

Finances

Our financial information

Motor Accident Insurance Commission

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These financial statements cover the Motor Accident Insurance Commission (MAIC). MAIC is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business of MAIC is:
Level 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 1800 CTP QLD (1800 287 753), email maic@maic.qld.gov.au or visit MAIC's website www.maic.qld.gov.au.

Nominal Defendant

Financial statements 2019-20

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

The head office and principal place of business is:
Level 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 2019-20

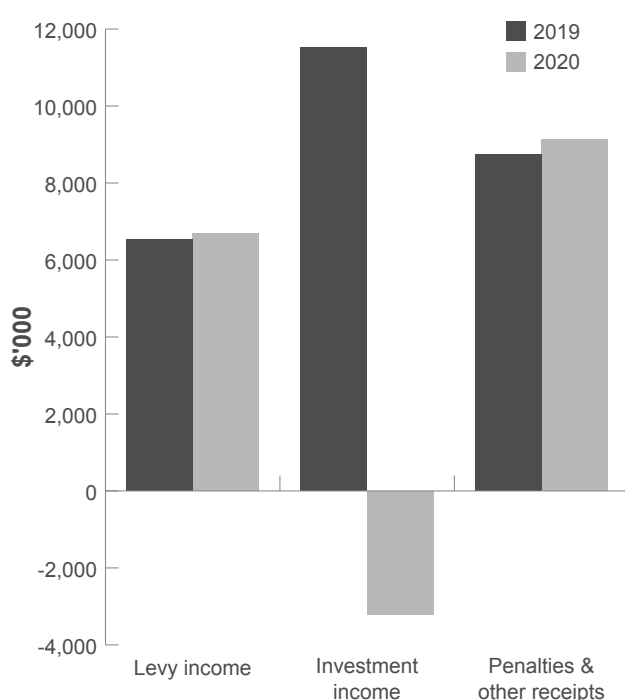
The operating result for MAIC for the year ended 30 June 2020 was a deficit of -\$31.04 million compared to the prior year's operating deficit of -\$6.49 million. The decrease was driven by an increase in grants expenses and negative returns on financial assets. MAIC continues to hold a significant financial asset balance to fund the operating losses experienced. The investment losses on financial assets were -\$3.21 million versus prior year's \$11.53 million gain reflects the impact of the COVID-19 pandemic on equity markets during the second half of the financial year.

The Statutory Insurance Scheme Levy per vehicle remained unchanged from 1 July 2019 at \$1.50 per annum. Penalties and other revenue rose by \$0.38 million to \$9.13 million. User charges revenue was reduced to zero due to the cessation of corporate support services to the National Injury Insurance Agency, Queensland (NIIAQ).

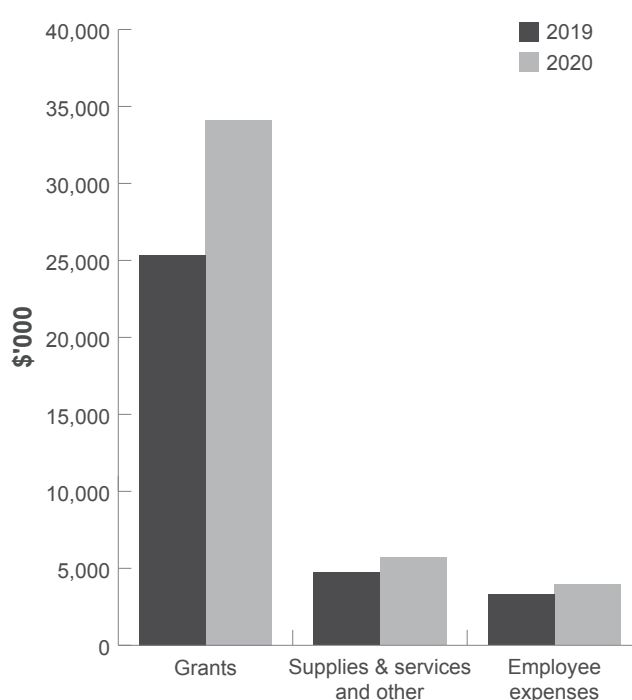
Total expenses increased by \$10.34 million to \$43.64 million in 2019-20. MAIC's largest expense item relates to \$33.92 million grants spent on the continued funding of research programs to reduce the incidence and mitigate the effects of road trauma. The increase in grants expense of \$8.62 million was largely due to additional funding for rehabilitation initiatives research and strategic accident prevention research. Details of grant funding are provided in Appendix 5.

MAIC's employee expenses increased by \$0.68 million to \$3.96 million due to increased supervision and regulatory oversight of the CTP scheme, strengthening capacity to supervise licensed insurers and an increase in data monitoring and analytical capability. Other operating expenditure increased by \$1.05 million to \$5.76 million primarily due to an increase in fund management fees and corporate services fee.

Income



Expenses



Motor Accident Insurance Commission financial statements 2019-20

Statement of comprehensive income

for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
Income					
Levy	3	6,679	6,590	89	6,535
Penalties	4	8,273	7,500	773	7,895
User charges		-	-	-	77
Other revenue		860	-	860	777
Total revenue		15,812	14,090	1,722	15,284
Net fair value (losses)/gains on other financial assets		(3,209)	8,690	(11,899)	11,530
Total income		12,603	22,780	(10,177)	26,814
Expenses					
Grants	5	33,924	31,679	2,245	25,308
Employee expenses	6	3,960	4,066	(106)	3,283
Supplies and services	7	5,656	4,938	718	4,668
Other expenses	8	101	45	56	44
Total expenses		43,641	40,728	2,913	33,303
Total other comprehensive income		-	-	-	-
Total comprehensive income		(31,038)	(17,948)	(13,090)	(6,489)

* 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 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
Current assets					
Cash and cash equivalents		3,634	2,500	1,134	1,689
Receivables	9	712	1,077	(365)	1,128
Other financial assets	11&12	168	163	5	166
Total current assets		4,514	3,740	774	2,983
Non-current assets					
Other financial assets	11&12	145,085	149,764	(4,679)	175,331
Total non-current assets		145,085	149,764	(4,679)	175,331
Total assets		149,599	153,504	(3,905)	178,314
Current liabilities					
Payables	10	2,545	494	2,051	263
Accrued employee benefits		192	133	59	152
Total current liabilities		2,737	627	2,110	415
Non-current liabilities					
Payables		-	189	(189)	159
Total non-current liabilities		-	189	(189)	159
Total liabilities		2,737	816	1,921	574
Net assets		146,862	152,688	(5,826)	177,740
Equity					
Contributed equity		57,818	57,818	-	57,818
Accumulated surplus		89,044	94,870	(5,826)	119,922
Total equity		146,862	152,688	(5,826)	177,740

* 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 2020

	Accumulated surplus	Contributed equity	Total equity
	\$'000	\$'000	\$'000
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
Balance as at 1 July 2019	119,922	57,818	177,740
Net effect of change in accounting treatment*	160	-	160
Operating result	(31,038)	-	(31,038)
Balance as at 30 June 2020	89,044	57,818	146,862

* Derecognition of \$0.160M non-current liabilities relating to the straight-lining of former operating leases for office accommodation under AASB 16. Refer to Note 22 for details.

The accompanying notes form part of these statements.

Statement of cash flows

for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	Budget Variance \$'000	2019 Actual \$'000
Cash flows from operating activities					
<i>Inflows:</i>					
Levy		6,779	6,590	189	6,535
Penalties		8,269	7,500	769	7,863
User charges		-	-	-	77
GST input tax credits from ATO		3,662	-	3,662	2,416
GST collected from customers		85	-	85	73
Other revenue		886	-	886	782
<i>Outflows:</i>					
Grants		(33,997)	(31,727)	(2,270)	(25,397)
Employee expenses		(3,849)	(4,064)	215	(3,283)
Supplies and services		(2,271)	(4,367)	2,096	(4,114)
GST remitted to ATO		(85)	-	(85)	(87)
GST paid to suppliers		(3,439)	-	(3,439)	(2,507)
Other expenses		(95)	(45)	(50)	(41)
Net cash (used in) / provided by operating activities	CF-1	(24,055)	(26,113)	2,058	(17,683)
Cash flows from investing activities					
<i>Inflow:</i>					
Proceeds from sale of other financial assets		26,000	26,113	(113)	19,000
<i>Outflow:</i>					
Payments for other financial assets		-	-	-	(2,000)
Net cash provided by / (used in) investing activities		26,000	26,113	(113)	17,000
Net increase / (decrease) in cash		1,945	-	1,945	(683)
Cash and cash equivalents at beginning of financial year		1,689	2,500	(811)	2,372
Cash and cash equivalents at end of financial year		3,634	2,500	1,134	1,689

* 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 2020

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

	2020	2019
	\$'000	\$'000
Operating result	(31,038)	(6,489)
<i>Non-cash items included in operating result:</i>		
Net fair value losses/(gains) on other financial assets	4,245	(10,955)
<i>Change in assets and liabilities:</i>		
(Increase)/decrease in receivables	416	(99)
Increase/(decrease) in current payables	2,281	(223)
Increase/(decrease) in non-current payables	-	60
Increase/(decrease) in accrued employee benefits	41	23
Net cash (used in) operating activities	(24,055)	(17,683)

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 2020

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 39 of the *Financial and Performance Management Standard 2019*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

(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 2018-19 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 2020

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

	2020 \$'000	2019 \$'000
Rehabilitation initiatives research	15,580	9,424
Strategic accident prevention research	12,656	10,320
Road trauma mitigation research	5,669	5,561
Other	19	3
Total	33,924	25,308

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 2020

6. EMPLOYEE EXPENSES

	2020	2019
	\$'000	\$'000
Employee benefits and employee related expenses		
Salaries and wages*	3,083	2,546
Employer superannuation contributions	395	335
Leave levies	386	317
Employee related expenses	63	70
Other employee benefits	33	15
Total	3,960	3,283

* Wages and salaries include \$30,873 of \$1,250 one-off, pro-rata payments for 24.70 full-time equivalent employees (announced in September 2019).

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 29 (2019: 27).

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 2020

7. SUPPLIES AND SERVICES

	2020 \$'000	2019 \$'000
Consultants and contractors	2,110	1,706
QIC management fee	994	533
Rent	403	480
Corporate services fee	845	650
Queensland Treasury Actuarial fees	407	397
IT related expenses	257	226
Supplies and consumables	192	207
Legal Fee	359	245
Advertising	89	224
Total	5,656	4,668

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

Under AASB 16 *Leases* effective 1 July 2019, lease arrangements with substantive substitution rights and are of low value are recognised as an expense when incurred and exempt from recognition on the Statement of Financial Position. Accommodation and other property expenses incurred in relation to 1 William Street are recognised under "Rent" as these are considered exempt from lease accounting under AASB16.

8. OTHER EXPENSES

	2020 \$'000	2019 \$'000
Queensland Audit Office - external audit fees	22	22
Insurance premiums - QGIF	23	22
Internal audit fees	56	-
Total	101	44

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$22,500 (2019: \$22,100).

Notes to and forming part of the financial statements

for the year ended 30 June 2020

9. RECEIVABLES

	2020	2019
	\$'000	\$'000
Accrued penalties	387	384
GST receivable	247	469
Accrued SIS levy	72	172
Leave reimbursements	6	77
Accrued interest income	-	26
Total	712	1,128

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.

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

	2020	2019
	\$'000	\$'000
Current		
Trade creditors	2,143	165
Accrued expenses	400	96
FBT payable	2	2
Total	2,545	263

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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 2020

12. FINANCIAL RISK DISCLOSURES

(a) Categorisation of financial instruments

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

Category	Note	2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents		3,634	1,689
Receivables (amortised cost)	9	712	1,128
Other financial assets (FVTPL)		145,253	175,497
Total		149,599	178,314
Financial liabilities			
Current payables (amortised cost)	10	2,545	263
Non-current payables (amortised cost)		-	159
Total		2,545	422

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 2020

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 2020

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.

Investment	2020				2019			
	Movement in variable		Impact on Profit / Equity		Movement in variable		Impact on Profit / Equity	
	Low	High	Decrease	Increase	Low	High	Decrease	Increase
	%	%	\$'000	\$'000	%	%	\$'000	\$'000
QIC Long Term Diversified Fund (formerly Growth Fund)	-11	10	(15,959)	14,509	-12	12	(21,040)	21,040

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 2020.

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:

	2020	2019
	\$'000	\$'000
Not later than one year	25,734	23,247
Later than one year and not later than five years	29,037	21,649
Total	54,771	44,896

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 2020

15. EVENTS OCCURRING AFTER THE REPORTING DATE

MAIC does not have any material events occurring after 30 June 2020.

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 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to MAIC's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities. MAIC does not currently have any arrangements that would fall within the scope of AASB 1059.

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.

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

<i>Penalties</i>	The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year.
<i>Other revenue</i>	The increase in other revenue relates to return of surplus grant funds.
<i>Net fair value losses/gains on other financial assets</i>	The net fair value losses on other financial assets is primarily due to lower than expected earnings on investments as a result of equity market volatility in response to the coronavirus pandemic.
<i>Grants</i>	The variance in grant payments is due to higher than anticipated investment in research activities.
<i>Employee expenses</i>	The variance in employee expenses is primarily due to delays in filling vacancies during 2019-20.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to an increase in fund management fees and corporate services fee.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

17. BUDGETARY REPORTING DISCLOSURES - continued

Statement of Financial Position

<i>Cash and cash equivalents</i>	The cash balance is higher than projected as detailed in the Statement of Cash Flows.
<i>Receivables</i>	The variance is due to fluctuations in accrued receivables as at 30 June 2020.
<i>Other financial assets (non-current)</i>	The variance in other financial assets reflects a decrease in the projected operating result available for investment and drawdowns from the investment fund, partially offset by a higher actual audited opening balance than projected in the budget.
<i>Payables (current)</i>	The variance is due to fluctuations in accrued expenses at 30 June 2020.
<i>Payables (non-current)</i>	The decrease in payables is due to derecognition of lease liability as a result of a change in accounting treatment from 1 July 2019.
<i>Accumulated surplus</i>	The decrease in accumulated surplus reflects lower than anticipated operating result in 2019-20.

Statement of Cash Flows

<i>Penalties</i>	The increase in penalties and miscellaneous receipts primarily relates to higher than anticipated penalties collected during the year.
<i>GST input tax credits from ATO</i>	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.
<i>Other revenue</i>	The increase in other revenue relates to return of surplus grant funds.
<i>Grants</i>	The variance in grants payments is due to higher than anticipated investment in research activities.
<i>Employee expenses</i>	The variance in employee expenses is primarily due to delays in filling vacancies during 2019-20.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to an increase in fund management fees and corporate services fee.
<i>GST paid to suppliers</i>	The variance is due to the amount of GST paid for supplier invoices processed which was not budgeted for.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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 2019-20 and 2018-19. 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	Responsible for the efficient, effective and economic financial management and procurement of MAIC and oversight of the IT system roadmap for the organisation.
Director Policy Performance and Improvement	Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice, communication, business improvement and process mapping systems.
Director Analytics	Responsible for data analysis and reporting, premiums and levies advice and business intelligence functions for MAIC.

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 2020

18. KEY MANAGEMENT PERSONNEL AND REMUNERATION - continued

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 2019 to 30 June 2020

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	142	3	16	-	161
General Manager MAIC	140	3	15	-	158
Director Finance, Procurement and Systems	103	2	13	-	118
Director Policy, Performance and Improvement	93	2	11	-	106
Director Analytics	103	2	12	-	117

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

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	-	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.

No KMP remuneration packages provide for performance or bonus payments.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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 levy income from the Department of Transport and Main Roads (DTMR) in accordance with the Act. These are disclosed in Note 3.

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. 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	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Levies collected but not remitted in the previous year	7,205	5,265	-	-	-	-
Hospital levy	76,887	73,474	(75,203)	(71,632)	8,528	6,845
Emergency Services levy - QFES	2,758	2,631	(2,691)	(2,579)	312	245
Emergency Services levy - PSBA	1,295	1,236	(1,267)	(1,191)	144	115
Total	88,145	82,606	(79,161)	(75,402)	8,984	7,205

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 2020

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** and **Note 10** respectively).

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

Accounting standards applied for the first time

MAIC applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 16 *Leases* for the first time in 2019-20.

The effect of adopting these new standards are detailed below. No other accounting standards or interpretations that apply to MAIC for the first time in 2019-20 have any material impact on the financial statements.

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

The adoption of AASB 15 and AASB 1058 did not result in any changes in the recognition of revenues for MAIC. The standards affect the timing of revenue recognition of certain types of revenue from customers and grants. Based on current 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.

AASB 16 Leases

MAIC applied AASB 16 *Leases* for the first time in 2019-20. MAIC applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

For leases and lease-like arrangements existing at 30 June 2019, MAIC elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

In the 2019-20 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 were 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).

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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

Effective 1 July 2019, the framework agreements that govern QGAO were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting. These arrangements are categorised as procurement of services rather than leases due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation.

The change in contractual arrangement has resulted in the derecognition of \$0.160M non-current liabilities relating to former operating leases for office accommodation and adjusted against equity at 1 July 2019. Refer to disclosures in the Statement of Changes in Equity.

From 2019-20 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

MAIC does not have any other lease arrangements.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2019-20.

23. IMPACT OF COVID-19 PANDEMIC

The impact of the COVID-19 pandemic on the market value of MAIC's other financial assets are reflected in the fair value of the financial assets as reported in the Statement of Financial Position, and the fair value loss reported in the Statement of Comprehensive Income. The fair value measurement and financial risk disclosures, including market risk, are disclosed in **Notes 11 & 12**.

MAIC has not identified any other significant impacts of COVID-19 on the financial report as at 30 June 2020.

24. CLIMATE RISK DISCLOSURE

MAIC has not identified any material climate related risks relevant to the financial report at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

Management certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* 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 2020 and of the financial position of MAIC at the end of that year; and

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* 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 2020



N SINGLETON

B.Bus (Insurance), MBA

Insurance Commissioner

26 August 2020

Independent auditor's report

To the Insurance Commissioner of Motor Accident Insurance Commission

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 2020, 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 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, 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 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 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 entity 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 2019 and Australian Accounting Standards, and for such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

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

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



Sri Narasimhan
as delegate of the Auditor-General

27 August 2020

Queensland Audit Office
Brisbane

Nominal Defendant

Financial summary 2019-20

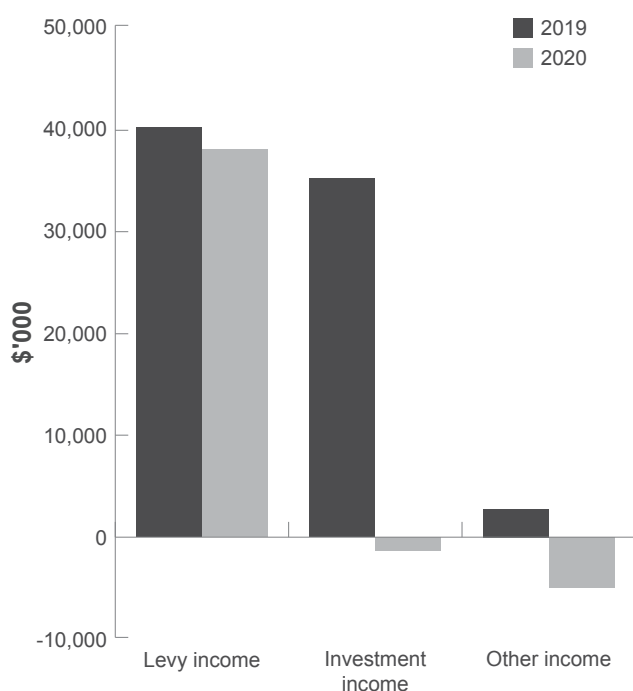
The Nominal Defendant's operating surplus for the financial year 2019-2020 was \$8.68 million. The lower operating surplus this year compared to prior year's \$31.97 million surplus was driven by the negative returns on financial assets. The Nominal Defendant is in a fully funded position with financial assets more than sufficient to meet all obligations arising from the outstanding claims liability.

Investment losses on financial assets were -\$1.30 million as at 30 June 2020; representing a \$36.54 million decrease from 30 June 2019. This reflects the impact of the COVID-19 pandemic on the equity markets during the second half of the financial year.

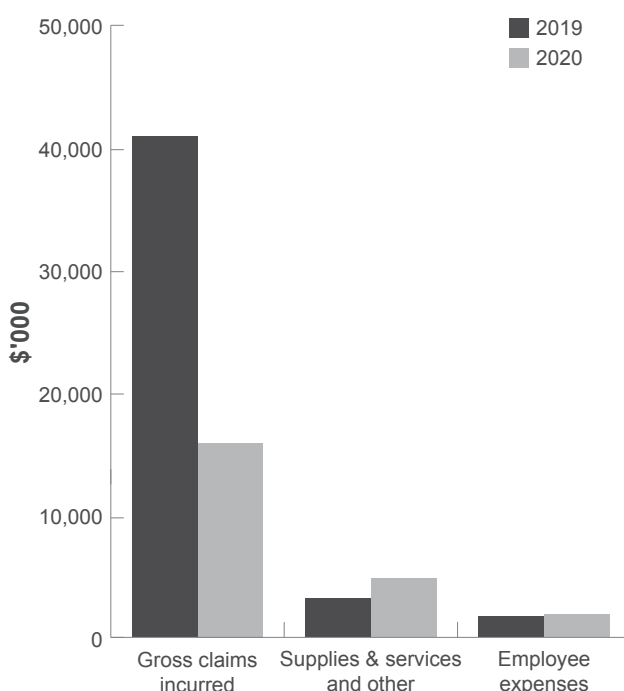
Other drivers contributing to the \$46.64 million reduction in total income are reductions in the Nominal Defendant Levy, and reinsurance and other recoveries. From 1 July 2019, the Nominal Defendant levy decreased by \$0.50 to \$8.50 per Class 1 vehicle and generated income of \$37.96 million - a reduction of \$2.29 million from the prior year. Actuarial assessments at 30 June 2020 resulted in a decrease of \$7.77 million in reinsurance and other recoveries.

Total expenses decreased from \$46.29 million in 2018-2019, to \$22.94 million in 2019-2020. This is primarily a result of lower outstanding claims liability projections. The Nominal Defendant's gross outstanding claims liabilities were actuarially assessed at 30 June 2020 to be \$141.95 million, a decrease of \$3.93 million from the prior year. Nominal Defendant claim payments were \$20.61 million (prior year \$16.02 million) and claim recoveries were \$0.45 million (prior year \$0.28 million).

Income



Expenses



Nominal Defendant financial statements 2019-20

Statement of comprehensive income

for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
Income					
Levy	3	37,959	37,139	820	40,253
Reinsurance and other recoveries	4	(5,101)	-	(5,101)	2,670
Other revenue		55	-	55	93
Total revenue		32,913	37,139	(4,226)	43,016
Net fair value (losses)/gains on other financial assets		(1,302)	21,386	(22,688)	35,238
Total income		31,611	58,525	(26,914)	78,254
Expenses					
Gross claims incurred	4	16,112	38,505	(22,393)	41,347
Employee expenses	5	1,877	1,996	(119)	1,679
Supplies and services	6	4,373	2,641	1,732	2,702
Depreciation and amortisation		519	519	-	519
Other expenses	7	55	42	13	42
Total expenses		22,936	43,703	(20,767)	46,289
Total other comprehensive income		-	-	-	-
Total comprehensive income		8,675	14,822	(6,147)	31,965

* 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 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
Current assets					
Cash and cash equivalents		17,466	3,500	13,966	2,650
Receivables	8	467	1,188	(721)	1,142
Other financial assets	11 & 12	186,076	182,353	3,723	180,191
Claim recoveries	10	769	857	(88)	1,079
Total current assets		204,778	187,898	16,880	185,062
Non-current assets					
Other financial assets	11 & 12	346,982	344,471	2,511	357,609
Claim recoveries	10	7,192	10,268	(3,076)	12,434
Intangible assets	9	433	433	-	952
Total non-current assets		354,607	355,172	(565)	370,995
Total assets		559,385	543,070	16,315	556,057
Current liabilities					
Payables		278	312	(34)	154
Accrued employee benefits		93	69	24	78
Outstanding claims liability	10	46,472	44,175	2,297	52,524
Unearned levies	3	14,870	17,461	(2,591)	15,788
Total current liabilities		61,713	62,017	(304)	68,544
Non-current liabilities					
Payables		-	55	(55)	85
Outstanding claims liability	10	100,692	89,690	11,002	99,208
Total non-current liabilities		100,692	89,745	10,947	99,293
Total liabilities		162,405	151,762	10,643	167,837
Net assets		396,980	391,308	5,672	388,220
Equity					
Accumulated surplus		396,980	391,308	5,672	388,220
Total equity		396,980	391,308	5,672	388,220

* 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 2020

	Accumulated surplus	Total equity
	\$'000	\$'000
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
 Balance as at 1 July 2019	 388,220	 388,220
Net effect of change in accounting treatment*	85	85
Operating result	8,675	8,675
Balance as at 30 June 2020	396,980	396,980

* Derecognition of \$0.085M non-current liabilities relating to the straight-lining of former operating leases for office accommodation under AASB 16. Refer to Note 20 for details.

The accompanying notes form part of these statements.

Statement of cash flows

for the year ended 30 June 2020

	Note	2020 Actual \$'000	2020 Original Budget \$'000	* Budget Variance \$'000	2019 Actual \$'000
Cash flows from operating activities					
<i>Inflows:</i>					
Levy		37,640	37,139	501	38,668
Claim recoveries		451	-	451	282
GST input tax credits from Australian Taxation Office (ATO)		1	-	1	2
GST collected from customers		629	-	629	446
Other revenue		62	-	62	104
<i>Outflows:</i>					
Gross claims incurred		(20,680)	(33,370)	12,690	(16,064)
Employee expenses		(1,825)	(1,995)	170	(1,690)
Supplies and services		(828)	(1,126)	298	(1,206)
GST paid to suppliers		(598)	-	(598)	(485)
GST remitted to ATO		(2)	-	(2)	(1)
Other expenses		(34)	(42)	8	(52)
Net cash provided by operating activities	CF-1	14,816	606	14,210	20,004
Cash flows from investing activities					
<i>Inflow:</i>					
Proceeds from sale of other financial assets		(7,500)	-	(7,500)	-
<i>Outflow:</i>					
Payments for other financial assets		7,500	(606)	8,106	(21,000)
Net cash used in investing activities		0	(606)	606	(21,000)
Net (decrease)/increase in cash and cash equivalents		14,816	-	14,816	(996)
Cash and cash equivalents at beginning of financial year		2,650	3,500	(850)	3,646
Cash and cash equivalents at end of financial year		17,466	3,500	13,966	2,650

* 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 2020

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

	Note	2020 \$'000	2019 \$'000
Operating result		8,675	31,965
<i>Non-cash items included in operating result:</i>			
Net fair value losses/(gains) on other financial assets		4,742	(33,722)
Depreciation and amortisation		519	519
<i>Change in assets and liabilities:</i>			
(Increase)/decrease in receivables and claim recoveries	8,10	6,227	(2,350)
Increase/(decrease) in current payables		124	(58)
Increase/(decrease) in unearned levies		(918)	(1,673)
Increase/(decrease) in outstanding claims liability	10	(4,568)	25,282
Increase/(decrease) in accrued employee benefits		15	11
Increase/(decrease) in non-current payables		-	30
Net cash provided by operating activities		14,816	20,004

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 2020

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 39 of the *Financial and Performance Management Standard 2019*
- applicable Australian Accounting Standards and Interpretations
- Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2019.

(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 18-19 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 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.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

1. BASIS OF FINANCIAL STATEMENT PREPARATION - continued

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 2020

4. NET CLAIMS INCURRED

	2020 \$'000	2019 \$'000
Gross claims incurred	16,112	41,347
Reinsurance and other recoveries	5,101	(2,670)
Total net claims incurred	21,213	38,677

(a) Claims development

Attributable to Nominal Defendant

	2020			2019		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
Undiscounted	38,110	(23,978)	14,132	35,823	862	36,685
Discount	(607)	3,158	2,551	(1,250)	4,080	2,830
Provisions made (Note 10)	37,503	(20,820)	16,683	34,573	4,942	39,515
Reinsurance and other recoveries						
Undiscounted	680	(6,202)	(5,522)	798	1,367	2,165
Discount	(11)	432	421	(28)	605	577
	669	(5,770)	(5,101)	770	1,972	2,742
Net claims incurred	36,834	(15,050)	21,784	33,803	2,970	36,773

Attributable to FAI						
	2020			2019		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
Undiscounted	-	(627)	(627)	-	1,600	1,600
Discount	-	56	56	-	232	232
Provisions made (Note 10)	-	(571)	(571)	-	1,832	1,832
Reinsurance and other recoveries						
Undiscounted	-	-	-	-	(77)	(77)
Discount	-	-	-	-	5	5
	-	-	-	-	(72)	(72)
Net claims incurred	-	(571)	(571)	-	1,904	1,904

Total gross claims incurred	37,503	(21,391)	16,112	34,573	6,774	41,347
Total recoveries	669	(5,770)	(5,101)	770	1,900	2,670
Total net claims incurred	36,834	(15,621)	21,213	33,803	4,874	38,677

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 2020

4. NET CLAIMS INCURRED – continued

(b) Claims reconciliation

	Nominal Defendant		FAI		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross claims incurred and related expenses						
Claims and associated settlement costs	20,614	16,022	66	43	20,680	16,065
Movement in outstanding claims liability	(3,931)	23,493	(637)	1,789	(4,568)	25,282
Total gross claims incurred	16,683	39,515	(571)	1,832	16,112	41,347
Reinsurance and other recoveries						
Reinsurance and other recoveries	451	282	-	-	451	282
Movement in other recoveries receivable	(5,552)	2,460	-	(72)	(5,552)	2,388
Total recoveries	(5,101)	2,742	-	(72)	(5,101)	2,670
Net claims incurred	21,784	36,773	(571)	1,904	21,213	38,677

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 2020

5. EMPLOYEE EXPENSES

	2020 \$'000	2019 \$'000
Employee benefits and employee related expenses		
Salaries and wages*	1,485	1,329
Employer superannuation contributions	197	179
Leave levies	187	163
Employee related expenses	8	8
Total	1,877	1,679

*Wages and salaries includes \$18,520 of \$1,250 one-off, pro-rata payments for 14.82 full-time equivalent employees (announced in September 2019).

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 15 (2019: 16).

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 2020

6. SUPPLIES AND SERVICES

	2020 \$'000	2019 \$'000
QIC management fee	3,347	1,423
Corporate services fee	455	350
Rent	203	254
IT related expense	151	158
Queensland Treasury Actuarial fees	104	102
Supplies and consumables	62	83
Consultants and contractors	51	332
Total	4,373	2,702

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

Under AASB 16 *Leases* effective 1 July 2019, lease arrangements with substantive substitution rights and are of low value are recognised as an expense when incurred and exempt from recognition on the Statement of Financial Position. Accommodation and other property expenses incurred in relation to 1 William Street are recognised under "Rent" as these are considered exempt from lease accounting under AASB16.

7. OTHER EXPENSES

	2020 \$'000	2019 \$'000
Queensland Audit Office - external audit fees	54	40
Insurance premiums - QGIF	1	2
Total	55	42

Total audit fees quoted by the Queensland Audit Office relating to the 2019-20 financial statements are \$53,680 (2019: \$40,400).

8. RECEIVABLES

	2020 \$'000	2019 \$'000
Accrued ND levy	396	996
GST receivable	63	94
Leave reimbursements	8	45
Accrued interest income	-	7
Total	467	1,142

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

8. RECEIVABLES – continued

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.

9. INTANGIBLES

	2020 \$'000	2019 \$'000
Internally generated software: At cost		
Gross	3,634	3,634
Less: Accumulated amortisation	(3,201)	(2,682)
Carrying amount at 30 June	433	952
<i>Represented by movements in carrying amount:</i>		
Carrying amount at 1 July	952	1,471
Amortisation	(519)	(519)
Carrying amount at 30 June	433	952

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 2019-20, the Nominal Defendant did not identify any impairment events.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

10. NET OUTSTANDING CLAIMS

	Nominal Defendant		FAI		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross outstanding claims	133,330	139,770	5,223	5,916	138,553	145,686
Claims settlement costs	11,261	11,304	-	-	11,261	11,304
	144,591	151,074	5,223	5,916	149,814	156,990
Discount to present value	(2,638)	(5,190)	(12)	(68)	(2,650)	(5,258)
Gross outstanding claims liability	141,953	145,884	5,211	5,848	147,164	151,732
<i>Represented by</i>						
Current	42,700	48,123	3,772	4,401	46,472	52,524
Non-current	99,253	97,761	1,439	1,447	100,692	99,208
Gross outstanding claims liability	141,953	145,884	5,211	5,848	147,164	151,732
Reinsurance and other recoveries	8,205	14,178	-	-	8,205	14,178
Discount to present value	(244)	(665)	-	-	(244)	(665)
Reinsurance and other recoveries	7,961	13,513	-	-	7,961	13,513
<i>Represented by</i>						
Current	769	1,079	-	-	769	1,079
Non-current	7,192	12,434	-	-	7,192	12,434
Reinsurance and other recoveries	7,961	13,513	-	-	7,961	13,513
Net outstanding claims	133,992	132,371	5,211	5,848	139,203	138,219
Central estimate	133,992	132,371	4,492	5,042	138,484	137,413
Risk margin	-	-	719	806	719	806
Net outstanding claims	133,992	132,371	5,211	5,848	139,203	138,219

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

	Nominal Defendant		FAI		Total	
	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July	132,371	111,338	5,848	3,987	138,219	115,325
Prior periods						
Claim payments	(19,798)	(15,528)	(66)	(43)	(19,864)	(15,571)
Claims handling expenses	(3,398)	(3,470)	-	-	(3,398)	(3,470)
Discount unwind	1,020	1,602	58	89	1,078	1,691
Risk margin release	-	-	(10)	(7)	(10)	(7)
Effect of changes in assumptions and experience	(12,672)	4,839	(619)	1,822	(13,291)	6,661
Current period						
Provision for current period	36,469	33,590	-	-	36,469	33,590
Net outstanding claims	133,992	132,371	5,211	5,848	139,203	138,219
Reinsurance and other recoveries	(7,961)	(13,513)	-	-	(7,961)	(13,513)
Gross outstanding claims	141,953	145,884	5,211	5,848	147,164	151,732

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 2020

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Inflation rate	2.41%	3.52%	2.10%	3.00%
Discount rate	0.60%	1.18%	0.25%	1.00%
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	3.1 years	3.0 years	0.9 years	1.2 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

Net outstanding claims	Movement in variable	Financial impact			
		Profit/(loss) 2020 \$'000	Equity 2020 \$'000	Profit/(loss) 2019 \$'000	Equity 2019 \$'000
Inflation rate	+1%	(4,462)	(4,462)	(4,134)	(4,134)
	-1%	4,216	4,216	3,909	3,909
Discount rate	+1%	3,767	3,767	3,485	3,485
	-1%	(4,073)	(4,073)	(3,769)	(3,769)
Claims handling expenses	+1%	(1,229)	(1,229)	(1,214)	(1,214)
	-1%	1,229	1,229	1,214	1,214
Weighted average term to settlement	+0.5 years	(1,316)	(1,316)	(1,668)	(1,668)
	-0.5 years	1,303	1,303	1,647	1,647

Notes to and forming part of the financial statements

for the year ended 30 June 2020

10. NET OUTSTANDING CLAIMS – continued

Attributable to FAI					
Net outstanding claims	Movement in variable	Profit/(loss)	Financial impact		
		2020 \$'000	Equity 2020 \$'000	Profit/(loss) 2019 \$'000	Equity 2019 \$'000
Inflation rate	+1%	(54)	(54)	(73)	(73)
	-1%	53	53	72	72
Discount rate	+1%	47	47	65	65
	-1%	(49)	(49)	(68)	(68)
Claims handling expenses	+1%	(52)	(52)	(58)	(58)
	-1%	52	52	58	58
Risk margin	+1%	(45)	(45)	(50)	(50)
	-1%	45	45	50	50
	+0.5 years	(54)	(54)	(65)	(65)
Weighted average term to settlement	-0.5 years	54	54	64	64

(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 2018-19 and 2019-20 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 2020

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	2020 \$'000	2019 \$'000
Financial assets			
Cash and cash equivalents		17,466	2,650
Receivables (amortised cost)	8	467	1,142
Other financial assets (FVTPL)		533,058	537,800
Total		550,991	541,592
Financial liabilities			
Current payables (amortised cost)		278	154
Non-current payables (amortised cost)		-	85
Total		278	239

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 2020

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 2020

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.

	2020				2019			
	Movement in variable		Impact on Profit / Equity		Movement in variable		Impact on Profit / Equity	
Investments	Low %	High %	Decrease \$'000	Increase \$'000	Low %	High %	Decrease \$'000	Increase \$'000
QIC Cash fund	-0.23	0.23	(110)	110	-0.22	0.22	(104)	104
QIC Australian Fixed Interest Fund	-0.51	0.52	(705)	719	-0.27	0.27	(359)	359
QIC Long Term Diversified Fund (formerly Growth Fund)	-11.00	10.00	(38,168)	34,698	-12.00	12.00	(42,913)	42,913
Total			(38,983)	35,527			(43,376)	43,376

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 2020.

14. EVENTS OCCURRING AFTER THE REPORTING DATE

The Nominal Defendant does not have any material events occurring after 30 June 2020.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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 1059 Service Concession Arrangements: Grantors

AASB 1059 will first apply to the Nominal Defendant's financial statements in 2020-21. This standard defines service concession arrangements and applies a new control concept to the recognition of service concession assets and related liabilities. The Nominal Defendant does not currently have any arrangements that would fall within the scope of AASB 1059.

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.

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

<i>Reinsurance and other recoveries</i>	The decrease in reinsurance and other recoveries reflects the movement in claim recoveries on outstanding claims as at 30 June.
<i>Net fair value losses/gains on other financial assets</i>	The net fair value losses on other financial assets is primarily due to lower than expected earnings on investments as a result of equity market volatility in response to the coronavirus pandemic.
<i>Gross claims incurred</i>	The variance in gross claims incurred is a result of \$12.6M lower than anticipated claims costs and \$9.7M lower than anticipated movement in outstanding claims liability. The outstanding claims liability is based on actuarial assessment.
<i>Employee expenses</i>	The variance in employee expenses is primarily due to delays in filling vacancies during 2019-20.
<i>Supplies and services</i>	The increase in supplies and services is primarily due to an increase in fund management fees and corporate services fee.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

16. BUDGETARY REPORTING DISCLOSURES - continued

Statement of Financial Position

<i>Cash and cash equivalents</i>	The cash balance is higher than projected as detailed in the Statement of Cash Flows.
<i>Receivables</i>	The variance is due to fluctuations in accrued receivables as at 30 June 2020.
<i>Other financial assets (current)</i>	The increase in other financial assets reflects investment earnings reinvested into the fund.
<i>Other financial assets (non-current)</i>	The variance in other financial assets reflects a higher actual audited opening balance than projected, partially offset by a decrease in the projected operating result available for investment.
<i>Claim Recoveries (current and non-current)</i>	The variance in claim recoveries on outstanding claims reflects actuarial assessment as at 30 June 2020.
<i>Unearned levies</i>	The variance in unearned levies reflects the reduction in the Nominal Defendant levy.
<i>Outstanding claims liability</i>	The movement in the current and non-current outstanding claims liability reflects actuarial assessment as at 30 June 2020.
<i>Accumulated surplus</i>	The increase in accumulated surplus reflects a higher actual audited opening balance than expected, partially offset by a decrease in the projected operating result.

Statement of Cash Flows

<i>Gross claims incurred</i>	The variance in gross claims incurred is a result of lower than expected claim payments as the 2019-20 budget was based on 30 June 2018 projection.
<i>Investing activities</i>	The variances in cash flows from investing activities reflect cash investments and drawdowns.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

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 2019-20 and 2018-19. 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	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 Policy, Performance and Improvement	Responsible for efficient and effective strategic planning and business reporting systems, robust policy advice, communication, business improvement and process mapping systems.
Director Analytics	Responsible for data analysis, reporting and business intelligence functions for the Nominal Defendant.

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.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

17. KEY MANAGEMENT PERSONNEL AND REMUNERATION – continued

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 2019 to 30 June 2020

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	47	1	5	-	53
General Manager MAIC	47	1	5	-	53
Director Finance, Procurement and Systems	29	1	4	-	34
Director Policy, Performance and Improvement	20	-	2	-	22
Director Analytics	15	-	2	-	17

*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 2020

17. KEY MANAGEMENT PERSONNEL AND REMUNERATION – continued

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.

No KMP remuneration packages were provided for performance or bonus payments.

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. These supplies and services are disclosed in **Note 6**.

The Nominal Defendant received levy income from the Department of Transport and Main Roads in accordance with the Act. These are disclosed in **Note 3**.

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 2020

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

Accounting standards applied for the first time

The Nominal Defendant applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities*, and AASB 16 *Leases* for the first time in 2019-20.

The effect of adopting these new standards are detailed below. No other accounting standards or interpretations that apply to the Nominal Defendant for the first time in 2019-20 have any material impact on the financial statements.

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

The adoption of AASB 15 and AASB 1058 did not result in any changes in the recognition of revenues for the Nominal Defendant. The standards affect the timing of revenue recognition of certain types of revenue from customers and grants. Based on current 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.

AASB 16 *Leases*

The Nominal Defendant applied AASB 16 *Leases* for the first time in 2019-20. The Nominal Defendant applied the modified retrospective transition method and has not restated comparative information for 2018-19, which continue to be reported under AASB 117 *Leases* and related interpretations.

For leases and lease-like arrangements existing at 30 June 2019, the Nominal Defendant elected to apply the practical expedient to grandfather the previous assessments made under AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease* about whether those contracts contained leases. However, arrangements were reassessed under AASB 16 where no formal assessment had been done in the past or where lease agreements were modified on 1 July 2019.

In the 2019-20 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 were 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).

Effective 1 July 2019, the framework agreements that govern QGAO were amended with the result that these arrangements would not meet the definition of a lease under AASB 16 and therefore are exempt from lease accounting. These arrangements are categorised as procurement of services rather than leases due to DHPW having substantive substitution rights over the non-specialised, commercial office accommodation.

The change in contractual arrangement has resulted in the derecognition of \$0.085M non-current liabilities relating to former operating leases for office accommodation and adjusted against equity at 1 July 2019. Refer to disclosures in the Statement of Changes in Equity.

From 2019-20 onward, the costs for these services are expensed as supplies and services expenses when incurred. The new accounting treatment is due to a change in the contractual arrangements rather than a change in accounting policy.

The Nominal Defendant does not have any other lease arrangements.

Notes to and forming part of the financial statements

for the year ended 30 June 2020

20. 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 2019-20.

21. IMPACT OF COVID-19 PANDEMIC

The impact of the COVID-19 pandemic on the market value of Nominal Defendant's other financial assets are reflected in the fair value of the financial assets as reported in the Statement of Financial Position, and the fair value loss reported in the Statement of Comprehensive Income. The fair value measurement and financial risk disclosures, including market risk, are disclosed in **Notes 11 & 12**.

The Nominal Defendant has not identified any other significant impacts of COVID-19 on the financial report as at 30 June 2020.

22. CLIMATE RISK DISCLOSURE

The Nominal Defendant has not identified any material climate related risks relevant to the financial report at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

Management certificate

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 39 of the *Financial and Performance Management Standard 2019* 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 Nominal Defendant for the financial year ended 30 June 2020 and of the financial position of the Nominal Defendant at the end of that year; and

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* 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 2020



N SINGLETON

B.Bus (Insurance), MBA

Insurance Commissioner

26 August 2020

Independent auditor's report

To the Insurance Commissioner of Nominal Defendant

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) gives a true and fair view of the entity's financial position as at 30 June 2020, 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 2019 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2020, 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 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 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 entity 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 2019 and Australian Accounting Standards, and for such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2020:

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

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



27 August 2020

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane