

OUR FINANCIAL INFORMATION

Motor Accident Insurance Commission Financial Statements 2014-15

Statement of Comprehensive Income	25
Statement of Financial Position	26
Statement of Changes in Equity	27
Statement of Cash Flows	28
Notes to and Forming Part of the Financial Statements	29
Management Certificate	51
Independent Auditor's Report	52

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 2014-15

Statement of Comprehensive Income	55
Statement of Financial Position	56
Statement of Changes in Equity	57
Statement of Cash Flows	58
Notes to and Forming Part of the Financial Statements	59
Management Certificate	89
Independent Auditor's Report	90

These financial statements cover the Nominal Defendant.

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

The head office and principal place of business is:

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

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

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

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

MAIC managed its business within budget and achieved an operating surplus of \$10.65 million for the year ended 30 June 2015. The major driver of the decrease were lower than anticipated returns on investments held with QIC of \$8.72 million due to uncertainty in global equity markets during the year.

The Statutory Insurance Scheme Levy remained unchanged from 1 July 2012 at \$1.85 per policy and generated \$7.41 million income in 2014-15 (prior year \$7.29 million). Penalty fines and other receipts rose by \$0.54 million to \$5.64 million.

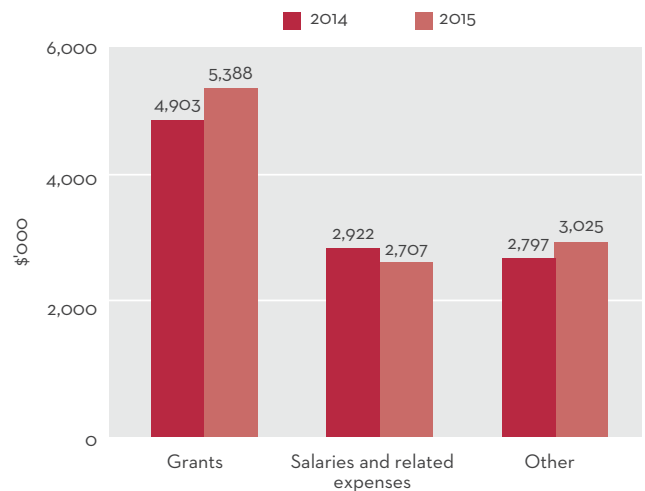
MAIC's total expenses for the year was \$11.12 million (prior year \$10.62 million). MAIC's largest expense item relates to the continued funding of research programs to seek to reduce the incidence and mitigate the effects of road trauma. Details of the grant funding are provided in Appendix 6.

MAIC's other expenses rose by \$0.23 million to \$3.02 million primarily as an result of an increase in consultancy and contractors engagements due to a greater focus on improvement initiatives and increased levels of specialised actuarial advice.

Income



Expenses



FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Statement of Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Income			
Levy income		7,413	7,292
Net fair value gains on financial assets		8,719	17,958
Interest income		165	180
Penalties and miscellaneous receipts		5,436	4,882
User charges		36	34
Total income		21,769	30,346
Expenses			
Grants	2	5,388	4,903
Employee expenses	3	2,707	2,922
Supplies and services	5	2,968	2,739
Depreciation and amortisation		10	5
Other expenses	6	47	53
Total expenses		11,120	10,622
Operating result		10,649	19,724
Other comprehensive income		-	-
Total comprehensive income		10,649	19,724

The accompanying notes form part of these statements.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Statement of Financial Position

as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents		2,370	2,951
Receivables	7	608	252
Financial assets	8	22,978	11,827
Prepayments		28	-
Total current assets		25,984	15,030
Non-current assets			
Financial assets	8	140,804	141,758
Plant and equipment	9	10	20
Intangible assets	10	-	-
Total non-current assets		140,814	141,778
Total assets		166,798	156,808
Current liabilities			
Payables		363	846
Accrued employee benefits	11	76	208
Total current liabilities		439	1,054
Non-current liabilities			
Accrued employee benefits	11	-	44
Total non-current liabilities		-	44
Total liabilities		439	1,098
Net assets		166,359	155,710
Equity			
Contributed equity		57,818	57,818
Accumulated surplus		108,541	97,892
Total equity		166,359	155,710

The accompanying notes form part of these statements.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

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

	Accumulated surplus \$'000	Contributed equity \$'000	Total equity \$'000
Balance as at 1 July 2013	78,168	57,818	135,986
Operating result	19,724	-	19,724
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2014	97,892	57,818	155,710
Balance as at 1 July 2014	97,892	57,818	155,710
Operating result	10,649	-	10,649
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2015	108,541	57,818	166,359

The accompanying notes form part of these statements.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Statement of Cash Flows

for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Levy income		7,413	7,488
Interest income		182	178
Penalties and miscellaneous receipts		5,250	4,848
User charges		28	34
GST input tax credits from ATO		634	664
GST collected from customers		23	5
<i>Outflows:</i>			
Grants		(5,716)	(4,541)
Employee expenses		(2,960)	(2,884)
Supplies and services		(2,615)	(2,120)
GST remitted to ATO		(7)	(4)
GST paid to suppliers		(766)	(672)
Other		(47)	(52)
Net cash provided by operating activities	12	1,419	2,944
Cash flows from investing activities			
<i>Inflows:</i>			
Proceeds from sale of financial assets		2,000	-
<i>Outflows:</i>			
Payments for financial assets		(4,000)	(3,000)
Net cash used in investing activities		(2,000)	(3,000)
Net decrease in cash and cash equivalents		(581)	(56)
Cash and cash equivalents at beginning of financial year		2,951	3,007
Cash and cash equivalents at end of financial year		2,370	2,951

The accompanying notes form part of these statements.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

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's *Financial Reporting Requirements* for the year ending 30 June 2015, 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 13.

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 (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 STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

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 change 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'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.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(j) Fair value measurement (continued)

None of MAIC's valuations of assets and liabilities are eligible for categorisation into level 1 of the fair value hierarchy. 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 15. MAIC does not have any plant and equipment at fair value.

(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) 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.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(o) Payables

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

(p) Financial instruments

Recognition

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

Classification

Financial instruments are classified and measured as follows:

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

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

All other disclosures relating to the measurement and financial risk management of financial instruments held by MAIC are included in Note 15.

(q) Employee benefits

Employer superannuation contributions, annual leave levies 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 and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current remuneration rates.

As MAIC expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

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.

Annual Leave

The Queensland Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercialised business units, shared service providers and voluntary for some statutory bodies. Effective from 1 July 2014, the employees' annual leave was transferred to the scheme and the Crown was compensated for balances transferred.

Under this scheme, a levy is made on MAIC to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

Effective from 1 July 2014, no provision for annual leave is recognised in MAIC's financial statements as the liability 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*.

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.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(q) Employee benefits (continued)

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

Superannuation

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

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

Key management personnel and remuneration

Key management personnel and remuneration disclosures are made in accordance with section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury. Refer to Note 4 for the disclosures on key management personnel and remuneration.

(r) Insurance

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

(s) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes are adjusted to

Contributed Equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(t) Taxation

MAIC is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by MAIC. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 7).

(u) Issuance of financial statements

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

(v) Judgements and assumptions

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

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

(w) Rounding and comparatives

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

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

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(x) New and revised accounting standards

MAIC did not voluntarily change any of its accounting policies during 2014-15. The only Australian Accounting Standard applicable for the first time as from 2014-15 that had the most significant impact on MAIC's financial statements is AASB 1055 *Budgetary Reporting*.

AASB 1055 became effective from reporting periods beginning on or after 1 July 2014. In response to this new standard, MAIC has included in these financial statements a comprehensive new note 'Budget vs Actual Comparison' (Note 16). This note discloses MAIC's original published budgeted figures for 2014-15 compared to actual results, with explanations of major variances, in respect of MAIC's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

The following new and revised standards also became applicable to MAIC 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]*.

Of these new/revised standards, the most significant potential impacts would arise from AASB 10 and AASB 11.

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.

MAIC has reviewed the nature of its relationship with other entities it is connected with to determine the impact of AASB 10. MAIC's conclusion is that it does not have any control over any entities. MAIC will continue to review its relationship with other entities from year to year to identify any need to apply AASB 10's principles.

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, MAIC will continue to review its relationships with other entities from year to year to identify any need to apply AASB 11's principles.

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. 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.

From reporting periods beginning on or after 1 July 2016, MAIC will need to comply with the requirements of AASB 124 *Related Party Disclosures*. That accounting standard requires a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities, and relationships between parent and controlled entities. MAIC already discloses information about the remuneration expenses for key management personnel (refer to note 4) in compliance with requirements from Queensland Treasury. Therefore, the most significant implications of AASB 124 for MAIC's financial statements will be the disclosures to be made about transactions with related parties, including transactions with key management personnel or close members of their families.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(x) New and revised accounting standards (continued)

AASB 15 *Revenue from Contracts with Customers* will become effective from reporting periods beginning on or after 1 January 2017. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Based on present arrangements, MAIC does not enter into contracts for the sale of goods and services. However, if a contract for sale of goods and services does arise in the future, MAIC will need to follow the relevant accounting treatment specified in AASB 15.

AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* will become effective for reporting periods beginning on or after 1 January 2018. The main impacts of these standards on MAIC are that they will change the requirements for the classification, measurement and disclosures associated with MAIC's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

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, all of MAIC's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in Notes 1(p) and 15). 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. Changes in the fair value of those assets will be reflected in MAIC's operating result.

Another impact of AASB 9 relates to calculating impairment losses for MAIC's receivables. Assuming no substantial change in the nature of MAIC's receivables, as they do not include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, MAIC will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

MAIC will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2018-19. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2018-19 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 STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

2. Grants

	2015 \$'000	2014 \$'000
Strategic accident prevention research	2,916	3,084
Rehabilitation initiatives research	2,472	1,819
Total	5,388	4,903

3. Employee expenses

	2015 \$'000	2014 \$'000
Employee benefits		
Salaries and wages	2,069	2,066
Employer superannuation contributions*	289	289
Long service leave levy*	49	48
Annual leave levy/expense*	236	301
Other employee benefits	6	16
Employee related expenses		
Workers' compensation premium*	4	6
Payroll tax*	1	128
Other employee related expenses	53	68
Total	2,707	2,922

*Refer to Note 1(q).

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:

	2015	2014
Number of employees	23	24

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

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 2014-15. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position
Insurance Commissioner	Leads the efficient, effective and economic administration of MAIC.	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 the efficient, effective and economic financial administration of MAIC.	SO; <i>Public Service Act 2008</i>	13-Feb-06
Director, Business Solutions	Responsible for efficient and effective information systems and reporting.	SO; <i>Public Service Act 2008</i>	2-Jun-14

(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 (including motor vehicle entitlements) for the key management personnel are specified in employment contracts.

For the 2014-15 year, remuneration of key management personnel increased by 2.2% in accordance with government policy.

The following disclosures include 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.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

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.

1 July 2014 to 30 June 2015

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	237	-	5	24	-	266
Director, Corporate Governance	146	-	3	17	-	166
Director, Business Solutions	117	-	2	13	-	132

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

(c) Performance payments

Performance bonuses are not paid under the contracts in place.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

5. Supplies and services

	2015 \$'000	2014 \$'000
Computer facilities management fee	81	352
Consultants and contractors	1,152	966
Rent	297	298
Supplies and consumables	205	328
Corporate services fee	270	154
QIC management fee	477	433
Professional services	152	128
Actuarial fees	334	80
Total	2,968	2,739

6. Other expenses

	2015 \$'000	2014 \$'000
External audit fees	20	20
Insurance premiums - QGIF	27	26
Other	-	7
Total	47	53

Total audit fees paid to the Queensland Audit Office relating to the 2014-15 financial year are estimated to be \$20,000 (2014: \$20,000). There are no non-audit services included in this amount.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

7. Receivables

	2015 \$'000	2014 \$'000
Accrued investment and levy income	33	50
Penalties receivable	151	145
GST receivable	188	56
GST payable	(17)	(1)
Annual leave reimbursements	53	-
Grant receivable	180	-
Other receivables	20	2
Total	608	252

8. Financial assets

	2015 \$'000	2014 \$'000
Current		
Queensland Investment Corporation investments	22,978	11,827
Non-current		
Queensland Investment Corporation investments	140,804	141,758
Total	163,782	153,585

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

9. Plant and equipment

	2015 \$'000	2014 \$'000
Plant and equipment: At cost		
Gross	60	60
Less: accumulated depreciation	(50)	(40)
Total	10	20
Plant and equipment reconciliation		
Carrying amount at 1 July	20	25
Depreciation	(10)	(5)
Carrying amount at 30 June	10	20

10. Intangible assets

	2015 \$'000	2014 \$'000
Internally generated software: At cost		
Gross	270	270
Less: accumulated amortisation	(270)	(270)
Total	-	-

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

11. Accrued employee benefits

	2015 \$'000	2014 \$'000
Current		
Annual leave payable	-	198
Annual leave levy payable	55	-
Accrued salaries and wages	21	10
Total	76	208
Non-current		
Annual leave payable	-	44
Total	-	44

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

	2015 \$'000	2014 \$'000
Operating result	10,649	19,724
Add/(subtract) items classified as investing activities:		
Net fair value gain on financial assets	(8,197)	(17,486)
Non-cash items:		
Depreciation and amortisation expense	10	5
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	(28)	-
(Increase)/decrease in receivables	(356)	162
Increase/(decrease) in payables	(483)	516
Increase/(decrease) in accrued employee benefits	(176)	23
Net cash from operating activities	1,419	2,944

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

13. 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:

	2015 \$'000	2014 \$'000
Levies		
Comprise amounts collected from the Department of Transport and Main Roads on gross insurance premiums.		
Levies collected but not remitted in the previous year	6,585	5,518
Hospital levy	67,894	65,235
Emergency Services levy	5,024	8,172
Total	79,503	78,925
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	67,934	62,997
Emergency Services levy contributions	4,935	9,343
Total	72,869	72,340
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	6,195	6,236
Emergency Services levy	439	349
Total	6,634	6,585

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

14. 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:

	2015 \$'000	2014 \$'000
Not later than one year	452	374
Later than one year and not later than five years	32	-
Total	484	374

(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:

	2015 \$'000	2014 \$'000
Not later than one year	5,336	2,987
Later than one year and not later than five years	2,303	28
Total	7,639	3,015

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

15. Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2015 \$'000	2014 \$'000
Financial assets			
Cash and cash equivalents		2,370	2,951
Receivables	7	608	252
Financial assets	8	163,782	153,585
Total		166,760	156,788
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables		363	846
Total		363	846

(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.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

15. Financial instruments (continued)

(c) 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 \$24,000 (2014: \$30,000) due to interest rate risk and \$1,638,000 (2014: \$1,536,000) 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.

Cash	Financial impact				
	Movement in variable %	Profit/(loss) 2015 \$'000	Equity 2015 \$'000	Profit/(loss) 2014 \$'000	Equity 2014 \$'000
Interest rate risk	+1	24	24	30	30
	-1	(24)	(24)	(30)	(30)

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

QIC Investments	Financial impact				
	Movement in variable %	Profit/(loss) 2015 \$'000	Equity 2015 \$'000	Profit/(loss) 2014 \$'000	Equity 2014 \$'000
Unit price risk	+1	1,638	1,638	1,536	1,536
	-1	(1,638)	(1,638)	(1,536)	(1,536)

(d) 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 STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

16. Budget vs actual comparison

A budget versus actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

In accordance with AASB 1055 *Budgetary Reporting*, the budget information presented to parliament has been restated for disclosure purposes to align with the presentation and classification bases adopted for the corresponding actual information in the financial statements, to facilitate a comparison of actual outcomes against the budget.

Statement of Comprehensive Income

	Variance Notes	Actual 2015 \$'000	Original Budget 2015 \$'000	Variance \$'000	Variance (%)
Income					
Levy income		7,413	7,336	77	1%
Net fair value gains on financial assets	1	8,719	10,472	(1,753)	-17%
Interest income		165	180	(15)	-8%
Penalties and miscellaneous receipts	2	5,436	4,831	605	13%
User charges		36	40	(4)	-10%
Total income		21,769	22,859	(1,090)	-5%
Expenses					
Grants	3	5,388	6,000	(612)	-10%
Employee expenses	4	2,707	3,265	(558)	-17%
Supplies and services	5	2,968	2,508	460	18%
Depreciation and amortisation		10	3	7	233%
Other expenses		47	51	(4)	-8%
Total expenses		11,120	11,827	(707)	-6%
Operating result		10,649	11,032	(383)	-3%
Other comprehensive income		-	-	-	-
Total comprehensive income		10,649	11,032	(383)	-3%

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

16. Budget vs actual comparison (continued)

Statement of Financial Position

	Variance Notes	Actual 2015 \$'000	Original Budget 2015 \$'000	Variance \$'000	Variance (%)
Current assets					
Cash and cash equivalents	6	2,370	2,000	370	19%
Receivables		608	415	193	47%
Financial assets	7	22,978	11,827	11,151	94%
Prepayments		28	-	28	-
Total current assets		25,984	14,242	11,742	82%
Non-current assets					
Financial assets	7	140,804	150,620	(9,816)	-7%
Plant and equipment		10	17	(7)	-41%
Intangible assets		-	-	-	-
Total non-current assets		140,814	150,637	(9,823)	-7%
Total assets		166,798	164,879	1,919	1%
Current liabilities					
Payables		363	337	26	8%
Accrued employee benefits	8	76	287	(211)	-74%
Total current liabilities		439	624	(185)	-30%
Non-current liabilities					
Accrued employee benefits		-	-	-	-
Total non-current liabilities		-	-	-	-
Total liabilities		439	624	(185)	-30%
Net assets		166,359	164,255	2,104	1%
Equity					
Contributed equity		57,818	57,818	-	0%
Accumulated surplus		108,541	106,437	2,104	2%
Total equity		166,359	164,255	2,104	1%

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

16. Budget vs actual comparison (continued)

Statement of Cash Flows

	Variance Notes	Actual 2015 \$'000	Original Budget 2015 \$'000	Variance \$'000	Variance (%)
Cash flows from operating activities					
<i>Inflows:</i>					
Levy income		7,413	7,336	77	1%
Interest income		182	180	2	1%
Penalties and miscellaneous receipts	2	5,250	4,831	419	9%
User charges		28	42	(14)	-33%
GST input tax credits from ATO		634	-	634	-
GST collected from customers		23	-	23	-
<i>Outflows:</i>					
Grants	3	(5,716)	(6,000)	284	-5%
Employee expenses	4	(2,960)	(3,236)	276	-9%
Supplies and services	5	(2,615)	(1,894)	(721)	38%
GST remitted to ATO		(7)	-	(7)	-
GST paid to suppliers		(766)	-	(766)	-
Other		(47)	(181)	134	-74%
Net cash provided by operating activities		1,419	1,078	341	32%
Cash flows from investing activities					
<i>Inflows:</i>					
Proceeds from sale of financial assets	9	2,000	-	2,000	-
<i>Outflows:</i>					
Payments for financial assets	9	(4,000)	(1,078)	(2,922)	271%
Net cash used in investing activities		(2,000)	(1,078)	(922)	86%
Net decrease in cash and cash equivalents		(581)	-	(581)	-
Cash and cash equivalents at beginning of financial year		2,951	2,000	951	48%
Cash and cash equivalents at end of financial year		2,370	2,000	370	19%

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2014-15

16. Budget vs actual comparison (continued)

Explanations of major variances

Statement of Comprehensive Income

1. The decrease in net fair value gains on financial assets is primarily due to lower than expected earnings on QIC investments due to uncertainty in the international equity market in June 2015.
2. The increase in penalties and miscellaneous receipts primarily relates to unanticipated grant recoveries.
3. The variance in grants payments is due to lower than anticipated investment in research activities.
4. A decrease in employee expenses is primarily due to rationalisation of roles in areas where vacancies have arisen.
5. The increase in supplies and services primarily reflects an increase in consultancy and contractors engagements due to a greater focus on improvement initiatives and increased levels of specialised actuarial advice.

Statement of Financial Position

6. The cash and cash equivalents balance is higher than projected as detailed in the Statement of Cash Flows.
7. The variance in current and non-current financial assets is primarily due a reclassification from non-current to current QIC investments.
8. Effective from 1 July 2014, no provision for annual leave is recognised the financial statements as MAIC became a member of the Queensland Government's Annual Leave Central Scheme (ALCS).

Statement of Cash Flows

9. The variances in cash flows from investing activities reflect QIC cash investments and drawdowns performed during the year to meet MAIC's cash flow requirements.

FINANCIAL STATEMENTS 2014-15

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 2015 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
24 August 2015



N Singleton
B.Bus (Insurance), MBA
Insurance Commissioner
24 August 2015

FINANCIAL STATEMENTS 2014-15

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 2015, 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.

FINANCIAL STATEMENTS 2014-15

Motor Accident Insurance Commission

Independent Auditor's Report (continued)

Opinion

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

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

(b) in my opinion -

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

(ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2014 to 30 June 2015 and of the financial position as at the end of that year.

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

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

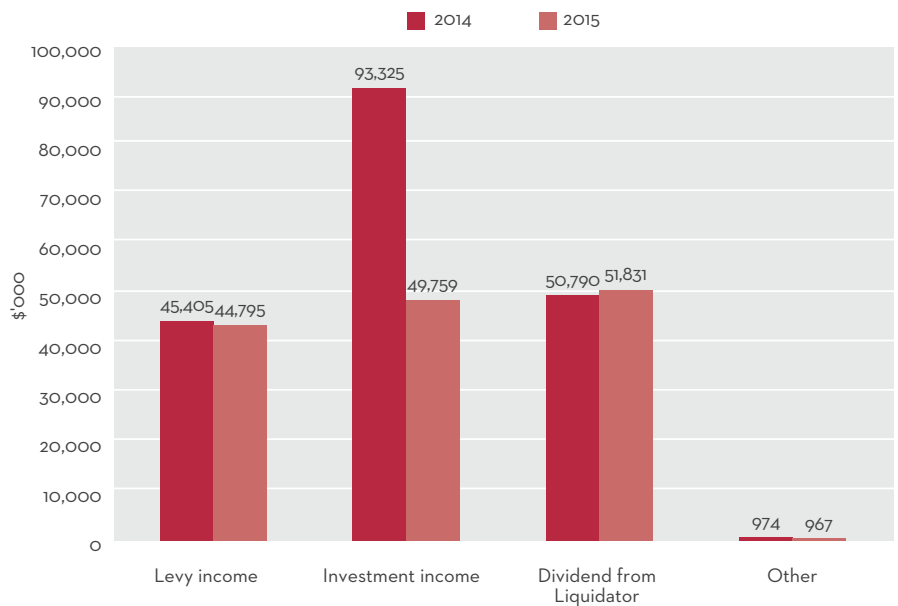
The operating surplus of the Nominal Defendant for the year ended 30 June 2015 was \$116.12 million compared to the prior year's operating surplus of \$159.16 million.

The major driver for the decrease was lower than anticipated returns on investments held with QIC due to the uncertainty in the global equity markets during the year (\$49.76 million versus prior year \$93.33 million).

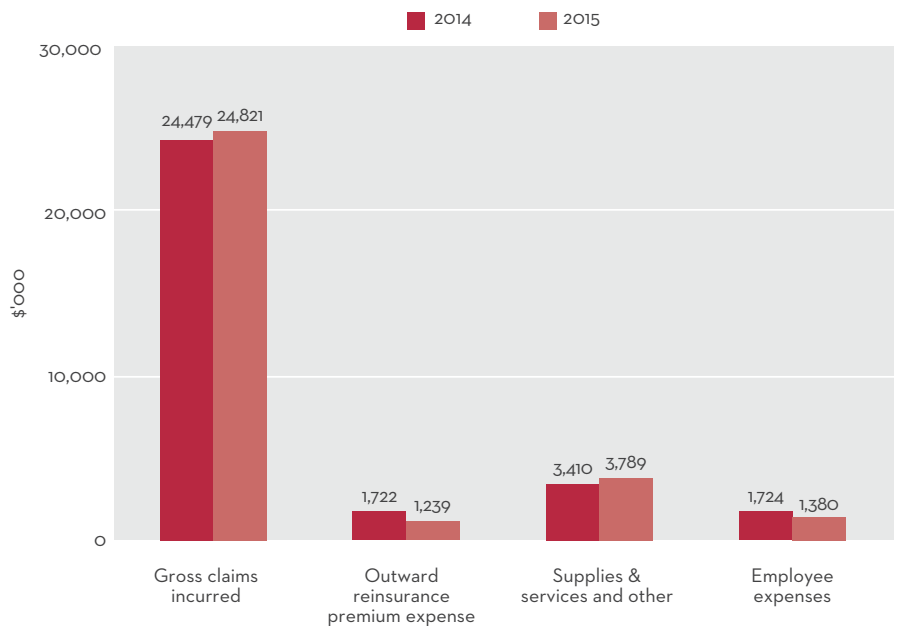
In relation to the normal business of the Nominal Defendant, claim payments were \$24.38 million (compared to prior year \$43.95 million) and claim recoveries were \$0.94 million (prior year \$3.47 million). The gross outstanding claims liabilities were actuarially assessed at 30 June 2015 and increased by \$1.33 million to \$134.47 million.

The Nominal Defendant levy remained unchanged from 1 July 2013 at \$11.50 per Class 1 vehicle and generated \$44.8 million in levy income in 2014-15 (prior year \$45.41 million).

Income



Expenses



FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Statement of Comprehensive Income for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Income			
Levy income	2	44,795	45,405
Net fair value gains on financial assets		49,759	93,325
Dividends received from FAI liquidator		51,831	50,790
Reinsurance and other recoveries	3	914	919
Interest income		53	55
Total income		147,352	190,494
Expenses			
Gross claims incurred	3	24,821	24,479
Outward reinsurance premium expense	2	1,239	1,722
Employee expenses	4	1,380	1,724
Supplies and services	6	3,227	3,283
Depreciation and amortisation		524	89
Other	7	38	38
Total expenses		31,229	31,335
Operating result		116,123	159,159
Other comprehensive income		-	-
Total comprehensive income		116,123	159,159

The accompanying notes form part of these statements.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Statement of Financial Position

as at 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents		3,118	3,948
Receivables	8	289	3,212
Financial assets	9	195,194	172,552
Reinsurance and other recoveries on outstanding claims	13	972	1,002
Prepayments		14	-
Total current assets		199,587	180,714
Non-current assets			
Financial assets	9	741,340	645,456
Reinsurance and other recoveries on outstanding claims	13	3,895	3,973
Plant and equipment	10	4	9
Intangible assets	11	3,028	3,547
Total non-current assets		748,267	652,985
Total assets		947,854	833,699
Current liabilities			
Payables		378	452
Accrued employee benefits	12	38	145
Outstanding claims liability	13	30,588	31,383
Unearned levies		22,447	22,128
Total current liabilities		53,451	54,108
Non-current liabilities			
Accrued employee benefits	12	-	65
Outstanding claims liability	13	116,374	117,620
Total non-current liabilities		116,374	117,685
Total liabilities		169,825	171,793
Net assets		778,029	661,906
Equity			
Contributed equity		121	121
Accumulated surplus		777,908	661,785
Total equity		778,029	661,906

The accompanying notes form part of these statements.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

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

	Accumulated surplus \$'000	Contributed equity \$'000	Total equity \$'000
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
Balance as at 1 July 2014	661,785	121	661,906
Operating result	116,123	-	116,123
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2015	777,908	121	778,029

The accompanying notes form part of these statements.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Statement of Cash Flows

for the year ended 30 June 2015

	Notes	2015 \$'000	2014 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Levy income		45,121	45,657
Interest income		53	56
Dividends received from FAI liquidator		51,831	51,754
Reinsurance and other recoveries		3,925	622
GST input tax credits from ATO		681	872
GST collected from customers		15	20
<i>Outflows:</i>			
Gross claims incurred		(26,862)	(49,384)
Outward reinsurance premium expense		(1,347)	(1,746)
Employee expenses		(1,556)	(1,745)
Supplies and services		(474)	(891)
GST paid to suppliers		(672)	(866)
GST remitted to ATO		(15)	(20)
Other		(30)	(46)
Net cash provided by operating activities	14	70,670	44,283
Cash flows from investing activities			
<i>Inflows:</i>			
Proceeds from sale of financial assets		4,500	8,000
<i>Outflows:</i>			
Payments for plant and equipment and intangibles		-	(1,849)
Payments for financial assets		(76,000)	(49,500)
Net cash used in investing activities		(71,500)	(43,349)
Net (decrease)/increase in cash and cash equivalents		(830)	934
Cash and cash equivalents at beginning of financial year		3,948	3,014
Cash and cash equivalents at end of financial year		3,118	3,948

The accompanying notes form part of these statements.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

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's *Financial Reporting Requirements* for the year ending 30 June 2015, 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.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(f) Cash and cash equivalents

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

(g) Receivables

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

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

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

(h) Reinsurance and other recoveries on outstanding claims

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

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

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

(i) Acquisitions of assets

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

Where assets are received free of charge from another Queensland Government Entity (whether as a result of a machinery-of-Government change 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'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 STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

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. 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 16.

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.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(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.

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) Financial assets

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

(q) Payables

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

(r) Outstanding claims liability

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

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

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(s) Financial instruments

Recognition

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

Classification

Financial instruments are classified and measured as follows:

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

The Nominal Defendant does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, the Nominal Defendant holds no 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 16.

(t) Employee benefits

Employer superannuation contributions, annual leave levies 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 and sick leave

Wages and salaries due but unpaid at reporting date are recognised in the Statement of Financial Position at the current remuneration rates.

As the Nominal Defendant expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

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.

Annual Leave

The Queensland Government's Annual Leave Central Scheme (ALCS) became operational on 30 June 2008 for departments, commercialised business units, shared service providers and voluntary for some statutory bodies. Effective from 1 July 2014, the employees' annual leave was transferred to the scheme and the Crown was compensated for balances transferred.

Under this scheme, a levy is made on the Nominal Defendant to cover the cost of employees' annual leave (including leave loading and on-costs). The levies are expensed in the period in which they are payable. Amounts paid to employees for annual leave are claimed from the scheme quarterly in arrears.

Effective from 1 July 2014, no provision for annual leave is recognised in the Nominal Defendant's financial statements as the liability 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*.

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.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(t) Employee benefits (continued)

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*.

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. Refer to Note 5 for the disclosures on key management personnel and remuneration.

(u) Insurance

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

(v) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a

result of machinery-of-government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities*. Appropriations for equity adjustments are similarly designated.

(w) Taxation

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

(x) Issuance of financial statements

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

(y) Judgements and assumptions

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

The Nominal Defendant places high reliance on actuarial estimates provided by its actuary, Queensland Government State Actuary's Office, in calculating the reinsurance and other recoveries on outstanding claims and the outstanding claims liability as at the end of the financial year. Refer to Notes 1 (h), 1 (r) and 13.

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.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(z) Rounding and comparatives

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

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

(aa) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2014-15. The only Australian Accounting Standard changes applicable for the first time as from 2014-15 that have had a significant impact on the Nominal Defendant's financial statements is AASB 1055 *Budgetary Reporting*.

AASB 1055 *Budgetary Reporting* became effective from reporting periods beginning on or after 1 July 2014. In response to this new standard, the Nominal Defendant has included in these financial statements a comprehensive new note 'Budget vs Actual Comparison' (Note 17). This note discloses the Nominal Defendant's original published budgeted figures for 2014-15 compared to actual results, with explanations of major variances, in respect of the Nominal Defendant's Statement of Comprehensive Income, Statement of Financial Position and Statement of Cash Flows.

The following new and revised standards also became applicable to the Nominal Defendant 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].

Of these new/revised standards, the most significant potential impacts would arise from AASB 10 and AASB 11.

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. The Nominal Defendant has reviewed the nature of its relationship with other entities it is connected with, to determine the impact of AASB 10. It has concluded that it does not have any control over any entities. The Nominal Defendant will continue to review its relationships with other entities from year to year to identify any need to apply AASB 10's principles.

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, the Nominal Defendant will continue to review its relationships with other entities from year to year to identify any need to apply AASB 11's principles.

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. 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.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

1. Summary of significant accounting policies (continued)

(aa) New and revised accounting standards (continued)

From reporting periods beginning on or after 1 July 2016, the Nominal Defendant will need to comply with the requirements of AASB 124 *Related Party Disclosures*. That accounting standard requires a range of disclosures about the remuneration of key management personnel, transactions with related parties/entities, and relationships between parent and controlled entities. The Nominal Defendant already discloses information about the remuneration expenses for key management personnel (refer to Note 5) in compliance with requirements from Queensland Treasury. Therefore, the most significant implications of AASB 124 for the Nominal Defendant's financial statements will be the disclosures to be made about transactions with related parties, including transactions with key management personnel or close members of their families.

AASB 15 *Revenue from Contracts with Customers* will become effective from reporting periods beginning on or after 1 January 2017. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Based on present arrangements, the Nominal Defendant does not enter into contracts for the sale of goods and services. However, if a contract for the sale of goods and services does arise in the future, the Nominal Defendant will need to follow the relevant accounting treatment specified in AASB 15.

AASB 9 *Financial Instruments* and AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)* will become effective for reporting periods beginning on or after 1 January 2018. 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. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

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, all of the Nominal Defendant's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in Notes 1(s) and 16). 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. Changes in the fair value of those assets will be reflected in the Nominal Defendant's operating result.

Another impact of AASB 9 relates to calculating impairment losses for the Nominal Defendant's receivables. Assuming no substantial change in the nature of the Nominal Defendant's receivables, as they do not include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, the Nominal Defendant will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

The Nominal Defendant will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2018-19. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2018-19 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 STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

2. Net levy income

	2015 \$'000	2014 \$'000
Levy income	44,795	45,405
Outward reinsurance premium expense	(1,239)	(1,722)
Net levy income	43,556	43,683

3. Net claims incurred

(a) Claims analysis

	2015 \$'000	2014 \$'000
Gross claims incurred	24,821	24,479
Reinsurance and other recoveries	(914)	(919)
Total net claims incurred	23,907	23,560

Net claims incurred attributable to Nominal Defendant

Gross claims incurred	25,711	24,361
Reinsurance and claims recoveries	(971)	(314)
	24,740	24,047

Net claims incurred attributable to FAI

Gross claims incurred	(890)	118
Reinsurance and other recoveries	57	(605)
	(833)	(487)

Total net claims incurred	23,907	23,560
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FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

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.

	2015			2014		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Claims attributable to Nominal Defendant						
Gross claims incurred and related expenses						
Undiscounted	44,656	(23,492)	21,164	47,768	(25,722)	22,046
Discount	(4,019)	8,566	4,547	(5,454)	7,769	2,315
	40,637	(14,926)	25,711	42,314	(17,953)	24,361
Reinsurance and other recoveries						
Undiscounted	926	(60)	866	996	(814)	182
Discount	(82)	187	105	(112)	244	132
	844	127	971	884	(570)	314
Net claims incurred - discounted	39,793	(15,053)	24,740	41,430	(17,383)	24,047
Claims attributable to FAI						
Gross claims incurred and related expenses						
Undiscounted	-	(1,755)	(1,755)	-	(1,098)	(1,098)
Discount	-	865	865	-	1,216	1,216
	-	(890)	(890)	-	118	118
Reinsurance and other recoveries						
Undiscounted	-	(144)	(144)	-	618	618
Discount	-	87	87	-	(13)	(13)
	-	(57)	(57)	-	605	605
Net claims incurred - discounted	-	(833)	(833)	-	(487)	(487)
Total net claims incurred - discounted	39,793	(15,886)	23,907	41,430	(17,870)	23,560

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

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.

	2015 \$'000	2014 \$'000
Gross claims incurred attributable to Nominal Defendant		
Claims and associated settlement costs	24,377	43,947
Movement in outstanding claims liability	1,334	(19,586)
	25,711	24,361
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	2,486	5,437
Movement in outstanding claims liability	(3,376)	(5,319)
	(890)	118
Total gross claims incurred	24,821	24,479
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	940	3,466
Movement in reinsurance and other recoveries receivable	31	(3,152)
	971	314
Reinsurance and other recoveries attributable to FAI		
Reinsurance and claims recoveries	82	143
Movement in reinsurance and other recoveries receivable	(139)	462
	(57)	605
Total reinsurance and other recoveries	914	919
Net claims incurred	23,907	23,560

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

4. Employee expenses

	2015 \$'000	2014 \$'000
Employee benefits		
Salaries and wages	1,092	1,289
Employer superannuation contributions*	139	176
Long service leave levy*	25	29
Annual leave levy/expense*	121	144
Employee related expenses		
Workers' compensation premium*	2	3
Payroll tax*	(1)	77
Other employee related expenses	2	6
Total	1,380	1,724

* Refer to Note 1(t).

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

	2015	2014
Number of employees	12	16

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

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 2014-15. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position
Insurance Commissioner	Leads the efficient, effective and economic administration of the Nominal Defendant.	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 the efficient, effective and economic financial administration of the Nominal Defendant.	SO; <i>Public Service Act 2008</i>	13-Feb-06
Director, Business Solutions	Responsible for efficient and effective information systems and reporting.	SO; <i>Public Service Act 2008</i>	2-Jun-14
Director, Claims	Responsible for the Nominal Defendant claims management unit.	SO; <i>Public Service Act 2008</i>	1-May-14

(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 (including motor vehicle entitlements) for the key management personnel are specified in employment contracts.

For the 2014-15 year, remuneration of key management personnel increased by 2.2% in accordance with government policy.

The following disclosures include 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.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

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.

1 July 2014 to 30 June 2015

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	135	-	3	15	-	153

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

(c) Performance payments

Performance bonuses are not paid under the contracts in place.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

6. Supplies and services

	2015 \$'000	2014 \$'000
QIC management fee	2,507	2,179
Computer facilities management fee	66	225
Rent	140	179
Consultants and contractors	135	454
Corporate services fee	230	131
Supplies and consumables	60	72
Actuarial fees	89	43
Total	3,227	3,283

7. Other expenses

	2015 \$'000	2014 \$'000
Audit fees	37	37
Insurance premiums - QGIF	1	1
Total	38	38

Total audit fees paid to the Queensland Audit Office relating to the 2014-15 financial year are estimated to be \$36,400 (2014: \$36,400). There are no non-audit services included in this amount.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

8. Receivables

	2015 \$'000	2014 \$'000
Accrued investment and levy income	7	13
Sharing recoveries receivable on paid claims	207	247
Reinsurance recoveries on paid claims	-	2,863
GST receivable	56	65
Annual leave reimbursements	19	-
Other receivables	-	24
Total	289	3,212

9. Financial assets

	2015 \$'000	2014 \$'000
Current		
Queensland Investment Corporation investments	195,194	172,552
Non-current		
Queensland Investment Corporation investments	741,340	645,456
Total	936,534	818,008

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

10. Plant and equipment

	2015 \$'000	2014 \$'000
Plant and equipment: At cost		
Gross	26	26
Less: accumulated depreciation	(22)	(17)
Total	4	9
Plant and equipment reconciliation		
Carrying amount at 1 July	9	11
Depreciation	(5)	(2)
Carrying amount at 30 June	4	9

11. Intangible assets

	2015 \$'000	2014 \$'000
Internally generated software: At cost		
Gross	3,634	3,634
Less: accumulated amortisation	(606)	(87)
Total	3,028	3,547

Intangibles reconciliation	Internally generated software		Work in progress		Total	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Carrying amount at 1 July	3,547	-	-	1,824	3,547	1,824
Acquisitions	-	-	-	1,810	-	1,810
Transfers between classes	-	3,634	-	(3,634)	-	-
Amortisation	(519)	(87)	-	-	(519)	(87)
Carrying amount at 30 June	3,028	3,547	-	-	3,028	3,547

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

12. Accrued employee benefits

	2015 \$'000	2014 \$'000
Current		
Annual leave payable	-	140
Annual leave levy payable	29	-
Accrued salaries and wages	9	5
Total	38	145
Non-current		
Annual leave payable	-	65
Total	-	65

13. Net outstanding claims

(a) Net outstanding claims

	2015 \$'000	2014 \$'000
Gross outstanding claims liability:		
Current	30,588	31,383
Non-current	116,374	117,620
Total	146,962	149,003
Reinsurance and other recoveries on outstanding claims:		
Current	972	1,002
Non-current	3,895	3,973
Total	4,867	4,975
Net outstanding claims:		
Current	29,616	30,381
Non-current	112,479	113,647
Total	142,095	144,028

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

13. Net outstanding claims (continued)

(a) Net outstanding claims (continued)

	2015 \$'000	2014 \$'000
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	136,886	139,922
Claims settlement costs	8,013	8,191
	144,899	148,113
Discount to present value	(10,427)	(14,975)
Gross outstanding claims liability	134,472	133,138
Current	28,348	28,518
Non-current	106,124	104,620
Gross outstanding claims liability	134,472	133,138
Reinsurance and other recoveries on outstanding claims	3,339	3,413
Discount to present value	(240)	(345)
Reinsurance and other recoveries on outstanding claims	3,099	3,068
Current	654	657
Non-current	2,445	2,411
Reinsurance and other recoveries on outstanding claims	3,099	3,068
Net outstanding claims	131,373	130,070
Central estimate	119,430	118,245
Risk margin	11,943	11,825
Net outstanding claims	131,373	130,070

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

13. Net outstanding claims (continued)

(a) Net outstanding claims (continued)

	2015 \$'000	2014 \$'000
Net outstanding claims attributable to FAI		
Gross outstanding claims/ expected future claim payments	13,180	17,304
Claims settlement costs	339	455
	13,519	17,759
Discount to present value	(1,029)	(1,894)
Gross outstanding claims liability	12,490	15,865
Current	2,240	2,865
Non-current	10,250	13,000
Gross outstanding claims liability	12,490	15,865
Reinsurance and other recoveries on outstanding claims	1,896	2,123
Discount to present value	(128)	(216)
Reinsurance and other recoveries on outstanding claims	1,768	1,907
Current	318	345
Non-current	1,450	1,562
Reinsurance and other recoveries on outstanding claims	1,768	1,907
Net outstanding claims	10,722	13,958
Central estimate	9,243	12,033
Risk margin	1,479	1,925
Net outstanding claims	10,722	13,958

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

13. Net outstanding claims (continued)

(b) Actuarial assumptions

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

	2015	2014
Assumptions attributable to the Nominal Defendant		
Inflation rate	5.75%	6.20%
Discount rate	2.35%	3.15%
Claims handling expenses	6.00%	6.00%
Risk margin	10.00%	10.00%
Weighted average expected term to settlement	3.3 years	3.62 years
Assumptions attributable to FAI		
Inflation rate	5.75%	6.25%
Discount rate	2.30%	3.10%
Claims handling expenses	3.00%	3.00%
Risk margin	16.00%	16.00%
Weighted average expected term to settlement	3.5 years	3.8 years

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

13. Net outstanding claims (continued)

(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.

Net outstanding claims	Financial impact				
	Movement in variable %	Profit/(loss) 2015 \$'000	Equity 2015 \$'000	Profit/(loss) 2014 \$'000	Equity 2014 \$'000
Sensitivity analysis attributable to the Nominal Defendant					
Inflation rate	+1%	(4,135)	(4,135)	(4,262)	(4,262)
	-1%	3,970	3,970	4,052	4,052
Discount rate	+1%	3,906	3,906	3,981	3,981
	-1%	(4,152)	(4,152)	(4,274)	(4,274)
Claims handling expenses	+1%	(1,239)	(1,239)	(1,227)	(1,227)
	-1%	1,239	1,239	1,227	1,227
Risk margin	+1%	(1,194)	(1,194)	(1,182)	(1,182)
	-1%	1,194	1,194	1,182	1,182
Weighted average term to settlement	+0.5 years	1,480	1,480	1,902	1,902
	-0.5 years	(1,496)	(1,496)	(1,930)	(1,930)
Sensitivity analysis attributable to FAI					
Inflation rate	1%	(373)	(373)	(502)	(502)
	-1%	358	358	481	481
Discount rate	1%	354	354	475	475
	-1%	(376)	(376)	(505)	(505)
Claims handling expenses	1%	(104)	(104)	(136)	(136)
	-1%	104	104	136	136
Risk margin	1%	(92)	(92)	(120)	(120)
	-1%	92	92	120	120
Weighted average term to settlement	+0.5 years	121	121	207	207
	-0.5 years	(123)	(123)	(210)	(210)

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

13. Net outstanding claims (continued)

(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 2014-15 financial year the Nominal Defendant was able to secure unlimited cover with an excess of loss retention level of \$7.5 million. All reinsurers complied with Treasury's minimum requirements as specified by the Financial Management Standards.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

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

	2015 \$'000	2014 \$'000
Operating result	116,123	159,159
Add/(subtract) items classified as investing activities:		
Net fair value gain on financial assets	(47,026)	(90,948)
Non-cash items:		
Depreciation	5	2
Amortisation	519	87
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	(14)	-
(Increase)/decrease in receivables	3,031	1,908
Increase/(decrease) in payables	(74)	(21)
Increase/(decrease) in unearned levies	319	(1,001)
Increase/(decrease) in outstanding claims liability	(2,041)	(24,905)
Increase/(decrease) in accrued employee benefits	(172)	2
Net cash from operating activities	70,670	44,283

15. Commitments for expenditure

	2015 \$'000	2014 \$'000
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	64	309
Later than one year and not later than five years	-	-
Total	64	309

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

16. Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2015 \$'000	2014 \$'000
Financial assets			
Cash and cash equivalents		3,118	3,948
Receivables	8	289	3,212
Financial assets	9	936,534	818,008
Total		939,941	825,168
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables		378	452
Total		378	452

(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.

(c) 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 \$31,000 (2014: \$39,000) due to interest rate risk and \$9,365,000 (2014: \$8,180,000) 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 following table.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

16. Financial instruments (continued)

Cash	Financial impact				
	Movement in variable %	Profit/(loss) 2015 \$'000	Equity 2015 \$'000	Profit/(loss) 2014 \$'000	Equity 2014 \$'000
Interest rate risk	+1	31	31	39	39
	-1	(31)	(31)	(39)	(39)

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	Financial impact				
	Movement in variable %	Profit/(loss) 2015 \$'000	Equity 2015 \$'000	Profit/(loss) 2014 \$'000	Equity 2014 \$'000
Unit price risk	+1	9,365	9,365	8,180	8,180
	-1	(9,365)	(9,365)	(8,180)	(8,180)

(d) 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 STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

17. Budget vs actual comparison

A budget versus actual comparison and explanation of major variances has not been included for the Statement of Changes in Equity, as major variances relating to that statement have been addressed in explanations of major variances for other statements.

In accordance with AASB 1055 *Budgetary Reporting*, the budget information presented to parliament has been restated for disclosure purposes to align with the presentation and classification bases adopted for the corresponding actual information in the financial statements, to facilitate a comparison of actual outcomes against the budget.

Statement of Comprehensive Income

	Variance Notes	Actual 2015 \$'000	Original Budget 2015 \$'000	Variance \$'000	Variance (%)
Income					
Levy income		44,795	45,337	(542)	-1%
Net fair value gains on financial assets	1	49,759	53,987	(4,228)	-8%
Dividends received from FAI liquidator	2	51,831	-	51,831	-
Reinsurance and other recoveries	3	914	500	414	83%
Interest income		53	50	3	6%
Total income		147,352	99,874	47,478	48%
Expenses					
Gross claims incurred	4	24,821	53,311	(28,490)	-53%
Outward reinsurance premium expense	5	1,239	1,900	(661)	-35%
Employee expenses	6	1,380	1,732	(352)	-20%
Supplies and services		3,227	3,106	121	4%
Depreciation and amortisation		524	517	7	1%
Other		38	41	(3)	-7%
Total expenses		31,229	60,607	(29,378)	-48%
Operating result		116,123	39,267	76,856	196%
Other comprehensive income		-	-	-	-
Total comprehensive income		116,123	39,267	76,856	196%

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

17. Budget vs actual comparison (continued)

Statement of Financial Position

	Variance Notes	Actual 2015 \$'000	Original Budget 2015 \$'000	Variance \$'000	Variance (%)
Current assets					
Cash and cash equivalents		3,118	3,000	118	4%
Receivables		289	74	215	291%
Financial assets	7	195,194	190,482	4,712	2%
Reinsurance and other recoveries on outstanding claims	8	972	3,507	(2,535)	-72%
Prepayments		14	-	14	-
Total current assets		199,587	197,063	2,524	1%
Non-current assets					
Financial assets	7	741,340	691,554	49,786	7%
Reinsurance and other recoveries on outstanding claims	8	3,895	5,260	(1,365)	-26%
Plant and equipment		4	6	(2)	-33%
Intangible assets		3,028	3,001	27	1%
Total non-current assets		748,267	699,821	48,446	7%
Total assets		947,854	896,884	50,970	6%
Current liabilities					
Payables		378	611	(233)	-38%
Accrued employee benefits	9	38	214	(176)	-82%
Outstanding claims liability	10	30,588	51,258	(20,670)	-40%
Unearned levies		22,447	21,913	534	2%
Total current liabilities		53,451	73,996	(20,545)	-28%
Non-current liabilities					
Outstanding claims liability	10	116,374	153,773	(37,399)	-24%
Total non-current liabilities		116,374	153,773	(37,399)	-24%
Total liabilities		169,825	227,769	(57,944)	-25%
Net assets		778,029	669,115	108,914	16%
Equity					
Contributed equity		121	121	-	0%
Accumulated surplus	11	777,908	668,994	108,914	16%
Total equity		778,029	669,115	108,914	16%

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

17. Budget vs actual comparison (continued)

Statement of Cash Flows

	Variance Notes	Actual 2015 \$'000	Original Budget 2015 \$'000	Variance \$'000	Variance (%)
Cash flows from operating activities					
<i>Inflows:</i>					
Levy income		45,121	45,337	(216)	0%
Interest income		53	50	3	6%
Dividends received from FAI liquidator	2	51,831	-	51,831	-
Reinsurance and other recoveries	12	3,925	268	3,657	1365%
GST input tax credits from ATO		681	-	681	-
GST collected from customers		15	-	15	-
<i>Outflows:</i>					
Gross claims incurred	13	(26,862)	(33,476)	6,614	-20%
Outward reinsurance premium expense	5	(1,347)	(1,900)	553	-29%
Employee expenses	6	(1,556)	(1,729)	173	-10%
Supplies and services		(474)	(703)	229	-33%
GST paid to suppliers		(672)	-	(672)	-
GST remitted to ATO		(15)	-	(15)	-
Other		(30)	(55)	25	-45%
Net cash provided by operating activities		70,670	7,792	62,878	807%
Cash flows from investing activities					
<i>Inflows:</i>					
Proceeds from sale of financial assets	14	4,500	-	4,500	-
<i>Outflows:</i>					
Payments for plant and equipment and intangibles		-	-	-	-
Payments for financial assets	14	(76,000)	(7,792)	(68,208)	875%
Net cash used in investing activities		(71,500)	(7,792)	(63,708)	818%
Net decrease in cash and cash equivalents		(830)	-	(830)	-
Cash and cash equivalents at beginning of financial year		3,948	3,000	948	32%
Cash and cash equivalents at end of financial year		3,118	3,000	118	4%

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Notes to and forming part of the financial statements 2014-15

17. Budget vs actual comparison (continued)

Explanations of major variances

Statement of Comprehensive Income

1. The decrease in net fair value gains on financial assets is primarily due to lower than expected earnings on QIC investments due to uncertainty in the international equity market in June 2015.
2. This variance is a result of unanticipated FAI-Tail dividends received. HIH liquidators have confirmed that all proceeds from the HIH collapse have now been paid to the Nominal Defendant.
3. The increase in reinsurance and other recoveries primarily relates to unanticipated claim recoveries.
4. The variance in gross claims incurred is a result of \$21.8M lower than anticipated movement in outstanding claims liability and \$6.6M lower than anticipated claims costs. The outstanding claims liability is based on actuarial assessment.
5. The decrease in outward reinsurance premium expense is primarily due to savings from moving the self-retention limit from \$6M to \$7.5M.
6. A decrease in employee expenses is primarily due to rationalisation of roles in areas where vacancies have arisen.

Statement of Financial Position

7. The increase in current and non-current financial assets is primarily due higher investment of unanticipated FAI-Tail dividends (\$51.8M) received during 2014-15.

8. The variance in reinsurance and other recoveries on outstanding claims reflects actuarial assessment as at 30 June 2015.
9. Effective from 1 July 2014, no provision for annual leave is recognised in the financial statements as the Nominal Defendant became a member of the Queensland Government's Annual Leave Central Scheme (ALCS).
10. The movement in the current and non-current outstanding claims liability reflects actuarial assessment as at 30 June 2015.
11. The increase in accumulated surplus reflects higher than anticipated surplus in 2014-15 partially offset by actual audited opening balances lower than projected in the 2014-15 budget.

Statement of Cash Flows

12. The variance is due to receipt of receivables recorded as at 30 June 2014 which were not anticipated in the 2014-15 budget.
13. The variance in gross claims incurred is a result of lower than expected claim payments as the 2014-15 budget was based on 30 June 2013 projections.
14. The variances in cash flows from investing activities reflect QIC cash investments performed during the year to meet the Nominal Defendant's cash flow requirements, with the investing of excess funds from unanticipated FAI-Tail dividends.

FINANCIAL STATEMENTS 2014-15

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 with in 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 2015 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
24 August 2015



N Singleton
B.Bus (Insurance), MBA
Insurance Commissioner
24 August 2015

FINANCIAL STATEMENTS 2014-15

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 2015, 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.

FINANCIAL STATEMENTS 2014-15

Nominal Defendant

Independent Auditor's Report (continued)

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 2014 to 30 June 2015 and of the financial position as at the end of that year.

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