



## FINANCIAL INFORMATION 2016-17

# OUR FINANCIAL INFORMATION

## MOTOR ACCIDENT INSURANCE COMMISSION

### Financial Statements 2016-17

Statement of Comprehensive Income	35
Statement of Financial Position	36
Statement of Changes in Equity	37
Statement of Cash Flows	38
Notes to and forming part of the Financial Statements	40
Management Certificate	53
Independent Auditor's Report	54

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 26, 1 William 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](mailto:maic@maic.qld.gov.au) or visit MAIC's website [www.maic.qld.gov.au](http://www.maic.qld.gov.au).

## NOMINAL DEFENDANT

### Financial Statements 2016-17

Statement of Comprehensive Income	58
Statement of Financial Position	59
Statement of Changes in Equity	60
Statement of Cash Flows	61
Notes to and forming part of the Financial Statements	63
Management Certificate	83
Independent Auditor's Report	84

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 26, 1 William Street  
GPO Box 2203  
Brisbane, Queensland 4000

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

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

# MOTOR ACCIDENT INSURANCE COMMISSION

## FINANCIAL SUMMARY 2016-17

MAIC managed its business within budget and achieved an operating surplus of \$10.94 million for the year ended 30 June 2017. The major drivers for the \$10.58 million increase in operating surplus were gains on investments held with QIC and partially offset by increase in grants expense.

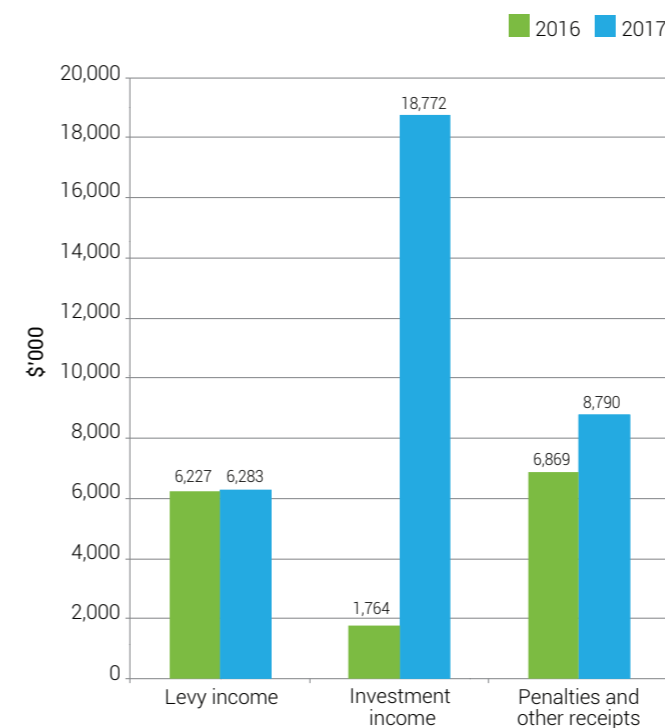
The higher return on investments held with QIC of \$18.77 million versus prior year's \$1.76 million was due to the solid performance of the equity markets during the year.

The Statutory Insurance Scheme Levy per vehicle remained unchanged from 1 July 2016 at \$1.50 per annum. Penalty fines and other receipts rose by \$1.92 million to \$8.79 million due to increase in penalties revenue of \$1.01 million and user charges of \$0.70 million which relates to the provision of corporate support services to the National Injury Insurance Agency, Queensland (NIIAQ) which commenced operations on 1 July 2016.

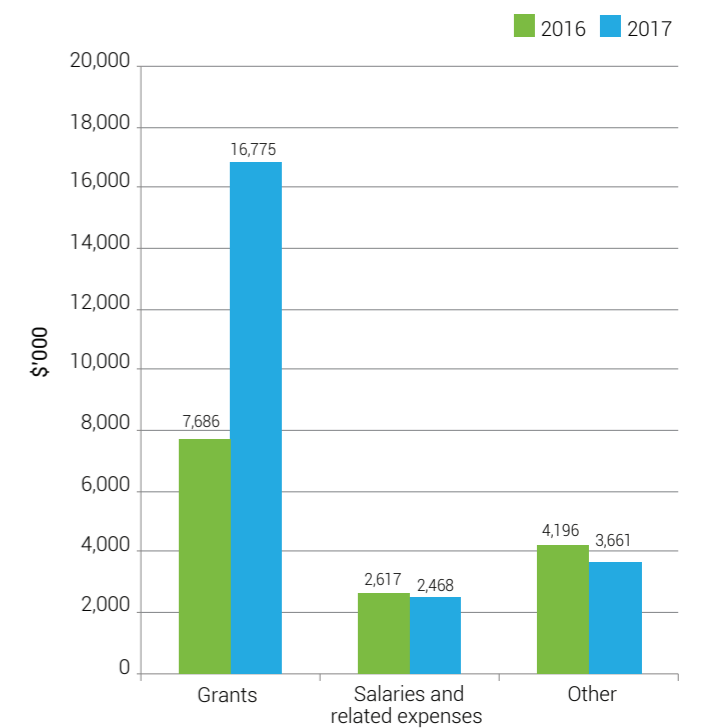
MAIC's total expenses for the year was \$22.90 million (prior year \$14.50 million). MAIC's largest expense item relates to the continued funding of research programs to seek to reduce the incidence and mitigate the effects of road trauma. The increase in grants expense of \$9.09 million was due to additional funding for all types of research, including rehabilitation initiatives, strategic accident prevention research and road trauma mitigation research. Details of the grant funding are provided in Appendix 5.

MAIC's other operating expenditure reduced by \$0.54 million to \$3.66 million. This is due to additional costs incurred in prior year for the delivery of the National Injury Insurance Scheme Queensland (NIISQ) which commenced operations on 1 July 2016. This decrease is partially offset by costs associated with MAIC implementing the recommendations of the CTP scheme review this year.

### Income



### Expenses



## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

	Note	2017 Actual \$'000	2017 Original Budget \$'000	Budget Variance \$'000	2016 Actual \$'000
<b>Income from continuing operations</b>					
Levy	3&21	6,283	6,128	155	6,227
Penalties	4	7,707	6,750	957	6,697
User charges		733	-	733	31
Other revenue		350	-	350	141
<b>Total revenue</b>		<b>15,073</b>	<b>12,878</b>	<b>2,195</b>	<b>13,096</b>
Net fair value gains on other financial assets		18,772	11,424	7,348	1,764
<b>Total income from continuing operations</b>		<b>33,845</b>	<b>24,302</b>	<b>9,543</b>	<b>14,860</b>
<b>Expenses from continuing operations</b>					
Grants	5	16,775	20,200	(3,425)	7,686
Employee expenses	6	2,468	2,945	(477)	2,617
Supplies and services	7	3,611	3,246	365	4,122
Depreciation and amortisation		-	-	-	9
Other expenses	8	50	57	(7)	65
<b>Total expenses from continuing operations</b>		<b>22,904</b>	<b>26,448</b>	<b>(3,544)</b>	<b>14,499</b>
<b>Total operating result from continuing operations/comprehensive income</b>		<b>10,941</b>	<b>(2,146)</b>	<b>13,087</b>	<b>361</b>

\* An explanation of major variances is included in Note 15.

The accompanying notes form part of these statements.

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Note	2017 Actual \$'000	2017 Original Budget \$'000	Budget Variance \$'000	2016 Actual \$'000
<b>Current assets</b>					
Cash		3,342	2,370	972	2,568
Receivables	9&21	773	604	169	522
Other financial assets	11&12	160	26,601	(26,441)	3,160
Prepayments		-	28	(28)	28
<b>Total current assets</b>		<b>4,275</b>	<b>29,603</b>	<b>(25,328)</b>	<b>6,278</b>
<b>Non-current assets</b>					
Other financial assets	11&12	174,082	128,036	46,046	160,859
<b>Total non-current assets</b>		<b>174,082</b>	<b>128,036</b>	<b>46,046</b>	<b>160,859</b>
<b>Total assets</b>		<b>178,357</b>	<b>157,639</b>	<b>20,718</b>	<b>167,137</b>
<b>Current liabilities</b>					
Payables		554	371	183	313
Accrued employee benefits	10	100	80	20	104
<b>Total current liabilities</b>		<b>654</b>	<b>451</b>	<b>203</b>	<b>417</b>
<b>Non-current liabilities</b>					
Payables		42	-	42	-
<b>Total non-current liabilities</b>		<b>42</b>	<b>-</b>	<b>42</b>	<b>-</b>
<b>Total liabilities</b>		<b>696</b>	<b>451</b>	<b>245</b>	<b>417</b>
<b>Net assets</b>		<b>177,661</b>	<b>157,188</b>	<b>20,473</b>	<b>166,720</b>
<b>Equity</b>					
Contributed equity		57,818	57,818	-	57,818
Accumulated surplus		119,843	99,370	20,473	108,902
<b>Total equity</b>		<b>177,661</b>	<b>157,188</b>	<b>20,473</b>	<b>166,720</b>

\* An explanation of major variances is included in Note 15.

