

Our financial information

Motor Accident Insurance Commission Financial Statements 2013–14 for the year ended 30 June 2014

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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 1300 302 568, email maic@maic.qld.gov.au or visit MAIC's internet site www.maic.qld.gov.au.

Nominal Defendant Financial Statements 2013–14 for the year ended 30 June 2014

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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.

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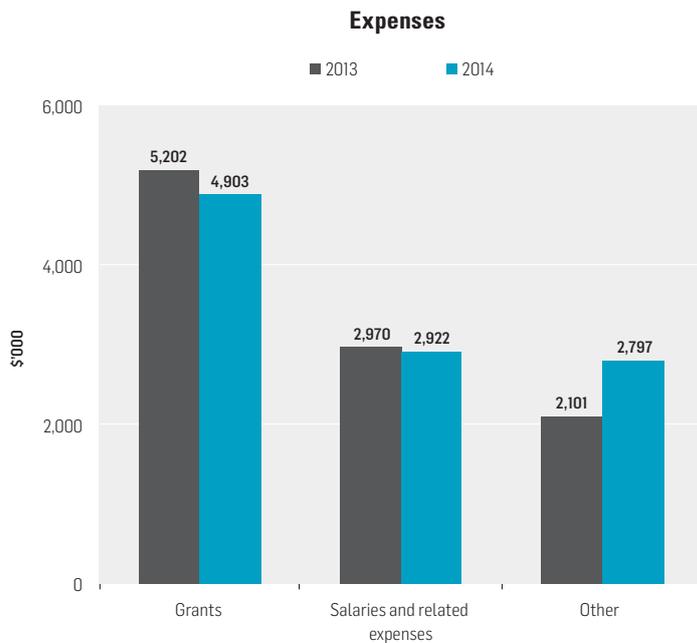
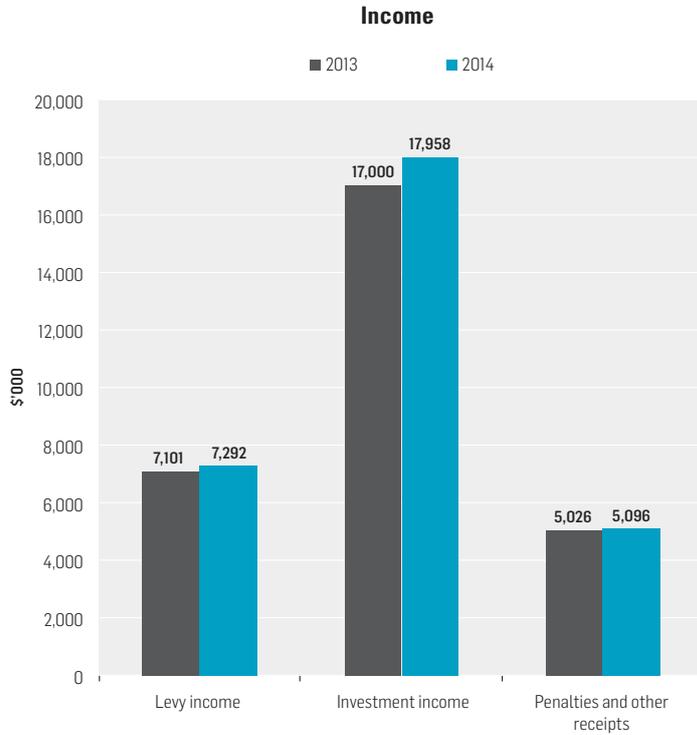
Motor Accident Insurance Commission

Financial Summary 2013-14

MAIC managed its business within budget and achieved an operating surplus of \$19.72 million for the year ended 30 June 2014. The major driver of the increase were gains on investments held with QIC of \$17.96 million due to the solid performance 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 \$7.29 million income in 2013-14 (prior year \$7.10 million). Penalty fines and other receipts rose by \$0.07 million to \$5.10 million.

MAIC’s total expenses for the year was \$10.62 million (prior year \$10.27 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 6.



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Motor Accident Insurance Commission

Statement of Comprehensive Income

for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Income			
Levy income		7,292	7,101
Net fair value gains on financial assets		17,958	17,000
Interest income		180	204
Penalties and miscellaneous receipts		4,882	4,784
User charges		34	38
Total income		30,346	29,127
Expenses			
Grants	2	4,903	5,202
Employee expenses	3, 4	2,922	2,970
Supplies and services	5	2,739	2,040
Depreciation and amortisation	6	5	5
Other expenses	7	53	56
Total expenses		10,622	10,273
Operating result		19,724	18,854
Other comprehensive income		-	-
Total comprehensive income		19,724	18,854

The accompanying notes form part of these statements.

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Motor Accident Insurance Commission

Statement of Financial Position

as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	8	2,951	3,007
Receivables	9	252	414
Financial assets	10	11,827	11,939
Total current assets		15,030	15,360
Non-current assets			
Financial assets	10	141,758	121,160
Plant and equipment	11	20	25
Intangible assets	12	-	-
Total non-current assets		141,778	121,185
Total assets		156,808	136,545
Current liabilities			
Payables	13	846	330
Accrued employee benefits	14	208	192
Total current liabilities		1,054	522
Non-current liabilities			
Accrued employee benefits	14	44	37
Total non-current liabilities		44	37
Total liabilities		1,098	559
Net assets		155,710	135,986
Equity			
Contributed equity		57,818	57,818
Accumulated surplus		97,892	78,168
Total equity		155,710	135,986

The accompanying notes form part of these statements.

Financial information 2013–14

Motor Accident Insurance Commission

Statement of Changes in Equity

for the year ended 30 June 2014

	Contributed equity \$'000	Accumulated surplus \$'000	Total equity \$'000
Balance as at 1 July 2012	57,818	59,314	117,132
Operating result	-	18,854	18,854
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2013	57,818	78,168	135,986
Balance as at 1 July 2013	57,818	78,168	135,986
Operating result	-	19,724	19,724
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2014	57,818	97,892	155,710

The accompanying notes form part of these statements.

Financial information 2013–14

Motor Accident Insurance Commission

Statement of Cash Flows

for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Inflows:			
Levy income		7,488	7,082
Interest income		178	226
Penalties and miscellaneous receipts		4,848	4,789
User charges		34	56
GST input tax credits from ATO		664	641
GST collected from customers		5	16
Outflows:			
Grants		(4,541)	(5,193)
Employee expenses		(2,884)	(2,980)
Supplies and services		(2,120)	(1,522)
GST remitted to ATO		(4)	(17)
GST paid to suppliers		(672)	(654)
Other		(52)	(56)
Net cash provided by operating activities	15	2,944	2,388
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		-	1,500
Outflows:			
Payments for financial assets		(3,000)	(3,000)
Net cash used in investing activities		(3,000)	(1,500)
Net (decrease)/increase in cash and cash equivalents		(56)	888
Cash and cash equivalents at beginning of financial year		3,007	2,119
Cash and cash equivalents at end of financial year	8	2,951	3,007

The accompanying notes form part of these statements.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

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 2014, 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 Queensland Health and the Public Safety Business Agency 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 Public Safety Business Agency have not been included as expenses.

Details on the levies collected on behalf of and distributed to Queensland Health and the Public Safety Business Agency are provided in Note 16.

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 Queensland Treasury and Trade (State Penalties Enforcement Registry) 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 received 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 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

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

Plant and equipment (that is not classified as 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*. The carrying amounts for such plant and equipment at cost should not materially differ from their fair value.

Intangible assets are measured at their historical cost, unless there is an active market for the assets concerned (in which case they are measured at fair value).

The fair values reported by MAIC are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note 1(j)).

(j) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by MAIC include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of MAIC's assets/liabilities. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities of MAIC for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly; and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of MAIC's valuations of assets and liabilities are eligible for categorisation into level 1 of the fair value hierarchy. As 2013-14 is the first year of application of AASB 13 Fair Value Measurement by MAIC, there were no transfers of assets between fair value hierarchy levels during the period.

Fair value information about MAIC's financial instruments is outlined in Note 18. MAIC does not have any plant and equipment at fair value.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(k) Intangibles

Intangible assets with a cost or other value greater than \$100,000 are recognised in the financial statements. Items with a lesser value are 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.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

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.

(l) 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

(m) 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.

(n) Leases

Operating leases are recognised where the lessor effectively retains substantially all risks and benefits incidental to ownership.

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.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(o) 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.

(p) 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.

(q) 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 18.

(r) 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 current remuneration rates.

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 AASB1049 *Whole of Government and General Government Sector Financial Reporting*.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(r) Employee benefits – continued

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 AASB1049 *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 4 for the disclosures on key management personnel and remuneration.

(s) 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.

(t) 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.

(u) 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 9).

(v) 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.

(w) 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.

(x) 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.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards

MAIC did not voluntarily change any of its accounting policies during 2013-14. The only Australian Accounting Standard changes applicable for the first time as from 2013-14 that have had a significant impact on MAIC's financial statements are those arising from AASB 13 *Fair Value Measurement*, as explained below.

AASB 13 *Fair Value Measurement* became effective 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 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 impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

AASB 13 has required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets or liabilities that substantially are based on data that is not 'observable' outside of MAIC, the amount of information disclosed has significantly increased.

A revised version of AASB 119 Employee Benefits became effective for reporting periods beginning on or after 1 January 2013. Given MAIC's circumstances, the only implications for MAIC were the revised concept of 'termination benefits' and the revised recognition criteria for termination benefit liabilities. If termination benefits meet the AASB 119 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 need to be measured according to the AASB 119 requirements for 'other long-term employee benefits'. Under the revised standard, the recognition and measurement of 'other long-term employee benefits' are 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 'short-term employee benefits' definition is not met, those employee benefits will be measured according to the AASB 119 requirements for 'other long-term employee benefits'. However, as MAIC is a member of the Queensland Government central scheme for long service leave, this change in criteria 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, those changes to AASB 119 will have no impact on MAIC.

AASB 1053 *Application of Tiers of Australian Accounting Standards* became effective for 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 the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

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 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 has had no impact on MAIC.

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.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards – continued

AASB 1055 *Budgetary Reporting* applies from reporting periods beginning on or after 1 July 2014. MAIC will need to include in its 2014-15 financial statements the original budgeted figures from the Income Statement, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement as published in the 2014-15 Queensland Government's Service Delivery Statements. The budgeted figures will need to be presented consistently with the corresponding (actuals) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding original budgeted figures.

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*;
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]; and
- AASB 2013-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities*.

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. AASB 2013-8 applies the various principles in AASB 10 for determining whether a not-for-profit entity controls another entity. On the basis of those accounting standards, MAIC has reviewed the nature of its relationship with other entities that MAIC is connected with, including entities that are not currently consolidated, to determine the impact of AASB 2013-8. MAIC's conclusion is that, based on existing circumstances, it will not have any control over any entities.

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. MAIC has assessed its arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. Based on present arrangements, no joint arrangements exist. However, if a joint arrangement does arise in future, 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* 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] will become effective for reporting periods beginning on or after 1 January 2017. The main impacts of these standards on MAIC are that they will change the requirements for the classification, measurement and disclosures associated with the 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 2017-18 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(q) and 18). 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 2017-18. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2017-18 financial statements to explain the impact of adopting AASB 9.

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 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
2. Grants		
Strategic accident prevention research	3,084	2,697
Rehabilitation initiatives research	1,819	2,505
Total	4,903	5,202

3. Employee expenses

Employee benefits

Salaries and wages	2,105	2,220
Annual leave expense*	266	235
Employer superannuation contributions*	289	292
Long service leave levy*	44	38
Other employee benefits	16	17

Employee related expenses

Workers' compensation premium*	6	7
Payroll tax*	128	130
Other employee related expenses	68	31
Total	2,922	2,970

*Refer to Note 1(r).

The number of employees as at 30 June, including both full-time employees and part-time employees, measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2014	2013
Number of employees	24	23

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

4. Key management personnel and remuneration expenses

(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 2013-14. Further information on current positions can be found in the body of the Annual Report under the section on Leading the Motor Accident Insurance Commission.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position (Date resigned from 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; <i>Public Service Act 2008</i> and Governor in Council, in accordance with section 7 of the <i>Motor Accident Insurance Act 1994</i>	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 <i>Motor Accident Insurance Act 1994</i> , remunerated at SES2 equivalent	6-Feb-12 (24-Jan-14)
Director, Corporate Governance	Responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of MAIC.	SO; <i>Public Service Act 2008</i>	13-Feb-06
Director, Technology and Business Intelligence	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and support decision making.	SO; <i>Public Service Act 2008</i>	7-Nov-11 (9-May-14)
Director, Business Solutions**	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and support decision making.	SO; <i>Public Service Act 2008</i>	2-Jun-14

*This role ceased membership of the Executive Management Group effective 24 January 2014.

**This role was previously named Director, Technology and Business Intelligence.

(b) Remuneration expenses

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 2013-14 year, remuneration of key management personnel increased by 2.2% in accordance with government policy.

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

4. Key management personnel and remuneration expenses – continued

(b) Remuneration expenses – continued

Remuneration expenses for key management personnel comprise the following components:

- Short term employee expenses which include:
 - Salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified position.
 - Performance payments recognised as an expense during the year.
 - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits 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.

The remuneration below includes remuneration in connection with the management of MAIC, the Nominal Defendant and the Queensland Government Insurance Fund. The remuneration has been allocated in the Statement of Comprehensive Income in accordance with services provided between the entities.

1 July 2013 to 30 June 2014

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Insurance Commissioner	215	-	5	23	-	243
General Manager, Motor Accident Insurance Regulation (24-Jan-14)	81	-	5	10	-	96
Director, Corporate Governance	134	-	4	16	-	154
Director, Technology and Business Intelligence (9-May-14)	110	-	2	11	-	123
Director, Business Solutions	8	-	-	1	-	9

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

4. Key management personnel and remuneration expenses – continued

(b) Remuneration expenses – continued

1 July 2012 to 30 June 2013

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'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

(c) Performance payments

Performance bonuses are not paid under the contracts in place.

	2014 \$'000	2013 \$'000
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5. Supplies and services

Computer facilities management fee	352	390
Consultants and contractors	966	573
Rent	298	275
Supplies and consumables	327	182
Corporate services fee	154	154
QIC management fee	433	385
Professional services	128	69
Actuarial fees	80	-
Other	1	12
Total	2,739	2,040

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014	2013
	\$'000	\$'000
6. Depreciation and amortisation		
Depreciation and amortisation were incurred in respect of:		
Plant and equipment	5	5
Total	5	5

7. Other expenses

External audit fees	20	20
Insurance premiums - QGIF	26	24
Other	7	12
Total	53	56

Total audit fees paid to the Queensland Audit Office relating to the 2013-14 financial year are estimated to be \$20,000 (2013: \$19,900). There are no non-audit services included in this amount.

8. Cash and cash equivalents

Cash at bank and on hand	2,951	3,007
Total	2,951	3,007

Interest on cash held with Queensland Treasury earned between 1.56% to 1.81% in 2014 (2013: 2.01% to 2.55%).

9. Receivables

Accrued investment and levy income	50	244
Penalties receivable	145	111
GST receivable	56	47
GST payable	(1)	-
Other receivables	2	12
Total	252	414

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
10. Financial assets		
Current		
Queensland Investment Corporation investments	11,827	11,939
Non-current		
Queensland Investment Corporation investments	141,758	121,160
Total	153,585	133,099
11. Plant and equipment		
Plant and equipment: At cost		
Gross	60	60
Less: accumulated depreciation	(40)	(35)
Total	20	25
Plant and equipment reconciliation		
Carrying amount at 1 July	25	30
Depreciation	(5)	(5)
Carrying amount at 30 June	20	25
12. Intangible assets		
Internally generated software: At cost		
Gross	270	270
Less: accumulated amortisation	(270)	(270)
Total	-	-
13. Payables		
Sundry creditors and accruals	846	330
Total	846	330

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014	2013
	\$'000	\$'000
14. Accrued employee benefits		
Current		
Annual leave payable	198	192
Accrued salaries and wages	10	-
Total	208	192
Non-current		
Annual leave payable	44	37
Total	44	37
The discount rate used to calculate the present value of the non-current annual leave is 2.5% (2013: 2.5%).		
15. Reconciliation of operating result to net cash from operating activities		
Operating result	19,724	18,854
Add/(subtract) items classified as investing activities:		
Net fair value gain on financial assets	(17,486)	(16,593)
Non-cash items:		
Depreciation and amortisation expense	5	5
Changes in assets and liabilities:		
(Increase)/decrease in receivables	162	15
Increase/(decrease) in payables	516	121
Increase/(decrease) in accrued employee benefits	23	(14)
Net cash from operating activities	2,944	2,388

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014	2013
	\$'000	\$'000
16. 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 Public Safety Business Agency. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Health and the Public Safety Business Agency at year end are as follows:		
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	5,518	5,337
Hospital levy	65,235	46,041
Emergency Services levy	8,172	17,508
Total	78,925	68,886
Contributions		
Comprise payments to Queensland Health and the Public Safety Business Agency on account of levies received from the Department of Transport and Main Roads.		
Hospital levy contributions	62,997	45,910
Emergency Services levy contributions	9,343	17,458
Total	72,340	63,368
Amounts collected on behalf of but not yet remitted to Queensland Health and the Public Safety Business Agency in respect of hospital and emergency services levies at 30 June:		
Hospital levy	6,236	3,998
Emergency Services levy	349	1,520
Total	6,585	5,518

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

	2014	2013
	\$'000	\$'000
17. Commitments for expenditure		
(a) 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	374	429
▪ Later than one year and not later than five years	-	104
Total	374	533

(b) 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	2,987	5,125
▪ Later than one year and not later than five years	28	2,959
Total	3,015	8,084

18. Financial instruments

(a) Categorisation of financial instruments

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

Category	Notes	2014	2013
		\$'000	\$'000
Financial assets			
Cash and cash equivalents	8	2,951	3,007
Receivables	9	252	414
Financial assets	10	153,585	133,099
Total		156,788	136,520
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	13	846	330
Total		846	330

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

18. Financial instruments – continued

(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

(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				Total \$'000
	Less than 30 days \$'000	30–60 days \$'000	61–90 days \$'000	More than 90 days \$'000	
2014					
Receivables	252	-	-	-	252
Total	252	-	-	-	252
2013					
Receivables	414	-	-	-	414
Total	414	-	-	-	414

Financial information 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

18. 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

	Notes	Payable in			Total \$'000
		< 1 year \$'000	1–5 years \$'000	> 5 years \$'000	
2014					
Payables	13	846	-	-	846
Total		846	-	-	846
2013					
Payables	13	330	-	-	330
Total		330	-	-	330

(e) Market risk

MAIC does not trade in foreign currency and is not 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 2013–14

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2013–14

(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 (2013: \$30,000) due to interest rate risk and \$1,536,000 (2013: \$1,331,000) 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) 2014 \$'000	Equity 2014 \$'000	Profit/(loss) 2013 \$'000	Equity 2013 \$'000
Interest rate risk	+1	30	30	30	30
	-1	(30)	(30)	(30)	(30)

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) 2014 \$'000	Equity 2014 \$'000	Profit/(loss) 2013 \$'000	Equity 2013 \$'000
Unit price risk	+1	1,536	1,536	1,331	1,331
	-1	(1,536)	(1,536)	(1,331)	(1,331)

(g) Fair value

The recognised fair values of financial assets and liabilities are classified according to the fair value hierarchy as disclosed in Note 1(j).

According to the fair value 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 2013–14

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), section 43 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 2014 and of the financial position of MAIC at the end of that year; and
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



L LEE
B.Com, CA
Director Corporate Governance
25 August 2014



N SINGLETON
B.Bus (Insurance), MBA, ANZIFF (Fellow), CIP, GAICD
Insurance Commissioner
25 August 2014

Financial information 2013–14

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 2014, 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
- (a) 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
 - (i) 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 2013 to 30 June 2014 and of the financial position as at the end of that year.

Financial information 2013–14

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 CA
As Delegate of the AuditorGeneral of Queensland



Queensland Audit Office
Brisbane

Financial information 2013–14

Nominal Defendant

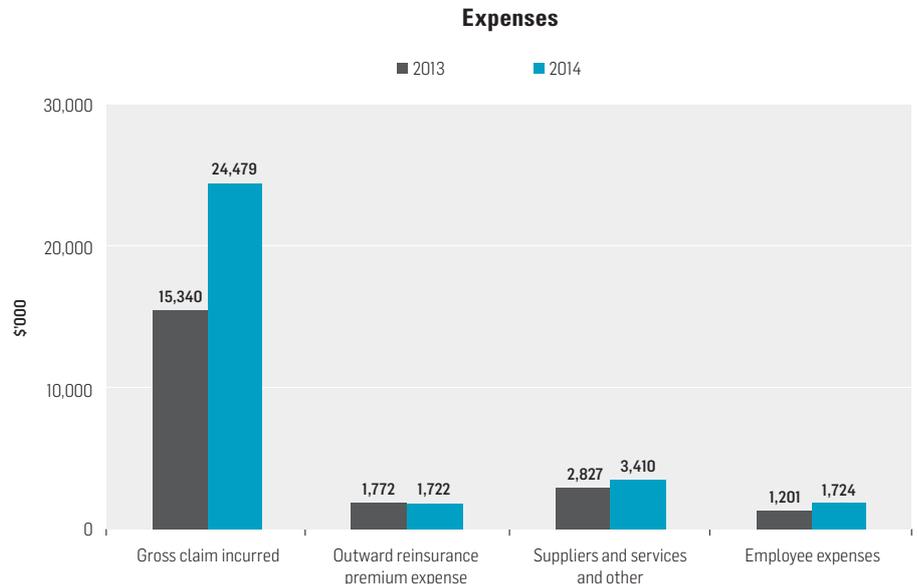
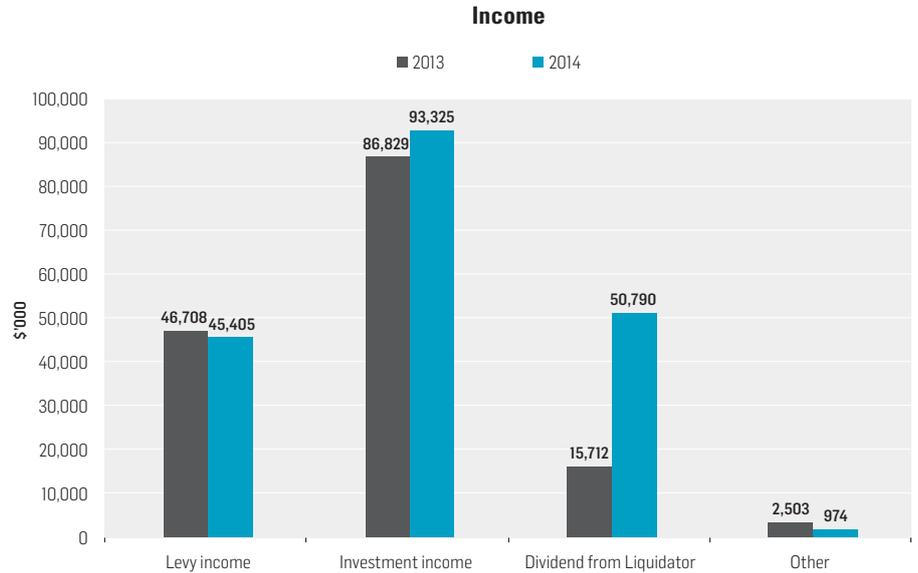
Financial Summary 2013-14

The operating surplus of the Nominal Defendant for the year ended 30 June 2014 was \$159.16 million compared to the prior year's operating surplus of \$130.61 million.

The major drivers for the increased income were increases in dividends received from the HIH liquidation (\$50.79 million versus prior year \$15.71 million) and gains on investments held with QIC due to the solid performance of the equity markets during the year (\$93.33 million versus prior year \$86.83 million).

In relation to the normal business of the Nominal Defendant, claim payments were \$43.95 million (compared to prior year \$31.78 million) and claim recoveries were \$3.47 million (prior year \$0.91 million). The gross outstanding claims liabilities were actuarially assessed at 30 June 2014 and decreased by \$19.59 million to \$133.14 million.

The Nominal Defendant levy decreased by \$0.85 to \$11.50 per Class 1 vehicle from 1 July 2013 reflecting overall stability in claims experience. The reduction in the Levy resulted in a \$1.3 million decrease in levy income to \$45.41 million compared to prior year's \$46.71 million.



