%**	**16.3%**	**16.2%**

Claims Frequency and Incurred Cost

The combined effect of increased closures, settlement activity and a decreased number of claims lodged since July 2009 has reduced the overall size of the active claim portfolio.

Lodged claims continued to trend downwards in 2012-13 with 4.2 claims lodged per 1,000 vehicles.

MONTHLY CTP CLAIMS LODGED



South Australian Compulsory Third Party (CTP) Scheme Reforms

On 1 July 2013, the State Government will introduce a historic package of reforms to the state's CTP insurance scheme. The changes will improve the Scheme's affordability, deliver a consistent compensation system for those injured in a motor vehicle crash and place a strong emphasis on optimal recovery for injured people.

These reforms will reduce premiums by around 20% for all classes from July 2013.

There are two main facets to the reforms:

- *Rebalancing CTP Scheme expenditure*

  This will be achieved by introducing thresholds for access to some types of compensation for relatively minor claims. The system remains fault-based and, once fault is established, then entitlement to compensation may be established.

  Thresholds will apply to access some forms of compensation, however, treatment and lost earnings will not be subject to any threshold test.

- *To provide compensation to catastrophically injured motorists*

  A new Lifetime Support Scheme will be introduced for crashes on or after 1 July 2014 occurring in South Australia to provide lifetime treatment, care and support to people who are catastrophically injured.

new beginnings

Key changes

A simplified claims process will be introduced and an increased level of co-operation is expected to assist in determining early access to reasonable and necessary treatment to optimise recovery for injured people. This will be accompanied by a new claim notification process.

A new Injury Scale Value measure to assess the severity of an injury sustained in a crash will be introduced to make determining compensation easier and more consistent. A new medical assessment process will also be introduced to remove the need for multiple reports and provide fair, independent and objective evidence, without bias to either side.

Other key changes include:

- Access to some forms of damages will be available if thresholds are met, based on the Injury Scale Value points assessment;
- Reimbursement of legal fees will be restricted to claims under $100,000; and
- Children under the age of 16 at the time of a crash will be entitled to treatment, care and support benefits irrespective of who was at fault for the crash.

Moving forward

With the introduction of these reforms, it provides MAC with an opportunity to review the ways claims are managed and enhance the claim process and customer experience to optimise an injured person's recovery.

The introduction of the claim notification process provides a foundation to enable MAC to be in a position to make early and informed decisions about access to treatment. At the same time, the prescribed authority, a statement signed by claimants which authorises MAC to obtain information relevant to their claim from the people or organisations nominated, enables a stronger partnership between MAC, the claimant and the medical practitioner to facilitate early access to reasonable and necessary treatment to optimise recovery; and MAC would expect that this co-operation continues through the life of the claim.

Investment management

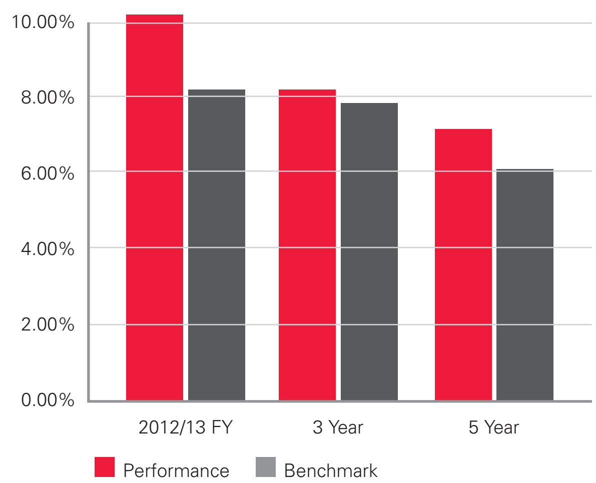
Overview

Increased volatility within financial markets has continued relentlessly since the commencement of the Global Financial Crisis. MAC's conservative, yet dynamic approach to investment management allowed the MAC Investment Fund to efficiently manage market risks and take advantage of this volatility where opportunities arose. Risk management played a key role in reducing the impact of global financial uncertainty and MAC's liability-driven investment approach assisted it in actively managing the dramatic movements in government bond discount rates.

MAC's benchmark strategic asset allocation remained constant over 2012-13. The implementation of infrastructure and global macro investment exposure continued, with a focus towards reducing volatility and moderating the portfolio's dominant equities risk within the Fund, while still targeting an investment objective of Average Weekly Earnings +3%. MAC chose to tilt the Fund to an overweight asset allocation to Australian and international equities and property with an underweight to bonds, which assisted in obtaining a strong outperformance against the Fund's benchmark. This was achieved by further diversification into lower-volatility growth assets such as the construction of an infrastructure portfolio, an increased exposure to direct property and continued implementation of an absolute return asset class.

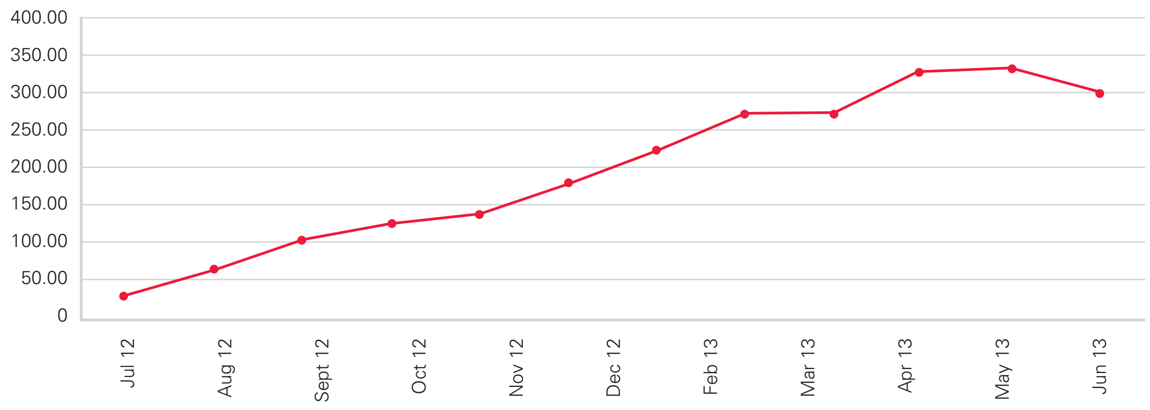
Outperformance relative to asset class benchmarks were achieved in international equities, Australian equities, fixed interest credit, inflation linked securities, infrastructure and cash. Only the global macro absolute return and direct property asset classes underperformed their asset class benchmarks in 2012-13, with the latter as a result of significant acquisition costs incurred in MAC's recent commercial property purchases. However, these purchases are expected to contribute to outperformance against benchmark in this asset class in 2013-14. The CTP Fund's positive absolute performance is largely attributable to the contribution from growth asset classes, particularly the Australian and international equities portfolios. The internally-managed direct property and cash portfolio also contributed positively to the overall Fund return.

**TOTAL MAC FUND
MANAGER PERFORMANCE AGAINST BENCHMARK**



strong performance against benchmarks

MAC INVESTMENT GAIN FOR 2012-13



Whilst the investment strategy, strategic asset allocation and dynamic asset allocation for the insurance Investment Fund is set by MAC, the implementation of investments within certain asset classes is conducted and managed by Funds SA.

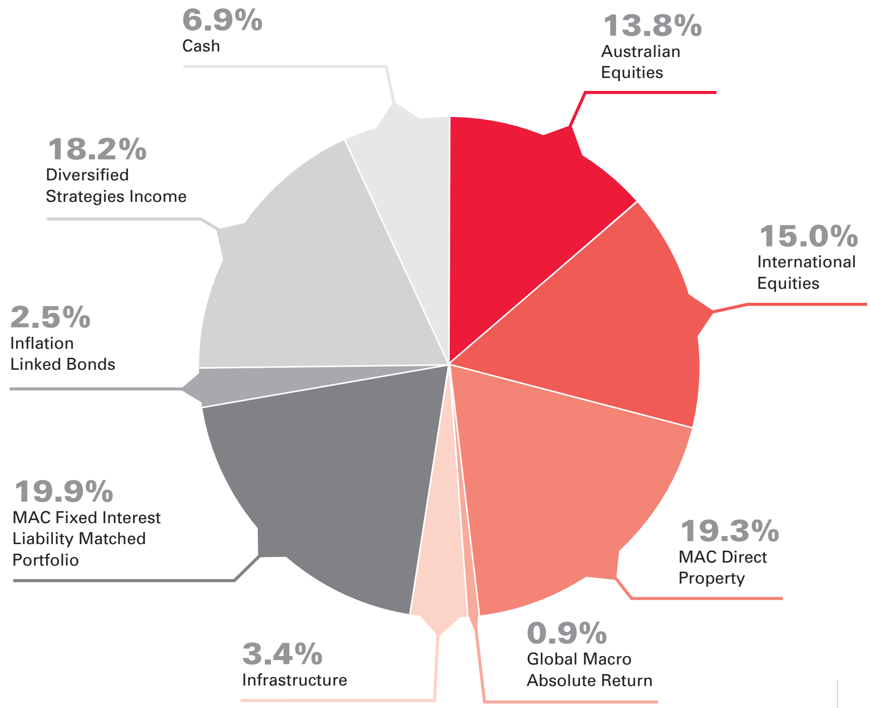
Net asset fair value of Investment Fund: $3.1b
Net investment returns: $299.6m or +10.2%
MAC outperformed its benchmark by +1.8%

Investment model

A dynamic asset allocation process is in place to take advantage of medium-term market inefficiencies/opportunities and to manage the overall medium-term market risks to the Fund. This process assists in bridging the gap between the long-term strategic asset allocation and the shorter-term horizons over which markets can deviate from their fair values.

An Asset Liability Committee closely monitors and manages the movements of MAC's outstanding liabilities valuations against the structure of the associated fixed interest liability matched portfolio for the Scheme. An experienced Investment Committee oversees the strategic management of the overall insurance Investment Fund.

STRATEGIC ASSET ALLOCATION
CURRENT POSITION AS AT 30 JUNE 2013



MAC Business Review

Market Commentary

Global financial market conditions improved significantly over the recent financial year, dominated mainly by the turnaround in the US economy and the low interest rates worldwide.

Australia experienced equities market growth due to a combination of the positive movement in overseas markets, all-time low interest rates (the RBA cut rates three times throughout the year to 2.75%) and a strong Australian dollar.

Against this backdrop, growth asset classes strongly outperformed defensive asset classes with additional support from the inflation linked bonds and the internal MAC cash portfolios, which also contributed positively to performance.

Portfolio Performance

International equities – this portfolio outperformed its benchmark for the 12 months to June 2013. The portfolio's exposure to the global equity and small companies segments added to returns, while emerging markets detracted from performance. An overweight to the consumer discretionary, industrials and healthcare sectors positively impacted the portfolio as these sectors outperformed the broader market. A significant underweight to the energy sector also assisted performance as this sector underperformed the broader market. The fall in the value of the Australian dollar against the US dollar influenced the return of the portfolio as well, as close to 60% of the asset class is unhedged and, therefore, impacted by movements in the currency.

Australian equities – this portfolio outperformed its benchmark over the past year. Despite a sell-off due to risk aversion in June, the market closed up 21.9% for the year, with particularly strong performance from the ASX300 Industrials index, which returned 32.6% for the period. The ASX300 Resources index fell by 8.4% due to losses in materials stocks, offset only partially by generally weak gains in the energy sector. The portfolio's modest tilt towards large companies contributed to the positive active return over the period.

Diversified strategies income (MAC) – this fixed income credit portfolio outperformed its benchmark over the past year. Most underlying external managers outperformed their respective benchmarks over this period, with sector allocation and security selection both adding marginal value.

Liability matched fixed interest – this portfolio returned 1.9%, performing in line with its benchmark which comprises both government and semi-government securities. The broader Australian Commonwealth Government bond index returned 0.3% for the financial year. Australian semi-government securities outperformed government securities amid a narrowing of the additional risk premium demanded for holding these assets, posting a return of 3.3%. Whilst the positioning of this fixed interest portfolio against MAC's outstanding liabilities is actively managed, the portfolio is passively managed against its benchmark.

Inflation linked securities – this portfolio outperformed its benchmark over the past year. This was largely due to the active country allocation decisions of the global external manager and a modest positive contribution from the domestic external managers. Funds SA implemented some changes within the portfolio with the aim of reducing portfolio interest rate risk. This included moving the portfolio to a more passive position compared to last year, from 27% to 78%. The internally-managed component also contributed positively over the period, as it benefited from the higher running yield on these structured securities and other security-specific factors.

Internally-managed MAC cash – this portfolio continued to outperform as MAC persisted to take advantage of favourable term deposit rates available in Australia. The MAC cash portfolio soundly outperformed the cash benchmark by 1.6% due to the attractive premiums offered by Australian banks for direct term deposits. The Funds SA cash portfolio provided additional liquidity and outperformed the cash benchmark by 0.2%.

MAC direct property – this portfolio is also managed in-house by MAC and represents 19.3% of MAC's investments. It comprises 13 buildings in five states: seven commercial properties (84% of the portfolio) and six industrial properties (16% of the portfolio).

