Our financial information

Motor Accident Insurance Commission Financial Statements 2012–13

for the year ended 30 June 2013

Contents	Page No.

These financial statements cover the Motor Accident Insurance Commission (MAIC).

MAIC is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business of MAIC is:

Level 9, 33 Charlotte Street
GPO Box 1083
Brisbane, Queensland 4000

A description of the nature of MAIC's operations and its principal activities is included in the notes to the financial statements.

For information in relation to MAIC's financial report please call 07 3035 6327, email maic@maic.qld.gov.au or visit MAIC's internet site www.maic.qld.gov.au.

Nominal Defendant Financial Statements 2012–13

for the year ended 30 June 2013

Contents	Page No.

These financial statements cover the Nominal Defendant.

The Nominal Defendant is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business is:

Level 9, 33 Charlotte Street
GPO Box 2203
Brisbane, Queensland 4000

A description of the nature of the Nominal Defendant's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the Nominal Defendant's financial report please call 07 3035 6321, email nd@maic.qld.gov.au or visit the Nominal Defendant's internet site www.maic.qld.gov.au.

Financial information 2012–13

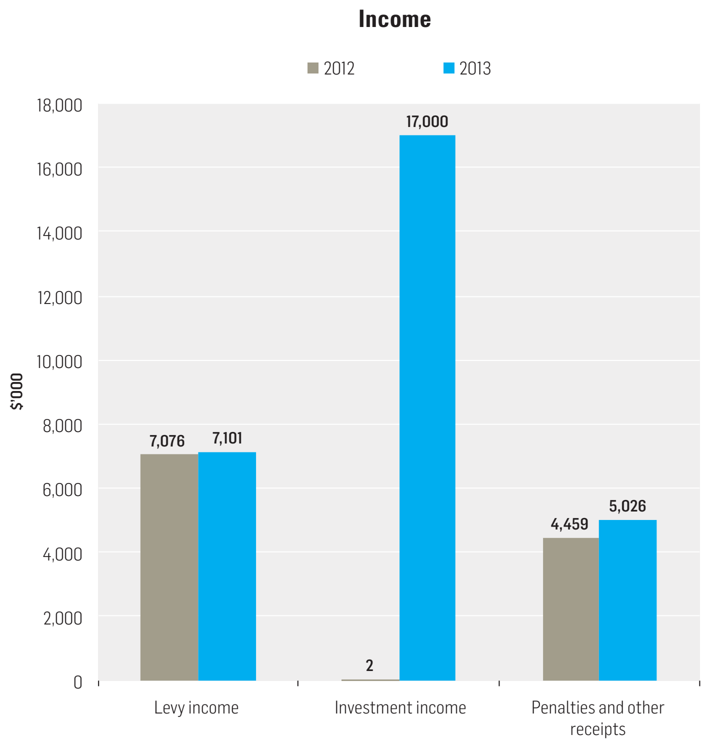
Motor Accident Insurance Commission

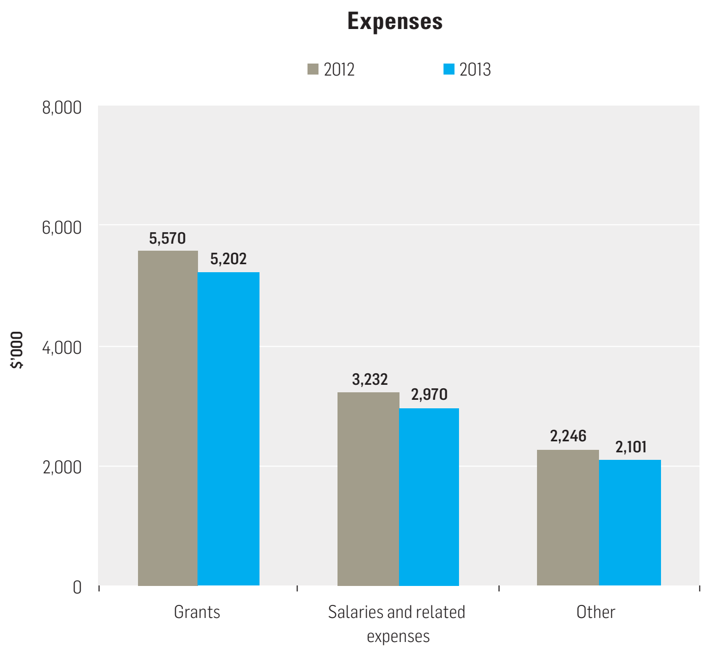
Financial Summary 2012-13

MAIC managed its business within budget and achieved an operating surplus of $18.85 million for the year ended 30 June 2013. The major driver of the increase were gains on investments held with QIC of $17 million due to the strengthening of the equity markets during the year.

The Statutory Insurance Scheme Levy remained unchanged from 1 July 2012 at $1.85 per policy and generated $7.10 million income in 2012–13 (prior year $7.08 million). Penalty fines and other receipts rose by $0.57 million to $5.03 million.

MAIC's total expenses for the year decreased to $10.27 million (prior year $11.05 million). MAIC's largest expense item relates to the continued funding of research programs to seek to reduce the incidence and mitigate the effects of road trauma. Details of the grant funding are provided in Appendix 4.





Financial information 2012–13

Motor Accident Insurance Commission

Statement of Comprehensive Income

for the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Income			
Levy income		7,101	7,076
Net fair value gains on financial assets		17,000	2
Interest income		204	275
Penalties and miscellaneous receipts		4,784	4,118
User charges		38	66
Total income		**29,127**	**11,537**
Expenses			
Grants		5,202	5,570
Employee expenses	2, 3	2,970	3,232
Supplies and services	4	2,040	2,182
Depreciation and amortisation	5	5	7
Other expenses	6	56	57
Total expenses		**10,273**	**11,048**
Operating result		**18,854**	**489**
Other comprehensive income		–	–
Total comprehensive income		**18,854**	**489**

The accompanying notes form part of these statements.

Financial information 2012–13

Motor Accident Insurance Commission

Statement of Financial Position

as at 30 June 2013

	Notes	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	7	3,007	2,119
Receivables	8	414	429
Financial assets	9	11,939	15,216
Total current assets		**15,360**	**17,764**
Non-current assets			
Financial assets	9	121,160	99,790
Plant and equipment	10	25	30
Intangible assets	11	–	–
Total non-current assets		**121,185**	**99,820**
Total assets		**136,545**	**117,584**
Current liabilities			
Payables	12	330	209
Accrued employee benefits	13	192	229
Total current liabilities		**522**	**438**
Non-current liabilities			
Accrued employee benefits	13	37	14
Total non-current liabilities		**37**	**14**
Total liabilities		**559**	**452**
Net assets		**135,986**	**117,132**
Equity			
Contributed equity	1 (s)	57,818	57,818
Accumulated surplus		78,168	59,314
Total equity		**135,986**	**117,132**

The accompanying notes form part of these statements.

Financial information 2012–13

Motor Accident Insurance Commission

Statement of Changes in Equity

for the year ended 30 June 2013

	Contributed equity $'000	Accumulated surplus $'000	Total equity $'000
Balance as at 1 July 2011	57,818	58,825	116,643
Operating result	–	489	489
Other comprehensive income	–	–	–
Balance as at 30 June 2012	**57,818**	**59,314**	**117,132**
Balance as at 1 July 2012	57,818	59,314	117,132
Operating result	–	18,854	18,854
Other comprehensive income	–	–	–
Balance as at 30 June 2013	**57,818**	**78,168**	**135,986**

The accompanying notes form part of these statements.

Financial information 2012–13

Motor Accident Insurance Commission

Statement of Cash Flows

for the year ended 30 June 2013

	Note	2013 $'000	2012 $'000
Cash flows from operating activities			
Inflows:			
Levy income		7,082	6,899
Interest income		226	270
Penalties and miscellaneous receipts		4,789	4,091
User charges		56	54
GST input tax credits from ATO		641	693
GST collected from customers		16	7
Outflows:			
Grants		(5,193)	(5,570)
Employee expenses		(2,980)	(3,121)
Supplies and services		(1,522)	(1,987)
GST remitted to ATO		(17)	(5)
GST paid to suppliers		(654)	(706)
Other		(56)	(50)
Net cash provided by operating activities	14	**2,388**	**575**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		1,500	2,000
Outflows:			
Payments for financial assets		(3,000)	(2,000)
Net cash used in investing activities		**(1,500)**	**–**
Net increase in cash and cash equivalents		**888**	**575**
Cash and cash equivalents at beginning of financial year		2,119	1,544
Cash and cash equivalents at end of financial year	7	**3,007**	**2,119**

The accompanying notes form part of these statements.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

Objectives and principal activities of MAIC

The Motor Accident Insurance Commission (MAIC) is responsible for regulating and ongoing management of the Queensland Compulsory Third Party (CTP) scheme and the Nominal Defendant Fund.

Established under the *Motor Accident Insurance Act 1994*, MAIC commenced operations on 1 September 1994 as a statutory body reporting to the Treasurer. It provides a framework for premium setting and ensures compliance with the provisions of the Act.

1. Summary of significant accounting policies

(a) Statement of compliance

MAIC has prepared these financial statements in compliance with Section 43(1) of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury and Trade's *Financial Reporting Requirements* for the year ending 30 June 2013, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, MAIC has applied those requirements applicable to not-for-profit entities, as MAIC is a not-for-profit entity. The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of MAIC.