The accompanying notes form part of these statements.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Accumulated surplus	Contributed equity	Total equity
	\$'000	\$'000	\$'000
<b>Balance as at 1 July 2015</b>	108,541	57,818	166,359
Operating result	361	-	361
<b>Balance as at 1 July 2016</b>	<b>108,902</b>	<b>57,818</b>	<b>166,720</b>
<b>Balance as at 1 July 2016</b>	108,902	57,818	166,720
Operating result	10,941	-	10,941
<b>Balance as at 30 June 2017</b>	<b>119,843</b>	<b>57,818</b>	<b>177,661</b>

The accompanying notes form part of these statements.

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

Note	2017 Actual	2017 Original Budget	Budget Variance	2016 Actual
	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
<i>Inflows:</i>				
Levy	6,242	6,128	114	6,109
Penalties	7,582	6,750	832	6,606
User charges	741	2	739	32
GST input tax credits from ATO	1,612	-	1,612	1,134
GST collected from customers	99	-	99	3
Other revenue	360	-	360	134
<i>Outflows:</i>				
Grants	(16,749)	(20,200)	3,451	(7,574)
Employee expenses	(2,463)	(2,943)	480	(2,574)
Supplies and services	(2,821)	(2,698)	(123)	(3,592)
GST remitted to ATO	(81)	-	(81)	(19)
GST paid to suppliers	(1,694)	-	(1,694)	(997)
Other expenses	(54)	(77)	23	(64)
<b>Net cash (used in) / provided by operating activities</b>	<b>(7,226)</b>	<b>(13,038)</b>	<b>5,812</b>	<b>(802)</b>
CF-1				
<b>Cash flows from investing activities</b>				
<i>Inflow:</i>				
Proceeds from sale of other financial assets	13,500	13,038	462	4,000
<i>Outflow:</i>				
Payments for other financial assets	(5,500)	-	(5,500)	(3,000)
<b>Net cash provided by / (used in) investing activities</b>	<b>8,000</b>	<b>13,038</b>	<b>(5,038)</b>	<b>1,000</b>
<b>Net increase / (decrease) in cash</b>				
	<b>774</b>	<b>-</b>	<b>774</b>	<b>198</b>
Cash at beginning of financial year	2,568	2,370	198	2,370
<b>Cash at end of financial year</b>	<b>3,342</b>	<b>2,370</b>	<b>972</b>	<b>2,568</b>

\* An explanation of major variances is included in Note 15.

The accompanying notes form part of these statements.

Cash represents cash at bank and cheques receipted but not banked at 30 June.

## NOTE TO THE STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

### CF-1 Reconciliation of operating result to net cash from operating activities

	Note	2017 \$'000	2016 \$'000
Operating result		10,941	361
<i>Non-cash items included in operating result:</i>			
Net fair value gains on other financial assets		(18,223)	(1,236)
Depreciation and amortisation		-	9
<i>Change in assets and liabilities:</i>			
(Increase)/decrease in prepayments		28	-
(Increase)/decrease in receivables	9	(251)	103
Increase/(decrease) in current payables		241	(67)
Increase/(decrease) in non-current payables		42	-
Increase/(decrease) in accrued employee benefits	10	(4)	28
<b>Net cash (used in) / provided by operating activities</b>		<b>(7,226)</b>	<b>(802)</b>

Cash flows are included in the Statement of Cash Flows on a net basis with the GST components of the cash flows shown as separate line items. The GST components of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 1. BASIS OF FINANCIAL STATEMENT PREPARATION

#### (a) General information

The Motor Accident Insurance Commission (MAIC) is an independent statutory body reporting to the Treasurer and established under the *Motor Accident Insurance Act 1994* (the Act) which commenced operations on 1 September 1994.

The head office and principal place of business of MAIC is Level 26, 1 William St, Brisbane, QLD 4000.

#### (b) Compliance with prescribed requirements

MAIC is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis, except for the statement of cash flows, in accordance with:

- section 43(1) of the *Financial and Performance Management Standard 2009*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2016.

The financial statements have been prepared on a historical cost basis, except for other financial assets which are shown at fair value.

#### (c) Currency and rounding

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.

#### (d) Comparatives

Comparative information reflects the audited 2015-16 financial statements except where restated for a prior period error detailed in **Note 21** and where restatement was necessary to be consistent with disclosures in the current reporting period.

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

#### (e) 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.

The area involving a higher degree of judgement is in the fair value measurement of other financial assets (refer to **Note 11**).

#### (f) Current / non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are expected to be settled within 12 months after the reporting date. All other assets and liabilities are classified as 'non-current'.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

Other financial assets comprising of investments managed by QIC Limited (QIC) are classified as 'current' or 'non-current' based on the relative liquidity of the investments. Investments are classified as 'current' where they are readily convertible to cash on hand at MAIC's election. Investments that are long-term and not readily convertible to cash within a short period are classified as 'non-current'.

#### (g) Authorisation of financial statements for issue

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.

### 2. OBJECTIVES OF MAIC

MAIC is responsible for regulating and ongoing management of the Queensland Compulsory Third Party (CTP) scheme and the Nominal Defendant Fund. It provides a framework for premium setting and ensures compliance with the provisions of the Act. It also conducts research in motor accident prevention and rehabilitation.

### 3. LEVY

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 Act. This occurs at the time the levies are paid by motorists to DTMR.

### 4. PENALTIES

Penalties are recognised at the time they are legally payable by DTMR and Queensland Treasury (State Penalties Enforcement Registry) to MAIC for penalties issued under s.20 of the Act. This occurs at the time of receipt of monies from uninsured motorists.

### 5. GRANTS

	2017 \$'000	2016 \$'000
Rehabilitation initiatives research	7,985	2,468
Strategic accident prevention research	4,532	2,786
Road trauma mitigation research	4,150	2,300
Other	108	132
<b>Total</b>	<b>16,775</b>	<b>7,686</b>

The payment of the above grants is dependent on the grantee organisation satisfying conditions as set out in the grant agreement. The expense is recognised when the payment is made.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 6. EMPLOYEE EXPENSES

	2017 \$'000	2016 \$'000
<b>Employee benefits and employee related expenses</b>		
Salaries and wages	1,923	2,018
Employer superannuation contributions	271	271
Leave levies	233	260
Employee related expenses	32	56
Other employee benefits	9	12
<b>Total</b>	<b>2,468</b>	<b>2,617</b>

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) is 21 (2016: 23).

#### Wages, salaries and sick leave

Wages and salaries are recognised as an expense when services are performed. Wages and salaries due but unpaid at reporting date are recognised at the current remuneration rates as these liabilities are expected to be wholly settled within 12 months of reporting date and as such are undiscounted. Sick leave is non-vesting and an expense is recognised when the leave is taken.

#### Annual and long service leave

No provision is recognised 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.

#### 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 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 disclosures are detailed in **Note 16**.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 7. SUPPLIES AND SERVICES

	2017 \$'000	2016 \$'000
Consultants and contractors	1,717	2,099
QIC management fee	517	512
Rent	385	326
Actuarial fees	349	342
Corporate services fee	275	270
Computer facilities management fee	137	94
Supplies and consumables	132	140
Others	99	339
<b>Total</b>	<b>3,611</b>	<b>4,122</b>

### 8. OTHER EXPENSES

	2017 \$'000	2016 \$'000
Queensland Audit Office - external audit fees	20	21
Insurance premiums - QGIF	26	27
Other	4	17
<b>Total</b>	<b>50</b>	<b>65</b>

### 9. RECEIVABLES

	2017 \$'000	2016 \$'000
Penalties receivable	367	242
Accrued MAIC levy	159	118
GST receivable	130	50
Receivables from NIIAQ*	59	-
Accrued interest income	29	40
Leave reimbursements	29	39
Other receivables	0	33
<b>Total</b>	<b>773</b>	<b>522</b>

\*The National Injury Insurance Agency, Queensland

Receivables are recognised at the nominal amounts due at the time of sale or service delivery. Penalties receivable are recognised at the time of receipt of monies from uninsured motorists (refer to **Note 4**). 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.

Receivables from NIIAQ and Penalties receivable involve related party transactions (refer to **Note 17**).

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 10. ACCRUED EMPLOYEE BENEFITS

	2017 \$'000	2016 \$'000
Leave levies payable	60	63
Accrued salaries and wages	40	41
<b>Total</b>	<b>100</b>	<b>104</b>

Refer to **Note 6** for the accounting policy of employee benefits.

### 11. 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).

Financial assets carried at fair value are categorised within the following fair value hierarchy:

Level 1	unadjusted quoted prices in active markets for identical assets or liabilities the entity can access;
Level 2	inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	unobservable inputs.

Other financial assets invested with QIC are held at fair value through profit and loss. The fair value is measured at market value based on closing unit prices of QIC's unlisted unit trusts. Fair value gains and losses are recognised in the Statement of Comprehensive Income.

While the units in the trust have redemption 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 fund manager. Classification of instruments into fair value hierarchy levels is reviewed annually.