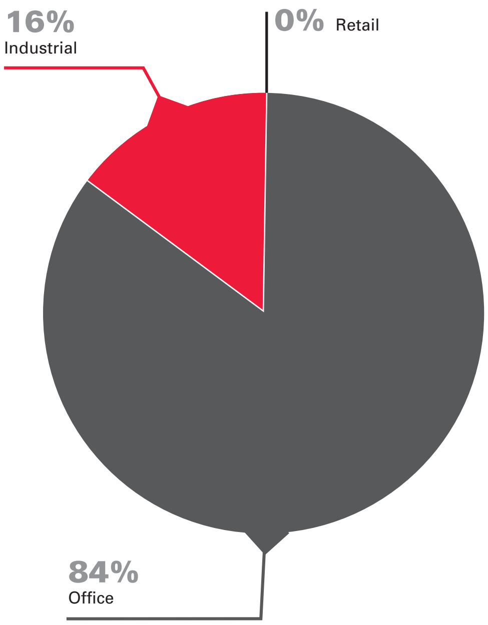
During 2012-13, MAC purchased one additional commercial property and settled on one commercial property that was under contract as at 30 June 2012, as follows:

- A purchase of a 50% interest in a commercial property at 400 George Street, Brisbane for $195.8 million at a passing yield of approximately 7.0%. Settlement occurred on 27 March 2013.
- A settlement on a commercial property purchase at 990 La Trobe Street, Melbourne Docklands for $76.4 million at a passing yield of approximately 7.0%. Settlement occurred on 23 August 2012.

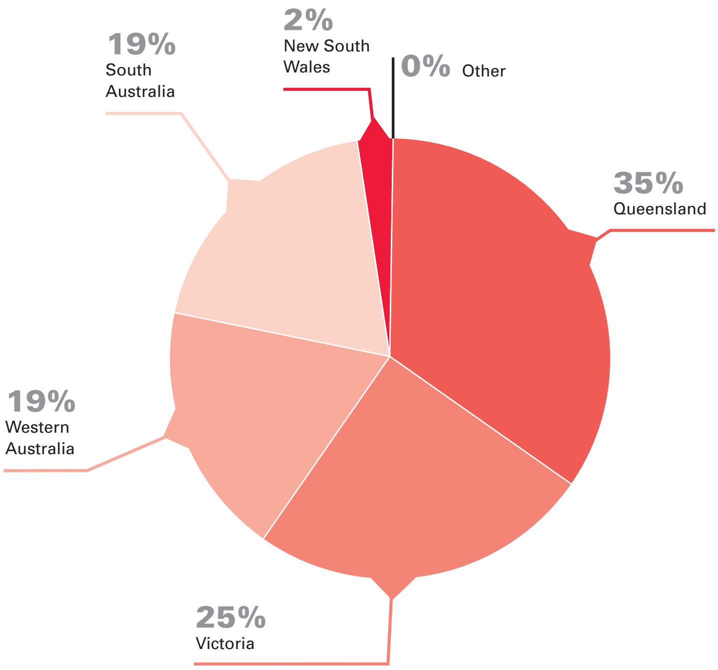
In addition, MAC sold an industrial property at 370 Nudgee Road, Hendra for $22.83 million (originally purchased in 2001 for $10.4 million). Settlement occurred on 30 January 2013.

Direct property delivered a net income of $36.8 million. This resulted in a return of 6.1% compared to its benchmark of 8.2%. However, it is important to note that the underperformance against benchmark is attributable to the costs incurred in purchasing 400 George Street and 990 La Trobe Street in this financial year, which comprises approximately 45% of the MAC direct property portfolio. If excluding these acquisition costs, the estimated return would have been 8.7%, outperforming the benchmark by 0.5%.

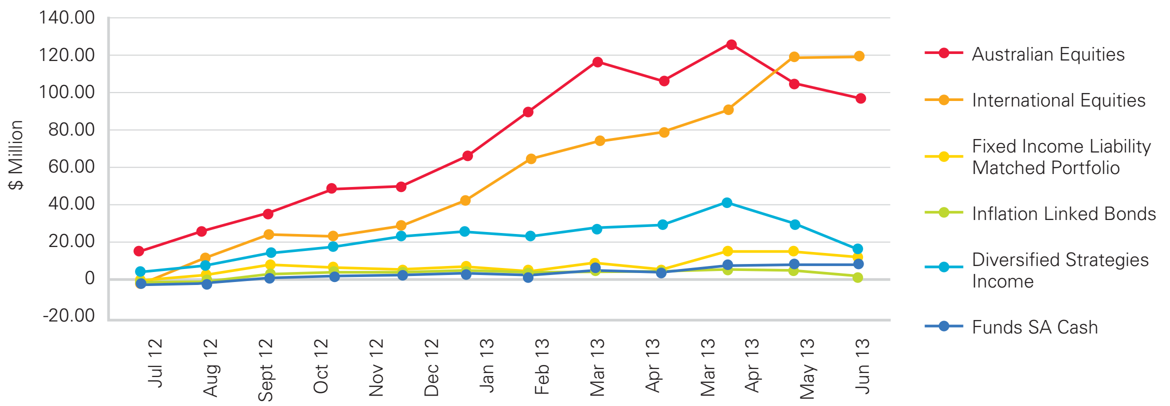
MAC PROPERTY PORTFOLIO BY SECTOR



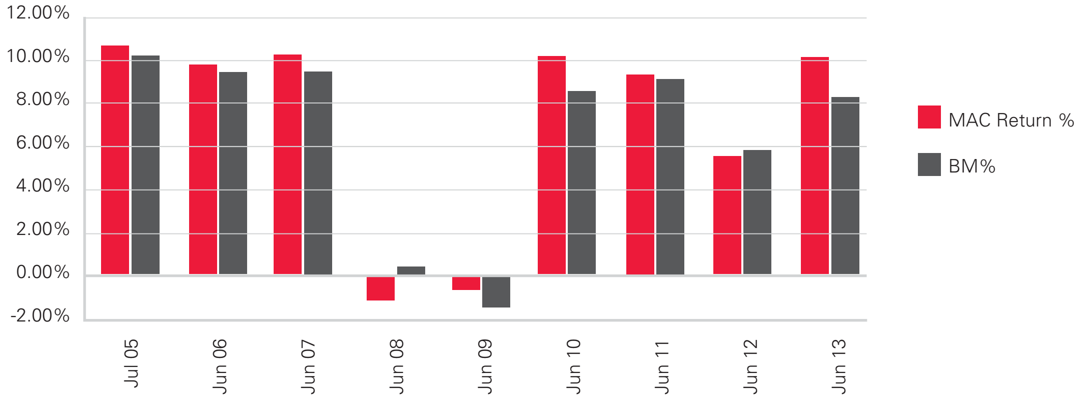
MAC PROPERTY PORTFOLIO BY GEOGRAPHY



ACCUMULATED INVESTMENT GAINS BY ASSET CLASS FYTD 2012-13



HISTORICAL MAC INVESTMENT RETURNS COMPARED TO BENCHMARK



Outlook

The MAC investments team and its global insurance investment advisors, Mercer Asset Consulting, continually review and assess the investment environment and examine various insurance investment strategies that may assist the CTP Fund investment portfolio in achieving its short-term and long-term investment objectives and risk profile.

Road safety

Overview

While encouraged by the lowest road toll on record for the 2012 calendar year (94), this has not diminished MAC's determination to achieve further reductions in the level of trauma on South Australian roads.

In 2012-13, MAC continued its drive to develop innovative campaigns that challenge attitudes, influence behaviours and, ultimately, reduce casualty crashes.

MAC attacked key issues using five established campaigns to address drink driving, fatigue, pedestrians, young drivers and regional drivers, with the latter campaign being recognised by the Australian Marketing Institute and receiving its national award for excellence in social marketing.

In addition, three new campaigns were developed targeting the priority areas of mobile phone use (distraction), speed and motorcycling.

MAC also continued successful partnerships with major events such as Tour Down Under and the Schoolies Festival, as well as programs aimed at improving quality of life, such as the Brain Injury of South Australia's Reconnect Transition Program and reducing the impact of road trauma, such as the State Rescue Helicopter Service.

Road Safety Campaigns

Mobile Phones: You Can Live Without It

Mobile phones are an increasing area of concern for the road safety community. Insights uncovered in research indicate that many people are so connected to our mobiles that they are unable to ignore incoming calls, messages, tweets or emails.

'You Can Live Without It' was developed to re-invigorate the issue of mobile phones and remind drivers of the dangerous and increasingly distracting nature of these devices.

Low-level Speeding: Crash Puzzle

Speed is the number one issue facing road safety. If speed limits and traffic speeds reduce, then so will casualty crashes. Speeding is also one of the most contentious issues facing road safety with many drivers who habitually creep over the speed limit rejecting the notion that they could be involved in a crash, or that by reducing their speed they could be making any difference.

'Crash Puzzle' was developed to encourage the community to realise that we all play a part in reducing road trauma and that if we all reduce our speeds, we can all contribute to a lower road toll.

Motorcyclists: Get the Edge

Motorcycling is the most dangerous mode of transport. In the event of a crash, a motorcyclist is 30 times more likely to die than the driver of a car.

Over the past three years, MAC has rolled out three multi-media campaigns featuring motorcycling hero Mick Doohan and addressing key issues facing motorcyclists – speeding, protective gear and intersections – which have been very well received by the motorcycling community.

In 2012-13, MAC produced *Get the Edge*, which encouraged riders to seek answers to road safety questions on the MAC motorcycling website and incentivised respondents with prizes such as helmets and safety jackets. The grand prize was a trip to the 2013 Motorcycle Grand Prix and the opportunity to meet MAC's motorcycling safety ambassador, Mick Doohan.

Road Safety Partnerships

MAC has long considered partnerships to be integral to its vision of building and maintaining a strong road safety culture in the community.

This year MAC continued its major partnership with the SA Community Football League, working with 190 local football clubs and communities to help reverse the disturbing trend of road trauma across regional South Australia.

Given the continuing challenge to reduce cycling-related road trauma, MAC again implemented its award winning *'Be Safe, Be Seen'* campaign at the Santos Tour Down Under to impart vital road safety education to cyclists.

MAC also continued to provide support to a number of road safety initiatives aimed at school students and novice drivers including working with Encounter Youth to keep Schoolies Festival attendees safe, and with the RAA as the major partner of its Street Smart youth road trauma event.

Critical funding of the South Australia Police provided for approximately 60,000 people to participate in road safety education sessions in their schools, community groups and businesses.

MAC's community presence was further strengthened through it support of the Good Sports program, assisting community-based sports clubs to reduce alcohol-related problems; and the SA Brain Injury Network's Reconnect Transition Program that helps to rehabilitate persons who have sustained a traumatic brain injury as a result of road crash.

Support of the State Rescue Helicopter Service is another demonstration of MAC's commitment to the community, with the service playing a crucial role in transporting road crash victims and helping to reduce the overall impact of road crash injuries and deaths in South Australia.

MAC Operations

Employment and Other Human Resource Matters

As at 30 June 2013, MAC employed 31 staff (equivalent to 30 FTE positions). No staff member was on leave without pay. Most staff are employed on individual contracts for terms of up to five years with two staff employed on an ongoing basis. In addition, temporary staff are employed to ensure MAC's operations are managed in a timely manner or to provide specialist expertise in particular aspects of the work undertaken by MAC.

Employee Numbers, Gender and Status (includes active and non-active employees).

Total number of employees	
Persons	31
FTEs	30

Gender	% Persons	% FTEs
Male	41.9%	41.3%
Female	58.1%	58.7%

Number of persons during 2012-13	
Separated from the agency	7
Recruited to the agency	6

Number of Employees by Salary Bracket (includes active and non-active employees)

Employees per salary bracket reflects contracted salary entitlements (excluding superannuation) on a full-time equivalent basis, rather than actual income received/receivable during the year. Similarly, no adjustment has been made for part-time working arrangements.

Salary Bracket	Male	Female	Total
$0 - $53,199	-	-	-
$51,200 - $67,699	-	3	3
$67,700 - $86,599	1	7	8
$86,600 - $109,299	2	4	6
$109,300+	10	4	14
Total	**13**	**18**	**31**

Status of Staff & Executive Employees in Current Position (active employees only)

FTEs	Ongoing	Short-Term Contract	Long-Term Contract	Casual	Total
Male	-	1	11.4	-	12.4
Female	2	2	13.6	-	17.6
Total	**2**	**3**	**25**	**-**	**30**

Persons	Ongoing	Short-Term Contract	Long-Term Contract	Casual	Total
Male		1	12	-	13
Female	2	2	14	-	18
Total	**2**	**3**	**26**	**-**	**31**

Of the 31 staff working at MAC on 30 June 2013, six males and two females were employed at the Executive level under long-term untenured contracts.

Average Days Leave per FTE Employee

Leave Type	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
Sick leave	7	9		6	4
Family carer leave	1	1		1	1
Miscellaneous Special Leave	1	1		1	1

Workforce Diversity Age Profile (active employees only)

Age Bracket	Male	Female	Total	% of Total	2012 Workforce Benchmark*
15-19	-	-	-	-	6.2%
20-24	-	-	-	-	9.7%
25-29	-	4	4	13.33%	10.9%
30-34	-	3	3	10%	9.8%
35-39	5	3	8	26.67%	10.1%
40-44	3	1	4	13.33%	11.8%
45-49	1	4	4	13.33%	11.2%
50-54	1	1	2	6.67%	11.3%
55-59	2	2	4	13.33%	9.0%
60-64	-	-	-	-	6.1%
65+	1	-	1	3.33%	3.7%
Total	**13**	**18**	**31**	**100%**	**100%**

*Source: Australian Bureau of Statistics Australian Demographic Statistics, 6291.0.55.001 Labour Force Status (ST LM8) by sex, age, state, marital status – employed – total from Feb78 Supertable, South Australia at Feb 2013

Cultural and Linguistic Diversity (active employees only)

	Male	Female	Total	% Agency	SA Community*
Employees born overseas	1	1	2	6.67%	22.1%
Employees who speak language(s) other than English at home	-	-	-	0.0%	14.4%

*Source: Benchmarks from ABS Publication Basic Community Profile (SA) Cat No. 2001.0, 2006 census.

Of the staff employed by MAC, none are Indigenous and none have a permanent disability.

Voluntary flexible working arrangements

Arrangement	Male	Female	Total
Flexitime	6	15	21
Part time	2	1	3

Documented review of individual performance management

Employees with:	% of Total Workforce
A review within the past 12 months	0%
A review older than 12 months	100%

A revised, more strategic-focused performance management framework is being developed and, as soon as this has been completed, all reviews will be undertaken and completed by the end of June 2014.

Training and Development

All staff are provided with appropriate development opportunities relevant to their aspirations which are identified through MAC's Performance Management System.

These opportunities include attendance at training courses, conferences and seminars, along with support to undertake study to further educational qualifications. Leadership management and development opportunities are also provided to staff, as appropriate.

Training and Development	Total Cost	% of Total Salary Expenditure
Total training and development expenditure	$60,614	1.9%
Total leadership and management development expenditure	$34,517	1.1%

Equal Employment Opportunity (EEO)

MAC ensures that the principles of EEO are understood and enacted by creating, maintaining and promoting a vibrant and productive workplace culture that genuinely values diversity at all levels of the organisation.

Occupational Health & Safety and Injury Management (OHS&IM)

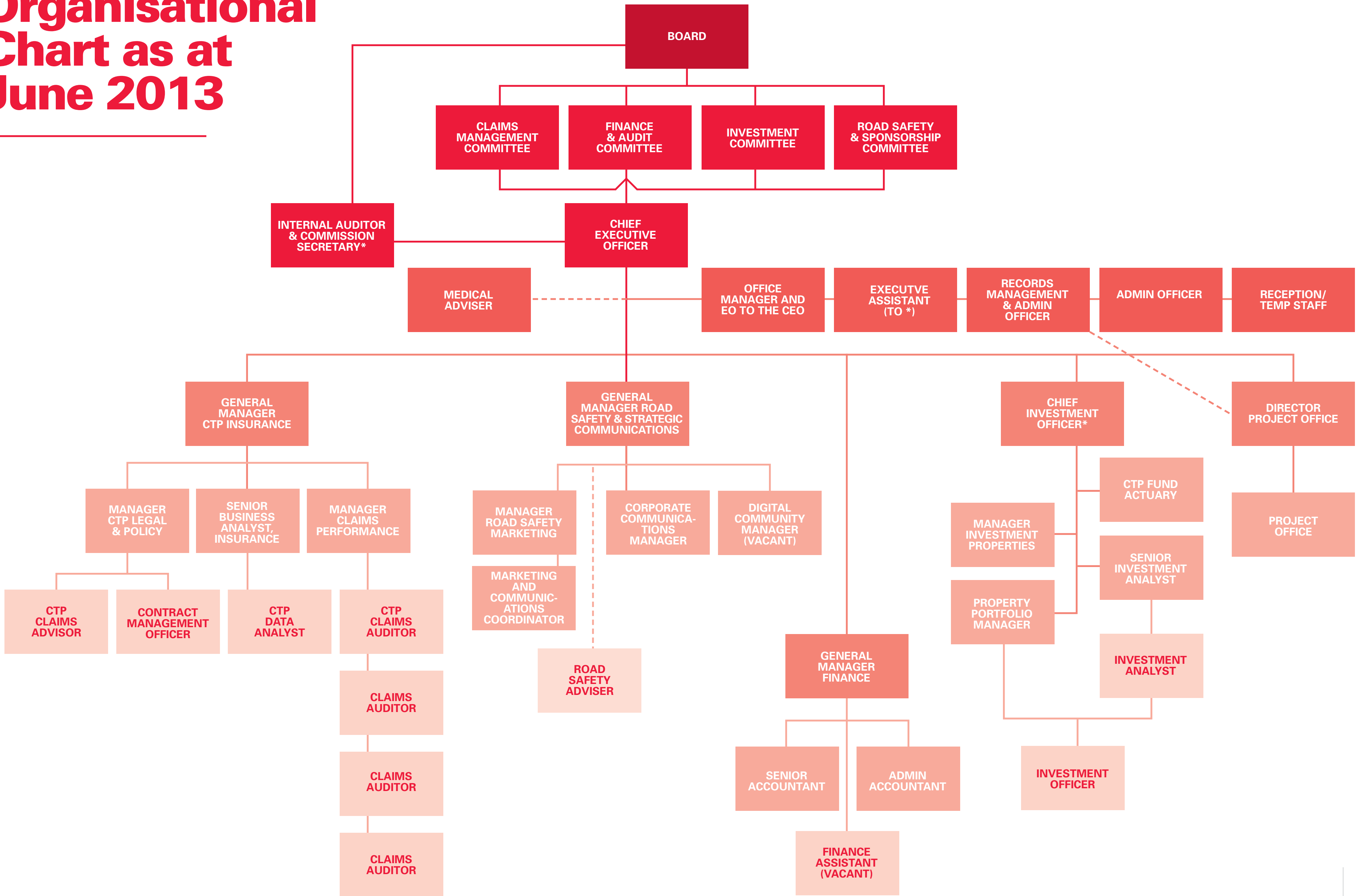
MAC has an appointed WHS Co-ordinator/Responsible Officer whose role is to ensure appropriate WHS policies are in place and compliance with these policies occurs for a safe working environment. This includes the regular review of MAC premises for potential hazards and regular staff briefings on WHS issues.

During 2012-13 there were no worker's compensation claims reported.

Fraud

During the year, there have been no instances of fraud detected in the Commission (2012: nil reports).

Organisational Chart as at June 2013



Governance

Board of Directors

Roger A Cook AM

Independent Non-Executive Director
Chairman
Age 69

Mr Cook has had extensive national and international experience in real estate. He is a director of the Governor's Leadership Foundation and private investment and rural companies.

Mr Cook has previously chaired and been a member and director of a number of private and public sector organisations across a wide range of industry and government operational areas.

Director since 1 July 2004
Chairman since 1 July 2006

Special responsibilities:

- Member of Investment Committee
- Member of Road Safety & Sponsorship Committee

Juliet H Brown

LLB, MAICD

Independent Non-Executive Director
Age 57

Ms Brown is a lawyer and company director.

Ms Brown is Chair of the combined Board of Local Super and Statewide Superannuation Scheme. Her other current board roles include the South Australian Financing Authority, Bio Innovation SA, Health Services Australia Ltd and the Cancer Council.

Director since 1 July 2004

Special responsibilities:

- Chair of Claims Management Committee
- Member of Investment Committee

Dr William M Griggs AM ASM

MB, BS, MBA, PGDipAvMed

Independent Non-Executive Director
Age 56

Dr Griggs has extensive medical, retrieval and research experience with a particular focus on road safety. He has been a member of the Royal Australian Air Force Specialist Reserve since 1988; has received many Australian military awards, medals and commendations and has participated in numerous major retrieval events, both nationally and internationally. He has served for over 20 years on a number of medical boards and committees for the benefit of the community.

Director since 9 September 2010

Special responsibilities:

- Chair of Road Safety & Sponsorship Committee

Terence R Groom

LLB, LLM, Ass. Dip. Acc., AUA (Phys Ed), FIPA

Independent Non-Executive Director
Age 68

Mr Groom is a legal practitioner with over 35 years experience in commercial and industrial law.

From 1977 to 1979 and again from 1982 until 1993, Mr Groom was a Member of State Parliament sitting on various Parliamentary Committees including the Public Accounts Committee, Select Committees on Self-Defence, Workers Liens Act, Privacy and Juvenile Justice and was Chair of the Economic & Finance Committee. He also served as Minister of Primary Industries and Minister Assisting the Premier on Multicultural & Ethnic Affairs.

Currently, Mr Groom is a consultant solicitor in the areas of commercial conveyancing and taxation law.

Director 12 July 2007 to 5 March 2013

Special responsibilities:

- Member of Finance & Audit Committee from 27 July 2007 to 5 March 2013

James T Hazel

B.Ec, FFin, FAICD

Independent Non-Executive Director
Age 62

Mr Hazel is a professional director whose working life was spent largely in senior executive positions in banking and investment banking and who has significant knowledge of the regional banking industry.

He serves as a director of a number of prominent companies and has previously served on the boards of the South Australian Government Financing Authority and Tourism SA.

Director since 15 July 2010

Special responsibilities:

- Chair of Investment Committee

Ruth A Korotcoff

B.Mgt, LLB (Hons.)

Independent Non-Executive Director
Age 48

Ms Korotcoff has extensive experience in the insurance industry with specialist knowledge in personal injury.

She is currently a co-Director of her own consultancy, which provides specialised programs in OHS and injury management to SA and national employers.

Director since 9 July 2009

Special responsibilities:

- Member of Claims Management Committee
- Member of Finance and Audit Committee

Yvonne Sneddon

BA(ACC), FAICD, FCA

Independent Non-Executive Director
Age 57

Ms Sneddon is a Chartered accountant with over thirty years' experience providing financial services to both government and private sector clients. She now acts as a non-executive company director.

Ms Sneddon has been a Member of the South Australian Government Financing Authority Advisory Board since 2000 and is currently Chair of its Audit Committee. She chairs and is a member of private and public sector boards and audit, governance and risk management committees.

Director since 1 July 2004

Special responsibilities:

- Chair of Finance & Audit Committee
- Member of Road Safety & Sponsorship Committee

Hon Patricia L White

BE, BA, GAICD, FIEAust

Independent Non-Executive Director
Age 49

Ms White is an engineer with extensive experience in infrastructure, defence and telecommunications.

From 1994 until 2010, she was a Member of State Parliament, including Chair of its Economic and Finance Committee and Industries Development Committee.

Currently, Ms White is Executive Strategic Advisor with a global resources and energy company and serves on a number of prominent company boards.

Director since 9 September 2010

Special responsibilities:

- Member of Claims Management Committee

Corporate Governance

Role of the Board of Directors

The Board is responsible for the overall corporate governance of the entity and is accountable to the South Australian Government for the management of the CTP Fund for the benefit of SA road users. In addition, as a result of the corporatisation and sale of the business of the former State Government Insurance Commission (SGIC) in 1995, the Board is responsible for winding down certain reinsurance activities of the former SGIC.

In performing its role, the Board continuously works to ensure that funds contributed by motorists are invested to achieve benchmark or better returns, are prudently safeguarded and that all risks arising from the operations of the entity are identified early and managed appropriately. The principal risks relate to the management of claims liabilities arising from CTP insurance and funds investment, but also include some minor residual risk for overseas inwards reinsurance of the former SGIC.

Oversight of the strategic direction of MAC, determining its policies and objectives, and monitoring performance are also key roles of the Board. Section 18 of the MAC Act provides for a Charter, detailing the nature and scope of activities which may be undertaken by MAC, to be prepared and reviewed annually by the Minister for Finance in consultation with the Board. Financial results and general performance are monitored against objectives and reported regularly to the Minister.

Responsibility for the operation and administration of MAC is delegated to the Chief Executive Officer (CEO) and senior management.

Composition of the Board

As the governing body, anything undertaken by the Board in the administration of MAC's affairs is binding on MAC. The Board is subject to direction by the Minister for Finance.

As at 30 June 2013, there were seven directors appointed to the Board.

Board Committees

To assist in the execution of its responsibilities, the Board has established four committees – Finance & Audit; Investment; Claims Management; and Road Safety & Sponsorship – that meet regularly.

Each committee has a documented Charter, approved by the Board. All members must be non-executive directors of MAC and the Board reviews membership annually. The Chairman of the Finance & Audit Committee may not be the Chairman of the Board.

As at 30 June 2013, MAC had the following committees of directors:

Finance & Audit:

Y Sneddon *(Chair)*

R A Korotcoff

Claims Management:

J H Brown *(Chair)*

R A Korotcoff

Hon P L White

Investment:

J T Hazel *(Chair)*

R A Cook AM

J H Brown

Sponsorship:

Dr W M Griggs AM, ASM *(Chair)*

R A Cook AM

Y Sneddon

Directors' Meetings

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each director during the financial year were:

	Board Meetings		Finance & Audit		Claims Management		Investment		Road Safety	
	A	B	A	B	A	B	A	B	A	B
R A Cook	12	12	1	1	-	-	6	7	5	5
J H Brown	11	12	-	-	5	5	7	7	-	-
W M Griggs	10	12	1	-	-	-	-	-	5	5
T R Groom	6	6*	3	3*	-	-	-	-	-	-
J T Hazel	10	12	-	-	-	-	7	7	-	-
R A Korotcoff	11	12	6	6	5	5	-	-	-	-
Y Sneddon	11	12	6	6	-	-	-	-	5	5
P L White	12	12	1	-	5	5	-	-	-	-

A: Number of meetings attended.