(c) Levy collection, contributions and penalties

Levies received in accordance with Section 27 of the *Motor Accident Insurance Act 1994* are recognised as revenue at the time they are legally due to be paid by the Department of Transport and Main Roads to MAIC, upon receipt of monies from motorists.

Levies collected on behalf of the Queensland Health and the Department of Community Safety during the current year have not been included as revenue in the Statement of Comprehensive Income as these amounts are not controlled. Similarly, remittances made to Queensland Health and the Department of Community Safety have not been included as expenses.

Details on the levies collected on behalf of and distributed to Queensland Health and the Department of Community Safety are provided in Note 15.

Penalties imposed under Section 20 of the *Motor Accident Insurance Act 1994* are recognised as revenue at the time they are legally due to be paid by the Department of Transport and Main Roads and Department of Justice and Attorney General to MAIC, upon receipt of monies from uninsured motorists.

(d) Grants

The *Motor Accident Insurance Act 1994* provides for MAIC to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant monies is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.

(e) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June.

(f) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June.

Other debtors generally arise from transactions outside the usual operating activities of MAIC and are recognised at their assessed values.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(g) Acquisitions of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(h) Plant and equipment

Items of plant and equipment with a cost or other value equal to or in excess of $5,000 are recognised for financial reporting purposes in the year of acquisition.

Items with a lesser value are expensed in the year of acquisition.

(i) Revaluations of non-current physical and intangible assets

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment, other than major plant and equipment, is measured at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector.*

(j) Intangibles

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to MAIC. The residual value is zero for all MAIC's intangible assets.

It has been determined that there is no active market for any of MAIC's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Internally generated software
Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to MAIC, namely 5 years.

(k) Amortisation and depreciation of intangibles and plant and equipment

Amortisation and depreciation is calculated on a straight-line basis so as to allocate the net cost of each asset, less its estimated residual value, progressively over its estimated useful life to MAIC.

Assets under construction (work-in-progress) are not amortised or depreciated until they reach service delivery capacity.

For each class of depreciable asset the following depreciation and amortisation rates are used:

Class	Rate %
Plant and equipment:	
Computer hardware	20–25
Office equipment	20
Leasehold improvements	8.33
Intangibles:	
Internally generated software	20

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(l) Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, MAIC determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

(m) Leases

Operating leases are recognised where the lessor effectively retains substantially all risks and benefits incidental to ownership. Non-cancellable operating lease commitments are disclosed under Note 16.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

MAIC does not have any finance leases.

(n) Financial assets

All funds not required for the day to day management of MAIC are invested with the Queensland Investment Corporation (QIC) and are recorded in the financial statements at net market value.

(o) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price. Amounts owing are unsecured and are generally settled on 30 day terms.

(p) Financial instruments

Recognition
Financial assets and financial liabilities are recognised in the Statement of Financial Position when MAIC becomes party to the contractual provisions of the financial instrument.

Classification
Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit or loss;
- Receivables – held at amortised cost;
- Investments – held at fair value through profit or loss; and
- Payables – held at amortised cost.

MAIC does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, MAIC holds no financial assets classified at fair value through profit and loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by MAIC are included in Note 17.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(q) Employee benefits

Employer superannuation contributions and long service leave levies are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Wages, salaries, recreation leave and sick leave

Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of the likely settlement.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Long service leave

Under the Queensland Government's long service leave scheme, a levy is made on MAIC to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

No provision for long service leave is recognised in MAIC's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. MAIC's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Key management personnel and remuneration

Key management personnel and remuneration disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury and Trade. Refer to Note 3 for the disclosures on key management personnel and remuneration.

(r) Insurance

MAIC's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, MAIC pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(s) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(t) Taxation

MAIC is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by MAIC. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 8).

(u) Issuance of financial statements

The financial statements are authorised for issue by the Insurance Commissioner and the Director, Corporate Governance at the date of signing the Management Certificate.

(v) Judgements and assumptions

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

MAIC has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(w) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(x) New and revised accounting standards

MAIC did not voluntarily change any of its accounting policies during 2012–13. Australian Accounting Standard changes applicable for the first time for 2012–13 have had minimal effect on MAIC's financial statements, as explained below.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 143, 1039 & 1049]* became effective from reporting periods beginning on or after 1 July 2012. The only impact for MAIC is that, in the Statement of Comprehensive Income, items within the "Other Comprehensive Income" section are now presented in different sub-sections, according to whether or not they are subsequently classifiable to the operating result. Whether subsequent re-classification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

MAIC is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, MAIC has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. MAIC applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 13 *Fair Value Measurement* applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of "fair value" as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of MAIC's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of, such assets and liabilities.

MAIC has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies do not comply, changes will be necessary. While MAIC is yet to complete this review, no substantial changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for MAIC's property, plant and equipment as from 2013–14.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(x) New and revised accounting standards – continued

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not 'observable' outside MAIC, the amount of information to be disclosed will be relatively greater.

A revised version of AASB 119 *Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. Given MAIC's circumstances, the only implications for MAIC are that the revised standard clarifies the concept of "termination benefits", and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as "short-term employee benefits". MAIC is not a member of the Queensland Government central scheme for annual leave and if the amended "short-term employee benefits" definition is not met, those employee benefits will need to be accounted for as "other long-term employee benefits". However, as MAIC is a member of the Queensland Government central scheme for long service leave, this change in criterion has no impact on the financial statements, as the employer liability is held by the central scheme. The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. MAIC makes employer superannuation contributions only to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, this change to the AASB 119 will have minimal impact on MAIC.

AASB 1053 *Application of Tiers of Australian Accounting Standards* applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "Tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "Tier 2"). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

Details of which disclosures in standards and interpretations are not required under Tier 2 reporting are set out in standards AASB 2010-2, AASB 2011-2, AASB 2011-6, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Queensland Treasury and Trade's *Financial Reporting Requirements* effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like MAIC may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of MAIC, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of Tier 1 reporting requirements by all Queensland Government departments and statutory bodies (including MAIC) that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards will have no impact on MAIC.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2014 –

- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 127 (revised) *Separate Financial Statements*;
- AASB 128 (revised) *Investments in Associates and Joint Ventures*; and
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17].*

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(x) New and revised accounting standards – continued

The AASB is planning to amend AASB 10. Such amendments are expected to clarify how the IASB's principles about control of entities should be applied by not-for-profit entities in an Australian context. Hence, MAIC is not yet in a position to reliably determine the future implications of these new and revised standards for MAIC's financial statements.

AASB 10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into an entity's financial statements. Therefore, once the AASB finalises its not-for-profit amendments to AASB 10, MAIC will need to reassess the nature of its relationships with other entities, including entities that are not currently consolidated.

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit amendments to be made to AASB 11, MAIC will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. If a joint arrangement does exist, MAIC will need to follow the relevant accounting treatment specified in either AASB 11 or the revised AASB 128, depending on the nature of the joint arrangement.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]* become effective from reporting periods beginning on or after 1 January 2015. The main impacts of these standards on MAIC are that they will change the requirements for the classification, measurement and disclosures associated with MAIC's financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

MAIC has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, MAIC's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions MAIC enters into, it is not expected that any of MAIC's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2015–16 financial statements, all of MAIC's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in Notes 1(p) and 17). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of MAIC's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

MAIC will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2015–16. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2015–16 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that MAIC enters into, the most significant ongoing disclosure impacts are expected to relate to investments in equity instruments measured at fair value through other comprehensive income and derecognition of these.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable to MAIC's activities, or have no material impact on MAIC.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
2. Employee expenses		
Employee benefits		
Salaries and wages	2,455	2,724
Employer superannuation contributions*	292	258
Long service leave levy*	38	47
Other employee benefits	17	17
Employee related expenses		
Workers' compensation premium*	7	7
Payroll tax*	130	142
Other employee related expenses	31	37
Total	**2,970**	**3,232**

*Refer to Note 1(q).

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2013	2012
Number of employees	23	26

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

3. Key management personnel and remuneration

(a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of MAIC during 2012–13. Further information on these positions can be found in the body of the Annual Report under the section relating to People.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position
Insurance Commissioner	Provide strong strategic leadership to ensure a viable, affordable and equitable CTP scheme in Queensland, administers the QGIF and provides advice to Government on insurance related matters.	SES3; *Public Service Act 2008* and Governor in Council, in accordance with section 7 of the *Motor Accident Insurance Act 1994*	6-Dec-10
General Manager, Motor Accident Insurance Regulation	Responsible for leading the effective oversight of Queensland's CTP scheme ensuring affordable premiums to motorists and appropriate compensation to injured parties.	Common law contract of employment in accordance with section 8(2) of the *Motor Accident Insurance Act 1994*, remunerated at SES2 equivalent.	6-Feb-12
Director, Corporate Governance	Responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of MAIC.	SO; *Public Service Act 2008*	13-Feb-06
Director, Technology and Business Intelligence	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and supports decision making.	SO; *Public Service Act 2008*	7-Nov-11

(b) Remuneration

Remuneration policy for MAIC's key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key management personnel are specified in employment contracts. The contracts provide for the provision of performance-related cash bonuses and other benefits including motor vehicles.

For the 2012–13 year, remuneration of key management personnel increased by 2.2% in accordance with government policy.

Remuneration packages for key management personnel comprise the following components:

- Short term employee benefits which include:
  - **Base**
    consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - **Non-monetary benefits**
    consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- Performance bonuses are not paid under the contracts in place.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

3. Key management personnel and remuneration – continued

(b) Remuneration – continued

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

The remuneration includes remuneration in connection with the management of MAIC and the Queensland Government Insurance Fund.

1 July 2012 to 30 June 2013

Position (date resigned if applicable)	Short term employee benefits					
	Base $'000	Non-monetary benefits $'000	Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
Insurance Commissioner	211	–	5	23	–	239
General Manager, Motor Accident Insurance Regulation	140	10	4	17	–	171
Director, Corporate Governance	127	–	1	16	–	144
Director, Technology and Business Intelligence	128	–	3	12	–	143

1 July 2011 to 30 June 2012

Position (date resigned if applicable)	Short term employee benefits					
	Base $'000	Non-monetary benefits $'000	Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
Insurance Commissioner	220	–	5	21	–	246
General Manager, Motor Accident Insurance Regulation	134	13	4	16	–	167
Manager, Corporate Governance	127	–	3	15	–	145
Manager, Systems and Business Intelligence	81	–	2	10	–	93

There were no performance bonuses paid in 2012–13 and 2011–12 financial years.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
4. Supplies and services		
Computer facilities management fee	390	545
Consultants and contractors	573	608
Rent	275	242
Supplies and consumables	182	251
Corporate services fee	154	115
QIC management fee	385	341
Professional services	69	77
Other	12	3
Total	**2,040**	**2,182**

5. Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

	2013 $'000	2012 $'000
Plant and equipment	5	7
Total	**5**	**7**

6. Other expenses

	2013 $'000	2012 $'000
External audit fees	20	20
Insurance premiums – QGIF	24	26
Other	12	11
Total	**56**	**57**

Total audit fees paid to the Queensland Audit Office relating to the 2012–13 financial year are estimated to be $19,900 (2011–12 $19,900). There are no non-audit services included in this amount.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
7. Cash and cash equivalents		
Cash at bank and on hand	3,007	2,119
Total	**3,007**	**2,119**

Interest earned on cash held with Queensland Treasury earned between 2.01% to 2.55% in 2013 (2012: 3.26% to 3.98%).

	2013 $'000	2012 $'000
8. Receivables		
Accrued investment and levy income	244	248
Penalties receivable	111	116
GST receivable	47	34
GST payable	–	(2)
Other receivables	12	33
Total	**414**	**429**

	2013 $'000	2012 $'000
9. Financial assets		
Current		
Queensland Investment Corporation investments	11,939	15,216
Non-current		
Queensland Investment Corporation investments	121,160	99,790
Total	**133,099**	**115,006**

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
10. Plant and equipment		
Plant and equipment:		
At cost	60	60
Less: accumulated depreciation	(35)	(30)
Total	**25**	**30**
Plant and equipment reconciliation		
Carrying amount at 1 July	30	37
Acquisitions	–	–
Depreciation	(5)	(7)
Carrying amount at 30 June	**25**	**30**

11. Intangible assets

Internally generated software:		
At cost	270	270
Less: accumulated amortisation	(270)	(270)
Total	**–**	**–**
Intangibles reconciliation		
Carrying amount at 1 July	–	–
Amortisation	–	–
Carrying amount at 30 June	**–**	**–**

12. Payables

Sundry creditors and accruals	330	209
Total	**330**	**209**

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
13. Accrued employee benefits		
Current		
Recreation leave	192	229
Total	**192**	**229**
Non-current		
Recreation leave	37	14
Total	**37**	**14**

The discount rate used to calculate the present value of the non-current recreation leave is 2.5% (2012: 2.9%).

14. Reconciliation of operating result to net cash from operating activities

	2013 $'000	2012 $'000
Operating result	18,854	489
Add/(subtract) items classified as investing activities:		
Net fair value (gain)/loss on financial assets	(16,593)	364
Non-cash items:		
Depreciation	5	7
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	–	7
(Increase)/decrease in receivables	15	(238)
Increase/(decrease) in payables	121	(73)
Increase/(decrease) in accrued employee benefits	(14)	19
Net cash from operating activities	**2,388**	**575**

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

15. Agency transactions

MAIC receives Hospital and Emergency Services Levy amounts from the Department of Transport and Main Roads on behalf of Queensland Health and the Department of Community Safety. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Health and the Department of Community Safety at year end are as follows:

	2013 $'000	2012 $'000
Levies		
Comprise amounts collected from the Department of Transport and Main Roads on gross insurance premiums.		
Levies collected but not remitted in the previous year	5,337	4,444
Hospital levy	46,041	42,689
Emergency Services levy	17,508	16,233
Total	**68,886**	**63,366**
Contributions		
Comprise payments to Queensland Health and the Department of Community Safety on account of levies received from the Department of Transport and Main Roads.		
Hospital levy contributions	45,910	42,042
Emergency Services levy contributions	17,458	15,987
Total	**63,368**	**58,029**
Amounts collected on behalf of but not yet remitted to Queensland Health and the Department of Community Safety in respect of hospital and emergency services levies at 30 June:		
Hospital levy	3,998	3,867
Emergency Services levy	1,520	1,470
Total	**5,518**	**5,337**

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
16. Commitments for expenditure		
(a) Non-cancellable operating lease commitments		
Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:		
▪ Not later than one year	–	265
▪ Later than one year and not later than five years	–	–
Total	**–**	**265**

Operating leases are entered into as a means of acquiring access to office accommodation and motor vehicles. These operating leases are primarily held with the Department of Housing and Public Works for office accommodation and QFleet for motor vehicles. Payments are generally fixed with agreements containing inflation escalation clauses from which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

	2013 $'000	2012 $'000
(b) Other expenditure commitments		
Material expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:		
▪ Not later than one year	429	698
▪ Later than one year and not later than five years	104	8
Total	**533**	**706**
(c) Grant commitments		
Approval has been given to various grantees in accordance with formal agreements to pay the following grants and subsidies inclusive of GST provided certain criteria are met:		
▪ Not later than one year	5,125	5,391
▪ Later than one year and not later than five years	2,959	2,891
Total	**8,084**	**8,282**

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

17. Financial instruments

(a) Categorisation of financial instruments

MAIC has the following categories of financial assets and financial liabilities:

Category	Note	2013 $'000	2012 $'000
Financial assets			
Cash and cash equivalents	7	3,007	2,119
Receivables	8	414	429
Financial assets	9	133,099	115,006
Total		**136,520**	**117,554**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	12	330	209
Total		**330**	**209**

(b) Financial risk management

MAIC's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Government and MAIC policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of MAIC.

All financial risk is managed by Corporate Governance under policies approved by MAIC. MAIC provides written principles for overall risk management, as well as policies covering specific areas.

MAIC measures risk exposure using a variety of methods as follows —

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

17. Financial instruments – continued

(c) Credit risk exposure

Credit risk exposure refers to the situation where MAIC may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security and no credit enhancements relate to financial assets held by MAIC.

MAIC manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that MAIC invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to MAIC, according to the due date (normally terms of 30 days). Economic changes impacting MAIC's debtors, and relevant industry rate, also form part of MAIC's documented risk analysis.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debtor/group of debtors. If MAIC determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debit, the excess is recognised directly as a Bad Debt expense and written-off directly against Receivables.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	**30–60 days $'000**	**61–90 days $'000**	**More than 90 days $'000**	**Total $'000**
2013					
Receivables	414	–	–	–	414
Total	**414**	**–**	**–**	**–**	**414**
2012					
Receivables	429	–	–	–	429
Total	**429**	**–**	**–**	**–**	**429**

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

17. Financial instruments – continued

(d) Liquidity risk

Liquidity risk refers to the situation where MAIC may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

MAIC manages liquidity through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring MAIC has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by MAIC. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at balance date.

Financial liabilities

		Payable in			
	Note	**< 1 year $'000**	**1–5 years $'000**	**> 5 years $'000**	**Total $'000**
2013					
Payables	12	330	–	–	330
Total		**330**	**–**	**–**	**330**
2012					
Payables	12	209	–	–	209
Total		**209**	**–**	**–**	**209**

(e) Market risk

MAIC does not trade in foreign currency and is not materially exposed to commodity price changes. MAIC is exposed to interest rate risk through cash deposited in interest bearing accounts. MAIC does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy.

Financial information 2012–13

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2012–13

17. Financial instruments – continued

(f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/–1% from the year-end rates applicable to MAIC's financial assets. With all other variables held constant, MAIC would have a surplus and equity increase/(decrease) of $30,000 (2012: $21,000) due to interest rate risk and $1,331,000 (2012: $1,150,000) due to unit price risk.

MAIC's sensitivity to movements in interest rates in relation to the value of cash and cash equivalents is shown in the table below.

Financial impact

Cash	Movement in variable %	Profit/(loss) 2013 $'000	Equity 2013 $'000	Profit/(loss) 2012 $'000	Equity 2012 $'000
Interest rate risk	+1	30	30	21	21
	–1	(30)	(30)	(21)	(21)

MAIC's sensitivity to movements in unit price rates in relation to the value of investments is shown in the table below.

Financial impact

Investments	Movement in variable %	Profit/(loss) 2013 $'000	Equity 2013 $'000	Profit/(loss) 2012 $'000	Equity 2012 $'000
Unit price risk	+1	1,331	1,331	1,150	1,150
	–1	(1,331)	(1,331)	(1,150)	(1,150)

(g) Fair value

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

- Level 1 – fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities;
- Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and
- Level 3 – fair values that are derived from data not observable in a market.

According to the above hierarchy, MAIC classifies financial assets at fair value through profit or loss as level 2.