The fair value of receivables and payables is assumed to be approximately the value of the original transaction.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

## 12. FINANCIAL RISK DISCLOSURES

## (a) Categorisation of financial instruments

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

Category	Note	2017 \$'000	2016 \$'000
<b>Financial assets</b>			
Cash (fair value through profit or loss)		3,342	2,568
Receivables (amortised cost)	9	773	522
Other financial assets (fair value through profit or loss)	12	174,242	164,019
<b>Total</b>		<b>178,357</b>	<b>167,109</b>
<b>Financial liabilities</b>			
Payables (amortised cost)		554	313
<b>Total</b>		<b>554</b>	<b>313</b>

## (b) Financial risk management

MAIC's activities expose it to a variety of financial risks as set out in the following table:

Risk Exposure	Definition	Exposure
Credit risk	Refers to the situation where MAIC may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	MAIC's maximum exposure to credit risk is the carrying amount of its Financial Assets. MAIC's receivable balance as at 30 June 2017 is not overdue.
Liquidity risk	Refers to the situation where MAIC may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	MAIC is exposed to liquidity risk in respect of its payables. All of MAIC's financial liabilities are due for payment within 1 year.
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, interest rate risk and other price risk.	The significant market risks to the MAIC are unit price and interest rate risks associated with its investments managed by QIC. The investment portfolio includes investments in cash, fixed interest funds, property, infrastructure, private equity, international and Australian equities, and alternative funds. Movements in interest rates and market prices of the financial instruments impact the fair values of MAIC's financial assets.  Interest rate risk also exists in relation to MAIC's cash held in interest bearing bank accounts.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

## 12. FINANCIAL RISK DISCLOSURES - continued

MAIC measures and manages risk exposure using a variety of methods as follows:

Risk Exposure	Measurement Method	Risk Management Strategies
Credit risk	Earnings at risk	Reduce the exposure to credit default by ensuring that the MAIC: <ul style="list-style-type: none"> <li>invest in secure assets through QIC with regular reviews of the investment strategy through frequent communication and meetings with QIC regarding MAIC's future cash requirements and to agree the investment mandate;</li> <li>monitor all funds owed on a timely basis; and</li> <li>assess credit risk exposure on an ongoing basis.</li> </ul>
Liquidity risk	Maturity analysis	Reduce the exposure to liquidity risk by ensuring that MAIC has sufficient funds available to meet these liabilities. This is achieved by monitoring the QIC investment funds and maintaining minimum cash balances within its bank account to meet both short-term and long-term cash flow requirements.
Market risk	Sensitivity analysis	Market risk is managed through regular reviews of the investment strategies with QIC and assessment of 3 year return forecasts.

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

A sensitivity analysis has been performed assessing the impact to profit and loss if market prices would change by +/-1% from the year-end rates applicable to the MAIC's financial assets. With all other variables held constant, the MAIC would have a surplus and equity increase/(decrease) of \$35,000 (2016: \$57,000) due to interest rate risk in relation to the value of cash held in interest bearing bank accounts and investments in the QIC Cash Fund and \$1,741,000 (2016: \$1,609,000) due to unit price risk in relation to investments in the QIC Growth Fund.

## 13. GRANT COMMITMENTS

Commitments for grant expenditure contracted at reporting date (inclusive of non-recoverable GST input tax credits) but not recognised in the financial statements are payable as follows:

	2017 \$'000	2016 \$'000
Not later than one year	16,064	10,200
Later than one year and not later than five years	26,449	13,155
<b>Total</b>	<b>42,513</b>	<b>23,355</b>

Approval has been given to grantees in accordance with formal agreements, provided certain criteria are met.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 14. FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future effective dates are set out below:

#### **AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)**

These standards will first apply to MAIC from its financial statements for 2018-19. The main impacts of these standards on MAIC are that they will change the requirements for the classification, measurement, impairment and disclosures associated with MAIC's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

MAIC has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of the new standard will depend on the facts and circumstances existing at that date, MAIC's conclusions will not be confirmed until closer to that time. Based on current assessments, the MAIC's financial assets will be required to be measured at fair value. The most material class of financial asset for MAIC are its other financial assets invested with QIC which are presently measured at fair value (**Note 12**). Changes in the fair value of those assets will be reflected in MAIC's operating result.

#### **AASB 16 Leases**

This standard will first apply to MAIC from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

MAIC will await further guidance from Queensland Treasury on the transitional accounting method to be applied. MAIC has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

#### **AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers**

These standards will become effective for the financial reporting period 2019-2020. The standards apply to certain types of revenue from customers and grants, and may change the timing of when such revenue is recognised. Based on present arrangements, MAIC does not enter into contracts for the sale of goods and services, or grants. However, if such contracts are entered into in the future, MAIC will need to follow the relevant accounting treatment specified in the new standards.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to MAIC's activities, or have no material impact on MAIC.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 15. BUDGETARY REPORTING DISCLOSURES

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.

#### **Explanations of major variances**

##### **Statement of Comprehensive Income**

<i>Penalties</i>	The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year.
<i>User charges</i>	The increase in user charges relates to the provision of corporate support services to NIIAQ which commenced operations 1 July 2016.
<i>Net fair value gains on other financial assets</i>	The increase in net fair value gains on other financial assets is primarily due to higher than expected earnings on QIC investments as a result of improvements in the global equity markets.
<i>Grants</i>	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 2017-18.
<i>Employee expenses</i>	The decrease in employee expenses is primarily due to vacancies during the year.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to costs associated with reviewing the CTP scheme.

##### **Statement of Financial Position**

<i>Cash</i>	The cash balance is higher than projected as detailed in the Statement of Cash Flows.
<i>Other financial assets (current and non-current)</i>	The variance in other financial assets reflects an increase in the projected operating result available for investment and a reclassification from current to non-current other financial assets.
<i>Accumulated surplus</i>	The increase in accumulated surplus reflects higher than anticipated operating result in 2016-17.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 15. BUDGETARY REPORTING DISCLOSURES - continued

#### Statement of Cash Flows

<i>Penalties</i>	The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year.
<i>User charges</i>	The increase in user charges relates to the provision of corporate support services to NIIAQ which commenced operations 1 July 2016.
<i>Grants</i>	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 2017-18.
<i>Employee expense</i>	The decrease in employee expenses is primarily due to vacancies during the year.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to costs associated with reviewing the CTP scheme.
<i>Proceeds from and Payments for other financial assets</i>	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.

### 16. KEY MANAGEMENT PERSONNEL AND REMUNERATION

#### Details of key management personnel

The following details for key management personnel (KMP) include those positions that had authority and responsibility for planning, directing and controlling the activities of MAIC during 2016-17. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities
Insurance Commissioner	Leads the efficient, effective and economic administration of MAIC.
Director, Finance and Procurement	Responsible for the efficient, effective and economic financial administration and procurement of MAIC.
Director, Business Solutions	Responsible for the efficient and effective information systems and reporting.
Director, CTP Scheme Claims	Responsible for the Nominal Defendant claims management operation and licensed insurer claims management monitoring.

#### Remuneration policies

Remuneration policy for MAIC's KMP 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 KMP are specified in employment contracts.

Remuneration expenses for KMP 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.
  - Non-monetary benefits - consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 16. KEY MANAGEMENT PERSONNEL AND REMUNERATION - continued

- 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.

#### KMP remuneration expense

The following disclosures include remuneration in connection with the management of MAIC, the Nominal Defendant, the Queensland Government Insurance Fund and the National Injury Insurance Agency, Queensland. 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 17**.

#### 1 July 2016 to 30 June 2017

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	226	-	4	25	-	255
Director, Finance and Procurement	147	-	3	17	-	167
Director, Business Solutions	109	-	2	14	-	125

#### 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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 17. RELATED PARTY TRANSACTION

#### Transactions with people/entities related to KMP

During the financial year there were no transactions with people or entities related to KMPs of MAIC.

#### Transactions with other Queensland Government-controlled entity

MAIC received user charges revenue for the provision of corporate support services to assist with the establishment of the NIIAQ.

MAIC provided grant funding to Queensland Police Service (QPS) and Department of Transport and Main Roads (DTMR) to support targeted research and service delivery initiatives as a means of reducing the number of crashes on Queensland roads and the associated number of claims to the Queensland CTP scheme.

MAIC provided grant funding to Hospital and Health Services Metro South for funding of the Transitional Rehabilitation Service (TRS) which will provide community based rehabilitation for people with a traumatic brain injury including NIIAQ participants.

MAIC incurs management fees from QIC for the management of the QIC unlisted unit trusts as disclosed in **Note 7**.

DTMR and Queensland Treasury (State Penalties Enforcement Registry) collect penalties on behalf of MAIC as disclosed in **Note 4**.

MAIC receives corporate support services from Queensland Treasury included in **Note 7**.

### 18. AGENCY TRANSACTIONS

MAIC receives Hospital and Emergency Services Levy amounts from the DTMR on gross insurance premiums on behalf of Queensland Health (QH), the Public Safety Business Agency (PSBA), the Queensland Fire and Emergency Services (QFES) and National Injury Insurance Agency Queensland (NIIAQ). Details of amounts collected and administered during the year and the amount held on behalf of these agencies at 30 June are as follows:

Type of Levy	Levies collected from DTMR		Contributions paid to QH, PSBA, QFES & NIIAQ		Outstanding levies for remittance to QH, PSBA, QFES & NIIAQ	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Levies collected but not remitted in the previous year	7,166	6,634	-	-	-	-
Hospital levy	76,164	74,411	(76,016)	(73,798)	6,956	6,808
Emergency Services levy - PSBA	1,128	-	(1,349)	-	268	358
Emergency Services levy - QFES	2,880	3,936	(2,651)	(4,017)	98	-
NIIAQ levy	49,882	-	(49,882)	-	-	-
<b>Total</b>	<b>137,220</b>	<b>84,981</b>	<b>(129,898)</b>	<b>(77,815)</b>	<b>7,322</b>	<b>7,166</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 18. AGENCY TRANSACTIONS - continued

Levies collected on behalf of QH, PSBA, QFES and NIIAQ 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 these agencies have not been included as expenses.