B: Number of meetings held during the time the director held office.

***** Terry Groom tendered his resignation in February 2013.

Finance & Audit Committee

The role of the Committee is to advise on the establishment and maintenance of a robust internal control framework and appropriate ethical standards for the management of the entity. This gives the Board additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in financial statements.

MAC's external auditors are invited to Finance & Audit Committee meetings and the Committee may meet with the external auditors without management present if deemed necessary.

Investment Committee

The Committee's responsibilities include:

- recommending the investment policy
- overseeing the investment program to ensure funds are prudently safeguarded and are invested with the objective of achieving benchmark or better returns
- regularly evaluating the performance of the CTP Fund investment managers; and
- meeting MAC's Strategic Plan targets for investment portfolio-related matters.

Claims Management Committee

The role of the Committee includes:

- ensuring the process of managing CTP claims is cost effective, efficient and equitable
- reviewing the performance of the claims manager under the Claims Management Agreement
- reviewing the usage of service providers to assist in the management of claims to ensure they are used appropriately and that services are of a satisfactory quality; and
- ensuring the accuracy and relevance of the claims management database.

Road Safety & Sponsorship Committee

The role of the Committee includes:

- directing funding to priority initiatives that help to achieve the targets in the SA Strategic Plan (SASP) to ensure that each of MAC's three programs (i.e. Road Safety Communications, Sponsorship and Infrastructure and Enforcement Programs) focus on key road safety priorities and outcomes; and
- providing high level direction to ensure that road safety communications are timely, accurate, appropriate and informative, and provide leadership and direction to management to ensure close co-operation across lead agencies involved in road safety.

Risk Management

The Board is committed to managing the material business risks presented by its environment and operations through a system of risk management and internal control. Risk management is integral to the CTP Fund activities and the Board takes the view that well-managed risk is critical to optimised performance.

The Board oversees the establishment, implementation and regular review of MAC's Risk Management Policy and Assessment Process. A focus of the Finance and Audit Committee is to ensure that internal controls are established and maintained within the Risk Management Framework. Regular reporting on the identification and monitoring of risks is made to all Committees and any issues conveyed to the Board as necessary. Management report monthly to the Board on the status of 'high' risks.

Ethical Standards

Directors, management, staff and MAC's external managers have a fiduciary duty not to disclose or utilise for their personal gain or for the gain of their associates any information not generally known to the public; or to do anything that would prejudice the rights of the South Australian Government. MAC has committed itself to comply with the code of conduct applicable to employees in the public sector.

Each year, directors must lodge a statement of pecuniary interests and the Board has developed procedures to assist directors in this regard.

Conflicts of Interest

Directors must advise the Board of any interest that could potentially conflict with those of MAC. In addition, all directors are required to abide by the SA Government's 'Honesty and Accountability for Members of Government Boards'.

The *Public Sector (Honesty and Accountability) Act 1995* and the *Public Sector Act 2009* specifies directors' duties of honesty, care and diligence and responsibilities in relation to conflict of interest, and the Board strictly observes all requirements.

Indemnification and Insurance of Directors

Pursuant to Section 74 of the Public Sector Act, a director incurs no liability for anything done honestly and with reasonable care and diligence in the performance or purported performance of functions or duties under the MAC Act. Any liability that would attach to a director attaches instead to MAC.

Principal Activities

The principal activity carried out by the entity during the course of the financial year involved the underwriting of CTP insurance. In addition, Inward (Overseas) Reinsurance continued to be managed in run-off.

Review of Operations

	2013 $'000	2012 $'000
Comprehensive Result	371,241	(34,104)

The net result for the entity for the year ended 30 June 2013 was a surplus of $371,241 million.

MAC remains in a strong net asset position of $768.3 million. This is due to its Sufficient Solvency Target, which has created a prudential reserve for MAC that has allowed it to weather the financial turbulence of the past few years. MAC's Sufficient Solvency at 30 June 2013 was 111.9%.

MAC's final result and solvency is reflective of its dependency on sound investment market returns.

Ministerial Directions

Pursuant to Sections 5(3) and 25(5)(d) of the MAC Act, a direction dated 6 February 2004 was given to the Board by its Minister (the Treasurer) in respect of payments of $5.3 million to the SA Ambulance Service from the 2003-04 financial and subsequent years until such time as 75% of the cost of providing ambulance services in the financial year exceeds $5.3 million. For the year in which 75% of the cost exceeds $5.3 million, MAC will pay 75% of the total cost for the relevant year.

Pursuant to Sections 5(3) and 25(5)(d) of the MAC Act, a direction dated 21 June 2004 was given to the Board by its Minister (the Treasurer) in respect of payments of $794,500 to the SA Police in respect of the provision of the State Rescue Helicopter Service for the 2003-04 financial and subsequent years until such time as 75% of the cost of providing these services in the financial year exceeds $794,500. For the year in which 75% of the cost exceeds $794,500 (plus GST if applicable) and in all subsequent years, MAC will pay 75% of the total cost for the relevant year.

Subsequent to the above direction, a further direction dated 19 June 2006 was given to the Board by its Minister (the Treasurer) that for the 2006-07 and subsequent financial years, MAC will pay the sum of $794,500 (plus GST if applicable) from the CTP Fund to the Attorney General's Department in respect of the provision of the State Rescue Helicopter Service for the relevant financial year until such time as 75% of the cost of providing these services arising from motor vehicle accidents exceeds $794,500 (plus GST if applicable). For the year in which 75% of the cost exceeds $794,500 (plus GST if applicable) and in all subsequent years, MAC will pay 75% of the total cost for the relevant year. This direction revoked the previous direction of 21 June 2004.

Pursuant to Section 5(3) of the MAC Act, a direction dated 17 October 2012 was given to the Board by its Minister (the Treasurer) in respect of all decisions concerning the employment of executives by the Motor Accident Commission, including but not limited to their appointment and dismissal and the fixing and variation of remuneration and other terms and conditions of employment, are to be made only by Jerome Maguire whilst he holds the position of Chief Executive Officer. The direction remains in force only whilst Jerome Maguire is the Chief Executive Officer of MAC or until such time as it may be revoked or varied by the Treasurer. This direction revoked previous directions dated 31 May 2004 and 19 May 2002.

Additional Information

Motor Accident Commission Charter

Charter

This Charter is prepared pursuant to Section 18 of the Motor Accident Commission Act 1992 (MAC Act).

Interpretation

Expressions used in this Charter have the same meanings as in the MAC Act.

Charter

1. Nature and Scope of Activities which may be undertaken - Section 18(2)(a) MAC Act

The nature and scope of the activities which may be undertaken are as defined in the MAC Act, subject to the following additional conditions:-

1.1 Compulsory Third Party (CTP) Insurance

(a) To conduct CTP insurance business in accordance with the provisions of the *Motor Vehicles Act 1959* and in accordance with the Government's long term financial objectives as advised by the Minister from time to time.

(b) To contract the management of claims to a manager or managers or agent or agents approved by the Minister.

(c) To provide support for anti-fraud campaigns and community and other similar programs as, and to the extent that, this support is consistent with the objectives in Sections 14 and 25 of the MAC Act.

(d) Consistent with Section 14 (d) of the MAC Act, to provide funding from the CTP Fund and manage the Government road safety marketing and communications program, complying with Government advertising guidelines and protocols and with the approval of the Minister for Road Safety as appropriate.

1.2 Investment Policies - Section 18(2)(a) (i) MAC Act

(a) To adopt a prudent investment strategy with the funds derived from its insurance business and to manage those investments against the strategic asset allocation benchmarks adopted by the Commission and approved by the Minister. The strategy should be framed so as to achieve a portfolio of investments with characteristics which allow the Commission to meet identifiable claims as and when they become due for settlement. Funds SA will manage an investment portfolio transferred to it by MAC in line with MAC's strategic asset allocation benchmarks and provide MAC with a suitable level of reporting in a timely manner that will provide assurance to MAC that its investment strategy objectives are being achieved.

(b) To invest in and manage property assets through direct ownership and property trusts. Direct property assets must meet the requirements of the approved direct property strategy and the asset allocation benchmarks approved by the Minister.

(c) To manage business cash flow requirements with the investment of excess cash inflows into the most appropriate yielding cash investments of the MAC Cash Fund which meet the asset allocation benchmarks approved by the Minister.

1.3 Activities Outside the State - Section 18(2)(a)(ii) MAC Act

In pursuing the objectives specified in Section 14 of the Act, the Commission may undertake activities or transactions outside the State consisting of:

(a) Activities and transactions necessary to avoid exposure to excessive levels of insurance risk by reinsuring its risks.

(b) Any activities and transactions relating to the conduct of any part of the run-off of the Commission's insurance business.

(c) Any activities and transactions relating to the conduct of the investment policies of the Commission as adopted pursuant to clause 1.2 of this Charter.

1.4 Subsidiaries, Unincorporated Joint Ventures, Partnerships, or Undertakings - Section 18(2)(a)(iii) MAC Act

(a) The Commission must not undertake in partnership, or under any arrangement for the sharing of profits, co-operation or joint venture with another person, or allow subsidiaries of the Commission, or other companies or entities related to the Commission to undertake, any activities or transactions, unless approved by the Minister.

(b) The remaining Inwards Reinsurance undertaking from the former SGIC (California Re) to continue until a resolution is reached as required under existing contractual arrangements and subject to clause 1.4 (a).

2. Information to be provided to the Treasurer - Section 18(2)(b)(i) MAC Act

2.1 The Treasurer requires the Commission to provide a range of appropriate reports including the following:

(a) Regular financial information as presented to the Board

(b) Budgets and projections as presented to the Board

(c) Regular analysis of investment performance compared to asset allocation benchmarks including any change in the basis of valuation of investments; and

(d) Any other information which, in the opinion of the Board, should be provided or is requested by the Treasurer or his nominee.

2.2 To notify the Treasurer whenever the Commission enters into any arrangements which give rise to a material contingent liability, and whenever a material event occurs.

3. Accounting Policies and Financial Statements - Section 18(2)(b)(ii) and (iii) MAC Act

3.1 To comply with appropriate Australian Accounting Standards, generally accepted accounting principles and practices and all relevant Treasurer's Instructions issued under the *Public Finance and Audit Act, 1987*. Preparation of financial statements by MAC will be in accordance with Government reporting standards for statutory authorities.

3.2 To maintain separate accounts and records for the Compulsory Third Party Fund established under the MAC Act.

3.3 To develop and adopt performance indicators relating to the Compulsory Third Party Fund as approved by the Minister and to include in any reports on the Fund assessment of the Fund's performance judged against such indicators.

4. Other Matters - Section 18(3)(b) MAC Act

4.1 The Under Treasurer or his nominee is to have the right of attendance at meetings of the Board and access to its papers.

4.2 Every delegation made by the Board or a delegate of the Board under Section 13 of the MAC Act which will or could give rise to a liability or contingent liability must contain a limitation which requires that the delegate must not incur a liability that exceeds the monetary amount specified in the instrument of delegation.

4.3 The strategic planning process undertaken by the Board must be linked to South Australia's Strategic Plan with a focus on relevant priorities from the Government's seven strategic priorities. Annual performance reports of the Board (eg Annual Report or suitable alternative) must include reference to achievement of MAC actions/targets linked to the SASP.

4.4 The Government will comply with the SA Strategic Plan targets on gender balance (Women in Leadership) when appointing MAC Board directors. Relevant expertise required for appointment to the Board will take into account business and commercial experience, financial and legal skills and knowledge of personal injury insurance and road safety matters.

4.5 In addition to the Government, MAC has a number of critical relationships to manage. It is expected that the MAC Board will ensure that these key stakeholders and relationships will be managed appropriately for the benefit of the CTP Scheme.

5. Commencement Date - Section 18(6) MAC Act

5.1 This Charter shall come into effect on 30 November 2012.

Additional Information

Administrative Matters

Contractual Arrangements

MAC operates in a substantially outsourced environment. A service contract commencing 1 July 2007 is in place with Allianz Australia Ltd for the management of CTP claims. This contractual arrangement exceeds $4 million. The contracting out of the claims management function is a requirement of clause 1.1(b) of the MAC Charter.

In addition, MAC engages a number of other consultants as detailed below:

Consultant Expenditure 2012-13

Below $10,000	**11 consultants**	**$42,452**
$10,000 - $50,000	**13 consultants**	**$329,818**
	Ascrow Services	Project management services
	Corporate Health Group	Medical advisory services
	Dyson Consulting	Technical advisory
	Gowland Consulting	Project delivery & training services
	Karmabunny Web Design	Website design services
	Alan Lindsay	Claims audit services
	Medicine @ Work	Medical advisory services
	Norsena Pty Ltd	Medical advisory services
	Powell & Co Pty Ltd	Audit advisory
	Solutions @ Locher	Human resources consultancy
	Stillwell Management Consultants Pty Ltd	Human resource management advice
	Taylor Fry	Actuarial services
	Tempo Strategies Pty Ltd	Strategic advisory services
Above $50,000	**15 consultants**	**$3,486,180**
	Brett & Watson Pty Ltd	Actuarial services
	Broadleaf Capital International Pty Ltd	Organisational review advice
	Clemenger BBDO Pty Ltd	Creative advertising services
	Colmar Brunton Pty Ltd	Market research services
	CSC Australia Pty Ltd	Network security advice
	Ernst & Young Pty Ltd	Project governance & claims management advice
	Finity Consulting Pty Ltd	Actuarial services
	Fusion	Sponsorship & website hosting
	KPMG	Business advisory & audit services
	Mercer (Australia) Pty Ltd	Investment advisory services
	PKF Business Advisers Pty Ltd	Audit & advisory services
	PricewaterhouseCoopers	Business advisory services
	Rann Communications	Public relations consultancy
	Torrens Capital Management	Project management, delivery & communication services
	Urbis Valuations Pty Ltd	Investment property advice

Accounts Payable Performance

For Period: July 2012 - June 2013

Particulars	No. A/cs Paid	% A/cs paid (No.)	$ of A/cs paid	% A/cs paid ($)
within 30 days	1,583	94.85%	$ 54,273,084.86	98.74%
30 to 60 days	80	4.79%	$ 608,498.91	1.11%
greater than 60 days	6	0.36%	$ 84,717.05	0.15%
Total	**1,669**	**100.00%**	**$ 54,966,300.82**	**100.00%**

94.8% of MAC's accounts are paid by the due date. Account payment performance is reported to the MAC Board and is monitored on a monthly basis.

Freedom of Information

MAC's CTP claims management function, as it relates to a particular claim, is exempt under the Freedom of Information Act 1991. MAC's current Freedom of Information statement can be found at www.mac.sa.gov.au.

Overseas Travel

During the year, five overseas trips were undertaken. The CEO and Chairman travelled to meet with reinsurers in July 2012 and July 2013, the CEO attended an investment conference in Hong Kong and the Chief Investment Officer attended investment conferences in London and Venice and met with an investment manager in Dublin. The General Manager, Scheme Development travelled to Vancouver in July 2012 to meet with a CTP insurer.

Number of Employees/ Board Members	Destination/s	Reasons for Travel	Total cost to MAC $'000
2	Singapore, Hanover Paris and London	Meetings with reinsurers	32
1	Hong Kong	Investment conference	8
1	Venice, London and Dublin	Investment conferences & meeting	16
2	Singapore, London, Paris and Dusseldorf	Meetings with reinsurers	26*
1	Vancouver	Meetings with CTP insurers	-**

* Costs incurred relate to advance payment in 2012-13 financial year for overseas travel taken in July 2013

**Costs incurred < $1,000 for overseas travel taken in July 2012.

Additional Information

Non-CTP Activities

As part of the corporatisation and sale of the State Government Insurance Commission (SGIC), the SGIC was renamed the Motor Accident Commission pursuant to the SGIC (Sale) Act 1995 (SA). Consequently, MAC assumed the liabilities resulting from insurance policies issued by the former SGIC with the objective of running off these remaining liabilities.

The only remaining matter is an Inwards (Overseas) Reinsurance undertaking from the former SGIC (California Re). This will continue until a resolution is reached.

Energy Efficiency Action Plan

In accordance with the Government's Energy Efficiency Action Plan, MAC provides for continuous improvement in energy efficiency in its operations. Please refer to Appendix 1.

The most significant opportunities for energy savings within MAC operations exist within the MAC Investment Fund, specifically the internally-managed direct property portfolio.

99 Gawler Place, Adelaide – this commercial property has a NABERS Energy rating of four stars. MAC has reduced the power consumption in this property by implementing various upgrades to the air-conditioning plant and control strategy and has offered to tenants the installation of T5 lighting in return for extending their lease commitments.

121 King William Street, Adelaide – this commercial property is five years old and currently has a NABERS Energy rating of five stars. Upgrade works on this property include the installation of smaller and more efficient boilers to reduce gas consumption, and the recent upgrade of the controls system to reduce energy costs.

226 Adelaide Terrace, Perth – this commercial property is 2.5 years old and has no official NABERS rating as it was only fully occupied in October 2011. The property was designed to achieve a NABERS Energy rating of 4.5 stars and management is confident this will be achieved.

990 La Trobe Street, Docklands – this commercial property is approximately 12 months old and is yet to obtain its official NABERS rating. The building was originally designed to achieve a NABERS rating of five stars and management is confident of achieving this rating. This property was awarded the Best Sustainable Energy Project ($30 million - $80 million) category in the 2013 Master Builder's Excellence in Construction Awards.

400 George Street, Brisbane – purchased in March 2013 and 50% owned by MAC, this property is four years old and has an official NABERS rating of five stars. It is intended that ongoing maintenance works and upgrades will continue to ensure the rating is maintained.

Asbestos Management in Government buildings

Please refer to Appendix 2.

Appendices

Appendix 1

Energy Efficiency Action Plan report

	Energy Use (GJ)	Expenditure ($) excl GST	GHG Emissions (tonnes CO_2 -e)	% change in GJ (compared to base year)
Base Year 2000-01	**142.76**	**5,278**	**38.1**	
2001-02	120.72	4,547	32.2	-15%
2002-03	126.41	5,027	33.7	-11%
2003-04	99.63	4,113	26.6	-30%
2004-05	117.23	4,899	31.3	-18%
2005-06	118.34	5,631	31.6	-17%
2006-07	125.33	6,121	36.3	-12%
2007-08	132.23	6,747	36.0	-7%
2008-09	126.41	6,878	32.3	-11%
2009-10	128.37	7,916	30.3	-10%
2010-11	136.73	8,915	30.8	-4%
2011-12	104.26	8,045	23.5	-27%
2012-13	81.85	7,804	21.6	-43%

Appendix 2

Asbestos management report

Category	Number of sites At start of year	At end of year	Category description	Interpretation one or more items at these sites
1			Remove	Should be removed promptly
2			Remove as soon as practicable	Should be scheduled for removal at a practicable time
3			Use care during maintenance	May need removal during maintenance works
4	1	1	Monitor condition	Has asbestos present. Inspect according to legislation and policy
5	11	12	No asbestos identified/identified asbestos has been removed	No asbestos identified.
6			Further information required	(These sites not yet categorised)

Motor Accident Commission

Financial Statements

for the year ended 30 June 2013

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

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

INDEPENDENT AUDITOR'S REPORT

Government of South Australia
Auditor-General's Department

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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 of the *Motor Accident Commission Act 1992*, I have audited the accompanying financial report of the Motor Accident Commission for the financial year ended 30 June 2013. The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2013
- a Statement of Financial Position as at 30 June 2013
- a Statement of Changes in Equity for the year ended 30 June 2013
- a Statement of Cash Flows for the year ended 30 June 2013
- notes to and forming part of the financial statements
- a Certificate from the Chairman, the Chief Executive Officer and the General Manager, Finance.

The Board's Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the requirements of the *Public Finance and Audit Act 1987* and Australian Auditing Standards. The auditing standards require that the auditor comply with relevant ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board of directors, as well as 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 the Motor Accident Commission as at 30 June 2013, its financial performance and its cash flows for the year then ended in accordance with the Treasurer's Instructions promulgated under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards.

S O'Neill
AUDITOR-GENERAL
18 September 2013

MAC Financial Statements

Statement of Comprehensive Income

for the year ended 30 June 2013

		CTP		MAC	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Premium revenue	5	578,094	548,497	578,094	548,497
Outwards reinsurance expense		(5,623)	(5,156)	(5,623)	(5,156)
Net premium		***572,471***	***543,341***	***572,471***	***543,341***
Claims expense	6	(411,314)	(614,649)	(411,306)	(614,656)
Reinsurance and other recoveries	5	(1,935)	6,741	(1,935)	6,741
Net claims	***20***	***(413,249)***	***(607,908)***	***(413,241)***	***(607,915)***
Unexpired risk expense	9	38,452	(14,258)	38,452	(14,258)
Other underwriting expenses	7	(126,919)	(108,530)	(126,677)	(108,488)
Underwriting profit (loss)		**70,755**	**(187,355)**	**71,005**	**(187,320)**
Investment revenue	5	49,632	85,876	49,412	86,087
Other revenue	5	342	210	375	208
Investment management fee		(8,147)	(7,102)	(8,147)	(7,102)
Net investment revenue		***41,827***	***78,984***	***41,640***	***79,193***
Net Result before market value movements		**112,582**	**(108,371)**	**112,645**	**(108,127)**
Investment market value movements	5	258,596	74,023	258,596	74,023
Net result		**371,178**	**(34,348)**	**371,241**	**(34,104)**
Total Comprehensive Result		**371,178**	**(34,348)**	**371,241**	**(34,104)**

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

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

Statement of Financial Position

for the year ended 30 June 2013

		CTP		MAC	
	Note	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current Assets					
Cash	24	106,767	94,075	106,983	94,730
Receivables	8	13,384	11,177	13,465	11,186
Reinsurance and other recoveries receivable	10	2,710	2,769	2,710	2,769
Other financial assets	11	227,695	397,845	227,695	397,845
Prepayments		20,967	20,736	20,967	20,736
Total Current Assets		**371,523**	**526,602**	**371,820**	**527,266**
Non-Current Assets					
Receivables	8	300	300	-	-
Reinsurance and other recoveries receivable	10	12,591	17,006	12,591	17,006
Other financial assets	11	2,316,254	2,052,817	2,316,254	2,052,817
Investment property	12	608,400	356,100	608,400	356,100
Property, plant and equipment	13	-	-	714	739
Total Non-Current Assets		**2,937,545**	**2,426,223**	**2,937,959**	**2,426,662**
Total Assets		**3,309,068**	**2,952,825**	**3,309,779**	**2,953,928**
Current Liabilities					
Payables	14	11,091	14,912	10,380	14,780
Unearned income	15	194,248	194,633	194,248	194,633
Outstanding claims	16	474,521	466,588	474,523	466,590
Unexpired risk liability	9	-	2,692	-	2,692
Provisions	18	3,590	4,300	3,934	4,634
Total Current Liabilities		**683,450**	**683,125**	**683,085**	**683,329**
Non-Current Liabilities					
Unearned income	15	2,034	2,295	2,034	2,295
Outstanding claims	16	1,855,846	1,835,085	1,855,898	1,835,148
Unexpired risk liability	9	-	35,760	-	35,760
Provisions	18	-	-	507	382
Total Non-Current Liabilities		**1,857,880**	**1,873,140**	**1,858,439**	**1,873,585**
Total Liabilities		**2,541,330**	**2,556,265**	**2,541,524**	**2,556,914**
Net Assets		**767,738**	**396,560**	**768,255**	**397,014**
Equity					
Retained earnings		767,738	396,560	768,255	397,014
Total Equity		**767,738**	**396,560**	**768,255**	**397,014**
Commitments	21				
Contingent assets and liabilities	26				

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

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

Statement of Cash Flows

for the year ended 30 June 2013

	CTP		MAC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash Flows from Operating Activities				
Cash receipts from CTP insurance premiums	631,137	604,060	631,137	604,060
Other cash receipts in the course of operations	3,055	3,044	3,088	3,475
Proceeds from sale of property	425	-	425	-
Cash payments in settlement of claims	(415,180)	(359,488)	(415,180)	(359,488)
Cash payments for purchase of property	(286,283)	(109,006)	(286,283)	(109,006)
Other cash payments in the course of operations	(102,085)	(116,915)	(102,513)	(117,052)
Interest and other investment income	161,704	130,602	161,732	130,641
Net Cash inflows / (outflows) from Operating Activities (Note 24)	**(7,227)**	**152,297**	**(7,594)**	**152,630**
Cash Flows from Investing Activities				
Payment for property, plant and equipment	-	-	(72)	(761)
Net Cash outflows from Investing Activities	**-**	**-**	**(72)**	**(761)**
Net change in cash held	(7,227)	152,297	(7,666)	151,869
Cash at the beginning of the year	322,075	169,778	322,730	170,861
Cash at the end of the year (Notes 2(q), 24)	**314,848**	**322,075**	**315,064**	**322,730**

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

Statement of Changes in Equity

for the year ended 30 June 2013

	CTP	MAC
	$'000	$'000
Retained Earnings at 30 June 2011	430,908	431,118
Total Comprehensive Result for 2011/12	**(34,348)**	**(34,104)**
Retained Earnings at 30 June 2012	396,560	397,014
Total Comprehensive Result for 2012/13	**371,178**	**371,241**
Retained Earnings at 30 June 2013	**767,738**	**768,255**

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

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

Notes to and forming part of the Financial Statements

for the year ended 30 June 2013

1 Activities of the Motor Accident Commission

The Motor Accident Commission's (MAC and / or the Commission) principal activity is the underwriting of Compulsory Third Party (CTP) Insurance in South Australia.

With the introduction of changes to South Australia's CTP Scheme, MAC is implementing 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.

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.*

The financial report has been prepared with the MAC being treated as a Not for Profit entity. The financial report contains consolidated financial statements for the MAC and the MAC CTP Fund (CTP) for the year ended 30 June 2013. The financial statements of the MAC and the MAC CTP Fund are prepared for the same reporting period, using consistent accounting policies. 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.*

In the interest of public accountability and transparency, the accounting policy statements require the following note disclosure, which have been included in this financial report:

i) revenues, expenses, financial assets and liabilities where the counterparty/transaction is with an entity within the SA Government as at reporting date, classified according to their nature. A threshold of $100,000 for separate identification of these items applies;

ii) expenses incurred as a result of engaging consultants;

iii) employees whose normal remuneration is equal to or greater than the base executive remuneration (within $10 000 bandwidths) and the aggregate of the remuneration level paid or payable or otherwise made available, directly or indirectly by the entity to those employees; and

iv) board/committee member and remuneration information where a board/committee member is entitled to receive income from membership other than a direct out of pocket reimbursement.

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 2013. Refer to Note 3.

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

(b) Premium Revenue

The earned portion of premiums received and receivable, is recognised as revenue. Premium is treated as earned from the date of attachment of risk. Unearned premium is determined by apportioning the premiums written prior to year-end on a daily pro-rata basis.

(c) 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.

(d) Outwards Reinsurance

Premiums paid to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance is treated at balance date as a prepayment.

(e) 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.

(f) 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.

(g) Unexpired Risk

AASB 1023 ‘General Insurance Contracts’ requires an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the Actuaries as at 30 June 2013.

In order to meet the Liability Adequacy Test (LAT), additional provisioning is included at a probability of sufficiency of 80%. However, as at 30 June 2013, the additional provisioning was nil because the LAT was lower than the net unearned premium.

(h) Collection Charges

Costs incurred in obtaining and recording policies of insurance are recognised as collection costs and have been brought to account during the financial year as they do not represent a future benefit.

(i) Levies and Charges

A liability for levies and charges is recognised on business written to balance date. Levies and charges payable by MAC are expensed on the same basis as the recognition of premium revenue, with the portion relating to unearned premium being recorded as a prepayment, which is the Licence Fee payable to Revenue SA.

(j) Receivables

i) *Trade Debtors*

Trade debtors principally relate to premiums collected by the Department for Planning, Transport & Infrastructure (DPTI), an agent of MAC, not yet passed over to the CTP Fund. The settlement of these amounts occurs within seven working days.

ii) *Investment Debtors*

Investment debtors consists of interest and rental due on other investments.

The collectability of debts is assessed at balance date and specific allowance is made for any doubtful debts. The carrying amount of receivables approximates fair value due to being receivable on demand.

(k) 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 CTP Fund are considered to be for the purpose of backing insurance liabilities.

i) *Unit Trusts*

The bulk of 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 as at 30 June 2013.

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.

(l) Investment Properties

Investment Properties are properties which are held for long term rental yields or for capital appreciation or both. Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The 2013 revaluations were based on independent assessments made by members of the Australian Property Institute.

Changes in fair value are recognised in the Statement of Comprehensive Income. Rental income is recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

(m) Employee Benefits

A liability for employee benefits has been accrued at 30 June 2013.

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.

Wages, salaries, annual leave, skills & experience retention leave 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 provision and the skills and experience retention leave is expected to be payable within twelve 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 provision 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 provision 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 across the government sector. 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 several State 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).

(n) 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, goods and services tax (GST), emergency services levy, land tax and local government rates.

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 component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the ATO is classified as part of operating cash flows.

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.

(o) Property, Plant and Equipment

MAC has adopted the fair value method of valuing its property, plant and equipment assets. Plant and equipment and building fitout are recorded at cost and depreciated over their estimated useful lives. The rates of depreciation are detailed below. Land and buildings are treated as investments and are consequently not subject to depreciation.

The useful lives of all major assets held by MAC are reassessed on an annual basis.

Depreciation / amortisation for non-current assets is determined as follows;

Asset Class	Depreciation Method	Depreciation Rate
Plant and equipment	Diminishing Value	20%
Building fitout	Straight Line	Over the remaining useful life
Other	Straight Line	10%

(p) 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.

(q) Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and short term deposits at call.

(r) Provision for Incentive Payment

A liability for payment of a Financial Outcome Measure (FOM) incentive to Allianz has been accrued at 30 June 2013. Payment of the incentive is based on Allianz's performance in reducing the cost of claims over the period from 1 July 2012 to 31 December 2013, compared to benchmarks in accordance with the terms of the CTP Services Contract. The Scheme Actuaries have determined the amount that would be payable as at 31 December 2013.

(s) Rounding

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

(t) Interest in a Jointly Controlled Property

MAC has a 50% interest in a jointly controlled property at 400 George Street, Brisbane. In addition, MAC recognises 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.

(u) Events after the Reporting Date

Adjustments are made to amounts recognised in the financial statements, where an event occurs after 30 June and before the date the financial statements are authorised for issue, where those events provide information about conditions that existed at 30 June.

Note disclosure is made about events between 30 June and the date the financial statements are authorised, where an event occurs after 30 June and the date the financial statements are authorised for issue where the events relate to a condition which arose after 30 June and which may have a material impact on the results of subsequent years.

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 or amended but are not yet effective have not been adopted by MAC for the reporting period ending 30 June 2013. MAC has assessed the impact of the new and amended standards and interpretations and considers there will be no impact on the accounting policies or the financial statements.

Notes to and forming part of the Financial Statements

for the year ended 30 June 2013

4 Net Result

	CTP		MAC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Net result is arrived at after crediting and charging the following specific items:				
Credits				
Interest received/receivable	10,866	12,522	10,893	12,561
Charges				
Amounts set aside to provide for:				
- Employee benefits	-	-	152	250
- Depreciation of property, plant and equipment	-	-	89	83

5 Revenue

	CTP 2013 $'000	CTP 2012 $'000	MAC 2013 $'000	MAC 2012 $'000
Premium revenue				
- Direct	578,094	548,497	578,094	548,497
	578,094	**548,497**	**578,094**	**548,497**
Reinsurance and other recoveries				
- Other	(1,935)	6,741	(1,935)	6,741
	(1,935)	**6,741**	**(1,935)**	**6,741**
Investment revenue				
- Interest	10,866	12,522	10,893	12,561
- Rentals	38,031	26,621	37,784	26,793
- Profit – investments realised	735	46,733	735	46,733
	49,632	**85,876**	**49,412**	**86,087**
Investment market value movements – unrealised gains/(losses)				
- Fixed Interest	15,380	91,479	15,380	91,479
- Equities	222,197	(42,181)	222,197	(42,181)
- Properties	(12,798)	4,927	(12,798)	4,927
- Other	33,817	19,798	33,817	19,798
	258,596	**74,023**	**258,596**	**74,023**
Other revenue				
- Foreign exchange gains/(losses)	-	-	11	(2)
- Other	342	210	364	210
	342	**210**	**375**	**208**
	884,729	**715,347**	**884,542**	**715,556**

6 Claims Expense

	CTP		MAC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Claims paid*	382,623	337,987	382,623	337,987
Claims provision adjustment	79,345	150,543	79,345	150,543
Adjustment for economic assumptions	(50,654)	126,119	(50,654)	126,119
	411,314	**614,649**	**411,314**	**614,649**
Non-CTP business	-	-	(8)	7
	-	**-**	**(8)**	**7**
	411,314	**614,649**	**411,306**	**614,656**

* Claims paid includes supplies and services paid or payable to SA Government entities as follows:

	2013 $'000	2012 $'000
Ambulance and helicopter rescue services	6,095	6,095

7 Other underwriting expenses

	CTP		MAC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Management expenses *	53,021	37,825	52,779	37,783
Levies and charges **	62,398	59,205	62,398	59,205
Collection charges **	11,500	11,500	11,500	11,500
	126,919	**108,530**	**126,677**	**108,488**

* Management expenses includes supplies and services paid or payable to SA Government entities as follows:

	2013 $'000	2012 $'000
Corporate support services	754	216
Road safety supplies & services	1,371	1,394

** In relation to Levies and charges and Collection charges, the entire amount was paid or payable to SA Government entities.

8 Receivables

	CTP		MAC	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Current				
Trade debtors	8,232	7,366	8,245	7,373
Other debtors	-	-	67	-
	8,232	**7,366**	**8,312**	**7,373**
Investment debtors	5,152	3,811	5,153	3,813
	5,152	**3,811**	**5,153**	**3,813**
	13,384	**11,177**	**13,465**	**11,186**
Non-Current				
Payroll Advance	300	300	-	-
	300	**300**	**-**	**-**
	13,684	**11,477**	**13,465**	**11,186**

Investment debtors consists of interest and rent due on investments.

Other debtors generally arise from transactions outside the usual operating activities of the Commission.

9 Unexpired risk

AASB 1023 requires a Liability Adequacy Test (LAT) which is an assessment of the net unearned premium reserve to ensure that it is at least equal to the future claims expense, inclusive of a prudential margin and associated claims management expenses. If this is not so, then additional provisioning is included such that this condition is met.

An assessment of the expected future claims relating to the unexpired risk period represented by the unearned premium has been undertaken by the Actuaries as at 30 June 2013.

	CTP		MAC	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Central estimate of present value of future claims	133,000	167,200	133,000	167,200
Risk margin	33,300	41,800	33,300	41,800
Present value of expected future claims	**166,300**	**209,000**	**166,300**	**209,000**
Unearned premium liability	194,247	192,111	194,247	192,111
Related reinsurance asset	(904)	(827)	(904)	(827)
Prepaid licence fees	(20,967)	(20,736)	(20,967)	(20,736)
	172,376	**170,548**	**172,376**	**170,548**
Unexpired risk liability	**-**	**38,452**	**-**	**38,452**

In order to meet the Liability Adequacy Test (LAT), additional provisioning for the premium liability is included at a probability of sufficiency of 80% (2012: 80%) which results in a risk margin of 25% (2012: 25%). However, as at 30 June 2013, the additional provisioning was nil because the LAT was lower than the net unearned premium. This risk margin is based on the Actuaries knowledge of industry practice for CTP insurance portfolios which they consider are appropriate for MAC. As MAC has only one class of insurance, no allowance has been made for diversification of insurance classes.

	CTP 2013	CTP 2012	MAC 2013	MAC 2012
Unexpired Risk Liability				
Opening balance	38,452	24,194	38,452	24,194
Unexpired risk expense	(38,452)	14,258	(38,452)	14,258
Closing balance	**-**	**38,452**	**-**	**38,452**
Unexpired risk liability				
- Current	-	2,692	-	2,692
- Non-current	-	35,760	-	35,760
Total liability	**-**	**38,452**	**-**	**38,452**

10 Reinsurance and other recoveries receivable

	CTP		MAC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Expected future recoveries (undiscounted)	17,989	22,931	17,989	22,931
Discount to present value*	(2,688)	(3,156)	(2,688)	(3,156)
Reinsurance and other recoveries receivable	**15,301**	**19,775**	**15,301**	**19,775**
Reinsurance and other recoveries receivable				
- Current	2,710	2,769	2,710	2,769
- Non-current	12,591	17,006	12,591	17,006
	15,301	**19,775**	**15,301**	**19,775**

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

11 Other financial assets

Investments are held primarily with Funds SA via unit trusts in a range of asset classes.

	CTP 2013 $'000	CTP 2012 $'000	MAC 2013 $'000	MAC 2012 $'000
Current				
Fixed interest				
- Cash and deposits	208,081	228,000	208,081	228,000
- Cash - Unit trust	7,034	146,750	7,034	146,750
- Fixed interest - Unit trust	12,580	15,445	12,580	15,445
Property				
- Sales/Purchase deposits	-	7,650	-	7,650
Total Current Other Financial Assets	**227,695**	**397,845**	**227,695**	**397,845**
Non-Current				
Fixed interest				
- Fixed interest - Unit trust	616,445	756,796	616,445	756,796
Equities				
- Australian equities - Unit trust	436,663	419,441	436,663	419,441
- International equities - Unit trust	475,881	403,072	475,881	403,072
- Absolute return - Unit trust	26,902	25,000	26,902	25,000
Other				
- Internal inflation linked - Unit trust	79,629	151,306	79,629	151,306
- MAC infrastructure - Unit trust	108,442	-	108,442	-
- MAC diversified strategies income - Unit trust	572,292	297,202	572,292	297,202
Total Non-Current Other Financial Assets	**2,316,254**	**2,052,817**	**2,316,254**	**2,052,817**
Total Other Financial Assets	**2,543,949**	**2,450,662**	**2,543,949**	**2,450,662**

12 Investment property

	CTP		MAC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
At Fair Value				
Balance at 1 July	356,100	237,900	356,100	237,900
Acquisitions	286,283	109,006	286,283	109,006
Disposals	(22,400)	-	(22,400)	-
Capitalised subsequent expenditure	1,215	4,267	1,215	4,267
Net (loss)/gain from fair value adjustments	(12,798)	4,927	(12,798)	4,927
Balance at 30 June	**608,400**	**356,100**	**608,400**	**356,100**
Amounts recognised in the Statement of Comprehensive Income for investment property				
Rental income	48,954	38,143	48,707	38,315
Direct operating expenses	(10,923)	(11,522)	(10,923)	(11,522)
Total amount recognised	**38,031**	**26,621**	**37,784**	**26,793**

Valuation basis

Investment properties are measured at fair value being the amounts for which the properties could be exchanged between willing parties in an arms length transaction, based on current prices in an active market for similar properties. The revaluations were based on independent assessments made by members of the Australian Property Institute.

	CTP 2013 $'000	CTP 2012 $'000	MAC 2013 $'000	MAC 2012 $'000
Leasing arrangements				
Commitments under non-cancellable operating leases at the reporting date are receivable as follows:				
Not later than one year	50,312	32,989	50,312	32,989
Later than one year but no later than five years	201,550	107,499	201,550	107,499
Later than five years	137,902	63,687	137,902	63,687
	389,764	**204,175**	**389,764**	**204,175**

These operating leases are not recognised in the Statements of Financial Position as assets.

The non-cancellable leases are property leases with numerous tenants for a variety of terms where the rent payable is monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments to be increased by various methods including CPI, fixed increases and to market. Options exist to renew some of the leases at the end of the term of those leases. Our property managers have provided information regarding the likely renewal of leases in the multiple leased premises. Our valuers have provided calculations to determine the commitments under non-cancellable operating leases as at 30 June 2013. In determining those figures, our valuers have based their calculations on the requirements of AASB 117.

13 Property, plant and equipment

	CTP		MAC	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Building Fitout	-	-	779	745
Accumulated depreciation	-	-	(145)	(69)
	-	**-**	**634**	**676**
Plant and equipment	-	-	100	75
Accumulated depreciation	-	-	(33)	(20)
	-	**-**	**67**	**55**
Other	-	-	13	13
Accumulated depreciation	-	-	-	(5)
	-	**-**	**13**	**8**
Total Property Plant and Equipment	**-**	**-**	**714**	**739**
Building Fitout				
Carrying amount at beginning of year	-	-	676	15
Additions	-	-	34	730
Disposals	-	-	-	-
Depreciation	-	-	(76)	(69)
Carrying amount at end of year	**-**	**-**	**634**	**676**
Plant and equipment				
Carrying amount at beginning of year	-	-	55	48
Additions	-	-	25	31
Disposals	-	-	-	(11)
Depreciation	-	-	(13)	(13)
Carrying amount at end of year	**-**	**-**	**67**	**55**
Other				
Carrying amount at beginning of year	-	-	8	9
Additions	-	-	13	-
Disposals	-	-	(8)	-
Depreciation	-	-	-	(1)
Carrying amount at end of year	**-**	**-**	**13**	**8**

14 Payables

Current				
Trade creditors	-	-	-	1
Other creditors and accruals	11,091	14,912	10,380	14,779
	11,091	**14,912**	**10,380**	**14,780**

15 Unearned income

	CTP		MAC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current				
Unearned premium	192,231	189,938	192,231	189,938
Unearned property income	2,017	4,695	2,017	4,695
	194,248	**194,633**	**194,248**	**194,633**
Non-Current				
Unearned premium	2,016	2,173	2,016	2,173
Unearned property income	18	122	18	122
	2,034	**2,295**	**2,034**	**2,295**
	196,282	**196,928**	**196,282**	**196,928**

16 Outstanding claims

	CTP 2013	CTP 2012	MAC 2013	MAC 2012
a) Expected future claims payments (undiscounted)	2,288,574	2,211,211	2,288,628	2,211,276
Risk margin applied (undiscounted)	363,293	350,124	363,293	350,124
Discount to present value - central estimate	(277,526)	(224,283)	(277,526)	(224,283)
Discount to present value - risk margin applied	(43,974)	(35,379)	(43,974)	(35,379)
Liability for Outstanding Claims	**2,330,367**	**2,301,673**	**2,330,421**	**2,301,738**
Current	474,521	466,588	474,523	466,590
Non-Current	1,855,846	1,835,085	1,855,898	1,835,148
Liability for Outstanding Claims	**2,330,367**	**2,301,673**	**2,330,421**	**2,301,738**
b) The following average inflation (normal and superimposed) rates and discount rates were used in the measurement of outstanding claims:				
For the succeeding year				
- Inflation rate	6.25%	6.25%	6.25%	6.25%
- Discount rate	3.40%	2.80%	3.40%	2.80%
For subsequent years				
- Inflation rate	6.25%	6.25%	6.25%	6.25%
- Discount rate	3.40%	2.80%	3.40%	2.80%
c) The weighted average expected term to settlement of the outstanding claims from balance date is estimated to be:	4.1 years	4.0 years	4.1 years	4.0 years

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

16 Outstanding claims (continued)

The claims provision as at 30 June 2013 for the Compulsory Third Party Fund has been reviewed by the Fund Actuaries, Mr L C Brett B.Sc, FIA, FIAA and Mr B A Watson B.Sc, FIAA of Brett & Watson Pty Ltd. The directors have adopted a central estimate plus a risk margin as determined by the Actuaries to achieve an 80% probability that the provision will prove to be adequate. A risk margin of 16% (2012: 16%) has been applied and is based on the Actuaries knowledge of industry practice for CTP insurance portfolios. 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 attached to:

a) the future claim inflation rate (including super imposed inflation) which is subject to systemic economic and social influences which cannot be fully and accurately predicted;

b) the number of future large claims settlements which because they are relatively few in number, are subject to significant random variation as well as systemic influence such as road and vehicle safety improvements and advances in medical technology which affect the number of seriously injured claimants within the Fund; and

c) the numbers of claims receiving future settlements in respect of recent accident years.

The potential impact of changes in the parameters referred to above is set out below:

	Impact on Provision	
Change in Model parameters	**%**	**$'000**
Increase in claim inflation from 3.25% to 3.5%	0.8	18,600
Increase in discount rate from 3.4% to 3.9%	(1.7)	(40,200)
Decrease in assumed number of future large claim settlements by 5%	(1.8)	(41,600)
Increase in assumed number of future large claim settlements by 5%	1.8	41,500
Decrease in number of expected future settlements by 5% with a corresponding increase in other claims	(2.3)	(54,100)
Increase in number of expected future settlements by 5% with a corresponding decrease in other claims	2.3	53,800

16 Outstanding claims (continued)

Claims Development	Accident Year Ending 30 June										
	2004 $'000	2005 $'000	2006 $'000	2007 $'000	2008 $'000	2009 $'000	2010 $'000	2011 $'000	2012 $'000	2013 $'000	Total $'000
Net ultimate claims cost estimate											
At end of accident year	338,640	326,705	354,460	382,329	426,940	444,156	459,249	483,650	492,426	514,693	
One year later	313,058	343,157	355,875	386,338	394,295	426,282	458,570	469,417	488,162		
Two years later	302,311	331,398	352,055	378,015	397,754	433,527	440,122	466,825			
Three years later	312,080	353,662	364,139	380,349	397,925	411,612	426,006				
Four years later	308,606	359,694	379,637	383,684	394,421	408,503					
Five years later	321,533	358,224	380,167	369,627	383,942						
Six years later	308,436	345,525	376,103	361,341							
Seven years later	298,433	347,917	367,193								
Eight years later	302,469	344,123									
Nine years later	306,307										
Current est. of net ultimate claims cost	306,307	344,123	367,193	361,341	383,942	408,503	426,006	466,825	488,162	514,693	
Cumulative payments	(274,460)	(309,395)	(303,075)	(287,241)	(251,998)	(229,291)	(176,411)	(113,613)	(61,627)	(30,999)	
Net undiscounted claims liability for the nine most recent accident years	31,847	34,728	64,118	74,100	131,944	179,212	249,595	353,212	426,535	483,694	**2,028,985**
Discount to present value	(5,715)	(5,881)	(10,327)	(11,392)	(14,820)	(18,901)	(25,236)	(37,191)	(50,224)	(66,411)	**(246,098)**
Net discounted claims liability for the nine most recent accident years	26,132	28,847	53,791	62,708	117,124	160,311	224,359	316,021	376,311	417,283	**1,782,887**
Reconciliation											
Claims handling expenses											95,036
Risk margin											319,319
Net discounted claims liability for accident years 2002/03 and prior											117,824
Net outstanding claims liability											**2,315,066**
Gross outstanding claims liability on the statements of financial position											2,330,367
Reinsurance and other recoveries on outstanding claims liability											(15,301)
Net outstanding claims liability											**2,315,066**

Estimated timing of the 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.

	Payments per year						
	1 year and less $'000	2-4 years $'000	5-9 years $'000	10-14 years $'000	15-19 years $'000	20-24 years $'000	Total $'000
Liabilities	471,813	1,095,626	545,966	158,402	43,062	197	**2,315,066**

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 analysis 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 claims experience and investment earnings and directions by the Minister to charge premiums other than those recommended by the TPPC.

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.

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 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.

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

	CTP		MAC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Current				
Employee benefits	-	-	344	334
Incentive payment	3,590	4,300	3,590	4,300
Total Current Provision	**3,590**	**4,300**	**3,934**	**4,634**
Non-Current				
Employee benefits	-	-	507	382
Total Non-Current Provisions	**-**	**-**	**507**	**382**
Total Provisions	**3,590**	**4,300**	**4,441**	**5,016**

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. Investments in investment properties as detailed in note 12 are classed as level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets. All assets held in unit trusts (excluding inflation linked investments) as detailed in note 11 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets and 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. All assets held in inflation linked investment unit trusts as detailed in note 11 are classed as a combination of level 1 assets being the fair value that reflect unadjusted quoted prices in active market for identical assets, 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 and level 3 assets being fair values that are not based on observable market data.

(2) Derivative Financial Instruments

Derivatives are defined as financial contracts whose value depend on, or is derived from assets, liabilities, reference rates or indices. They are used to manage portfolio risk and to facilitate the implementation of investment strategies efficiently and cost effectively.

MAC's external investment managers may from time to time use authorised derivatives to manage portfolio risks and to facilitate the implementation of effective investment strategies.

The fair values of all derivative positions as at 30 June 2013 are incorporated within the Statements of Financial Position.

(3) Foreign Exchange Risk

As part of a diversified investment strategy, MAC has funds invested in international markets. MAC's external currency overlay manager for international equities, hedges 50% of the developed markets exposure within international equities to Australian dollars. MAC's external fund managers for International Fixed Income Securities hedge 100% of this exposure back to AUD.

(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 cash and fixed income investment managers, as well as specialist advice from a Global Insurance Investment Asset Consultant. Furthermore, an Asset Liability Committee and Dynamic Asset Allocation Committee are in place to manage these risks.

19 Additional Financial Instrument Disclosures (continued)

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:

	Floating interest rate	Non-interest bearing	Total carrying amount
30 June 2013	**$'000**	**$'000**	**$'000**
Financial Assets			
Cash and deposits	315,064	-	315,064
Receivables	-	13,465	13,465
Cash - Unit trust*	-	7,034	7,034
Fixed interest - Unit trust*	-	629,025	629,025
Australian equities - Unit trust*	-	436,663	436,663
International equities - Unit trust*	-	475,881	475,881
Other - Unit trust*	-	787,265	787,265
Total financial assets	**315,064**	**2,349,333**	**2,664,397**
Weighted average interest rate %	**2.79%**		
Financial Liabilities			
Creditors	-	10,380	10,380
Total financial liabilities	**-**	**10,380**	**10,380**
Net financial assets	**315,064**	**2,338,953**	**2,654,017**

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

19 Additional Financial Instrument Disclosures (continued)

30 June 2012	Floating interest rate $'000	Non-interest bearing $'000	Total carrying amount $'000
Financial Assets			
Cash and deposits	322,730	-	322,730
Receivables	-	11,186	11,186
Cash - Unit trust*	-	146,750	146,750
Fixed interest - Unit trust*	-	772,241	772,241
Australian equities - Unit trust*	-	419,441	419,441
International equities - Unit trust*	-	403,072	403,072
Other - Unit trust*	-	473,508	473,508
Sales/Purchase deposits	7,650	-	7,650
Total financial assets	**330,380**	**2,226,198**	**2,556,578**
Weighted average interest rate %	**4.03%**		
Financial Liabilities			
Creditors	-	14,780	14,780
Total financial liabilities	**-**	**14,780**	**14,780**
Net financial assets	**330,380**	**2,211,418**	**2,541,798**

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

Reconciliation of Net Financial Assets		2013 $'000	2012 $'000
Net Financial Assets		2,654,017	2,541,798
Add	- Reinsurance and other recoveries receivable	15,301	19,775
	- Prepayments	20,967	20,736
	- Investments – Property assets	608,400	356,100
	- Property, plant and equipment	714	739
Less	- Unearned income	(196,282)	(196,928)
	- Outstanding claims	(2,330,421)	(2,301,738)
	- Unexpired risk provision	-	(38,452)
	- Provisions	(4,441)	(5,016)
Net Assets		**768,255**	**397,014**

(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 Statements of Financial Position represent MAC's maximum exposure to credit risk to these assets. MAC minimises concentrations of credit risk by undertaking diversified transactions in a large number of investments through underlying external fund managers and via a closely monitored panel of diversified Bank Groups which are rated by Standard & Poor's within the MAC Cash Portfolio. MAC is not materially exposed to any individual counterparty.

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.

19 Additional Financial Instrument Disclosures (continued)

30 June 2013	A1+	A1
Short Term	**Allocation %**	
Cash	84.0	16.0
Cash & Deposits	84.6	15.4

	AAA	AA	A	BBB	Below BBB	Not Rated
Long Term			**Allocation %**			
Internal inflation linked (externally managed portion)	73.5	19.9	2.6	4.0	-	-
Fixed interest	68.9	31.1	-	-	-	-
Diversified strategies income	24.2	10.6	29.1	34.8	1.2	0.1

30 June 2012	A1+	A1
Short Term	**Allocation %**	
Cash	88.9	11.1
Cash & Deposits	79.4	20.6

	AAA	AA	A	BBB	Below BBB	Not Rated
Long Term			**Allocation %**			
Internal inflation linked (externally managed portion)	87.5	5.2	3.2	4.0	-	0.1
Fixed interest	96.1	3.9	-	-	-	-
Diversified strategies income	29.3	16.0	28.8	22.3	3.6	-

The MAC Cash portfolio is predominately comprised of Term Deposits which are ranked at the top of the capital structure. Term Deposits have statutory priority under the Banking Act 1959 and therefore have lower credit risk than other non-deposit cash instruments.

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

The MAC DSI portfolio is in the process of progressively eliminating any exposure to non-investment grade securities (rated less than BBB by S&P). MAC divested from Funds SA DSI and constructed MAC DSI in 2012 in order to eliminate this exposure to non-investment grade securities.

(6) Market Risk

In addition to the effects of movements in interest rates, the CTP 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 and dynamic asset allocation process.

19 Additional Financial Instrument Disclosures (continued)

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.

Financial Impact

	Movement in Variable %	2013 $'000	2012 $'000
Interest rates	(1.0)	60,971	56,722
	(0.5)	29,445	27,272
	0.5	(27,365)	(25,093)
	1.0	(52,649)	(48,007)

An interest rate change will inversely affect the values of fixed interest investments. This change has been calculated by multiplying the modified duration plus an adjustment for convexity of the fixed interest portfolio by the interest rate change. In practice, 27% of the impact of this change will be offset by a corresponding inverse movement in MAC's outstanding liabilities valuations.

Financial Impact

	Movement in Variable %	2013 $'000	2012 $'000
Australian equity markets	(10)	(43,666)	(41,944)
	(5)	(21,833)	(20,972)
	(1)	(4,367)	(4,194)
	5	21,833	20,972
	10	43,666	41,944
International equity markets	(10)	(47,588)	(40,307)
	(5)	(23,794)	(20,154)
	(1)	(4,759)	(4,031)
	5	23,794	20,154
	10	47,588	40,307

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.

(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 CTP 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

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

	CTP 30 Jun 13			MAC 30 Jun 13		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - undiscounted	624,154	(151,001)	473,153	624,154	(151,001)	473,153
Reinsurance and other recoveries - undiscounted	(4,016)	6,418	2,402	(4,016)	6,418	2,402
Net claims incurred - undiscounted	**620,138**	**(144,583)**	**475,555**	**620,138**	**(144,583)**	**475,555**
Discount and discount movement - gross claims incurred	(81,443)	19,605	(61,838)	(81,443)	19,605	(61,838)
Discount and discount movement - reinsurance and other recoveries	555	(1,023)	(468)	555	(1,023)	(468)
Net discount movement	**(80,888)**	**18,582**	**(62,306)**	**(80,888)**	**18,582**	**(62,306)**
Net claims incurred	**539,250**	**(126,001)**	**413,249**	**539,250**	**(126,001)**	**413,249**
Non-CTP business						
Gross claims incurred and related expenses - undiscounted	-	-	-	(8)	-	(8)
Net claims incurred	**-**	**-**	**-**	**(8)**	**-**	**(8)**
Total net claims incurred	**539,250**	**(126,001)**	**413,249**	**539,242**	**(126,001)**	**413,241**

	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - undiscounted	598,131	(141,034)	457,097	598,131	(141,034)	457,097
Reinsurance and other recoveries - undiscounted	(4,177)	(414)	(4,591)	(4,177)	(414)	(4,591)
Net claims incurred - undiscounted	**593,954**	**(141,448)**	**452,506**	**593,954**	**(141,448)**	**452,506**
Discount and discount movement - gross claims incurred	(65,280)	222,832	157,552	(65,280)	222,832	157,552
Discount and discount movement - reinsurance and other recoveries	560	(2,710)	(2,150)	560	(2,710)	(2,150)
Net discount movement	**(64,720)**	**220,122**	**155,402**	**(64,720)**	**220,122**	**155,402**
Net claims incurred	**529,234**	**78,674**	**607,908**	**529,234**	**78,674**	**607,908**
Non-CTP business						
Gross claims incurred and related expenses - undiscounted	-	-	-	7	-	7
Net claims incurred	**-**	**-**	**-**	**7**	**-**	**7**
Total net claims incurred	**529,234**	**78,674**	**607,908**	**529,241**	**78,674**	**607,915**

21 Committments

	CTP		MAC	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Operational expenditure commitments				
Road Safety and Sponsorship expenditure *				
Committed but not provided for and payable:				
Not later than one year	102,104	1,735	102,104	1,735
Later than one year but no later than five years	3,549	4,137	3,549	4,137
	105,653	**5,872**	**105,653**	**5,872**

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

Included in the above is a contribution by MAC of $100 million in 2013-14 towards a dedicated fund to be used for road safety initiatives with a particular focus on the treatment of Black Spots. It is intended that payment will be made as required by the Treasurer pursuant to S 25(5)(d) of the Motor Accident Commission Act 1992 for road safety initiatives to the Government in accordance with the functions and objectives under S14(1)(d) of the MAC Act.

Management agreements

MAC's contractual arrangements with Allianz Australia Insurance Limited (AAL) for the provision of the claims management operations of the Fund expire on 31 December 2013. 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.

MAC does not have any contingent liabilities or commitments in relation to the jointly controlled property at 400 George Street, Brisbane.

22 Auditors' remuneration

	CTP		MAC	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
Amounts received or due and receivable for auditing the accounts of MAC:				
- Auditor-General's Department	99	104	110	115

The auditors provided no other services to MAC during the financial year.

23 Employee benefits

	CTP		MAC	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Aggregate liability for employee benefits including on-costs:				
Current				
Employee benefits provision				
- Annual leave	-	-	334	334
- Skills & experience retention leave	-	-	10	-
On Costs	-	-	97	80
	-	**-**	**441**	**414**
Non-current				
Employee benefits provision				
- Long service leave	-	-	507	382
	-	**-**	**507**	**382**
	-	**-**	**948**	**796**

AASB 119 Employee Benefits contains the calculation methodology for long service leave liability. This year, an actuarial assessment performed by the Department of Treasury and Finance was used to calculate the liability rather than using a shorthand measurement technique for the calculation of the liability.

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 has increased from 2012 (3.0%) to 2013 (3.75%).

The net financial effect of the changes in methodology and actuarial assumptions in the current financial year is immaterial. The impact on future periods is impracticable to estimate as the long service leave liability is calculated using a number of assumptions - a key assumption is the long term discount rate.

24 Cash flow reconciliation

	CTP		MAC	
	2013 $'000	**2012 $'000**	**2013 $'000**	**2012 $'000**
1) Reconciliation of cash				
Cash	106,767	94,075	106,983	94,730
Deposits at call	208,081	228,000	208,081	228,000
	314,848	**322,075**	**315,064**	**322,730**
2) Reconciliation of net cash inflows/(outflows) from operating activities				
Total comprehensive result	371,178	(34,348)	371,241	(34,104)
Add/(less) non-cash items:				
- Depreciation	-	-	89	83
- Loss on disposal of assets	-	-	8	11
- Amounts set aside to provisions	-	2	-	2
- Loss on sale and revaluation to market value of investments	(258,907)	(120,756)	(258,907)	(120,756)
Inc in taxes payable and provisions	-	-	79	20
Net cash inflows/(outflows) from operating activities before changes in assets and liabilities	**112,271**	**(155,102)**	**112,510**	**(154,744)**
Change in assets and liabilities				
- (Inc)/dec in investments	(107,940)	6,796	(107,939)	6,797
- (Inc)/dec in receivables	(1,210)	(2,033)	(2,238)	(2,209)
- Inc/(dec) in payables and provisions	(42,870)	17,636	(42,438)	17,777
- Inc/(dec) in outstanding claims	33,168	272,924	33,157	272,933
- Inc/(dec) in unearned premium	(646)	12,076	(646)	12,076
Net cash (outflows)/inflows from operating activities	**(7,227)**	**152,297**	**(7,594)**	**152,630**

25 Sufficient Level of Solvency

Sub-section 14(3) of the *Motor Accident Commission Act 1992* defines as one of the principal objectives of the Commission, the objective of achieving and maintaining a Sufficient Level of Solvency in the CTP Fund. A revised formula to calculate a Sufficient Level of Solvency was issued by the Treasurer on 17 May 2006 and subsequently published in The South Australian Government Gazette. The formula specifies that the Fund will have a Sufficient Level of Solvency if its assets exceed the sum of the Fund's liabilities plus 10% of the outstanding claims liabilities, 10% of the premium liabilities provision and 10% of the investments in equities and property.

Under the formula, provisions for outstanding claims liabilities and premium liabilities include prudential margins which are calculated by reference to an 80% probability of sufficiency that the provisions will be adequate.

As at 30 June 2013, the Sufficient Solvency target was $2,957.2 million (2012: $2,928.4 million) which compares to the Fund's assets of $3,309.1 million (2012: $2,952.8 million) and this equates to 111.9% (2012: 100.8%) of the required level of Sufficient Solvency.

In recent years, there has been significant movement in MAC's solvency, which demonstrates the volatility of the CTP 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 effectively allowed it to weather the financial storm of the past few years and still remain in a strong net asset position ($768.3m). The Sufficient Solvency Target has therefore fulfilled its role of underpinning the long term viability of the CTP Fund.

In that regard, MAC has a Strategic Plan aimed at reducing claim costs and increasing investment returns along with a range of other strategic initiatives to improve Scheme profitability and assist MAC to achieve its Sufficient Solvency Target. It is anticipated that the achievement of successful outcomes against this Plan, some of which are outside of MAC's direct control, will go a long way towards MAC achieving and maintaining its Sufficient Solvency target.

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 2013;
- 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.

27 External Consultants used during the Financial Year

		MAC 2013 $'000	MAC 2012 $'000
Total amount paid, or due and payable to external consultants during the financial year:		3,858	4,332
		2013 Number	**2012 Number**
The number and value of consultancies were:	Below $10,000	11	9
	$10,000 to $50,000	13	6
	Above $50,000	15	9

28 Directors' remuneration

The names of each person holding the position of director of MAC during the financial year are:	J H Brown	T R Groom	Y Sneddon
	R A Cook	J T Hazel	P L White
	W M Griggs	R A Korotcoff	

		2013 $'000	2012 $'000
Total income paid or payable, or otherwise made available, to all directors of MAC from the Commission:		374	390
		2013 Number	**2012 Number**
The number of directors of MAC whose income from the Commission falls within the following bands:	$0 - $9,999	1	2
	$30,000 - $39,999	1	-
	$40,000 - $49,999	3	2
	$50,000 - $59,999	2	4
	$80,000 - $89,999	1	1

Directors of MAC receive remuneration in the form of statutory fees. In accordance with the Department of Premier & Cabinet circular No. 16, government employees who act as a director do not receive any remuneration from the Commission 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 $31,000 (2012: $32,000).

29 Remuneration of Employees

		MAC	
		2013 $'000	2012 $'000
Salaries & Wages		2,931	2,666
Long Service Leave		109	208
Annual Leave		32	41
Skills and Experience Retention Leave		11	-
Employment on-costs - superannuation		309	277
Employment on-costs - other		196	187
Board & Committee Fees		375	358
Total employee remuneration expense		**3,963**	**3,737**
		Number	**Number**
The number of employees whose remuneration received or receivable falls within the following bands:	$138,000 - $147,999	-	3
	$148,000 - $157,999	4	-
	$178,000 - $187,999	-	1
	$188,000 - $197,999	-	1
	$268,000 - $277,999	1	-
	$328,000 - $337,900	-	1
	$398,000 - $407,999	1	-

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 $1.3 million (2012 $1.2 million).

30 Related Parties

Apart from the details disclosed in this note, no director has entered into a contract with the Commission since the end of the previous financial year and there were no contracts involving directors' interests existing at year-end.

Directors' transactions with the Commission

MAC sold CTP insurance to directors of the Commission or their director-related entities during the year within a normal customer relationship on terms and conditions no more favourable than those available on similar transactions to other members of the public.

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.

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 Australian Accounting Standards;

2 are in accordance with the accounts and records of the Commission: and

3 presents a true and fair view of the financial position of the Commission as at 30 June 2013 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.

R A Cook
Chairman

J Maguire
Chief Executive Officer

K Govan
General Manager, Finance

Adelaide

Dated the 30th day of August 2013

MAC

Government of
South Australia