# Finances

# Our financial information

## Motor Accident Insurance Commission

### Financial statements 2018-19



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 call 1300 302 568, email **maic@maic.qld.gov.au** or visit MAIC's website **www.maic.qld.gov.au**.

## Nominal Defendant

### Financial statements 2018-19



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** or visit the Nominal Defendant's website **www.maic.qld.gov.au**.

# Motor Accident Insurance Commission

## Financial summary 2018-19

The operating result for MAIC for the year ended 30 June 2019 was negative ($6.49 million) compared to the prior year's operating surplus of $6.57 million. The decrease was driven by an increase in grants expenses and a reduction in returns on financial assets. MAIC remains soundly funded with a strong equity balance (as per page 42).

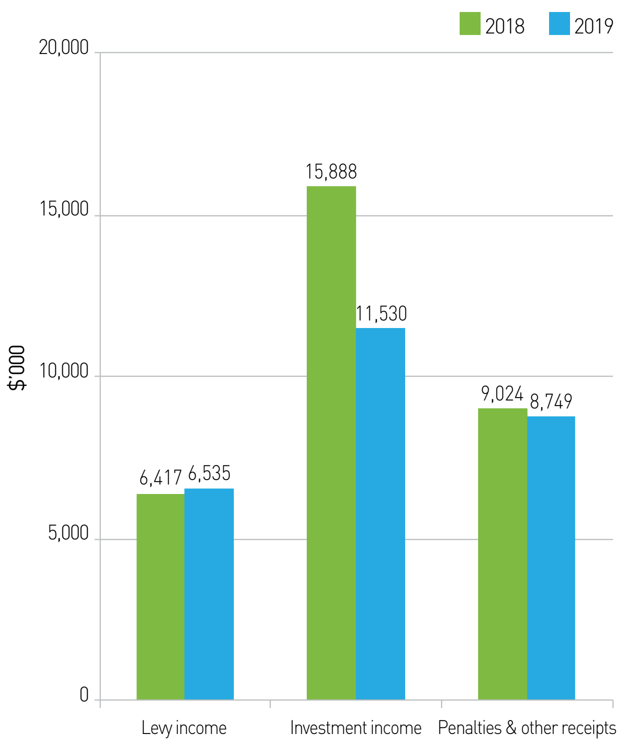
The lower return on investments held with QIC of $11.53 million versus prior year's $15.89 million reflects the performance and volatility of the equity markets during the year.

The statutory insurance scheme levy per vehicle remained unchanged from 1 July 2018 at $1.50 per annum. Penalties and other revenue rose by $0.19 million to $8.67 million. The reduction of $0.47 million in user charges revenue reflects the cessation of corporate support services to the National Injury Insurance Agency, Queensland (NIIAQ).

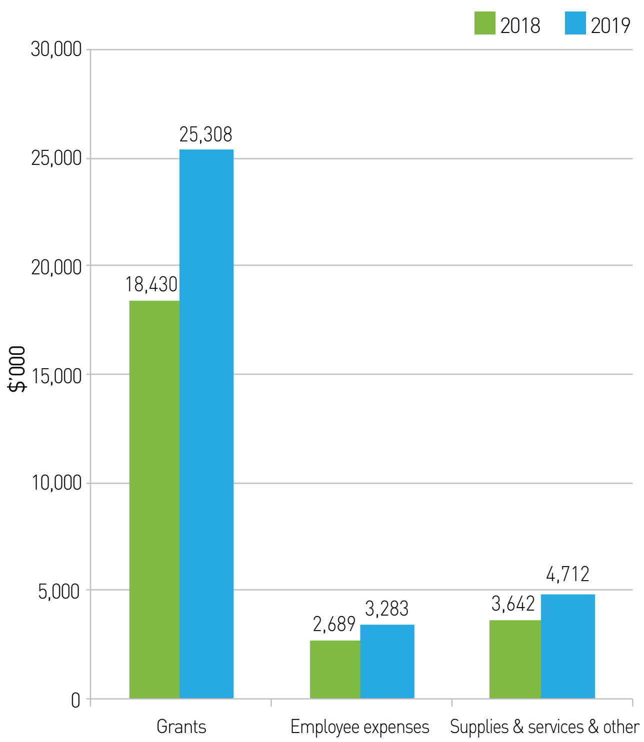
Total expenses increased by $8.54 million to $33.30 million in 2018-19. MAIC's largest expense item relates to the continued funding of research programs to reduce the incidence and mitigate the effects of road trauma. The increase in grants expense of $6.88 million was largely due to additional funding for strategic accident prevention research and a number of other rehabilitation-related opportunities. Details of grant funding are provided in Appendix 5.

MAIC's employee expenses increased by $0.59 million due to increase in the supervision and regulatory oversight of the CTP insurance scheme, strengthening capacity to supervise licensed insurers and an increase in data monitoring and analytical capability. Other operating expenditure increased by $1.07 million to $4.71 million due to preparation of legislative amendments in relation to car crash scammers, and media campaigns.

### Income




### Expenses



# Motor Accident Insurance Commission financial statements 2018–19

## Statement of comprehensive income

for the year ended 30 June 2019

| | Note | 2019 Actual $'000 | 2019 Original Budget $'000 | * Budget Variance $'000 | 2018 Actual $'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Levy | 3 | 6,535 | 6,439 | 96 | 6,417 |
| Penalties | 4 | 7,895 | 7,000 | 895 | 7,785 |
| User charges | | 77 | - | 77 | 542 |
| Other revenue | | 777 | - | 777 | 697 |
| **Total revenue** | | **15,284** | **13,439** | **1,845** | **15,441** |
| Net fair value gains on other financial assets | | 11,530 | 9,449 | 2,081 | 15,888 |
| **Total income** | | **26,814** | **22,888** | **3,926** | **31,329** |
| **Expenses** | | | | | |
| Grants | 5 | 25,308 | 24,000 | 1,308 | 18,430 |
| Employee expenses | 6 | 3,283 | 3,857 | (574) | 2,689 |
| Supplies and services | 7 | 4,668 | 3,092 | 1,576 | 3,595 |
| Other expenses | 8 | 44 | 51 | (7) | 47 |
| **Total expenses** | | **33,303** | **31,000** | **2,303** | **24,761** |
| **Total other comprehensive income** | | **-** | **-** | **-** | **-** |
| **Total comprehensive income** | | **(6,489)** | **(8,112)** | **1,623** | **6,568** |

** An explanation of major variances is included in Note 17.*

*The accompanying notes form part of these statements.*

# Statement of financial position

## as at 30 June 2019

| | Note | 2019 Actual $'000 | 2019 Original Budget $'000 | * Budget Variance $'000 | 2018 Actual $'000 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | | 1,689 | 3,342 | (1,653) | 2,372 |
| Receivables | 9 | 1,128 | 769 | 359 | 1,029 |
| Other financial assets | 11&12 | 166 | 160 | 6 | 163 |
| **Total current assets** | | **2,983** | **4,271** | **(1,288)** | **3,564** |
| **Non-current assets** | | | | | |
| Other financial assets | 11&12 | 175,331 | 163,072 | 12,259 | 181,379 |
| **Total non-current assets** | | **175,331** | **163,072** | **12,259** | **181,379** |
| **Total assets** | | **178,314** | **167,343** | **10,971** | **184,943** |
| **Current liabilities** | | | | | |
| Payables | 10 | 263 | 562 | (299) | 486 |
| Accrued employee benefits | | 152 | 104 | 48 | 129 |
| **Total current liabilities** | | **415** | **666** | **(251)** | **615** |
| **Non-current liabilities** | | | | | |
| Payables | | 159 | 42 | 117 | 99 |
| **Total non-current liabilities** | | **159** | **42** | **117** | **99** |
| **Total liabilities** | | **574** | **708** | **(134)** | **714** |
| **Net assets** | | **177,740** | **166,635** | **11,105** | **184,229** |
| **Equity** | | | | | |
| Contributed equity | | 57,818 | 57,818 | - | 57,818 |
| Accumulated surplus | | 119,922 | 108,817 | 11,105 | 126,411 |
| **Total equity** | | **177,740** | **166,635** | **11,105** | **184,229** |

** An explanation of major variances is included in Note 17.*

*The accompanying notes form part of these statements.*

# Statement of changes in equity
## for the year ended 30 June 2019

| | Accumulated surplus $'000 | Contributed equity $'000 | Total equity $'000 |
|---|---|---|---|
| **Balance as at 1 July 2017** | 119,843 | 57,818 | 177,661 |
| Operating result | 6,568 | - | 6,568 |
| **Balance as at 30 June 2018** | **126,411** | **57,818** | **184,229** |
| | | | |
| **Balance as at 1 July 2018** | 126,411 | 57,818 | 184,229 |
| Operating result | (6,489) | - | (6,489) |
| **Balance as at 30 June 2019** | **119,922** | **57,818** | **177,740** |

*The accompanying notes form part of these statements.*

# Statement of cash flows

## for the year ended 30 June 2019

| | Note | 2019 Actual $'000 | 2019 Original Budget $'000 | Budget Variance $'000 | 2018 Actual $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| *Inflows:* | | | | | |
| Levy | | 6,535 | 6,439 | 96 | 6,407 |
| Penalties | | 7,863 | 7,000 | 863 | 7,800 |
| User charges | | 77 | 2 | 75 | 542 |
| GST input tax credits from ATO | | 2,416 | - | 2,416 | 1,593 |
| GST collected from customers | | 73 | - | 73 | 123 |
| Other revenue | | 782 | - | 782 | 694 |
| *Outflows:* | | | | | |
| Grants | | (25,397) | (24,000) | (1,397) | (18,341) |
| Employee expenses | | (3,283) | (3,855) | 572 | (2,686) |
| Supplies and services | | (4,114) | (2,528) | (1,586) | (3,078) |
| GST remitted to ATO | | (87) | - | (87) | (128) |
| GST paid to suppliers | | (2,507) | - | (2,507) | (1,841) |
| Other expenses | | (41) | (51) | 10 | (55) |
| **Net cash (used in) / provided by operating activities** | CF-1 | **(17,683)** | **(16,993)** | **(690)** | **(8,970)** |
| **Cash flows from investing activities** | | | | | |
| *Inflow:* | | | | | |
| Proceeds from sale of other financial assets | | 19,000 | 16,993 | 2,007 | 12,500 |
| *Outflow:* | | | | | |
| Payments for other financial assets | | (2,000) | - | (2,000) | (4,500) |
| **Net cash provided by / (used in) investing activities** | | **17,000** | **16,993** | **7** | **8,000** |
| **Net increase / (decrease) in cash** | | **(683)** | - | **(683)** | **(970)** |
| Cash and cash equivalents at beginning of financial year | | 2,372 | 3,342 | (970) | 3,342 |
| **Cash and cash equivalents at end of financial year** | | **1,689** | **3,342** | **(1,653)** | **2,372** |

** An explanation of major variances is included in Note 17.*

*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 2019

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

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Operating result | (6,489) | 6,568 |
| *Non-cash items included in operating result:* | | |
| Net fair value gains on other financial assets | (10,955) | (15,300) |
| *Change in assets and liabilities:* | | |
| (Increase)/decrease in receivables | (99) | (256) |
| Increase/(decrease) in current payables | (223) | (68) |
| Increase/(decrease) in non-current payables | 60 | 57 |
| Increase/(decrease) in accrued employee benefits | 23 | 29 |
| **Net cash (used in) operating activities** | **(17,683)** | **(8,970)** |

Non-cash movements in net fair value gain on other financial assets are disclosed in the above reconciliation net of management fees. 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 2019

## 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 2018.

### (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 2017-18 financial statements except where restatement was necessary to be consistent with disclosures in the current reporting period. There have been no material restatements made to the comparative amounts.

### (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 MAIC'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.

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

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

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

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

### (h) Basis of measurement

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

## 2. OBJECTIVES OF MAIC

MAIC is responsible for regulation 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 INCOME

Levy income consists of Statutory Insurance Scheme (SIS) levy received to fund the estimated operating costs of administering the Act and also provides funding for research into accident prevention and injury mitigation.

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

The SIS levy rate is fixed each year by regulation in accordance with section 14A(1) of the Act.

## 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

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Road trauma mitigation research | 5,561 | 8,066 |
| Rehabilitation initiatives research | 9,424 | 7,179 |
| Strategic accident prevention research | 10,320 | 3,184 |
| Other | 3 | 1 |
| **Total** | **25,308** | **18,430** |

The payment of the above grants are dependent on the grantee organisation satisfying conditions as set out in the grant agreement. The expense is recognised when the terms and conditions of the grants have been satisfied.

# Notes to and forming part of the financial statements

## for the year ended 30 June 2019

### 6. EMPLOYEE EXPENSES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Employee benefits and employee related expenses** | | |
| Salaries and wages | 2,546 | 2,064 |
| Employer superannuation contributions | 335 | 276 |
| Leave levies | 317 | 268 |
| Employee related expenses | 70 | 58 |
| Other employee benefits | 15 | 23 |
| **Total** | **3,283** | **2,689** |

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 27 (2018: 24).

***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 Annual Leave Central Scheme and Long Service Leave Scheme, levies are made on the MAIC to cover the cost of employees' annual leave and 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 18**.

# Notes to and forming part of the financial statements

## for the year ended 30 June 2019

### 7. SUPPLIES AND SERVICES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Consultants and contractors | 1,706 | 1,182 |
| QIC management fee | 533 | 550 |
| Rent | 480 | 485 |
| Corporate services fee | 650 | 455 |
| Queensland Treasury Actuarial fees | 397 | 390 |
| IT related expenses | 226 | 269 |
| Supplies and consumables | 207 | 88 |
| Legal Fee | 245 | 174 |
| Advertising | 224 | 2 |
| **Total** | **4,668** | **3,595** |

An expense is recognised when it is incurred, usually as goods or services are received or consumed.

### 8. OTHER EXPENSES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Queensland Audit Office - external audit fees | 22 | 21 |
| Insurance premiums - QGIF | 22 | 26 |
| **Total** | **44** | **47** |

Total audit fees quoted by the Queensland Audit Office relating to the 2018-19 financial statements are $22,100 (2018: $21,100).

### 9. RECEIVABLES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| GST receivable | 469 | 378 |
| Accrued penalties | 384 | 352 |
| Accrued SIS levy | 172 | 170 |
| Receivables from NIIAQ* | - | 41 |
| Accrued interest income | 26 | 31 |
| Leave reimbursements | 77 | 56 |
| Other receivables | - | 1 |
| **Total** | **1,128** | **1,029** |

*The National Injury Insurance Agency, Queensland

Receivables are recognised at the amounts due at the time of service delivery or when they are legally payable to MAIC. Penalties are recognised at the time of receipt of monies from uninsured motorists (refer to **Note 4**). Settlement of these amounts is generally required within 30 days from invoice date. The collectability of receivables is assessed periodically and a loss allowance is recognised for expected credit losses based on reasonable and supportable forward-looking information.

# Notes to and forming part of the financial statements

## for the year ended 30 June 2019

### 9. RECEIVABLES - continued

MAIC's receivables are from Queensland and Australian Government entities. No loss allowance is recognised for these receivables on the basis of materiality. Refer to **Note 12** for MAIC's credit risk disclosures. Where MAIC has no reasonable expectation of recovering an amount owed by a debtor, the debt will be written off.

### 10. PAYABLES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Current** | | |
| Accrued expenses | 96 | 342 |
| Trade creditors | 165 | 126 |
| GST payable | - | 14 |
| FBT payable | 2 | 4 |
| **Total** | **263** | **486** |

Trade creditors are recognised upon receipt of the goods or services ordered. Grants payable are recognised upon receipt of invoices. They are measured at the nominal amount i.e. agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured.

### 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. |

MAIC recognises other financial assets invested with QIC at fair value through profit and 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 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.

The carrying amount for cash assets represents the fair value.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 12. FINANCIAL RISK DISCLOSURES

### (a) Categorisation of financial instruments

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

| Category | Note | 2019 $'000 | 2018 $'000 |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | | 1,689 | 2,372 |
| Receivables (amortised cost) | 9 | 1,128 | 1,029 |
| Other financial assets (FVTPL) | | 175,497 | 181,542 |
| **Total** | | **178,314** | **184,943** |
| **Financial liabilities** | | | |
| Current payables (amortised cost) | 10 | 263 | 486 |
| Non-current payables (amortised cost) | | 159 | 99 |
| **Total** | | **422** | **585** |

MAIC's receivables are measured at amortised cost as they are held for collection of contractual cash flows that are solely payments of principal and interest.

MAIC's other financial assets consists of investments with QIC. The investments are held for trading and the portfolio's performance is evaluated on a fair value basis. It is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the investments are measured at fair value through profit or loss (FVTPL) in accordance with AASB 9.

### (b) Financial risk management

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

Risk exposure is measured using a variety of methods:

| Risk Exposure | Measurement Method |
|---|---|
| Credit risk | Earnings at risk |
| Liquidity risk | Maturity analysis |
| Market risk | Sensitivity analysis |

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

**12. FINANCIAL RISK DISCLOSURES - continued**

***(i) Credit risk***

Credit risk exposure refers to the situation where MAIC may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. Credit risk arises from financial assets (cash and cash equivalents, investments held with QIC and outstanding receivables).

The carrying amount of financial assets disclosed in **Note 12(a)** represents MAIC's maximum exposure to credit risk at balance date.

MAIC seeks to reduce the exposure to credit risk in the following manner:

- 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;
- all funds owed are monitored on a timely basis; and
- assess credit risk exposure, including any concentrations of risk, on an ongoing basis.