Financial information 2013–14

Nominal Defendant

Statement of Comprehensive Income

for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Income			
Levy income	2	45,405	46,708
Net fair value gains on financial assets		93,325	86,829
Dividends received from FAI liquidator		50,790	15,712
Reinsurance and other recoveries	3	919	2,441
Interest income		55	62
Total income		190,494	151,752
Expenses			
Gross claims incurred	3	24,479	15,340
Outward reinsurance premium expense	2	1,722	1,772
Employee expenses	4, 5	1,724	1,201
Supplies and services	6	3,283	2,787
Depreciation and amortisation	7	89	2
Other	8	38	38
Total expenses		31,335	21,140
Operating result		159,159	130,612
Other comprehensive income		-	-
Total comprehensive income		159,159	130,612

The accompanying notes form part of these statements.

Financial information 2013–14

Nominal Defendant

Statement of Financial Position

as at 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	9	3,948	3,014
Receivables	10	3,212	2,430
Financial assets	11	172,552	170,525
Reinsurance and other recoveries on outstanding claims	16	1,002	3,666
Total current assets		180,714	179,635
Non-current assets			
Financial assets	11	645,456	515,034
Reinsurance and other recoveries on outstanding claims	16	3,973	3,999
Plant and equipment	12	9	11
Intangible assets	13	3,547	1,824
Total non-current assets		652,985	520,868
Total assets		833,699	700,503
Current liabilities			
Payables	14	452	511
Accrued employee benefits	15	145	165
Outstanding claims liability	16	31,383	45,016
Unearned levies		22,128	23,129
Total current liabilities		54,108	68,821
Non-current liabilities			
Accrued employee benefits	15	65	43
Outstanding claims liability	16	117,620	128,892
Total non-current liabilities		117,685	128,935
Total liabilities		171,793	197,756
Net assets		661,906	502,747
Equity			
Contributed equity		121	121
Accumulated surplus		661,785	502,626
Total equity		661,906	502,747

The accompanying notes form part of these statements.

Financial information 2013–14

Nominal Defendant

Statement of Changes in Equity

for the year ended 30 June 2014

	Accumulated surplus \$'000	Contributed equity \$'000	Total equity \$'000
Balance as at 1 July 2012	372,014	121	372,135
Operating result	130,612	-	130,612
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2013	502,626	121	502,747
Balance as at 1 July 2013	502,626	121	502,747
Operating result	159,159	-	159,159
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2014	661,785	121	661,906

The accompanying notes form part of these statements.

Financial information 2013–14

Nominal Defendant

Statement of Cash Flows

for the year ended 30 June 2014

	Notes	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Inflows:			
Levy income		45,657	46,350
Interest income		56	70
Dividends received from FAI liquidator		51,754	14,748
Reinsurance and other recoveries		622	1,231
GST input tax credits from ATO		872	780
GST collected from customers		20	9
Outflows:			
Gross claims incurred		(49,384)	(35,416)
Outward reinsurance premium expense		(1,746)	(1,742)
Employee expenses		(1,745)	(1,113)
Supplies and services		(891)	(695)
GST paid to suppliers		(866)	(788)
GST remitted to ATO		(20)	(9)
Other		(46)	(34)
Net cash provided by operating activities	17	44,283	23,391
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		8,000	1,000
Outflows:			
Payments for plant and equipment and intangibles		(1,849)	(1,650)
Payments for financial assets		(49,500)	(23,000)
Net cash used in investing activities		(43,349)	(23,650)
Net increase/(decrease) in cash and cash equivalents		934	(259)
Cash and cash equivalents at beginning of financial year		3,014	3,273
Cash and cash equivalents at end of financial year	9	3,948	3,014

The accompanying notes form part of these statements.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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 2014, 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 equity 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.

(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 received but not banked at 30 June.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(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 (s)). 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

Plant and equipment (that is not classified as 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*. The carrying amounts for such plant and equipment at cost should not materially differ from their fair value.

Intangible assets are measured at their historical cost, unless there is an active market for the assets concerned (in which case they are measured at fair value).

The fair values reported by the Nominal Defendant are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (refer to Note 1(l)).

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(l) Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the Nominal Defendant include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the Nominal Defendant assets/liabilities. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

All assets and liabilities of the Nominal Defendant for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

None of the Nominal Defendant's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy. As 2013-14 is the first year of application of AASB 13 by the Nominal Defendant, there were no transfers of assets between fair value hierarchy levels during the period.

Fair value information about the Nominal Defendant's Financial Instruments is outlined in Note 19.

The Nominal Defendant does not have any Plant and Equipment at fair value.

(m) Intangibles

Intangible assets with a cost or other value greater than \$100,000 are recognised in the financial statements. Items with a lesser value are 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 of 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.

No intangible assets have been classified as held for sale or form part of a disposal group held for sale.

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 7 years, commencing from the date the assets are available for use.

(n) 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.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(n) Amortisation and depreciation of intangibles and plant and equipment – continued

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
Internally generated software	14.29

(o) 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.

(p) Leases

Operating leases are recognised where the lessor effectively retains substantially all risks and benefits incidental to ownership.

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.

(q) 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.

(r) 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.

(s) 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.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(t) 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 other 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.

(u) 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 current remuneration rates.

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 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. 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 and General Government Sector Financial Reporting*.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(u) Employee benefits – continued

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.

(v) 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.

(w) 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.

(x) 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).

(y) 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.

(z) 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 (s) 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.

(aa) 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.

(ab) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2013-14. The only Australian Accounting Standard changes applicable for the first time as from 2013-14 that have had a significant impact on the Nominal Defendant's financial statements are those arising from AASB 13 Fair Value Measurement, as explained below.

AASB 13 *Fair Value Measurement* became effective 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 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 impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(ab) New and revised accounting standards – continued

AASB 13 has required an increased amount of information to be disclosed in relation to fair value measurements for both assets and liabilities. For those fair value measurements of assets or liabilities that substantially are based on data that is not accessible outside the Nominal Defendant, the amount of information disclosed has significantly increased. Note 1(l) explains some of the principles underpinning the additional fair value information disclosed.

A revised version of AASB 119 *Employee Benefits* became effective for reporting periods beginning on or after 1 January 2013. Given the Nominal Defendant's circumstances, the only implications for the Nominal Defendant were the revised concept of 'termination benefits' and the revised recognition criteria for termination benefit liabilities. If termination benefits meet the AASB 119 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 need to be measured according to the AASB 119 requirements for 'other long-term employee benefits'. Under the revised standard, the recognition and measurement of 'other long-term employee benefits' are 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, those changes to AASB 119 will have no impact on the Nominal Defendant.

AASB 1053 *Application of Tiers of Australian Accounting Standards* became effective for 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 the Tier 1 and Tier 2 requirements is that Tier 2 requires fewer disclosures than Tier 1.

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 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 has had no impact on the Nominal Defendant.

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 1055 *Budgetary Reporting* applies from reporting periods beginning on or after 1 July 2014. The Nominal Defendant will need to include in its 2014-15 financial statements the original budgeted figures from the Income Statement, Balance Sheet, Statement of Changes in Equity, and Cash Flow Statement as published in the 2014-15 Queensland Government's Service Delivery Statements. The budgeted figures will need to be presented consistently with the corresponding (actuals) financial statements, and will be accompanied by explanations of major variances between the actual amounts and the corresponding original budgeted figures.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

1. Summary of significant accounting policies – continued

(ab) New and revised accounting standards – continued

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*;
- AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 3, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 & 17]*; and
- AASB 2013-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities - Control and Structured Entities*.

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. AASB 2013-8 applies the various principles in AASB 10 for determining whether a not-for-profit entity controls another entity. On the basis of those accounting standards, the Nominal Defendant has reviewed the nature of its relationship with other entities that the Nominal Defendant is connected with, including entities that are not currently consolidated, to determine the impact of AASB 2013-8. The Nominal Defendant's conclusion is that it will not have any control over any entities.

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. The Nominal Defendant has assessed its arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11. Based on present arrangements, no joint arrangements exist. However, if a joint arrangement does arise in future, 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* 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]* will become effective for reporting periods beginning on or after 1 January 2017. 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 2017-18 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 (t) 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 2017-18. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2017-18 financial statements to explain the impact of adopting AASB 9.

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 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014	2013
	\$'000	\$'000
2. Net levy income		
Levy income	45,405	46,708
Outward reinsurance premium expense	(1,722)	(1,772)
Net levy income	43,683	44,936
3. Net claims incurred		
(a) Claims analysis		
Gross claims incurred	24,479	15,340
Reinsurance and other recoveries	(919)	(2,441)
Total net claims incurred	23,560	12,899
Net claims incurred attributable to Nominal Defendant		
Gross claims incurred	24,361	16,274
Reinsurance and claims recoveries	(314)	(2,504)
	24,047	13,770
Net claims incurred attributable to FAI		
Gross claims incurred	118	(934)
Reinsurance and other recoveries	(605)	63
	(487)	(871)
Total net claims incurred	23,560	12,899

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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

	2014			2013		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
Undiscounted	47,768	(25,722)	22,046	50,166	(34,327)	15,839
Discount	(5,454)	7,769	2,315	(6,078)	6,513	435
	42,314	(17,953)	24,361	44,088	(27,814)	16,274
Reinsurance and other recoveries						
Undiscounted	996	(814)	182	1,044	1,448	2,492
Discount	(112)	244	132	(125)	137	12
	884	(570)	314	919	1,585	2,504
Net claims incurred – discounted	41,430	(17,383)	24,047	43,169	(29,399)	13,770
Claims attributable to FAI						
	2014			2013		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
Undiscounted	-	(1,098)	(1,098)	-	(179)	(179)
Discount	-	1,216	1,216	-	(755)	(755)
	-	118	118	-	(934)	(934)
Reinsurance and other recoveries						
Undiscounted	-	618	618	-	(12)	(12)
Discount	-	(13)	(13)	-	(51)	(51)
	-	605	605	-	(63)	(63)
Net claims incurred – discounted	-	(487)	(487)	-	(871)	(871)
Total net claims incurred – discounted	41,430	(17,870)	23,560	43,169	(30,270)	12,899

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
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.		
Gross claims incurred attributable to Nominal Defendant		
Claims and associated settlement costs	43,947	31,776
Movement in outstanding claims liability	(19,586)	(15,502)
	24,361	16,274
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	5,437	3,639
Movement in outstanding claims liability	(5,319)	(4,573)
	118	(934)
Total gross claims incurred	24,479	15,340
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	3,466	914
Movement in reinsurance and other recoveries receivable	(3,152)	1,590
	314	2,504
Reinsurance and other recoveries attributable to FAI		
Reinsurance and claims recoveries	143	361
Movement in reinsurance and other recoveries receivable	462	(424)
	605	(63)
Total reinsurance and other recoveries	919	2,441
Net claims incurred	23,560	12,899

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
4. Employee expenses		
Employee benefits		
Salaries and wages	1,306	876
Annual leave expense*	115	126
Employer superannuation contributions*	176	124
Long service leave levy*	25	10
Termination benefits	16	-
Employee related expenses		
Workers' compensation premium*	3	3
Payroll tax*	77	56
Other employee related expenses	6	6
Total	1,724	1,201

*Refer to Note 1(u).

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2014	2013
Number of employees	16	22

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

	2014 \$'000	2013 \$'000
Employee benefits		
Salaries and wages	29	32
Annual leave expense*	3	3
Employer superannuation contributions*	4	4
Long service leave levy*	1	-
Employee related expenses		
Payroll tax*	2	2
Total	39	41

*Refer to Note 1(u).

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis (reflecting Minimum Obligatory Human Resource Information (MOHRI)) is:

	2014	2013
Number of employees	1	1

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

5. Key management personnel and remuneration expenses

(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 2013-14. Further information on these positions can be found in the body of the Annual Report under the section on Leading the Motor Accident Insurance Commission.

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; <i>Public Service Act 2008</i> and Governor in Council, in accordance with section 7 of the <i>Motor Accident Insurance Act 1994</i>	6-Dec-10
Director, Corporate Governance	Responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of the Nominal Defendant.	SO; <i>Public Service Act 2008</i>	13-Feb-06
Director, Technology and Business Intelligence	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and support decision making.	SO; <i>Public Service Act 2008</i>	7-Nov-11 (9-May-14)
Director, Business Solutions*	Provide efficient and reliable information systems that enhance customer service, increase business productivity and processes and support decision making.	SO; <i>Public Service Act 2008</i>	2-Jun-14
Manager, Claims	Responsible for the effective management and internal control of the Nominal Defendant claims management unit.	SO; <i>Public Service Act 2008</i>	1-Jul-10 (21-Mar-14)
Director, Claims**	Responsible for the effective management and internal control of the Nominal Defendant claims management unit.	SO; <i>Public Service Act 2008</i>	1-May-14

*This position was previously named Director, Technology and Business Intelligence.

**This position was previously named Manager, Claims.

(b) Remuneration expenses

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 2013-14 year, remuneration of key management personnel increased by 2.2% in accordance with government policy.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

5. Key management personnel and remuneration expenses – continued

(b) Remuneration expenses – continued

Remuneration packages for key management personnel comprise the following components:

- Short term employee benefits which include:
 - Salaries, 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.
 - Performance payment recognised as an expense during the year.
 - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits 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.

The remuneration below includes remuneration in connection with the management of the Nominal Defendant and the Queensland Government Insurance Fund. The remuneration has been allocated in the Statement of Comprehensive Income in accordance with services provided between the entities.

The other key management personnel are not included in this table, however, they have been included in the Motor Accident Insurance Commission financial statements under Note 4.

1 July 2013 to 30 June 2014

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Director, Claims	25	-	1	2	-	28
Manager, Claims (21-Mar-14)	92	-	3	11	53	159

1 July 2012 to 30 June 2013

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

(c) Performance Payments

Performance bonuses are not paid under the contracts in place.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
6. Supplies and services		
QIC management fee	2,179	2,020
Computer facilities management fee	225	285
Rent	179	159
Consultants and contractors	454	134
Corporate services fee	131	131
Supplies and consumables	70	58
Actuarial fees	43	-
Other	2	-
Total	3,283	2,787

Supplies and services attributable to FAI are included in the figures listed above:

Computer facilities management fee	2	13
Rent	4	3
Consultants and contractors	-	1
Total	6	17

7. Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

Plant and equipment	2	2
Intangibles	87	-
Total	89	2

8. Other expenses

Audit fees	37	36
Insurance premiums – QGIF	1	1
Other	-	1
Total	38	38

Total audit fees paid to the Queensland Audit Office relating to the 2013-14 financial year are estimated to be \$36,500 (2012-13 \$35,800). There are no non-audit services included in this amount.

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

Audit fees	5	5
Total	5	5

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
9. Cash and cash equivalents		
Cash at bank and on hand	3,948	3,014
Total	3,948	3,014

Interest on cash held with Queensland Treasury earned between 1.56% to 1.81% in 2014 (2013: 2.01% to 2.55%).

10. Receivables

Accrued investment and levy income	13	1,267
Sharing recoveries receivable on paid claims	247	124
Reinsurance recoveries on paid claims	2,863	-
Dividend receivable from FAI liquidator	-	964
GST receivable	65	71
Other receivables	24	4
Total	3,212	2,430

Receivables attributable to FAI are included in the figures listed above:

Sharing recoveries receivable on paid claims	247	124
Dividend receivable from FAI liquidator	-	964
Total	247	1,088

11. Financial assets

Current

Queensland Investment Corporation investments	172,552	170,525
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Non-current

Queensland Investment Corporation investments	645,456	515,034
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Total	818,008	685,559
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Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000				
12. Plant and equipment						
Plant and equipment: At cost						
Gross	26	26				
Less: accumulated depreciation	(17)	(15)				
Total	9	11				
Plant and equipment reconciliation						
Carrying amount at 1 July	11	13				
Depreciation	(2)	(2)				
Carrying amount at 30 June	9	11				
13. Intangible assets						
Purchased software: At cost						
Gross	3,634	219				
Less: accumulated amortisation	(87)	(219)				
	3,547	-				
Work in progress:						
At cost	-	1,824				
Total	3,547	1,824				
Intangibles reconciliation						
	Internally generated software		Work in progress		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Carrying amount at 1 July	-	-	1,824	248	1,824	248
Acquisitions	-	-	1,810	1,576	1,810	1,576
Transfers between classes	3,634	-	(3,634)	-	-	-
Amortisation	(87)	-	-	-	(87)	-
Carrying amount at 30 June	3,547	-	-	1,824	3,547	1,824

At 30 June 2013 the Nominal Defendant had Purchased software (Claims Management System) with an original cost of \$218,730 and a written down value of nil but was still in use. This system was replaced in May 2014. Costs associated with the new system were reported as work in progress until the system was implemented in May 2014.

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
14. Payables		
Sundry creditors and accruals	452	511
Total	452	511
Payables attributable to FAI are included in the figures listed above:		
Sundry creditors and accruals	5	6
Total	5	6

15. Accrued employee benefits

Current

Annual leave payable	140	165
Accrued salaries and wages	5	-
Total	145	165

Non-current

Annual leave payable	65	43
Total	65	43

Accrued employee benefits attributable to FAI are included in the figures listed above:

Current

Annual leave payable	5	5
Total	5	5

The discount rate used to calculate the present value of the non-current recreation leave is 2.5% (2013: 2.5%).

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
16. Net outstanding claims		
(a) Net outstanding claims		
Gross outstanding claims liability:		
Current	31,383	45,016
Non-current	117,620	128,892
Total	149,003	173,908
Reinsurance and other recoveries on outstanding claims:		
Current	1,002	3,666
Non-current	3,973	3,999
Total	4,975	7,665
Net outstanding claims:		
Current	30,381	41,350
Non-current	113,647	124,893
Total	144,028	166,243
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	139,922	160,770
Claims settlement costs	8,191	9,244
	148,113	170,014
Discount to present value	(14,975)	(17,290)
Gross outstanding claims liability	133,138	152,724
Current	28,518	41,184
Non-current	104,620	111,540
Gross outstanding claims liability	133,138	152,724
Reinsurance and other recoveries on outstanding claims	3,413	6,696
Discount to present value	(345)	(476)
Reinsurance and other recoveries on outstanding claims	3,068	6,220
Current	657	3,404
Non-current	2,411	2,816
Reinsurance and other recoveries on outstanding claims	3,068	6,220
Net outstanding claims	130,070	146,504
Central estimate	118,245	133,185
Risk margin	11,825	13,319
Net outstanding claims	130,070	146,504

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
16. Net outstanding claims – continued		
(a) Net outstanding claims – continued		
Net outstanding claims attributable to FAI		
Gross outstanding claims/expected future claim payments	17,304	23,634
Claims settlement costs	455	660
	17,759	24,294
Discount to present value	(1,894)	(3,110)
Gross outstanding claims liability	15,865	21,184
Current	2,865	3,832
Non-current	13,000	17,352
Gross outstanding claims liability	15,865	21,184
Reinsurance and other recoveries on outstanding claims	2,123	1,648
Discount to present value	(216)	(203)
Reinsurance and other recoveries on outstanding claims	1,907	1,445
Current	345	262
Non-current	1,562	1,183
Reinsurance and other recoveries on outstanding claims	1,907	1,445
Net outstanding claims	13,958	19,739
Central estimate	12,033	17,016
Risk margin	1,925	2,723
Net outstanding claims	13,958	19,739

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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

	2014	2013
Inflation rate	6.20%	6.40%
Discount rate	3.15%	3.30%
Claims handling expenses	6.00%	6.00%
Risk margin	10.00%	10.00%
Weighted average expected term to settlement	3.62 years	3.48 years

Assumptions attributable to FAI

	2014	2013
Inflation rate	6.25%	6.40%
Discount rate	3.10%	3.40%
Claims handling expenses	3.00%	3.00%
Risk margin	16.00%	16.00%
Weighted average expected term to settlement	3.8 years	4.2 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

Net outstanding claims	Movement in variable	Financial impact			
		Profit/(loss) 2014 \$'000	Equity 2014 \$'000	Profit/(loss) 2013 \$'000	Equity 2013 \$'000
Inflation rate	+1%	(4,262)	(4,262)	(4,591)	(4,591)
	-1%	4,052	4,052	4,366	4,366
Discount rate	+1%	3,981	3,981	4,349	4,349
	-1%	(4,274)	(4,274)	(4,666)	(4,666)
Claims handling expenses	+1%	(1,227)	(1,227)	(1,382)	(1,382)
	-1%	1,227	1,227	1,382	1,382
Risk margin	+1%	(1,182)	(1,182)	(1,332)	(1,332)
	-1%	1,182	1,182	1,332	1,332
Weighted average term to settlement	+0.5 years	1,902	1,902	2,266	2,266
	-0.5 years	(1,930)	(1,930)	(2,302)	(2,302)

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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) 2014 \$'000	Equity 2014 \$'000	Profit/(loss) 2013 \$'000	Equity 2013 \$'000
Inflation rate	+1%	(502)	(502)	(777)	(777)
	-1%	481	481	740	740
Discount rate	+1%	475	475	731	731
	-1%	(505)	(505)	(784)	(784)
Claims handling expenses	+1%	(136)	(136)	(192)	(192)
	-1%	136	136	192	192
Risk margin	+1%	(120)	(120)	(170)	(170)
	-1%	120	120	170	170
Weighted average term to settlement	+0.5 years	207	207	317	317
	-0.5 years	(210)	(210)	(322)	(322)

(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 2013-14 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 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

	2014 \$'000	2013 \$'000
17. Reconciliation of operating result to net cash from operating activities		
Operating result	159,159	130,612
Add/(subtract) items classified as investing activities:		
Net fair value gain on financial assets	(90,948)	(84,692)
Non-cash items:		
Depreciation	2	2
Amortisation	87	-
Changes in assets and liabilities:		
(Increase)/decrease in receivables	1,908	(2,253)
Increase/(decrease) in payables	(21)	(3)
Increase/(decrease) in unearned levies	(1,001)	(279)
Increase/(decrease) in outstanding claims liability	(24,905)	(20,076)
Increase/(decrease) in accrued employee benefits	2	80
Net cash from operating activities	44,283	23,391

18. Commitments for expenditure

(a) 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:

Software

▪ Not later than one year	-	627
▪ Later than one year and not later than five years	-	-

Total	-	627
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(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	309	173
▪ Later than one year and not later than five years	-	-

Total	309	173
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Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

19. Financial instruments

(a) Categorisation of financial instruments

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

Category	Notes	2014 \$'000	2013 \$'000
Financial assets			
Cash and cash equivalents	9	3,948	3,014
Receivables	10	3,212	2,430
Financial assets	11	818,008	685,559
Total		825,168	691,003
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	14	452	511
Total		452	511

(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 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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				Total \$'000
	Less than 30 days \$'000	30–60 days \$'000	61–90 days \$'000	More than 90 days \$'000	
2014					
Receivables (excluding sharing recoveries)	2,965	-	-	-	2,965
Total	2,965	-	-	-	2,965
2013					
Receivables (excluding sharing recoveries)	2,306	-	-	-	2,306
Total	2,306	-	-	-	2,306

Financial information 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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

	Note	Payable in			Total \$'000
		< 1 year \$'000	1–5 years \$'000	> 5 years \$'000	
2014					
Payables	14	452	-	-	452
Total		452	-	-	452
2013					
Payables	14	511	-	-	511
Total		511	-	-	511

(e) Market risk

The Nominal Defendant does not trade in foreign currency and is not 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 2013–14

Nominal Defendant

Notes to and forming part of the financial statements 2013–14

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 \$39,000 (2013: \$30,000) due to interest rate risk and \$8,180,000 (2013: \$6,856,000) 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) 2014 \$'000	Equity 2014 \$'000	Profit/(loss) 2013 \$'000	Equity 2013 \$'000
Interest rate risk	+1	39	39	30	30
	-1	(39)	(39)	(30)	(30)

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) 2014 \$'000	Equity 2014 \$'000	Profit/(loss) 2013 \$'000	Equity 2013 \$'000
Unit price risk	+1	8,180	8,180	6,856	6,856
	-1	(8,180)	(8,180)	(6,856)	(6,856)

(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 as outlined in Note 1(l).

According to the 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 2013–14

Nominal Defendant

Certificate of the Nominal Defendant

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with s.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 within all material respects; and
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Nominal Defendant for the financial year ended 30 June 2014 and of the financial position of the Nominal Defendant at the end of that year; and
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



L LEE
B.Com, CA
Director Corporate Governance
25 August 2014



N SINGLETON
B.Bus (Insurance), MBA, ANZIFF (Fellow), CIP, GAICD
Insurance Commissioner
25 August 2014

Financial information 2013–14

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 2014, 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 2013 to 30 June 2014 and of the financial position as at the end of that year.

Financial information 2013–14

Nominal Defendant

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 CA
As Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane