

FINANCIAL INFORMATION 2015-16

The background of the page is composed of several overlapping geometric shapes. A large, dark blue triangle is positioned in the upper left. A bright blue triangle is on the right side, pointing towards the top right. A black triangle is located in the lower left, pointing towards the bottom left. The bottom portion of the page is a solid dark grey color.

OUR FINANCIAL INFORMATION

Motor Accident Insurance Commission

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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 2203
Brisbane, Queensland 4000

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

For information in relation to MAIC's financial report please call 1300 302 568, email maic@maic.qld.gov.au or visit MAIC's internet site www.maic.qld.gov.au.

Nominal Defendant

Financial Statements 2015-2016

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These financial statements cover the Nominal Defendant.

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

The head office and principal place of business is:
Level 9, 33 Charlotte Street
GPO Box 2203
Brisbane, Queensland 4000

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

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

MOTOR ACCIDENT INSURANCE COMMISSION FINANCIAL SUMMARY 2015-16

MAIC managed its business within budget and achieved an operating surplus of \$0.24 million for the year ended 30 June 2016. The major drivers for the \$10.40 million decrease in operating surplus were the reduction in returns on financial assets and increase in grants expense.

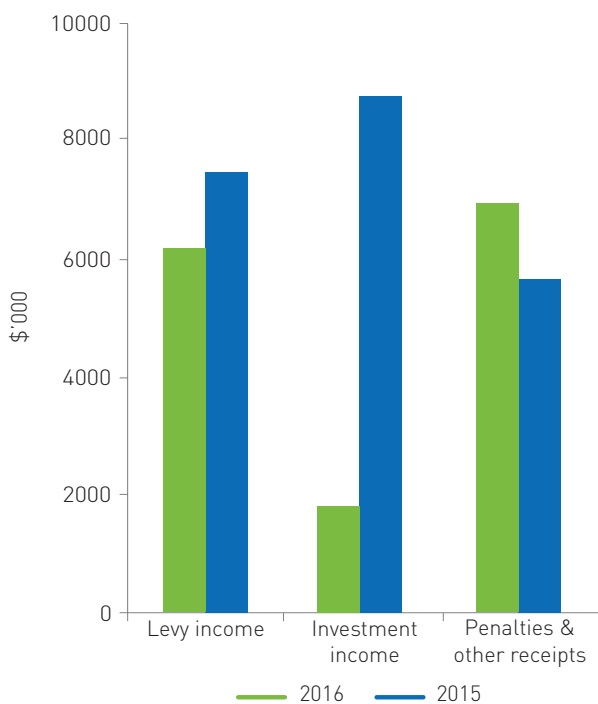
The lower return on investments held with QIC of \$1.76 million versus the prior year's \$8.72 million was due to the uncertainty in the global equity markets during the year.

The Statutory Insurance Scheme Levy per vehicle reduced to \$1.50 in 2015-16 from \$1.85 in the prior year. This led to a decrease in levy income of \$1.30 million. Penalty fines and other receipts rose by \$1.23 million to \$6.87 million.

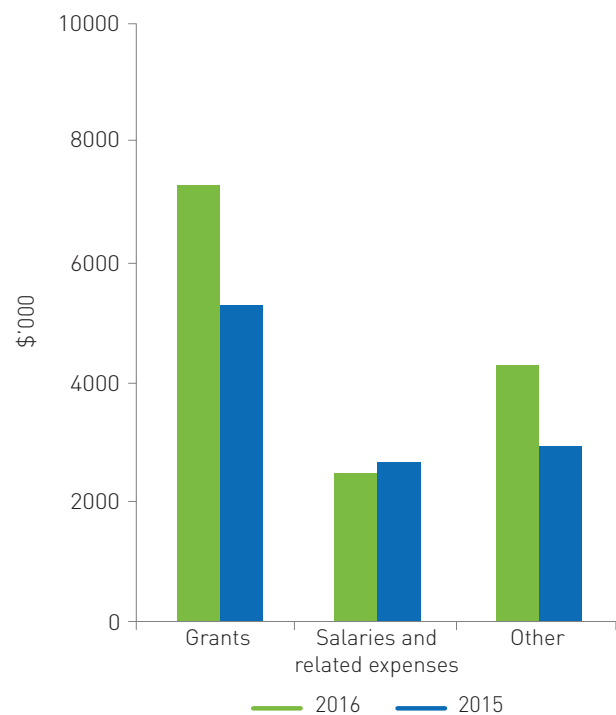
MAIC's total expenses for the year was \$14.50 million (prior year \$11.12 million). MAIC's largest expense item relates to the continued funding of research programs to seek to reduce the incidence and mitigate the effects of road trauma. The increase in grants expense of \$2.17 million was due to additional funding for road safety initiatives under the Road Trauma Mitigation Fund which was established in 2015-16. Details of the grant funding are provided in Appendix 6.

MAIC's other operating expenditure rose by \$1.30 million to \$4.33 million primarily as a result of additional costs incurred in the preparation and implementation phases for the delivery of the National Injury Insurance Scheme Queensland (NIISQ) alongside the Queensland CTP Scheme.

Income



Expenses



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016	2015
		\$'000	\$'000
Income			
Levy income		6,109	7,413
Net fair value gains on other financial assets		1,764	8,719
Interest income		133	165
Penalties and miscellaneous receipts		6,705	5,436
User charges		31	36
Total income		14,742	21,769
Expenses			
Grants	2	7,554	5,388
Employee expenses	3	2,617	2,707
Supplies and services	5	4,254	2,968
Depreciation and amortisation		9	10
Other expenses	6	65	47
Total expenses		14,499	11,120
Operating result		243	10,649
Other comprehensive income		-	-
Total comprehensive income		243	10,649

The accompanying notes form part of these statements.

Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents		2,568	2,370
Receivables	7	403	608
Other financial assets		26,421	22,978
Prepayments		28	28
Total current assets		29,420	25,984
Non-current assets			
Other financial assets		137,598	140,804
Plant and equipment		-	10
Total non-current assets		137,598	140,814
Total assets		167,018	166,798
Current liabilities			
Payables		312	363
Accrued employee benefits	8	104	76
Total current liabilities		416	439
Total liabilities		416	439
Net assets		166,602	166,359
Equity			
Contributed equity		57,818	57,818
Accumulated surplus		108,784	108,541
Total equity		166,602	166,359

The accompanying notes form part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Statement of Changes in Equity

for the year ended 30 June 2016

	Accumulated surplus \$'000	Contributed equity \$'000	Total equity \$'000
Balance as at 1 July 2014	97,892	57,818	155,710
Operating result	10,649	-	10,649
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2015	108,541	57,818	166,359
Balance as at 1 July 2015	108,541	57,818	166,359
Operating result	243	-	243
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2016	108,784	57,818	166,602

The accompanying notes form part of these statements.

Statement of Cash Flows

for the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Lewy income		6,109	7,413
Interest income		126	182
Penalties and miscellaneous receipts		6,614	5,250
User charges		32	28
GST input tax credits from ATO		1,134	634
GST collected from customers		3	23
<i>Outflows:</i>			
Grants		(7,442)	(5,716)
Employee expenses		(2,575)	(2,960)
Supplies and services		(3,724)	(2,615)
GST remitted to ATO		(19)	(7)
GST paid to suppliers		(997)	(766)
Other		(63)	(47)
Net cash (used in) / provided by operating activities	9	(802)	1,419
Cash flows from investing activities			
<i>Inflows:</i>			
Proceeds from sale of other financial assets		4,000	2,000
<i>Outflows:</i>			
Payments for other financial assets		(3,000)	(4,000)
Net cash provided by / (used in) investing activities		1,000	(2,000)
Net increase / (decrease) in cash and cash equivalents		198	(581)
Cash and cash equivalents at beginning of financial year		2,370	2,951
Cash and cash equivalents at end of financial year		2,568	2,370

The accompanying notes form part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Objectives and principal activities of MAIC

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

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

1. Summary of significant accounting policies

(a) Statement of compliance

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

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury's Financial Reporting Requirements for reporting periods beginning on or after 1 July 2015, and other authoritative pronouncements.

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

(b) The reporting entity

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

(c) Levy collection, contributions and penalties

Levies are recognised at the time they are legally payable by the Department of Transport and Main Roads (DTMR) to MAIC under s.27 of the *Motor Accident Insurance Act 1994*. This occurs at the time the levies are paid by motorists to DTMR.

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

Details on the levies collected on behalf of and distributed to Queensland Health and the Public Safety Business Agency are provided in Note 10.

Penalties are recognised at the time they are legally payable by the Department of Transport and Main Roads (DTMR) and Queensland Treasury (State Penalties Enforcement Registry) to MAIC under s.20 of the *Motor Accident Insurance Act 1994*. This occurs at the time of receipt of monies from uninsured motorists.

(d) Grants

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

(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

Receivables 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 where an event occurs that would cast doubt on the collectability of the receivable. All known bad debts were written-off as at 30 June.

(g) Fair value measurement

MAIC recognises in its other financial assets funds that are invested with Queensland Investment Corporation (QIC) at net market value in the financial statements using fair value measurement.

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

Observable inputs are publicly available data that are relevant to the characteristics of the investments being valued.

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

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

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

Other financial assets are held through unlisted unit trusts with MAIC's funds' manager. While the units in the trust have quoted prices and are able to be traded, the market would not be considered active for level 1, therefore they are considered to be level 2. A market comparison valuation approach is used, with the units carried at redemption value as reasonably determined by the funds' manager.

Fair value information about MAIC's financial instruments is outlined in Note 12.

(h) Intangibles

Intangible assets with a cost or other value greater than \$100,000 are recognised in the financial statements. Items with a lesser value are expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to MAIC. MAIC has \$270,000 in intangibles that are fully amortised.

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

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

Internally generated software

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

(i) Financial instruments

Recognition

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

Classification

Financial instruments are classified and measured as follows:

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

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

All other disclosures relating to the measurement and financial risk management of financial instruments held by MAIC are included in Note 12.

(j) Employee benefits

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

Wages, salaries and sick leave

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Annual and long service leave

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

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

Superannuation

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

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB1049 *Whole of Government and General Government Sector Financial Reporting*.

Key management personnel and remuneration

Key management personnel and remuneration disclosures are detailed in Note 4.

(k) Insurance

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

(l) 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.

(m) Taxation

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

(N) Issuance of financial statements

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

(o) 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 only area where MAIC has made a higher degree of judgement is in the use of level 2 for the fair valuation of its investments with QIC, with no other judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(p) 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.

(q) New and revised accounting standards

MAIC did not voluntarily change any of its accounting policies during 2015-16. MAIC adopted AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101, [AASB 7, AASB 101, AASB 134 & AASB 1049]. The amendments seek to improve financial reporting which emphasises only including material disclosures in the notes. MAIC has applied this flexibility in preparing the 2015-16 financial statements.

No new Australian accounting Standards effective for the first time in 2015-16 had any material impact on this financial report.

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 124 *Related Party Disclosures* will become effective from reporting periods beginning on or after 1 July 2016 and will apply to MAIC. The revised version of AASB 124 requires disclosures about the remuneration of key management personnel (KMP), transactions with related parties, and relationships between parent and controlled entities.

MAIC already discloses detailed information about remuneration of its KMP, based on Queensland Treasury's Financial Reporting Requirements for Queensland Government Agencies. Due to additional guidance from the AASB about the KMP definition in the revised AASB 124, MAIC will be assessing whether its responsible Minister should be part of its KMP from 2016-17. If the responsible Minister is assessed as meeting the KMP definition, no associated remuneration figures will be disclosed by MAIC, as it does not provide the Minister's remuneration. Comparative information will continue to be disclosed in respect of KMP remuneration.

The most significant implications of AASB 124 for MAIC are the required disclosures about transactions between MAIC and its related parties (as defined in AASB 124). For any such transactions, from 2016-17, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/payables, commitments, and any receivables where collection has been assessed as being doubtful. In respect of related party transactions with other Queensland Government controlled entities, the information disclosed will be more high level, unless a transaction is individually significant. No comparative information is required in respect of related party transactions in the 2016-17 financial statements.

AASB 15 Revenue from Contracts with Customers will become effective from reporting periods beginning on or after 1 January 2018. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Based on present arrangements, MAIC does not enter into contracts for the sale of goods and services. However, if a contract for sale of goods and services does arise in the future, MAIC will need to follow the relevant accounting treatment specified in AASB15.

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

At this stage and assuming no change in the types of transactions MAIC enters into, all of the financial assets are expected to be required to be measured at fair value as required in the standard (instead of the measurement classifications presently used in Notes 1(i) and 12). In the case of MAIC's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in MAIC's operating result.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

	2016	2015
	\$'000	\$'000
2. Grants		
Strategic accident prevention research	2,786	2,916
Rehabilitation initiatives research	2,468	2,472
Road trauma mitigation research	2,300	-
Total	7,554	5,388

3. Employee expenses

Employee benefits

Salaries and wages	2,018	2,069
Employer superannuation contributions*	271	289
Leave levies*	260	285
Other employee benefits	12	6

Employee related expenses

Workers' compensation premium	3	4
Payroll tax	-	1
Other employee related expenses	53	53
Total	2,617	2,707

*Refer to Note 1(j).

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

	2016	2015
Full-Time Equivalent Employees	23	23

4. Key management personnel and remuneration expenses

(a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of MAIC during 2015-16. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position
Insurance Commissioner	Leads the efficient, effective and economic administration of MAIC.	SES3; <i>Public Service Act 2008</i> and Governor in Council, in accordance with section 7 of the <i>Motor Accident Insurance Act 1994</i>	6-Dec-10
Director, Finance and Procurement*	Responsible for the efficient, effective and economic financial administration of MAIC.	SO; <i>Public Service Act 2008</i>	13-Feb-06
Director, Business Solutions	Responsible for efficient and effective information systems and reporting.	SO; <i>Public Service Act 2008</i>	2-Jun-14
Director, Strategic Planning and Business Performance	Responsible for efficient and effective strategic, operational and capability planning and strategic communication.	SO; <i>Public Service Act 2008</i>	16-May-16
Director, CTP Scheme Claims	Responsible for the Nominal Defendant claims management operation and licensed insurer claims management monitoring.	SO; <i>Public Service Act 2008</i>	23-May-16

* This role was previously named Director, Corporate Governance.

(b) Remuneration expenses

Remuneration policy for MAIC's key management personnel is set by the Queensland Public Service Commission as provided for under the Public Service Act 2008. The remuneration and other terms of employment (including motor vehicle entitlements) for the key management personnel are specified in employment contracts.

For the 2015-16 year, remuneration of key management personnel increased by 2.5% in accordance with government policy.

The following disclosures include remuneration in connection with the management of MAIC, the Nominal Defendant and the Queensland Government Insurance Fund. The remuneration has been allocated in the Statement of Comprehensive Income in accordance with services provided between the entities. Remuneration for the Director, CTP scheme claims is reported in the Nominal Defendant financial statements under Note 5.

Remuneration expenses for key management personnel comprise the following components:

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

Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

1 July 2015 to 30 June 2016

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Insurance Commissioner	224	-	5	25	-	254
Director, Finance and Procurement	138	-	3	17	-	158
Director, Business Solutions	109	-	2	14	-	125
Director, Strategic Planning and Business Performance	14	-	-	1	-	15

1 July 2014 to 30 June 2015

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Insurance Commissioner	221	-	5	24	-	250
Director, Corporate Governance	132	-	3	17	-	152
Director, Business Solutions	108	-	2	13	-	123

(c) Performance payments

Performance bonuses are not paid under the contracts in place.

	2016	2015
	\$'000	\$'000
5. Supplies and services		
Consultants and contractors	2,099	1,152
Rent	326	297
Supplies and consumables	272	205
Advertising	263	-
Corporate services fee	270	270
QIC management fee	512	477
Computer facilities management fee	94	81
Professional services	76	152
Actuarial fees	342	334
Total	4,254	2,968

6. Other expenses

External audit fees	21	20
Insurance premiums - QGIF	27	27
Other	17	-
Total	65	47

Total audit fees paid to the Queensland Audit Office relating to the 2015-16 financial year are estimated to be \$20,550 (2015: \$20,000). There are no non-audit services included in this amount.

7. Receivables

Penalties receivable	242	151
Accrued interest income	40	33
GST receivable	50	188
GST payable	(1)	(17)
Leave reimbursements	39	53
Grant receivable	26	180
Other receivables	7	20
Total	403	608

8. Accrued employee benefits**Current**

Leave levies payable	63	55
Accrued salaries and wages	41	21
Total	104	76

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

	2016	2015
	\$'000	\$'000
9. Reconciliation of operating result to net cash from operating activities		
Operating result	243	10,649
Add/(subtract) items classified as investing activities:		
Net fair value gain on other financial assets	(1,236)	(8,197)
Non-cash items:		
Depreciation and amortisation expense	9	10
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	-	(28)
(Increase)/decrease in receivables	205	(356)
Increase/(decrease) in payables	(51)	(483)
Increase/(decrease) in accrued employee benefits	28	(176)
Net cash (used in) / provided by operating activities	(802)	1,419

	2016	2015
	\$'000	\$'000

10. Agency transactions

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

Levies

Comprise amounts collected from the Department of Transport and Main Roads on gross insurance premiums.

Levies collected but not remitted in the previous year	6,634	6,585
Hospital levy	74,411	67,894
Emergency Services levy	3,936	5,024
Total	84,981	79,503

Contributions

Comprise payments to Queensland Health and the Public Safety Business Agency on account of levies received from the Department of Transport and Main Roads.

Hospital levy contributions	73,798	67,934
Emergency Services levy contributions	4,017	4,935
Total	77,815	72,869

Amounts collected on behalf of but not yet remitted to Queensland Health and the Public Safety Business Agency in respect of hospital and emergency services levies at 30 June:

Hospital levy	6,808	6,195
Emergency Services levy	358	439
Total	7,166	6,634

11. Grant commitments

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

Commitments for grant expenditure at reporting date (inclusive of non-recoverable GST input tax credits) are payable:

· Not later than one year	10,200	4,851
· Later than one year and not later than five years	13,155	2,094
Total	23,355	6,945

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

12. Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2016 \$'000	2015 \$'000
Financial assets			
Cash and cash equivalents		2,568	2,370
Receivables	7	403	608
Other financial assets		164,019	163,782
Total		166,990	166,760
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables		312	363
Total		312	363

(b) Financial risk management

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

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

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

12. Financial instruments – continued

(c) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/-1% from the year-end rates applicable to MAIC's other financial assets. With all other variables held constant, MAIC would have a surplus and equity increase/(decrease) of \$26,000 (2015: \$24,000) due to interest rate risk and \$1,640,000 (2015: \$1,638,000) due to unit price risk.

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

Cash	Movement in variable	Financial impact			
		Profit/(loss)	Equity	Profit/(loss)	Equity
		2016	2016	2015	2015
	%	\$'000	\$'000	\$'000	\$'000
Interest rate risk	+1	26	26	24	24
	-1	(26)	(26)	(24)	(24)

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

QIC Investments	Movement in variable	Financial impact			
		Profit/(loss)	Equity	Profit/(loss)	Equity
		2016	2016	2015	2015
	%	\$'000	\$'000	\$'000	\$'000
Unit price risk	+1	1,640	1,640	1,638	1,638
	-1	(1,640)	(1,640)	(1,638)	(1,638)

(d) Fair value

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

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

The carrying amounts of other 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

13. Budget vs actual comparison

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

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

Statement of Comprehensive Income

		Actual	Original		
	Variance	2016	Budget	Variance	Variance
	Notes	\$'000	\$'000	\$'000	(%)
Income					
Livy income		6,109	6,013	96	2%
Net fair value gains on other financial assets	1	1,764	11,785	(10,021)	-85%
Interest income		133	180	(47)	-26%
Penalties and miscellaneous receipts	2	6,705	5,000	1,705	34%
User charges		31	-	31	-
Total income		14,742	22,978	(8,236)	-36%
Expenses					
Grants	3	7,554	16,000	(8,446)	-53%
Employee expenses		2,617	2,840	(223)	-8%
Supplies and services		4,254	4,075	179	4%
Depreciation and amortisation		9	10	(1)	-10%
Other expenses		65	53	12	23%
Total expenses		14,499	22,978	(8,479)	-37%
Operating result		243	-	243	-
Other comprehensive income		-	-	-	-
Total comprehensive income		243	-	243	-

13. Budget vs actual comparison – continued**Statement of Financial Position**

		Actual	Original		
	Variance	2016	Budget	Variance	Variance
	Notes	\$'000	\$'000	\$'000	(%)
Current assets					
Cash and cash equivalents	4	2,568	2,000	568	28%
Receivables		403	248	155	63%
Other financial assets	5	26,421	22,996	3,425	15%
Prepayments		28	-	28	-
Total current assets		29,420	25,244	4,176	17%
Non-current assets					
Other financial assets	5	137,598	142,418	(4,820)	-3%
Plant and equipment		-	-	-	-
Total non-current assets		137,598	142,418	(4,820)	-3%
Total assets		167,018	167,662	(644)	0%
Current liabilities					
Payables	6	312	854	(542)	-63%
Accrued employee benefits		104	137	(33)	-24%
Total current liabilities		416	991	(575)	-58%
Total liabilities		416	991	(575)	-58%
Net assets		166,602	166,671	(69)	0%
Equity					
Contributed equity		57,818	57,818	-	-
Accumulated surplus		108,784	108,853	(69)	0%
Total equity		166,602	166,671	(69)	0%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

13. Budget vs actual comparison – continued

Statement of Cash Flows

	Variance Notes	Original		Variance \$'000	Variance (%)
		Actual 2016 \$'000	Budget 2016 \$'000		
Cash flows from operating activities					
<i>Inflows:</i>					
Levy income		6,109	6,013	96	2%
Interest income		126	180	(54)	-30%
Penalties and miscellaneous receipts	2	6,614	5,000	1,614	32%
User charges		32	-	32	-
GST input tax credits from ATO		1,134	-	1,134	-
GST collected from customers		3	-	3	-
<i>Outflows:</i>					
Grants	3	(7,442)	(16,000)	8,558	-53%
Employee expenses		(2,575)	(2,838)	263	-9%
Supplies and services		(3,724)	(3,436)	(288)	8%
GST remitted to ATO		(19)	-	(19)	-
GST paid to suppliers		(997)	-	(997)	-
Other		(63)	(161)	98	-61%
Net cash (used in) / provided by operating activities		(802)	(11,242)	10,440	-93%
Cash flows from investing activities					
<i>Inflows:</i>					
Proceeds from sale of other financial assets	7	4,000	-	4,000	-
<i>Outflows:</i>					
Payments for other financial assets	7	(3,000)	11,242	(14,242)	-127%
Net cash provided by / (used in) investing activities		1,000	11,242	(10,242)	-91%
Net increase / (decrease) in cash and cash equivalents		198	-	198	-
Cash and cash equivalents at beginning of financial year		2,370	2,000	370	19%
Cash and cash equivalents at end of financial year		2,568	2,000	568	28%

13. Budget vs actual comparison – continued**Explanations of major variances****Statement of Comprehensive Income**

1. The decrease in net fair value gains on financial assets is primarily due to lower than expected earnings on QIC investments due to uncertainty in the international equity market during the year.
2. The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year.
3. The variance in grants payments is due to lower than anticipated investment in research activities and timing of payments with some grants being delayed until 2016-17.

Statement of Financial Position

4. The cash and cash equivalents balance is higher than projected as detailed in the Statement of Cash Flows.
5. The variance in current and non-current other financial assets is primarily due to a reclassification from non-current to current QIC investments.
6. The variance in payables is due to fluctuations in accrued expenses at year end.

Statement of Cash Flows

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

CERTIFICATE OF THE MOTOR ACCIDENT INSURANCE COMMISSION

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009 (the Act)*, section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements.

In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission (MAIC) for the financial year ended 30 June 2016 and of the financial position of MAIC at the end of that year
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



L. Lee
B. Com, CA
Director Finance and Procurement
24 August 2016



N. Singleton
B. Bus (Insurance), MBA
Insurance Commissioner
24 August 2016

INDEPENDENT AUDITOR'S REPORT

To the Insurance Commissioner

Report on the Financial Report

I have audited the accompanying financial report of the Motor Accident Insurance Commission, which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Director Finance and Procurement.

The Insurance Commissioner's Responsibility for the Financial Report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

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

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

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



P. Christensen CPA
As Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane

NOMINAL DEFENDANT FINANCIAL SUMMARY 2015-16

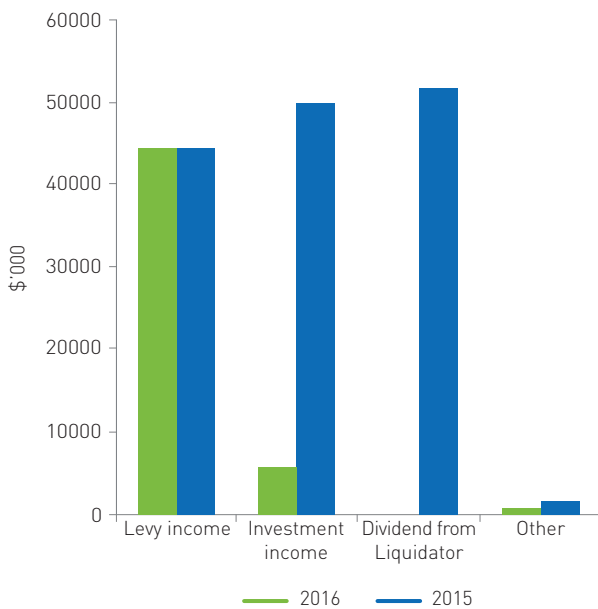
The operating surplus of the Nominal Defendant for the year ended 30 June 2016 was \$21.52 million compared to the prior year's operating surplus of \$116.12 million.

The major drivers for the \$94.6 million decrease in operating surplus were the cessation of dividends from FAI liquidators and the reduction in returns on financial assets. The final dividends from the FAI liquidators were received in the prior financial year (\$51.83 million) with dividends ceasing from 1 July 2015 resulting in nil dividends for the year ended 30 June 2016. The lower return on investments held with QIC of \$5.55 million versus the prior year's \$49.76 million was due to the uncertainty in the global equity markets during the year.

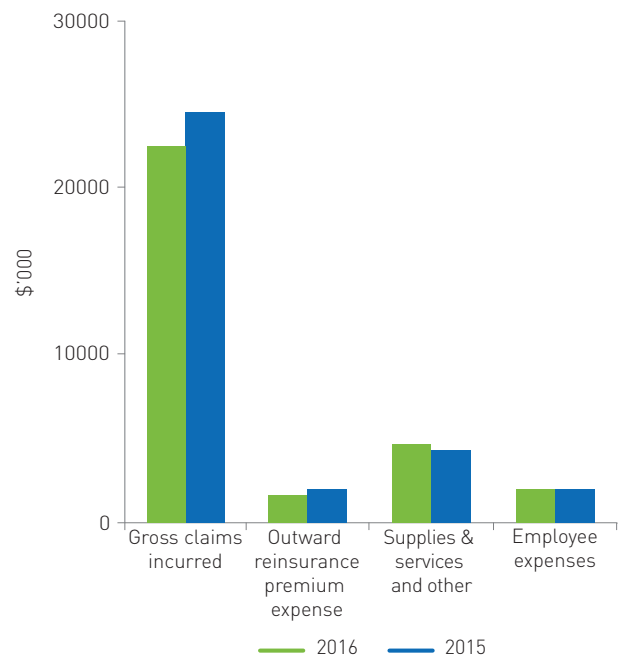
In relation to the normal business of the Nominal Defendant, claim payments were \$24.31 million (prior year \$24.38 million) and claim recoveries were \$0.62 million (prior year \$0.94 million). The gross outstanding claims liabilities were actuarially assessed at 30 June 2016 and decreased by \$2.01 million to \$132.46 million.

The Nominal Defendant levy decreased by \$0.50 to \$11.00 per Class 1 vehicle from 1 July 2015. The reduction in the levy resulted in a \$0.20 million decrease in levy income to \$44.59 million compared to prior year's \$44.80 million.

Income



Expenses



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Income			
Levy income	2	44,593	44,795
Net fair value gains on other financial assets		5,549	49,759
Dividends received from FAI liquidator		-	51,831
Reinsurance and other recoveries	3	458	914
Interest income		48	53
Total income		50,648	147,352
Expenses			
Gross claims incurred	3	22,585	24,821
Outward reinsurance premium expense	2	1,193	1,239
Employee expenses	4	1,323	1,380
Supplies and services	6	3,469	3,227
Depreciation and amortisation		523	524
Other	7	39	38
Total expenses		29,132	31,229
Operating result		21,516	116,123
Other comprehensive income		-	-
Total comprehensive income		21,516	116,123

The accompanying notes form part of these statements.

Statement of Financial Position

as at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents		3,358	3,118
Receivables	8	1,626	289
Other financial assets		670,702	195,194
Reinsurance and other recoveries on outstanding claims	11	672	972
Prepayments		9	14
Total current assets		676,367	199,587
Non-current assets			
Other financial assets		281,629	741,340
Reinsurance and other recoveries on outstanding claims	11	2,693	3,895
Plant and equipment		-	4
Intangible assets	9	2,509	3,028
Total non-current assets		286,831	748,267
Total assets		963,198	947,854
Current liabilities			
Payables		341	378
Accrued employee benefits	10	60	38
Outstanding claims liability	11	28,377	30,588
Unearned levies		21,827	22,447
Total current liabilities		50,605	53,451
Non-current liabilities			
Outstanding claims liability	11	113,048	116,374
Total non-current liabilities		113,048	116,374
Total liabilities		163,653	169,825
Net assets		799,545	778,029
Equity			
Contributed equity		121	121
Accumulated surplus		799,424	777,908
Total equity		799,545	778,029

The accompanying notes form part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Statement of Changes in Equity

for the year ended 30 June 2016

	Accumulated surplus \$'000	Contributed equity \$'000	Total equity \$'000
Balance as at 1 July 2014	661,785	121	661,906
Operating result	116,123	-	116,123
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2015	777,908	121	778,029
Balance as at 1 July 2015	777,908	121	778,029
Operating result	21,516	-	21,516
<i>Other comprehensive income</i>	-	-	-
Balance as at 30 June 2016	799,424	121	799,545

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2016

	Notes	2016	2015
		\$'000	\$'000
Cash flows from operating activities			
<i>Inflows:</i>			
Levy income		43,973	45,121
Interest income		40	53
Dividends received from FAI liquidator		-	51,831
Reinsurance and other recoveries		615	3,925
GST input tax credits from ATO		601	681
GST collected from customers		13	15
<i>Outflows:</i>			
Gross claims incurred		(28,122)	(26,862)
Outward reinsurance premium expense		(1,183)	(1,347)
Employee expenses		(1,310)	(1,556)
Supplies and services		(743)	(474)
GST paid to suppliers		(582)	(672)
GST remitted to ATO		(13)	(15)
Other		(49)	(30)
Net cash provided by operating activities	12	13,240	70,670
Cash flows from investing activities			
<i>Inflows:</i>			
Proceeds from sale of other financial assets		-	4,500
<i>Outflows:</i>			
Payments for other financial assets		(13,000)	(76,000)
Net cash used in investing activities		(13,000)	(71,500)
Net increase/(decrease) in cash and cash equivalents		240	(830)
Cash and cash equivalents at beginning of financial year		3,118	3,948
Cash and cash equivalents at end of financial year		3,358	3,118

The accompanying notes form part of these statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Objectives and principal activities of 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 accruals basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury's Financial Reporting Requirements for the year ending 30 June 2016, 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 where otherwise stated.

(b) The reporting entity

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

(c) Funding of the Nominal Defendant

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

(d) Levy income

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

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

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

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

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

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

(e) Outwards reinsurance premium expense

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

(f) Cash and cash equivalents

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

(g) Receivables

Receivables 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 where an event occurs that would cast doubt on the collectability of the receivable. All known bad debts were written-off as at 30 June.

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

(h) Reinsurance and other recoveries on outstanding claims

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

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

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

(i) Fair Value Measurement

The Nominal Defendant recognises in its other financial assets funds that are invested with Queensland Investment Corporation (QIC) at net market value in the financial statements using fair value measurement.

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

Observable inputs are publicly available data that are relevant to the characteristics of the investments being valued.

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

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

- level 1 – represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical investments

- level 2 – represents fair value measurements that are substantially derived from inputs (other than quoted prices included in level 1) that are observable, either directly or indirectly
- level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

Other financial assets are held through unlisted unit trusts with the Nominal Defendant's funds' manager. While the units in the trust have quoted prices and are able to be traded, the market would not be considered active for level 1, therefore they are considered to be level 2. A market comparison valuation approach is used, with the units carried at redemption value as reasonably determined by the funds' manager.

Fair value information about the Nominal Defendant's financial instruments is outlined in Note 14.

(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 are expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to the Nominal Defendant. The residual value is zero for all of the Nominal Defendant's intangible assets.

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

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

Internally generated software

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

(k) 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.

(l) 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
- Payables – held at amortised cost.

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

All disclosures relating to the measurement basis and financial risk management of other financial instruments held by the Nominal Defendant are disclosed in Note 14.

(m) Employee benefits

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

Wages, salaries and sick leave

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

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

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

Annual and long service leave

No provision is recognised in the Nominal Defendant's financial statements for liabilities in relation to annual and long service leave as the liability is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Under the Queensland Government's Long Service Leave Scheme, a levy is made on the Nominal Defendant 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.

Superannuation

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

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

Key management personnel and remuneration

Key management personnel and remuneration disclosures are detailed in Note 5.

(n) 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.

(o) 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.

(p) Taxation

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

(q) Issuance of financial statements

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

(r) Judgements and assumptions

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

The Nominal Defendant places high reliance on actuarial estimates provided by its actuary, Queensland Government State Actuary's Office, in calculating the reinsurance and other recoveries on outstanding claims and the outstanding claims liability as at the end of the financial year. Refer to Notes 1 (h), 1 (k) and 11.

The only other area where the Nominal Defendant has made a higher degree of judgement is in the use of level 2 for the fair valuation of its investments with QIC, with no other judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(s) 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.

(t) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2015-16. The Nominal Defendant adopted *AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101, [AASB 7, AASB 101, AASB 134 & AASB 1049]*. The amendments seek to improve financial reporting which emphasises only including material disclosures in the notes. The Nominal Defendant has applied this flexibility in preparing the 2015-16 financial statements.

No new Australian accounting Standards effective for the first time in 2015-16 had any material impact on this financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

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 124 *Related Party Disclosures* will become effective from reporting periods beginning on or after 1 July 2016 and will apply to the Nominal Defendant. The revised version of AASB 124 requires disclosures about the remuneration of key management personnel (KMP), transactions with related parties, and relationships between parent and controlled entities.

The Nominal Defendant already discloses detailed information about remuneration of its KMP, based on Queensland Treasury's Financial Reporting Requirements for Queensland Government Agencies. Due to additional guidance from the AASB about the KMP definition in the revised AASB 124, the Nominal Defendant will be assessing whether its responsible Minister should be part of its KMP from 2016-17. If the responsible Minister is assessed as meeting the KMP definition, no associated remuneration figures will be disclosed by the Nominal Defendant, as it does not provide the Minister's remuneration. Comparative information will continue to be disclosed in respect of KMP remuneration.

The most significant implications of AASB 124 for the Nominal Defendant are the required disclosures about transactions between the Nominal Defendant and its related parties (as defined in AASB 124). For any such transactions, from 2016-17, disclosures will include the nature of the related party relationship, as well as information about those transactions' terms/conditions and amounts, any guarantees given/received, outstanding receivables/ payables, commitments, and any receivables where collection has been assessed as being doubtful. In respect of related party transactions with other Queensland Government controlled entities, the information disclosed will be more high level, unless a transaction is individually significant. No comparative information is required in respect of related party transactions in the 2016-17 financial statements.

AASB 15 *Revenue from Contracts with Customers* will become effective from reporting periods beginning on or after 1 January 2018. This standard contains much more detailed requirements for the accounting for certain types of revenue from customers. Based on present arrangements, the Nominal Defendant does not enter into contracts for the sale of goods and services. However, if a contract for the sale of goods and services does arise in the future, the Nominal Defendant will need to follow the relevant accounting treatment specified in AASB 15.

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

At this stage and assuming no change in the types of transactions the Nominal Defendant enters into, all of the financial assets are expected to be required to be measured at fair value as required in the standard (instead of the measurement classifications presently used in Notes 1(l) and 14). In the case of the Nominal Defendant's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in the Nominal Defendant's operating result.

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

	2016	2015
	\$'000	\$'000
2. Net levy income		
Lewy income	44,593	44,795
Outward reinsurance premium expense	(1,193)	(1,239)
Net levy income	43,400	43,556

3. Net claims incurred**(a) Claims analysis**

Gross claims incurred	22,585	24,821
Reinsurance and other recoveries	(458)	(914)
Total net claims incurred	22,127	23,907

Net claims incurred attributable to Nominal Defendant

Gross claims incurred	22,302	25,711
Reinsurance and claims recoveries	(568)	(971)
	21,734	24,740

Net claims incurred attributable to FAI

Gross claims incurred	283	(890)
Reinsurance and other recoveries	110	57
	393	(833)

Total net claims incurred	22,127	23,907
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

3. Net claims incurred – continued

(b) Claims development

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

Claims attributable to Nominal Defendant

	2016			2015		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
Undiscounted	59,730	(40,260)	19,470	44,656	(23,492)	21,164
Discount	(4,011)	6,843	2,832	(4,019)	8,566	4,547
	<u>55,719</u>	<u>(33,417)</u>	<u>22,302</u>	<u>40,637</u>	<u>(14,926)</u>	<u>25,711</u>
Reinsurance and other recoveries						
Undiscounted	1,247	(744)	503	926	(60)	866
Discount	(82)	147	65	(82)	187	105
	<u>1,165</u>	<u>(597)</u>	<u>568</u>	<u>844</u>	<u>127</u>	<u>971</u>
Net claims incurred - discounted	<u>54,554</u>	<u>(32,820)</u>	<u>21,734</u>	<u>39,793</u>	<u>(15,053)</u>	<u>24,740</u>

Claims attributable to FAI						
	2016			2015		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
Undiscounted	-	(253)	(253)	-	(1,755)	(1,755)
Discount	-	536	536	-	865	865
	<u>-</u>	<u>283</u>	<u>283</u>	<u>-</u>	<u>(890)</u>	<u>(890)</u>
Reinsurance and other recoveries						
Undiscounted	-	(221)	(221)	-	(144)	(144)
Discount	-	111	111	-	87	87
	<u>-</u>	<u>(110)</u>	<u>(110)</u>	<u>-</u>	<u>(57)</u>	<u>(57)</u>
Net claims incurred - discounted	<u>-</u>	<u>393</u>	<u>393</u>	<u>-</u>	<u>(833)</u>	<u>(833)</u>

Total net claims incurred - discounted	<u>54,554</u>	<u>(32,427)</u>	<u>22,127</u>	<u>39,793</u>	<u>(15,886)</u>	<u>23,907</u>
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	2016	2015
	\$'000	\$'000
3. Net claims incurred – continued		
(c) Claims reconciliation		
Claims comprise amounts required to be paid on behalf of those insured, amounts set aside for future claims and claims settlement costs. Claims settlement costs include costs that can be associated directly with individual claims, such as legal and professional fees.		
Gross claims incurred attributable to Nominal Defendant		
Claims and associated settlement costs	24,314	24,377
Movement in outstanding claims liability	(2,012)	1,334
	22,302	25,711
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	3,808	2,486
Movement in outstanding claims liability	(3,525)	(3,376)
	283	(890)
Total gross claims incurred	22,585	24,821
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	615	940
Movement in reinsurance and other recoveries receivable	(47)	31
	568	971
Reinsurance and other recoveries attributable to FAI		
Reinsurance and claims recoveries	1,345	82
Movement in reinsurance and other recoveries receivable	(1,455)	(139)
	(110)	(57)
Total reinsurance and other recoveries	458	914
Net claims incurred	22,127	23,907

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

	2016	2015
	\$'000	\$'000
4. Employee expenses		
Employee benefits		
Salaries and wages	1,049	1,092
Employer superannuation contributions*	134	139
Leave levies*	128	146
Employee related expenses		
Workers' compensation premium	1	2
Payroll tax	-	(1)
Other employee related expenses	11	2
Total	1,323	1,380

*Refer to Note 1(m).

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

	2016	2015
Number of employees	12	12

5. Key management personnel and remuneration expenses

(a) Key management personnel

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2015-16. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities	Current incumbents	
		Contract classification and appointment authority	Date appointed to position (End date)
Insurance Commissioner	Leads the efficient, effective and economic administration of the Nominal Defendant.	SES3; <i>Public Service Act 2008</i> and Governor in Council, in accordance with section 7 of the <i>Motor Accident Insurance Act 1994</i>	6-Dec-10
Director, Finance and Procurement*	Responsible for the efficient, effective and economic financial administration of the Nominal Defendant.	SO; <i>Public Service Act 2008</i>	13-Feb-06
Director, Business Solutions	Responsible for efficient and effective information systems and reporting.	SO; <i>Public Service Act 2008</i>	2-Jun-14
Director, Claims	Responsible for the Nominal Defendant claims management unit.	SO; <i>Public Service Act 2008</i>	1-May-14 (29-Feb-16)
Director, Strategic Planning and Business Performance	Responsible for efficient and effective strategic, operational and capability planning and strategic communication.	SO; <i>Public Service Act 2008</i>	16-May-16
Director, CTP Scheme Claims	Responsible for the Nominal Defendant claims management operation and licensed insurer claims management monitoring.	SO; <i>Public Service Act 2008</i>	23-May-16

* This role was previously named Director, Corporate Governance

(b) Remuneration expenses

Remuneration policy for the Nominal Defendant's key management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment (including motor vehicle entitlements) for the key management personnel are specified in employment contracts.

For the 2015-16 year, remuneration of key management personnel increased by 2.5% in accordance with government policy.

The following disclosures include remuneration in connection with the management of the Nominal Defendant, the Motor Accident Insurance Commission and the Queensland Government Insurance Fund. The remuneration has been allocated in the Statement of Comprehensive Income in accordance with services provided between the entities.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

Remuneration packages for key management personnel comprise the following components:

- Short term employee benefits which include:
 - Salaries, allowances and leave entitlements earned and expensed for the entire year, or for that part of the year during which the employee occupied the specified position.
 - Performance payments recognised as an expense during the year.
 - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

1 July 2015 to 30 June 2016

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Director, Claims	92	-	2	10	-	104
Director, CTP Scheme Claims	17	-	-	2	-	19

1 July 2014 to 30 June 2015

Position (date resigned if applicable)	Short term employee expenses		Long term employee expenses \$'000	Post employment expenses \$'000	Termination benefits \$'000	Total expenses \$'000
	Monetary expenses \$'000	Non-monetary expenses \$'000				
Director, Claims	126	-	3	15	-	144

(c) Performance payments

Performance bonuses are not paid under the contracts in place.

	2016	2015
	\$'000	\$'000
6. Supplies and services		
QIC management fee	2,648	2,507
Computer facilities management fee	41	66
Rent	154	140
Consultants and contractors	258	135
Corporate services fee	230	230
Supplies and consumables	48	60
Actuarial fees	90	89
Total	3,469	3,227

7. Other expenses

Audit fees	37	37
Insurance premiums - QGIF	2	1
Total	39	38

Total audit fees paid to the Queensland Audit Office relating to the 2015-16 financial year are estimated to be \$37,525 (2015: \$36,400). There are no non-audit services included in this amount.

8. Receivables

Accrued interest income	14	7
Sharing recoveries receivable on paid claims	1,553	207
GST receivable	37	56
Leave reimbursements	22	19
Total	1,626	289

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

	2016	2015
	\$'000	\$'000
9. Intangible assets		
Internally generated software: At cost		
Gross	3,634	3,634
Less: accumulated amortisation	(1,125)	(606)
Total	2,509	3,028

Intangibles reconciliation

Internally generated software: At cost		
Carrying amount at 1 July	3,028	3,547
Amortisation	(519)	(519)
Carrying amount at 30 June	2,509	3,028

10. Accrued employee benefits

Current

Leave levies payable	40	29
Accrued salaries and wages	20	9
Total	60	38

	2016	2015
	\$'000	\$'000
11. Net outstanding claims		
(a) Net outstanding claims		
Gross outstanding claims liability:		
Current	28,377	30,588
Non-current	113,048	116,374
Total	141,425	146,962
Reinsurance and other recoveries on outstanding claims:		
Current	672	972
Non-current	2,693	3,895
Total	3,365	4,867
Net outstanding claims:		
Current	27,705	29,616
Non-current	110,355	112,479
Total	138,060	142,095
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	132,311	136,886
Claims settlement costs	7,745	8,013
	140,056	144,899
Discount to present value	(7,596)	(10,427)
Gross outstanding claims liability	132,460	134,472
Current	26,791	28,348
Non-current	105,669	106,124
Gross outstanding claims liability	132,460	134,472
Reinsurance and other recoveries on outstanding claims	3,227	3,339
Discount to present value	(175)	(240)
Reinsurance and other recoveries on outstanding claims	3,052	3,099
Current	617	654
Non-current	2,435	2,445
Reinsurance and other recoveries on outstanding claims	3,052	3,099
Net outstanding claims	129,408	131,373
Central estimate	117,644	119,430
Risk margin	11,764	11,943
Net outstanding claims	129,408	131,373

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

	2016	2015
	\$'000	\$'000
11. Net outstanding claims – continued		
(a) Net outstanding claims – continued		
Net outstanding claims attributable to FAI		
Gross outstanding claims/ expected future claim payments	9,191	13,180
Claims settlement costs	266	339
	9,457	13,519
Discount to present value	(492)	(1,029)
Gross outstanding claims liability	8,965	12,490
Current	1,586	2,240
Non-current	7,379	10,250
Gross outstanding claims liability	8,965	12,490
Reinsurance and other recoveries on outstanding claims	329	1,896
Discount to present value	(16)	(128)
Reinsurance and other recoveries on outstanding claims	313	1,768
Current	55	318
Non-current	258	1,450
Reinsurance and other recoveries on outstanding claims	313	1,768
Net outstanding claims	8,652	10,722
Central estimate	7,459	9,243
Risk margin	1,193	1,479
Net outstanding claims	8,652	10,722

11. Net outstanding claims – continued**(b) Actuarial assumptions**

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

Assumptions attributable to the Nominal Defendant

	2016	2015
Inflation rate	5.60%	5.75%
Discount rate	1.65%	2.35%
Claims handling expenses	6.00%	6.00%
Risk margin	10.00%	10.00%
Weighted average expected term to settlement	3.5 years	3.3 years

Assumptions attributable to FAI

	2016	2015
Inflation rate	5.60%	5.75%
Discount rate	1.60%	2.30%
Claims handling expenses	3.00%	3.00%
Risk margin	16.00%	16.00%
Weighted average expected term to settlement	3.4 years	3.5 years

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

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

Sensitivity analysis attributable to the Nominal Defendant

Net outstanding claims	Movement in variable	Financial impact			
		Profit/(loss)	Equity	Profit/(loss)	Equity
		2016	2016	2015	2015
		\$'000	\$'000	\$'000	\$'000
Inflation rate	+1%	(3,287)	(3,287)	(4,135)	(4,135)
	-1%	3,120	3,120	3,970	3,970
Discount rate	+1%	3,116	3,116	3,906	3,906
	-1%	(3,354)	(3,354)	(4,152)	(4,152)
Claims handling expenses	+1%	(1,221)	(1,221)	(1,239)	(1,239)
	-1%	1,221	1,221	1,239	1,239
Risk margin	+1%	(1,176)	(1,176)	(1,194)	(1,194)
	-1%	1,176	1,176	1,194	1,194
Weighted average term to settlement	+0.5 years	1,034	1,034	1,480	1,480
	-0.5 years	(1,042)	(1,042)	(1,496)	(1,496)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

11. Net outstanding claims – continued

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

Sensitivity analysis attributable to FAI					
Net outstanding claims	Movement in variable	Financial impact			
		Profit/(loss) 2016	Equity 2016	Profit/(loss) 2015	Equity 2015
		\$'000	\$'000	\$'000	\$'000
Inflation rate	+1%	(288)	(288)	(373)	(373)
	-1%	277	277	358	358
Discount rate	+1%	275	275	354	354
	-1%	(292)	(292)	(376)	(376)
Claims handling expenses	+1%	(84)	(84)	(104)	(104)
	-1%	84	84	104	104
Risk margin	+1%	(75)	(75)	(92)	(92)
	-1%	75	75	92	92
Weighted average term to settlement	+0.5 years	68	68	121	121
	-0.5 years	(68)	(68)	(123)	(123)

(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 2015-16 financial year the Nominal Defendant was able to secure unlimited cover with an excess of loss retention level of \$7.5 million. All reinsurers complied with Treasury's minimum requirements as specified by the Financial Management Standards.

	2016 \$'000	2015 \$'000
12. Reconciliation of operating result to net cash from operating activities		
Operating result	21,516	116,123
Add/(subtract) items classified as investing activities:		
Net fair value gain on other financial assets	(2,797)	(47,026)
Non-cash items:		
Depreciation	4	5
Amortisation	519	519
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	5	(14)
(Increase)/decrease in receivables	165	3,031
Increase/(decrease) in payables	(37)	(74)
Increase/(decrease) in unearned levies	(620)	319
Increase/(decrease) in outstanding claims liability	(5,537)	(2,041)
Increase/(decrease) in accrued employee benefits	22	(172)
Net cash from operating activities	13,240	70,670

13. Events occurring after reporting date

The *National Injury Insurance Scheme (Queensland) Act 2016* commenced on 1st July 2016 and establishes the National Injury Insurance Scheme, the National Injury Insurance Agency Queensland and the National Injury Insurance Scheme Fund.

Approval has been sought from and granted by the Treasurer under section 95 of the *National Injury Insurance Scheme (Queensland) Act 2016* to direct the Nominal Defendant to transfer \$600 million to the National Injury Insurance Scheme Fund. The transfer took effect on 22 August 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

14. Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2016 \$'000	2015 \$'000
Financial assets			
Cash and cash equivalents		3,358	3,118
Receivables	8	1,626	289
Other financial assets		952,331	936,534
Total		957,315	939,941
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables		341	378
Total		341	378

(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 the 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 Finance and Procurement under policies approved by the Nominal Defendant. The Nominal Defendant provides written principles for overall risk management, as well as policies covering specific areas.

14. Financial instruments – continued

(c) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/-1% from the year-end rates applicable to the Nominal Defendant's financial assets. With all other variables held constant, the Nominal Defendant would have a surplus and equity increase/(decrease) of \$34,000 (2015: \$31,000) due to interest rate risk and \$9,523,000 (2015: \$9,365,000) 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	Profit/(loss) 2016 \$'000	Financial impact		
			Equity 2016 \$'000	Profit/(loss) 2015 \$'000	Equity 2015 \$'000
	%				
Interest rate risk	+1	34	34	31	31
	-1	(34)	(34)	(31)	(31)

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	Profit/(loss) 2016 \$'000	Financial impact		
			Equity 2016 \$'000	Profit/(loss) 2015 \$'000	Equity 2015 \$'000
	%				
Unit price risk	+1	9,523	9,523	9,365	9,365
	-1	(9,523)	(9,523)	(9,365)	(9,365)

(d) Fair value

The recognised fair values of other financial assets are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements as outlined in Note 1(i).

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

15. Budget vs actual comparison

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

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

Statement of Comprehensive Income

		Original			
	Variance	Actual	Budget	Variance	Variance
	Notes	2016	2016		
		\$'000	\$'000	\$'000	(%)
Income					
Ley income		44,593	43,787	806	2%
Net fair value gains on other financial assets	1	5,549	66,325	(60,776)	-92%
Reinsurance and other recoveries	2	458	-	458	-
Interest income		48	50	(2)	-4%
Total income		50,648	110,162	(59,514)	-54%
Expenses					
Gross claims incurred	3	22,585	51,590	(29,005)	-56%
Outward reinsurance premium expense	4	1,193	1,575	(382)	-24%
Employee expenses		1,323	1,303	20	2%
Supplies and services	5	3,469	3,805	(336)	-9%
Depreciation and amortisation		523	523	-	-
Other		39	42	(3)	-7%
Total expenses		29,132	58,838	(29,706)	-50%
Operating result		21,516	51,324	(29,808)	-58%
Other comprehensive income		-	-	-	-
Total comprehensive income		21,516	51,324	(29,808)	-58%

15. Budget vs actual comparison – continued**Statement of Financial Position**

	Variance Notes	Original		Variance \$'000	Variance (%)
		Actual 2016 \$'000	Budget 2016 \$'000		
Current assets					
Cash and cash equivalents	6	3,358	3,000	358	12%
Receivables	7	1,626	89	1,537	1727%
Other financial assets	8	670,702	219,916	450,786	205%
Reinsurance and other recoveries on outstanding claims	9	672	1,043	(371)	-36%
Prepayments		9	-	9	-
Total current assets		676,367	224,048	452,319	202%
Non-current assets					
Other financial assets	8	281,629	798,868	(517,239)	-65%
Reinsurance and other recoveries on outstanding claims	9	2,693	4,171	(1,478)	-35%
Plant and equipment		-	-	-	-
Intangible assets		2,509	2,513	(4)	0%
Total non-current assets		286,831	805,552	(518,721)	-64%
Total assets		963,198	1,029,600	(66,402)	-6%
Current liabilities					
Payables		341	552	(211)	-38%
Accrued employee benefits		60	76	(16)	-21%
Outstanding claims liability	10	28,377	39,763	(11,386)	-29%
Unearned levies		21,827	22,128	(301)	-1%
Total current liabilities		50,605	62,519	(11,914)	-19%
Non-current liabilities					
Outstanding claims liability	10	113,048	149,585	(36,537)	-24%
Total non-current liabilities		113,048	149,585	(36,537)	-24%
Total liabilities		163,653	212,104	(48,451)	-23%
Net assets		799,545	817,496	(17,951)	-2%
Equity					
Contributed equity		121	121	-	-
Accumulated surplus	11	799,424	817,375	(17,951)	-2%
Total equity		799,545	817,496	(17,951)	-2%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2015-16

15. Budget vs actual comparison – continued

Statement of Cash Flows

		Original			
	Variance	Actual	Budget	Variance	Variance
	Notes	2016	2016	2016	2016
		\$'000	\$'000	\$'000	(%)
Cash flows from operating activities					
<i>Inflows:</i>					
Livy income		43,973	43,787	186	0%
Interest income		40	50	(10)	-20%
Reinsurance and other recoveries	12	615	-	615	-
GST input tax credits from ATO		601	-	601	-
GST collected from customers		13	-	13	-
<i>Outflows:</i>					
Gross claims incurred	13	(28,122)	(31,977)	3,855	-12%
Outward reinsurance premium expense	4	(1,183)	(1,575)	392	-25%
Employee expenses		(1,310)	(1,302)	(8)	1%
Supplies and services	5	(743)	(981)	238	-24%
GST paid to suppliers		(582)	-	(582)	-
GST remitted to ATO		(13)	-	(13)	-
Other		(49)	(52)	3	-6%
Net cash provided by operating activities		13,240	7,950	5,290	67%
Cash flows from investing activities					
<i>Outflows:</i>					
Payments for other financial assets	14	(13,000)	(7,950)	(5,050)	64%
Net cash used in investing activities		(13,000)	(7,950)	(5,050)	64%
Net decrease in cash and cash equivalents		240	-	240	-
Cash and cash equivalents at beginning of financial year		3,118	3,000	118	4%
Cash and cash equivalents at end of financial year		3,358	3,000	358	12%

15. Budget vs actual comparison – continued**Explanations of major variances****Statement of Comprehensive Income**

1. The decrease in net fair value gains on financial assets is primarily due to lower than expected earnings on QIC investments due to uncertainty in the international equity market during the year.
2. The increase in reinsurance and other recoveries primarily relates to unanticipated claim recoveries.
3. The variance in gross claims incurred is a result of \$25.1M lower than anticipated movement in outstanding claims liability and \$3.9M lower than anticipated claims costs. The outstanding claims liability is based on actuarial assessment.
4. The decrease in outward reinsurance premium expense is primarily due to savings from moving the self-retention limit from \$6M to \$7.5M. The Original Budget was based on a limit of \$6M.
5. A decrease in supplies and services is primarily due to lower than anticipated support costs for the Connect claims management system. Also contributing is a reduction in management costs associated with QIC investments as a result of a change in investment mandate during 2015-16.

Statement of Financial Position

6. The cash and cash equivalents balance is higher than projected as detailed in the Statement of Cash Flows.
7. The increase in receivables is primarily due to higher than anticipated sharing recoveries receivable on paid FAI-Tail claims.
8. The variance in current and non-current other financial assets relates to a reclassification from non-current to current QIC investments as \$600M will be transferred to the National Injury Insurance Scheme Fund in 2016-17. The overall decrease in current and non-current other financial assets is primarily due a decrease in the operating result available for investment.
9. The variance in reinsurance and other recoveries on outstanding claims reflects actuarial assessment as at 30 June 2016.
10. The movement in the current and non-current outstanding claims liability reflects actuarial assessment as at 30 June 2016.
11. The decrease in accumulated surplus reflects lower than anticipated operating result in 2015-16 and actual audited opening balances lower than projected in the 2015-16 budget.

Statement of Cash Flows

12. The variance is due to receipt of receivables recorded as at 30 June 2015 which were not anticipated in the 2015-16 budget.
13. The variance in gross claims incurred is a result of lower than expected claim payments as the 2015-16 budget was based on 30 June 2014 projections.
14. The variances in cash flows from investing activities reflect the investment of higher than expected surplus funds provided by operating activities.

CERTIFICATE OF THE NOMINAL DEFENDANT

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements.

In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2016 and of the financial position of the Nominal Defendant at the end of that year
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



L. Lee
B. Com, CA
Director Finance and Procurement
24 August 2016



N. Singleton
B. Bus (Insurance), MBA
Insurance Commissioner
24 August 2016

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 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Director Finance and Procurement.

The Insurance Commissioner's Responsibility for the Financial Report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Independence

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

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

Opinion

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

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year 1 July 2015 to 30 June 2016 and of the financial position as at the end of that year.

Other Matters - Electronic Presentation of the Audited Financial Report

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



P. Christensen CPA
As Delegate of the Auditor-General of Queensland



Queensland Audit Office
Brisbane