Cash and cash equivalents are held with banking and financial institutions through the whole-of-government banking arrangement managed by Queensland Treasury.

MAIC does not expect any material credit losses in relation to its receivables disclosed in **Note 9**. The debtor group comprises of Queensland and Australian Government entities. They are expected to have an insignificant level of credit risk exposure having regard to the nature and credit ratings of these entities.

***(ii) Liquidity risk***

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

MAIC is exposed to liquidity risk in respect of its current and non-current payables. The current and non-current classification represents the expected maturity of the payables. MAIC manages its exposure to liquidity risk by ensuring that MAIC 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.

***(iii) Market risk***

Market risk is 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 MAIC relate to 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. The market risk of the investment portfolio comprises the risk that the unit price of the funds will change during the next reporting period (effectively price risk).

Interest rate risk also exists in relation to MAIC's cash held in interest bearing bank accounts.

Market risk is managed through regular reviews of the investment strategies with QIC and assessment of three-year return forecasts.

# Notes to and forming part of the financial statements

## for the year ended 30 June 2019

### 12. FINANCIAL RISK DISCLOSURES - continued

#### (c) Market risk sensitivity analysis

A sensitivity analysis has been performed assessing the impact to the profit and loss if the unit price of MAIC's investment funds change. The analysis is based on a range of reasonably possible changes to key risk variables applicable to the QIC investment funds as identified by QIC, including the RBA official cash rate, Bank of England official cash rate, ASX 200, MSCI World ex Australia Equities Index and real estate capitalisation rate.

MAIC's sensitivity to these possible changes are shown in the table below.

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | Movement in variable | | Impact on Profit / Equity | | Movement in variable | | Impact on Profit / Equity | |
| **Investment** | Low | High | Decrease | Increase | Low | High | Decrease | Increase |
| | % | % | $'000 | $'000 | % | % | $'000 | $'000 |
| QIC Growth Fund | -12 | 12 | (21,040) | 21,040 | -13 | 12 | (23,579) | 21,765 |

The unit price risk of QIC Cash Fund and the interest rate risk associated with MAIC's cash and cash equivalents are immaterial.

### 13. CONTINGENCIES

MAIC did not have any contingent assets and liabilities at 30 June 2019.

### 14. 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:

| | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|
| Not later than one year | 23,247 | 27,197 |
| Later than one year and not later than five years | 21,649 | 25,212 |
| **Total** | **44,896** | **52,409** |

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 2019

### 15. EVENTS OCCURRING AFTER THE REPORTING DATE

MAIC does not have any material events occurring after 30 June 2019.

### 16. 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 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*.

Under AASB 16, the majority of the operating leases will be reported on the Statement of Financial Position as right-of-use asset (representing rights to use the underlying leased asset) and lease liability (representing the obligation to make lease payments) unless the lease has a term of less than 12 months and the underlying assets are of low value.

The expected impact of AASB 16 on MAIC's Statement of Financial Position and Statement of Comprehensive Income are described below.

During the 2018-19 financial year, MAIC did not hold any property lease agreements or occupancy agreements for office accommodation. In relation to the building occupied by MAIC, the operating leases are held by Queensland Treasury (Treasury) from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO). Treasury had been advised by DHPW and Treasury Financial Management Division that effective 1 July 2019, amendments to the framework agreement that govern QGAO will result in the arrangements being exempt under AASB 16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation.

From 2019-20 onwards, costs for these services will be expensed as supplies and services expense when incurred. Non-current liabilities of $0.159M relating to the straight-lining of existing operating leases will be derecognised and adjusted against equity at 1 July 2019.

**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. The revenues are non-contractual income arising from statutory requirements and hence recognised at the time of receipt consistent with requirements of AASB 1058. 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 2019

### 17. 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***

| | |
|---|---|
| *Penalties* | The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year. |
| *Other revenue* | The increase in other revenue relates to return of surplus grant funds. |
| *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. |
| *Grants* | The variance in grant payments is due to higher than anticipated investment in research activities. |
| *Employee expenses* | The variance in employee expenses is primarily due to delays in filling vacancies during 2018-19. |
| *Supplies and services* | The increase in supplies and services is primarily due to preparation of legislative amendments in relation to car crash scammers and media campaign. |

***Statement of Financial Position***

| | |
|---|---|
| *Cash and cash equivalents* | The cash balance is lower than projected as detailed in the Statement of Cash Flows. |
| *Receivables* | The variance is due to fluctuations in accrued receivables as at 30 June 2019. |
| *Other financial assets (current and non-current)* | The variance in other financial assets is primarily due to higher actual audited opening balance than projected in the budget. |
| *Payables* | The variance is due to fluctuations in accrued expenses at 30 June 2019. |
| *Accumulated surplus* | The increase in accumulated surplus is primarily due higher actual opening balance than projected in the budget. |

# Notes to and forming part of the financial statements
## for the year ended 30 June 2019

### 17. BUDGETARY REPORTING DISCLOSURES - continued

***Statement of Cash Flows***

| | |
|---|---|
| *Penalties* | The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year. |
| *GST input tax credits from ATO* | The variance is due to the amount of input tax credits paid by the Australian Taxation Office (ATO) for supplier invoices processed which was not budgeted for. |
| *Other revenue* | The increase in other revenue relates to return of surplus grant funds. |
| *Grants* | The variance in grants payments is due to higher than anticipated investment in research activities. |
| *Employee expenses* | The variance in employee expenses is primarily due to delays in filling vacancies during 2018-19. |
| *Supplies and services* | The increase in supplies and services is primarily due to preparation of legislative amendments in relation to car crash scammers and media campaign. |
| *GST paid to suppliers* | The variance is due to the amount of GST paid for supplier invoices processed which was not budgeted. |
| *Proceeds from and Payments for other financial assets* | 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. |

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 18. 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 2018-19 and 2017-18. All key management personnel also provide services to the Nominal Defendant and the Queensland Government Insurance Fund (QGIF) within Queensland Treasury as part of their overall role. The remuneration disclosed below relates to their service as a KMP of MAIC for the period. 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. |
| General Manager MAIC | Leads and manages the strategies, policies and performance with respect to the regulation of the CTP scheme. |
| Director Finance, Procurement and Systems (1) | Responsible for the efficient, effective and economic financial management and procurement of MAIC and oversight of the IT system roadmap for the organisation. |
| Director Business Solutions | Responsible for the efficient and effective information systems and reporting. |
| Director Policy Performance and Improvement (2) | Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice, communication, business improvement and process mapping systems. |
| Director CTP Scheme Claims | Responsible for the monitoring of licensed insurers claims management performance. |
| Director Analytics | Responsible for data analysis and reporting, premiums and levies advice and business intelligence functions for MAIC. |

(1) This role was previously named Director Finance and Procurement.
(2) This role was previously named Director Strategic Planning and Business Performance.

### 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.
- Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

# Notes to and forming part of the financial statements

## for the year ended 30 June 2019

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

**KMP remuneration expense**

The following disclosures focus on the expenses incurred solely by MAIC that is attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

***1 July 2018 to 30 June 2019***

| Position | Short term employee expenses - monetary expenses* $'000 | Long term employee expenses $'000 | Post-employment expenses $'000 | Termination benefits $'000 | Total expenses $'000 |
|---|---|---|---|---|---|
| Insurance Commissioner | 121 | 3 | 13 | - | 137 |
| General Manager MAIC (to 29 May 2019) | 128 | 3 | 14 | - | 145 |
| General Manager MAIC (from 3 June 2019) | 12 | 0 | 1 | - | 13 |
| Director Finance, Procurement and Systems | 103 | 2 | 13 | - | 118 |
| Director Policy Performance and Improvement | 85 | 2 | 11 | - | 98 |
| Director Analytics (from 23 August 2018) | 92 | 2 | 11 | - | 105 |

*MAIC does not have any non-monetary benefits to disclose in relation to its KMP.

***1 July 2017 to 30 June 2018***

| Position | Short term employee expenses - Monetary expenses* $'000 | Long term employee expenses $'000 | Post-employment expenses $'000 | Termination benefits $'000 | Total expenses $'000 |
|---|---|---|---|---|---|
| Insurance Commissioner | 154 | 3 | 17 | - | 174 |
| General Manager MAIC (from 8 January 2018) | 73 | 2 | 7 | - | 82 |
| Director Finance, Procurement and Systems | 99 | 2 | 13 | - | 114 |
| Director Business Solutions | 46 | 1 | 6 | - | 53 |
| Director Policy Performance and Improvement | 83 | 2 | 11 | - | 96 |
| Director CTP Scheme Claims (to 7 January 2018) | 7 | - | 1 | - | 8 |

*MAIC does not have any non-monetary benefits to disclose in relation to its KMP.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 19. RELATED PARTY TRANSACTIONS

**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 entities**

MAIC received a refund from Queensland Health for unspent grant funding.

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. The funding to DTMR also includes a specific allocation to support the pilot of the Cooperative and Autonomous Vehicle Initiative (**Note 5**).

MAIC provided grant funding to both the Metro South and Metro North Hospital and Health Services for supporting Transitional Rehabilitation Service and Jamieson Trauma Institute respectively (**Note 5**).

MAIC receives corporate support and actuarial services from Queensland Treasury, and incurs management fees from QIC for the management of the QIC unlisted unit trusts. MAIC also transacts with the Department of Housing and Public Works for office accommodation costs. These supplies and services are disclosed in (**Note 7**).

## 20. 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) and the Queensland Fire and Emergency Services (QFES). 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 | | Outstanding levies for remittance to QH, PSBA & QFES | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Levies collected but not remitted in the previous year | 5,265 | 7,322 | - | - | - | - |
| Hospital levy | 73,474 | 72,050 | (71,632) | (74,004) | 6,845 | 5,002 |
| Emergency Services levy - PSBA | 2,631 | 2,790 | (2,579) | (2,865) | 245 | 193 |
| Emergency Services levy - QFES | 1,236 | 1,002 | (1,191) | (1,030) | 115 | 70 |
| **Total** | **82,606** | **83,164** | **(75,402)** | **(77,899)** | **7,205** | **5,265** |

Levies collected on behalf of QH, PSBA and QFES 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.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 21. 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**).

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

### First year application of AASB 9 *Financial Instruments*

MAIC applied AASB 9 *Financial Instruments* for the first time in 2018-19. Comparative information for 2017-18 has not been restated and continue to be reported under AASB 139 *Financial Instruments: Recognition and Measurement*. Any adjustment needed for prior period balances on transition has been made against the relevant class of equity. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

*Classification and measurement*

Under AASB 9, debt instruments are categorised into one of three measurement bases – amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on two criteria:

- whether the financial asset's contractual cash flows represent 'solely payments of principal and interest', and
- MAIC's business model for managing the assets.

MAIC's debt instruments comprise of receivables disclosed in **Note 9**. There is no change in the classification or measurement of the receivables. They were measured at amortised cost under AASB 139 and continue to be measured at amortised cost under AASB 9 as they are held for collection of contractual cash flows that are solely payments of principal and interest.

Equity instruments within the scope of AASB 9 are measured at FVTPL, with the exception that an equity instrument that is not held for trading can be irrevocably designated at FVOCI. MAIC's equity instruments comprise of investments held with QIC which is disclosed in **Note 12** as Other Financial Assets. The investments continue to be held for trading. As such, they continue to be measured at FVTPL from 1 July 2018.

Financial liabilities within the scope of AASB 9 continue to be measured at amortised cost.

*Impairment*

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing the incurred loss approach under AASB 139. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss.

MAIC did not recognise a loss allowance in respect to its receivables in 2018-19. As disclosed in **Notes 9** and **12**, MAIC does not expect any material credit losses for its receivables. The debtor group comprises of Queensland and Australian Government entities which are expected to have an insignificant level of credit risk exposure having regard to the nature and credit ratings of these entities.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 22. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY - continued

**Accounting standards early adopted**

No Australian Accounting Standards have been early adopted for 2018-19.

**Accounting standards applied for the first time**

Other than AASB 9 *Financial Instruments*, which is detailed above, no accounting standards that apply to MAIC for the first time in 2018-19 have any material impact on the financial statements.

# Management certificate

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 financial 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 2019 and of the financial position of MAIC at the end of that year; and

We acknowledge responsibility under section 8 and section 15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

L LEE

B.Com, CA

Director Finance, Procurement and Systems

26 August 2019

N SINGLETON

B.Bus (Insurance), MBA

Insurance Commissioner

26 August 2019

# 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.

In my opinion, the financial report:

a) gives a true and fair view of the entity's financial position as at 30 June 2019, 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.

The financial report comprises the statement of financial position as at 30 June 2019, 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 summaries of significant accounting policies and other explanatory information, and the management certificate.

### 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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### 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 entity.
- Conclude on the appropriateness of the entity'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 2019:

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

27 August 2019

Sri Narasimhan

as delegate of the Auditor General

Queensland Audit Office

Brisbane

# Nominal Defendant

## Financial summary 2018-19

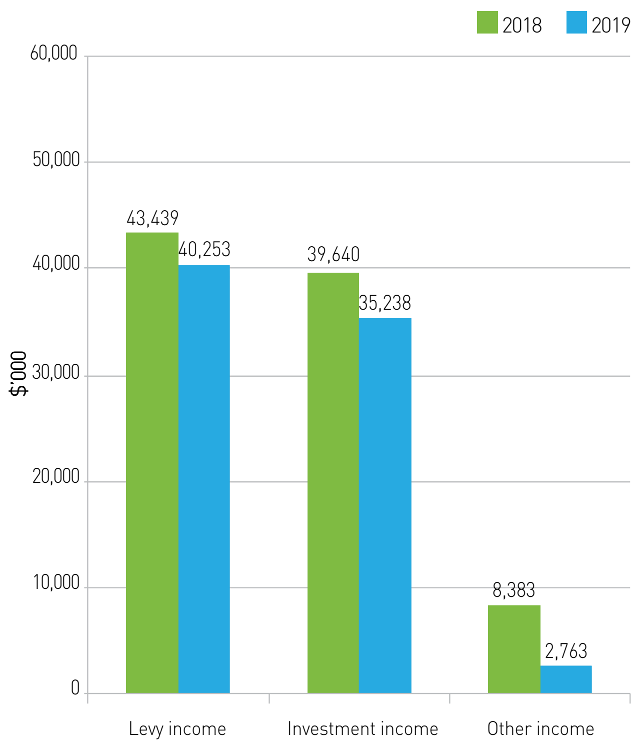
The operating surplus of the Nominal Defendant for the year ended 30 June 2019 was $31.97 million compared to the prior year's operating surplus of $74.77 million. The decrease was driven by a reduction in reinsurance and other recoveries and an increase in claims related expenses.

Total income for 2018-19 was $78.25 million, a reduction of $13.21 million from the prior year. The decrease is due to the following activities:

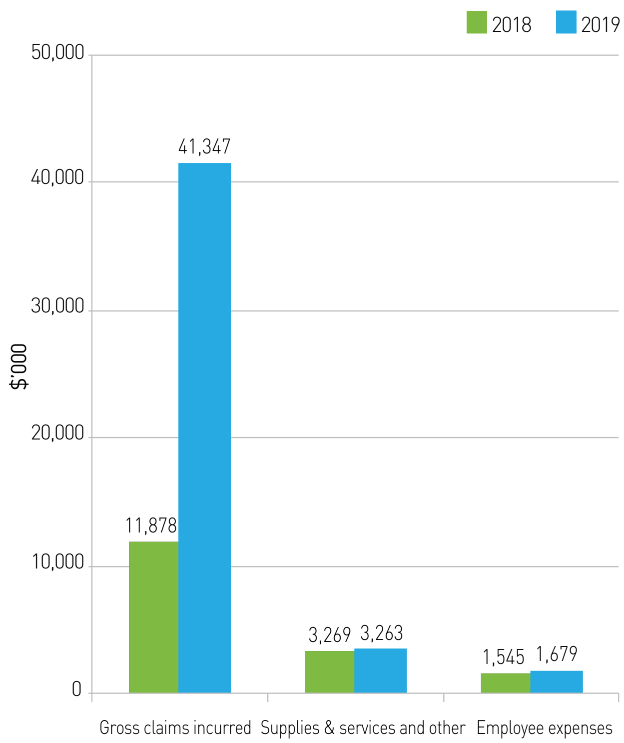
- From 1 July 2018, the Nominal Defendant levy reduced by $1.00 to $9.00 per Class 1 vehicle and generated income of $40.25 million compared to $43.44 million in the prior year.
- Actuarial assessments at 30 June 2019 resulted in a reduction of $5.61 million in reinsurance and other recoveries.
- Investments returned earnings of $35.24 million compared to prior year's $39.64 million. This reflects the performance and volatility of the equity markets during the year.

Total expenses increased by $29.60 million to $46.29 million in 2018-19. This was primarily the result of higher outstanding claims liability projections. The gross outstanding claims liabilities were actuarially assessed at 30 June 2019 to be $145.88 million, an increase of $23.49 million from the prior year. Claim payments were $16.02 million (prior year $24.33 million) and claim recoveries were $0.28 million (prior year $0.20 million).

### Income




### Expenses



# Nominal Defendant financial statements 2018–19

## Statement of comprehensive income

for the year ended 30 June 2019

| | Note | 2019 Actual $'000 | 2019 Original Budget $'000 | * Budget Variance $'000 | 2018 Actual $'000 |
|---|---|---|---|---|---|
| **Income** | | | | | |
| Levy | 3 | 40,253 | 38,250 | 2,003 | 43,439 |
| Reinsurance and other recoveries | 4 | 2,670 | - | 2,670 | 8,278 |
| Other revenue | | 93 | - | 93 | 105 |
| **Total revenue** | | **43,016** | **38,250** | **4,766** | **51,822** |
| Net fair value gains on other financial assets | | 35,238 | 18,945 | 16,293 | 39,640 |
| **Total income** | | **78,254** | **57,195** | **21,059** | **91,462** |
| **Expenses** | | | | | |
| Gross claims incurred | 4 | 41,347 | 48,446 | (7,099) | 11,878 |
| Employee expenses | 5 | 1,679 | 1,880 | (201) | 1,545 |
| Supplies and services | 6 | 2,702 | 2,387 | 315 | 2,698 |
| Depreciation and amortisation | | 519 | 519 | - | 519 |
| Other expenses | 7 | 42 | 43 | (1) | 52 |
| **Total expenses** | | **46,289** | **53,275** | **(6,986)** | **16,692** |
| **Total other comprehensive income** | | **-** | **-** | **-** | **-** |
| **Total comprehensive income** | | **31,965** | **3,920** | **28,045** | **74,770** |

** 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 2019

| | Note | 2019 Actual $'000 | 2019 Original Budget $'000 | * Budget Variance $'000 | 2018 Actual $'000 |
|---|---|---|---|---|---|
| **Current assets** | | | | | |
| Cash and cash equivalents | | 2,650 | 3,522 | (872) | 3,646 |
| Receivables | 8 | 1,142 | 1,179 | (37) | 1,180 |
| Other financial assets | 11 & 12 | 180,191 | 47,612 | 132,579 | 167,917 |
| Claim recoveries | 10 | 1,079 | 671 | 408 | 857 |
| **Total current assets** | | **185,062** | **52,984** | **132,078** | **173,600** |
| **Non-current assets** | | | | | |
| Other financial assets | 11 & 12 | 357,609 | 438,668 | (81,059) | 315,161 |
| Claim recoveries | 10 | 12,434 | 2,425 | 10,009 | 10,268 |
| Intangible assets | 9 | 952 | 952 | - | 1,471 |
| **Total non-current assets** | | **370,995** | **442,045** | **(71,050)** | **326,900** |
| **Total assets** | | **556,057** | **495,029** | **61,028** | **500,500** |
| **Current liabilities** | | | | | |
| Payables | | 154 | 262 | (108) | 212 |
| Accrued employee benefits | | 78 | 68 | 10 | 67 |
| Outstanding claims liability | 10 | 52,524 | 38,836 | 13,688 | 38,368 |
| Unearned levies | 3 | 15,788 | 18,885 | (3,097) | 17,461 |
| **Total current liabilities** | | **68,544** | **58,051** | **10,493** | **56,108** |
| **Non-current liabilities** | | | | | |
| Payables | | 85 | 24 | 61 | 55 |
| Outstanding claims liability | 10 | 99,208 | 137,691 | (38,483) | 88,082 |
| **Total non-current liabilities** | | **99,293** | **137,715** | **(38,422)** | **88,137** |
| **Total liabilities** | | **167,837** | **195,766** | **(27,929)** | **144,245** |
| **Net assets** | | **388,220** | **299,263** | **88,957** | **356,255** |
| **Equity** | | | | | |
| Accumulated surplus | | 388,220 | 299,263 | 88,957 | 356,255 |
| **Total equity** | | **388,220** | **299,263** | **88,957** | **356,255** |

** 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 2019

| | Accumulated surplus | Total equity |
|---|---|---|
| | $'000 | $'000 |
| **Balance as at 1 July 2017** | 281,485 | 281,485 |
| Operating result | 74,770 | 74,770 |
| **Balance as at 30 June 2018** | **356,255** | **356,255** |
| | | |
| **Balance as at 1 July 2018** | 356,255 | 356,255 |
| Operating result | 31,965 | 31,965 |
| **Balance as at 30 June 2019** | **388,220** | **388,220** |

*The accompanying notes form part of these statements.*

# Statement of cash flows

## for the year ended 30 June 2019

| | Note | 2019 Actual $'000 | 2019 Original Budget $'000 | * Budget Variance $'000 | 2018 Actual $'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| *Inflows:* | | | | | |
| Levy | | 38,668 | 38,250 | 418 | 42,038 |
| Claim recoveries | | 282 | - | 282 | 249 |
| GST input tax credits from Australian Taxation Office (ATO) | | 2 | - | 2 | - |
| GST collected from customers | | 446 | - | 446 | 440 |
| Other revenue | | 104 | (8) | 112 | 96 |
| *Outflows:* | | | | | |
| Gross claims incurred | | (16,064) | (31,385) | 15,321 | (24,486) |
| Employee expenses | | (1,690) | (1,879) | 189 | (1,544) |
| Supplies and services | | (1,206) | (1,211) | 5 | (1,156) |
| GST paid to suppliers | | (485) | - | (485) | (463) |
| GST remitted to ATO | | (1) | - | (1) | - |
| Other expenses | | (52) | (43) | (9) | (50) |
| **Net cash provided by operating activities** | CF-1 | **20,004** | **3,724** | **16,280** | **15,124** |
| **Cash flows from investing activities** | | | | | |
| *Inflow:* | | | | | |
| Proceeds from sale of other financial assets | | - | - | - | 4,000 |
| *Outflow:* | | | | | |
| Payments for other financial assets | | (21,000) | (3,724) | (17,276) | (19,000) |
| **Net cash used in investing activities** | | **(21,000)** | **(3,724)** | **(17,276)** | **(15,000)** |
| **Net (decrease)/increase in cash and cash equivalents** | | **(996)** | **-** | **(996)** | **124** |
| Cash and cash equivalents at beginning of financial year | | 3,646 | 3,522 | 124 | 3,522 |
| **Cash and cash equivalents at end of financial year** | | **2,650** | **3,522** | **(872)** | **3,646** |

** 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 2019

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

| | Note | 2019<br>$'000 | 2018<br>$'000 |
|---|---|---|---|
| Operating result | | 31,965 | 74,770 |
| *Non-cash items included in operating result:* | | | |
| Net fair value gains on other financial assets | | (33,722) | (38,177) |
| Depreciation and amortisation | | 519 | 519 |
| *Change in assets and liabilities:* | | | |
| (Increase)/decrease in receivables and claim recoveries | 8,10 | (2,350) | (8,038) |
| Increase/(decrease) in current payables | | (58) | 50 |
| Increase/(decrease) in unearned levies | | (1,673) | (1,424) |
| Increase/(decrease) in outstanding claims liability | 10 | 25,282 | (12,608) |
| Increase/(decrease) in accrued employee benefits | | 11 | 1 |
| Increase/(decrease) in non-current payables | | 30 | 31 |
| **Net cash provided by operating activities** | | **20,004** | **15,124** |

Non-cash movements in net fair value gain on other financial assets are disclosed in the above reconciliation net of management fees. 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 2019

## 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 2018.

### (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 2017-18 financial statements except where restatement was necessary to be consistent with disclosures in the current reporting period. There have been no material restatements made to the comparative amounts.

### (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.

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

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

claims liability as at 30 June (**Notes 4** and **10**). Actuarial certificates issued by the Actuary for the Nominal Defendant and FAI General Insurance Company Limited (FAI) can be found in the Appendices.

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 11**), 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, Procurement and Systems at the date of signing the Management Certificate.

### (h) Basis of Measurement

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

## 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. LEVY INCOME

Levy income consists of the Nominal Defendant levy received to fund the estimated costs of the Nominal Defendant scheme for the financial year and shortfalls from previous years pursuant to the Act.

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.

The Nominal Defendant levy as set out in Part 2 of the Act is treated as “premium” in accordance with the provisions of AASB 1023.

The 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.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 4. NET CLAIMS INCURRED

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Gross claims incurred | 41,347 | 11,878 |
| Reinsurance and other recoveries | (2,670) | (8,278) |
| **Total net claims incurred** | **38,677** | **3,600** |

### (a) Claims development

**Attributable to Nominal Defendant**

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Current Year $'000 | Prior Years $'000 | Total $'000 | Current Year $'000 | Prior Years $'000 | Total $'000 |
| ***Gross claims incurred and related expenses*** | | | | | | |
| Undiscounted | 35,823 | 862 | 36,685 | 37,344 | (26,115) | 11,229 |
| Discount | (1,250) | 4,080 | 2,830 | (2,483) | 3,963 | 1,480 |
| **Provisions made (Note 10)** | 34,573 | 4,942 | 39,515 | 34,861 | (22,152) | 12,709 |
| ***Reinsurance and other recoveries*** | | | | | | |
| Undiscounted | 798 | 1,367 | 2,165 | 831 | 8,443 | 9,274 |
| Discount | (28) | 605 | 577 | (56) | (973) | (1,029) |
| | 770 | 1,972 | 2,742 | 775 | 7,470 | 8,245 |
| **Net claims incurred** | **33,803** | **2,970** | **36,773** | **34,086** | **(29,622)** | **4,464** |

**Attributable to FAI**

| | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|
| | Current Year $'000 | Prior Years $'000 | Total $'000 | Current Year $'000 | Prior Years $'000 | Total $'000 |
| ***Gross claims incurred and related expenses*** | | | | | | |
| Undiscounted | - | 1,600 | 1,600 | - | (937) | (937) |
| Discount | - | 232 | 232 | - | 106 | 106 |
| **Provisions made (Note 10)** | - | 1,832 | 1,832 | - | (831) | (831) |
| ***Reinsurance and other recoveries*** | | | | | | |
| Undiscounted | - | (77) | (77) | - | 31 | 31 |
| Discount | - | 5 | 5 | - | 2 | 2 |
| | - | (72) | (72) | - | 33 | 33 |
| **Net claims incurred** | **-** | **1,904** | **1,904** | **-** | **(864)** | **(864)** |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Total gross claims incurred** | **34,573** | **6,774** | **41,347** | **34,861** | **(22,983)** | **11,878** |
| **Total recoveries** | **770** | **1,900** | **2,670** | **775** | **7,503** | **8,278** |
| **Total net claims incurred** | **33,803** | **4,874** | **38,677** | **34,086** | **(30,486)** | **3,600** |

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

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 4. NET CLAIMS INCURRED – continued

### (b) Claims reconciliation

| | Nominal Defendant | | FAI | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| ***Gross claims incurred and related expenses*** | | | | | | |
| Claims and associated settlement costs | 16,022 | 24,328 | 43 | 158 | 16,065 | 24,486 |
| Movement in outstanding claims liability | 23,493 | (11,619) | 1,789 | (989) | 25,282 | (12,608) |
| **Total gross claims incurred** | **39,515** | **12,709** | **1,832** | **(831)** | **41,347** | **11,878** |
| ***Reinsurance and other recoveries*** | | | | | | |
| Reinsurance and other recoveries | 282 | 197 | - | 52 | 282 | 249 |
| Movement in other recoveries receivable | 2,460 | 8,048 | (72) | (19) | 2,388 | 8,029 |
| **Total recoveries** | **2,742** | **8,245** | **(72)** | **33** | **2,670** | **8,278** |
| **Net claims incurred** | **36,773** | **4,464** | **1,904** | **(864)** | **38,677** | **3,600** |

***Gross claims***

Gross claims comprise amounts required to be paid on behalf of those insured, and movement in 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.

***Reinsurance and other recoveries***

Reinsurance and other recoveries on outstanding claims have been actuarially calculated as at 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 2019

## 5. EMPLOYEE EXPENSES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Employee benefits and employee related expenses** | | |
| Salaries and wages | 1,329 | 1,219 |
| Employer superannuation contributions | 179 | 163 |
| Leave levies | 163 | 160 |
| Employee related expenses | 8 | 3 |
| **Total** | **1,679** | **1,545** |

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 16 (2018: 14).

***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 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 Annual Leave Central Scheme and Long Service Leave Scheme, levies are made on the Nominal Defendant to cover the cost of employees' annual leave and 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 2019

### 6. SUPPLIES AND SERVICES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| QIC management fee | 1,423 | 1,367 |
| Consultants and contractors | 332 | 541 |
| Corporate services fee | 350 | 245 |
| Rent | 254 | 243 |
| IT related expense | 158 | 169 |
| Queensland Treasury Actuarial fees | 102 | 100 |
| Supplies and consumables | 83 | 33 |
| **Total** | **2,702** | **2,698** |

An expense is recognised when it is incurred, usually as goods or services are received or consumed.

### 7. OTHER EXPENSES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Queensland Audit Office - external audit fees | 40 | 51 |
| Insurance premiums - QGIF | 2 | 1 |
| **Total** | **42** | **52** |

Total audit fees quoted by the Queensland Audit Office relating to the 2018-19 financial statements are $40,400 (2018: $50,500).

### 8. RECEIVABLES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Accrued ND levy | 996 | 1,084 |
| GST receivable | 94 | 55 |
| Leave reimbursements | 45 | 23 |
| Accrued interest income | 7 | 18 |
| **Total** | **1,142** | **1,180** |

Receivables are recognised at the amounts due at the time of service delivery or when they are legally payable to the Nominal Defendant. Settlement of these amounts is generally required within 30 days. The collectability of receivables is assessed periodically and a loss allowance is recognised for expected credit losses based on reasonable and supportable forward-looking information.

The Nominal Defendant's receivables are from Queensland and Australian Government entities. No loss allowance is recognised for these receivables on the basis of materiality. Refer to **Note 12** for the Nominal Defendant's credit risk disclosures. Where the Nominal Defendant has no reasonable expectation of recovering an amount owed by a debtor, the debt will be written off.

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. The outstanding recoveries are reviewed on an ongoing basis by the Nominal Defendant.

# Notes to and forming part of the financial statements

## for the year ended 30 June 2019

### 9. INTANGIBLES

| | 2019 $'000 | 2018 $'000 |
|---|---|---|
| Internally genarated software: At cost | | |
| Gross | 3,634 | 3,634 |
| Less: Accumulated amortisation | (2,682) | (2,163) |
| **Carrying amount at 30 June** | **952** | **1,471** |
| *Represented by movements in carrying amount:* | | |
| Carrying amount at 1 July | 1,471 | 1,990 |
| Amortisation | (519) | (519) |
| **Carrying amount at 30 June** | **952** | **1,471** |

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

The Nominal Defendant's only intangible asset is an internally generated software. There is no active market for the intangible asset. As such, the asset is recognised and carried at historical cost less accumulated amortisation and accumulated impairment losses.

Costs associated with the development of the internally generated software have been capitalised and expenditure on research activities have been expensed in the period in which they were incurred.

The intangible asset has a finite useful life and is amortised on a straight-line basis over its estimated useful life to the Nominal Defendant, commencing from the date the asset became available for use. Straight line amortisation is used reflecting the expected consumption of economic benefits on a progressive basis over the intangible's useful life. The asset is estimated to have a useful life of 7 years.

A review of asset useful life and assessment for impairment indicators is performed annually. Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset. During the financial year 2018-19, the Nominal Defendant did not identify any impairment events.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 10. NET OUTSTANDING CLAIMS

| | Nominal Defendant | | FAI | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Gross outstanding claims | 139,770 | 120,657 | 5,916 | 4,359 | 145,686 | 125,016 |
| Claims settlement costs | 11,304 | 9,753 | - | - | 11,304 | 9,753 |
| | 151,074 | 130,410 | 5,916 | 4,359 | 156,990 | 134,769 |
| Discount to present value | (5,190) | (8,019) | (68) | (300) | (5,258) | (8,319) |
| **Gross outstanding claims liability** | **145,884** | **122,391** | **5,848** | **4,059** | **151,732** | **126,450** |
| *Represented by* | | | | | | |
| Current | 48,123 | 37,600 | 4,401 | 768 | 52,524 | 38,368 |
| Non-current | 97,761 | 84,791 | 1,447 | 3,291 | 99,208 | 88,082 |
| **Gross outstanding claims liability** | **145,884** | **122,391** | **5,848** | **4,059** | **151,732** | **126,450** |
| Reinsurance and other recoveries | 1,079 | 12,295 | - | 77 | 1,079 | 12,372 |
| Discount to present value | 12,434 | (1,242) | - | (5) | 12,434 | (1,247) |
| **Reinsurance and other recoveries** | **13,513** | **11,053** | **-** | **72** | **13,513** | **11,125** |
| *Represented by* | | | | | | |
| Current | 1,079 | 843 | - | 14 | 1,079 | 857 |
| Non-current | 12,434 | 10,210 | - | 58 | 12,434 | 10,268 |
| **Reinsurance and other recoveries** | **13,513** | **11,053** | **-** | **72** | **13,513** | **11,125** |
| **Net outstanding claims** | **132,371** | **111,338** | **5,848** | **3,987** | **138,219** | **115,325** |
| Central estimate | 132,371 | 111,338 | 5,042 | 3,437 | 137,413 | 114,775 |
| Risk margin | - | - | 806 | 550 | 806 | 550 |
| **Net outstanding claims** | **132,371** | **111,338** | **5,848** | **3,987** | **138,219** | **115,325** |

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

| | Nominal Defendant | | FAI | | Total | |
|---|---|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Balance at 1 July | 111,338 | 131,005 | 3,987 | 4,957 | 115,325 | 135,962 |
| ***Prior periods*** | | | | | | |
| Claim payments | (15,528) | (23,851) | (43) | (106) | (15,571) | (23,957) |
| Claims handling expenses | (3,470) | (3,404) | - | - | (3,470) | (3,404) |
| Discount unwind | 1,602 | 1,932 | 89 | 107 | 1,691 | 2,039 |
| Risk margin release | - | (2,600) | (7) | (17) | (7) | (2,617) |
| Effect of changes in assumptions and experience | 4,839 | (25,550) | 1,822 | (954) | 6,661 | (26,504) |
| ***Current period*** | | | | | | |
| Provision for current period | 33,590 | 33,806 | - | - | 33,590 | 33,806 |
| **Net outstanding claims** | **132,371** | **111,338** | **5,848** | **3,987** | **138,219** | **115,325** |
| Reinsurance and other recoveries | (13,513) | (11,053) | - | (72) | (13,513) | (11,125) |
| **Gross outstanding claims** | **145,884** | **122,391** | **5,848** | **4,059** | **151,732** | **126,450** |

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

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 10. NET OUTSTANDING CLAIMS – continued

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 | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| | $'000 | $'000 | $'000 | $'000 |
| Inflation rate | 3.52% | 3.68% | 3.00% | 3.70% |
| Discount rate | 1.18% | 2.25% | 1.00% | 2.25% |
| Claims handling expenses | 9.00% | 9.00% | 0.00% | 0.00% |
| Risk margin | 0.00% | 0.00% | 16.00% | 16.00% |
| Weighted average expected term to settlement | 3.0 years | 2.8 years | 1.2 years | 3.2 years |

A risk margin of 16% of the net central estimate has been applied to FAI and is intended to provide an approximately 75% probability of sufficiency for the outstanding claims liability. The risk borne has not materially changed from the previous year.

### (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**

| | | Financial impact | | | |
|---|---|---|---|---|---|
| **Net outstanding claims** | **Movement in variable** | **Profit/(loss) 2019 $'000** | **Equity 2019 $'000** | **Profit/(loss) 2018 $'000** | **Equity 2018 $'000** |
| Inflation rate | +1% | (4,134) | (4,134) | (3,175) | (3,175) |
| | -1% | 3,909 | 3,909 | 3,026 | 3,026 |
| Discount rate | +1% | 3,485 | 3,485 | 2,639 | 2,639 |
| | -1% | (3,769) | (3,769) | (2,829) | (2,829) |
| Claims handling expenses | +1% | (1,214) | (1,214) | (1,021) | (1,021) |
| | -1% | 1,214 | 1,214 | 1,021 | 1,021 |
| Weighted average term to settlement | +0.5 years | (1,668) | (1,668) | (904) | (904) |
| | -0.5 years | 1,647 | 1,647 | 897 | 897 |

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 10. NET OUTSTANDING CLAIMS – continued

**Attributable to FAI**

| | | Financial impact | | | |
|---|---|---|---|---|---|
| **Net outstanding claims** | **Movement in variable** | **Profit/(loss) 2019 $'000** | **Equity 2019 $'000** | **Profit/(loss) 2018 $'000** | **Equity 2018 $'000** |
| Inflation rate | +1% | (73) | (73) | (129) | (129) |
| | -1% | 72 | 72 | 125 | 125 |
| Discount rate | +1% | 65 | 65 | 121 | 121 |
| | -1% | (68) | (68) | (127) | (127) |
| Claims handling expenses | +1% | (58) | (58) | (40) | (40) |
| | -1% | 58 | 58 | 40 | 40 |
| Risk margin | +1% | (50) | (50) | (34) | (34) |
| | -1% | 50 | 50 | 34 | 34 |
| Weighted average term to | +0.5 years | (65) | (65) | (30) | (30) |
| settlement | -0.5 years | 64 | 64 | 30 | 30 |

### (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.

The Nominal Defendant did not enter into a contract for reinsurance cover for the 2017-18 and 2018-19 financial years. This was based on considerations of the cost of reinsurance and the Nominal Defendant's exposure to large loss claims.

# Notes to and forming part of the financial statements
## for the year ended 30 June 2019

### 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 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 fund 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.

The carrying amount for cash assets represents the fair value.

### 12. FINANCIAL RISK DISCLOSURES

#### (a) Categorisation of financial instruments

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

| **Category** | **Note** | **2019 $'000** | **2018 $'000** |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | | 2,650 | 3,646 |
| Receivables (amortised cost) | 8 | 1,142 | 1,180 |
| Other financial assets (FVTPL) | | 537,800 | 483,078 |
| **Total** | | **541,592** | **487,904** |
| **Financial liabilities** | | | |
| Current payables (amortised cost) | | 154 | 212 |
| Non-current payables (amortised cost) | | 85 | 55 |
| **Total** | | **239** | **267** |

The Nominal Defendant's receivables are measured at amortised cost as they are held for collection of contractual cash flows that are solely payments of principal and interest.

Nominal Defendant's other financial assets consists of investments with QIC. The investments are held for trading and the portfolio's performance is evaluated on a fair value basis. It is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. As such, the investments are measured at fair value through profit or loss (FVTPL) in accordance with AASB 9.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

**12. FINANCIAL RISK DISCLOSURES - continued**

**(b) Financial risk management**

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

Risk exposure is measured using a variety of methods:

| Risk Exposure | Measurement Method |
|---|---|
| Credit risk | Earnings at risk |
| Liquidity risk | Maturity analysis |
| Market risk | Sensitivity analysis |

***(i) Credit risk***

Credit risk exposure refers to the situation where the Nominal Defendant may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation. Credit risk arises from financial assets (cash and cash equivalents, investments held with QIC and outstanding receivables).

The carrying amount of financial assets disclosed in **Note 12(a)** represents the Nominal Defendant's maximum exposure to credit risk at balance date.

The Nominal Defendant seeks to reduce the exposure to credit risk in the following manner:

- 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;
- all funds owed are monitored on a timely basis; and
- assess credit risk exposure, including any concentrations of risk, on an ongoing basis.

Cash and cash equivalents are held with banking and financial institutions through the whole-of-government banking arrangement managed by Queensland Treasury.

The Nominal Defendant does not expect any material credit losses in relation to its receivables disclosed in **Note 8**. The debtor group comprises of Queensland and Australian Government entities and are expected to have an insignificant level of credit risk exposure having regard to the nature and credit ratings of these entities.

***(ii) Liquidity risk***

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

The Nominal Defendant is exposed to liquidity risk in respect of its current and non-current payables. The current and non-current classification represents the expected maturity of the payables. The Nominal Defendant manages its 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.

# Notes to and forming part of the financial statements
for the year ended 30 June 2019

**12. FINANCIAL RISK DISCLOSURES - continued**

***(iii) Market risk***

Market risk is 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 relate to 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. The market risk of the investment portfolio comprises the risk that the unit price of the funds will change during the next reporting period (effectively price risk).

Interest rate risk also exists in relation to Nominal Defendant's cash held in interest bearing bank accounts.

Market risk is managed through regular reviews of the investment strategies with QIC and assessment of three-year return forecasts.

**(c) Market risk sensitivity analysis**

A sensitivity analysis has been performed assessing the impact to the profit and loss if the unit price of the Nominal Defendant's investment funds change. The analysis is based on a range of reasonably possible changes to key risk variables applicable to the QIC investment funds as identified by QIC, including the RBA official cash rate, Bank of England official cash rate, ASX 200, MSCI World ex Australia Equities Index and real estate capitalisation rate.

The Nominal Defendant's sensitivity to these possible changes are shown in the table below.

| | 2019 | | | | 2018 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Movement in variable** | | **Impact on Profit / Equity** | | **Movement in variable** | | **Impact on Profit / Equity** | |
| **Investments** | **Low** | **High** | **Decrease** | **Increase** | **Low** | **High** | **Decrease** | **Increase** |
| | **%** | **%** | **$'000** | **$'000** | **%** | **%** | **$'000** | **$'000** |
| QIC Cash fund | -0.22 | 0.22 | (104) | 104 | -0.23 | 0.23 | (107) | 107 |
| QIC Australian Fixed Interest Fund | -0.27 | 0.27 | (359) | 359 | -0.29 | 0.29 | (352) | 352 |
| QIC Growth fund | -12 | 12 | (42,913) | 42,913 | -13 | 12 | (40,971) | 37,819 |
| **Total** | | | **(43,376)** | **43,376** | | | **(41,430)** | **38,278** |

The interest rate risk associated with the Nominal Defendant's cash and cash equivalents is immaterial.

**13. CONTINGENCIES**

The Nominal Defendant did not have any contingent assets and liabilities at 30 June 2019.

**14. EVENTS OCCURING AFTER THE REPORTING DATE**

The Nominal Defendant does not have any material events occurring after 30 June 2019.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 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 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*.

Under AASB 16, the majority of operating leases will be reported on the Statement of Financial Position as right-of-use asset (representing rights to use the underlying leased asset) and lease liability (representing the obligation to make lease payments) unless the lease has a term of less than 12 months and the underlying assets are of low value.

The expected impact of AASB 16 on the Nominal Defendant's Statement of Financial Position and Statement of Comprehensive Income are described below.

During the 2018-19 financial year, the Nominal Defendant did not hold any property lease agreements or occupancy agreements for office accommodation. In relation to the building occupied by the Nominal Defendant, the operating leases are held by Queensland Treasury (Treasury) from the Department of Housing and Public Works (DHPW) for non-specialised, commercial office accommodation through the Queensland Government Accommodation Office (QGAO). Treasury had been advised by DHPW and Treasury Financial Management Division that effective 1 July 2019, amendments to the framework agreement that govern QGAO will result in the arrangements being exempt under AASB 16. This is due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation.

From 2019-20 onwards, costs for these services will be expensed as supplies and services expense when incurred. Non-current liabilities of $0.085M relating to the straight-lining of existing operating leases will be derecognised and adjusted against equity at 1 July 2019.

**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. The revenues are non-contractual income arising from statutory requirements and hence recognised at the time of receipt consistent with requirements of AASB 1058. 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 2019

## 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***

| | |
|---|---|
| *Reinsurance and other recoveries* | The increase in reinsurance and other recoveries reflects the movement in claim recoveries on outstanding claims as at 30 June. |
| *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 $15.3M lower than anticipated claims costs partially offset by $8.2M higher than anticipated movement in outstanding claims liability. The outstanding claims liability is based on actuarial assessment. |
| *Employee expenses* | The variance in employee expenses is primarily due to delays in filling vacancies during 2018-19. |
| *Supplies and services* | The increase in supplies and services is primarily due to higher management fees as a result of higher than anticipated investment fund balance during the year. |

***Statement of Financial Position***

| | |
|---|---|
| *Cash and cash equivalents* | The cash balance is higher than projected as detailed in the Statement of Cash Flows. |
| *Other financial assets (current and non-current)* | The variance in other financial assets reflects an increase in the projected operating result available for investment and reclassifications between current and non-current other financial assets. |
| *Claim Recoveries (current and non-current)* | The variance in claim recoveries on outstanding claims reflects actuarial assessment as at 30 June 2019. |
| *Unearned levies* | The variance in unearned levies reflects the reduction in the Nominal Defendant levy. |
| *Outstanding claims liability* | The movement in the current and non-current outstanding claims liability reflects actuarial assessment as at 30 June 2019. |
| *Accumulated surplus* | The increase in accumulated surplus reflects higher than anticipated operating result in 2018-19. |

# Notes to and forming part of the financial statements
for the year ended 30 June 2019

## 16. BUDGETARY REPORTING DISCLOSURES - continued

***Statement of Cash Flows***

| | |
|---|---|
| *Gross claims incurred* | The variance in gross claims incurred is a result of lower than expected claim payments as the 2018-19 budget was based on 30 June 2017 projection. |
| *Investing activities* | The variances in cash flows from investing activities reflect QIC cash investments performed during the year. |

## 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 2018-19 and 2017-18. All key management personnel also provide services to the Motor Accident Insurance Commission (MAIC) and the Queensland Government Insurance Fund (QGIF) within Queensland Treasury as part of their overall role. The remuneration disclosed below relates to their service as a KMP of the Nominal Defendant for the period. 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. |
| General Manager MAIC | Leads and manages the strategies, policies and performance with respect to the Nominal Defendant claims unit. |
| Director Finance, Procurement and Systems [1] | Responsible for the efficient, effective and economic financial administration and procurement of the Nominal Defendant and oversight of the development and maintenance of the core business system for the organisation. |
| Director Business Solutions | Responsible for the efficient and effective information systems and reporting. |
| Director Policy Performance and Improvement [2] | Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice, communication, business improvement and process mapping systems. |
| Director CTP Scheme Claims | Responsible for the Nominal Defendant claims management operation. |
| Director Analytics | Responsible for data analysis, reporting and business intelligence functions for ND. |

(1) This role was previously named Director, Finance and Procurement.
(2) This role was previously named Director, Strategic Planning and Business Performance.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

## 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 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.
- 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 focus on the expenses incurred solely by the Nominal Defendant that is attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

***1 July 2018 to 30 June 2019***

| Position | Short term employee expenses - monetary expenses* $'000 | Long term employee expenses $'000 | Post-employment expenses $'000 | Termination benefits $'000 | Total expenses $'000 |
|---|---|---|---|---|---|
| Insurance Commissioner | 48 | 1 | 5 | - | 54 |
| General Manager MAIC (to 29 May 2019) | 43 | 1 | 5 | - | 49 |
| General Manager MAIC (from 3 June 2019) | 4 | - | - | - | 4 |
| Director Finance, Procurement and Systems | 29 | 1 | 4 | - | 34 |
| Director Policy Performance and Improvement | 18 | - | 2 | - | 20 |
| Director Analytics (from 23 August 2018) | 13 | - | 2 | - | 15 |

*The Nominal Defendant does not have any non-monetary benefits to disclose in relation to its KMP.

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

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

*1 July 2017 to 30 June 2018*

| Position | Short term employee expenses - monetary expenses* $'000 | Long term employee expenses $'000 | Post-employment expenses $'000 | Termination benefits $'000 | Total expenses $'000 |
|---|---|---|---|---|---|
| Insurance Commissioner | 24 | 1 | 3 | - | 28 |
| General Manager MAIC (from 8 January 2018) | 24 | 1 | 2 | - | 27 |
| Director Finance, Procurement and Systems | 28 | 1 | 4 | - | 33 |
| Director Business Solutions | 29 | 1 | 4 | - | 34 |
| Director Policy Performance and Improvement | 18 | - | 2 | - | 20 |
| Director CTP Scheme Claims (to 7 January 2018) | 65 | 2 | 9 | - | 76 |

*The Nominal Defendant does not have any non-monetary benefits to disclose in relation to its KMP.

**18. RELATED PARTY TRANSACTIONS**

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

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

**Transactions with other Queensland Government-controlled entities**

The Nominal Defendant received corporate support and actuarial services from Queensland Treasury, and incurred management fees from QIC for the management of the QIC unlisted unit trusts. The Nominal Defendant also transacted with the Department of Housing and Public Works for office accommodation costs. These supplies and services are 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**).

# Notes to and forming part of the financial statements

for the year ended 30 June 2019

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

### First year application of *AASB 9 Financial Instruments*

The Nominal Defendant applied AASB 9 *Financial Instruments* for the first time in 2018-19. Comparative information for 2017-18 has not been restated and continue to be reported under AASB 139 *Financial Instruments: Recognition and Measurement*. Any adjustment required for prior period balances on transition has been made against the relevant class of equity. The nature and effect of the changes as a result of adoption of this new accounting standard are described below.

*Classification and measurement*

Under AASB 9, debt instruments are categorised into one of three measurement bases – amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on two criteria:

- whether the financial asset's contractual cash flows represent 'solely payments of principal and interest', and
- the Nominal Defendant's business model for managing the assets.

The Nominal Defendant's debt instruments comprise of receivables disclosed in **Note 8**. There is no change in the classification or measurement of the receivables. They were measured at amortised cost under AASB 139 and continue to be measured at amortised cost under AASB 9 as they are held for collection of contractual cash flows that are solely payments of principal and interest.

Equity instruments within the scope of AASB 9 are measured at FVTPL, with the exception that an equity instrument that is not held for trading can be irrevocably designated at FVOCI. The Nominal Defendant's equity instruments comprise of investments held with QIC which is disclosed in **Note 12** as Other Financial Assets. The investments continue to be held for trading. As such, they continue to be measured at FVTPL from 1 July 2018.

The Nominal Defendant's financial liabilities under AASB 9 continue to be measured at amortised cost.

*Impairment*

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing the incurred loss approach under AASB 139. AASB 9 also requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss.

The Nominal Defendant did not recognise a loss allowance in respect to its receivables in 2018-19. As disclosed in **Notes 8** and **12**, the Nominal Defendant does not expect any material credit losses for its receivables. The debtor group comprises of Queensland and Australian Government entities which are expected to have an insignificant level of credit risk exposure having regard to the nature and credit ratings of these entities.

### Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2018-19.

### Accounting standards applied for the first time

Other than AASB 9 *Financial Instruments*, which is detailed above, no accounting standards that apply to the Nominal Defendant for the first time in 2018-19 have any material impact on the financial statements.

# Management certificate

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 2019 and of the financial position of the Nominal Defendant at the end of that year; and

We acknowledge responsibility under section 8 and section 15 of the *Financial and Performance Management Standard 2009* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

L LEE

B.Com, CA

Director Finance, Procurement and Systems

26 August 2019

N SINGLETON

B.Bus (Insurance), MBA

Insurance Commissioner

26 August 2019

# 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.

In my opinion, the financial report:

a) a true and fair view of the entity's financial position as at 30 June 2019, 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.

The financial report comprises the statement of financial position as at 30 June 2019, 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 summaries of significant accounting policies and other explanatory information, and the management certificate.

### 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 management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### 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 entity.
- Conclude on the appropriateness of the entity'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 2019:

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

27 August 2019

Sri Narasimhan

as delegate of the Auditor General

Queensland Audit Office

Brisbane