The carrying amounts of financial assets and liabilities approximate their fair values. The fair value of investments is measured at net market value based on Queensland Investment Corporation advice.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

Financial information 2012–13

Motor Accident Insurance Commission

Certificate of the Motor Accident Insurance Commission

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

(a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

(b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission (MAIC) for the financial year ended 30 June 2013 and of the financial position of MAIC at the end of that year.

L LEE CA
Director Corporate Governance

26 August 2013

N SINGLETON
Insurance Commissioner

26 August 2013

Financial information 2012–13

Motor Accident Insurance Commission

Independent Auditor's Report

To the Insurance Commissioner

Report on the Financial Report

I have audited the accompanying financial report of the Motor Accident Insurance Commission, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Director Corporate Governance.

The Insurance Commissioner's Responsibility for the Financial Report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in *the Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that gives a true and fair view and 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 *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* —

(a) I have received all the information and explanations which I have required; and

(b) in my opinion —

  (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and

  (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.

Financial information 2012–13

Motor Accident Insurance Commission

Independent Auditor's Report – continued

Other Matters – Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

M KEANE CPA
As Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane

Financial information 2012–13

Nominal Defendant

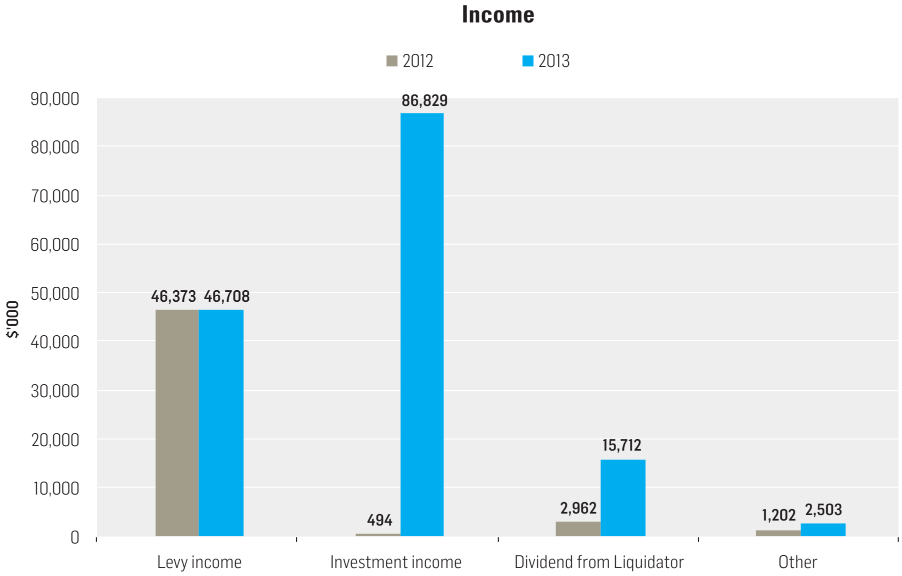
Financial Summary 2012-13

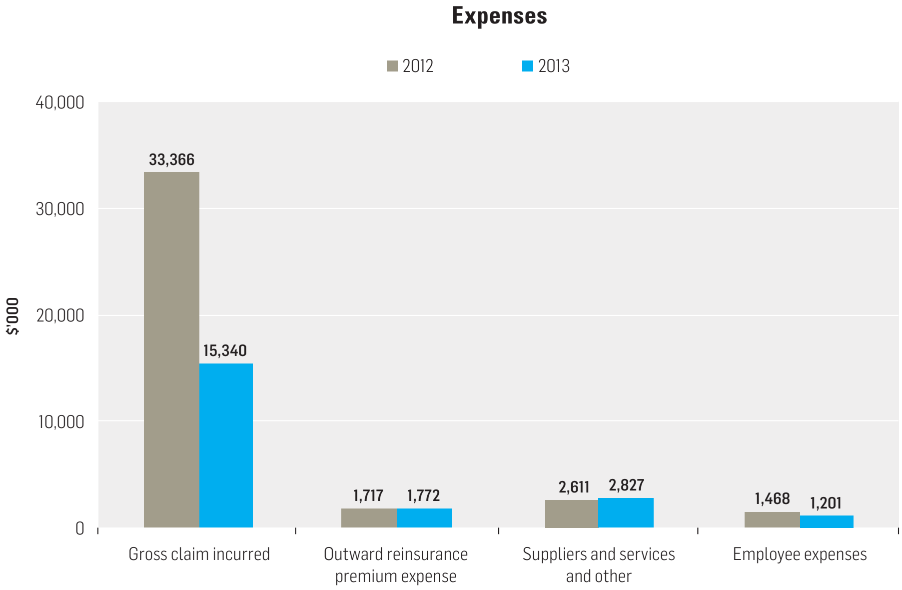
The operating surplus of the Nominal Defendant for the year ended 30 June 2013 was $130.61 million compared to the prior year's operating surplus of $11.87 million.

The major drivers for increased income were gains on investments held with QIC due to the strengthening of the equity markets during the year ($86.83 million versus prior year $0.49 million) and increased dividends received from the HIH liquidation ($15.71 million versus prior year $2.96 million).

In relation to the normal business of the Nominal Defendant, claim payments were $31.78 million (compared to prior year $26.76 million) and claim recoveries were $0.55 million (prior year $0.48 million). The gross outstanding claims liabilities were actuarially assessed at 30 June 2013 and decreased by $15.5 million to $152.72 million.

The Nominal Defendant levy remained unchanged from 1 July 2012 at $12.35 per Class 1 vehicle reflecting overall stability in claims experience. Levy income was $46.71 million (prior year $46.37 million).





Financial information 2012–13

Nominal Defendant

Statement of Comprehensive Income

for the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Income			
Levy income	2	46,708	46,373
Net fair value gains on financial assets		86,829	494
Dividends received from FAI liquidator		15,712	2,962
Reinsurance and other recoveries	3	2,441	1,109
Interest income		62	93
Total income		**151,752**	**51,031**
Expenses			
Gross claims incurred	3	15,340	33,366
Outward reinsurance premium expense	2	1,772	1,717
Employee expenses	4, 5	1,201	1,468
Supplies and services	6	2,787	2,555
Depreciation and amortisation	7	2	18
Other	8	38	38
Total expenses		**21,140**	**39,162**
Operating result		**130,612**	**11,869**
Other comprehensive income		–	–
Total comprehensive income		**130,612**	**11,869**

The accompanying notes form part of these statements.

Financial information 2012–13

Nominal Defendant

Statement of Financial Position

as at 30 June 2013

	Notes	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents	9	3,014	3,273
Receivables	10	2,430	1,343
Financial assets	11	170,525	123,125
Reinsurance and other recoveries on outstanding claims	16	3,666	1,428
Total current assets		**179,635**	**129,169**
Non-current assets			
Financial assets	11	515,034	455,743
Reinsurance and other recoveries on outstanding claims	16	3,999	5,071
Plant and equipment	12	11	13
Intangible assets	13	1,824	248
Total non-current assets		**520,868**	**461,075**
Total assets		**700,503**	**590,244**
Current liabilities			
Payables	14	511	589
Accrued employee benefits	15	165	121
Outstanding claims liability	16	45,016	41,298
Unearned levies	1 (d)	23,129	23,408
Total current liabilities		**68,821**	**65,416**
Non-current liabilities			
Accrued employee benefits	15	43	7
Outstanding claims liability	16	128,892	152,686
Total non-current liabilities		**128,935**	**152,693**
Total liabilities		**197,756**	**218,109**
Net assets		**502,747**	**372,135**
Equity			
Contributed equity		121	121
Accumulated surplus		502,626	372,014
Total equity		**502,747**	**372,135**

The accompanying notes form part of these statements.

Financial information 2012–13

Nominal Defendant

Statement of Changes in Equity

for the year ended 30 June 2013

	Accumulated surplus $'000	Contributed equity $'000	Total equity $'000
Balance as at 1 July 2011	360,145	121	360,266
Operating result	11,869	–	11,869
Other comprehensive income	–	–	–
Balance as at 30 June 2012	**372,014**	**121**	**372,135**
Balance as at 1 July 2012	372,014	121	372,135
Operating result	130,612	–	130,612
Other comprehensive income	–	–	–
Balance as at 30 June 2013	**502,626**	**121**	**502,747**

The accompanying notes form part of these financial statements.

Financial information 2012–13

Nominal Defendant

Statement of Cash Flows

for the year ended 30 June 2013

	Notes	2013 $'000	2012 $'000
Cash flows from operating activities			
Inflows:			
Levy income		46,350	45,266
Interest income		70	114
Dividends received from FAI liquidator		14,748	34,822
Reinsurance and other recoveries		1,231	907
GST input tax credits from ATO		780	788
GST collected from customers		9	–
Outflows:			
Gross claims incurred		(35,416)	(31,619)
Outward reinsurance premium expense		(1,742)	(1,678)
Employee expenses		(1,113)	(1,444)
Supplies and services		(695)	(626)
GST paid to suppliers		(788)	(790)
GST remitted to ATO		(9)	–
Other		(34)	(31)
Net cash provided by operating activities	17	**23,391**	**45,709**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		1,000	2,000
Outflows:			
Payments for plant and equipment and intangibles		(1,650)	(140)
Payments for financial assets		(23,000)	(46,000)
Net cash used in investing activities		**(23,650)**	**(44,140)**
Net (decrease) increase in cash and cash equivalents		**(259)**	**1,569**
Cash and cash equivalents at beginning of financial year		3,273	1,704
Cash and cash equivalents at end of financial year	9	**3,014**	**3,273**

The accompanying notes form part of these statements.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

Objectives and principal activities of the Nominal Defendant

The Nominal Defendant was established under the *Motor Accident Insurance Act 1994* to act as a Queensland Compulsory Third Party (CTP) insurer for claims arising from unidentified and uninsured vehicles and to provide continuity of protection if a licensed insurer becomes insolvent.

1. Summary of significant accounting policies

(a) Statement of compliance

The Nominal Defendant has prepared these financial statements in compliance with section 43(1) of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury and Trade's *Financial Reporting Requirements* for the year ending 30 June 2013, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Nominal Defendant has applied those requirements applicable to not-for-profit entities, as the Nominal Defendant is a not-for-profit entity. The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equities of the Nominal Defendant.

(c) Funding of the Nominal Defendant

Funding is by way of levies, as explained at Note 1(d), interest on investments, and monies recovered by the Nominal Defendant against owners and/or drivers of uninsured vehicles and failed claimants.

(d) Levy income

In order to comply with the provisions of Australian Accounting Standard AASB 1023 *General Insurance Contracts*, the Nominal Defendant levy, as stated in section 12 of the *Motor Accident Insurance Act 1994*, is to be treated as "premium" as defined in AASB 1023 and is accounted for as such in accordance with the provisions of AASB 1023.

Levy revenue is recognised in the Statement of Comprehensive Income only when it has been earned in accordance with the accounting principles set out in AASB 1023. Levies received but not earned as at the end of the reporting period are recorded as a liability (unearned levies) in the Statement of Financial Position and then systematically transferred to revenue in the Statement of Comprehensive Income as the levy is earned over time.

In accordance with AASB 1023 the recognition of earned levies is on the basis of the passage of time, commencing from the week in which motorists remit their CTP premiums to the Department of Transport and Main Roads.

Levy revenue is received from motorists via the Department of Transport and Main Roads in accordance with section 29 of the *Motor Accident Insurance Act 1994* based on a levy on gross premiums collected for Compulsory Third Party motor vehicle insurance policies. These levies are used to fund estimated costs of the Nominal Defendant scheme for the financial year and shortfalls from previous years.

The Nominal Defendant levy rate is fixed each year by regulation in accordance with section 14A(1) of the *Motor Accident Insurance Act 1994*.

The Motor Accident Insurance Commission makes a recommendation to the Minister on the levy rate after obtaining and considering actuarial advice.

(e) Outwards reinsurance premium expense

Premium ceded to reinsurers is recognised as outwards reinsurance expense from the attachment date over the period of indemnity of the reinsurance contract.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June.

(g) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June.

It is not the policy of the Nominal Defendant to recognise the debt or potential income accruing as the result of judgements granted in favour of it for legal costs and claims against uninsured owners and/or drivers. The resultant receipts are immaterial when compared to the Nominal Defendant's other sources of income and are recognised in the financial statements in the period in which they are received. This policy is under constant review by the Nominal Defendant.

(h) Reinsurance and other recoveries on outstanding claims

The reinsurance and other recoveries on outstanding claims have been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office.

Reinsurance and other recoveries revenue and a receivable for reinsurance and other recoveries on outstanding claims are recognised for claims incurred but not yet paid and incurred but not yet reported claims.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims liability (Note 1 (r)). Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

(i) Acquisitions of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government Entity (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(j) Plant and equipment

Items of plant and equipment with a cost or other value equal to or in excess of $5,000 are recognised for financial reporting purposes in the year of acquisition.

Items with a lesser value are expensed in the year of acquisition.

(k) Revaluations of non-current physical and intangible assets

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment, other than major plant and equipment, is measured at cost in accordance with Queensland Treasury and Trade's *Non-Current Asset Policies for the Queensland Public Sector*.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(l) Intangibles

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to the Nominal Defendant. The residual value is zero for all the Nominal Defendant's intangible assets.

It has been determined that there is no active market for any of the Nominal Defendant's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Purchased software
The purchase cost, together with any internal development costs, of this software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the Nominal Defendant, namely 7 years.

Internally generated software
Expenditure on research activities relating to internally-generated intangible assets is recognised as an expense in the period in which it is incurred.

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the Nominal Defendant, namely 10 years, commencing from the date the assets are available for use.

(m) Amortisation and depreciation of intangibles and plant and equipment

Amortisation and depreciation is calculated on a straight-line basis so as to allocate the net cost of each asset, less its estimated residual value, progressively over its estimated useful life to the Nominal Defendant.

Assets under construction (work-in-progress) are not amortised or depreciated until they reach service delivery capacity.

For each class of depreciable asset the following depreciation and amortisation rates are used:

Class	Rate %
Plant and equipment:	
Computer hardware	20–25
Office equipment	20
Leasehold improvements	8.33
Intangibles:	
Purchased software	14.29

(n) Impairment of non-current assets

All non-current physical and intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the Nominal Defendant determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(o) Leases

Operating leases are recognised where the lessor effectively retains substantially all risks and benefits incidental to ownership. Non-cancellable operating lease commitments are disclosed under Note 18.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

The Nominal Defendant does not have any finance leases.

(p) Financial assets

All funds not required for the day to day management of the Nominal Defendant are invested with the Queensland Investment Corporation (QIC) and are recorded in the financial statements at net market value.

(q) Payables

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price. Amounts owing are unsecured and are generally settled on 30 day terms.

(r) Outstanding claims liability

The liability for outstanding claims has been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office.

Claims incurred expense and a liability for outstanding claims are recognised for claims incurred but not yet paid, incurred but not yet reported claims and anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claims files and estimating unnotified claims and settlement costs using statistics based on past experiences and trends. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all claims do not have to be paid out in the immediate future. The expected future 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.

(s) Financial instruments

Recognition

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Nominal Defendant becomes party to the contractual provisions of the financial instrument.

Classification

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through profit or loss;
- Receivables – held at amortised cost;
- Investments – held at fair value through profit or loss; and
- Payables – held at amortised cost.

The Nominal Defendant does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, the Nominal Defendant holds no financial assets classified at fair value through profit and loss.

All disclosures relating to the measurement basis and financial risk management of other financial instruments held by the Nominal Defendant are disclosed in Note 19.

(t) Employee benefits

Employer superannuation contributions and long service leave levies are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(t) Employee benefits – continued

Wages, salaries, recreation leave and sick leave

Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of the likely settlement.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Long service leave

Under the Queensland Government's long service leave scheme, a levy is made on the Nominal Defendant to cover the cost of employee's long service leave. The levies are expensed in the period in which they are paid or payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the Treasurer on the advice of the State Actuary. Contributions are expensed in the period in which they are paid or payable. The Nominal Defendant's obligation is limited to its contribution to QSuper.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government Sector Financial Reporting*.

Key management personnel and remuneration

Key management personnel and remuneration disclosures are made in accordance with section 5 of the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury and Trade. Refer to Note 5 for the disclosures on key management personnel and remuneration.

(u) Insurance

The Nominal Defendant's non-current physical assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Nominal Defendant pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(v) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(w) Taxation

The Nominal Defendant is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Nominal Defendant. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 10).

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(x) Issuance of financial statements

The financial statements are authorised for issue by the Insurance Commissioner and the Director, Corporate Governance at the date of signing the Management Certificate.

(y) Judgements and assumptions

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

The Nominal Defendant places high reliance on actuarial estimates provided by its actuary, Queensland Government State Actuary's Office, in calculating the reinsurance and other recoveries on outstanding claims and the outstanding claims liability as at the end of the financial year. Refer to Notes 1 (h), 1 (r) and 16.

The Nominal Defendant has made no other judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(z) Rounding and comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1,000 or, where that amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

(aa) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2012–13. Australian Accounting Standard changes applicable for the first time for 2012–13 have had minimal effect on the Nominal Defendant's financial statements, as explained below.

AASB 2011-9 *Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income [AASB 1, 5, 7, 101, 112, 120, 121, 132, 133, 143, 1039 & 1049]* became effective from reporting periods beginning on or after 1 July 2012. The only impact for the Nominal Defendant is that, in the Statement of Comprehensive Income, items within the "Other Comprehensive Income" section are now presented in different sub-sections, according to whether or not they are subsequently classifiable to the operating result. Whether subsequent re-classification is possible depends on the requirements or criteria in the accounting standard/interpretation that relates to the item concerned.

The Nominal Defendant is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, the Nominal Defendant has not applied any Australian Accounting Standards and Interpretations that have been issued but are not yet effective. The Nominal Defendant applies standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards with future commencement dates are as set out below.

AASB 13 *Fair Value Measurement* applies from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of "fair value" as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the Nominal Defendant's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used, and financial statement disclosures made in respect of such assets and liabilities.

The Nominal Defendant has commenced reviewing its fair value methodologies (including instructions to valuers, data used and assumptions made) for all items of property, plant and equipment measured at fair value to determine whether those methodologies comply with AASB 13. To the extent that the methodologies do not comply, changes will be necessary. While the Nominal Defendant is yet to complete this review, no substantial changes are anticipated, based on the fair value methodologies presently used. Therefore, at this stage, no consequential material impacts are expected for the Nominal Defendant's property, plant and equipment as from 2013–14.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(aa) New and revised accounting standards – continued

AASB 13 will require an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. To the extent that any fair value measurement for an asset or liability uses data that is not 'observable' outside the Nominal Defendant, the amount of information to be disclosed will be relatively greater.

A revised version of AASB 119 *Employee Benefits* applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively. Given the Nominal Defendant's circumstances, the only implications for the Nominal Defendant are that the revised standard clarifies the concept of "termination benefits", and the recognition criteria for liabilities for termination benefits will be different. If termination benefits meet the timeframe criterion for "short-term employee benefits", they will be measured according to the AASB 119 requirements for "short-term employee benefits". Otherwise, termination benefits will need to be measured according to AASB 119 requirements for "other long-term employee benefits". Under the revised standard, the recognition and measurement of employer obligations for "other long-term employee benefits" will need to be accounted for according to most of the requirements for defined benefit plans.

The revised AASB 119 includes changed criteria for accounting for employee benefits as "short-term employee benefits". The Nominal Defendant is not a member of the Queensland Government central scheme for annual leave and if the amended "short-term employee benefits" definition is not met, those employee benefits will need to be accounted for as "other long-term employee benefits". However, as the Nominal Defendant is a member of the Queensland Government central scheme for long service leave, this change in criterion has no impact on the financial statements, as the employer liability is held by the central scheme. The revised AASB 119 also includes changed requirements for the measurement of employer liabilities/assets arising from defined benefit plans, and the measurement and presentation of changes in such liabilities/assets. The Nominal Defendant makes employer superannuation contributions only to the QSuper defined benefit plan, and the corresponding QSuper employer benefit obligation is held by the State. Therefore, this change to the AASB 119 will have minimal impact on the Nominal Defendant.

AASB 1053 *Application of Tiers of Australian Accounting Standards* applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "Tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "Tier 2"). Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

Details of which disclosures in standards and interpretations are not required under Tier 2 reporting are set out in standards AASB 2010-2, AASB 2011-2, AASB 2011-6, AASB 2011-11, AASB 2012-1, AASB 2012-7 and AASB 2012-11 (which also apply from reporting periods beginning on or after 1 July 2013). However, Queensland Treasury and Trade's *Financial Reporting Requirements* effectively do not allow application of AASB 2011-6 in respect of controlled entities, associates or interests in jointly controlled entities.

Pursuant to AASB 1053, public sector entities like the Nominal Defendant may adopt Tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledges the power of a regulator to require application of the Tier 1 requirements. In the case of the Nominal Defendant, Queensland Treasury and Trade is the regulator. Queensland Treasury and Trade has advised that its policy decision is to require adoption of Tier 1 reporting requirements by all Queensland Government departments and statutory bodies (including the Nominal Defendant) that are consolidated into the whole-of-Government financial statements. Therefore, the release of AASB 1053 and associated amending standards will have no impact on the Nominal Defendant.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2014 –

- AASB 10 *Consolidated Financial Statements*;
- AASB 11 *Joint Arrangements*;
- AASB 12 *Disclosure of Interests in Other Entities*;
- AASB 127 (revised) *Separate Financial Statements*;
- AASB 128 (revised) *Investments in Associates and Joint Ventures*; and
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

1. Summary of significant accounting policies – continued

(aa) New and revised accounting standards – continued

The AASB is planning to amend AASB 10. Such amendments are expected to clarify how the IASB's principles about control of entities should be applied by not-for-profit entities in an Australian context. Hence, the Nominal Defendant is not yet in a position to reliably determine the future implications of these new and revised standards for the Nominal Defendant's financial statements.

AASB 10 redefines and clarifies the concept of control of another entity, and is the basis for determining which entities should be consolidated into an entity's financial statements. Therefore, once the AASB finalises its not-for-profit amendments to AASB 10, the Nominal Defendant will need to reassess the nature of its relationships with other entities, including entities that are not currently consolidated.

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists, which in turn dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit amendments to be made to AASB 11, the Nominal Defendant will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. If a joint arrangement does exist, the Nominal Defendant will need to follow the relevant accounting treatment specified in either AASB 11 or the revised AASB 128, depending on the nature of the joint arrangement.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]* become effective from reporting periods beginning on or after 1 January 2015. The main impacts of these standards on the Nominal Defendant are that they will change the requirements for the classification, measurement and disclosures associated with the Nominal Defendant's financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Nominal Defendant has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the Nominal Defendant's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the Nominal Defendant enters into, it is not expected that any of the Nominal Defendant's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2015–16 financial statements, all of the Nominal Defendant's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in Notes 1(s) and 19). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the Nominal Defendant's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

The Nominal Defendant will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2015–16. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2015–16 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the Nominal Defendant enters into, the most significant ongoing disclosure impacts are expected to relate to investments in equity instruments measured at fair value through other comprehensive income and derecognition of these.

All other Australian Accounting Standards and Interpretations with future commencement dates are either not applicable to the Nominal Defendant's activities, or have no material impact on the Nominal Defendant.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
2. Net levy income		
Levy income	46,708	46,373
Outward reinsurance premium expense	(1,772)	(1,717)
Net levy income	**44,936**	**44,656**

3. Net claims incurred

(a) Claims analysis

	2013 $'000	2012 $'000
Gross claims incurred	15,340	33,366
Reinsurance and other recoveries	(2,441)	(1,109)
Total net claims incurred	**12,899**	**32,257**
Net claims incurred attributable to Nominal Defendant		
Gross claims incurred	16,274	33,518
Reinsurance and claims recoveries	(2,504)	(843)
	13,770	**32,675**
Net claims incurred attributable to FAI		
Gross claims incurred	(934)	(152)
Reinsurance and other recoveries	63	(266)
	(871)	**(418)**
Total net claims incurred	**12,899**	**32,257**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

3. Net claims incurred – continued

(b) Claims development

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.

Claims attributable to Nominal Defendant

	2013			2012		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	50,166	(34,327)	15,839	51,043	(38,651)	12,392
Discount	(6,078)	6,513	435	(5,803)	26,929	21,126
	44,088	(27,814)	16,274	45,240	(11,722)	33,518
Reinsurance and other recoveries						
Undiscounted	1,044	1,448	2,492	1,272	(1,011)	261
Discount	(125)	137	12	(142)	724	582
	919	1,585	2,504	1,130	(287)	843
Net claims incurred – discounted	**43,169**	**(29,399)**	**13,770**	**44,110**	**(11,435)**	**32,675**

Claims attributable to FAI

	2013			2012		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	–	(179)	(179)	–	(3,040)	(3,040)
Discount	–	(755)	(755)	–	2,888	2,888
	–	(934)	(934)	–	(152)	(152)
Reinsurance and other recoveries						
Undiscounted	–	(12)	(12)	–	80	80
Discount	–	(51)	(51)	–	186	186
	–	(63)	(63)	–	266	266
Net claims incurred – discounted	**–**	**(871)**	**(871)**	**–**	**(418)**	**(418)**
Total net claims incurred – discounted	**43,169**	**(30,270)**	**12,899**	**44,110**	**(11,853)**	**32,257**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

3. Net claims incurred – continued

(c) Claims reconciliation

Claims comprise amounts required to be paid on behalf of those insured, amounts set aside for future claims and claims settlement costs. Claims settlement costs include costs that can be associated directly with individual claims, such as legal and professional fees.

	2013 $'000	2012 $'000
Gross claims incurred attributable to Nominal Defendant		
Claims and associated settlement costs	31,776	26,763
Movement in outstanding claims liability	(15,502)	6,755
	16,274	**33,518**
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	3,639	4,856
Movement in outstanding claims liability	(4,573)	(5,008)
	(934)	**(152)**
Total gross claims incurred	**15,340**	**33,366**
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	914	657
Movement in reinsurance and other recoveries receivable	1,590	186
	2,504	**843**
Reinsurance and other recoveries attributable to FAI		
Reinsurance and claims recoveries	361	259
Movement in reinsurance and other recoveries receivable	(424)	7
	(63)	**266**
Total reinsurance and other recoveries	**2,441**	**1,109**
Net claims incurred	**12,899**	**32,257**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
4. Employee expenses		
Employee benefits		
Salaries and wages	1,002	1,248
Employer superannuation contributions*	124	110
Long service leave levy*	10	21
Other employee benefits	–	–
Employee related expenses		
Workers' compensation premium*	3	3
Payroll tax*	56	72
Other employee related expenses	6	14
Total	**1,201**	**1,468**

*Refer to Note 1(t).

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2013	2012
Number of employees	22	17

Employee expenses attributable to FAI are included in the figures listed above:

	2013 $'000	2012 $'000
Employee benefits		
Salaries and wages	35	63
Employer superannuation contributions*	4	5
Long service leave levy*	–	1
Other employee benefits	–	–
Employee related expenses		
Workers' compensation premium*	–	–
Payroll tax*	2	4
Other employee related expenses	–	–
Total	**41**	**73**

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2013	2012
Number of employees	1	1

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

5. Key management personnel and remuneration

(a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2012–13. Further information on these positions can be found in the body of the Annual Report under the section relating to People.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position
Insurance Commissioner	Provide strong strategic leadership to ensure a viable, affordable and equitable CTP scheme in Queensland, administers the QGIF and provides advice to Government on insurance related matters.	SES3; *Public Service Act 2008* and Governor in Council, in accordance with section 7 of the *Motor Accident Insurance Act 1994*	6-Dec-10
General Manager, Motor Accident Insurance Regulation	Responsible for leading the effective oversight of Queensland's CTP scheme ensuring affordable premiums to motorists and appropriate compensation to injured parties.	Common law contract of employment in accordance with section 8(2) of the *Motor Accident Insurance Act 1994*, remunerated at SES2 equivalent.	6-Feb-12
Director, Corporate Governance	Responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of the Nominal Defendant.	SO; *Public Service Act 2008*	13-Feb-06
Director, Technology and Business Intelligence	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and supports decision making.	SO; *Public Service Act 2008*	7-Nov-11
Manager, Claims	Responsible for the effective management and internal control of the Nominal Defendant claims management unit.	SO; *Public Service Act 2008*	1–Jul-10

(b) Remuneration

Remuneration policy for the Nominal Defendant's key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key management personnel are specified in employment contracts. The contracts provide for the provision of performance-related cash bonuses and other benefits including motor vehicles.

For the 2012–13 year, remuneration of key management personnel increased by 2.2% in accordance with government policy.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

5. Key management personnel and remuneration – continued

(b) Remuneration – continued

Remuneration packages for key management personnel comprise the following components:

- Short term employee benefits which include:
  - **Base**
    consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - **Non-monetary benefits**
    consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- Performance bonuses are not paid under the contracts in place.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

The remuneration includes remuneration in connection with the management of Nominal Defendant and the Queensland Government Insurance Fund.

1 July 2012 to 30 June 2013

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
	Base $'000	Non-monetary benefits $'000				
Manager, Claims	122	–	3	15	–	140

1 July 2011 to 30 June 2012

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
	Base $'000	Non-monetary benefits $'000				
Manager, Claims	121	–	3	15	–	139

There were no performance bonuses paid in 2012–13 and 2011–12 years.

The other four key executive management personnel are not included in this table, however, they have been included in the Motor Accident Insurance Commission financial statements under Note 3.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
6. Supplies and services		
QIC management fee	2,020	1,754
Computer facilities management fee	285	280
Rent	159	124
Consultants and contractors	134	219
Corporate services fee	131	99
Supplies and consumables	58	78
Other supplies and services	–	1
Total	**2,787**	**2,555**
Supplies and services attributable to FAI are included in the figures listed above:		
Computer facilities management fee	13	24
Rent	3	6
Consultants and contractors	1	5
Supplies and consumables	–	3
Total	**17**	**38**
7. Depreciation and amortisation		
Depreciation and amortisation were incurred in respect of:		
Plant and equipment	2	5
Intangibles	–	13
Total	**2**	**18**
8. Other expenses		
Audit fees	36	35
Insurance premiums – QGIF	1	1
Losses from disposal of plant and equipment	–	1
Other	1	1
Total	**38**	**38**

Total audit fees paid to the Queensland Audit Office relating to the 2012–13 financial year are estimated to be $35,800 (2011–12 $35,600). There are no non-audit services included in this amount.

	2013 $'000	2012 $'000
Other expenses attributable to FAI are included in the figures listed above:		
Audit fees	5	5
Total	**5**	**5**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
9. Cash and cash equivalents		
Cash at bank and on hand	3,014	3,273
Total	**3,014**	**3,273**

Interest earned on cash held with Queensland Treasury earned between 2.01% to 2.55% in 2013 (2012: 3.26% to 3.98%).

	2013 $'000	2012 $'000
10. Receivables		
Accrued investment and levy income	1,267	1,196
Sharing recoveries receivable on paid claims	124	80
Dividend receivable from FAI liquidator	964	–
GST receivable	71	63
Other receivables	4	4
Total	**2,430**	**1,343**
Receivables attributable to FAI are included in the figures listed above:		
Sharing recoveries receivable on paid claims	124	80
Dividend receivable from FAI liquidator	964	–
Total	**1,088**	**80**

	2013 $'000	2012 $'000
11. Financial assets		
Current		
Queensland Investment Corporation investments	170,525	123,125
Non-current		
Queensland Investment Corporation investments	515,034	455,743
Total	**685,559**	**578,868**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
12. Plant and equipment		
Plant and equipment:		
At cost	26	26
Less: accumulated depreciation	(15)	(13)
Total	**11**	**13**
Plant and equipment reconciliation		
Carrying amount at 1 July	13	14
Acquisitions	–	5
Disposals	–	1
Depreciation	(2)	(5)
Carrying amount at 30 June	**11**	**13**

13. Intangible assets

	2013 $'000	2012 $'000
Purchased software:		
At cost	219	219
Less: accumulated amortisation	(219)	(219)
	–	**–**
Work in progress:		
At cost	1,824	248
Total	**1,824**	**248**

Intangibles reconciliation

	Purchased software		Work in progress		Total	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Carrying amount at 1 July	–	13	248	–	248	13
Acquisitions	–	–	1,576	248	1,576	248
Amortisation	–	(13)	–	–	–	(13)
Carrying amount at 30 June	**–**	**–**	**1,824**	**248**	**1,824**	**248**

At 30 June 2013 the Nominal Defendant has Purchased software (Claims Management System) with an original cost of $218,730 and a written down value of nil which is still in use. This system is due to be replaced in 2013–14 with a new system which is currently under development. Costs associated with the new system are reported as work in progress.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000

14. Payables

	2013 $'000	2012 $'000
Sundry creditors and accruals	511	589
Total	**511**	**589**
Payables attributable to FAI are included in the figures listed above:		
Sundry creditors and accruals	6	10
Total	**6**	**10**

15. Accrued employee benefits

	2013 $'000	2012 $'000
Current		
Recreation leave	165	121
Total	**165**	**121**
Non-current		
Recreation leave	43	7
Total	**43**	**7**
Accrued employee benefits attributable to FAI are included in the figures listed above:		
Current		
Recreation leave	5	3
Total	**5**	**3**

The discount rate used to calculate the present value of the non-current recreation leave is 2.5% (2012: 2.9%).

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
16. Net outstanding claims		
(a) Net outstanding claims		
Gross outstanding claims liability:		
Current	45,016	41,298
Non-current	128,892	152,686
Total	**173,908**	**193,984**
Reinsurance and other recoveries on outstanding claims:		
Current	3,666	1,428
Non-current	3,999	5,071
Total	**7,665**	**6,499**
Net outstanding claims:		
Current	41,350	39,870
Non-current	124,893	147,615
Total	**166,243**	**187,485**
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	160,770	175,714
Claims settlement costs	9,244	10,236
	170,014	185,950
Discount to present value	(17,290)	(17,724)
Gross outstanding claims liability	**152,724**	**168,226**
Current	41,184	34,810
Non-current	111,540	133,416
Gross outstanding claims liability	**152,724**	**168,226**
Reinsurance and other recoveries on outstanding claims	6,696	5,118
Discount to present value	(476)	(488)
Reinsurance and other recoveries on outstanding claims	**6,220**	**4,630**
Current	3,404	958
Non-current	2,816	3,672
Reinsurance and other recoveries on outstanding claims	**6,220**	**4,630**
Net outstanding claims	**146,504**	**163,596**
Central estimate	133,185	148,724
Risk margin	13,319	14,872
Net outstanding claims	**146,504**	**163,596**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000

16. Net outstanding claims – continued

(a) Net outstanding claims – continued

	2013 $'000	2012 $'000
Net outstanding claims attributable to FAI		
Gross outstanding claims/expected future claim payments	23,634	27,096
Claims settlement costs	660	1,017
	24,294	28,113
Discount to present value	(3,110)	(2,355)
Gross outstanding claims liability	**21,184**	**25,758**
Current	3,832	6,488
Non-current	17,352	19,270
Gross outstanding claims liability	**21,184**	**25,758**
Reinsurance and other recoveries on outstanding claims	1,648	2,021
Discount to present value	(203)	(152)
Reinsurance and other recoveries on outstanding claims	**1,445**	**1,869**
Current	262	470
Non-current	1,183	1,399
Reinsurance and other recoveries on outstanding claims	**1,445**	**1,869**
Net outstanding claims	**19,739**	**23,889**
Central estimate	17,016	20,594
Risk margin	2,723	3,295
Net outstanding claims	**19,739**	**23,889**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

16. Net outstanding claims – continued

(b) Actuarial assumptions

The following assumptions have been made in determining the net outstanding claims liability.

Assumptions attributable to the Nominal Defendant

	2013	2012
Inflation rate	6.4%	6.6%
Discount rate	3.3%	2.8%
Claims handling expenses	6.0%	6.0%
Risk margin	10.0%	10.0%
Weighted average expected term to settlement	3.48 years	3.8 years

Assumptions attributable to FAI

	2013	2012
Inflation rate	6.4%	N/A
Discount rate	3.4%	2.7%
Claims handling expenses	3.0%	4.0%
Risk margin	16.0%	16.0%
Weighted average expected term to settlement	4.2 years	3.4 years

(c) Impact of changes in key variables on net outstanding claims

The following table illustrates how a change in some key valuation assumptions in section (b) above affects the net outstanding claims and shows an analysis of the profit/(loss) and equity changes in these assumptions. Note that the table is illustrative only, and is not intended that it cover the range of potential variations.

Sensitivity analysis attributable to the Nominal Defendant

		Financial impact			
Net outstanding claims	**Movement in variable**	**Profit/(loss) 2013 $'000**	**Equity 2013 $'000**	**Profit/(loss) 2012 $'000**	**Equity 2012 $'000**
Inflation rate	+1%	(4,591)	(4,591)	(5,665)	(5,665)
	–1%	4,366	4,366	5,377	5,377
Discount rate	+1%	4,349	4,349	5,327	5,327
	–1%	(4,666)	(4,666)	(5,733)	(5,733)
Claims handling expenses	+1%	(1,382)	(1,382)	(1,543)	(1,543)
	–1%	1,382	1,382	1,543	1,543
Risk margin	+1%	(1,332)	(1,332)	(1,487)	(1,487)
	–1%	1,332	1,332	1,487	1,487
Weighted average term to settlement	+0.5 years	2,266	2,266	2,145	2,145
	–0.5 years	(2,302)	(2,302)	(2,173)	(2,173)

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

16. Net outstanding claims – continued

(c) Impact of changes in key variables on net outstanding claims – continued

Sensitivity analysis attributable to FAI

Net outstanding claims	Movement in variable	Financial impact Profit/(loss) 2013 $'000	Equity 2013 $'000	Profit/(loss) 2012 $'000	Equity 2012 $'000
Inflation rate	+1%	(777)	(777)	N/A	N/A
	–1%	740	740	N/A	N/A
Discount rate	+1%	731	731	728	728
	–1%	(784)	(784)	(775)	(775)
Claims handling expenses	+1%	(192)	(192)	(233)	(233)
	–1%	192	192	233	233
Risk margin	+1%	(170)	(170)	(206)	(206)
	–1%	170	170	206	206
Weighted average term to settlement	+0.5 years	317	317	309	309
	–0.5 years	(322)	(322)	(313)	(313)

(d) Nature and extent of risks arising from claims liabilities

The objective of the Nominal Defendant is to ensure it is fully funded to enable it to meet its obligations under the *Motor Accident Insurance Act 1994*. This is facilitated by an actuarially derived levy which is incorporated in the Compulsory Third Party (CTP) premium charged by the respective CTP policy insurers. The levy is derived by taking into consideration such factors as claim frequency, average claim size, wages, inflation, applicable discount rates, operating expenses and cost of reinsurance. The levy amount is supplemented by investment income derived from investing the levy and other income from reinsurance and non-reinsurance recoveries.

A suitably qualified insurance broker is engaged in a consultancy capacity to provide the Nominal Defendant with the most cost effective plan to protect the Fund against major and catastrophic loss, and provide ongoing insurance risk advice. To this end, the broker facilitates an annual contract for excess of loss reinsurance cover entered into by the Nominal Defendant with reinsurance underwriters from both local and overseas markets to provide reinsurance cover at various layers.

Reinsurers must comply with Queensland Treasury's minimum requirement for performance guarantee under a contract (per Section 36 of the *Financial and Performance Management Standard 2009*) which is for the approved financial institution to have a minimum S&P rating of A–. In the 2012–13 financial year the Nominal Defendant was able to secure unlimited cover with an excess of loss retention level of $6.0 million. All reinsurers complied with Treasury's minimum requirements as specified by the Financial Management Standards.

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000
		$'000
17. Reconciliation of operating result to net cash from operating activities		
Operating result	130,612	11,869
Add/(subtract) items classified as investing activities:		
Net fair value (gain)/loss on financial assets	(84,692)	1,379
Non-cash items:		
Depreciation	2	5
Amortisation	–	13
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	–	5
(Increase)/decrease in receivables	(2,253)	30,495
Increase/(decrease) in payables	(3)	111
Increase/(decrease) in unearned levies	(279)	66
Increase/(decrease) in outstanding claims liability	(20,076)	1,747
Increase/(decrease) in accrued employee benefits	80	19
Net cash from operating activities	**23,391**	**45,709**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

	2013 $'000	2012 $'000

18. Commitments for expenditure

(a) Non-cancellable operating lease commitments

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

	2013 $'000	2012 $'000
▪ Not later than one year	–	110
▪ Later than one year and not later than five years	–	–
Total	**–**	**110**

Operating leases are entered into as a means of acquiring access to office accommodation and motor vehicles. These operating leases are primarily held with the Department of Housing and Public Works for office accommodation and QFleet for motor vehicles. Payments are generally fixed with agreements containing inflation escalation clauses from which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

(b) Capital expenditure commitments

Material classes of capital expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	2013 $'000	2012 $'000
Software		
▪ Not later than one year	627	584
▪ Later than one year and not later than five years	–	–
Total	**627**	**584**

(c) Other expenditure commitments

Material expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	2013 $'000	2012 $'000
▪ Not later than one year	173	329
▪ Later than one year and not later than five years	–	63
Total	**173**	**392**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

19. Financial instruments

(a) Categorisation of financial instruments

The Nominal Defendant has the following categories of financial assets and financial liabilities:

Category	Note	2013 $'000	2012 $'000
Financial assets			
Cash and cash equivalents	9	3,014	3,273
Receivables	10	2,430	1,343
Financial assets	11	685,559	578,868
Total		**691,003**	**583,484**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	14	511	589
Total		**511**	**589**

(b) Financial risk management

The Nominal Defendant's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Government and Nominal Defendant policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Nominal Defendant.

All financial risk is managed by Corporate Governance under policies approved by the Nominal Defendant. The Nominal Defendant provides written principles for overall risk management, as well as policies covering specific areas.

The Nominal Defendant measures risk exposure using a variety of methods as follows —

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

19. Financial instruments – continued

(c) Credit risk exposure

Credit risk exposure refers to the situation where the Nominal Defendant may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

No collateral is held as security and no credit enhancements relate to financial assets held by the Nominal Defendant.

The Nominal Defendant manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the Nominal Defendant invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to the Nominal Defendant, according to the due date (normally terms of 30 days). Economic changes impacting the Nominal Defendant's debtors, and relevant industry rate, also form part of the Nominal Defendant's documented risk analysis.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debtor/group of debtors. If the Nominal Defendant determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debit, the excess is recognised directly as a Bad Debt expense and written-off directly against Receivables.

Ageing of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	30–60 days $'000	61–90 days $'000	More than 90 days $'000	Total $'000
2013					
Receivables (excluding sharing recoveries)	2,306	–	–	–	2,306
Total	**2,306**	**–**	**–**	**–**	**2,306**
2012					
Receivables (excluding sharing recoveries)	1,263	–	–	–	1,263
Total	**1,263**	**–**	**–**	**–**	**1,263**

Financial information 2012–13

Nominal Defendant

Notes to and forming part of the financial statements 2012–13

19. Financial instruments – continued

(d) Liquidity risk

Liquidity risk refers to the situation where the Nominal Defendant may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Nominal Defendant manages liquidity through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the Nominal Defendant has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the Nominal Defendant. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at reporting date.

Financial liabilities

		Payable in			
	Note	**< 1 year $'000**	**1–5 years $'000**	**> 5 years $'000**	**Total $'000**
2013					
Payables	14	511	–	–	511
Total		**511**	**–**	**–**	**511**
2012					
Payables	14	589	–	–	589
Total		**589**	**–**	**–**	**589**

(e) Market risk

The Nominal Defendant does not trade in foreign currency and is not materially exposed to commodity price changes. The Nominal Defendant is exposed to interest rate risk through cash deposited in interest bearing accounts. The Nominal Defendant does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy.

Financial information 2012–13

Nominal Defendant

19. Financial instruments – continued

(f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/–1% from the year-end rates applicable to the Nominal Defendant's financial assets. With all other variables held constant, the Nominal Defendant would have a surplus and equity increase/(decrease) of $30,000 (2012: $33,000) due to interest rate risk and $6,856,000 (2012: $5,789,000) due to unit price risk.

The Nominal Defendant's sensitivity to movements in interest rates in relation to the value of cash and cash equivalents is shown in the table below.

Cash	Movement in variable %	Financial impact			
		Profit/(loss) 2013 $'000	Equity 2013 $'000	Profit/(loss) 2012 $'000	Equity 2012 $'000
Interest rate risk	+1	30	30	33	33
	–1	(30)	(30)	(33)	(33)

The Nominal Defendant's sensitivity to movements in unit price rates in relation to the value of investments is shown in the table below.

Investments	Movement in variable %	Financial impact			
		Profit/(loss) 2013 $'000	Equity 2013 $'000	Profit/(loss) 2012 $'000	Equity 2012 $'000
Unit price risk	+1	6,856	6,856	5,789	5,789
	–1	(6,856)	(6,856)	(5,789)	(5,789)

(g) Fair value

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

- Level 1 – fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities;
- Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and
- Level 3 – fair values that are derived from data not observable in a market.

According to the above hierarchy, the Nominal Defendant classifies financial assets at fair value through profit or loss as level 2.

The carrying amounts of financial assets and liabilities approximate their fair values. The fair value of investments is measured at net market value based on Queensland Investment Corporation advice.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

Financial information 2012–13

Nominal Defendant

Certificate of the Nominal Defendant

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), relevant sections of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

(a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and

(b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2013 and of the financial position of the Nominal Defendant at the end of that year.

L LEE CA
Director Corporate Governance

26 August 2013

N SINGLETON
Insurance Commissioner

26 August 2013

Financial information 2012–13

Nominal Defendant

Independent Auditor's Report

To the Insurance Commissioner

Report on the Financial Report

I have audited the accompanying financial report of the Nominal Defendant, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Director Corporate Governance.

The Insurance Commissioner's Responsibility for the Financial Report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that gives a true and fair view and 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 *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Opinion

In accordance with s.40 of the *Auditor-General Act 2009* –

(a) I have received all the information and explanations which I have required; and

(b) in my opinion –

- (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
- (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year 1 July 2012 to 30 June 2013 and of the financial position as at the end of that year.

Financial information 2012–13

Nominal Defendant

Other Matters – Electronic Presentation of the Audited Financial Report

Those viewing an electronic presentation of these financial statements should note that audit does not provide assurance on the integrity of the information presented electronically and does not provide an opinion on any information which may be hyperlinked to or from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic presentation of information, they are advised to refer to the printed copy of the audited financial statements to confirm the accuracy of this electronically presented information.

M Keane

M KEANE CPA
As Delegate of the Auditor-General of Queensland

Queensland Audit Office
Brisbane