

## FINANCIAL INFORMATION 2011-2012

### Motor Accident Insurance Commission Financial Statements 2011-12

for the year ended 30 June 2012

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

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

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

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

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

For information in relation to MAIC's financial report please call 07 3035 6327, email [maic@maic.qld.gov.au](mailto:maic@maic.qld.gov.au) or visit the Commission's internet site [www.maic.qld.gov.au](http://www.maic.qld.gov.au).

### Nominal Defendant Financial Statements 2011-12

for the year ended 30 June 2012

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These financial statements cover the Nominal Defendant.

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

The head office and principal place of business is:

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

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

For information in relation to the Nominal Defendant's financial report please call 07 3035 6321, email [nd@maic.qld.gov.au](mailto:nd@maic.qld.gov.au) or visit the Nominal Defendant's internet site [www.maic.qld.gov.au](http://www.maic.qld.gov.au).

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

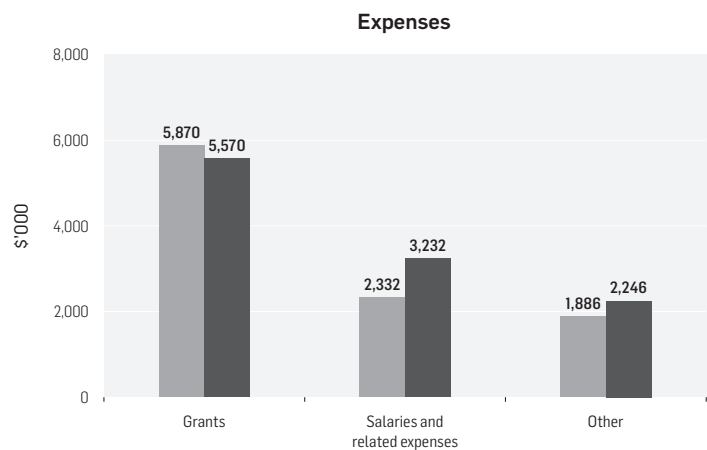
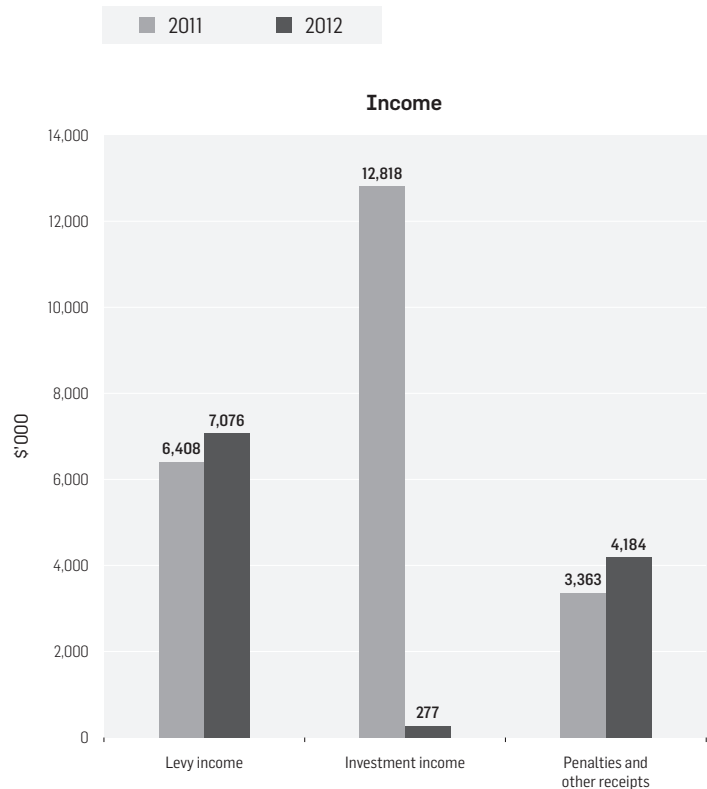
### Financial summary 2011-2012

MAIC managed its business within budget and achieved an operating surplus of \$0.49 million for the year ended 30 June 2012.

This was achieved despite minimal investment earnings for the year. The Statutory Scheme Levy was set at \$1.85 per CTP policy (compared to prior year \$1.80 per vehicle) and generated \$7.08 million income. Penalty fines and other receipts rose by \$0.82 million to \$4.18 million for the year.

MAIC's expenses for the year increased due to a number of staff accepting Voluntary Separation Payments during the year and additional positions being approved following a review of operational requirements in August 2011.

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.



## FINANCIAL INFORMATION 2011-2012

### Motor Accident Insurance Commission

#### Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Income</b>			
Levy income		7,076	6,408
Net fair value gains on financial assets		2	12,582
Interest income		275	236
Penalties and miscellaneous receipts		4,118	3,290
User charges		66	73
<b>Total income</b>		<b>11,537</b>	<b>22,589</b>
<b>Expenses</b>			
Grants		5,570	5,870
Employee expenses	2, 3	3,232	2,332
Supplies and services	4	2,182	1,776
Depreciation and amortisation	5	7	43
Other expenses	6	57	67
<b>Total expenses</b>		<b>11,048</b>	<b>10,088</b>
<b>Operating result</b>		<b>489</b>	<b>12,501</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>489</b>	<b>12,501</b>

The accompanying notes form part of these statements.

## FINANCIAL INFORMATION 2011-2012

### Motor Accident Insurance Commission

#### Statement of Financial Position

as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Current assets</b>			
Cash and cash equivalents	7	2,119	1,544
Receivables	8	429	191
Financial assets	9	15,216	11,163
Prepayments		–	7
<b>Total current assets</b>		<b>17,764</b>	<b>12,905</b>
<b>Non-current assets</b>			
Financial assets	9	99,790	104,207
Plant and equipment	10	30	37
Intangible assets	11	–	–
<b>Total non-current assets</b>		<b>99,820</b>	<b>104,244</b>
<b>Total assets</b>		<b>117,584</b>	<b>117,149</b>
<b>Current liabilities</b>			
Payables	12	209	283
Accrued employee benefits	13	229	217
<b>Total current liabilities</b>		<b>438</b>	<b>500</b>
<b>Non-current liabilities</b>			
Accrued employee benefits	13	14	6
<b>Total non-current liabilities</b>		<b>14</b>	<b>6</b>
<b>Total liabilities</b>		<b>452</b>	<b>506</b>
<b>Net assets</b>		<b>117,132</b>	<b>116,643</b>
<b>Equity</b>			
Contributed equity	1 (s)	57,818	57,818
Accumulated surplus		59,314	58,825
Reserves	14	–	–
<b>Total equity</b>		<b>117,132</b>	<b>116,643</b>

The accompanying notes form part of these statements.

## FINANCIAL INFORMATION 2011-2012

### Motor Accident Insurance Commission

#### Statement of Changes in Equity

for the year ended 30 June 2012

	Contributed equity \$'000	Accumulated surplus \$'000	Reserves \$'000	Total equity \$'000
<b>Balance as at 1 July 2010</b>	–	29,824	16,500	46,324
Operating result	–	12,501	–	12,501
<i>Other comprehensive income</i>				
Transfer from reserves				
- Income maintenance	–	10,500	(10,500)	–
- Accident prevention initiatives	–	2,375	(2,375)	–
- Rehabilitation initiatives	–	3,625	(3,625)	–
<i>Transactions with owners as owners:</i>				
- Transfer of funds from the Nominal Defendant refer Note 1 (s)	57,818	–	–	57,818
<b>Balance as at 30 June 2011</b>	<b>57,818</b>	<b>58,825</b>	<b>–</b>	<b>116,643</b>
<b>Balance as at 1 July 2011</b>	57,818	58,825	–	116,643
Operating result	–	489	–	489
<i>Other comprehensive income</i>	–	–	–	–
<b>Balance as at 30 June 2012</b>	<b>57,818</b>	<b>59,314</b>	<b>–</b>	<b>117,132</b>

The accompanying notes form part of these statements.

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Statement of Cash Flows

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Levy income		6,899	6,408
Interest income		270	220
Penalties and miscellaneous receipts		4,091	3,275
User charges		54	67
GST input tax credits from ATO		693	839
GST collected from customers		7	7
<i>Outflows:</i>			
Grants		(5,570)	(7,174)
Employee expenses		(3,121)	(2,323)
Supplies and services		(1,987)	(1,507)
GST remitted to ATO		(5)	(7)
GST paid to suppliers		(706)	(850)
Other		(50)	(67)
<b>Net cash provided by (used in) operating activities</b>	15	<b>575</b>	<b>(1,112)</b>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Proceeds from sale of financial assets		2,000	3,000
<i>Outflows:</i>			
Payments for plant and equipment		–	(10)
Payments for financial assets		(2,000)	(59,500)
<b>Net cash provided by (used in) investing activities</b>		<b>–</b>	<b>(56,510)</b>
<b>Cash flows from financing activities</b>			
<i>Inflows:</i>			
Transfer of funds from the Nominal Defendant		–	57,818
<b>Net cash provided by financing activities</b>		<b>–</b>	<b>57,818</b>
<b>Net increase in cash and cash equivalents</b>		<b>575</b>	<b>196</b>
Cash and cash equivalents at beginning of financial year		1,544	1,348
<b>Cash and cash equivalents at end of financial year</b>	7	<b>2,119</b>	<b>1,544</b>

The accompanying notes form part of these statements.

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### Objectives and principal activities of the Commission

The Motor Accident Insurance Commission (the Commission) 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*, the Commission 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

The Commission 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 Treasury's *Financial Reporting Requirements* for the year ending 30 June 2012, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Commission has applied those requirements applicable to not-for-profit entities, as the Commission 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 Commission.

##### (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 the Commission, upon receipt of monies from motorists.

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

Details on the levies collected on behalf of and distributed to Queensland Health and the Department of Community Safety are provided in Note 16.

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

##### (d) Grants

The *Motor Accident Insurance Act 1994* provides for the Commission 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.

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

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#### 1. Summary of significant accounting policies – continued

##### (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 the Commission and are recognised at their assessed values.

##### (g) Acquisitions of assets

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

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

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

##### (h) Plant and equipment

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

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

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

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

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

##### (j) Intangibles

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

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



# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 1. Summary of significant accounting policies – continued

##### (j) Intangibles – continued

###### *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 the Commission, namely 5 years.

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

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

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 %
<i>Plant and equipment:</i>	
Computer hardware	20 – 25
Office equipment	20
Leasehold improvements	8.33
<i>Intangibles:</i>	
Internally generated software	20

##### (l) Impairment of non-current assets

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

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

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

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

##### (m) Leases

The Commission has entered into a number of operating leases whereby the lessor effectively retains substantially the entire risks and benefits incidental to ownership. Non-cancellable operating lease commitments are disclosed under Note 17.

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

The Commission does not have any finance leases.

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

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#### 1. Summary of significant accounting policies – continued

##### (n) Financial assets

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

##### (o) Payables

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

##### (p) Financial instruments

###### *Recognition*

Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Commission 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 Commission does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, the Commission 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 the Commission are included in Note 18.

##### (q) Employee benefits

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

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

###### *Wages, salaries, recreation leave and sick leave*

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

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

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

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

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 1. Summary of significant accounting policies – continued

##### (q) Employee benefits – continued

###### *Long service leave*

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

No provision for long service leave is recognised in the Commission'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. The Commission'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 executive management personnel and remuneration*

Key executive 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 3 for the disclosures on key executive management personnel and remuneration.

##### (r) Insurance

The Commission'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 Commission 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) Reserves

The funds in equity were sub-classified in the Statement of Financial Position, to fulfil our charter under section 10(1) of the *Motor Accident Insurance Act 1994*. These funds were to be used in the research into the cause and prevention of motor vehicle accidents and the treatment and rehabilitation of those involved in motor vehicle accidents.

The Income Maintenance reserve was held to give the Commission and its creditors an added measure of protection from the effects of losses.

For the financial year ended 30 June 2011, the reserves were no longer required and the balances transferred to accumulated surplus.

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

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#### 1. Summary of significant accounting policies – continued

##### (u) Taxation

The Commission 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 Commission. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 8).

##### (v) Issuance of financial statements

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

##### (w) Judgements and assumptions

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

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

##### (x) Rounding and comparatives

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

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

##### (y) New and revised accounting standards

The Commission did not voluntarily change any of its accounting policies during 2011-12. Australian Accounting Standards changes applicable for the first time for 2011-12 have had minimal effect on the Commission's financial statements, as explained below.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]* became effective from reporting periods beginning on or after 1 January 2011. Given the Commission's existing financial instruments, there was only a minor impact on the Commission's financial instruments note (Note 18), in relation to disclosures about credit risk. That note no longer needs to disclose amounts that best represent the maximum exposure to credit risk where the carrying amount of the instruments already reflects this. As this was the case with all the Commission's financial assets as at 30 June 2012 (and as at 30 June 2011), financial assets are not included in the credit risk disclosure in this year's financial statements.

As the Commission held no collateral or other credit enhancements in respect of its financial instruments, and did not renegotiate the terms of any financial assets, during the reporting periods presented in these financial statements, there were no other changes required to the Commission's financial instruments notes arising from the amendments to AASB 7 *Financial Instruments: Disclosures*.

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 1. Summary of significant accounting policies – continued

##### (y) New and revised accounting standards – continued

AASB 1054 *Australian Additional Disclosures* became effective from reporting periods beginning on or after 1 July 2011. Given the Commission's previous disclosure practices, AASB 1054 had minimal impact on the Commission. One of the footnotes to Note 6 Other expenses, regarding audit fees, has been slightly amended to identify the Commission's auditor and clarify the nature of work performed by the auditor.

AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project (AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113)* also became effective from reporting periods beginning on or after 1 July 2011. The only potential implication for the Commission from this amending standard was the deletion from AASB 101 *Presentation of Financial Statements* of the requirement for disclosure of commitments. However, Treasury's Financial Reporting Requirements require continuation of commitments disclosures, so this deletion from AASB 101 has no impact on the Commission's commitments note (Note 17).

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

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

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

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

No significant changes are anticipated, based on the fair value methodologies presently used, accordingly, at this stage, no consequential material impacts are expected for the Commission's plant and equipment as from 2013-14.

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 1. Summary of significant accounting policies – continued

##### (y) New and revised accounting standards – continued

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] becomes effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the Commission are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Commission 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 Commission's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the Commission enters into, it is not expected that any of the Commission's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the Commission'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 18). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the Commission's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

Changed disclosure requirements will apply once AASB 9 becomes effective. A number of one-off disclosures will be required in the 2013-14 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments the Commission enters into, the most significant ongoing disclosure impacts are expected to relate to investments in equity instruments measured at fair value through comprehensive income and derecognition of these.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2013 –

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

These standards cannot be applied by not-for-profit entities prior to their effective date, as the AASB is presently considering modifying them for application by not-for-profit entities in an Australian context. Any such modifications are likely to clarify how the IASB's principles should be applied by not-for-profit entities. Hence, the Commission is not yet in a position to reliably determine the future implications of these new and revised standards for the Commission's financial statements.

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 1. Summary of significant accounting policies – continued

##### (y) New and revised accounting standards – continued

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists – which, in turn, dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit modifications yet to be made to AASB 11, the Commission will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11.

AASB 12 contains a wide range of new disclosure requirements in respect of interests in other entities, whether those entities are controlled entities, associates, joint arrangements, or structured entities that aren't consolidated. The volume and nature of disclosures that the Commission will be required to make as from its 2013-14 financial statements will depend on the Commission's eventual assessment of the implications of the new and revised standards listed above, particularly AASB 10, AASB 11 and AASB 128.

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

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

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

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

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

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#### 1. Summary of significant accounting policies – continued

##### (y) New and revised accounting standards – continued

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

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



# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>2. Employee expenses</b>		
<b>Employee benefits</b>		
Salaries and wages	2,724	1,913
Employer superannuation contributions*	258	224
Long service leave levy*	47	27
Other employee benefits	17	28
<b>Employee related expenses</b>		
Workers' compensation premium*	7	6
Payroll tax*	142	107
Other employee related expenses	37	27
<b>Total</b>	<b>3,232</b>	<b>2,332</b>

\*Refer to Note 1(q).

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

	2012	2011
Number of employees	26	22

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 3. Key executive management personnel and remuneration

##### (a) Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Commission during 2011-12. Further information on these positions can be found in the body of the Annual Report under the section relating to Our Leadership Team.

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

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

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#### 3. Key executive management personnel and remuneration – continued

##### (b) Remuneration

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

For the 2011-12 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

Remuneration packages for key executive management personnel comprise the following components:

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

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

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

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 3. Key executive management personnel and remuneration – continued

##### (b) Remuneration – continued

###### 1 July 2011 to 30 June 2012

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

###### 1 July 2010 to 30 June 2011

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits \$'000	Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Base \$'000	Non-monetary benefits \$'000				
Insurance Commissioner (resigned 20-Aug-10)	21	–	–	3	185	209
Acting Insurance Commissioner (23-Aug to 3-Dec-10)	59	–	1	5	–	65
Insurance Commissioner (appointed 6-Dec-10)	127	–	3	12	–	142
General Manager, Motor Accident Insurance	139	16	(14)	16	–	157
Manager, Corporate Governance	119	–	(2)	15	–	132

There were no performance bonuses paid in 2011-12 and 2010-11 financial years.

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>4. Supplies and services</b>		
Computer facilities management fee	545	398
Consultants and contractors	608	439
Rent	242	296
Supplies and consumables	251	209
Corporate services fee	115	111
QIC management fee	341	301
Professional services	77	20
Other	3	2
<b>Total</b>	<b>2,182</b>	<b>1,776</b>

### 5. Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

Plant and equipment	7	11
Intangibles	-	32
<b>Total</b>	<b>7</b>	<b>43</b>

### 6. Other expenses

External audit fees	20	19
Insurance premiums – QGIF	26	26
Other	11	22
<b>Total</b>	<b>57</b>	<b>67</b>

Total audit fees paid to the Queensland Audit Office relating to the 2011-12 financial year are estimated to be \$19,900 (2010-11 \$19,490). There are no non-audit services included in this amount.

### 7. Cash and cash equivalents

Cash at bank and on hand	2,119	1,544
<b>Total</b>	<b>2,119</b>	<b>1,544</b>

Interest earned on cash held with Queensland Treasury earned between 3.26% to 3.98% in 2012 (2011: 3.84% to 3.96%).

## FINANCIAL INFORMATION 2011-2012

### Motor Accident Insurance Commission

#### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>8. Receivables</b>		
Accrued investment and levy income	248	65
Penalties receivable	116	89
GST receivable	34	22
GST payable	(2)	–
Other receivables	33	15
<b>Total</b>	<b>429</b>	<b>191</b>

#### 9. Financial assets

##### Current

Queensland Investment Corporation investments	15,216	11,163
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##### Non-current

Queensland Investment Corporation investments	99,790	104,207
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<b>Total</b>	<b>115,006</b>	<b>115,370</b>
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#### 10. Plant and equipment

##### Plant and equipment:

At cost	60	159
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Less: accumulated depreciation	(30)	(122)
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<b>Total</b>	<b>30</b>	<b>37</b>
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##### Plant and equipment reconciliation

Carrying amount at 1 July	37	38
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Acquisitions	–	10
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Depreciation	(7)	(11)
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<b>Carrying amount at 30 June</b>	<b>30</b>	<b>37</b>
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# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>11. Intangible assets</b>		
Internally generated software:		
At cost	270	270
Less: accumulated amortisation	(270)	(270)
<b>Total</b>	<b>–</b>	<b>–</b>
<b>Intangibles reconciliation</b>		
Carrying amount at 1 July	–	32
Amortisation	–	(32)
<b>Carrying amount at 30 June</b>	<b>–</b>	<b>–</b>
<b>12. Payables</b>		
Sundry creditors and accruals	209	283
<b>Total</b>	<b>209</b>	<b>283</b>
<b>13. Accrued employee benefits</b>		
<b>Current</b>		
Recreation leave	229	217
<b>Total</b>	<b>229</b>	<b>217</b>
<b>Non-current</b>		
Recreation leave	14	6
<b>Total</b>	<b>14</b>	<b>6</b>

The discount rate used to calculate the present value of the non-current recreation leave is 2.9% (2011: 4.8%).

## FINANCIAL INFORMATION 2011-2012

### Motor Accident Insurance Commission

#### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>14. Reserves</b>		
Composition and movements		
<b>Income maintenance</b>		
Balance at beginning of year	–	10,500
Transfer to accumulated surplus	–	(10,500)
<b>Balance at end of year</b>	<b>–</b>	<b>–</b>
<b>Accident prevention initiatives</b>		
Balance at beginning of year	–	2,375
Transfer to accumulated surplus	–	(2,375)
<b>Balance at end of year</b>	<b>–</b>	<b>–</b>
<b>Rehabilitation initiatives</b>		
Balance at beginning of year	–	3,625
Transfer to accumulated surplus	–	(3,625)
<b>Balance at end of year</b>	<b>–</b>	<b>–</b>
<b>Total</b>	<b>–</b>	<b>–</b>
<b>15. Reconciliation of operating result to net cash from operating activities</b>		
Operating result	489	12,501
<b>Add/(subtract) items classified as investing activities:</b>		
QIC management fees	341	300
(Increase)/decrease in net market value of investments	(2)	(12,582)
<b>Non-cash items:</b>		
Depreciation	7	11
Amortisation	–	32
<b>Changes in assets and liabilities:</b>		
(Increase)/decrease in prepayments	7	10
(Increase)/decrease in receivables	(238)	(52)
Increase/(decrease) in payables	(48)	(1,338)
Increase/(decrease) in accrued employee benefits	19	6
<b>Net cash from operating activities</b>	<b>575</b>	<b>(1,112)</b>



# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>16. Agency transactions</b>		
<p>The Commission receives Hospital and Emergency Services Levy amounts from the Department of Transport and Main Roads on behalf of Queensland Health and the Department of Community Safety. Details of amounts collected and administered by the Commission during the year and the amount held on behalf of Queensland Health and the Department of Community Safety at year end are as follows:</p>		
<b>Levies</b>		
Comprise amounts collected from the Department of Transport and Main Roads on gross insurance premiums.		
Levies collected but not remitted in the previous year	4,444	4,218
Hospital levy	42,689	36,833
Emergency Services levy	16,233	14,006
<b>Total</b>	<b>63,366</b>	<b>55,057</b>
<b>Contributions</b>		
Comprise payments to Queensland Health and the Department of Community Safety on account of levies received from the Department of Transport and Main Roads.		
Hospital levy contributions	42,042	36,669
Emergency Services levy contributions	15,987	13,944
<b>Total</b>	<b>58,029</b>	<b>50,613</b>
<p>Amounts collected on behalf of but not yet remitted to Queensland Health and the Department of Community Safety in respect of hospital and emergency services levies at 30 June:</p>		
Hospital levy	3,867	3,220
Emergency Services levy	1,470	1,224
<b>Total</b>	<b>5,337</b>	<b>4,444</b>

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>17. Commitments for expenditure</b>		
<b>(a) Non-cancellable operating lease commitments</b>		
Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:		
- Not later than one year	265	235
- Later than one year and not later than five years	-	-
<b>Total</b>	<b>265</b>	<b>235</b>

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

**(b) 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	698	841
- Later than one year and not later than five years	8	163
<b>Total</b>	<b>706</b>	<b>1,004</b>

**(c) Grant commitments**

Approval has been given to various grantees in accordance with formal agreements to pay the following grants and subsidies inclusive of GST provided certain criteria are met:

- Not later than one year	5,391	2,854
- Later than one year and not later than five years	2,891	2,685
<b>Total</b>	<b>8,282</b>	<b>5,539</b>

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 18. Financial instruments

##### (a) Categorisation of financial instruments

The Commission has the following categories of financial assets and financial liabilities:

Category	Note	2012 \$'000	2011 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	7	2,119	1,544
Receivables	8	429	191
Financial assets	9	115,006	115,370
<b>Total</b>		<b>117,554</b>	<b>117,105</b>
<b>Financial liabilities</b>			
Financial liabilities measured at amortised cost:			
Payables	12	209	283
<b>Total</b>		<b>209</b>	<b>283</b>

##### (b) Financial risk management

The Commission'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 Commission policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Commission.

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

The Commission measures risk exposure using a variety of methods as follows –

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

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 18. Financial instruments – continued

##### (c) Credit risk exposure

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

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

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

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

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

The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings.

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

##### *Financial assets past due but not impaired*

	Overdue				Total \$'000
	Less than 30 days \$'000	30 - 60 days \$'000	61 - 90 days \$'000	More than 90 days \$'000	
<b>2012</b>					
Receivables	429	–	–	–	429
<b>Total</b>	<b>429</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>429</b>
<b>2011</b>					
Receivables	191	–	–	–	191
<b>Total</b>	<b>191</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>191</b>

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 18. Financial instruments – continued

##### (d) Liquidity risk

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

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

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

##### Financial liabilities

	Note	Payable in			Total \$'000
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	
<b>2012</b>					
Payables	12	209	–	–	209
<b>Total</b>		<b>209</b>	<b>–</b>	<b>–</b>	<b>209</b>
<b>2011</b>					
Payables	12	283	–	–	283
<b>Total</b>		<b>283</b>	<b>–</b>	<b>–</b>	<b>283</b>

##### (e) Market risk

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

# FINANCIAL INFORMATION 2011-2012

## Motor Accident Insurance Commission

### Notes to and forming part of the financial statements 2011-12

#### 18. Financial instruments – continued

##### (f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/-1% from the year-end rates applicable to the Commission's financial assets. With all other variables held constant, the Commission would have a surplus and equity increase/(decrease) of \$21,000 (2011: \$15,000) due to interest rate risk and \$1,150,000 (2011: \$1,154,000) due to unit price risk.

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

	Movement in variable %	Financial impact			
		Profit/(loss) 2012 \$'000	Equity 2012 \$'000	Profit/(loss) 2011 \$'000	Equity 2011 \$'000
<b>Cash</b>					
Interest rate risk	+1	21	21	15	15
	-1	(21)	(21)	(15)	(15)

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

	Movement in variable %	Financial impact			
		Profit/(loss) 2012 \$'000	Equity 2012 \$'000	Profit/(loss) 2011 \$'000	Equity 2011 \$'000
<b>Investments</b>					
Unit price risk	+1	1,150	1,150	1,154	1,154
	-1	(1,150)	(1,150)	(1,154)	(1,154)

##### (g) Fair value

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

Level 1 – fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities;

Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and

Level 3 – fair values that are derived from data not observable in a market.

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

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

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

## FINANCIAL INFORMATION 2011-2012

### Motor Accident Insurance Commission

#### Certificate of the Motor Accident Insurance Commission

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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the financial year ended 30 June 2012 and of the financial position of the Commission at the end of that year.



Lina Lee (CA)  
Manager Corporate Governance  
29 August 2012



Neil Singleton  
Insurance Commissioner  
29 August 2012

# FINANCIAL INFORMATION 2011-2012

## 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 Motor Accident Insurance Commission, which comprises the statement of financial position as at 30 June 2012, 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 Manager 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 INFORMATION 2011-2012

## 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 Motor Accident Insurance Commission for the financial year 1 July 2011 to 30 June 2012 and of the financial position as at the end of that year.

#### **Matters Relating to the Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial report of Motor Accident Insurance Commission for the year ended 30 June 2012. Where the financial report is included on Motor Accident Insurance Commission's website the Insurance Commissioner is responsible for the integrity of Motor Accident Insurance Commission's website and I have not been engaged to report on the integrity of Motor Accident Insurance Commission's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



M Ayoob (CA)  
As Delegate of the Auditor-General of Queensland

29 August 2012  
Brisbane

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

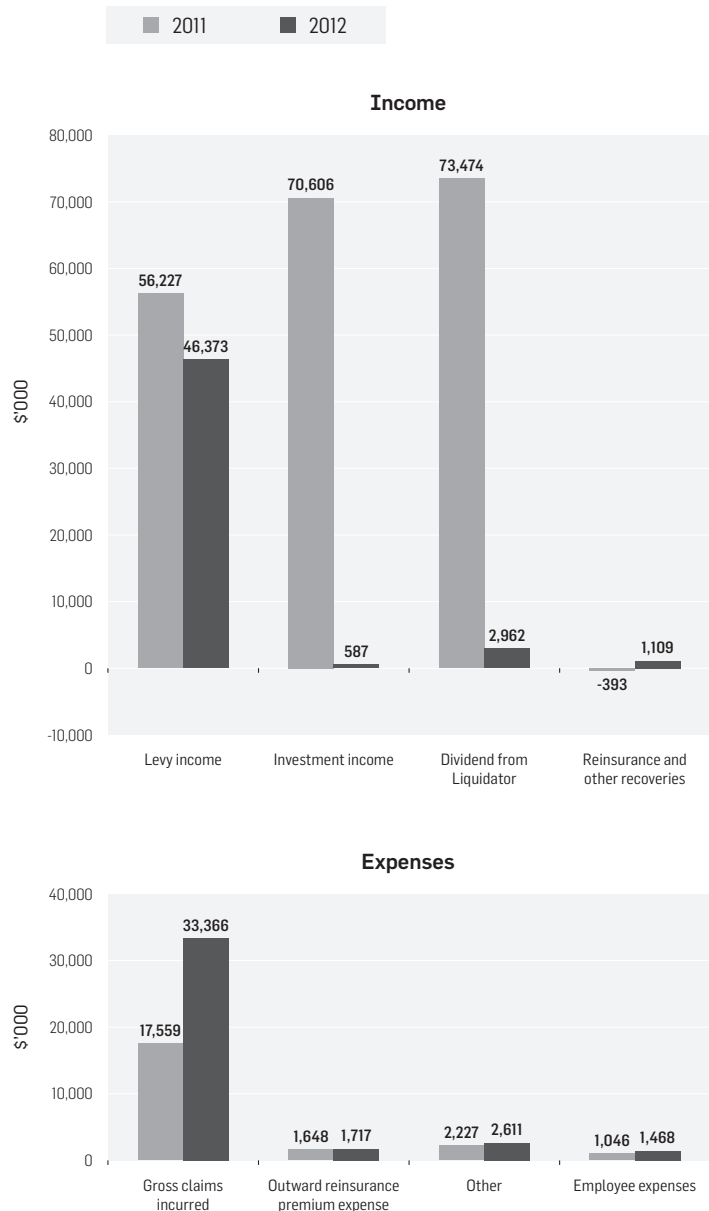
### Financial summary 2011-2012

The operating surplus of the Nominal Defendant for the year ended 30 June 2012 was \$11.87 million compared to the prior year's operating surplus of \$177.43 million.

The major drivers for the decrease were the expected reductions in dividends from the HIH liquidation (\$2.96 million versus prior year \$73.47 million) and subdued investment returns on Nominal Defendant investments (\$0.49 million compared to \$70.44 million).

In relation to the normal business of the Nominal Defendant, claim payments were \$26.76 million (compared to prior year \$31.22 million) and claim recoveries were \$0.66 million (prior year \$0.62 million). The outstanding claims liabilities were actuarially assessed at 30 June 2012 and adjusted slightly by \$6.76 million to \$168.23 million.

The Nominal Defendant Levy for the year was set at \$12.35 (prior year \$13.20) per Class 1 vehicle reflecting overall stability in claims experience. Levy income was \$46.37 million (prior year \$56.23 million) due to factors associated with the removal of the HIH Surcharge from October 2010.



## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Statement of Comprehensive Income

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Income</b>			
Levy income	2	46,373	56,227
Net fair value gains on financial assets		494	70,441
Dividends received from FAI liquidator		2,962	73,474
Reinsurance and other recoveries	3	1,109	(393)
Interest income		93	165
<b>Total income</b>		<b>51,031</b>	<b>199,914</b>
<b>Expenses</b>			
Gross claims incurred	3	33,366	17,559
Outward reinsurance premium expense	2	1,717	1,648
Employee expenses	4, 5	1,468	1,046
Supplies and services	6	2,555	2,173
Depreciation and amortisation	7	18	18
Other	8	38	36
<b>Total expenses</b>		<b>39,162</b>	<b>22,480</b>
<b>Operating result</b>		<b>11,869</b>	<b>177,434</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income</b>		<b>11,869</b>	<b>177,434</b>

The accompanying notes form part of these statements.

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Statement of Financial Position

as at 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Current assets</b>			
Cash and cash equivalents	9	3,273	1,704
Receivables	10	1,343	32,031
Financial assets	11	123,125	103,067
Reinsurance and other recoveries on outstanding claims	16	1,428	1,257
Prepayments		–	5
<b>Total current assets</b>		<b>129,169</b>	<b>138,064</b>
<b>Non-current assets</b>			
Financial assets	11	455,743	433,180
Reinsurance and other recoveries on outstanding claims	16	5,071	5,049
Plant and equipment	12	13	14
Intangible assets	13	248	13
<b>Total non-current assets</b>		<b>461,075</b>	<b>438,256</b>
<b>Total assets</b>		<b>590,244</b>	<b>576,320</b>
<b>Current liabilities</b>			
Payables	14	589	366
Accrued employee benefits	15	121	106
Outstanding claims liability	16	41,298	35,993
Unearned levies	1 (d)	23,408	23,342
<b>Total current liabilities</b>		<b>65,416</b>	<b>59,807</b>
<b>Non-current liabilities</b>			
Accrued employee benefits	15	7	3
Outstanding claims liability	16	152,686	156,244
<b>Total non-current liabilities</b>		<b>152,693</b>	<b>156,247</b>
<b>Total liabilities</b>		<b>218,109</b>	<b>216,054</b>
<b>Net assets</b>		<b>372,135</b>	<b>360,266</b>
<b>Equity</b>			
Contributed equity		121	121
Accumulated surplus		372,014	360,145
<b>Total equity</b>		<b>372,135</b>	<b>360,266</b>

The accompanying notes form part of these statements.

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Statement of Changes in Equity

for the year ended 30 June 2012

	Accumulated surplus \$'000	Contributed equity \$'000	Total equity \$'000
<b>Balance as at 1 July 2010</b>	182,711	57,938	240,649
Operating result	177,434	–	177,434
<i>Other comprehensive income</i>	–	–	–
<i>Transactions with owners as owners:</i>			
- Transfer of funds to the Motor Accident Insurance Commission refer Note 1 (v)	–	(57,817)	(57,817)
<b>Balance as at 30 June 2011</b>	<b>360,145</b>	<b>121</b>	<b>360,266</b>
<b>Balance as at 1 July 2011</b>	360,145	121	360,266
Operating result	11,869	–	11,869
<i>Other comprehensive income</i>	–	–	–
<b>Balance as at 30 June 2012</b>	<b>372,014</b>	<b>121</b>	<b>372,135</b>

*The accompanying notes form part of these financial statements.*

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Statement of Cash Flows

for the year ended 30 June 2012

	Notes	2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Levy income		45,266	50,188
Interest income		114	163
Dividends received from FAI liquidator		34,822	62,746
Reinsurance and other recoveries		907	2,286
GST input tax credits from ATO		788	693
<i>Outflows:</i>			
Gross claims incurred		(31,619)	(37,108)
Outward reinsurance premium expense		(1,678)	(1,645)
Employee expenses		(1,444)	(1,019)
Supplies and services		(626)	(476)
GST paid to suppliers		(790)	(690)
Other		(31)	(35)
<b>Net cash provided by operating activities</b>	17	<b>45,709</b>	<b>75,103</b>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Proceeds from sale of financial assets		2,000	55,000
<i>Outflows:</i>			
Payments for plant and equipment and intangibles		(140)	–
Payments for financial assets		(46,000)	(73,000)
<b>Net cash used in investing activities</b>		<b>(44,140)</b>	<b>(18,000)</b>
<b>Cash flows from financing activities</b>			
<i>Outflows:</i>			
Equity withdrawals		–	–
Transfer of funds to the Motor Accident Insurance Commission		–	(57,817)
<b>Net cash used in financing activities</b>		<b>–</b>	<b>(57,817)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,569</b>	<b>(714)</b>
Cash and cash equivalents at beginning of financial year		1,704	2,418
<b>Cash and cash equivalents at end of financial year</b>	9	<b>3,273</b>	<b>1,704</b>

The accompanying notes form part of these statements.

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 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 the Treasury's Financial Reporting Requirements for the year ending 30 June 2012, and other authoritative pronouncements.

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

##### (b) The reporting entity

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

##### (c) Funding of the Nominal Defendant

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

##### (d) Levy income

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

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

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

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

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

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

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#### 1. Summary of significant accounting policies – continued

##### (d) Levy income – continued

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

##### (e) Outwards reinsurance premium expense

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

##### (f) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques 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 has been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office.

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

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims liability (Note 1 (r)).

Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

##### (i) Acquisitions of assets

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

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

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



# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 1. Summary of significant accounting policies – continued

##### (j) Plant and equipment

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

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

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

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

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

##### (l) Intangibles

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

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

##### *Purchased software*

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

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

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

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

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

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

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

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#### 1. Summary of significant accounting policies – continued

##### (n) Impairment of non-current assets

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

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

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

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

##### (o) Leases

The Nominal Defendant has entered into a number of operating leases whereby the lessor effectively retains substantially the entire risks and benefits incidental to ownership. Non-cancellable operating lease commitments are disclosed under Note 18.

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

The Nominal Defendant does not have any finance leases.

##### (p) Financial assets

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

##### (q) Payables

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

##### (r) Outstanding claims liability

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

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

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 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 financial assets classified at fair value through profit and loss.

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

##### (t) Employee benefits

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

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

###### *Wages, salaries, recreation leave and sick leave*

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

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

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

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

###### *Long service leave*

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

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

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

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#### 1. Summary of significant accounting policies – continued

##### (t) Employee benefits – continued

###### *Superannuation*

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

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

###### *Key executive management personnel and remuneration*

Key executive 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 executive management personnel and remuneration.

##### (u) Insurance

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

##### (v) Contributed equity

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

##### (w) Taxation

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

##### (x) Issuance of financial statements

The financial statements are authorised for issue by the Insurance Commissioner and the Manager, 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.

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

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#### 1. Summary of significant accounting policies – continued

##### (y) Judgements and assumptions – continued

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

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

##### (z) Rounding and comparatives

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

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

##### (aa) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2011-12. Australian Accounting Standards changes applicable for the first time for 2011-12 have had minimal effect on the Nominal Defendant's financial statements, as explained below.

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]* became effective from reporting periods beginning on or after 1 January 2011. Given the Nominal Defendant's existing financial instruments, there was only a minor impact on the Nominal Defendant's financial instruments note (Note 19), in relation to disclosures about credit risk. That note no longer needs to disclose amounts that best represent the maximum exposure to credit risk where the carrying amount of the instruments already reflects this. As this was the case with all the Nominal Defendant's financial assets as at 30 June 2012 (and as at 30 June 2011), financial assets are not included in the credit risk disclosure in this year's financial statements.

As the Nominal Defendant held no collateral or other credit enhancements in respect of its financial instruments, and did not renegotiate the terms of any financial assets, during the reporting periods presented in these financial statements, there were no other changes required to the Nominal Defendant's financial instruments notes arising from the amendments to AASB 7 *Financial Instruments: Disclosures*.

AASB 1054 *Australian Additional Disclosures* became effective from reporting periods beginning on or after 1 July 2011. Given the Nominal Defendant's previous disclosure practices, AASB 1054 had minimal impact on the Nominal Defendant. One of the footnotes to Note 8 Other expenses, regarding audit fees, has been slightly amended to identify the Nominal Defendant's auditor and clarify the nature of work performed by the auditor.

AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project (AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113)* also became effective from reporting periods beginning on or after 1 July 2011. The only potential implication for the Nominal Defendant from this amending standard was the deletion from AASB 101 *Presentation of Financial Statements* of the requirement for disclosure of commitments. However, Treasury's *Financial Reporting Requirements* require continuation of commitments disclosures, so this deletion from AASB 101 has no impact on the Nominal Defendant's commitments note (Note 18).

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

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#### 1. Summary of significant accounting policies – continued

##### (aa) New and revised accounting standards – continued

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 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.

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

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

No significant changes are anticipated, based on the fair value methodologies presently used, accordingly at this stage, no consequential material impacts are expected for the Nominal Defendant's plant and equipment as from 2013-14.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] becomes effective from reporting periods beginning on or after 1 January 2013. 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 financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 1. Summary of significant accounting policies – continued

##### (aa) New and revised accounting standards – continued

The Nominal Defendant has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of AASB 9 will depend on the facts and circumstances existing at that date, the Nominal Defendant's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions the Nominal Defendant enters into, it is not expected that any of the Nominal Defendant's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the Nominal Defendant's financial assets are expected to be required to be measured at fair value, and classified accordingly (instead of the measurement classifications presently used in Notes 1(s) and 19). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the Nominal Defendant's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value.

Changed disclosure requirements will apply once AASB 9 becomes effective. A number of one-off disclosures will be required in the 2013-14 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that the Nominal Defendant enters into, the most significant ongoing disclosure impacts are expected to relate to investments in equity instruments measured at fair value through comprehensive income and derecognition of these.

The following new and revised standards apply as from reporting periods beginning on or after 1 January 2013 –

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

These standards cannot be applied by not-for-profit entities prior to their effective date, as the AASB is presently considering modifying them for application by not-for-profit entities in an Australian context. Any such modifications are likely to clarify how the IASB's principles should be applied by not-for-profit entities. Hence, the Nominal Defendant is not yet in a position to reliably determine the future implications of these new and revised standards for the Nominal Defendant's financial statements.

AASB 11 deals with the concept of joint control, and sets out new principles for determining the type of joint arrangement that exists – which, in turn, dictates the accounting treatment. The new categories of joint arrangements under AASB 11 are more aligned to the actual rights and obligations of the parties to the arrangement. Subject to any not-for-profit modifications yet to be made to AASB 11, the Nominal Defendant will need to assess the nature of any arrangements with other entities to determine whether a joint arrangement exists in terms of AASB 11.

AASB 12 contains a wide range of new disclosure requirements in respect of interests in other entities, whether those entities are controlled entities, associates, joint arrangements, or structured entities that aren't consolidated. The volume and nature of disclosures that the Nominal Defendant will be required to make as from its 2013-14 financial statements will depend on the Nominal Defendant's eventual assessment of the implications of the new and revised standards listed above, particularly AASB 10, AASB 11 and AASB 128.

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 1. Summary of significant accounting policies – continued

##### (aa) New and revised accounting standards – continued

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

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

AASB 1053 *Application of Tiers of Australian Accounting Standards* applies as from reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2").

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1.

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

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

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



# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>2. Net levy income</b>		
Levy income	46,373	56,227
Outward reinsurance premium expense	(1,717)	(1,648)
<b>Net levy income</b>	<b>44,656</b>	<b>54,579</b>
<b>3. Net claims incurred</b>		
<b>(a) Claims analysis</b>		
Gross claims incurred	33,366	17,559
Reinsurance and other recoveries	(1,109)	393
<b>Total net claims incurred</b>	<b>32,257</b>	<b>17,952</b>
<b>Net claims incurred attributable to Nominal Defendant</b>		
Gross claims incurred	33,518	16,810
Reinsurance and claims recoveries	(843)	52
	32,675	16,862
<b>Net claims incurred attributable to FAI</b>		
Gross claims incurred	(152)	749
Reinsurance and other recoveries	(266)	341
	(418)	1,090
<b>Total net claims incurred</b>	<b>32,257</b>	<b>17,952</b>

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Notes to and forming part of the financial statements 2011-12

#### 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.

	2012			2011		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
<b>Claims attributable to Nominal Defendant</b>						
<b>Gross claims incurred and related expenses</b>						
Undiscounted	51,043	(38,651)	12,392	50,190	(26,003)	24,187
Discount	(5,803)	26,929	21,126	(10,470)	3,093	(7,377)
	45,240	(11,722)	33,518	39,720	(22,910)	16,810
<b>Reinsurance and other recoveries</b>						
Undiscounted	1,272	(1,011)	261	1,249	(1,139)	110
Discount	(142)	724	582	(260)	98	(162)
	1,130	(287)	843	989	(1,041)	(52)
<b>Net claims incurred – discounted</b>	<b>44,110</b>	<b>(11,435)</b>	<b>32,675</b>	<b>38,731</b>	<b>(21,869)</b>	<b>16,862</b>
<b>Claims attributable to FAI</b>						
<b>Gross claims incurred and related expenses</b>						
Undiscounted	–	(3,040)	(3,040)	–	44	44
Discount	–	2,888	2,888	–	705	705
	–	(152)	(152)	–	749	749
<b>Reinsurance and other recoveries</b>						
Undiscounted	–	80	80	–	(575)	(575)
Discount	–	186	186	–	234	234
	–	266	266	–	(341)	(341)
<b>Net claims incurred – discounted</b>	<b>–</b>	<b>(418)</b>	<b>(418)</b>	<b>–</b>	<b>1,090</b>	<b>1,090</b>
<b>Total net claims incurred – discounted</b>	<b>44,110</b>	<b>(11,853)</b>	<b>32,257</b>	<b>38,731</b>	<b>(20,779)</b>	<b>17,952</b>

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>3. Net claims incurred – continued</b>		
<b>(c) Claims reconciliation</b>		
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.		
<b>Gross claims incurred attributable to Nominal Defendant</b>		
Claims and associated settlement costs	26,763	31,215
Movement in outstanding claims liability	6,755	(14,405)
	<b>33,518</b>	<b>16,810</b>
<b>Gross claims incurred attributable to FAI</b>		
Claims and associated settlement costs	4,856	5,895
Movement in outstanding claims liability	(5,008)	(5,146)
	<b>(152)</b>	<b>749</b>
<b>Total gross claims incurred</b>	<b>33,366</b>	<b>17,559</b>
<b>Reinsurance and other recoveries attributable to Nominal Defendant</b>		
Reinsurance and other recoveries	657	615
Movement in reinsurance and other recoveries receivable	186	(667)
	<b>843</b>	<b>(52)</b>
<b>Reinsurance and other recoveries attributable to FAI</b>		
Reinsurance and claims recoveries	259	839
Movement in reinsurance and other recoveries receivable	7	(1,180)
	<b>266</b>	<b>(341)</b>
<b>Total reinsurance and other recoveries</b>	<b>1,109</b>	<b>(393)</b>
<b>Net claims incurred</b>	<b>32,257</b>	<b>17,952</b>

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>4. Employee expenses</b>		
<b>Employee benefits</b>		
Salaries and wages	1,248	861
Employer superannuation contributions*	110	111
Long service leave levy*	21	16
Other employee benefits	–	1
<b>Employee related expenses</b>		
Workers' compensation premium*	3	3
Payroll tax*	72	51
Other employee related expenses	14	3
<b>Total</b>	<b>1,468</b>	<b>1,046</b>

\*Refer to Note 1(t).

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

	2012	2011
Number of employees	17	13

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

	2012 \$'000	2011 \$'000
<b>Employee benefits</b>		
Salaries and wages	63	59
Employer superannuation contributions*	5	8
Long service leave levy*	1	1
Other employee benefits	–	–
<b>Employee related expenses</b>		
Workers' compensation premium*	–	1
Payroll tax*	4	4
Other employee related expenses	–	–
<b>Total</b>	<b>73</b>	<b>73</b>

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

	2012	2011
Number of employees	1	1

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 5. Key executive management personnel and remuneration

##### (a) Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2011-12. Further information on these positions can be found in the body of the Annual Report under the section relating to Our Leadership Team.

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

##### (b) Remuneration

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

For the 2011-12 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 5. Key executive management personnel and remuneration – continued

##### (b) Remuneration – continued

Remuneration packages for key executive management personnel comprise the following components:

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

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

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

##### 1 July 2011 to 30 June 2012

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

##### 1 July 2010 to 30 June 2011

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits \$'000	Post employment benefits \$'000	Termination benefits \$'000	Total remuneration \$'000
	Base \$'000	Non-monetary benefits \$'000				
Manager, Claims	128	–	4	15	–	147

There were no performance bonuses paid in 2011-12 and 2010-11 years.

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

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>6. Supplies and services</b>		
QIC management fee	1,754	1,583
Computer facilities management fee	280	252
Rent	124	123
Consultants and contractors	219	69
Corporate services fee	99	96
Supplies and consumables	78	49
Other supplies and services	1	1
<b>Total</b>	<b>2,555</b>	<b>2,173</b>

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

Computer facilities management fee	24	21
Rent	6	10
Consultants and contractors	5	–
Supplies and consumables	3	2
<b>Total</b>	<b>38</b>	<b>33</b>

### 7. Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

Plant and equipment	5	5
Intangibles	13	13
<b>Total</b>	<b>18</b>	<b>18</b>

### 8. Other expenses

Audit fees	35	35
Insurance premiums - QGIF	1	1
Losses from disposal of plant and equipment	1	–
Other	1	–
<b>Total</b>	<b>38</b>	<b>36</b>

Total audit fees paid to the Queensland Audit Office relating to the 2011-12 financial year are estimated to be \$35,600 (2010-11 \$34,935). There are no non-audit services included in this amount.

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

Audit fees	5	10
<b>Total</b>	<b>5</b>	<b>10</b>

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>9. Cash and cash equivalents</b>		
Cash at bank and on hand	3,273	1,704
<b>Total</b>	<b>3,273</b>	<b>1,704</b>

Interest earned on cash held with Queensland Treasury earned between 3.26% to 3.98% in 2012 (2011: 3.84% to 3.96%).

### 10. Receivables

Accrued investment and levy income	1,196	43
Sharing recoveries receivable on paid claims	80	71
Dividend receivable from FAI liquidator	–	31,860
GST receivable	63	61
Other receivables	4	(4)
<b>Total</b>	<b>1,343</b>	<b>32,031</b>

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

Sharing recoveries receivable on paid claims	80	71
Dividend receivable from FAI liquidator	–	31,860
<b>Total</b>	<b>80</b>	<b>31,931</b>

### 11. Financial assets

#### Current

Queensland Investment Corporation investments	123,125	103,067
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#### Non-current

Queensland Investment Corporation investments	455,743	433,180
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<b>Total</b>	<b>578,868</b>	<b>536,247</b>
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## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000																																																	
<b>12. Plant and equipment</b>																																																			
Plant and equipment:																																																			
At cost	26	27																																																	
Less: accumulated depreciation	(13)	(13)																																																	
<b>Total</b>	<b>13</b>	<b>14</b>																																																	
<b>Plant and equipment reconciliation</b>																																																			
Carrying amount at 1 July	14	19																																																	
Acquisitions	5	–																																																	
Disposals	(1)	–																																																	
Depreciation	(5)	(5)																																																	
<b>Carrying amount at 30 June</b>	<b>13</b>	<b>14</b>																																																	
<b>13. Intangible assets</b>																																																			
Purchased software:																																																			
At cost	219	219																																																	
Less: accumulated amortisation	(219)	(206)																																																	
	–	13																																																	
Work in progress:																																																			
At cost	248	–																																																	
<b>Total</b>	<b>248</b>	<b>13</b>																																																	
	<table border="1"> <thead> <tr> <th></th> <th colspan="2">Purchased software</th> <th colspan="2">Work in progress</th> <th colspan="2">Total</th> </tr> <tr> <th></th> <th>2012 \$'000</th> <th>2011 \$'000</th> <th>2012 \$'000</th> <th>2011 \$'000</th> <th>2012 \$'000</th> <th>2011 \$'000</th> </tr> </thead> <tbody> <tr> <td><b>Intangibles reconciliation</b></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Carrying amount at 1 July</td> <td style="text-align: right;">13</td> <td style="text-align: right;">26</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">13</td> <td style="text-align: right;">26</td> </tr> <tr> <td>Acquisitions</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">248</td> <td style="text-align: right;">–</td> <td style="text-align: right;">248</td> <td style="text-align: right;">–</td> </tr> <tr> <td>Amortisation</td> <td style="text-align: right;">(13)</td> <td style="text-align: right;">(13)</td> <td style="text-align: right;">–</td> <td style="text-align: right;">–</td> <td style="text-align: right;">(13)</td> <td style="text-align: right;">(13)</td> </tr> <tr> <td><b>Carrying amount at 30 June</b></td> <td style="text-align: right;"><b>–</b></td> <td style="text-align: right;"><b>13</b></td> <td style="text-align: right;"><b>248</b></td> <td style="text-align: right;"><b>–</b></td> <td style="text-align: right;"><b>248</b></td> <td style="text-align: right;"><b>13</b></td> </tr> </tbody> </table>			Purchased software		Work in progress		Total			2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	<b>Intangibles reconciliation</b>							Carrying amount at 1 July	13	26	–	–	13	26	Acquisitions	–	–	248	–	248	–	Amortisation	(13)	(13)	–	–	(13)	(13)	<b>Carrying amount at 30 June</b>	<b>–</b>	<b>13</b>	<b>248</b>	<b>–</b>	<b>248</b>	<b>13</b>
	Purchased software		Work in progress		Total																																														
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000																																													
<b>Intangibles reconciliation</b>																																																			
Carrying amount at 1 July	13	26	–	–	13	26																																													
Acquisitions	–	–	248	–	248	–																																													
Amortisation	(13)	(13)	–	–	(13)	(13)																																													
<b>Carrying amount at 30 June</b>	<b>–</b>	<b>13</b>	<b>248</b>	<b>–</b>	<b>248</b>	<b>13</b>																																													

At 30 June 2012 the Nominal Defendant has purchased software (Claims Management System) with an original cost of \$218,730 and a written down value of nil which is still in use. This system is due to be replaced in 2013-14 with a new system which is currently under development. Costs associated with the new system are reported as work in progress.

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>14. Payables</b>		
Sundry creditors and accruals	589	366
<b>Total</b>	<b>589</b>	<b>366</b>

**Payables attributable to FAI are included in the figures listed above:**

Sundry creditors and accruals	10	11
<b>Total</b>	<b>10</b>	<b>11</b>

#### 15. Accrued employee benefits

**Current**

Recreation leave	121	106
<b>Total</b>	<b>121</b>	<b>106</b>

**Non-current**

Recreation leave	7	3
<b>Total</b>	<b>7</b>	<b>3</b>

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

**Current**

Recreation leave	3	11
<b>Total</b>	<b>3</b>	<b>11</b>

**Non-current**

Recreation leave	-	3
<b>Total</b>	<b>-</b>	<b>3</b>

The discount rate used to calculate the present value of the non-current recreation leave is 2.9% (2011: 4.8%).

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>16. Net outstanding claims</b>		
(a) Net outstanding claims		
<b>Gross outstanding claims liability:</b>		
Current	41,298	35,993
Non-current	152,686	156,244
<b>Total</b>	<b>193,984</b>	<b>192,237</b>
<b>Reinsurance and other recoveries on outstanding claims:</b>		
Current	1,428	1,257
Non-current	5,071	5,049
<b>Total</b>	<b>6,499</b>	<b>6,306</b>
<b>Net outstanding claims:</b>		
Current	39,870	34,736
Non-current	147,615	151,195
<b>Total</b>	<b>187,485</b>	<b>185,931</b>
<b>Net outstanding claims attributable to the Nominal Defendant</b>		
Gross outstanding claims/ expected future claim payments	175,714	189,295
Claims settlement costs	10,236	11,027
	185,950	200,322
Discount to present value	(17,724)	(38,851)
<b>Gross outstanding claims liability</b>	<b>168,226</b>	<b>161,471</b>
Current	34,810	27,692
Non-current	133,416	133,779
<b>Gross outstanding claims liability</b>	<b>168,226</b>	<b>161,471</b>
Reinsurance and other recoveries on outstanding claims	5,118	5,513
Discount to present value	(488)	(1,069)
<b>Reinsurance and other recoveries on outstanding claims</b>	<b>4,630</b>	<b>4,444</b>
Current	958	762
Non-current	3,672	3,682
<b>Reinsurance and other recoveries on outstanding claims</b>	<b>4,630</b>	<b>4,444</b>
<b>Net outstanding claims</b>	<b>163,596</b>	<b>157,027</b>
Central estimate	148,724	142,752
Risk margin	14,872	14,275
<b>Net outstanding claims</b>	<b>163,596</b>	<b>157,027</b>

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>16. Net outstanding claims – continued</b>		
<b>(a) Net outstanding claims – continued</b>		
<b>Net outstanding claims attributable to FAI</b>		
Gross outstanding claims/ expected future claim payments	27,096	34,691
Claims settlement costs	1,017	1,318
	28,113	36,009
Discount to present value	(2,355)	(5,243)
<b>Gross outstanding claims liability</b>	<b>25,758</b>	<b>30,766</b>
Current	6,488	8,301
Non-current	19,270	22,465
<b>Gross outstanding claims liability</b>	<b>25,758</b>	<b>30,766</b>
Reinsurance and other recoveries on outstanding claims	2,021	2,200
Discount to present value	(152)	(338)
<b>Reinsurance and other recoveries on outstanding claims</b>	<b>1,869</b>	<b>1,862</b>
Current	470	495
Non-current	1,399	1,367
<b>Reinsurance and other recoveries on outstanding claims</b>	<b>1,869</b>	<b>1,862</b>
<b>Net outstanding claims</b>	<b>23,889</b>	<b>28,904</b>
Central estimate	20,594	24,917
Risk margin	3,295	3,987
<b>Net outstanding claims</b>	<b>23,889</b>	<b>28,904</b>

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 16. Net outstanding claims – continued

##### (b) Actuarial assumptions

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

	2012	2011
<b>Assumptions attributable to the Nominal Defendant</b>		
Inflation rate	6.6%	6.7%
Discount rate	2.8%	5.1%
Claims handling expenses	6.0%	6.0%
Risk margin	10.0%	10.0%
Weighted average expected term to settlement	3.8 years	4.7 years
<b>Assumptions attributable to FAI</b>		
Inflation rate	N/A	N/A
Discount rate	2.7%	5.0%
Claims handling expenses	4.0%	4.0%
Risk margin	16.0%	16.0%
Weighted average expected term to settlement	3.4 years	3.4 years

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

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

##### Sensitivity analysis attributable to the Nominal Defendant

	Movement in variable	Financial impact			
		Profit/(loss) 2012 \$'000	Equity 2012 \$'000	Profit/(loss) 2011 \$'000	Equity 2011 \$'000
<b>Net outstanding claims</b>					
Inflation rate	+1%	(5,665)	(5,665)	(4,273)	(4,273)
	-1%	5,377	5,377	4,027	4,027
Discount rate	+1%	5,327	5,327	3,927	3,927
	-1%	(5,733)	(5,733)	(4,273)	(4,273)
Claims handling expenses	+1%	(1,543)	(1,543)	(1,473)	(1,473)
	-1%	1,543	1,543	1,527	1,527
Risk margin	+1%	(1,487)	(1,487)	(1,473)	(1,473)
	-1%	1,487	1,487	1,427	1,427
Weighted average term to settlement	+0.5 years	2,145	2,145	3,557	3,557
	-0.5 years	(2,173)	(2,173)	(3,639)	(3,639)

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Notes to and forming part of the financial statements 2011-12

16. Net outstanding claims – continued

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

Sensitivity analysis attributable to FAI		Financial impact			
		Profit/(loss) 2012 \$'000	Equity 2012 \$'000	Profit/(loss) 2011 \$'000	Equity 2011 \$'000
Net outstanding claims	Movement in variable				
Inflation rate	+1%	N/A	N/A	N/A	N/A
	-1%	N/A	N/A	N/A	N/A
Discount rate	+1%	728	728	803	803
	-1%	(775)	(775)	(897)	(897)
Claims handling expenses	+1%	(233)	(233)	(297)	(297)
	-1%	233	233	303	303
Risk margin	+1%	(206)	(206)	(297)	(297)
	-1%	206	206	203	203
Weighted average term to settlement	+0.5 years	309	309	654	654
	-0.5 years	(313)	(313)	(669)	(669)

(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 2011-12 financial year the Nominal Defendant was able to secure unlimited cover with an excess of loss retention level of \$6.0 million. All reinsurers complied with Treasury's minimum requirements as specified by the Financial Management Standards.

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>17. Reconciliation of operating result to net cash from operating activities</b>		
Operating result	11,869	177,434
<b>Add/(subtract) items classified as investing activities:</b>		
QIC management fees	1,754	1,583
(Increase)/decrease in net market value of investments	(494)	(70,440)
<b>Non-cash items:</b>		
Depreciation	5	5
Amortisation	13	13
<b>Changes in assets and liabilities:</b>		
(Increase)/decrease in prepayments	5	2
(Increase)/decrease in receivables	30,495	(8,042)
Increase/(decrease) in payables	230	124
Increase/(decrease) in unearned levies	66	(6,039)
Increase/(decrease) in outstanding claims liability	1,747	(19,551)
Increase/(decrease) in accrued employee benefits	19	14
<b>Net cash from operating activities</b>	<b>45,709</b>	<b>75,103</b>

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

	2012 \$'000	2011 \$'000
<b>18. Commitments for expenditure</b>		
<b>(a) Non-cancellable operating lease commitments</b>		
Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:		
- Not later than one year	110	121
- Later than one year and not later than five years	-	-
<b>Total</b>	<b>110</b>	<b>121</b>

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

**(b) Capital expenditure commitments**

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

*Software*

- Not later than one year	584	-
- Later than one year and not later than five years	-	-
<b>Total</b>	<b>584</b>	<b>-</b>

**(c) Other expenditure commitments**

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

- Not later than one year	329	287
- Later than one year and not later than five years	63	-
<b>Total</b>	<b>392</b>	<b>287</b>



# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 19. Financial instruments

##### (a) Categorisation of financial instruments

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

Category	Note	2012 \$'000	2011 \$'000
<b>Financial assets</b>			
Cash and cash equivalents	9	3,273	1,704
Receivables	10	1,343	32,031
Financial assets	11	578,868	536,247
<b>Total</b>		<b>583,484</b>	<b>569,982</b>

#### Financial liabilities

Financial liabilities measured at amortised cost:

Payables	14	589	366
<b>Total</b>		<b>589</b>	<b>366</b>

##### (b) Financial risk management

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

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

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

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

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

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Notes to and forming part of the financial statements 2011-12

##### 19. Financial instruments – continued

###### (c) Credit risk exposure

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

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

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

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

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

The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. The main factors affecting the current calculation for provisions are disclosed below as loss events. These economic and geographic changes form part of the Nominal Defendant's documented risk analysis assessment in conjunction with historic experience and associated industry data.

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

###### *Financial assets past due but not impaired*

	Overdue				Total \$'000
	Less than 30 days \$'000	30 - 60 days \$'000	61 - 90 days \$'000	More than 90 days \$'000	
<b>2012</b>					
Receivables (excluding sharing recoveries)	1,263	–	–	–	1,263
<b>Total</b>	<b>1,263</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,263</b>
<b>2011</b>					
Receivables (excluding sharing recoveries)	31,960	–	–	–	31,960
<b>Total</b>	<b>31,960</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>31,960</b>

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 19. Financial instruments – continued

##### (d) Liquidity risk

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

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

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

##### Financial liabilities

	Note	Payable in			Total \$'000
		< 1 year \$'000	1-5 years \$'000	> 5 years \$'000	
<b>2012</b>					
Payables	14	589	–	–	589
<b>Total</b>		<b>589</b>	<b>–</b>	<b>–</b>	<b>589</b>
<b>2011</b>					
Payables	14	366	–	–	366
<b>Total</b>		<b>366</b>	<b>–</b>	<b>–</b>	<b>366</b>

##### (e) Market risk

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

# FINANCIAL INFORMATION 2011-2012

## Nominal Defendant

### Notes to and forming part of the financial statements 2011-12

#### 19. Financial instruments – continued

##### (f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/-1% from the year-end rates applicable to the Nominal Defendant's financial assets. With all other variables held constant, the Nominal Defendant would have a surplus and equity increase/(decrease) of \$33,000 (2011: \$17,000) due to interest rate risk and \$5,789,000 (2011: \$5,362,000) due to unit price risk.

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

Cash	Movement in variable %	Financial impact			
		Profit/(loss) 2012 \$'000	Equity 2012 \$'000	Profit/(loss) 2011 \$'000	Equity 2011 \$'000
Interest rate risk	+1	33	33	17	17
	-1	(33)	(33)	(17)	(17)

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

Investments	Movement in variable %	Financial impact			
		Profit/(loss) 2012 \$'000	Equity 2012 \$'000	Profit/(loss) 2011 \$'000	Equity 2011 \$'000
Unit price risk	+1	5,789	5,789	5,362	5,362
	-1	(5,789)	(5,789)	(5,362)	(5,362)

##### (g) Fair value

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

Level 1 – fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities;

Level 2 – fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and

Level 3 – fair values that are derived from data not observable in a market.

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

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

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

## FINANCIAL INFORMATION 2011-2012

### Nominal Defendant

#### Certificate of the Nominal Defendant

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

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2012 and of the financial position of the Nominal Defendant at the end of that year.



Lina Lee (CA)  
Manager Corporate Governance  
29 August 2012



Neil Singleton  
Insurance Commissioner  
29 August 2012

# FINANCIAL INFORMATION 2011-2012

## 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 2012, 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 Manager 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 INFORMATION 2011-2012

## 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 2011 to 30 June 2012 and of the financial position as at the end of that year.

#### **Matters Relating to the Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial report of Nominal Defendant for the year ended 30 June 2012. Where the financial report is included on Nominal Defendant's website the Insurance Commissioner is responsible for the integrity of Nominal Defendant's website and I have not been engaged to report on the integrity of Nominal Defendant's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements or otherwise included with the financial report. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in this website version of the financial report.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.



M Ayoob (CA)  
as Delegate of the Auditor-General of Queensland

29 August 2012  
Brisbane