### 19. TAXATION

MAIC is a statutory body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by MAIC. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to **Note 9**).

### 20. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

#### Accounting Standards Applied for the First Time

The only Australian Accounting Standard that became effective for the first time in 2016-17, and materially impacted on this financial report, is AASB 124 Related Party Disclosures. This standard requires note disclosures about KMP remuneration expenses and other related party transactions, and does not impact on financial statement line items.

MAIC discloses detailed information about remuneration of its KMP, based on Queensland Treasury's Financial Reporting Requirements for Queensland Government Agencies, and there was only a minimal impact for MAIC's disclosures compared to 2015-16 (refer to **Note 16**). Comparative information will continue to be disclosed in respect of KMP remuneration. Based on the revised AASB 124's definition of KMP, MAIC has assessed that its responsible Minister is not part of its KMP.

### 21. PRIOR PERIOD ERRORS AND ADJUSTMENTS

The 2016 accrued MAIC levies have been restated in line with the levies policy (refer **Note 3 and Note 9**). This had been omitted in the 2016 financial statements and resulted in an understatement of accrued MAIC levy of \$118,000. In addition, there is \$1,000 GST payable reclassification from Receivable Note to Payable.

	2016 \$'000	Adjustment \$'000	Restated \$'000
<b>Prior period errors and adjustments</b>			
Balance at 30 June 2016:			
Receivables	403	119	522
<b>Total Equity</b>	<b>166,602</b>	<b>118</b>	<b>166,720</b>
Levy	6,109	118	6,227
<b>Operating Result</b>	<b>243</b>	<b>118</b>	<b>361</b>

# CERTIFICATE OF THE MOTOR ACCIDENT INSURANCE COMMISSION

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission (MAIC) for the financial year ended 30 June 2017 and of the financial position of MAIC at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



L LEE  
B.Com, CA  
Director Finance and Procurement  
28 August 2017



N SINGLETON  
B.Bus (Insurance), MBA  
Insurance Commissioner  
28 August 2017

# INDEPENDENT AUDITOR'S REPORT

To the Insurance Commissioner

## Report on the audit of the financial report

### Opinion

I have audited the accompanying financial report of Motor Accident Insurance Commission. The financial report comprises the statement of financial position as at 30 June 2017, 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 the certificate given by the Insurance Commissioner and the Director Finance and Procurement.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards.

### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

### Responsibilities of the Insurance Commissioner 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 the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards, and for such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Insurance Commissioner is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

### Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Insurance Commissioner.
- Conclude on the appropriateness of the Insurance Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Insurance Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### Report on other legal and regulatory requirements

In accordance with s.40 of the Auditor-General Act 2009, for the year ended 30 June 2017:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.

P Christensen FCPA  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane

## NOMINAL DEFENDANT FINANCIAL INFORMATION 2016-17

# NOMINAL DEFENDANT FINANCIAL SUMMARY 2016-17

The operating surplus of the Nominal Defendant for the year ended 30 June 2017 was \$77.19 million compared to the prior year's operating surplus of \$21.34 million.

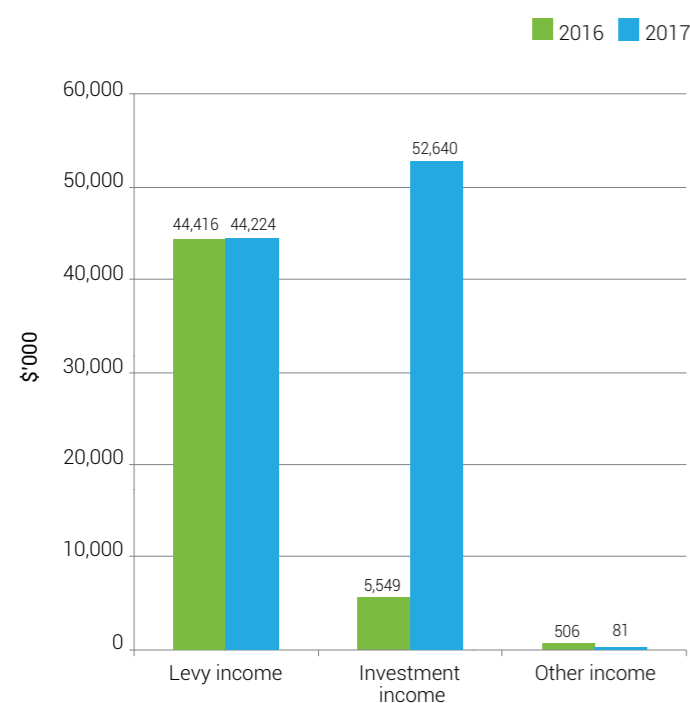
The \$55.85 million increase in operating surplus was mainly attributable to the positive return of \$52.64 million on investments held with QIC due to the solid performance of the equity markets during the year (prior year of \$5.55 million).

In relation to the normal business of the Nominal Defendant, claim payments were \$17.58 million (prior year \$24.31 million) and claim recoveries were \$0.21 million (prior year \$0.62 million). The gross outstanding claims liabilities were actuarially assessed at 30 June 2017 and increased by \$1.55 million to \$134.01 million.

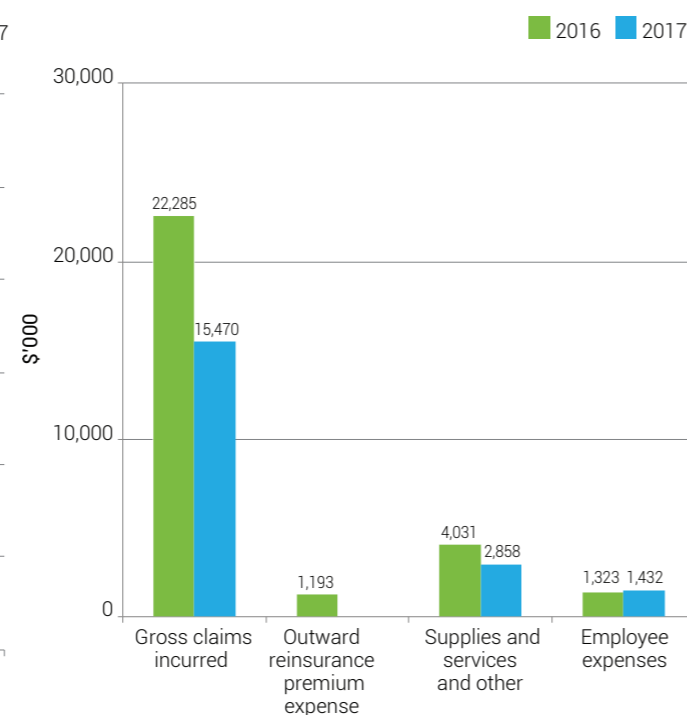
Supplies and services decreased by \$1.17 million due to lower QIC management fees as a result of the reduced investment fund balance following the transfer of \$600 million to the National Injury Insurance Scheme Fund, Queensland in August 2016. Also contributing to the reduction in total expenses was the \$1.19 million decrease in reinsurance premium expense due to the cessation of the reinsurance program in the 2016-17 financial year.

The Nominal Defendant levy remained unchanged from 1 July 2016 at \$11.00 per Class 1 vehicle and generated levy income of \$44.22 million (prior year's \$44.42 million).

## Income



## Expenses



## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2017

Note	2017 Actual \$'000	2017 Original Budget \$'000	* Budget Variance \$'000	2016 Actual \$'000
<b>Income from continuing operations</b>				
Levy	44,224	44,529	(305)	44,416
Claim recoveries	(6)	-	(6)	458
Other revenue	87	-	87	48
<b>Total revenue</b>	<b>44,305</b>	<b>44,529</b>	<b>(224)</b>	<b>44,922</b>
Net fair value gains on other financial assets	52,640	51,808	832	5,549
<b>Total income from continuing operations</b>	<b>96,945</b>	<b>96,337</b>	<b>608</b>	<b>50,471</b>
<b>Expenses from continuing operations</b>				
Gross claims incurred	15,470	48,297	(32,827)	22,585
Outwards reinsurance premium expense	-	-	-	1,193
Employee expenses	1,432	1,515	(83)	1,323
Supplies and services	2,300	3,254	(954)	3,469
Depreciation and amortisation	519	519	-	523
Other expenses	39	42	(3)	39
<b>Total expenses from continuing operations</b>	<b>19,760</b>	<b>53,627</b>	<b>(33,867)</b>	<b>29,132</b>
<b>Total operating result from continuing operations/comprehensive income</b>	<b>77,185</b>	<b>42,710</b>	<b>34,475</b>	<b>21,339</b>

\* An explanation of major variances is included in Note 16.

The accompanying notes form part of these statements.

## STATEMENT OF FINANCIAL POSITION

as at 30 June 2017

	Note	2017 Actual \$'000	2017 Original Budget \$'000	* Budget Variance \$'000	2016 Actual \$'000
<b>Current assets</b>					
Cash and cash equivalents		3,522	3,118	404	3,358
Receivables	8 & 14	1,171	289	882	2,488
Other financial assets	12 & 13	35,205	234,292	(199,087)	312,887
Claim recoveries	10	671	972	(301)	672
Prepayments		-	14	(14)	9
<b>Total current assets</b>		<b>40,569</b>	<b>238,685</b>	<b>(198,116)</b>	<b>319,414</b>
<b>Non-current assets</b>					
Other financial assets	12 & 13	394,696	775,170	(380,474)	639,444
Claim recoveries	10	2,425	3,895	(1,470)	2,693
Intangible assets	9	1,990	1,990	-	2,509
<b>Total non-current assets</b>		<b>399,111</b>	<b>781,055</b>	<b>(381,944)</b>	<b>644,646</b>
<b>Total assets</b>		<b>439,680</b>	<b>1,019,740</b>	<b>(580,060)</b>	<b>964,060</b>
<b>Current liabilities</b>					
Payables		162	478	(316)	341
Accrued employee benefits		66	40	26	60
Outstanding claims liability	10	30,109	38,661	(8,552)	28,377
Unearned levies	3 & 14	18,885	22,447	(3,562)	17,934
<b>Total current liabilities</b>		<b>49,222</b>	<b>61,626</b>	<b>(12,404)</b>	<b>46,712</b>
<b>Non-current liabilities</b>					
Payables		24	-	24	-
Outstanding claims liability	10	108,949	145,441	(36,492)	113,048
<b>Total non-current liabilities</b>		<b>108,973</b>	<b>145,441</b>	<b>(36,468)</b>	<b>113,048</b>
<b>Total liabilities</b>		<b>158,195</b>	<b>207,067</b>	<b>(48,872)</b>	<b>159,760</b>
<b>Net assets</b>		<b>281,485</b>	<b>812,673</b>	<b>(531,188)</b>	<b>804,300</b>
<b>Equity</b>					
Contributed equity	11	-	121	(121)	121
Accumulated surplus	11	281,485	812,552	(531,067)	804,179
<b>Total equity</b>		<b>281,485</b>	<b>812,673</b>	<b>(531,188)</b>	<b>804,300</b>

\* An explanation of major variances is included in Note 16.

The accompanying notes form part of these statements.

## STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2017

	Accumulated surplus \$'000	Contributed equity \$'000	Total equity \$'000
<b>Balance as at 1 July 2015</b>	782,840	121	782,961
Operating result	21,339	-	21,339
<b>Balance as at 1 July 2016</b>	<b>804,179</b>	<b>121</b>	<b>804,300</b>
<b>Balance as at 1 July 2016</b>	804,179	121	804,300
Operating result	77,185	-	77,185
Transfer out to other Queensland Government entity (Note 11)	(599,879)	(121)	(600,000)
<b>Balance as at 30 June 2017</b>	<b>281,485</b>	<b>-</b>	<b>281,485</b>

The accompanying notes form part of these statements.

## STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

	2017 Actual \$'000	2017 Original Budget \$'000	* Budget Variance \$'000	2016 Actual \$'000
<b>Cash flows from operating activities</b>				
<i>Inflows:</i>				
Levy	44,930	44,529	401	43,973
Claim recoveries	1,816	-	1,816	615
Other revenue	92	-	92	40
GST input tax credits from Australian Taxation Office (ATO)	-	-	-	601
GST collected from customers	412	-	412	13
<i>Outflows:</i>				
Gross claims incurred	(17,837)	(29,809)	11,972	(28,122)
Outwards reinsurance premium expense	(121)	-	(121)	(1,183)
Employee expenses	(1,426)	(1,514)	88	(1,310)
Supplies and services	(758)	(1,018)	260	(743)
GST paid to suppliers	(407)	-	(407)	(582)
GST remitted to ATO	-	-	-	(13)
Other expenses	(37)	(42)	5	(49)
<b>Net cash provided by operating activities</b>	CF-1 <b>26,664</b>	<b>12,146</b>	<b>14,518</b>	<b>13,240</b>
<b>Cash flows from investing activities</b>				
<i>Outflow:</i>				
Payments for other financial assets	(26,500)	(12,146)	(14,354)	(13,000)
<b>Net cash provided by investing activities</b>	<b>(26,500)</b>	<b>(12,146)</b>	<b>(14,354)</b>	<b>(13,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>164</b>	<b>-</b>	<b>164</b>	<b>240</b>
Cash and cash equivalents at beginning of financial year	3,358	3,118	240	3,118
<b>Cash and cash equivalents at end of financial year</b>	<b>3,522</b>	<b>3,118</b>	<b>404</b>	<b>3,358</b>

\* An explanation of major variances is included in Note 16.

The accompanying notes form part of these statements.

Cash represents cash at bank and cheques receipted but not banked at 30 June.

## NOTE TO THE STATEMENT OF CASH FLOWS

for the year ended 30 June 2017

### CF-1 Reconciliation of operating result to net cash from operating activities

	Note	2017 \$'000	2016 \$'000
Operating result		77,185	21,339
<i>Non-cash items included in operating result:</i>			
Net fair value gain on other financial assets		(51,069)	(2,797)
Depreciation and amortisation		519	523
<i>Change in assets and liabilities:</i>			
(Increase)/decrease in prepayments		9	5
(Increase)/decrease in receivables	8	1,586	(697)
Increase/(decrease) in payables		(180)	(37)
Increase/(decrease) in unearned levies		951	419
Increase/(decrease) in outstanding claims liability	10	(2,367)	(5,537)
Increase/(decrease) in accrued employee benefits		6	22
Increase/(decrease) in non-current payables		24	-
<b>Net cash provided by operating activities</b>		<b>26,664</b>	<b>13,240</b>

Cash flows are included in the Statement of Cash Flows on a net basis with the GST components of the cash flows shown as separate line items. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 1. BASIS OF FINANCIAL STATEMENT PREPARATION

#### (a) General information

The Nominal Defendant is an independent statutory body reporting to the Treasurer established under the *Motor Accident Insurance Act 1994* (the Act).

The head office and principal place of business of the Nominal Defendant is Level 26, 1 William St, Brisbane, QLD 4000.

#### (b) Compliance with prescribed requirements

The Nominal Defendant is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis, except for the statement of cash flows, in accordance with:

- section 43(1) of the *Financial and Performance Management Standard 2009*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2016.

The financial statements have been prepared on a historical cost basis, except for other financial assets which are shown at fair value.

#### (c) Currency and rounding

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.

#### (d) Comparatives

Comparative information reflects the audited 2015-16 financial statements except where restated for a prior period error detailed in **Note 14** and where restatement was necessary to be consistent with disclosures in the current reporting period.

#### (e) Current / Non-current classification

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are expected to be settled within 12 months after the reporting date. All other assets and liabilities are classified as 'non-current'.

Other financial assets comprising of investments managed by QIC Limited (QIC) are classified as 'current' or 'non-current' based on the relative liquidity of the investments. Investments are classified as 'current' where they are readily convertible to cash on hand at Nominal Defendant's election. Investments that are long-term and not readily convertible to cash within a short period are classified as 'non-current'.

#### (f) 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

The Nominal Defendant places high reliance on actuarial estimates provided by Queensland Government State Actuary's Office (the Actuary), in calculating the recoveries on outstanding claims and the outstanding claims liability as at 30 June. Refer to **Notes 4 and 10**.

Areas requiring a higher degree of judgement and assumptions that have a significant effect are outlined in the following statement notes:

- Levy income (**Note 3**),
- Fair value measurement of other financial assets (**Note 12**), and
- Intangibles (**Note 9**).

#### (g) Authorisation of financial Statements for issue

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.

### 2. OBJECTIVES OF THE NOMINAL DEFENDANT

The Nominal Defendant acts 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.

### 3. NET LEVY INCOME

	2017 \$'000	2016 \$'000
Levy	44,224	44,416
Outwards reinsurance premium expense	-	(1,193)
<b>Total</b>	<b>44,224</b>	<b>43,223</b>

Levies are recognised at the time they are legally payable by the Department of Transport and Main Roads (DTMR) in accordance with sections 27 and 29 of the Act based on a levy on gross premiums collected for CTP 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 is to be treated as "premium" in accordance with the provisions of AASB 1023 and as stated in section 12 of the Act.

Levy is recognised in the Statement of Comprehensive Income when it has been earned on the basis of the passage of time, commencing from the week in which motorists remit their CTP premiums to the DTMR and having regard to the term of the CTP premium. Levies received but not earned as at 30 June are recorded as unearned levies in the Statement of Financial Position and then systematically recognised as revenue in the Statement of Comprehensive Income when earned over time.

The Nominal Defendant levy rate is fixed each year by regulation in accordance with section 14A(1) of the Act. The Motor Accident Insurance Commission (MAIC) makes a recommendation to the Minister on the levy rate after obtaining and considering actuarial advice.

The 2016 figures have been restated due to a correction for a prior period error. Refer **Note 14**.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

## 4. NET CLAIMS INCURRED

	2017 \$'000	2016 \$'000
Gross claims incurred	15,470	22,585
Claim recoveries	6	(458)
<b>Total net claims incurred</b>	<b>15,476</b>	<b>22,127</b>

## (a) Claims development

## Attributable to Nominal Defendant

	2017			2016		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
<b>Gross claims incurred and related expenses</b>						
Undiscounted	44,047	(23,015)	21,032	59,730	(40,260)	19,470
Discount	(2,951)	1,046	(1,905)	(4,011)	6,843	2,832
<b>Provisions made (Note 10)</b>	<b>41,096</b>	<b>(21,969)</b>	<b>19,127</b>	<b>55,719</b>	<b>(33,417)</b>	<b>22,302</b>
<b>Claim recoveries</b>						
Undiscounted	885	(686)	199	1,247	(744)	503
Discount	(58)	20	(38)	(82)	147	65
	827	(666)	161	1,165	(597)	568
<b>Net claims incurred</b>	<b>40,269</b>	<b>(21,303)</b>	<b>18,966</b>	<b>54,554</b>	<b>(32,820)</b>	<b>21,734</b>

Attributable to FAI	2017			2016		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
<b>Gross claims incurred and related expenses</b>						
Undiscounted	-	(3,742)	(3,742)	-	(253)	(253)
Discount	-	85	85	-	536	536
<b>Provisions made (Note 10)</b>	<b>-</b>	<b>(3,657)</b>	<b>(3,657)</b>	<b>-</b>	<b>283</b>	<b>283</b>
<b>Claim recoveries</b>						
Undiscounted	-	(176)	(176)	-	(221)	(221)
Discount	-	9	9	-	111	111
	-	(167)	(167)	-	(110)	(110)
<b>Net claims incurred</b>	<b>-</b>	<b>(3,490)</b>	<b>(3,490)</b>	<b>-</b>	<b>393</b>	<b>393</b>

<b>Total gross claims incurred</b>	<b>41,096</b>	<b>(25,626)</b>	<b>15,470</b>	<b>55,719</b>	<b>(33,134)</b>	<b>22,585</b>
<b>Total recoveries</b>	<b>827</b>	<b>(833)</b>	<b>(6)</b>	<b>1,165</b>	<b>(707)</b>	<b>458</b>
<b>Total net claims incurred</b>	<b>40,269</b>	<b>(24,793)</b>	<b>15,476</b>	<b>54,554</b>	<b>(32,427)</b>	<b>22,127</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

## 4. NET CLAIMS INCURRED – continued

## (a) Claims development – continued

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

## (b) Claims reconciliation

	Nominal Defendant		FAI		Total	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Gross claims incurred and related expenses</b>						
Claims and associated settlement costs	17,577	24,314	260	3,808	17,837	28,122
Movement in outstanding claims liability	1,550	(2,012)	(3,917)	(3,525)	(2,367)	(5,537)
<b>Total gross claims incurred</b>	<b>19,127</b>	<b>22,302</b>	<b>(3,657)</b>	<b>283</b>	<b>15,470</b>	<b>22,585</b>
<b>Recoveries</b>						
Claim recoveries	208	615	55	1,345	263	1,960
Movement in other recoveries receivable	(47)	(47)	(222)	(1,455)	(269)	(1,502)
<b>Total recoveries</b>	<b>161</b>	<b>568</b>	<b>(167)</b>	<b>(110)</b>	<b>(6)</b>	<b>458</b>
<b>Net claims incurred</b>	<b>18,966</b>	<b>21,734</b>	<b>(3,490)</b>	<b>393</b>	<b>15,476</b>	<b>22,127</b>

## Gross claims

Gross 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.

Claims expenses are recognised in the Statement of Comprehensive Income as the costs are incurred, which is usually the point in time when the event giving rise to the claim occurs.

## Claim recoveries

Claim recoveries on outstanding claims have been actuarially calculated as at the 30 June by the Actuary. It is recognised as revenue and a receivable in the Statement of Comprehensive Income and Statement of Financial Position for claims incurred but not yet paid and incurred but not yet reported claims, respectively.

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims liability (Note 10). Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

## FAI General Insurance Company Limited (FAI)

Under the *Motor Accident Insurance Act 1994*, the Nominal Defendant is required to meet any outstanding CTP claims in the event of the insolvency of a licensed CTP insurer. Currently the Nominal Defendant has a liability to meet the outstanding claims of FAI following the insolvency of the HIH Group of companies in March 2001.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 5. EMPLOYEE EXPENSES

	2017 \$'000	2016 \$'000
<b>Employee benefits and employee related expenses</b>		
Salaries and wages	1,138	1,049
Employer superannuation contributions	147	134
Leave levies	139	128
Employee related expenses	6	12
Other employee benefits	2	-
<b>Total</b>	<b>1,432</b>	<b>1,323</b>

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) is 14 (2016: 12).

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

Salaries and wages expense is recognised in the Statement of Comprehensive Income when the services are rendered. Wages and salaries due but unpaid at reporting date are recognised at the current remuneration rates as these liabilities are expected to be wholly settled within 12 months of reporting date and as such are undiscounted.

Sick leave is non-vesting and an expense is recognised when the leave it is taken.

#### **Annual and long service leave**

Under the Queensland Government's Long Service Leave Scheme, a levy is made on the Nominal Defendant to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable.

#### **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 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 disclosures are detailed in **Note 17**.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 6. SUPPLIES AND SERVICES

	2017 \$'000	2016 \$'000
QIC management fee	1,387	2,648
Consultants and contractors	205	258
Corporate services fee	230	230
Rent	223	173
Computer facilities management fee	126	41
Actuarial fees	92	90
Supplies and consumables	37	29
<b>Total</b>	<b>2,300</b>	<b>3,469</b>

### 7. OTHER EXPENSES

	2017 \$'000	2016 \$'000
Queensland Audit Office - external audit fees	38	37
Insurance premiums - QGIF	1	2
<b>Total</b>	<b>39</b>	<b>39</b>

### 8. RECEIVABLES

	2017 \$'000	2016 \$'000
Accrued ND levy	1,107	862
Sharing recoveries receivable on paid claims	-	1,553
GST receivable	32	37
Leave reimbursements	23	22
Accrued interest income	9	14
<b>Total</b>	<b>1,171</b>	<b>2,488</b>

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.

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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 9. INTANGIBLES

	2017	2016
	\$'000	\$'000
Internally generated software: At cost		
Gross	3,634	3,634
Less: Accumulated amortisation	(1,644)	(1,125)
<b>Carrying amount at 30 June</b>	<b>1,990</b>	<b>2,509</b>
<i>Represented by movements in carrying amount:</i>		
Carrying amount at 1 July	2,509	3,028
Amortisation	(519)	(519)
<b>Carrying amount at 30 June</b>	<b>1,990</b>	<b>2,509</b>

Intangible assets with a cost or other value greater than \$100,000 are recognised and carried at cost less accumulated amortisation and accumulated impairment losses in the financial statements. Items with a lesser value are expensed. Each intangible asset is amortised over its estimated useful life to the Nominal Defendant. A review of asset useful life and assessment for impairment indicators is performed annually.

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 10. NET OUTSTANDING CLAIMS

	Nominal Defendant		FAI		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross outstanding claims	131,926	132,311	5,455	9,191	137,381	141,502
Claims settlement costs	11,584	7,745	-	266	11,584	8,011
	143,510	140,056	5,455	9,457	148,965	149,513
Discount to present value	(9,500)	(7,596)	(407)	(492)	(9,907)	(8,088)
<b>Gross outstanding claims liability</b>	<b>134,010</b>	<b>132,460</b>	<b>5,048</b>	<b>8,965</b>	<b>139,058</b>	<b>141,425</b>
<i>Represented by</i>						
Current	29,170	26,791	939	1,586	30,109	28,377
Non-current	104,840	105,669	4,109	7,379	108,949	113,048
<b>Gross outstanding claims liability</b>	<b>134,010</b>	<b>132,460</b>	<b>5,048</b>	<b>8,965</b>	<b>139,058</b>	<b>141,425</b>
Claim recoveries	3,218	3,227	98	329	3,316	3,556
Discount to present value	(213)	(175)	(7)	(16)	(220)	(191)
<b>Recoveries on outstanding claims</b>	<b>3,005</b>	<b>3,052</b>	<b>91</b>	<b>313</b>	<b>3,096</b>	<b>3,365</b>
<i>Represented by</i>						
Current	654	617	17	55	671	672
Non-current	2,351	2,435	74	258	2,425	2,693
<b>Recoveries on outstanding claims</b>	<b>3,005</b>	<b>3,052</b>	<b>91</b>	<b>313</b>	<b>3,096</b>	<b>3,365</b>
<b>Net outstanding claims</b>	<b>131,005</b>	<b>129,408</b>	<b>4,957</b>	<b>8,652</b>	<b>135,962</b>	<b>138,060</b>
Central estimate	119,095	117,644	4,273	7,459	123,368	125,103
Risk margin	11,910	11,764	684	1,193	12,594	12,957
<b>Net outstanding claims</b>	<b>131,005</b>	<b>129,408</b>	<b>4,957</b>	<b>8,652</b>	<b>135,962</b>	<b>138,060</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

## 10. NET OUTSTANDING CLAIMS – continued

## (a) Reconciliation of movement in the discounted net outstanding claims

	Nominal Defendant		FAI		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	129,408	131,373	8,652	10,722	138,060	142,095
<b>Prior periods</b>						
Claim payments	(16,752)	(23,485)	(205)	(2,463)	(16,956)	(25,948)
Claims handling expenses	(2,723)	(2,637)	(3)	(45)	(2,726)	(2,681)
Discount unwind	1,975	2,767	136	213	2,111	2,980
Risk margin release	(1,776)	(2,489)	(34)	(406)	(1,809)	(2,895)
Effect of changes in assumptions and experience	(18,779)	(30,462)	(3,590)	631	(22,369)	(29,831)
<b>Current period</b>						
Provision for current period	39,651	54,340	-	-	39,651	54,340
<b>Net outstanding claims</b>	<b>131,005</b>	<b>129,408</b>	<b>4,957</b>	<b>8,652</b>	<b>135,962</b>	<b>138,060</b>
Claim recoveries	(3,005)	(3,052)	(91)	(313)	(3,096)	(3,365)
<b>Gross outstanding claims</b>	<b>134,010</b>	<b>132,460</b>	<b>5,048</b>	<b>8,965</b>	<b>139,058</b>	<b>141,425</b>

The liability for outstanding claims has been actuarially calculated as at 30 June by the Actuary.

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. 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.

## (b) Actuarial assumptions

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

	Nominal Defendant		FAI	
	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000
Inflation rate	4.35%	5.60%	4.30%	5.60%
Discount rate	2.20%	1.65%	2.20%	1.60%
Claims handling expenses	9.00%	6.00%	0.00%	3.00%
Risk margin	10.00%	10.00%	16.00%	16.00%
Weighted average expected term to settlement	3.2 years	3.5 years	3.6 years	3.4 years

A risk margin of 10% and 16% of the net central estimate has been applied to the Nominal Defendant and FAI respectively. This is the same margin adopted in previous periods, and is intended to provide an approximately 75% probability of sufficiency for the outstanding claims liability and has been determined having regard to the uncertainty inherent in the underlying claims process as well as the actuarial models used to derive estimates of outstanding claims. The risk borne has not materially changed from the previous year.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

## 10. NET OUTSTANDING CLAIMS – continued

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

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

## Attributable to the Nominal Defendant

Net outstanding claims	Movement in variable	Profit/(loss) 2017 \$'000	Financial impact		
			Equity 2017 \$'000	Profit/(loss) 2016 \$'000	Equity 2016 \$'000
Net outstanding claims					
Inflation rate	+1%	(4,086)	(4,086)	(3,287)	(3,287)
	-1%	3,907	3,907	3,120	3,120
Discount rate	+1%	3,795	3,795	3,116	3,116
	-1%	(4,051)	(4,051)	(3,354)	(3,354)
Claims handling expenses	+1%	(1,202)	(1,202)	(1,221)	(1,221)
	-1%	1,202	1,202	1,221	1,221
Risk margin	+1%	(1,191)	(1,191)	(1,176)	(1,176)
	-1%	1,191	1,191	1,176	1,176
Weighted average term to settlement	+0.5 years	1,377	1,377	1,034	1,034
	-0.5 years	(1,391)	(1,391)	(1,042)	(1,042)

## Attributable to FAI

Net outstanding claims	Movement in variable	Profit/(loss) 2017 \$'000	Financial impact		
			Equity 2017 \$'000	Profit/(loss) 2016 \$'000	Equity 2016 \$'000
Net outstanding claims					
Inflation rate	+1%	(176)	(176)	(288)	(288)
	-1%	169	169	277	277
Discount rate	+1%	165	165	275	275
	-1%	(175)	(175)	(292)	(292)
Claims handling expenses	+1%	(50)	(50)	(84)	(84)
	-1%	50	50	84	84
Risk margin	+1%	(43)	(43)	(75)	(75)
	-1%	43	43	75	75
Weighted average term to settlement	+0.5 years	53	53	68	68
	-0.5 years	(53)	(53)	(68)	(68)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

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

The Nominal Defendant ensures that it is fully funded to enable it to meet its obligations under the Act. This is facilitated by an actuarially derived levy which is incorporated in the 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.

In the previous year, a qualified insurance broker was engaged 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 facilitated an annual contract for excess of loss reinsurance cover entered into by the Nominal Defendant with reinsurers underwriters from both local and overseas markets to provide reinsurance cover at various layers. All reinsurers in the prior year complied with Treasury's minimum requirements for performance guarantee under a contract (per Section 36 of the *Financial and Performance Management Standard 2009*) which requires the approved financial institution to have a minimum S&P rating of A-. In the previous year, the Nominal Defendant secured unlimited cover with an excess of loss retention level of \$7.5 million.

The Nominal Defendant did not enter into a contract for reinsurance cover for the 2016-17 financial year. This was based on considerations of the cost of reinsurance and the Nominal Defendant's exposure to large loss claims.

### 11. 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.

Effective 22 August 2016, the Nominal Defendant transferred \$600 million to the National Injury Insurance Scheme Fund, Queensland (NIISQ Fund) as approved by the Treasurer under section 95 of the *National Injury Insurance Scheme (Queensland) Act 2016* (the Act). The Act commenced on 1 July 2016 and established the National Injury Insurance Scheme, Queensland (NIISQ), The National Injury Insurance Agency, Queensland (NIIAQ) and the NIISQ Fund.

The decrease in net assets as a result of the transfer has been accounted for as a transaction with owners as owners and as a result decreases the contributed equity and accumulated surplus by \$0.121M and \$599.879M respectively as disclosed in the Statement of Changes in Equity.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 12. 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).

Financial assets carried at fair value are categorised within the following fair value hierarchy:

Level 1	unadjusted quoted prices in active markets for identical assets or liabilities the entity can access;
Level 2	inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	unobservable input.

The Nominal Defendant recognises other financial assets invested with QIC at fair value through profit or loss. The fair value is measured at market value based on closing unit prices of QIC unlisted unit trusts. Fair value gains and losses are recognised in the Statement of Comprehensive income.

While the units in the trust have redemption 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. Classification of instruments into fair value hierarchy levels is reviewed annually.

The fair value of receivables and payables is assumed to approximate the value of the original transaction.

### 13. FINANCIAL RISK DISCLOSURES

#### (a) Categorisation of financial instruments

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

Category	Note	2017 \$'000	2016 \$'000
<b>Financial assets</b>			
Cash and cash equivalents (fair value through profit or loss)		3,522	3,358
Receivables (amortised cost)	8	1,171	2,488
Other financial assets (fair value through profit or loss)		429,901	952,331
<b>Total</b>		<b>434,594</b>	<b>958,177</b>
<b>Financial liabilities</b>			
Payables (amortised cost)		162	341
<b>Total</b>		<b>162</b>	<b>341</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 13. FINANCIAL RISK DISCLOSURES - continued

#### (b) Financial risk management

The Nominal Defendant's activities expose it to a variety of financial risks as set out in the following table:

Risk Exposure	Definition	Exposure
Credit risk	The situation where the Nominal Defendant may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	The Nominal Defendant's maximum exposure to credit risk is the carrying amount of its Financial Assets
Liquidity risk	The situation where the Nominal Defendant may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	The Nominal Defendant is exposed to liquidity risk in respect of its payables and future claims costs. Nominal Defendant's current payables are expected to be settled within 12 months of the reporting date. The current and non-current outstanding claims liabilities are disclosed in Note 10.
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, interest rate risk and other price risk.	The significant market risks to the Nominal Defendant are unit price and interest rate risks associated with its investments managed by QIC. The investment portfolio includes investments in cash, fixed interest funds, property, infrastructure, private equity, international and Australian equities, and alternative funds. Movements in interest rates and market prices of the financial instruments impact the fair values of Nominal Defendant's financial assets.  Interest rate risk also exists in relation to Nominal Defendant's cash held in interest bearing bank accounts.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 13. FINANCIAL RISK DISCLOSURES - continued

#### (b) Financial risk management - continued

The Nominal Defendant measures and manages risk exposure using a variety of methods as follows:

Risk Exposure	Measurement Method	Risk Management Strategies
Credit risk	Earnings at risk	Reduce the exposure to credit default by ensuring that the Nominal Defendant: <ul style="list-style-type: none"> <li>invest in secure assets through QIC with regular reviews of the investment strategy through frequent communication and meetings with QIC regarding Nominal Defendant's future cash requirements and to agree the investment mandate;</li> <li>monitor all funds owed on a timely basis; and</li> <li>assess credit risk exposure on an ongoing basis.</li> </ul>
Liquidity risk	Maturity analysis	Reduce the exposure to liquidity risk by ensuring that the Nominal Defendant has sufficient funds available to meet its liabilities. This is achieved by monitoring the QIC investment funds and maintaining minimum cash balances within its bank account to meet both short-term and long-term cash flow requirements.
Market risk	Sensitivity analysis	Market risk is managed through regular reviews of the investment strategies with QIC and assessment of three year return forecasts.

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

A sensitivity analysis has been performed assessing the impact to profit and loss if market prices 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 \$387,000 (2016: \$3,162,000) due to interest rate risk in relation to the value of cash held in interest bearing bank accounts and investments in the QIC Cash Fund, and \$3,947,000 (2016: \$6,394,000) due to unit price risk in relation to investments in the QIC Growth Fund.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 14. PRIOR PERIOD ERRORS AND ADJUSTMENTS

A prior period adjustment has been recognised for unearned levies and levy revenues to reflect the 3, 6 and 12 month terms of the Nominal Defendant levy collected. Unearned levies in prior statements were recognised over a period of 52 weeks. This has resulted in the overstatement of levy revenue and unearned revenue balance of \$0.18M and \$4.8M respectively in the 2016 financial statements. The 2016 accrued ND levies have also been restated in line with the levies policy (refer **Note 3** and **8**). This had been omitted in the 2016 financial statements and resulted in an understatement in receivables and unearned levies of \$0.86M.

	2016 \$'000	Adjustment \$'000	Restated \$'000
<b>Prior period errors and adjustments</b>			
Balance at 30 June 2016:			
Receivables	1,626	862	2,488
Unearned Levies	21,827	(3,893)	17,934
<b>Total Equity</b>	<b>799,545</b>	<b>4,755</b>	<b>804,300</b>
Levy	44,593	(177)	44,416
<b>Operating Result</b>	<b>21,516</b>	<b>(177)</b>	<b>21,339</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 15. FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future effective dates are set out below:

#### **AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)**

These standards will first apply to the Nominal Defendant from its financial statements for 2018-19. The main impacts of these standards on the Nominal Defendant are that they will change the requirements for the classification, measurement, impairment and disclosures associated with the Nominal Defendant's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

The Nominal Defendant has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. As the classification of financial assets at the date of initial application of the new standard will depend on the facts and circumstances existing at that date, the Nominal Defendant's conclusions will not be confirmed until closer to that time. Based on current assessments, the Nominal Defendant's financial assets will be required to be measured at fair value. The most material class of financial asset for the Nominal Defendant are its other financial assets invested with QIC which are presently measured at fair value (**Note 13**). Changes in the fair value of these assets will be reflected in the Nominal Defendant's operating result.

#### **AASB 16 Leases**

This standard will first apply to the Nominal Defendant from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 *Leases*, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

The Nominal Defendant will await further guidance from Queensland Treasury on the transitional accounting method to be applied. The Nominal Defendant has not yet quantified the impact on the Statement of Comprehensive Income or the Statement of Financial Position of applying AASB 16, including the extent of additional disclosure required.

#### **AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers**

These standards will become effective for the financial reporting period 2019-2020. The standards apply to certain types of revenue from customers and grants, and may change the timing of when such revenue is recognised. Based on present arrangements, the Nominal Defendant does not enter into contracts for the sale of goods and services, or grants. However, if such contracts are entered into in the future, the Nominal Defendant will need to follow the relevant accounting treatment specified in the new standards.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to the Nominal Defendant's activities, or have no material impact on the Nominal Defendant.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 16. BUDGETARY REPORTING DISCLOSURES

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.

#### Explanations of major variances

##### Statement of Comprehensive Income

*Net fair value gains on other financial assets* The increase in net fair value gains on other financial assets is primarily due to higher than expected earnings on QIC investments as a result of improvements in the global equity markets.

*Gross claims incurred* The variance in gross claims incurred is a result of \$12.0M lower than anticipated movement in outstanding claims liability and \$20.8M lower than anticipated claims costs. The outstanding claims liability is based on actuarial assessment.

*Supplies and services* The decrease in supplies and services is due to lower QIC management fees as a result of the reduced investment fund balance following the transfer of \$600 million from ND to NIIAQ in August 2016.

##### Statement of Financial Position

*Cash and cash equivalents* The cash balance is higher than projected as detailed in the Statement of Cash Flows.

*Receivables* The variance is due to receipt of receivables recorded as at 30 June 2017 which were not anticipated in the 2016-17 budget.

*Other financial assets (current and non-current)* The variance in other financial assets reflects reduced investment fund balance as a result of the \$600 million transfer from ND to NIIAQ in August 2016, partially offset by an increase in the projected operating result available for investment.

*Claim Recoveries (current and non-current)* The variance in claim recoveries reflects actuarial assessment as at 30 June 2017.

*Unearned levies* The variance in unearned levies reflects the change in recognition of unearned levies which was not included in the original budget.

*Outstanding claims liability* The movement in the current and non-current outstanding claims liability reflects actuarial assessment as at 30 June 2017.

*Accumulated surplus* The decrease in accumulated surplus reflects the \$600 million transfer from ND to NIIAQ in August 2016, partially offset by an increase in the projected operating result for 2016-17.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 16. BUDGETARY REPORTING DISCLOSURES – continued

#### Statement of Cash Flows

*Claim recoveries* The increase in claim recoveries is primarily due to sharing recoveries received.

*Gross claims incurred* The variance in gross claims incurred is a result of lower than expected claim payments as the 2016-17 budget was based on 30 June 2015 projection.

*Supplies and services* The variance is due to lower than anticipated expenditure on contractors.

*Payments for other financial assets* The variances in cash flows from investing activities reflect the investment of higher than expected surplus funds provided by operating activities.

### 17. KEY MANAGEMENT PERSONNEL AND REMUNERATION

#### Details of key management personnel

The following details for key management personnel (KMP) include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2016-17. Further information on these positions can be found in the body of the Annual Report under the section relating to Executive Management.

Position	Responsibilities
Insurance Commissioner	Leads the efficient, effective and economic administration of the Nominal Defendant.
Director, Finance and Procurement	Responsible for the efficient, effective and economic financial administration and procurement of the Nominal Defendant.
Director, Business Solutions	Responsible for the efficient and effective information systems and reporting.
Director, CTP Scheme Claims	Responsible for the Nominal Defendant claims management operation and licensed insurer claims management monitoring.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 17. KEY MANAGEMENT PERSONNEL AND REMUNERATION – continued

#### Remuneration policies

Remuneration policy for the Nominal Defendant's KMP 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 KMP are specified in employment contracts.

Remuneration packages for KMP comprise the following components:

- Short term employee benefits which include:
  - Salaries, allowances and leave entitlements paid and provided for the entire year, or for that part of the year during which the employee occupied the specified position.
  - 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.

#### KMP remuneration expense

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

Remuneration of the Director, CTP Scheme Claims is as follows:

Reporting Period	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				
1 July 2016 to 30 June 2017	133	-	3	16	-	152
1 July 2015 to 30 June 2016	17	-	-	2	-	19

The other KMP are not included in this table, however, they have been included in MAIC's financial statements under **Note 16**.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended 30 June 2017

### 18. RELATED PARTY TRANSACTION

#### Transactions with people/entities related to KMP

During the financial year there were no transactions with people or entities related to KMPs of ND.

#### Transactions with other Queensland Government-controlled entity

The Nominal Defendant provided an equity injection to NIIAQ as disclosed in **Note 11**.

The Nominal Defendant receives corporate support services from Queensland Treasury and incurs management fees from QIC for the management of the QIC unlisted unit trusts as disclosed in **Note 6**.

### 19. TAXATION

The Nominal Defendant is a statutory 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**).

### 20. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

#### Changes in Accounting Policy

The department did not voluntarily change any of its accounting policies during 2016-17.

#### Accounting Standards Applied for the First Time

The only Australian Accounting Standard that became effective for the first time in 2016-17, and materially impacted on this financial report, is AASB 124 Related Party Disclosures. This standard requires note disclosures about KMP remuneration expenses and other related party transactions, and does not impact on financial statement line items.

The Nominal Defendant discloses detailed information about remuneration of its KMP, based on Queensland Treasury's Financial Reporting Requirements for Queensland Government Agencies, and there was only a minimal impact for the Nominal Defendant's disclosures compared to 2015-16 (refer to **Note 17**). Comparative information will continue to be disclosed in respect of KMP remuneration. Based on the revised AASB 124's definition of KMP, the Nominal Defendant has assessed that its responsible Minister is not part of its KMP.

# CERTIFICATE OF THE NOMINAL DEFENDANT

These general purpose financial statements have been prepared pursuant to s.62(1) of the *Financial Accountability Act 2009* (the Act), section 43 of the *Financial and Performance Management Standard 2009* and other prescribed requirements. In accordance with s.62(1)(b) of the Act we certify that in our opinion:

- a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2017 and of the financial position of the Nominal Defendant at the end of that year; and
- c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



L LEE  
B.Com, CA  
Director Finance and Procurement  
28 August 2017



N SINGLETON  
B.Bus (Insurance), MBA  
Insurance Commissioner  
28 August 2017

# INDEPENDENT AUDITOR'S REPORT

To the Insurance Commissioner

## Report on the audit of the financial report

### Opinion

I have audited the accompanying financial report of Nominal Defendant. The financial report comprises the statement of financial position as at 30 June 2017, 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 the certificate given by the Insurance Commissioner and the Director Finance and Procurement.

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2017, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards.

### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

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

### Responsibilities of the Insurance Commissioner 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 the *Financial Accountability Act 2009*, the *Financial and Performance Management Standard 2009* and Australian Accounting Standards, and for such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Insurance Commissioner is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

### Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Insurance Commissioner.
- Conclude on the appropriateness of the Insurance Commissioner's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Insurance Commissioner regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

#### Report on other legal and regulatory requirements

In accordance with s.40 of the Auditor-General Act 2009, for the year ended 30 June 2017:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



P Christensen FCPA  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane