

**Statement of Performance**  
**For the Year Ended**  
**30 June 2015**

**Superannuation Provision Account**

## REPORT OF FACTUAL FINDINGS

### SUPERANNUATION PROVISION ACCOUNT

**To the Members of the ACT Legislative Assembly**

#### **Report on the statement of performance**

The statement of performance of the Superannuation Provision Account for the year ended 30 June 2015 has been reviewed.

#### **Responsibility for the statement of performance**

The Under Treasurer is responsible for the preparation and fair presentation of the statement of performance of the Superannuation Provision Account in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the accountability indicators reported in the statement of performance.

#### **The auditor's responsibility**

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in the statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Superannuation Provision Account, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

As disclosed in the statement of performance, in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, the Total Cost information included in the statement of performance has not been reviewed.

### **Electronic presentation of the statement of performance**

Those viewing an electronic presentation of this statement of performance should note that the review does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from this statement of performance. If users of this statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

### **Independence**

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the review.

### **Review opinion**

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Superannuation Provision Account for the year ended 30 June 2015, are not fairly presented in accordance with the *Financial Management Act 1996*.

This review opinion should be read in conjunction with the other information disclosed in this report.



Dr Maxine Cooper  
Auditor-General

8 September 2015

**Superannuation Provision Account  
Statement of Performance  
For the Year Ended 30 June 2015**

**Statement of Responsibility**

In my opinion, the Statement of Performance is in agreement with the Superannuation Provision Account's records and fairly reflects the service performance of the Superannuation Provision Account in providing each class of outputs during the year ended 30 June 2015 and also fairly reflects the judgements exercised in preparing them.



David Nicol

Under Treasurer

Chief Minister, Treasury and Economic Development Directorate

10 August 2015



# Superannuation Provision Account

## Statement of Performance

### For the Year Ended 30 June 2015

EBT EBT 1 Description:	SUPERANNUATION PROVISION ACCOUNT SUPERANNUATION PROVISION ACCOUNT Management of Territory Defined Benefit Employer Superannuation Liabilities and Assets	Original Target 2014-15	Actual Result 2014-15	% Variance from Target	Explanation of Material Variances (+/- 5%)
TOTAL COST (\$'000)		\$488,212	\$624,313	28%	The higher total cost for 2014-15 is due to an increase in superannuation expense of \$55 million and the expensing of \$77 million in investment capital losses. The superannuation liability valuation at 30 June 2014 utilised a lower discount rate of 4.08 per cent, compared with the long term budget estimated discount rate of 6 per cent, which increased the liability valuation at 30 June 2014 and increased superannuation expense for 2014-15.
Accountability Indicators					
a. Difference between the net investment earnings rate and the benchmark is to be ≥ 0		≥ 0	(0.2%)	(2%)	The investment portfolio achieved a return of 10.2 per cent (net of fees) for the 2014-15 financial year being marginally below the performance benchmark return of 10.4 per cent.
b. Exposure to directly-owned share investments related to the manufacture of Tobacco, Cluster Munitions and Land Mines		0%	0%	0%	The customised Environmental, Social and Governance share benchmarks exclude investment in companies involved in the manufacture of tobacco and related products and the manufacture of cluster munitions and landmines.
c. The exercising of ownership voting rights for directly-owned shares		>95%	97.2%	2%	There were 19,671 share voting proposals during the 2014-15 financial year with a total of 19,114 voting instructions, resulting in 97.2 per cent of voting rights being exercised.
d. Completion of the Principles for Responsible Investment's Annual Reporting and Assessment Framework		1	1	0%	
e. Completion of Annual Actuarial Review		1	1	0%	
f. Completion and delivery of Monthly Financial Reporting		12	4	(67%)	The timing of the delivery of reporting by the eighth business day was not met in all months due to short delays resulting from the transition of custodian services to a new service provider, as well as reporting only required by the Finance and Budgets Division within Chief Minister, Treasury and Economic Development Directorate (CMTEDD) for ten month end periods. These delays did not prevent the Government meeting its statutory reporting obligations.
g. Completion and delivery of unqualified Annual Financial Statements		1	1	0%	
h. Preparation of MLA Member Superannuation Statements		6	6	0%	

The above Statement of Performance should be read in conjunction with the accompanying notes.

## Superannuation Provision Account Statement of Performance For the Year Ended 30 June 2015

### Explanation of Measures

- a. The difference between the actual annual portfolio investment earnings rate and the established performance benchmark is a measure of the relative performance of the Territory's fund managers to the benchmark.
- b. The investment portfolio is monitored to ensure that it is not exposed to any prohibited investments, in accordance with the Government's Responsible Investment Policy. For performance measurement purposes, the actual portfolio direct share holdings will be compared with the prevailing prohibited shares list at the end of each month. The exposure measure will be the weighted value of any prohibited share investments on the total value of the share portfolio.
- c. As required by the Government's Responsible Investment Policy, voting rights in relation to directly-owned shares will be exercised in accordance with the Government's share voting policy. The target is that more than 95 per cent of all eligible voting items in the year will be cast in relation to the total voting items. The measure will be total actual votes cast compared to total eligible voting items.
- d. The Australian Capital Territory is a signatory to the Principles for Responsible Investment (PRI). Completing the annual Reporting Framework via the online reporting tool is a mandatory requirement for all signatories. The reporting framework is designed to provide accountability and transparency around signatories and their responsible investment activities.
- e. An annual actuarial review of the Territory's defined benefit (CSS/PSS) employer superannuation liabilities will be completed and included in the budget estimates.
- f. Monthly financial reporting involves the preparation of accrual financial statements, without notes, for transmission to the Finance and Budget Division, CMTEDD. The monthly financial reporting will not be counted for the year if the financial statements are not completed and provided to the Finance and Budget Division by the eighth business day of the next month.
- g. Involves the preparation of the previous year's annual financial statements for auditing and inclusion in the CMTEDD annual report. The objective is to receive an unqualified audit opinion during the year.
- h. Preparation of annual Member Information Statements for those Members of the Legislative Assembly that have a defined benefit superannuation entitlement in accordance with the *Superannuation (Legislative Assembly Members) Act 1991*. Any individual Member Information Statement for the previous financial year not delivered by end September of the Budget year will not be counted in the result.

The above Accountability Indicators were examined by the ACT Audit Office in accordance with the *Financial Management Act 1996*. The Total Cost measure was not examined by the ACT Audit Office in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*.

**Financial Statements**  
**For the Year Ended**  
**30 June 2015**

**Territory Bank Account**



---

## **Management Discussion and Analysis For the Territory Banking Account Financial Year Ended 30 June 2015**

---

### **Objectives**

A key objective of Chief Minister, Treasury and Economic Development Directorate (CMTEDD), as reported and accounted for through the Territory Banking Account, is to effectively manage capital market functions by maximising the return on investments within relevant risk tolerances, the achievement of competitive borrowing rates commensurate to the Territory's credit rating, the development of effective financial risk management strategies and administration of the Territory Banking Account, the public account of the Territory.

The Territory Banking Account has been established to separately recognise and account for the general government investments and borrowings transactions, the revenues on behalf of the Territory and appropriation transfers made to agencies.

### **General Overview**

During 2014-15, the key objectives and operations of the Territory Banking Account included:

- facilitating a centralised daily cash management function, including the investment of cash balances for the Territory Banking Account and agencies as well as the accounting and management of investment returns;
- managing, monitoring and reviewing, as necessary, the Territory Banking Account investment portfolio in accordance with the established investment policies;
- managing the Territory's borrowing portfolio, including the raising of new borrowings as required and administering debt servicing requirements;
- administering the payments of budget appropriations to agencies;
- administering the receipt of Territory revenues; and
- completion of financial budget and financial reporting for the transactions associated with the Territory Banking Account.

## Overview of 2014-15 Financial Outcome

The Territory Banking Account's financial results are an aggregate of the financial investment and borrowing transactions as well as the receipt of transfers of territorial related revenues and the payment of budget appropriation disbursements.

The majority of financial variances are driven by underlying agency activities over which the Territory Banking Account has no control. Explanations for these variances are explained in the 2014-15 financial statements of each agency.

The operating result for 2014-15 is a deficit of \$858.0 million, being a \$104.9 million (14 per cent) deterioration from the budget deficit estimate of \$753.0 million. This result is mainly attributed to higher transfer revenue from agencies (\$87.8 million) and higher income from investments and loans (\$21.6 million), offset by higher payments of appropriation to agencies (\$211.3 million).

The net liability position of the Territory Banking Account of \$1,459.6 million is a \$226.4 million improvement (13 per cent) from the budget net liability estimate of \$1,686.0 million. This result is due to higher levels of cash, investments and loans receivable (\$801.6 million), offset by higher interest-bearing liabilities (\$571.7 million).

## Financial Performance

The following financial information is based on the audited financial statements for 2013-14 and 2014-15, the 2014-15 Budget, as well as the forward estimates from the 2015-16 Budget.

*Table 1 – Total Net Cost of Services*

\$ millions	Actual 2013-14 \$'000	Budget 2014-15 \$'000	Actual 2014-15 \$'000	Budget 2015-16 \$'000	Estimate 2016-17 \$'000	Estimate 2017-18 \$'000	Estimate 2018-19 \$'000
Total Expenditure	4,168.3	4,577.4	4,790.5	4,988.8	4,699.1	4,738.7	4,514.4
Total Revenue	3,632.6	3,824.4	3,932.5	3,913.5	4,162.6	4,253.6	4,530.8
<b>Net Cost</b>	<b>535.7</b>	<b>753.0</b>	<b>858.0</b>	<b>1,075.3</b>	<b>536.5</b>	<b>485.1</b>	<b>16.3</b>

### *Comparison to 2014-15 Budget*

The Territory Banking Account's net cost of services for 2014-15 of \$858.0 million was \$104.9 million or 14 per cent higher than the 2014-15 Budget estimate of \$753.0 million.

The main reasons for this result are:

- investment earnings of \$59.7 million being \$32.1 million or 116 per cent higher than the budget of \$27.7 million due to higher balances of funds held on investment over the financial year. The investment portfolio achieved an investment return for the 2014-15 financial year of 3.32 per cent (net of fees)

compared with the benchmark return of 2.93 per cent. The outperformance was mainly driven by higher returns on mortgage backed securities and financials credit holdings;

- interest from loans to agencies of \$75.6 million being \$10.5 million or 12 per cent lower than the budget of \$86.0 million due to a lower impact from changes in the consumer price index on the inflation-linked loans provided to Icon Water Limited and a lower University of Canberra outstanding loan balance following the University's early repayment of loans during the year;
- transfer revenues of \$3,576.2 million being \$87.8 million or 3 per cent higher than the budget of \$3,488.4 million. Aggregate result and variance reflects underlying agencies activities; and
- budget appropriation expenses to agencies of \$4,603.2 million being \$211.3 million or 5 per cent higher than the budget of \$4,391.9 million. Aggregate result and variance reflects underlying agencies activities.

#### *Comparison to 2013-14 Actual*

Total net cost of services for 2014-15 of \$858.0 million was \$322.3 million or 60 per cent higher than the 2013-14 actual result of \$535.7 million due primarily to:

- payment for expenses on behalf of the Territory of \$79.9 million being \$19.1 million or 31 per cent higher than the 2013-14 result of \$60.8 million due to increased borrowing interest costs due to a higher level of outstanding borrowings over the financial year;
- investment earnings of \$59.7 million being \$6.7 million or 13 per cent higher than the 2013-14 result of \$52.7 million due to higher balances of funds held on investment over the financial year;
- interest from loans to agencies of \$75.6 million being \$9.4 million or 11 per cent lower than the 2013-14 result of \$84.9 million due to a lower impact from changes in the consumer price index on the inflation-linked loans provided to Icon Water Limited and a lower University of Canberra outstanding loan balance following the University's early repayment of loans during the year;
- transfer revenues of \$3,576.2 million being \$288.0 million or 9 per cent higher than the 2013-14 result of \$3,288.2 million. Aggregate result and variance reflects underlying agencies activities;
- budget appropriation expenses to agencies of \$4,603.2 million being \$609.0 million or 15 per cent higher than the 2013-14 result of \$3,994.2 million. Aggregate result and variance reflects underlying agencies activities; and
- borrowing interest expenses of \$150.6 million being \$10.9 million or 8 per cent higher than the 2013-14 result of \$139.7 million from increased borrowing interest costs due to a higher level of outstanding borrowings over the year.

## Total Expenditure

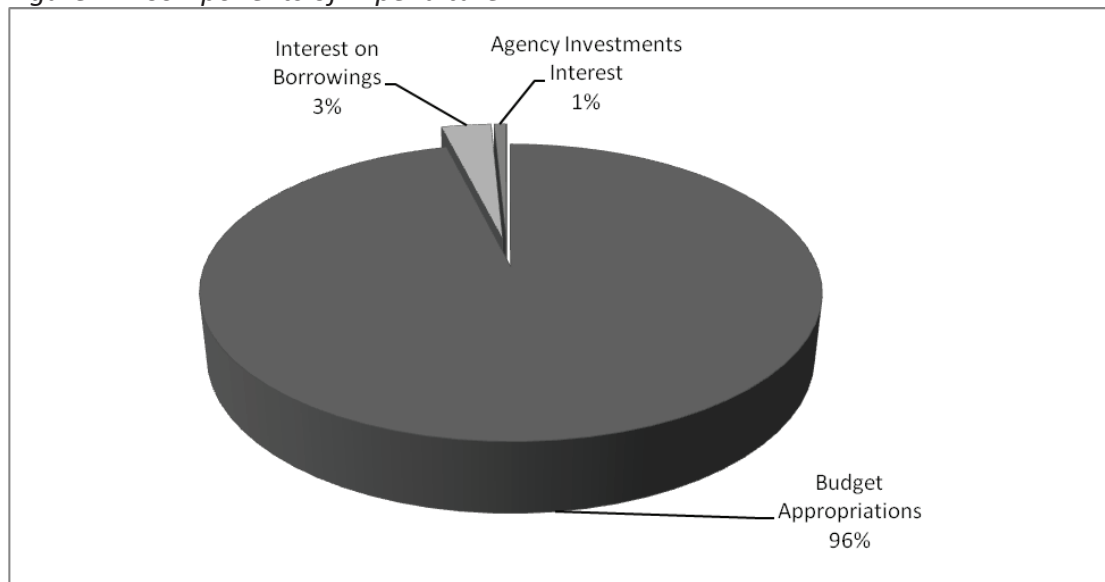
### *Components of Expenditure*

The major components of total Territory Banking Account's expenses recognised for 2014-15 of \$4,790.5 million relate to the transfer of budget appropriations to agencies (\$4,603.2 million) and interest expenses (\$185.8 million).

Budget appropriation expenses comprise Government payment for outputs (\$2,960.4 million); payments for expenses on behalf of the Territory (\$594.5 million); and capital injections (\$1,053.7 million).

Interest expenses comprise interest on borrowings (\$150.6 million); and interest payments to agencies for investment deposit earnings (\$35.2 million).

*Figure 2 – Components of Expenditure*



### *Comparison to 2014-15 Budget*

Total Territory Banking Account expense of \$4,790.5 million was \$213.1 million or 5 per cent higher than the 2014-15 Budget estimate of \$4,577.4 million due to:

- budget appropriation expenses to agencies of \$4,603.2 million being \$211.3 million or 5 per cent higher than the budget estimate of \$4,391.9 million. Aggregate result and variance reflects underlying agencies activities;
- borrowing interest expenses of \$150.6 million being \$11.0 million or 7 per cent lower than the budget estimate of \$161.6 million reflecting the timing and volume of new borrowings as well as a lower than estimated interest rate for new borrowings raised; and
- agency investment interest expenses of \$35.2 million being \$12.8 million or 57 per cent higher than the budget of \$22.4 million due to higher balances of funds held on investment over the financial year.



### *Comparison to 2013-14 Actual*

Total Territory Banking Account expense of \$4,790.5 million was \$622.2 million or 15 per cent higher than the 2013-14 result of \$4,168.4 million due to:

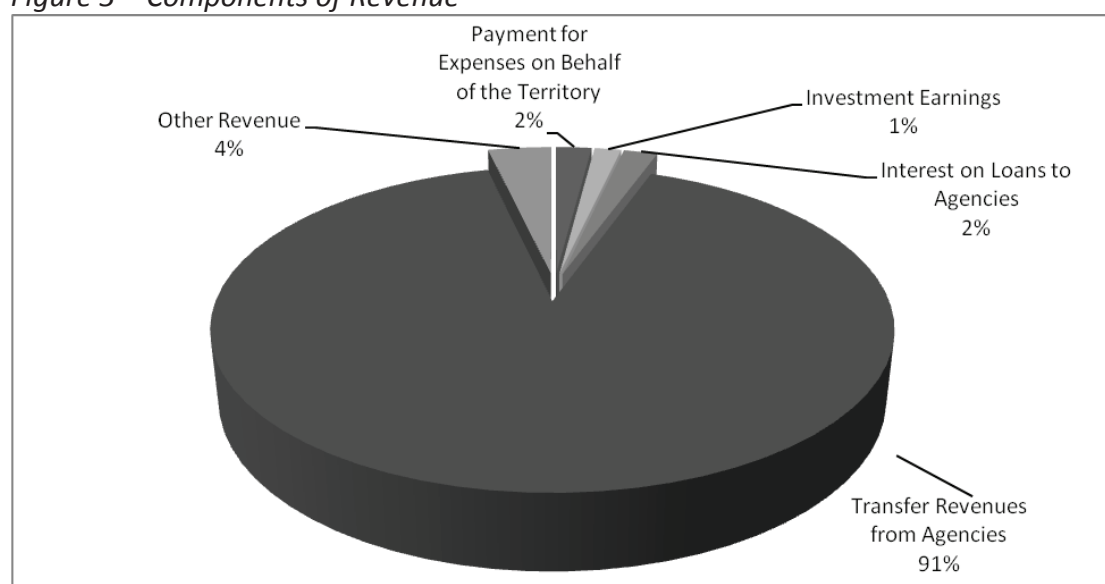
- budget appropriation expenses to agencies of \$4,603.2 million being \$609.0 million or 15 per cent higher than the 2013-14 result of \$3,994.2 million. Aggregate result and variance reflects underlying agencies activities;
- borrowing interest expenses of \$150.6 million being \$10.9 million or 8 per cent higher than the 2013-14 result of \$139.7 million due to increased borrowing interest costs due to a higher level of outstanding borrowings over the financial year; and
- agency investment interest expenses of \$35.2 million being \$2.6 million or 8 per cent higher than the 2013-14 result of \$32.6 million due to higher balances of funds held on investment over the financial year.

## **Total Revenue**

### *Components of Revenue*

The major components of total Territory Banking Account's revenues recognised for 2014-15 of \$3,932.5 million relate to payment for expenses on behalf of the Territory (\$79.9 million); investment earnings (\$59.7 million); interest on loans to agencies (\$75.6 million); transfer revenues from agencies (\$3,576.2); and other revenue (\$141.1 million).

*Figure 3 – Components of Revenue*



#### *Comparison to 2014-15 Budget*

Total Territory Banking Account revenue of \$3,932.5 million was \$108.2 million or 3 per cent higher than the 2014-15 Budget estimate of \$3,824.3 million due to:

- payment for expenses on behalf of the Territory of \$79.9 million being \$2.3 million or 3 per cent lower than the 2014-15 Budget estimate of \$82.2 million reflecting the timing and volume of new borrowings as well as a lower than estimated interest rate for new borrowings raised;
- investment earnings of \$59.7 million being \$32.1 million or 116 per cent higher than the budget of \$27.7 million due to higher balances of funds held on investment over the financial year. The investment portfolio achieved an investment return for the 2014-15 financial year of 3.32 per cent (net of fees) compared with the benchmark return of 2.93 per cent. The outperformance was mainly driven by higher yields on credit holdings, which are dominated by mortgage backed securities and financials;
- interest from loans to agencies of \$75.6 million being \$10.5 million or 12 per cent lower than the budget of \$86.0 million due to a lower impact from changes in the consumer price index on the inflation-linked loans provided to Icon Water Limited and a lower University of Canberra outstanding loan balance following the University's early repayment of loans during the year;
- transfer revenues of \$3,576.2 million being \$87.8 million or 3 per cent higher than the budget of \$3,488.4 million. Aggregate result and variance reflects underlying agencies activities; and
- other revenue of \$141.1 million being \$1.1 million or 1 per cent higher than the budget of \$140.1 million. Aggregate result and variance reflects underlying agencies activities.

#### *Comparison to 2013-14 Actual*

Total Territory Banking Account revenue of \$3,932.5 million was \$299.9 million or 8 per cent higher than the 2013-14 result of \$3,632.6 million due to:

- payment for expenses on behalf of the Territory of \$79.9 million being \$19.1 million or 31 per cent higher than the 2013-14 result of \$60.8 million reflecting increased borrowing interest costs due to a higher level of outstanding borrowings over the financial year;
- investment earnings of \$59.7 million being \$6.9 million or 13 per cent higher than the 2013-14 result of \$52.7 million due to higher balances of funds held on investment over the financial year;
- interest from loans to agencies of \$75.6 million being \$9.4 million or 11 per cent lower than the 2013-14 result of \$84.9 million due to a lower impact from changes in the consumer price index on the inflation-linked loans provided to Icon Water Limited and a lower University of Canberra outstanding loan balance following the University's early repayment of loans during the year;

- transfer revenues of \$3,576.2 million being \$288.0 million or 9 per cent higher than the 2013-14 result of \$3,288.2 million. Aggregate result and variance reflects underlying agencies activities; and
- other revenue of \$141.1 million being \$4.8 million or 3 per cent lower than the 2013-14 result of \$145.9 million. Aggregate result and variance reflects underlying agencies activities.

## Financial Position

### Total Assets

#### *Components of Total Assets*

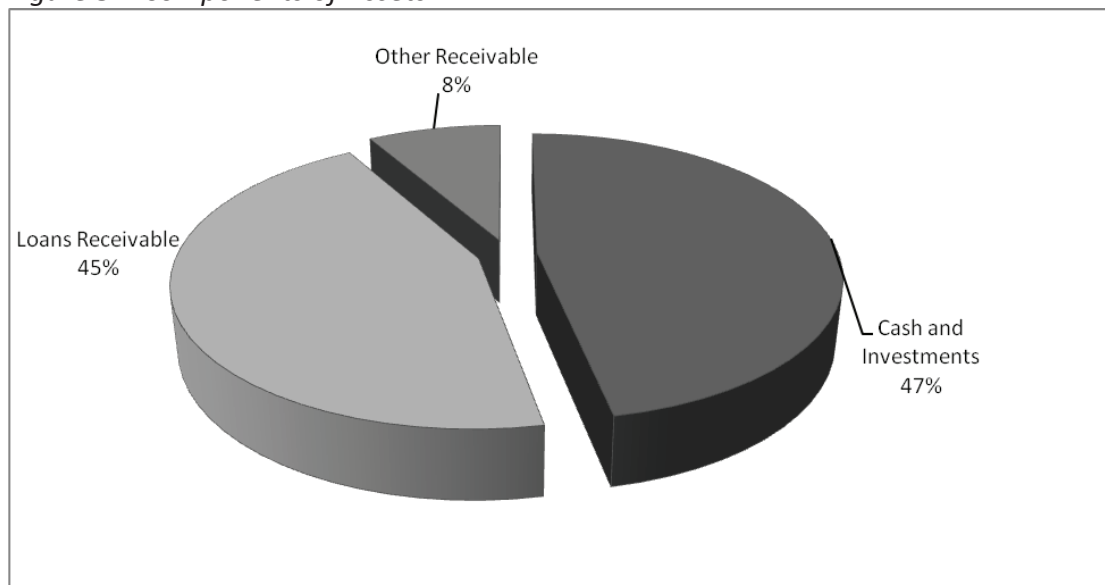
The major components of total Territory Banking Account's assets are cash and investments (\$1,670.3 million); and loans and other receivables (\$1,894.2 million).

Cash and investments comprise actual cash and investment assets of the Territory Banking Account as well as investments made on behalf of a directorate or territory authority with approval to earn and retain investment earnings. Investments are made domestically with exposures to short term money markets and fixed interest securities, including cash, bank term deposits, bank bill securities, residential mortgage backed securities and bonds.

Loans and receivables comprise loans made to agencies either from budget appropriation or supported by a financial market issued security.

Other receivables include transfer revenue and loan interest receivable from ACT Government agencies and investment interest receivable.

*Figure 3 – Components of Assets*



### *Comparison to 2014-15 Budget*

The total asset position as at 30 June 2015 was \$3,564.4 million being \$801.6 million or 29 per cent higher than the budget of \$2,762.9 million. This was due to:

- cash and investments of \$1,670.3 million being \$828.8 million higher than the 2014-15 Budget of \$841.5 million reflecting the timing of cash flows and underlying agency investment activities. Underlying this:
  - Territory Banking Account cash and investments of \$640.2 million being \$561.1 million higher than the 2014-15 Budget of \$79.1 million; and
  - agency cash and investments of \$1,030.1 million being \$267.7 million or 35 per cent higher than the 2014-15 Budget of \$762.4 million;
- loans of \$1,594.7 million being \$60.0 million or 4 per cent lower than the 2014-15 Budget of \$1,654.7 million. Underlying this:
  - Icon Water Limited loans of \$1,490.9 million being \$20.1 million or 1 per cent lower than the 2014-15 Budget of \$1,511.0; and
  - University of Canberra loans of \$31.4 million being \$38.0 million or 55 per cent lower than the 2014-15 Budget estimate of \$69.4 million;
- receivables of \$299.5 million being \$32.8 million or 12 per cent higher than the 2014-15 Budget of \$266.7 million.

### *Comparison to 2013-14 Actual*

The total asset position as at 30 June 2015 was \$3,564.4 million being \$362.0 million or 11 per cent higher than the 2013-14 result of \$3,202.4 million. This was due to:

- cash and investments of \$1,670.3 million being \$284.1 million or 20 per cent higher than the 2013-14 result of \$1,386.1 million. Underlying this:
  - Territory Banking Account cash and investments of \$640.2 million being \$184.4 million or 40 per cent higher than the 2013-14 result of \$455.8 million; and
  - agency cash and investments of \$1,030.1 million being \$99.8 million or 11 per cent higher than the 2013-14 result of \$930.3 million;
- loans of \$1,594.7 million being \$7.2 million higher than the 2013-14 result of \$1,587.5 million. Underlying this:
  - Icon Water Limited loans of \$1,490.9 million being \$44.8 million or 3 per cent higher than the 2013-14 result of \$1,446.1; and
  - University of Canberra loans of \$31.4 million being \$38.5 million or 55 per cent lower than the 2013-14 result of \$69.9 million;
- receivables of \$299.5 million being \$70.7 million or 31 per cent higher than the 2013-14 result of \$228.8 million.

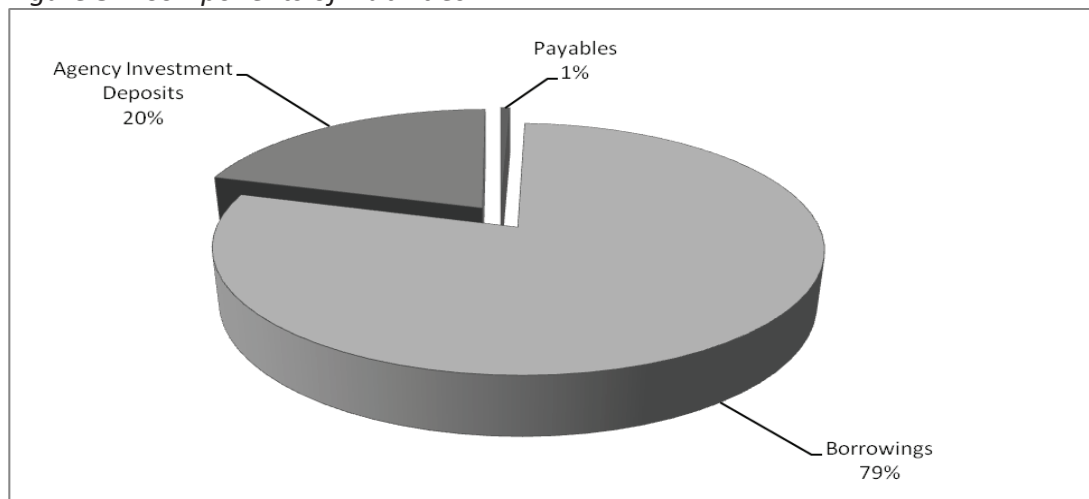
## Total Liabilities

### *Components of Total Liabilities*

The major components of total Territory Banking Account's liabilities are interest bearing liabilities comprising borrowings (\$3,964.1 million) and agency investments (\$1,030.1 million); and payables (\$29.9 million).

The funding and management of the Government's financial markets borrowings is undertaken by Chief Minister, Treasury and Economic Development Directorate through the Territory Banking Account. The Government's funding requirements are mainly achieved by the issuance of debt securities in the financial markets. The actual outcome in 2014-15 is higher than in 2013-14 due to the completion of a Commonwealth loan transaction (\$750 million) for the Loose Fill Asbestos Insulation Eradication Scheme.

*Figure 3 – Components of Liabilities*



### *Comparison to 2014-15 Budget*

The total liability position as at 30 June 2015 was \$5,024.1 million being \$575.2 million or 13 per cent higher than the budget of \$4,448.9 million. This was mainly due to:

- payables of \$29.9 million being \$3.5 million or 13 per cent higher than the 2014-15 Budget of \$26.4 million;
- borrowings of \$3,964.1 million being \$303.9 million or 8 per cent higher than the 2014-15 Budget of \$3,660.1 million reflecting cash flow requirements. Underlying this:
  - market financed borrowings of \$3,134.7 million being \$520.1 million or 14 per cent lower than the 2014-15 Budget estimate of \$3,655.7 million; and
  - commonwealth loans of \$829.4 million being \$824.9 million higher than the 2014-15 Budget of \$4.4 million;
- agency investment deposits of \$1,030.1 million being \$267.7 million or 35 per cent higher than the 2014-15 Budget estimate of \$762.4 million.

*Comparison to 2013-14 Actual*

The total liability position as at 30 June 2015 was \$5,024.1 million being \$973.7 million or 24 per cent higher than the 2013-14 result of \$4,050.3 million. This was mainly due to:

- payables of \$29.9 million being \$5.6 million or 16 per cent lower than the 2013-14 result of \$35.5 million;
- borrowings of \$3,964.1 million being \$879.6 million or 29 per cent higher than the 2013-14 result of \$3,084.5 million. Underlying this:
  - market financed borrowings of \$3,134.7 million being \$55.2 million or 2 per cent higher than the 2013-14 result of \$3,079.5 million; and
  - commonwealth loans of \$829.4 million being \$824.4 million higher than the 2013-14 result of \$4.9 million;
- agency investment deposits of \$1,030.1 million being \$99.8 million higher or 11 per cent than the 2013-14 result of \$930.3 million.

## **INDEPENDENT AUDIT REPORT TERRITORY BANKING ACCOUNT**

**To the Members of the ACT Legislative Assembly**

### **Report on the financial statements**

The financial statements of the Territory Banking Account for the year ended 30 June 2015 have been audited. These comprise the statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, statement of changes in equity on behalf of the Territory, cash flow statement on behalf of the Territory, territorial statement of appropriation and accompanying notes.

### **Responsibility for the financial statements**

The Under Treasurer is responsible for the preparation and fair presentation of the financial statements in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

### **The auditor's responsibility**

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the Territory Banking Account.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the Territory Banking Account.

### **Electronic presentation of the audited financial statements**

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

### **Independence**

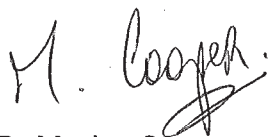
Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

### **Audit opinion**

In my opinion, the financial statements of the Territory Banking Account for the year ended 30 June 2015:

- (i) are presented in accordance with the *Financial Management Act 1996*, Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Territory Banking Account as at 30 June 2015 and the results of its operations and cash flows for the year then ended.

This audit opinion should be read in conjunction with the other information disclosed in this report.



Dr Maxine Cooper  
Auditor-General

24 September 2015



**Territory Banking Account  
Financial Statements  
For the Year Ended 30 June 2015**

**Statement of Responsibility**

In my opinion, the financial statements are in agreement with the Territory Banking Account's accounts and records and fairly reflect the financial operations of the Territory Banking Account for the year ended 30 June 2015 and the financial position of the Territory Banking Account on that date.



David Nicol

Under Treasurer

Chief Minister, Treasury and Economic Development Directorate

23 September 2015

**Territory Banking Account  
Financial Statements  
For the Year Ended 30 June 2015**

**Statement by the Chief Finance Officer**

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Territory Banking Account's accounts and records and fairly reflect the financial operations of the Territory Banking Account for the year ended 30 June 2015 and the financial position of the Territory Banking Account on that date.



Patrick McAuliffe  
Chief Finance Officer  
Territory Banking Account  
Chief Minister, Treasury and Economic Development Directorate  
23 September 2015

**Territory Banking Account**  
**Statement of Income and Expenses on Behalf of the Territory**  
**For the Year Ended 30 June 2015**

	Note	Actual	Original	Actual
	No.	2015	Budget	2014
		\$'000	\$'000	\$'000
<b>Income</b>				
Payment for Expenses on Behalf of the Territory	5.1	79,869	82,159	60,796
Interest	5.2	119,947	111,886	119,055
Distributions	5.3	9,452	1,816	11,768
Gains on Investments	5.4	5,884	0	6,851
Transfers from ACT Government Agencies	5.5	3,576,217	3,488,413	3,288,221
Other Income	5.6	141,142	140,061	145,944
<b>Total Income</b>		<b>3,932,511</b>	<b>3,824,335</b>	<b>3,632,635</b>
<b>Expenses</b>				
Payments to ACT Government Agencies	6.1	4,603,227	4,391,920	3,994,197
Interest Expenses	6.2	185,846	184,034	172,251
Losses on Investments	6.3	428	0	543
Investment Administration Expenses	6.4	932	490	714
Other Expenses	6.5	79	929	654
<b>Total Expenses</b>		<b>4,790,512</b>	<b>4,577,373</b>	<b>4,168,359</b>
<b>Operating Deficit</b>		<b>(858,001)</b>	<b>(753,038)</b>	<b>(535,724)</b>
<b>Other Comprehensive Income</b>				
<i>Items that will be reclassified subsequently to profit or loss</i>				
(Loss) taken to Equity	9.2	0	0	(83)
Gain taken to the Operating Deficit	9.2	0	0	1,677
<b>Total Other Comprehensive Income/(Loss)</b>		<b>0</b>	<b>0</b>	<b>1,594</b>
<b>Total Comprehensive Deficit</b>		<b>(858,001)</b>	<b>(753,038)</b>	<b>(534,130)</b>

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.

**Territory Banking Account**  
**Statement of Assets and Liabilities on Behalf of the Territory**  
**As at 30 June 2015**

	Note	Actual 2015 \$'000	Original Budget 2015 \$'000	Actual 2014 \$'000
<b>Current Assets</b>				
Cash	7.1	234,331	0	51,919
Loans and Receivables	7.2	392,350	281,520	248,097
Investments	7.3	1,302,460	769,116	1,202,749
<b>Total Current Assets</b>		<b>1,929,141</b>	<b>1,050,636</b>	<b>1,502,765</b>
<b>Non Current Assets</b>				
Loans and Receivables	7.2	1,501,808	1,639,845	1,568,174
Investments	7.3	133,467	72,376	131,460
<b>Total Non Current Assets</b>		<b>1,635,275</b>	<b>1,712,221</b>	<b>1,699,634</b>
<b>Total Assets</b>		<b>3,564,416</b>	<b>2,762,857</b>	<b>3,202,399</b>
<b>Current Liabilities</b>				
Payables	8.1	29,901	26,418	35,520
Interest-Bearing Liabilities	8.2	1,150,794	859,604	1,015,935
<b>Total Current Liabilities</b>		<b>1,180,695</b>	<b>886,022</b>	<b>1,051,455</b>
<b>Non-Current Liabilities</b>				
Interest-Bearing Liabilities	8.2	3,843,362	3,562,875	2,998,884
<b>Total Non-Current Liabilities</b>		<b>3,843,362</b>	<b>3,562,875</b>	<b>2,998,884</b>
<b>Total Liabilities</b>		<b>5,024,057</b>	<b>4,448,897</b>	<b>4,050,341</b>
<b>Net Liabilities</b>		<b>(1,459,641)</b>	<b>(1,686,040)</b>	<b>(847,942)</b>
<b>Equity</b>				
Accumulated Deficits		(1,459,641)	(1,686,040)	(847,942)
Reserves		0	0	0
<b>Total Equity</b>		<b>(1,459,641)</b>	<b>(1,686,040)</b>	<b>(847,942)</b>

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

**Territory Banking Account**  
**Statement of Changes in Equity on Behalf of the Territory**  
**For the Year Ended 30 June 2015**

	Note No.	Accumulated Deficits Actual 2015 \$'000	Reserves Actual 2015 \$'000	Total Equity Actual 2015 \$'000	Original Budget 2015 \$'000
<b>Balance at the Beginning of the Reporting Period</b>		<b>(847,942)</b>	<b>0</b>	<b>(847,942)</b>	<b>(942,150)</b>
<b>Comprehensive Income</b>					
Operating Deficit		(858,001)	0	(858,001)	(753,038)
<b>Total Comprehensive Deficit</b>		<b>(1,705,943)</b>	<b>0</b>	<b>(1,705,943)</b>	<b>(1,695,188)</b>
<b>Transactions Involving Owners Affecting Accumulated Deficits</b>					
Capital Injections		214	0	214	214
Capital Distributions	9.1	209,042	0	209,042	8,934
Increase in Asset from Administrative Restructuring		112,012	0	112,012	0
Increase in Liabilities from Administrative Restructuring		(74,966)	0	(74,966)	0
<b>Total Transactions Involving Owners Affecting Accumulated Deficits</b>		<b>246,302</b>	<b>0</b>	<b>246,302</b>	<b>9,148</b>
<b>Balance at the End of the Reporting Period</b>		<b>(1,459,641)</b>	<b>0</b>	<b>(1,459,641)</b>	<b>(1,686,040)</b>

		Accumulated Deficits Actual 2014 \$'000	Reserves Actual 2014 \$'000	Total Equity Actual 2014 \$'000
<b>Balance at the Beginning of the Reporting Period</b>		<b>(369,627)</b>	<b>(1,594)</b>	<b>(371,221)</b>
<b>Comprehensive Income</b>				
Operating (Deficit)/Surplus		(535,724)	1,677	(534,047)
<b>Other Comprehensive Income</b>				
Decrease in Reserves	9.2	0	(83)	(83)
<b>Total Comprehensive (Loss)</b>		<b>(905,351)</b>	<b>0</b>	<b>(905,351)</b>
<b>Transactions Involving Owners Affecting Accumulated Deficits</b>				
Capital Injections		214	0	214
Capital Distributions	9.1	57,195	0	57,195
<b>Total Transactions Involving Owners Affecting Accumulated Deficits</b>		<b>57,409</b>	<b>0</b>	<b>57,409</b>
<b>Balance at the End of the Reporting Period</b>		<b>(847,942)</b>	<b>0</b>	<b>(847,942)</b>

The above Statement of Changes in Equity on Behalf of the Territory should be read in conjunction with the accompanying notes.

**Territory Banking Account**  
**Cash Flow Statement on Behalf of the Territory**  
**For the Year Ended 30 June 2015**

	Note No.	Actual 2015 \$'000	Original Budget 2015 \$'000	Actual 2014 \$'000
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
Expenses on Behalf of the Territory		79,869	82,159	60,796
Interest Received		112,609	111,311	117,413
Distributions Received		9,452	1,816	14,239
Transfers from ACT Government Agencies		3,510,155	3,502,077	3,401,163
Goods and Services Tax Input Tax Credits from the ATO		57	45	117
Other Receipts		140,889	138,375	145,738
<b>Total Receipts from Operating Activities</b>		<b>3,853,031</b>	<b>3,835,783</b>	<b>3,739,466</b>
<b>Payments</b>				
Borrowing Costs		173,927	183,584	166,161
Payments to General Government Agencies for Outputs		2,907,101	2,711,228	2,510,557
Payments to Public Trading Enterprise Agencies for Outputs		54,482	54,582	53,599
Payments to Agencies for Expenses on Behalf of the Territory		594,478	641,029	548,631
Goods and Services Tax paid to Suppliers		58	45	119
Other Payments		80	930	803
<b>Total Payments from Operating Activities</b>		<b>3,730,126</b>	<b>3,591,398</b>	<b>3,279,870</b>
<b>Net Cash Inflows from Operating Activities</b>	10	<b>122,905</b>	<b>244,385</b>	<b>459,596</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts</b>				
Proceeds from Sale/Maturity of Investments		0	290,876	0
Loan Repayments from Agencies		64,541	19,318	138,262
Distributions from ACT Government Agencies		200,184	8,934	57,195
<b>Total Receipts from Investing Activities</b>		<b>264,725</b>	<b>319,128</b>	<b>195,457</b>
<b>Payments</b>				
Purchase of Investments		96,000	0	120,083
Loans Provided (Loans Receivable)		61,541	87,007	238,320
Capital Payments to ACT Government Agencies		1,052,463	1,002,593	884,371
Repayment of ACT Government Agencies' Deposits		0	47,101	7,500
<b>Total Payments from Investing Activities</b>		<b>1,210,004</b>	<b>1,136,701</b>	<b>1,250,274</b>
<b>Net Cash (Outflows) from Investing Activities</b>		<b>(945,279)</b>	<b>(817,573)</b>	<b>(1,054,817)</b>

**Territory Banking Account**  
**Cash Flow Statement on Behalf of the Territory (Continued)**  
**For the Year Ended 30 June 2015**

		Actual	Original	
	Note	2015	Budget	Actual
	No.	\$'000	2015	2014
			\$'000	\$'000
<b>Cash Flows from Financing Activities</b>				
<b>Receipts</b>				
Capital Injection		214	214	214
Proceeds from Borrowings		798,504	573,528	377,733
Proceeds from ACT Government Agencies' Deposits		94,610	0	189,078
Transfer of Cash Balances (Admin Restructure) - GGS		112,012	0	0
<b>Total Receipts from Financing Activities</b>		<b>1,005,340</b>	<b>573,742</b>	<b>567,025</b>
<b>Payments</b>				
Repayment of Borrowings		554	554	554
<b>Total Payments from Financing Activities</b>		<b>554</b>	<b>554</b>	<b>554</b>
<b>Net Cash Inflows from Financing Activities</b>		<b>1,004,786</b>	<b>578,188</b>	<b>566,471</b>
<b>Net Increase/(Decrease) in Cash</b>		182,412	0	(28,751)
Cash at Beginning of Reporting Period		51,919	0	80,670
<b>Cash at End of Reporting Period</b>	7.1	<b>234,331</b>	<b>0</b>	<b>51,919</b>

The above Cash Flow Statement on Behalf of the Territory should be read in conjunction with the accompanying notes.

**Territory Banking Account  
Territorial Statement of Appropriation  
For the Year Ended 30 June 2015**

	Original Budget 2015 \$'000	Total Appropriated 2015 \$'000	Appropriation Drawn 2015 \$'000	Appropriation Drawn 2014 \$'000
Expenses on Behalf of the Territory	82,159	94,190	79,869	60,796
Capital Injections	214	214	214	214
<b>Total Territorial Appropriation</b>	<b>82,373</b>	<b>94,404</b>	<b>80,083</b>	<b>61,010</b>

The above Territorial Statement of Appropriation should be read in conjunction with the accompanying notes.

**Column Heading Explanations**

The *Budget* column shows the amounts that appear in the Cash Flow Statement on Behalf of the Territory in the Budget Papers. The amount also appears in the Cash Flow Statement on Behalf of the Territory.

The *Total Appropriated* column is inclusive of all appropriation variations occurring after the original Budget.

The *Appropriation Drawn* column is the total amount which was received in Appropriation by the Territory Banking Account during the year. This amount appears in the Cash Flow Statement on Behalf of the Territory.

**Variance between 'Original Budget' and 'Total Appropriated'**

***Expenses on Behalf of the Territory***

*Appropriation (Loose-fill Asbestos Insulation Eradication) Act 2014-2015*

\$12.031 million of additional appropriation was provided through the Loose-fill Asbestos Insulation Eradication Appropriation representing additional interest costs for a loan provided by the Commonwealth Government for the Loose Fill Asbestos Insulation Eradication Scheme (Scheme).

**Variance between 'Total Appropriated' and 'Appropriation Drawn'**

***Expenses on Behalf of the Territory***

The lower appropriation drawn compared with the total appropriated is due to a combination of lower interest rates and lower levels of required borrowings than originally projected for the year.



# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### Introductory Notes

Note 1	Objectives of the Territory Banking Account
Note 2	Summary of Significant Accounting Policies
Note 3	Change in Accounting Policy and Accounting Estimates
Note 4	Financial Risk Management

#### Income Notes

Note 5	Income Administered on Behalf of the Territory
--------	--

#### Expense Notes

Note 6	Expenses Administered on Behalf of the Territory
--------	--

#### Asset Notes

Note 7	Assets Administered on Behalf of the Territory
--------	--

#### Liability Notes

Note 8	Liabilities Administered on Behalf of the Territory
--------	---

#### Other Notes

Note 9	Equity
Note 10	Cash Flow Reconciliation
Note 11	Commitments on Behalf of the Territory
Note 12	Contingent Assets and Liabilities
Note 13	Indemnities
Note 14	Events Occurring after Balance Date
Note 15	Auditor's Remuneration
Note 16	Budgetary Reporting – Territorial – Explanations of Major Variances between Actual Amounts and Original Budget Amounts.

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 1 OBJECTIVES OF THE TERRITORY BANKING ACCOUNT

##### Operations and Principal Activities

The Chief Minister, Treasury and Economic Development Directorate (CMTEDD) manages the central finances of the Australian Capital Territory (the 'Territory'), a body politic established by section 7 of the *Australian Capital Territory (Self Government) Act 1988* (Cwlth). Services provided to the ACT Government include financial asset and liability management through the establishment of investment and borrowing policies and objectives, and the coordination of investment and borrowing activities.

The Territory Banking Account has been established to separately recognise and account for the general government investments and borrowings transactions, the revenues on behalf of the Territory and appropriation transfers made to agencies.

A key objective of CMTEDD, as reported and accounted for through the Territory Banking Account, is to effectively manage capital market functions by maximising the return on investments within relevant risk tolerances, the achievement of competitive borrowing rates commensurate to the Territory's credit rating, the development of effective financial risk management strategies and administration of the Territory Banking Account, the public account of the Territory.

The salary and administrative costs for the management of the Territory Banking Account are met from CMTEDD.

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### 2.1 Basis of Accounting

The Territory Banking Account is prescribed as a Directorate under the *Financial Management Act 1996* (FMA).

The Territory Banking Account is an individual reporting entity.

Under the FMA, all Directorates are required to prepare annual financial statements. The Territory Banking Account is a not-for-profit reporting entity as the principal objective is not the generation of profit but the reporting and accountability of a significant component of the central finances of the Territory as outlined in Note 1: 'Objectives of the Territory Banking Account' above.

The FMA and the *Financial Management Guidelines* issued under the FMA requires the Territory Banking Account's financial statements to include:

- (i) A Statement of Income and Expenses on Behalf of the Territory for the year;
- (ii) A Statement of Assets and Liabilities on Behalf of the Territory at the end of the year;
- (iii) A Statement of Changes in Equity on Behalf of the Territory for the year;
- (iv) A Cash Flow Statement on Behalf of the Territory for the year;
- (v) A Territorial Statement of Appropriation for the year;
- (vi) A summary of the significant accounting policies adopted by the Territory Banking Account for the year; and
- (vii) Such other statements as are necessary to fairly reflect the financial operations of the Territory Banking Account during the year and its financial position at the end of the year.

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### 2.1 Basis of Accounting – Continued

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA.

The financial statements have been prepared in accordance with:

- (i) Australian Accounting Standards; and
- (ii) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention except for investment assets and financial derivative instruments which have been measured at fair value.

These financial statements are presented in Australian dollars, which is the Territory Banking Account's functional currency.

The Territory Banking Account was in a net liability position of \$1,546 million at 30 June 2015 (\$847.9 million at 30 June 2014). This is due to the Territory Banking Account reporting total Territory borrowings with the assets backing these liabilities being reported in other Territory agency financial statements. Accordingly, the net asset position of the Territory Banking Account for any period, should be viewed in conjunction with the total Territory's consolidated net financial position.

##### 2.2 Territorial Items

CMTEDD produces Territorial financial statements for the Territory Banking Account. The Territorial financial statements include income, expenses, assets and liabilities that CMTEDD administers on behalf of the Territory, but does not control.

##### 2.3 The Reporting Period

These financial statements state the financial performance, changes in equity and cash flows of the Territory Banking Account for the year ending 30 June 2015 together with the financial position of the Territory Banking Account as at 30 June 2015.

##### 2.4 Comparative Figures

###### *Budget Figures*

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2014-15 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

###### *Prior Year Comparatives*

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed. Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**2.5            Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000) and may not add due to rounding.

**2.6            Revenue Recognition**

*Revenue*

Revenue is recognised at the fair value of the consideration received or receivable in the Statement of Income and Expenses on Behalf of the Territory. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Territory Banking Account and the revenue can be reliably measured.

*Payment for Expenses on Behalf of the Territory*

Under the FMA, funds can be appropriated for expenses incurred on behalf of the Territory. The Territory Banking Account receives this appropriation to meet debt servicing interest costs for general government borrowing liabilities. The revenue is recognised when the Territory Banking Account obtains control over the cash related to the appropriation.

*Interest*

Interest includes interest income from investments and interest from loans provided and is recognised as it accrues. Interest revenue is recognised using the effective interest rate method.

*Distributions from Unit Trusts*

Distributions from unit trust investments are recognised on an accrual basis. Revenue is recognised on the date the unit value is quoted ex-distribution.

*Gains on Investments at Fair Value through Profit and Loss*

Gains or losses on financial assets held at Fair Value through Profit or Loss consist of realised and unrealised amounts. Gains or losses resulting from changes in the fair value of an investment are included in the Statement of Income and Expenses on Behalf of the Territory in the period in which they arise. Gains or losses on financial instruments Held at Fair Value Through Profit or Loss do not include interest or distribution income as this is separately disclosed in the Statement of Income and Expenses on Behalf of the Territory.

*Transfer Revenue*

Transfers from ACT Government agencies relates to territorial revenue such as taxes, fees and fines collected initially by other ACT Government agencies on behalf of the Territory prior to being transferred to the Territory Banking Account. This revenue is recognised when it is probable that the economic benefits will flow to the Territory Banking Account. This is usually when the collecting agency recognises a transfer expense.

*Other Income*

This income mainly relates to employer superannuation contributions paid to the Territory Banking Account. It is recognised as it is received for the period to which it relates.

**2.7            Borrowing Costs**

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs include interest on short-term and long-term borrowings and amortisation of discounts relating to borrowings. No borrowing costs are capitalised into qualifying assets.

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### 2.8 Current and Non-Current Items

Assets and liabilities are classified as current or non-current in the Statement of Assets and Liabilities on Behalf of the Territory and in the relevant notes. The Territory Banking Account's assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within the 12 months after the reporting date or the Territory Banking Account does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. Assets or liabilities which do not fall within the current classification are classified as non-current.

##### 2.9 Cash

For the purpose of the Cash Flow Statement on Behalf of the Territory and the Statement of Assets and Liabilities on Behalf of the Territory, cash includes cash at bank.

Cash at bank earns interest at a floating rate in accordance with the established agreement with the authorised deposit-taking institution appointed to provide transactional banking services to the Territory, currently Westpac Banking Corporation at 30 June 2015. The Territory Banking Account will record net interest earned on the aggregate credit and debit bank balances of the Territory.

##### 2.10 Loans and Receivables

Loans and receivables comprise loans (principal and interest) owing from ACT Government agencies, accrued investment interest and other transfer revenues.

###### *Loans (Principal and Interest) owing by ACT Government Agencies*

Loans to ACT Government agencies are non-derivative financial assets with fixed and determinable payments that are not quoted in an active market and are not entered into with the intention of immediate or short-term resale. Loans to ACT Government agencies are initially recognised at fair value plus any transaction costs that are directly attributable to those financial assets and subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating the interest income over the relevant period. Amortised cost includes any discounts or premiums on acquisition and transaction costs integral to calculating the effective interest rate but does not include future credit losses.

###### *Impairment of Loans and Receivables*

The assessment of impairment for loans and receivables is based around the credit worthiness of the counterparty and their ability to meet their financial obligations. Loans and receivables are individually assessed for evidence of impairment and in addition, loans and receivables are included in a group of financial assets with similar credit risk characteristics and collectively, the group of loans or receivables are assessed for impairment.

When an ACT Government agency is the counterparty to a loan or receivable, a review is performed against the latest published budget estimates for any indication of impairment or write-offs. When the counterparty for a particular loan or receivable is a non-ACT Government agency, an assessment is made as to whether there is objective evidence of impairment, or collectively for financial assets not considered individually significant.

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### 2.10 Loans and Receivables - Continued

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Income and Expenses on Behalf of the Territory. Interest income continues to be accrued based on the original effective interest rate of that asset.

Loans, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery and all collateral (if any) has been realised. If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is reduced by adjusting the allowance account. When any part of a claim is deemed uncollectible or forgiven, a write-off is charged against the allowance account.

##### *Accrued Investment Interest, Other Accrued Revenue and Receivables from ACT Government agencies*

Accrued Investment Interest (including interest receivable, unit trust distributions and other receivables) are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on behalf of the Territory. Interest and unit trust distributions are accrued when the right to receive payment is established. Other accrued revenue and receivables comprises accrued transfer revenue, any residual revenues and receivables owing by any ACT Government agencies. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Territory Banking Account will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial. The amount of the impairment loss is recognised in profit or loss within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

As at 30 June 2015, it has been assessed that there is no objective evidence that the loans and receivables of the Territory Banking Account are impaired.

##### 2.11 Financial Investments

The investment assets of the Territory Banking Account represent the cash and investment holdings of the Territory as at reporting date. The level of cash held and invested, is subject to the combination of the short term daily cash needs and the medium to long term requirements of the Territory.

CMTEDD manages the financial investment assets in accordance with an asset allocation that takes into account the risk and return objectives of the Territory and the time horizon of the Territory's cash flow requirements. The investment portfolio is diversified across a cash fund, a cash enhanced fund and fixed income fund. As a result, the principal financial investment instruments of the Territory Banking Account's investment portfolio include cash, floating rate notes and fixed income bonds.



# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### 2.11 Financial Investments - Continued

The combination of investment classes is designed to achieve the maximum return within the allowable risk tolerances and liquidity needs of the Territory.

External, asset class specific institutional investment managers are appointed to manage the Territory's financial investment assets accounted for in the Territory Banking Account. These assets are managed:

- (i) directly through an actively-managed strategy utilising a separate discrete mandate (Territory directly owns the securities) where the investment manager aims to outperform the relevant performance benchmark index (gross of fees); or
- (ii) indirectly through an actively-managed or passively-managed index strategy utilising unlisted pooled unit trusts where the investment manager either aims to outperform the relevant performance benchmark index or match the relevant performance benchmark index.

The FMA and *Financial Management (Investment and Borrowing) Guidelines 2011* prescribe the allowable investments that may be entered into in respect of the funds held in the Territory Banking Account. These legislative provisions are also recognised in the investment management agreements with investment managers as relevant.

##### *Recognition of Financial Investments*

The Territory Banking Account recognises a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of investment assets are recognised on the trade date. Regular way purchases and sales means the purchases and sales of investment assets occur under a contract whose terms require delivery of the asset within the timeframe established generally by regulation or convention in the marketplace concerned.

##### *Initial Measurement*

Investment assets in the scope of Australian Accounting Standard AASB 139: 'Financial Instruments: Recognition and Measurement' (AASB 139) are designated upon initial recognition as financial assets, at fair value through the profit and loss (FVTPL) in the Statement of Income and Expenses on Behalf of the Territory on the basis that CMTEDD manages and evaluates the performance of the financial investment assets on a fair value basis in accordance with risk strategies. All transaction costs for such investments are recognised directly in the Statement of Income and Expenses on behalf of the Territory.

##### *Subsequent Measurement*

After initial measurement, investments assets which are classified as at FVTPL are measured at fair value. Subsequent changes in the fair value of those Investments are recorded in the Statement of Income and Expenses on behalf of the Territory as gain/loss on Investments at FVTPL. Interest and distributions earned on these investments are recorded separately in interest revenue and distribution revenue.

##### *Derecognition*

An investment asset is derecognised where the rights to receive cash flows from the asset have expired or the Territory Banking Account has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either:

- (i) the Territory Banking Account has transferred substantially all the risks and rewards of the asset; or
- (ii) the Territory Banking Account has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

# **Territory Banking Account**

## **Notes to and Forming Part of the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### **2.11 Financial Investments - Continued**

When the Territory Banking Account has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Territory Banking Account's continuing involvement in the asset. In that case, the Territory Banking Account also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that has been retained.

##### *Determination of Fair Value*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to the Territory Banking Account.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. The fair value for investments traded in active markets at the reporting date is based on the most representative price within the bid-ask spread, without any deduction for transaction costs. Securities defined in these accounts as 'listed' are traded in an active market.

For all other investments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include the market approach by using recent arm's length market transactions adjusted as necessary and reference to the current market value of another instrument that is substantially the same and the income approach through using discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible.

For assets and liabilities that are recognised in the financial statements on a recurring basis, it is determined whether transfers have occurred between levels in the fair value hierarchy by re-assessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described under Note 4.4: 'Fair Value of Financial Assets and Liabilities', based on the lowest level input that is significant to the fair value measurement as a whole.

##### **2.12 Financial Derivative Instruments**

##### *Investment Portfolio*

The FMA and *Financial Management (Investment and Borrowing) Guidelines 2011* prescribe the extent to which derivatives may be used and specifically prohibits the use of any derivative financial instruments for speculative or leveraging purposes. There is also a prohibition on the holding of any uncovered derivative position (must be asset backed or a reasonable hedge) or a derivative for which the potential exposure cannot be reliably measured.



# **Territory Banking Account**

## **Notes to and Forming Part of the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### **2.12 Financial Derivative Instruments - Continued**

Notwithstanding these limitations, financial derivatives are used for maximising the efficiencies within the investment portfolio in the pursuit of the investment objectives, optimising transaction flows, as well as the protection of the investments by minimising adverse effects of a range of financial market risks.

The investments held in discrete mandate strategies include exposure to futures and swaps, where the derivatives are held to gain underlying market exposure or to manage financial risks. The investments held indirectly in pooled unit trusts also utilise futures, swaps and forward rate agreements.

Derivative financial instruments are initially recognised at fair value on trade date, namely when the derivative contract is entered into, and are subsequently remeasured to fair value. Any gains or losses arising from changes in the fair value of derivatives are recognised in the Statement of Income and Expenses on Behalf of the Territory under the classification of gains or (losses) on financial assets at fair value through profit or loss.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

The fair value of directly held derivative instruments is disclosed in Note 7.3: 'Investments'.

##### *Borrowing Portfolio*

The Territory Banking Account may directly undertake financial derivative transactions as part of the management of interest-bearing liabilities of the Territory Banking Account.

##### **2.13 Payables**

Payables are a financial liability and are measured at fair value when initially recognised and at amortised cost subsequent to initial recognition, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory. All amounts are normally settled within 30 days after the invoice date.

Payables include trade payables, investment interest owing to ACT Government agencies and interest owing on borrowings to external counterparties. Trade Payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Territory Banking Account. Interest payable is calculated and determined using the effective interest method.

##### **2.14 Interest-Bearing Liabilities**

Interest-bearing liabilities accounted through the Territory Banking Account include investments made by ACT Government agencies and external borrowings of the Territory. Investments made by ACT Government agencies into the Territory Banking Account investment portfolio are initially recognised at fair value of the consideration received and subsequently remeasured to fair value through profit and loss. All borrowings are initially recognised at the fair value of the consideration received net of directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest rate method.

# **Territory Banking Account**

## **Notes to and Forming Part of the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

##### **2.14 Interest-Bearing Liabilities - Continued**

###### *Inflation linked Bonds*

Inflation linked Bonds are measured at amortised cost. The embedded derivative representing the variability in cash flows is treated as closely related to the host instrument and therefore not separately identified for fair valuation purposes. The Territory Banking Account recognises interest expense on these inflation linked bonds using the effective interest rate method. At inception, the effective interest rate is calculated by taking into account the expectations of future inflation. At the end of each reporting period, the interest expense recognised is adjusted to take into account the actual inflation during the reporting period.

##### **2.15 Taxation**

The Territory Banking Account is not subject to income tax or income tax equivalents, but is subject to the Goods and Services Tax.

##### **2.16 Budgetary Reporting**

Explanations of major variances between the 2014-15 original budget and the 30 June 2015 actual results are discussed in Note 16: 'Budgetary Reporting – Territorial - Explanations of Major Variances between Actual Amounts and Original Budget Amounts'.

The definition of 'major variances' is provided in Note 2.17: 'Significant Accounting Judgements, Estimates and Assumptions'.

Original budget refers to the original budgeted financial statements presented to the Legislative Assembly in a form that is consistent with the Territory Banking Account's annual financial statements. The 2014-15 budget numbers have not been audited.

Budgetary reporting is disclosed for the territorial financial statements with the exception of Statement of Changes in Equity as relevant line items are included in other financial statements.

##### **2.17 Significant Accounting Judgements, Estimates and Assumptions**

In the process of applying the accounting policies listed in this note, the Territory Banking Account has made the following judgements and estimates that have the most significant impact on the amounts recorded in the financial statements:

###### **(a) Fair Value of Financial Instruments**

When the fair values of financial assets and financial liabilities recorded in the Statement of Assets and Liabilities on Behalf of the Territory cannot be derived from active markets, fair value is determined using a variety of valuation techniques that include the use of valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. Changes in assumptions could affect the reported fair value of financial instruments in the Statement of Assets and Liabilities on Behalf of the Territory and the level where the instruments are disclosed in the Fair Value Hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification) when available.

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2                      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**2.17      Significant Accounting Judgements, Estimates and Assumptions - Continued**

**(a)      *Fair Value of Financial Instruments – Continued***

*Financial Investments*

The Territory Banking Account considers the valuation techniques and inputs used in valuing unlisted unit trust investments to ensure they are reasonable and appropriate prior to investing and therefore the Net Asset Value of these investments may be used as an input into measuring their fair value.

In measuring this fair value the Net Asset Value of the investments is adjusted, as necessary, to reflect any restrictions on redemptions, future commitments, and other specific factors of the investment and fund manager.

*Interest-Bearing Liabilities*

During the financial year a loan of \$750 million was provided by the Commonwealth Government for the Scheme. The transaction price reflects the fair value of the loan based on a level 2 valuation assessment. As there is no identical instrument available at measurement date which is quoted in an active market (level 1 input) to provide observable evidence of the fair value of the loan, the fair value of the loan was estimated by discounting future cash flows using rates currently available for a comparable instrument, being the 10-year ACT Government financial market bond instrument and making adjustments for factors specific to the Commonwealth loan. On the basis of this valuation, the fair value of the loan approximates the transaction price. Any difference between the fair value resulting from the level 2 valuation technique of the loan and the transaction price reflects the differing risk profile of the two instruments and estimation uncertainty.

**(b)      *Budgetary Reporting***

Significant judgements have been applied in determining what variances are considered as 'major variances' requiring explanations in Note 16: 'Budgetary Reporting – Territorial - Explanations of Major Variances between Actual Amounts and Original Budget Amounts'. Variances are considered to be major variances if both of the following criteria are met:

- (i) The line item is a significant line item when the actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- (ii) the variances (original budget to actual) are greater than plus (+) or minus (-) 10% for the budget for the financial statement line item.

Further information on this is provided in Note 2.16: 'Budgetary Reporting'.

**2.18      Impact of Accounting Standards Issued but yet to be Applied**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Territory Banking Account for the annual reporting period ending 30 June 2015.

Those relevant to the Territory Banking Account as outlined below are necessarily abbreviated and should be viewed in conjunction with the Australian Accounting Standard Board's website for the full assessment of its impact. CMTEDD does not expect a significant impact on the adoption of these standards. This assessment is based on an initial assessment at this date, but may change on further review. The Territory Banking Account intends to adopt all of the standards upon their application date. No accounting standard has been adopted earlier than the effective date in the current period.

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

##### 2.18 Impact of Accounting Standards Issued but yet to be Applied - Continued

- AASB 9 Financial Instruments (December 2014) (application date 1 Jan 2018);
- AASB 15 Revenue from Contracts with Customers (application date 1 Jan 2017);
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (application date 1 Jan 2018);
- AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8];
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part C Financial Instruments [AASB 9 (December 2009), 2009-11, AASB 9 (December 2010) & 2010-7] (application date 1 Jan 2015);
- AASB 2014-1 Amendments to Australian Accounting Standards – Part E Financial Instruments [AASB 1, 3, 4, 5, 7, 9 (December 2009), 9 (December 2010), 101, 102, 108, 112, 118, 120, 121, 132, 136, 137, 139, Interpretation 2, 5, 10, 12, 16, 19, and 107] (application date 1 Jan 2018);
- AASB 2014-3 Amendments Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & 11] (application date 1 Jan 2016);
- AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 [AASB 1, 3, 4, 9 (December 2009) (December 2010), 101, 102, 112, 116, 132, 134, 134, 137, 138, 139, 140, 1023, 1038, 1039, 1049, 1053, 1056, Interpretation 12, 127, 132, 1031, 1038 & 1052] (application date 1 Jan 2017);
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) [AASB 1, 2, 3, 4, 5, 7, 13, 101, 102, 108, 110, 112, 120, 121, 123, 128, 132, 133, 136, 137, 139, 1023, 1038, 1049, Interpretation 2, 5, 10, 12, 16, 19 & 127] (application date 1 Jan 2018);
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (application date 1 Jan 2015);
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & 128] (application date 1 Jan 2016);
- 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle [AASB 1, 2, 3, 5, 7, 11, 110, 119, 121, 133, 134, 137 & 140] (application date 1 Jan 2016);
- 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 & 1049] (application date 1 Jan 2016);
- 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality [AASB 6, 10, 11, 12, 107, 108, 110, 111, 117, 123, 127, 128, 129, 133, 141, 1004, 1039, 1053, and 1054] (application date 1 January 2015);
- 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12 & AASB 128] (application date 1 Jan 2016); and
- AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities (application date 1 Jan 2016).

#### NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES

There were no changes in accounting policies and estimates for the Territory Banking Account for the year ended 30 June 2015.

## Territory Banking Account

### Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 4 FINANCIAL RISK MANAGEMENT

CMTEDD provides services to the Government including financial asset and liability management through the establishment of investment and borrowing policies and objectives, and the coordination and implementation of cash management, investment and borrowing activities. CMTEDD, through the Territory Banking Account, recognises and manages the general government's investment assets and debt liabilities.

##### *Investments*

The investment assets accounted for in the Territory Banking Account include Australian money market securities and Australian fixed interest securities.

CMTEDD does not undertake investment management in-house. Asset class specific institutional investment managers are appointed to manage the financial investment assets held within the Territory Banking Account. The individual investment management agreements prescribe the allowable investments that may be entered into in accordance with the FMA and *Financial Management (Investment and Borrowing) Guidelines 2011*.

The exposure to key financial risks, including interest rate, price and credit risk is managed in accordance with established financial risk management parameters to support the delivery of the Territory Banking Account's financial targets.

Derivatives are an essential part of the investment process, and their use must be within the strategy, objectives and constraints permitted by individual investment management agreements or trust deeds as relevant, as agreed by CMTEDD. Derivatives may be used for the following (including, but not limited to): hedging - protecting an asset or a cash flow against, or limiting liability from, fluctuations in market value or interest rate movements or foreign currency exposures; managing investment portfolio volatility; enabling greater access to markets or obtain prices not available in the physical markets; and to achieve greater transactional efficiency, practicality, transparency and/or cost effectiveness in the implementation of investment strategies or management of risks.

CMTEDD is responsible for the overall setting, identification and control of financial risks undertaken in the management of the investment portfolio of the Territory Banking Account. This is done in part by the setting of limits for trading in derivatives, hedging cover of interest rate risk, credit allowances, and future cash flow forecast projections. The investment guidelines, including allowable investments and derivatives limitations, are represented in the investment management agreements established with each contracted investment fund manager. The appointed master custodian performs investment mandate and derivatives usage monitoring in accordance with these guidelines, with any exceptions reported, investigated and resolved.

##### *Borrowings*

Financial liabilities comprises borrowings funded by promissory notes, fixed rate nominal bonds, inflation linked bonds and Commonwealth loans as well as designated hedging derivatives.

For borrowings, derivatives may be used for the purposes of managing interest rate exposures. Interest rate exposure may be managed by the use of interest rate swap financial instruments to exchange variable interest payment obligations with fixed interest rate payments, and vice versa, to manage the risk of increasing or decreasing interest rates.

The main risks resulting from the financial instruments used in the management of the Territory Banking Account's assets and liabilities are discussed in Notes 4.1 to 4.3 on the following pages. Details of the significant accounting policies for these financial assets and liabilities are disclosed in Note 2: 'Summary of Significant Accounting Policies'.



**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED**

**4.1 Market Risk**

Market risk is the risk that the fair value or future cash flows of the financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk. The Territory Banking Account does not have exposure to currency risk. The exposure to market risk is a result of the asset allocation strategy prescribing investments across certain asset classes.

Exposure to the individual market risk is detailed below.

**(a) Interest Rate Risk**

*Investment Portfolio*

Interest rate risk is the risk that the fair value or future cash flows of a financial market instrument will fluctuate because of changes in market interest rates. The financial instruments of the Territory Banking Account are exposed to interest rate risk via the 'Cash' and 'Investments at Fair Value through Profit or Loss' allocations.

Changes in the fair market valuations or future cash flows of investments resulting from changes in interest rates have a direct impact on the Statement of Income and Expenses on Behalf of the Territory and the Statement of Assets and Liabilities on Behalf of the Territory.

The exposure to Cash and Investments at Fair Value through Profit or Loss holdings is detailed in Note 7.3: 'Investments'. Interest rate risk is measured and monitored by the calculation of the duration of the investment portfolios which approximates the change in portfolio valuation from a percentage change in market interest rates. The only component of the financial instruments directly impacted by interest rates volatility for the purposes of quantifying the interest rate sensitivities are the cash, discount securities, floating rate notes and fixed income securities either within the individual portfolios or the master custodian accounts for the investment portfolio.

The investment portfolio includes an exposure to financial debt instruments through the cash and the fixed income pooled unit trusts. It would normally be expected that all debt instruments have a direct exposure to interest rate risk. However, because the investments are made in a pooled unit trust, it is the unit price which reflects the value of the financial investment. On this basis, the sensitivity of changes to the unit price for these debt instrument investments is included in Note 4.1(b): 'Other Price Risk and inflation risk'.

*Loans Receivable*

Loans receivable are only held with ACT Government agencies. The loans that are impacted by interest rate volatility include those variable loans recorded at amortised cost with CMTEDD.

*Borrowing Portfolio*

To mitigate exposure to volatile interest rates on the floating rate components of the general government debt portfolio, domestic interest rate swap transactions may be established (without the use of collateral). Interest rate swap transactions may be undertaken to exchange variable interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The Territory Banking Account has both variable and fixed interest rate exposures. A credit risk management framework is established for any interest rate swap transactions and transactions are only made with high quality counterparties.

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED**

**4.1 Market Risk – Continued**

**(a) Interest Rate Risk – Continued**

As at the end of the period, financial assets and liabilities exposed to interest rate risk are; cash at bank, securities held within the Cash Enhanced Portfolio and the corresponding liabilities owing to ACT Government agencies, variable rate loans provided to other ACT Government agencies and the Territory Banking Account short term variable rate borrowings. For the purposes of sensitivity analysis, exposure to interest rate risk is performed on the abovementioned items as at reporting dates.

	Fixed Rate Instruments		Variable Rate Instruments	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Financial Assets	221,286	636,860	1,297,567	599,110
Financial Liabilities	165,840	487,151	859,999	277,442
<b>Net Exposure before the effect of Derivatives</b>	<b>55,446</b>	<b>149,709</b>	<b>437,568</b>	<b>321,668</b>

Fixed rate instruments comprise financial assets and financial liabilities at Fair Value through Profit and Loss that are exposed to changes in fair value due to changes in interest rates. Variable rate instruments comprise instruments that are exposed to either changes in fair values or changes in cash flows (or both) due to changes in interest rates.

*Interest Rate Risk Sensitivity Disclosure Analysis*

At balance date, the interest rate profile of the Territory Banking Account's interest-bearing financial instruments comprising fixed and variable rate instruments, is disclosed below.

The following table demonstrates the 'reasonably possible' impact on profit or loss and the impact on equity over the next 12 months if interest rates change by +/- 1.0 per cent from the year-end official cash interest rate of 2.00% (2014: 2.50%) with all other variables held constant.

30 June 2015	Fixed Rate Instruments		Variable Rate Instruments	
	+1.0% Profit/(Loss) and Equity Impact \$'000	-1.0% Profit/(Loss) and Equity Impact \$'000	+1.0% Profit/(Loss) and Equity Impact \$'000	-1.0% Profit/(Loss) and Equity Impact \$'000
Financial Assets	(2,213)	2,213	12,372	(12,372)
Financial Liabilities	(1,658)	1,658	7,006	(7,006)
<b>Net Increase/(Decrease)</b>	<b>(555)</b>	<b>555</b>	<b>5,366</b>	<b>(5,366)</b>

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED**

**4.1 Market Risk – Continued**

**(a) Interest Rate Risk – Continued**

30 June 2014	Fixed Rate Instruments		Variable Rate Instruments	
	+1.0% Profit/(Loss) and Equity Impact \$'000	-1.0% Profit/(Loss) and Equity Impact \$'000	+1.0% Profit/(Loss) and Equity Impact \$'000	-1.0% Profit/(Loss) and Equity Impact \$'000
Financial Assets	(6,369)	6,369	5,991	(5,991)
Financial Liabilities	(3,981)	3,981	3,665	(3,665)
<b>Net Assets</b>	<b>(2,388)</b>	<b>2,388</b>	<b>2,326</b>	<b>(2,326)</b>

The following assumptions were used in determining the sensitivity of financial instruments to interest rate risk:

- (i) The sensitivity calculation is based on the net exposure to interest rates after taking into account the effect of derivatives (if any).
- (ii) For derivatives, to calculate the effect on the fair value of derivatives after reasonable possible movements in interest rates, a parallel shift is applied to the spot-rate yield curve with all other factors held constant.
- (iii) To isolate the sensitivity of the financial instruments to interest rate risk the effect of credit risk is ignored.
- (iv) The derivatives are assumed to be held to expiry.

There were no changes from the previous period in the methods and assumptions used in the above analysis.

**(b) Other Price Risk and Inflation Risk**

Financial instrument investments held in the Territory Banking Account are exposed to other price risk. Other price risk is the risk that the fair value or future cash flows of a financial investment may fluctuate because of the changes in other market prices. Other price risk arises from the exposure to fixed interest investments (the unitised pooled cash and fixed income trusts) which are exposed to changes in unit prices. The exposure to other price risk has a direct impact on the Statement of Income and Expenses on Behalf of the Territory.

For purposes of sensitivity analysis, exposure to other price risk is performed on the units held by the Territory Banking Account as at reporting dates. As at 30 June, the exposure to other price risk was as follows:

	Note No.	Exposure to Unit Prices	
		2015 \$'000	2014 \$'000
Cash and Fixed Income – Unit Trusts	7.3	287,967	226,960
<b>Total Exposure</b>		<b>287,967</b>	<b>226,960</b>



**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED**

**4.1 Market Risk – Continued**

**(b) Other Price Risk and Inflation Risk - Continued**

Inflation risk is the risk that future cash flows on an inflation linked instrument may fluctuate due to changes in inflation rates. Inflation risk arises from inflation indexed bonds which are exposed to inflation rates. The exposure to inflation risk has a direct impact on the Statement of Income and Expenses on Behalf of the Territory.

As at 30 June, the exposure to inflation risk was as follows:

	<b>Exposure to Inflation</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Financial Assets (Inflation Linked Bonds)	819,300	835,524
Financial Liabilities (Inflation Linked Bonds)	817,927	834,092
<b>Net Exposure</b>	<b>1,373</b>	<b>1,432</b>

*Other Price Risk and Inflation Risk Sensitivity Disclosure Analysis*

The following table summarises the 'reasonably possible' impact on profit or loss and the impact on equity over the next 12 months if other price risk changes by the volatility factors from the target index with all other variables held constant. For purposes of sensitivity analysis, exposure to other price risk is performed on the units held by the Territory Banking Account and the inflation linked bonds assets and liabilities as at reporting dates. As at 30 June the exposure to other price risk was as follows:

	<b>% Increase in Index</b>		<b>% Decrease in Index</b>	
	<b>Profit/(Loss) Impact \$'000</b>	<b>Equity Impact \$'000</b>	<b>Profit/(Loss) Impact \$'000</b>	<b>Equity Impact \$'000</b>
<b>30 June 2015</b>				
<b>Investment Assets</b>				
Fixed Income (+/- 5%)	6,663	6,663	(6,663)	(6,663)
Inflation Rate (+/- 2.5%)	394	394	0	0
<b>Total Increase/(Decrease)</b>	<b>7,057</b>	<b>7,057</b>	<b>(6,663)</b>	<b>(6,663)</b>

	<b>% Increase in Index</b>		<b>% Decrease in Index</b>	
	<b>Profit/(Loss) Impact \$'000</b>	<b>Equity Impact \$'000</b>	<b>Profit/(Loss) Impact \$'000</b>	<b>Equity Impact \$'000</b>
<b>30 June 2014</b>				
<b>Investment Assets</b>				
Fixed Income (+/- 5%)	6,562	6,562	(6,562)	(6,562)
Inflation Rate (+/- 2.5%)	435	435	0	0
<b>Total Increase/(Decrease)</b>	<b>6,997</b>	<b>6,997</b>	<b>(6,562)</b>	<b>(6,562)</b>

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

##### 4.2 Credit Risk

Credit risk arises from the financial assets comprising cash, loans and receivables and investments held at fair value through profit or loss. Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. CMTEDD, through relevant guidelines, has adopted the policy of spreading the aggregate value of transactions concluded amongst approved counterparties with appropriate credit qualities, as a means of mitigating the risk of financial loss.

Financial arrangements in respect of the business conducted through the Territory Banking Account are such that the more significant credit risk will arise with those financial assets and liabilities involving external parties (non-ACT Government agencies). Loans and receivables to other ACT Government agencies are subject to whole-of-government decisions taken in the setting of the Territory Budget - which is performed on an annual basis.

Financial dealings are only undertaken with other ACT Government agencies or appropriately rated counterparties as detailed within each individual investment management contract established with the external investment managers in accordance with the *Financial Management (Investment and Borrowing) Guidelines 2011*.

The maximum amount of credit risk is limited to the carrying amount of the financial investment assets accounted for in the Territory Banking Account financial statements. As at 30 June 2015, the Territory Banking Account does not hold any credit enhancements relating to any of its financial assets (nil: 30 June 2014).

Credit ratings are based on an investment grade credit rating assessment made by Standard and Poor's or equivalent Moody's rating. The prescribed limitations include investing in assets of investment grade (minimum A-2 short-term credit rating and minimum BBB- long-term credit rating).

A credit rating is a current assessment of the ability of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. A credit rating of AAA exhibits an extremely strong capacity to meet financial commitments as opposed to a credit rating of AA or BBB. As at reporting date, the investment portfolio comprises a diversified portfolio of securities to minimise counterparties' risk of default.

The following table shows the maximum exposure to credit risk at the reporting date. It is the opinion of CMTEDD that the carrying amounts of these financial assets represent the maximum credit risk exposure at the balance sheet date. There were no significant concentrations of credit risk to counterparties. No individual investment exceeds 5% of net financial assets at 30 June 2015 (nil: 30 June 2014).

For purposes of sensitivity analysis, exposure to credit risk is performed on the units and the securities held by the Territory Banking Account as at reporting dates.

The following table details the credit risk exposure of investments of the Territory Banking Account.

30 June 2015	Credit Quality of Rated Instruments				Total \$'000
	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	
<b>Directly Held</b>					
Cash Enhanced Fund	303,991	103,281	577,545	14,489	999,306
<b>Indirectly Held</b>					
Unit Trust (Debt Instruments)	96,230	26,827	162,241	2,669	287,967
<b>Total</b>	<b>400,221</b>	<b>130,108</b>	<b>739,786</b>	<b>17,158</b>	<b>1,287,273</b>

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

##### 4.2 Credit Risk - Continued

30 June 2014	Credit Quality of Rated Instruments				
	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	Total \$'000
<b>Directly Held</b>					
Cash Enhanced Fund	360,921	81,603	609,970	14,815	1,067,309
<b>Indirectly Held</b>					
Unit Trust (Debt Instruments)	94,388	110,369	19,968	2,235	226,960
<b>Total</b>	<b>455,309</b>	<b>191,972</b>	<b>629,938</b>	<b>17,050</b>	<b>1,294,269</b>

##### *Financial Assets that are Either Past Due or Impaired*

The Territory Banking Account does not have any impaired financial assets as at 30 June 2015 (nil: 30 June 2014). None of the terms of the Territory Banking Account's financial assets have been renegotiated so as to prevent these assets from being past due or impaired.

##### 4.3 Liquidity Risk

Liquidity risk is the risk that the Territory Banking Account is unable to meet its financial obligations as they fall due. CMTEDD's objective for the Territory Banking Account is to minimise liquidity risk by monitoring financial obligations as they fall due. CMTEDD, through the Territory Banking Account, manages this risk by only investing in an adequate amount of high grade securities that fall within the limitations set out in the investment guidelines and transacting with reputable counterparties. The investments of the Territory Banking Account are made in liquid markets and are readily redeemable if required. The Territory Banking Account is the end recipient of the majority of all Territorial revenues such as taxes, fees, fines and Commonwealth Government funding.

CMTEDD is able to access the Territory's borrowing program for which there is capacity to seek short or long term funding as required. Forecasts of future cash flows and borrowing maturities are maintained to ensure that there is sufficient funding available for any required settlements. Accordingly, the Territory Banking Account will have sufficient cash to meet the expenditure allocations as set out in the Territory Budget.

##### *Analysis of Financial Liabilities based on Management Expectations*

The risk implied from the values shown in the table below shows contracted cash outflows from payables and other financial liabilities and is a reflection of ongoing business operations of the Territory Banking Account. The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities and expected settlement of financial liabilities. The amounts disclosed represent undiscounted cash flows for the respective obligations and expectations in respect of upcoming fiscal years.

30 June 2015	Less than 3 Months \$'000	3 Months to Less than 1 Year \$'000	1 Year to Less than 5 Years \$'000	Greater than 5 Years \$'000	Total \$'000
<b>Non Derivatives</b>					
Payables	35,847	0	0	0	35,847
Interest-Bearing Liabilities	113,288	224,196	1,882,832	2,853,593	5,073,909
<b>Total Non Derivatives</b>	<b>149,135</b>	<b>244,196</b>	<b>1,888,832</b>	<b>2,853,593</b>	<b>5,109,756</b>
<b>Derivatives</b>					
Net Settled (Swaps, Futures)	220	662	2,723	0	3,605
<b>Total Derivatives</b>	<b>220</b>	<b>662</b>	<b>2,723</b>	<b>0</b>	<b>3,605</b>

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED**

**4.3 Liquidity Risk - Continued**

30 June 2014	Less than 3 Months	3 Months to Less than 1 Year	1 Year to Less than 5 Years	Greater than 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Non Derivatives</b>					
Payables	35,710	0	0	0	35,710
Interest-Bearing Liabilities	207,010	164,678	1,137,637	2,762,286	4,271,611
<b>Total Non Derivatives</b>	<b>242,720</b>	<b>164,678</b>	<b>1,137,637</b>	<b>2,762,286</b>	<b>4,307,321</b>
<b>Derivatives</b>					
Net Settled (Swaps, Futures)	389	0	5,522	0	5,911
<b>Total Derivatives</b>	<b>389</b>	<b>0</b>	<b>5,522</b>	<b>0</b>	<b>5,911</b>

**4.4 Fair Value of Financial Assets and Liabilities**

In preparing these financial statements, the carrying amount of financial assets and financial liabilities recorded in the financial statements are considered to be a fair approximation of their fair values except for certain items within class of assets and liabilities highlighted in the following tables. Disclosure of the basis of determination of the fair values has been provided in each accounting policy note where relevant.

As provided in Note 2.10: 'Loans and Receivables' and Note 2.14: 'Interest-Bearing Liabilities' these classes of assets and liabilities are held on a long term basis (to maturity). These classes of assets and liabilities are initially measured at fair value and subsequently re-measured at amortised cost using the effective interest method. Fair value for these classes of assets and liabilities has been determined in reference to published price quotations in active markets (nominal fixed rate notes and indexed annuity bonds) and in non-active markets (fixed rate or historical Commonwealth loans) using discounted cash flow analysis valuation, applying prevailing discount rates of issuing entities with similar credit quality and duration profiles.

		2015		2014	
	Note No.	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
<b>Financial Assets</b>					
Loans and Receivables	7.2	1,894,158	2,119,799	1,816,271	1,982,631
<b>Financial Liabilities</b>					
Interest-Bearing Liabilities	8.2	4,994,156	5,309,728	4,014,819	3,758,838

**(a) Fair Value Measurements Recognised in the Statement of Assets and Liabilities on Behalf of the Territory**

The table below provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable considering the lowest level input that is significant to the fair value measurement as a whole.

- (i) Level 1 – Fair Value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 – Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); or
- (iii) Level 3 – Fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED**

**4.4 Fair Value of Financial Assets and Liabilities - Continued**

**(a) Fair Value Measurements Recognised in the Statement of Assets and Liabilities on Behalf of the Territory - Continued**

For the purposes of presenting the Fair Value Hierarchy, analysis is performed on the units and the securities held by the Territory Banking Account as at reporting dates.

**(b) Recurring Fair Value Measurement of Assets and Liabilities**

30 June 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets and Liabilities Measured at Fair Value</b>				
<b>Financial Assets</b>				
<i>Investments Directly Held</i>				
Cash Enhanced Fund	373,661	627,228	0	1,000,889
Financial Derivatives				
<i>Investments Indirectly Held</i>				
Unit Trust - Cash	0	154,500	0	154,500
Unit Trust – Fixed Income	0	133,257	0	133,257
<b>Financial Liabilities</b>				
<i>Investments Directly Held</i>				
Derivatives	67	3,538	0	3,605
<b>Assets and Liabilities for which Fair Values are Disclosed</b>				
<b>Financial Assets</b>				
Loans and Receivables	0	1,658,951	0	1,658,951
<b>Financial Liabilities</b>				
Interest-Bearing Liabilities	0	4,120,200	0	4,120,200
<b>Net Assets</b>	<b>373,728</b>	<b>(1,542,727)</b>	<b>0</b>	<b>(1,168,998)</b>

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED**

**4.4 Fair Value of Financial Assets and Liabilities – Continued**

**(b) Recurring Fair Value Measurement of Assets and Liabilities - Continued**

30 June 2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets and Liabilities Measured at Fair Value</b>				
<b>Financial Assets</b>				
<i>Investments Directly Held</i>				
Cash Enhanced Fund	352,025	715,676	0	1,067,701
<i>Investments Indirectly Held</i>				
Unit Trust - Cash	0	95,500	0	95,500
Unit Trust – Fixed Income	0	131,249	0	131,249
<b>Financial Liabilities</b>				
<i>Investments Directly Held</i>				
Financial Derivatives	389	5,522	0	5,911
<b>Assets and Liabilities for which Fair Values are Disclosed</b>				
<b>Financial Assets</b>				
Loans and Receivables	0	1,615,512	0	1,615,512
<b>Financial Liabilities</b>				
Interest-Bearing Liabilities	0	3,243,845	0	3,243,845
<b>Net Assets</b>	<b>351,636</b>	<b>(691,430)</b>	<b>0</b>	<b>(339,794)</b>

*Transfers between Levels 1 and 2*

There were no significant transfers between Level 1 and Level 2 during the year.

**(c) Valuation Techniques and Inputs**

Quoted market price represents the fair value determined based on quoted prices on active markets for identical assets as at the reporting date without any deduction for transaction costs.

The investments in unlisted unit trusts includes domestic cash and fixed income which are not quoted in an active market and which may be subject to restrictions on redemptions.

Fair values of these investments are determined by using valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs. The investment manager considers the valuation techniques and inputs used in valuing these units as part of its due diligence prior to investing, to ensure they are reasonable and appropriate and therefore the Net Asset Value of these units may be used as an input into measuring their fair value. In measuring this fair value, the Net Asset Value of the funds is adjusted, as necessary, to reflect restrictions on redemptions, future commitments, and other specific factors of the units trust and fund manager. Depending on the nature and level of adjustments needed to the Net Asset Value and the level of trading in the unit trusts, these investments are classified as Level 2.



# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED

##### 4.4 Fair Value of Financial Assets and Liabilities – Continued

##### (c) Valuation Techniques and Inputs - Continued

Fixed income securities are priced daily with reference to the quoted bid price for the securities in the relevant active market. Investments in this asset class are made through unlisted unit trusts that are priced daily with distributions received quarterly. The fair values of fixed interest security units are classified as Level 2.

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates. Financial derivatives are classified as either Level 1 or Level 2.

Fair value for loans and receivables and interest bearing liabilities has been determined by reference to published price quotations in active markets and applying the appropriate valuation technique for the instrument including observable market pricing and discounted cash flow methodology. The non-performance risk as at 30 June 2015 was assessed to be insignificant.

##### 4.5 Categorisation of Financial Assets and Liabilities

The accounting classification of each category of financial instruments, for the Territory Banking Account, for the years ending 30 June 2015 and 30 June 2014 is as follows:

30 June 2015		Loans & Receivables \$'000	Financial Assets at FVTPL Designated \$'000	Financial Assets at FVTPL Held for Trading \$'000	Financial Liabilities at Amortised Cost \$'000	Total Carrying Amount \$'000
	Note No.					
<b>Financial Assets</b>						
Loans & Receivable	7.2	1,894,158	0	0	0	1,894,158
Financial Assets at FVTPL						
<i>Directly Held</i>						
Cash Enhanced Fund	7.3	0	1,147,960	0	0	1,147,960
<i>Indirectly Held</i>						
Cash Fund Unit Trust	7.3	0	154,500	0	0	154,500
Fixed Income Unit Trust	7.3	0	133,467	0	0	133,467
<b>Financial Liabilities</b>						
Payables	8.1	0	0	0	29,901	29,901
Interest-Bearing Liabilities	8.2	0	0	0	4,994,156	4,994,156

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4 FINANCIAL RISK MANAGEMENT – CONTINUED**

**4.5 Categorisation of Financial Assets and Liabilities - Continued**

30 June 2014			Financial Assets at FVTPL	Financial Assets at FVTPL Held for Trading	Financial Liabilities at Amortised Cost	Total Carrying Amount
	Note No.	Loans & Receivables \$'000	Designated \$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>						
Loans & Receivable	7.2	1,816,271	0	0	0	1,816,271
Financial Assets at FVTPL						
<i>Directly Held</i>						
Cash Enhanced Fund	7.3	0	1,112,537	(5,288)	0	1,107,249
<i>Indirectly Held</i>						
Cash Fund Unit Trust	7.3	0	95,500	0	0	95,500
Fixed Income Unit Trust	7.3	0	131,460	0	0	131,460
<b>Financial Liabilities</b>						
Payables	8.1	0	0	0	35,520	35,520
Interest-Bearing Liabilities	8.2	0	0	0	4,014,819	4,014,819

**NOTE 5 INCOME ADMINISTERED ON BEHALF OF THE TERRITORY**

**5.1 Payment for Expenses on Behalf of the Territory**

	2015 \$'000	2014 \$'000
Payment for Expenses on Behalf of the Territory <sup>1</sup>	79,869	60,796
<b>Total Payment for Expenses on Behalf of the Territory</b>	<b>79,869</b>	<b>60,796</b>

<sup>1</sup> This represents appropriation funding to meet general government debt servicing interest liabilities on behalf of the Territory. The increase in 2014-15 reflects an increase in borrowing interest costs due to a higher level of outstanding borrowings over the financial year.

**5.2 Interest**

**5.2.1 Interest from Investments**

On Investments Directly Held <sup>2</sup>	31,746	26,637
On Investments Indirectly Held	2	0
Cash at Bank <sup>3</sup>	12,644	7,491
<b>Total Interest from Investments</b>	<b>44,392</b>	<b>34,128</b>

<sup>2</sup> Investments directly held represent assets directly owned and held through a discretely managed fund. Investment interest revenue was higher in 2014-15 due mainly to increased interest revenue from the cash enhanced fund as a result of higher balances during the financial year.

<sup>3</sup> Represents interest for ACT Government agencies transactional bank account balances from Westpac Banking Corporation. The increase in 2015 is due to higher levels of cash being retained in transactional banking accounts during the year.



# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 5 INCOME ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

##### 5.2 Interest - Continued

##### 5.2.2 Interest from Loans and Advances

	2015 \$'000	2014 \$'000
ACTION	386	438
Chief Minister, Treasury and Economic Development Directorate	1,747	3,029
Icon Water Limited <sup>4</sup>	70,592	78,171
University of Canberra <sup>5</sup>	2,830	3,289
<b>Total Interest from Loans and Advances</b>	<b>75,555</b>	<b>84,927</b>

<sup>4</sup> The decrease in 2014-15 from 2013-14 is due to a lower impact from changes in the consumer price index on the inflation-linked loans provided to Icon Water Limited.

<sup>5</sup> The decrease in 2014-15 from 2013-14 is due to a lower outstanding loan balance following the early repayment of loans.

<b>Total Interest</b>	<b>119,947</b>	<b>119,055</b>
-----------------------	----------------	----------------

##### 5.3 Distributions

On Investments Indirectly Held	9,452	11,768
<b>Total Distributions<sup>6</sup></b>	<b>9,452</b>	<b>11,768</b>

<sup>6</sup> The amount of distribution revenue received in any financial year is determined by a number of factors including the amount of assets held in unit trusts and the level of distributable income available for the period. The decrease in 2014-15 reflects lower investment returns impacting the amount of distribution available.

##### 5.4 Gains on Investments at Fair Value through Profit or Loss

##### 5.4.1 Realised Gains

On Investments Directly Held	1,622	6,056
<b>Total Realised Gains<sup>7</sup></b>	<b>1,622</b>	<b>6,056</b>

<sup>7</sup> The variance in realised gains from year to year reflects the trading activity of the investment managers and the individual asset class market returns achieved over the financial year.

##### 5.4.2 Unrealised Gains

On Investments Directly Held	2,507	0
On Investments Indirectly Held	1,755	795
<b>Total Unrealised Gains<sup>8</sup></b>	<b>4,262</b>	<b>795</b>

<sup>8</sup> The variance in realised gains from year to year reflects the trading activity of the investment managers and the individual asset class market returns achieved over the financial year.

<b>Total Gains on Investments at FVTPL</b>	<b>5,884</b>	<b>6,851</b>
--	--------------	--------------

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 5 INCOME ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

##### 5.5 Transfers from ACT Government Agencies

	2015 \$'000	2014 \$'000
ACT Gambling and Racing Commission	58,730	55,599
Chief Minister, Treasury and Economic Development Directorate <sup>10</sup>	3,077,372	1,701,878
Commerce and Works Directorate <sup>10</sup>	230,403	1,199,252
Education and Training Directorate	3	14
Environment and Sustainable Development Directorate	44,348	70,351
Health Directorate	1,267	1,133
Justice and Community Safety Directorate	99,686	192,202
Territory and Municipal Services Directorate	64,408	67,792
<b>Total Transfers from ACT Government Agencies<sup>9</sup></b>	<b>3,576,217</b>	<b>3,288,221</b>

<sup>9</sup> Transfer revenue represents the revenues collected by agencies on behalf of the Territory and then transferred to the Territory Banking Account. This revenue includes taxes, fees, fines and Commonwealth funding. Variations are driven by agency activity and are explained in the 2014-15 financial statements of each agency.

<sup>10</sup> As a result of the *Administrative Arrangements 2014 (No.1)* of 7 July 2014, Commerce and Works Directorate was transferred to Chief Minister, Treasury and Economic Development Directorate.

##### 5.6 Other Income

###### 5.6.1 Employer Superannuation Contributions

Employer Superannuation Contributions	137,390	140,333
<b>Total Employer Superannuation Contributions<sup>11</sup></b>	<b>137,390</b>	<b>140,333</b>

<sup>11</sup> Employer Superannuation Contributions represent notional employer contributions made by ACT Government agencies and ActewAGL for employees with membership of the Commonwealth Superannuation Scheme and the Public Sector Superannuation Scheme, as well as notional employer and employee contributions in respect of the Members of the Legislative Assembly separate defined benefit scheme. Variations are driven by agency activity.

###### 5.6.2 Investment Fee Rebates

On Investments Indirectly Held (Designated)	253	352
<b>Total Investment Fee Rebates<sup>12</sup></b>	<b>253</b>	<b>352</b>

<sup>12</sup> Represents investment management fee rebates received from the fixed income unit trust in accordance with the terms of the investment management agreement.

###### 5.6.3 Other

Other Revenue	3,499	5,259
<b>Total Other<sup>13</sup></b>	<b>3,499</b>	<b>5,259</b>

<sup>13</sup> Represents money declared unclaimed in accordance with section 53A of the FMA, return of Comcare premium related refunds from ACT Insurance Authority and unclaimed money revenue from Public Trustee for the ACT.

<b>Total Other Income</b>	<b>141,142</b>	<b>145,944</b>
<b>Total Income</b>	<b>3,932,511</b>	<b>3,632,635</b>

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 6 EXPENSES ADMINISTERED ON BEHALF OF THE TERRITORY**

**6.1 Payments to ACT Government Agencies**

**6.1.1 Government Payment for Outputs**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor-General	2,701	2,625
ACT Gambling and Racing Commission	4,614	4,499
ACT Local Hospital Network	567,279	550,054
Canberra Institute of Technology	68,520	67,766
Capital Metro Agency	23,535	8,468
Chief Minister, Treasury and Economic Development Directorate <sup>15</sup>	481,951	47,926
Commerce and Works Directorate <sup>15</sup>	0	29,295
Community Services Directorate	244,172	243,185
Cultural Facilities Corporation	8,245	8,048
Economic Development Directorate <sup>15</sup>	4,129	81,271
Education and Training Directorate	591,010	576,019
Electoral Commissioner	2,387	0
Environment and Planning Directorate	63,218	67,387
Exhibition Park Corporation	445	429
Health Directorate	252,617	229,062
Housing ACT	43,359	42,984
Icon Water Limited	11,123	10,615
Independent Competition and Regulatory Commission	534	406
Justice and Community Safety Directorate	253,622	271,712
Legal Aid Commission (ACT)	10,732	12,158
Office of the Legislative Assembly	7,641	7,563
Public Trustee for the ACT	1,063	706
Territory and Municipal Services Directorate	318,687	301,979
<b>Total Government Payment for Outputs<sup>14</sup></b>	<b>2,961,583</b>	<b>2,564,157</b>

**6.1.2 Payments for Expenses on Behalf of the Territory**

ACT Executive	8,223	6,737
Chief Minister, Treasury and Economic Development Directorate <sup>15</sup>	272	0
Commerce and Works Directorate <sup>15</sup>	75,705	15,064
Community Services Directorate	(5,298)	46,685
Economic Development Directorate <sup>15</sup>	3,850	7,945
Education and Training Directorate	250,015	236,994
Environment and Planning Directorate	1,868	1,657
Health Directorate	6,684	4,615
Justice and Community Safety Directorate	162,333	159,766
Office of the Legislative Assembly	5,659	5,410
Territory Banking Account	79,869	60,796
<b>Total Payments for Expenses on Behalf of the Territory<sup>14</sup></b>	<b>589,180</b>	<b>545,669</b>

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 6 EXPENSES ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED**

**6.1.3 Capital Injections**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Auditor-General	67	0
ACT Executive	264	0
ACT Gambling and Racing Commission	127	0
ACT Public Cemeteries Authority	0	281
Canberra Institute of Technology	6,134	3,757
Capital Metro Agency	96	0
Chief Minister, Treasury and Economic Development Directorate <sup>15</sup>	381,184	1,802
Commerce and Works Directorate <sup>15</sup>	33,845	107,498
Community Services Directorate	4,269	10,674
Cultural Facilities Corporation	2,012	2,490
Economic Development Directorate <sup>15</sup>	233	114,390
Education and Training Directorate	90,329	67,409
Electoral Commissioner	111	0
Environment and Planning Directorate	6,737	8,364
Exhibition Park Corporation <sup>15</sup>	741	1,320
Health Directorate	74,041	118,142
Housing ACT	24,480	14,589
Justice and Community Safety Directorate	53,050	25,832
Legal Aid Commission (ACT)	234	151
Office of the Legislative Assembly	926	244
Superannuation Provision Account	198,209	178,216
Territory and Municipal Services Directorate	175,160	228,998
Territory Banking Account	214	214
<b>Total Capital Injections<sup>14</sup></b>	<b>1,052,463</b>	<b>884,371</b>

<sup>14</sup> Government Payments for outputs, Payments for expenses on Behalf of the Territory and Capital Injections are the transfer of appropriated moneys to ACT Government agencies from the Territory Banking Account. Variations are driven by agency activity and are explained in the 2014-15 financial statements of each agency.

<sup>15</sup> Following the *Administrative Arrangements 2014 (No.1)* of 7 July 2014 Economic Development Directorate and Commerce and Works Directorate were transferred to Chief Minister, Treasury and Economic Development Directorate. As notified on 3 December 2014, the *Exhibition Park Corporation Repeal Act 2014* resulted in the integration of the functions, staff, assets and liabilities of Exhibition Park Corporation into Chief Minister, Treasury and Economic Development Directorate.

<b>Total Payments for Expenses to ACT Government Agencies</b>	<b>4,603,227</b>	<b>3,994,197</b>
---	------------------	------------------

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 6 EXPENSES ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

##### 6.2 Interest Expense

	2015	2014
	\$'000	\$'000
Promissory Notes <sup>16</sup>	3,313	8,779
Inflation-Linked Bonds <sup>17</sup>	39,486	50,213
Fixed Rate Nominal Bonds <sup>18</sup>	99,002	79,974
ACT Government Agencies Investment Interest <sup>19</sup>	35,228	32,588
Commonwealth Land and Buildings Loan <sup>20</sup>	8,817	697
<b>Total Interest Expenses</b>	<b>185,846</b>	<b>172,251</b>

<sup>16</sup> The lower borrowing cost in 2014-15 is due to lower variable interest rates and a lower amount of borrowings.

<sup>17</sup> The lower borrowing cost in 2014-15 is due to is due to a lower impact from changes in the consumer price index on the inflation-linked bonds as well as a lower amount of borrowings outstanding.

<sup>18</sup> The higher borrowing cost in 2014-15 is due to higher average amount of borrowings outstanding compared with the previous year.

<sup>19</sup> The higher interest paid in 2014-15 is due to higher levels of investment balances compared with 2013-14.

<sup>20</sup> The actual outcome in 2014-15 is higher than in 2013-14 due to the completion of a Commonwealth loan transaction for the Loose Fill Asbestos Insulation Eradication Scheme.

##### 6.3 Losses on Investments at Fair Value through Profit or Loss

On Investments Directly Held (Designated)	0	242
On Investments Indirectly Held (Designated)	428	301
<b>Total Losses on Investments at FVTPL<sup>21</sup></b>	<b>428</b>	<b>543</b>

<sup>21</sup> The variance in losses from year to year reflects the trading activity of the investment managers and the individual asset class market returns achieved over the financial year.

##### 6.4 Investment Administration Expenses

Investment Management Services	609	553
Master Custody Investment Administration	323	161
<b>Total Investment Administration Expenses<sup>22</sup></b>	<b>932</b>	<b>714</b>

<sup>22</sup> Investment Manager Fees are fees paid to fund managers for the management of the Territory Banking Account Investment assets. Master Custody Fees are fees paid to a master custodian for holding assets and maintaining the portfolio and accounting records for each investment manager.

##### 6.5 Other Expenses

Other Expenses	79	654
<b>Total Other Expenses<sup>23</sup></b>	<b>79</b>	<b>654</b>

<sup>23</sup> The variance from the 2013-14 year is mainly because no debt issuance dealer fees were incurred because no new long-term market issued borrowing transactions were undertaken.

<b>Total Expenses</b>	<b>4,790,512</b>	<b>4,168,359</b>
-----------------------	------------------	------------------

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY

##### 7.1 Cash

	2015 \$'000	2014 \$'000
Cash Held at Bank	234,331	51,919
<b>Total Cash<sup>24</sup></b>	<b>234,331</b>	<b>51,919</b>

<sup>24</sup> Actual result reflects operational and liquidity needs as well as timing of end-of-year cash flow transactions.

##### 7.2 Loans and Receivables

##### 7.2.1 Current – Transfer Revenue Receivable from ACT Government Agencies

ACT Gambling and Racing Commission	3,971	4,205
Chief Minister, Treasury and Economic Development Directorate <sup>26</sup>	252,395	52,452
Commerce and Works Directorate <sup>26</sup>	0	98,312
Environment and Planning Directorate	2,644	9,638
Justice and Community Safety Directorate	3,047	11,494
Land Development Agency	8,858	0
Territory and Municipal Services Directorate	3,112	23,005
<b>Total Current Transfers Revenue Receivable<sup>25</sup></b>	<b>274,027</b>	<b>199,106</b>

<sup>25</sup> Variations are driven by agency activity and are explained in the 2014-15 financial statements of each agency.

<sup>26</sup> Following the *Administrative Arrangements 2014 (No.1)* of 7 July 2014 Commerce and Works Directorate was transferred to the Chief Minister, Treasury and Economic Development Directorate.

##### 7.2.2 Current – Loan Interest Receivable from ACT Government Agencies

Chief Minister, Treasury and Economic Development Directorate	372	450
Icon Water Limited	5,269	5,891
University of Canberra <sup>27</sup>	455	3,710
<b>Total Current Loan Interest Receivable</b>	<b>6,096</b>	<b>10,051</b>

<sup>27</sup> Prior year result included the early repayment of loans from the University of Canberra.

##### 7.2.3 Current – Investment Interest Receivable

Cash, Cash Enhanced and Fixed Income Funds	19,347	19,610
<b>Total Current Investment Interest Receivable</b>	<b>19,347</b>	<b>19,610</b>

##### 7.2.4 Current – Loans Receivable from ACT Government Agencies

ACTION	341	341
Icon Water Limited <sup>28</sup>	91,280	18,977
University of Canberra <sup>29</sup>	1,244	0
<b>Total Current Loans Receivable</b>	<b>92,865</b>	<b>19,318</b>

<sup>28</sup> Actual result in 2014-15 reflects a short-term loan outstanding at reporting date.

<sup>29</sup> Actual result in 2014-15 reflects the commencement of repayments from 1 July 2015.

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED**

**7.2 Loans and Receivables - Continued**

**7.2.5 Current – Other Receivable**

	2015 \$'000	2014 \$'000
Australian Taxation Office (Goods and Services Tax)	15	12
<b>Total Current Other Receivable</b>	<b>15</b>	<b>12</b>
<b>Total Current Loans and Receivables</b>	<b>392,350</b>	<b>248,097</b>

**7.2.6 Non-Current – Loans Receivable from ACT Government Agencies**

ACTION	2,386	2,727
Chief Minister, Treasury and Economic Development Directorate <sup>30</sup>	69,612	68,412
Icon Water <sup>31</sup>	1,399,646	1,427,107
University of Canberra <sup>32</sup>	30,164	69,928
<b>Total Non-Current Loans Receivable</b>	<b>1,501,808</b>	<b>1,568,174</b>

<sup>30</sup> Comprises loans in relation to Community Housing Canberra and the former Exhibition Park Corporation. Refer 2015-16 Budget Paper 3, Appendix N.

<sup>31</sup> Loans to Icon Water are in the form of short-term promissory notes, fixed rate nominal bonds and inflation-linked bonds. The decrease in 2014-15 from 2013-14 reflects the scheduled repayment of inflation-linked bond loans and the lower impact from changes in the consumer price index on the inflation-linked bond loan valuations.

<sup>32</sup> Decrease in 2014-15 from 2013-14 reflects the early repayment of loans from the University of Canberra.

<b>Total Loans and Receivables<sup>33</sup></b>	<b>1,894,158</b>	<b>1,816,271</b>
---	------------------	------------------

<sup>33</sup> The Territory Banking Account does not hold any collateral for the above financial instruments. The risk of the loans and interest not being received is considered low as the loans are with ACT Government related agencies.

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

##### 7.3 Investments

###### (a) Investment Summary

The following provides the investment summary of the Territory Banking Account as at balance date. The investment summary comprise a group of financial assets (including restricted cash) and financial liabilities that is risk managed, and its performance is evaluated on a net basis in accordance to the Territory Banking Account's investment strategy. All investments are designated at Fair Value through Profit and Loss. Derivatives are held-for-trading.

	2015 \$'000	2014 \$'000
<b>Investment Summary<sup>34</sup></b>		
Financial Assets at Fair Value:		
Discount Securities	373,662	403,535
Fixed Income Securities	627,227	663,543
Unit Trust	287,757	226,749
Financial Liabilities at Fair Value		
Derivatives	3,605	5,288
	<b>1,285,041</b>	<b>1,288,539</b>
<b>Other Financial Instruments at Balance Date</b>		
Cash, Receivables and Other Assets	171,156	60,843
Payables Liabilities	20,270	15,173
	<b>150,886</b>	<b>45,670</b>
<b>Net Financial Investments</b>	<b>1,435,927</b>	<b>1,334,209</b>

<sup>34</sup> The investment assets held by the Territory Banking Account are invested for the purpose of maximising interest earned within established risk and return tolerances of the Territory by contracted external professional investment managers.

The following tables provide more details in relation to investments held at balance date.

###### (b) Directly/Indirectly Held Financial Investments Breakdown

Breakdown of Territory Banking Account's directly/indirectly held investments.

###### Financial Assets at Fair Value

Investments Directly Held	1,147,960	1,107,249
Investments Indirectly Held	287,967	226,960
<b>Total Financial Asset Investments</b>	<b>1,435,927</b>	<b>1,334,209</b>

###### (i) Directly Held Asset Class Financial Investments Breakdown

Breakdown, by asset class, of the Territory Banking Account's directly held investments.

###### Asset Class – Investments Directly Held

Cash Enhanced Fund <sup>35</sup>	1,147,960	1,107,249
<b>Total Investments Directly Held</b>	<b>1,147,960</b>	<b>1,107,249</b>

<sup>35</sup> For the year ended 30 June 2015, the net investment return of these investments was 3.10% (2013-14: 3.45%).



# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 7 ASSETS ADMINISTERED ON BEHALF OF THE TERRITORY - CONTINUED

##### 7.3 Investments - Continued

##### (ii) Indirectly Held Asset Class Financial Investments Breakdown

Breakdown, by asset class, of the Territory Banking Account's indirectly held investments.

	2015 \$'000	2014 \$'000
<b>Asset Class – Investments Indirectly Held</b>		
Unit Trust – Cash <sup>36</sup>	154,500	95,500
Unit Trust – Fixed Income <sup>37</sup>	133,467	131,460
<b>Total Investments Indirectly Held</b>	<b>287,967</b>	<b>226,960</b>

<sup>36</sup> For the year ended 30 June 2015, the net investment return for these investments was 2.70% (2013-14: 2.83%). Investment levels are an aggregate of underlying agencies investing activities.

<sup>37</sup> For the year ended 30 June 2015, the net investment return for these investments was 5.61% (2013-14: 6.06%).

<b>Total Financial Investments by Asset Class</b>	<b>1,435,927</b>	<b>1,334,209</b>
---	------------------	------------------

#### NOTE 8 LIABILITIES ADMINISTERED ON BEHALF OF THE TERRITORY

##### 8.1 Payables

##### 8.1.1 Current – Accrued Interest Payable to ACT Government Agencies

ACT Government Agencies Investment Interest <sup>38</sup>	15,139	14,972
<b>Total Accrued Interest Payable to Agencies</b>	<b>15,139</b>	<b>14,972</b>

<sup>38</sup> The actual results reflect the trading activity of the investment managers and the individual asset class market returns achieved over the financial year and the amount of funds under investment.

##### 8.1.2 Current – Accrued Interest Payable External

Promissory Notes	405	318
Inflation-Linked Bonds	11,707	11,463
Fixed Rate Nominal Bonds	2,650	3,469
<b>Total Accrued Interest Payable External</b>	<b>14,762</b>	<b>15,250</b>

##### 8.1.3 Current – Expenses on Behalf of the Territory Payable

Community Services Directorate	0	5,298
<b>Total Expenses on Behalf of the Territory Payable</b>	<b>0</b>	<b>5,298</b>
<b>Total Payables<sup>39</sup></b>	<b>29,901</b>	<b>35,520</b>

<sup>39</sup> All payables recognised are current and not overdue.

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 8 LIABILITIES ADMINISTERED ON BEHALF OF THE TERRITORY- CONTINUED**

**8.2 Interest-Bearing Liabilities**

**8.2.1 Current – ACT Government Agency Investment Deposits**

	2015 \$'000	2014 \$'000
General Government Sector Agencies	838,737	791,660
Public Trading Enterprise Sector Agencies	118,091	115,804
<b>Total ACT Government Agency Investment Deposits<sup>40</sup></b>	<b>956,829</b>	<b>907,464</b>

<sup>40</sup> Actual results reflect underlying agency activity.

**8.2.2 Current – External Borrowings**

Promissory Notes <sup>41</sup>	159,434	89,018
Inflation-Linked Bonds <sup>42</sup>	30,820	18,899
Commonwealth Borrowings <sup>42, 44</sup>	3,711	554
<b>Total External Borrowings</b>	<b>193,965</b>	<b>108,471</b>

<sup>41</sup> Increase in 2014-15 result is due to a higher amount of short-term borrowings outstanding reflecting the needs of Icon Water Limited.

<sup>42</sup> Increase in 2014-15 result reflects scheduled repayments to be made in the next twelve-months.

<b>Total Current Interest-Bearing Liabilities</b>	<b>1,150,794</b>	<b>1,015,935</b>
---	------------------	------------------

**8.2.3 Non-Current – ACT Government Agency Investment Deposits**

General Government Sector Agencies	73,266	22,866
<b>Total ACT Government Agency Investment Deposits<sup>40</sup></b>	<b>73,266</b>	<b>22,866</b>

**8.2.4 Non-Current – External Borrowings**

Inflation-Linked Bonds <sup>43</sup>	787,107	815,192
Fixed Rate Nominal Bonds	2,157,300	2,156,392
Commonwealth Borrowings <sup>44</sup>	825,689	4,434
<b>Total External Borrowings</b>	<b>3,770,096</b>	<b>2,976,018</b>

<sup>43</sup> The decrease in 2014-15 reflects the scheduled repayment of inflation-linked bond loans and the lower impact from changes in the consumer price index on the inflation-linked bond valuations.

<sup>44</sup> The actual outcome in 2014-15 is due to the completion of a Commonwealth loan transaction for the Loose Fill Asbestos Insulation Eradication Scheme (\$750 million) and the transfer of a Commonwealth loan from the Home Loan Portfolio to the Territory Banking Account (\$74.966 million).

<b>Total Non-Current Interest-Bearing Liabilities</b>	<b>3,843,362</b>	<b>2,998,884</b>
---	------------------	------------------

<b>Total Interest-Bearing Liabilities</b>	<b>4,994,156</b>	<b>4,014,819</b>
---	------------------	------------------

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 9 EQUITY**

**9.1 Distributions from ACT Government Agencies**

	2015	2014
	\$'000	\$'000
ACT Insurance Authority	0	50,000
ACT Local Hospital Network	20,000	0
Chief Minister, Treasury and Economic Development Directorate <sup>45</sup>	150,565	65
Commerce and Works Directorate <sup>46</sup>	0	5,130
Community Services Directorate	119	0
Health Directorate	27,000	0
Home Loan Portfolio	2,500	2,000
Land Development Agency	8,858	0
<b>Total Distributions from ACT Government Agencies<sup>45</sup></b>	<b>209,042</b>	<b>57,195</b>

<sup>45</sup> Variations are driven by agency activity and are explained in the 2014-15 financial statements of each agency.

<sup>46</sup> Following the *Administrative Arrangements 2014 (No.1)* of 7 July 2014 Commerce and Works Directorate was transferred to the Chief Minister, Treasury and Economic Development Directorate.

**9.2 Movements in Equity during the Financial Year**

Accumulated Deficits <sup>(a)</sup>	(1,459,641)	(847,942)
Other Reserves <sup>(b)</sup>	0	0
<b>Total Equity<sup>23</sup></b>	<b>(1,459,641)</b>	<b>(847,942)</b>

**Reconciliation of Movements in Equity During the Year**

**<sup>(a)</sup> Accumulated Funds**

<b>Balance at the Beginning of the Reporting Period</b>	<b>(847,942)</b>	<b>(369,627)</b>
Operating (Deficit)	(858,001)	(535,724)
Capital Distributions	209,042	57,195
Capital Injections	214	214
Increase in Assets from Administrative Restructuring	112,012	0
Increase in Liabilities from Administrative Restructuring	(74,966)	0
<b>Balance at the End of the Reporting Period</b>	<b>(1,459,641)</b>	<b>(847,942)</b>

**<sup>(b)</sup> Reserves**

Cash Flow Hedges

<b>Balance at the Beginning of the Reporting Period</b>	<b>0</b>	<b>(1,594)</b>
(Loss) taken to Equity	0	(83)
Gain taken to the Income Statement	0	1,677
<b>Balance at the End of the Reporting Period</b>	<b>0</b>	<b>0</b>

<b>Total Balance at the End of the Reporting Period</b>	<b>(1,459,641)</b>	<b>(847,942)</b>
---	--------------------	------------------

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 10 CASH FLOW RECONCILIATION**

*(a) Reconciliation of Cash at the End of the Reporting Period in the Cash Flow Statement on Behalf of the Territory to the Equivalent Items in the Statement of Assets and Liabilities on Behalf of the Territory*

	2015 \$'000	2014 \$'000
Total Cash Disclosed on the Statement of Assets and Liabilities on Behalf of the Territory	234,331	51,919
<b>Cash at the End of the Reporting Period as Recorded in the Cash Flow Statement on Behalf of the Territory</b>	<b>234,331</b>	<b>51,919</b>

*(b) Reconciliation of Operating (Deficit) to Net Cash Inflows from Operating Activities*

Operating (Deficit)	(858,001)	(535,724)
<b>Non Cash Items</b>		
Payments to ACT Government Agencies	1,049,633	881,082
Net Change in Value of Financial Investments and Liabilities	(3,002)	(3,174)
<b>Cash Before Changes in Operating Assets and Liabilities</b>	<b>1,046,631</b>	<b>877,908</b>
<b>Changes in Operating Assets and Liabilities</b>		
(Increase)/Decrease in Income Receivable	(70,702)	118,365
Decrease in Prepayments	5,298	2,963
(Decrease) in Interest Payable	(321)	(3,916)
<b>Net Changes in Operating Assets and Liabilities</b>	<b>(65,725)</b>	<b>117,412</b>
<b>Net Cash Inflow from Operating Activities</b>	<b>122,905</b>	<b>459,596</b>

**NOTE 11 COMMITMENTS ON BEHALF OF THE TERRITORY**

There are no commitments (costs associated with financial asset and liability management) contracted at reporting date that have not been recognised as liabilities payable (2013-14: Nil).

**NOTE 12 CONTINGENT ASSETS AND LIABILITIES**

There are no contingent assets or contingent liabilities as at the date of the financial statements (2013-14: nil).

**NOTE 13 INDEMNITIES**

There are no indemnities as at 30 June 2015 (2013-14: nil).

**NOTE 14 EVENTS OCCURRING AFTER BALANCE DATE**

There are no events after the balance date which would affect the financial statements as at 30 June 2015 or in subsequent years (2013-14: nil).

**NOTE 15 AUDITOR'S REMUNERATION**

The ACT Audit Office performs the audit for the Territory Banking Account's financial statements. No other services are provided. Payment for auditors' remuneration is made by Chief Minister, Treasury and Economic Development Directorate (2014-15: \$41,261 and 2013-14: \$40,255).

# Territory Banking Account

## Notes to and Forming Part of the Financial Statements

### For the Year Ended 30 June 2015

#### NOTE 16 BUDGETARY REPORTING – TERRITORIAL – EXPLANATIONS OF MAJOR VARIANCES BETWEEN ACTUAL AMOUNTS AND ORIGINAL BUDGET AMOUNTS

The following are brief explanations of major line item variances between budget estimates and actual outcomes. Variances are considered to be major variances if both of the following criteria are met:

- (i) The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- (ii) The variances (original budget to actual) are greater than plus (+) or minus (-) 10% of the budget for the financial statement line item.

#### Statement of Income and Expenses on Behalf of the Territory

	Actual 2014-15	Original Budget <sup>47</sup> 2014-15	Variance	Variance	Variance Explanation
	\$'000	\$'000	\$'000	%	
Gains on Investments	5,884	0	5,884	#	The variance in realised gains from year to year reflects the trading activity of the investment managers and the individual asset class market returns achieved over the financial year. Budget estimates do not anticipate financial investment gains.
Losses on Investments	428	0	428	#	The variance in realised losses from year to year reflects the trading activity of the investment managers and the individual asset class market returns achieved over the financial year. Budget estimates do not anticipate financial investment losses.

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 16      BUDGETARY REPORTING – TERRITORIAL – EXPLANATIONS OF MAJOR VARIANCES BETWEEN ACTUAL AMOUNTS AND ORIGINAL BUDGET AMOUNTS – CONTINUED**

**Statement of Assets and Liabilities on Behalf of the Territory**

	Actual 2014-15 \$'000	Original Budget <sup>47</sup> 2014-15 \$'000	Variance	Variance	Variance Explanation
			\$'000	%	
Cash	234,331	0	234,331	#	Actual result reflects operational and liquidity needs as well as timing of end-of-year cash flow transactions. For budget purposes, all cash is included in investments.
Current – Loans and Receivables	392,350	281,520	110,830	39%	The variance mainly reflects higher than estimated transfer revenue receivable and a new loan to Icon Water due to be repaid in the next twelve-months.
Current - Investments	1,302,460	769,116	533,344	69%	This variation is due mainly to a higher than expected level of funds held on investment as at 30 June 2015. Actual investment balances reflect agency activities and cash inflows and outflows to the Territory Banking Account.
Current - Interest Bearing Liabilities	1,150,794	859,604	291,190	34%	Variance is in relation to a higher level of investment held for agencies reflecting their cash flow activities (\$208.505 million) and borrowings due to be paid in the next twelve-months (\$82.685 million).

**Territory Banking Account**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 16**      **BUDGETARY REPORTING – TERRITORIAL – EXPLANATIONS OF MAJOR VARIANCES BETWEEN ACTUAL AMOUNTS AND ORIGINAL BUDGET AMOUNTS –**  
**CONTINUED**

**Cash Flow Statement on Behalf of the Territory**

	Actual 2014-15	Original Budget <sup>47</sup> 2014-15	Variance	Variance	Variance Explanation
	\$'000	\$'000	\$'000	%	
Proceeds from Sale/Maturity of Investments	0	290,876	(290,876)	#	The original budget assumed the net proceeds/purchase of investment transactions based on the aggregation of all investment flows would be a net receipt of investment funds. The actual outcome for the year was a net payment of funds for investment purposes.
Loans Received from Agencies	64,541	19,318	45,223	234%	The increase in 2014-15 mainly reflects the early repayment of loans by the University of Canberra (42.230 million).
Distributions from Agencies	200,184	8,934	191,250	#	The increase in 2014-15 mainly reflects unanticipated payments from the Health Directorate (\$20 million), ACT Local Hospital Network (\$27 million) and Chief Minister, Treasury and Economic Development Directorate (\$146.038 million).
Purchase of Investments	96,000	0	96,000	#	Refer to 'Proceeds from Sale/Maturity of Investments' explanation above.
Proceeds from Borrowings	798,504	573,528	224,976	39%	This represents the net proceeds of new borrowings offset against repayments of borrowings. There is a significant amount of refinancing of existing borrowings as well as new borrowings during the year that is difficult to estimate. The actual result reflects the actual level of borrowing transactions.
Transfer of Cash (Admin Restructure)	112,012	0	112,012	#	Transfer of cash as a result of Home Loan Portfolio wind-up.

<sup>47</sup> The Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2014-15 Budget Statements). These amounts have not been adjusted to reflect supplementary appropriation or appropriation instruments.

**Note:** # in the Line Item Variance % column represents a variance that is greater than 999 per cent or less than -999 per cent.





**Statement of Performance**  
**For the Year Ended**  
**30 June 2015**

**Territory Banking Account**



## **REPORT OF FACTUAL FINDINGS TERRITORY BANKING ACCOUNT**

### **To the Members of the ACT Legislative Assembly**

#### **Report on the statement of performance**

The statement of performance of the Territory Banking Account for the year ended 30 June 2015 has been reviewed.

#### **Responsibility for the statement of performance**

The Under Treasurer is responsible for the preparation and fair presentation of the statement of performance of the Territory Banking Account in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the accountability indicators reported in the statement of performance.

#### **The auditor's responsibility**

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in the statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Territory Banking Account, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

As disclosed in the statement of performance, in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, the Expenses on Behalf of the Territory and Total Cost information included in the statement of performance has not been reviewed.

### **Electronic presentation of the statement of performance**

Those viewing an electronic presentation of this statement of performance should note that the review does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from this statement of performance. If users of this statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

### **Independence**

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the review.

### **Review opinion**

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Territory Banking Account for the year ended 30 June 2015, are not fairly presented in accordance with the *Financial Management Act 1996*.

This review opinion should be read in conjunction with the other information disclosed in this report.



Dr Maxine Cooper  
Auditor-General

24 September 2015

**Territory Banking Account  
Statement of Performance  
For the Year Ended 30 June 2015**

**Statement of Responsibility**

In my opinion, the Statement of Performance is in agreement with the Territory Banking Account's records and fairly reflects the service performance of the Territory Banking Account in providing each class of outputs during the year ended 30 June 2015 and also fairly reflects the judgements exercised in preparing them.



David Nicol

Under Treasurer

Chief Minister, Treasury and Economic Development Directorate

17 August 2015

# Territory Banking Account Statement of Performance For the Year Ended 30 June 2015

EBT	TERRITORY BANKING ACCOUNT	EBT 1	TERRITORY BANKING ACCOUNT	Description:	Management of the Territory's Investment and Borrowing Activities	Original Target 2014-15	Amended Target 2014-15	Actual Result 2014-15	% Variance from Original/Amended Target	Explanation of Material Variances (+/- 5%)
				TOTAL COST (\$'000)		\$4,577,373		\$4,790,512	5%	The majority of the Territory Banking Account costs are payments of appropriations to ACT Government agencies. The amounts paid and their timing is subject to operational requirements of the ACT Government agencies.
				EXPENSES ON BEHALF OF THE TERRITORY (\$'000)		\$82,159	\$94,190 <sup>1</sup>	\$79,869	(15%)	The lower actual outcome is due to lower interest rates applying to the cost of borrowings, the timing profile of required borrowings and a lower amount of required borrowings.
				Accountability Indicators						
a.				Difference between the net investment earnings rate and the benchmark is to be $\geq 0$		$\geq 0$		0.39%	13%	The investment portfolio achieved an investment return for the 2014-15 financial year of 3.32 per cent (net of fees) compared with the benchmark return of 2.93 per cent. The outperformance was mainly driven by higher yields on credit holdings, which are dominated by mortgage backed securities and financials.
b.				Cash and Liquidity Management of the Territory Banking Account		100%		100%	0%	
c.				Completion of new Territory borrowings		100%		100%	0%	
d.				Completion of debt servicing obligations		100%		100%	0%	
e.				Completion Budget Appropriation disbursements		100%		100%	0%	
f.				Completion and delivery of Monthly Financial Reporting		11		9	(18%)	The timing of the delivery of reporting by the ninth business day was not met due to a delay during the transition and implementation of master custodian services with a new provider as well as reporting only required by Finance and Budgets Division for ten month end periods.
g.				Completion and delivery of unqualified Annual Financial Statements		1		1	0%	

The above Statement of Performance should be read in conjunction with the accompanying notes.

# Territory Banking Account Statement of Performance For the Year Ended 30 June 2015

## Explanation of Measures

- a. The difference between the actual annual portfolio investment earnings rate and the established performance benchmark is a measure of the relative performance of the Territory's fund managers to the benchmark.
- b. Maintaining a positive aggregate cash and investment balance of the Territory Banking Account to meet ongoing cash payment obligations. For performance measurement purposes, the actual daily aggregate cash and investment balance of the Territory Banking Account will be counted as the result. If the aggregate cash and investment balance is not positive at the end of a day, this will not be counted in the result.
- c. Raising all new Territory borrowing requirements in accordance with approved borrowing limits and guidelines. The measure will be the actual number of conforming borrowing transactions compared to the total borrowing transactions completed.
- d. The payment of Territory debt serving interest and principal repayment obligations to be completed accurately and within required timeframes. The measure will be the actual number of conforming debt servicing settlement transactions compared with the total number of debt servicing settlement transactions completed.
- e. The payment of budget appropriation disbursement payments to agencies to be completed accurately and within required timeframes. The measure will be the actual number of conforming disbursement payments compared with the total number of disbursement transactions completed.
- f. Monthly financial reporting involves the preparation of accrual financial statements, without notes, for transmission to Finance and Budget Division, CMTEDD. The monthly financial reporting will not be counted for the year if the financial statements are not completed and provided to Finance and Budget Division by business day nine of the next month.
- g. Involves the preparation of the previous year's annual financial statements for auditing and inclusion in the CMTEDD annual report. The objective is to receive an unqualified audit opinion during the year.

## Explanation of Amended Target

1. The amended Payment for Expenses on Behalf of the Territory includes additional funding as reflected in the *Appropriation (Loose-fill Asbestos Insulation Eradication) Act 2014-2015* Supplementary Budget Papers.

The above Accountability Indicators were examined by the ACT Audit Office in accordance with the *Financial Management Act 1996*. The Total Cost measure and Expenses on Behalf of the Territory were not examined by the ACT Audit Office in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*.





**Financial Statements**  
**For the Year Ended**  
**30 June 2015**

**ACT Compulsory Third-Party**  
**Insurance Regulator**



## General Overview

### Objectives

The role of the Australian Capital Territory Compulsory Third-Party Insurance regulator (CTP regulator) is to regulate the compulsory third-party (CTP) insurance scheme in the ACT under the CTP Act. The CTP regulator's functions are to be carried out in accordance with the objectives of the CTP Act under section 5A, which are to:

- continue improving the system of CTP insurance operating in the ACT;
- promote competition in setting premiums for CTP policies;
- keep the costs of insurance at an affordable level;
- provide for the licensing and supervision of insurers providing insurance under CTP insurance policies;
- encourage the speedy resolution of personal injury claims resulting from motor accidents;
- promote and encourage, as far as practicable, the rehabilitation of people injured in motor accidents;
- maintain a register of motor accident claims to help the administration of the statutory insurance scheme and the detection of fraud; and
- promote measures directed at eliminating or reducing causes of motor accidents and mitigating their results.

In accordance with section 163C(1) of the CTP Act, the CTP regulator collects an amount for the Nominal Defendant Fund from each licensed CTP insurer in the Territory, as well as the Commonwealth and ACT Governments, that appropriately covers the claims against uninsured or unidentified motor vehicles for which the Nominal Defendant has responsibility. The amount collected by the CTP regulator is transferred to the office of the Nominal Defendant.

### Risk Management

The CTP regulator developed and implemented a risk management plan in accordance with the Australian/New Zealand risk management AS/NZS ISO 31000:2009 and the ACT Government's "Enterprise Wide Risk Management Framework". The CTP regulator has overall responsibility for risk management, and for ensuring compliance with the risk management plan.

The risk management plan has identified the following ongoing potential risks that may influence its future financial position and ability to fulfil its obligations and operate effectively:

- CTP regulator not meeting stakeholder expectations;
- insufficient resources available to achieve statutory requirements caused by new insurers entering the ACT scheme; and
- failure to meet legislative requirements.

These risks are mitigated through the use of appropriate governance structures, application of risk based management strategies and financial reporting processes.

## Financial Performance

The following financial information is based on the audited Financial Statements for 2014-15 and 2013-14, and the forward estimates contained in the 2014-15 Budget Statements.

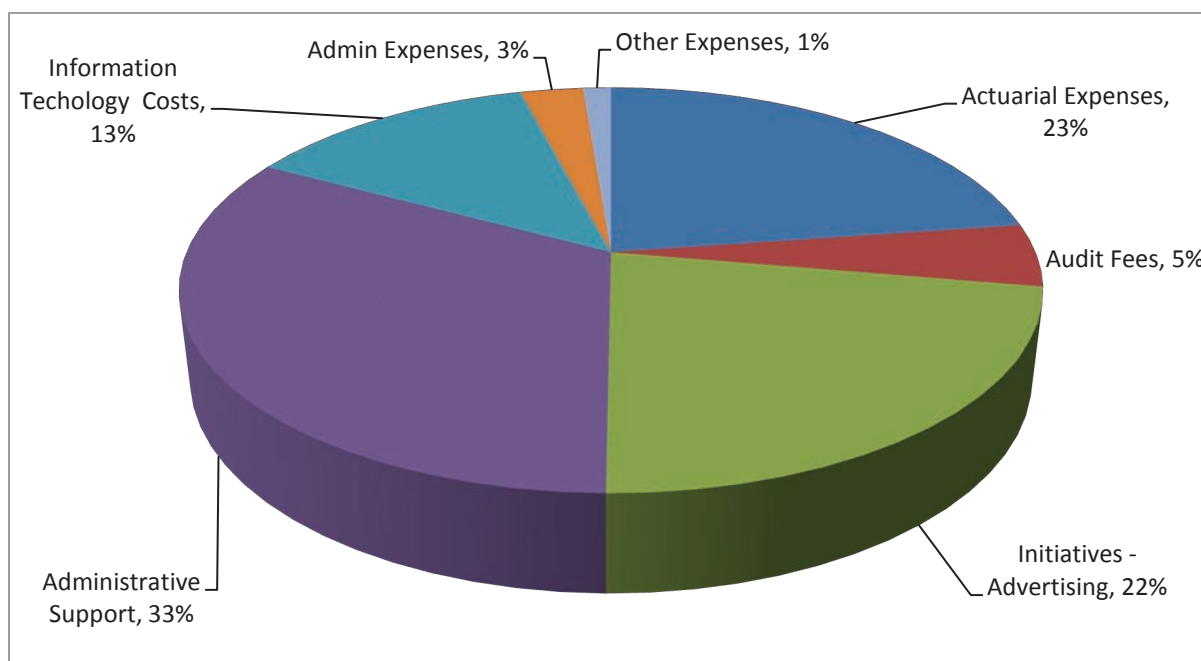
### Total Expenditure

#### 1. Components of Expenditure

For the financial year ended 30 June 2015, the CTP regulator recorded total expenditure of \$0.321 million. The largest component was administrative support expenses within supplies and services, which represents 33 per cent of the total expenditure or \$0.105 million. Administrative support expenses were associated with the reimbursement of salary and superannuation expenses for Chief Minister, Treasury and Economic Directorate (CMTEDD) staff to undertake the CTP regulator's functions in 2014-15. The CTP regulator did not employ any staff during 2014-15.

Figure 1 indicates the components of the CTP regulator's expenditure for the 2014-15 financial year.

Figure 1 – Components of Expenditure



#### 2. Comparison to Budget

Total expenditure of \$0.321 million was \$0.191 million, or 37 per cent lower than the 2014-15 Budget of \$0.512 million. This was mainly due to lower than anticipated expenses on actuarial costs (\$0.036 million), information technology (\$0.091 million) and arbitration costs (\$0.020 million) as well as decreased administrative support (\$0.046 million).

### 3. Comparison to 2013-14 Actual Expenditure

Total expenditure in 2014-15 of \$0.321 million, was \$0.011 million, or 4 per cent higher than the 2013-14 actual result of \$0.310 million. This was mainly due to the advertising costs (\$0.014 million) associated with the road safety initiative and actuarial costs (\$0.042million) associated with increased premium filings and scheme work. A premium filing is a report provided by a CTP insurer to the CTP regulator containing a range of information in support of its annual CTP premium. The filing is assessed by the scheme actuary to ensure the CTP insurance scheme remains fully funded and that the premium is not excessive. The increase was partially offset by a decrease of administrative support expenses (\$0.035 million) associated with the reimbursement of salary and superannuation expenses for CMTEDD staff allocated to undertake the CTP regulator's functions. This decrease was due to staff vacancies.

### 4. Future Trends

Expenditure is budgeted to increase by \$0.177 million in 2015-16 mainly due to:

- higher IT costs associated with the ACT transitioning away from the Queensland Personal Injury Register hosted system and implementing its own claims register on the ACT Government's ICT platform; and
- an increase in actuarial costs due to more scheme actuarial work and a Section 275 Review of the CTP Act (the Operation of the Act).

Expenditure is expected to rise slightly by \$0.008 million in 2016-17 due to an increase in ICT costs associated with the Personal Injury Register and actuarial costs.

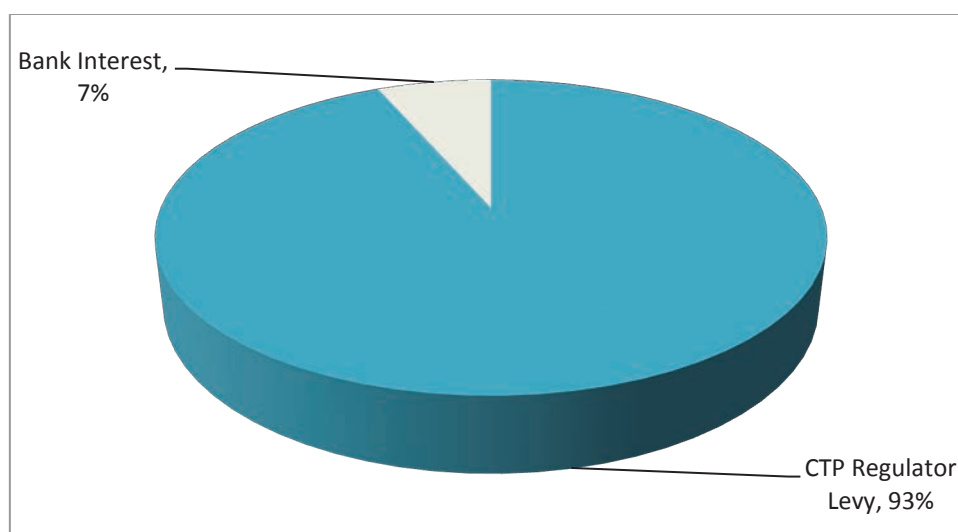
## Total Income

### 1. Components of Income

For the financial year ended 30 June 2015, the CTP regulator recorded a total income of \$0.504 million. The CTP regulator's income was derived from the levy on ACT CTP vehicle registrations and interest from cash at bank.

Figure 2 indicates the components of the CTP regulator's income for the 2014-15 financial year.

Figure 2 – Components of Income



## 2. Comparison to Budget

Revenue for the financial year ended 30 June 2015 was \$0.012 million higher than the 2014-15 Budget of \$0.492 million. This was due to an increase in interest revenue mainly resulting from:

- a higher than budgeted cash balance held at bank at the beginning of financial year;
- increased cash balance throughout the year associated with receipts exceeding payments in 2014-15; and
- the Nominal Defendant levy flowing through the bank account. The CTP regulator collects this levy and on-passes it to the Nominal Defendant.

## 3. Comparison to 2013-14 Actual Income

Total revenue for 2014-15 was \$0.033 million or 7 per cent higher than the 2013-14 actual revenue of \$0.471 million. This was mainly due to:

- an increase in the CTP insurance levy due to an increase in registrations and the number of short term registrations; and
- an increase of interest revenue resulting from higher bank account levels throughout the year.

## 4. Future Trends

Income is budgeted to decrease slightly by \$0.006 million in 2015-16 due to a decrease of interest expected to be received in 2015-16 (\$0.016 million) offset by an increase in income from the CTP insurance levy (\$0.010 million). Income is then expected to increase in 2016-17 and the forward years due to an increase in income from the CTP insurance levy in line with the projected population growth.

# Financial Position

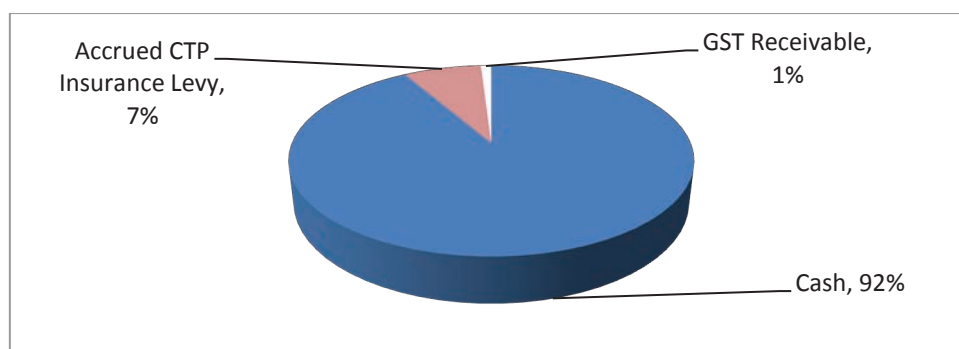
## Total Assets

### 1. Components of Total Assets

The total asset position as at 30 June 2015 was \$0.527 million and shows the CTP regulator held 92 per cent of its assets in cash.

Figure 3 indicates the components of the CTP regulator's total assets as at 30 June 2015

**Figure 3 – Total Assets as at 30 June 2015**





## 2. Comparison to Budget

Total assets of \$0.527 million at 30 June 2015 were \$0.227 million or 76 percent higher than the Budget of \$0.300 million mainly due to cash held at the bank associated with:

- higher than budgeted cash at the beginning of the financial year;
- lower than anticipated expenses on areas in actuarial, information technology and arbitration as well as administrative supports; and
- higher than budgeted interest revenue.

## 3. Comparison to 2013-14 Actuals

Total assets at 30 June 2015 were \$0.147 million, or 39 per cent higher than the 30 June 2014 actual result of \$0.380 million. The increase was mainly due to an increase of cash balance at the end of financial year associated with revenues exceeding payments in 2014-15.

## 4. Liquidity

‘Liquidity’ is the ability of the CTP regulator to satisfy its short-term debts as they fall due. A common indicator for liquidity is the current ratio, which compares the ability to fund short-term liabilities from short-term assets. A ratio of less than 1-to-1 may indicate a reliance on the next financial year’s CTP insurance levy to meet short-term debts.

Table 1 indicates the liquidity position of the CTP regulator.

**Table 1 – Current Ratio**

Description	Prior Year Actual 2013-14 \$'000	Current Year Budget 2014-15 \$'000	Current Year Actual 2014-15 \$'000	Forward Year Budget 2015-16 \$'000s	Forward Year Budget 2016-17 \$'000s	Forward Year Budget 2017-18 \$'000s
Current Assets	380	300	527	299	356	413
Current Liabilities	57	70	21	57	57	57
<b>Current Ratio</b>	<b>6.67:1</b>	<b>4.29:1</b>	<b>25.10:1</b>	<b>5.25:1</b>	<b>6.25:1</b>	<b>7.24:1</b>

The CTP regulator’s current ratio for the financial year is 25.10:1, which is higher than the budgeted current ratio of 4.29:1 as well as the actual current ratio for 2013-14 of 6.67:1. The high current ratio is reflective of increased cash at bank.

The CTP regulator has budgeted to maintain a strong level of liquidity for future years. The maintenance of the cash levels provide a buffer if the number of short term vehicle registrations decrease in the future which will reduce revenue.

## Total Liabilities

### 1. Components of Total Liabilities

The CTP regulator’s total liabilities of \$0.021 million as at 30 June 2015 relate to accrued expenses associated with audit fees, administrative support expenses and other administrative expenses.

## **2. Comparison to Budget**

Liabilities as at 30 June 2015 were \$0.049 million, or 70 per cent lower than the Budget of \$0.070 million.

## **3. Comparison to 2013-14 Actuals**

The actual liabilities at 30 June 2015 were \$0.036 million or 63 per cent lower than the 30 June 2014 actual of \$0.057 million mainly due to the timing of the receipt of invoices at the end of the financial year.

## **INDEPENDENT AUDIT REPORT**

### **ACT COMPULSORY THIRD-PARTY INSURANCE REGULATOR**

#### **To the Members of the ACT Legislative Assembly**

##### **Report on the financial statements**

The financial statements of the ACT Compulsory Third-Party Insurance Regulator for the year ended 30 June 2015 have been audited. These comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

##### **Responsibility for the financial statements**

The ACT Compulsory Third-Party Insurance Regulator is responsible for the preparation and fair presentation of the financial statements in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

##### **The auditor's responsibility**

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the ACT Compulsory Third-Party Insurance Regulator.

The audit was conducted in accordance with Australian Auditing Standards to obtain reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the ACT Compulsory Third-Party Insurance Regulator.

## Electronic presentation of the audited financial statements

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

## Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

## Audit opinion

In my opinion, the financial statements of the ACT Compulsory Third-Party Insurance Regulator for the year ended 30 June 2015:

- (i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the ACT Compulsory Third Party Insurance Regulator as at 30 June 2015 and the results of its operations and cash flows for the year then ended.

The audit opinion should be read in conjunction with other information disclosed in this report.



Malcolm Prentice  
Acting Director, Financial Audits  
28 August 2015

**ACT Compulsory Third-Party Insurance Regulator**  
**Financial Statements**  
**For the Year Ended 30 June 2015**

**Statement of Responsibility**

In my opinion, the financial statements are in agreement with the Australian Capital Territory (ACT) Compulsory Third-Party (CTP) Insurance regulator's accounts and records and fairly reflect the financial operations of the ACT CTP Insurance regulator for the year ended 30 June 2015 and the financial position of the ACT CTP Insurance regulator on that date.



Karen Doran

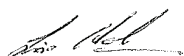
ACT Compulsory Third-Party Insurance Regulator

21 July 2015

**ACT Compulsory Third-Party Insurance Regulator**  
**Financial Statements**  
**For the Year Ended 30 June 2015**

**Statement by the Chief Finance Officer**

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the ACT CTP Insurance regulator's accounts and records and they fairly reflect the financial operations of the ACT CTP Insurance regulator for the year ended 30 June 2015 and the financial position of the ACT CTP Insurance regulator on that date.



Lisa Holmes  
Chief Finance Officer  
Director Financial Framework Management and Insurance  
Chief Minister, Treasury and Economic Development Directorate  
24 July 2015

**ACT Compulsory Third-Party Insurance Regulator**  
**Operating Statement**  
**For the Year Ended 30 June 2015**

	<b>Note No.</b>	<b>Actual 2015 \$'000</b>	<b>Original Budget 2015 \$'000</b>	<b>Actual 2014 \$'000</b>
<b>Income</b>				
<i>Revenue</i>				
CTP Insurance Levy	4	471	475	456
Interest	5	33	17	15
<i>Total Revenue</i>		<u>504</u>	<u>492</u>	<u>471</u>
<b>Total Income</b>		<u><b>504</b></u>	<u><b>492</b></u>	<u><b>471</b></u>
<b>Expenses</b>				
Employee Expenses	6	-	152	-
Supplies and Services	6	321	285	310
Other Expenses		-	75	-
<b>Total Expenses</b>		<u><b>321</b></u>	<u><b>512</b></u>	<u><b>310</b></u>
<b>Operating Surplus/(Deficit)</b>		<u><b>183</b></u>	<u><b>(20)</b></u>	<u><b>161</b></u>
<b>Total Comprehensive Income/(Deficit)</b>		<u><b>183</b></u>	<u><b>(20)</b></u>	<u><b>161</b></u>

The above Operating Statement should be read in conjunction with the accompanying notes.  
These statements may not add due to rounding.

**ACT Compulsory Third-Party Insurance Regulator**  
**Balance Sheet**  
**As at 30 June 2015**

	<b>Note No.</b>	<b>Actual 2015 \$'000</b>	<b>Original Budget 2015 \$'000</b>	<b>Actual 2014 \$'000</b>
<b>Current Assets</b>				
Cash and Cash Equivalents	8	485	255	334
Receivables	9	42	45	46
<b>Total Current Assets</b>		<b>527</b>	<b>300</b>	<b>380</b>
<b>Total Assets</b>		<b>527</b>	<b>300</b>	<b>380</b>
<b>Current Liabilities</b>				
Payables	10	21	70	57
<b>Total Current Liabilities</b>		<b>21</b>	<b>70</b>	<b>57</b>
<b>Total Liabilities</b>		<b>21</b>	<b>70</b>	<b>57</b>
<b>Net Assets</b>		<b>506</b>	<b>230</b>	<b>323</b>
<b>Equity</b>				
Accumulated Funds		506	230	323
<b>Total Equity</b>		<b>506</b>	<b>230</b>	<b>323</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.  
These statements may not add due to rounding.



**ACT Compulsory Third-Party Insurance Regulator**  
**Statement of Changes in Equity**  
**For the Year Ended 30 June 2015**

<i>For the Year Ended 30 June 2015</i>	Accumulated Funds Actual 2015 Note No. \$'000	Total Equity Actual 2015 \$'000	Original Budget 2015 \$'000
Balance at 1 July 2014	<u>323</u>	<u>323</u>	<u>250</u>
<b>Comprehensive Income</b>			
Operating Surplus/(Deficit)	183	183	(20)
<b>Total Comprehensive Income</b>	<u>183</u>	<u>183</u>	<u>(20)</u>
<b>Balance at 30 June 2015</b>	<u><u>506</u></u>	<u><u>506</u></u>	<u><u>230</u></u>

<i>For the Year Ended 30 June 2014</i>	Accumulated Funds Actual 2014 Note No. \$'000	Total Equity Actual 2014 \$'000
Balance at 1 July 2013	<u>162</u>	<u>162</u>
<b>Comprehensive Income</b>		
Operating Surplus	161	161
<b>Total Comprehensive Income</b>	<u>161</u>	<u>161</u>
<b>Balance at 30 June 2014</b>	<u><u>323</u></u>	<u><u>323</u></u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying  
These statements may not add due to rounding.

**ACT Compulsory Third-Party Insurance Regulator**  
**Cash Flow Statement**  
**For the Year Ended 30 June 2015**

	<b>Note No.</b>	<b>Actual 2015 \$'000</b>	<b>Original Budget 2015 \$'000</b>	<b>Actual 2014 \$'000</b>
<b>Cash Flows from Operating Activities</b>				
<b>Receipts</b>				
CTP Insurance Levy		470	475	457
Interest Received		33	17	15
Goods and Services Tax Input Tax Credits From the Australian Taxation Office		20	-	13
<b>Total Receipts from Operating Activities</b>		<b>523</b>	<b>492</b>	<b>485</b>
<b>Payments</b>				
Employee	6	-	152	-
Supplies and Services		357	285	319
Goods and Services Tax Paid to Suppliers		15	-	-
Other		-	75	-
<b>Total Payments from Operating Activities</b>		<b>372</b>	<b>512</b>	<b>319</b>
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	12(b)	<b>151</b>	<b>(20)</b>	<b>166</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>151</b>	<b>(20)</b>	<b>166</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		<b>334</b>	<b>275</b>	<b>168</b>
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	8	<b>485</b>	<b>255</b>	<b>334</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.  
These statements may not add due to rounding.

# ACT Compulsory Third-Party Insurance Regulator

## Financial Statements

### Note Index

<b>Note</b>	<b>Note Index List</b>
Note 1	Objectives of ACT Compulsory Third-Party Insurance Regulator
Note 2	Summary of Significant Accounting Policies
Note 3	Change in Accounting Policy and Accounting Estimates, and Correction of a Prior Period Error
<b>Income Notes</b>	
Note 4	Compulsory Third-Party Insurance Levy
Note 5	Interest
<b>Expense Notes</b>	
Note 6	Supplies and Services
Note 7	Auditor's Remuneration
<b>Asset Notes</b>	
Note 8	Cash and Cash Equivalents
Note 9	Receivables
<b>Liability Notes</b>	
Note 10	Payables
<b>Other Notes</b>	
Note 11	Financial Instruments
Note 12	Cash Flow Reconciliation
Note 13	Contingent Liabilities and Contingent Assets
Note 14	Events Occurring After Balance Date
Note 15	Third Party Monies Collected on Behalf of the Nominal Defendant
Note 16	Budgetary Reporting - Explanation of Major Variances between Actual Amounts and Original Budget Amounts

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 1. OBJECTIVES OF THE ACT COMPULSORY THIRD-PARTY INSURANCE REGULATOR**

The ACT Compulsory Third-Party Insurance Regulator's (CTP regulator) functions are to be carried out consistent with the objectives of the *Road Transport (Third-Party Insurance) Act 2008* (the CTP Act). The objectives of the CTP Act, under section 5A are to:

- a) continue improving the system of CTP insurance operating in the ACT;
- b) promote competition in setting premiums for CTP policies;
- c) keep the costs of insurance at an affordable level;
- d) provide for the licensing and supervision of insurers providing insurance under CTP insurance policies;
- e) encourage the speedy resolution of personal injury claims resulting from motor accidents;
- f) promote and encourage, as far as practicable, the rehabilitation of people injured in motor accidents;
- g) maintain a register of motor accident claims to help the administration of the statutory insurance scheme and the detection of fraud; and
- h) promote measures directed at eliminating or reducing causes of motor accidents and mitigating their results.

In accordance with section 163C(1) of the CTP Act, the CTP regulator collects an amount for the Nominal Defendant Fund from each licensed CTP insurer in the Territory, as well as the Commonwealth and ACT Governments, that appropriately covers the claims against uninsured or unidentified motor vehicles for which the Nominal Defendant has responsibility. The amount collected by the CTP regulator is transferred to the office of the Nominal Defendant.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The *Financial Management Act 1996* (FMA) requires the preparation of annual financial statements for ACT Territory Authorities.

The FMA and the *Financial Management Guidelines* issued under the Act, requires that a Territory Authority's financial statements include:

- (i) an Operating Statement for the year;
- (ii) a Balance Sheet at the end of the year;
- (iii) a Statement of Changes in Equity for the year;
- (iv) a Cash Flow Statement for the year;
- (v) a summary of the significant accounting policies adopted for the year; and
- (vi) such other statements as are necessary to fairly reflect the financial operations of the Territory Authority during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required under the FMA. The financial statements have been prepared in accordance with:

- (i) Australian Accounting Standards; and
- (ii) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention.

These financial statements are presented in Australian dollars, which is the CTP regulator's functional currency.

The CTP regulator is a separate reporting entity.

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(b) The Reporting Period**

These financial statements state the financial performance, changes in equity and cash flows of the CTP regulator for the year ended 30 June 2015, together with the financial position of the CTP regulator as at 30 June 2015.

**(c) Comparative Figures**

*Budget Figures*

To facilitate a comparison with the Budget Papers, as required by the FMA, budget information for 2014-15 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

*Prior Year Comparatives*

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

**(d) Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000). Use of “-” represents zero amounts or amounts rounded down to zero.

**(e) Revenue Recognition**

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the regulator and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised.

*CTP Insurance Levy*

The CTP Insurance Levy is recognised as revenue at the time the CTP regulator obtains control over the economic benefits embodied in the levy. The CTP regulator has assessed that control is established when a taxpayer registers a motor vehicle and pays the CTP insurance premium. The levy is payable upfront on any CTP insurance policy taken out during the period.

*Interest*

Interest revenue is recognised using the effective interest method.

**(f) Waivers of Debt**

Debts that are waived under section 131 of the FMA are expensed during the year in which the right to payment was waived. No debts were waived in the 2014-15 financial year (2013-14: Nil).

**(g) Current and Non-Current Items**

Assets and liabilities are classified as current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date, or the CTP regulator does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(g) Current and Non-Current Items - Continued**

Assets and liabilities which do not fall within the current classification are classified as non-current.

**(h) Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(i) Receivables**

Accounts receivable are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. The allowance for impairment losses represents the amount of receivables the CTP regulator estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The CTP regulator considers the following is objective evidence of impairment:

- a) becoming aware of financial difficulties of debtors;
- b) default payments; or
- c) debts more than 90 days overdue.

The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the discounting is immaterial. The amount of the allowance is recognised in the Operating Statement. The allowance for impairment losses are written off against the allowance account when the CTP regulator ceases action to collect the debt when the cost recover debt is more than the debt is worth.

No bad debts were written off during the financial year ended 30 June 2015 (2013-14: Nil).

**(j) Payables**

Payables are a financial liability and are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 7 days after the invoice is received.

Payables include Trade Payables and Accrued Expenses.

Trade payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the CTP regulator.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(k) Employee Benefits**

The CTP regulator does not employ any staff. The CTP regulator's functions are undertaken by officers from the Chief Minister Treasury and Economic Development Directorate (CMTEDD). The Financial Framework Management and Insurance (FFMI) Branch of the Economic and Financial Group provides a supporting role to the CTP regulator by providing a number of staff to carry out the CTP regulator's functions. In 2014-15 the CTP regulator reimbursed CMTEDD for the employee expenses associated with the staff allocated to carrying out the CTP regulator's functions. These expenses are classified as 'Supplies and Services'. Accrued employee benefits that remain unpaid at the end of the reporting period for these staff are reflected in CMTEDD's financial statements.

**(l) Budgetary Reporting**

Explanations of major variances between the 2014-15 original budget and the 30 June 2015 actual results are discussed in Note 16: *Budgetary Reporting – Explanation of Major Variances between Actual Amounts and Original Budget Amounts*.

The definition of 'major variances' is provided in Note 2(m) *Significant Accounting Judgements and Estimates – Budgetary Reporting*.

Original budget refers to the original budgeted financial statements presented to the Legislative Assembly in a form that is consistent with the CPT regulator's annual financial statements. The 2014-15 budget numbers have not been audited.

Budgetary reporting is disclosed for financial statements with the exception of Statement of Changes in Equity as relevant line items are included in other financial statements.

**(m) Significant Accounting Judgements and Estimates**

*Budgetary Reporting:* Significant judgements have been applied in determining what variances are considered as 'major variances' requiring explanations in Note 16: *Budgetary Reporting*. Variances are considered to be major variances if both of the following criteria are met:

- The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- The variances (original budget to actual) are greater than plus (+) or minus (-) 10% for the budget for the financial statement line item.

Further information on this is provided in Note 2(l): *Budgetary Reporting*.

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(n) Impact of Accounting Standards Issued but yet to be Applied**

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The CTP regulator does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting standards will be adopted from their application date:

- AASB 9 Financial Instruments (December 2014) (application date 1 January 2018).  
This standard supersedes AASB 139 Financial Instruments: Recognition and Measurement. The main impact of AASB 9 is that it will change the classification, measurement and disclosures of financial assets however; no material financial impact is expected.
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127] (application date 1 January 2018).  
This standard makes consequential amendments to a number of standards and interpretations as a result of the issuing of AASB 9 in December 2010 and no material financial impact is expected.
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part C Financial Instruments [AASB 9 December (2009), 2009-11, AASB 9 (December 2010) and 2010-7] (application date 1 January 2015).  
Part C of this Omnibus standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB2014-1 with no material financial impact being expected.
- AASB 2014-1 Amendments to Australian Accounting Standards Part E Financial Instruments [AASB 1, 3, 4, 5, 7, 9 (December 2009), 9 (December 2010), 101, 102, 108, 112, 118, 120, 121, 132, 136, 137, 139, Interpretation 2, 5, 10, 12, 16, 19 and 107 (applicable 1 January 2018).  
Part E of this standard defers the application of AASB 9 to 1 January 2018 with no material financial impact being expected.
- 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 and 1049] (application date 1 Jan 2016).  
These amendments relate to disclosure only and there is no material financial impact on the CTP regulator.
- 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality [AASB 6, 10, 11, 12, 107, 108, 110, 111, 117, 123, 127, 128, 129, 133, 141, 1004, 1039, 1053, and 1054] (application date 1 January 2015).  
This standard gives effect to the withdrawal of AASB 1031 Materiality and deletes references to AASB 1031 in the Australian Accounting Standards. There is no material financial impact on the CTP regulator.



**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 3. CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES, AND CORRECTION OF A PRIOR PERIOD ERROR**

**Change in Accounting Policy**

There were no changes to the Accounting Policies adopted by the CTP regulator during the reporting period.

**Changes in Accounting Estimates**

The CTP regulator had no change in accounting estimates during the reporting period.

**Correction of Prior Period Errors**

The CTP regulator had no correction of prior period errors during the reporting period.

**NOTE 4. COMPULSORY THIRD-PARTY INSURANCE LEVY**

The CTP insurance levy is determined by the CTP regulator and is applied to compulsory third-party policies issued under the *Road Transport (Third-Party Insurance) Act 2008*. The CTP insurance levy is paid when a person purchases a CTP insurance policy as part of a vehicle registration. This revenue is dependent upon the number of vehicles registered per year and is statutory in nature.

	2015 \$'000	2014 \$'000
Compulsory Third-Party Insurance Levy <sup>1</sup>	471	456
<b>Total Compulsory Third-Party Insurance Levy</b>	<b>471</b>	<b>456</b>

<sup>1.</sup> The increase is mainly associated with the growth in registered vehicles. The increase is also due to an increase in short term vehicle registration.

**NOTE 5. INTEREST**

Interest (Westpac Banking Corporation) <sup>1</sup>	33	9
Interest (Commonwealth Bank of Australia)	-	6
<b>Total Interest</b>	<b>33</b>	<b>15</b>

<sup>1.</sup> The increase is mainly due to the increase in the amount of cash at bank held throughout 2014-15, associated with receipts exceeding payments in 2014-15 and higher amounts of the Nominal Defendant Levy collected on the behalf of the Nominal Defendant transiting through the bank account.

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

	2015 \$'000	2014 \$'000
<b>NOTE 6. SUPPLIES AND SERVICES</b>		
Actuarial Expenses <sup>1</sup>	73	31
Administration Expenses	9	7
Administrative Support Expenses <sup>2</sup>	105	140
Advertising <sup>3</sup>	72	58
Audit Fees <sup>4</sup>	16	16
Consultants (Contract) <sup>5</sup>	-	10
Information Technology Costs <sup>6</sup>	42	41
Research <sup>7</sup>	-	5
Other Expenses	4	2
<b>Total Supplies and Services</b>	<b>321</b>	<b>310</b>

<sup>1</sup>. The increase is due in part to an increase in premium filings in 2014-15. Premium filings are assessed by the scheme actuary to ensure the CTP insurance scheme remains fully funded and that the premium is not excessive. The increase is also due to actuarial work on the CTP Scheme.

<sup>2</sup>. Administrative support expenses are associated with the reimbursement of salary and superannuation expenses for the CMTEDD staff allocated to undertake the CTP regulator's functions during 2014-15. The CTP regulator does not employ any staff. The decrease is due to staff vacancies during the year.

<sup>3</sup>. The increase is due to the road safety initiative undertaken in 2014-15

<sup>4</sup>. Refer Note 7: *Auditor's Remuneration*.

<sup>5</sup>. There are no consultants costs in 2014-15. The consultants costs in 2013-14 were associated with the procurement of the actuarial services contract in 2013-14.

<sup>6</sup>. The costs are mainly associated with the Personal Injury Register (the claims reporting and analysis system) and the reimbursement of IT costs incurred by CMTEDD to carry out the CTP regulator's functions during 2014-15.

<sup>7</sup>. There are no research costs during 2014-15. The costs in 2013-14 were due to research undertaken in relation to catastrophic injury data associated with the road safety initiative during 2013-14.

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

	2015 \$'000	2014 \$'000
--	----------------	----------------

**NOTE 7. AUDITOR'S REMUNERATION**

Auditor's remuneration consists of financial audit services provided to the CTP regulator by the ACT Audit Office.

**Audit Services**

Audit fees paid or payable to the ACT Audit Office	16	16
<b>Total Audit Fees</b>	<b>16</b>	<b>16</b>

No other services were provided by the ACT Audit Office.

**NOTE 8. CASH AND CASH EQUIVALENTS**

Cash at Bank <sup>1</sup>	485	334
<b>Total Cash and Cash Equivalents</b>	<b>485</b>	<b>334</b>

The CTP regulator does not have any credit facilities.

<sup>1</sup>. The increase is mainly due to lower than anticipated expenses in 2014-15.

**NOTE 9. RECEIVABLES**

**Current Receivables**

Receivables Relating to the Levy	39	39
Net GST Receivable from the Australian Taxation Office	2	7
<b>Total Receivables</b>	<b>42</b>	<b>46</b>

**Classification of ACT Government/Non-ACT Government Receivables**

**Receivables with Non-ACT Government Entities**

Receivables Relating to the Levy	39	39
Net GST Receivable from the Australian Taxation Office	2	7
<b>Total Receivables with Non-ACT Government Entities</b>	<b>42</b>	<b>46</b>
<b>Total Receivables</b>	<b>42</b>	<b>46</b>

No receivables are past due or impaired.

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

	2015	2014
	\$'000	\$'000
<b>Note 10. PAYABLES</b>		
<b>Current Payables</b>		
Accrued Expenses <sup>1</sup>	21	57
<b>Total Payables</b>	<b>21</b>	<b>57</b>

<sup>1</sup>. The decrease is mainly due to the timing of the receipt of invoices from CMTEDD at the end of the financial year.

**Classification of ACT Government/Non-ACT Government Payables**

<b>Payables with ACT Government Entities</b>		
Accrued Expenses	18	44
<b>Total Payables with ACT Government Entities</b>	<b>18</b>	<b>44</b>
<b>Payables with Non-ACT Government Entities</b>		
Accrued Expenses	3	13
<b>Total Payables with Non-ACT Government Entities</b>	<b>3</b>	<b>13</b>
<b>Total Payables</b>	<b>21</b>	<b>57</b>

No payables are overdue for payment.

**NOTE 11. FINANCIAL INSTRUMENTS**

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2: *Summary of Significant Accounting Policies*.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. The CTP regulator's exposure to market interest rates relates only to cash at bank and is insignificant.

A sensitivity analysis has not been undertaken for the interest rate risk of the CTP regulator, as it has been determined that the possible impact on income and expenses or total equity from interest rate fluctuations is immaterial.

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 11. FINANCIAL INSTRUMENTS (CONTINUED)**

**Credit Risk**

Credit risk arises from the financial assets of the CTP regulator. Credit risk represents the loss that would be recognised if counterparties fail to perform as contracted.

The CTP regulator's maximum exposure to credit risk at reporting date relates to the carrying amount of receivables as indicated in the Balance Sheet. Receivables are monitored on an ongoing basis. At balance date, a significant proportion of the receivables are for moneys collected by another government entity on the CTP regulator's behalf, with none being past due or considered impaired. As a result, the CTP regulator's exposure to bad debts is not significant.

**Liquidity Risk**

Liquidity risk is the risk that the CTP regulator will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The CTP regulator manages this risk by maintaining a cash balance which will allow payment of all current financial liabilities when they fall due. The CTP regulator's exposure to liquidity risk and the management of this risk has not changed since the previous reporting period.

**Price Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk), whether these changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market. The CTP regulator is not exposed to any price risk.

**Fair Value of Financial Assets and Liabilities**

The carrying amounts and fair value of financial assets and liabilities at balance date are:

		Carrying Amount	Fair Value	Carrying Amount	Fair Value
	Note	2015	2015	2014	2014
	No.	\$'000	\$'000	\$'000	\$'000
<b>Financial Assets</b>					
Cash and Cash Equivalents	8	485	485	334	334
<b>Total Financial Assets</b>		<b>485</b>	<b>485</b>	<b>334</b>	<b>334</b>
<b>Financial Liabilities</b>					
Payables	10	21	21	57	57
<b>Total Financial Liabilities</b>		<b>21</b>	<b>21</b>	<b>57</b>	<b>57</b>

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 11 . FINANCIAL INSTRUMENTS (CONTINUED)**

*Maturity Analysis*

The CTP regulator does not have any financial assets or liabilities which mature outside the following financial year. The interest rate risk on assets and liabilities is not significant; therefore the Maturity Analysis table has been omitted.

<b>2015</b>	<b>2014</b>
<b>\$'000</b>	<b>\$'000</b>

*Carrying Amount of each Category of Financial Asset and Financial Liability*

**Financial Liabilities**

Financial Liabilities Measured at Amortised Cost	21	57
--	----	----

The CTP regulator does not have any financial assets in the 'Available for Sale' category, 'Financial Assets at Fair Value through Profit and Loss' category, 'Measured at Amortised Cost' category or 'Held to Maturity' category and as such, these categories are not included in the above table. Also, the CTP regulator does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category. Therefore, this category is not included above.

*Fair Value Hierarchy*

The CTP regulator does not have any financial assets or financial liabilities measured at fair value. Therefore, no fair value hierarchy disclosures have been made.

**NOTE 12. CASH FLOW RECONCILIATION**

**a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Balance Sheet.**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Total Cash and Cash Equivalents recorded in the Balance Sheet	485	334
<b>Cash and Cash Equivalents at the End of the Reporting Period as recorded in the Cash Flow Statement</b>	<b>485</b>	<b>334</b>

**b) Reconciliation of Net Cash Inflows from Operating Activities to the Operating Surplus.**

Operating Surplus	183	161
<b>Change in Assets and Liabilities</b>		
Decrease/(Increase) in Receivables	4	(1)
(Decrease)/Increase in Payables	(36)	6
<b>Net Cash Inflows from Operating Activities</b>	<b>151</b>	<b>166</b>

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 13. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities or contingent assets as at 30 June 2015 (30 June 2014: Nil).

**NOTE 14. EVENTS OCCURRING AFTER BALANCE DATE**

There were no events occurring after the balance date, which would affect the financial statements as at 30 June 2015 or in future years.

**NOTE 15. THIRD PARTY MONIES COLLECTED ON BEHALF OF THE NOMINAL DEFENDANT FUND**

Claims and administrative costs of the Nominal Defendant Fund are paid by raising a levy on all licensed CTP insurers in the ACT as well as the Commonwealth and Territory Governments.

The Nominal Defendant Levy is currently set at 3.3% of all CTP Insurance policies collected.

All cash is paid directly to Office of the Nominal Defendant.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Levy Collected</b>		
Levies from insurers	6,929	2,525
Levies from the Commonwealth Government	23	8
Levies from the ACT Government	63	22
<b>Total Levy Collected <sup>1</sup></b>	<b><u>7,015</u></b>	<b><u>2,555</u></b>

<sup>1</sup>. The increase is due to the timing of the Nominal Defendant Levy being received. The CTP regulator collects the Nominal Defendant Levy on a quarterly basis and the money collected is then forwarded to the Office of the Nominal Defendant. Three quarters of Nominal Defendant Levy for 2013-14 was received in 2014-15.

**Cash Disclosure**

<b>Balance at the Beginning of the Reporting Period</b>	-	-
Cash Receipts	7,015	2,555
Cash Payments	<u>7,015</u>	<u>2,555</u>
<b>Balance at the End of the Reporting Period</b>	<b><u>-</u></b>	<b><u>-</u></b>

**Financial Position**

<b>Balance at the Beginning of the Reporting Period</b>	-	-
Receivables outstanding - accrual	1,256	3,399
Payables outstanding - accrual	<u>1,256</u>	<u>3,399</u>
<b>Balance at the End of the Reporting Period</b>	<b><u>-</u></b>	<b><u>-</u></b>

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

Balance Sheet Line Items	Actual 2014-15	Original Budget <sup>1</sup> 2014-15	Variance	Variance	Variance Explanation
	\$'000	\$'000	\$'000	%	
Cash and Cash Equivalents	485	255	230	90%	The increase was mainly due to higher than budgeted cash held at bank at the beginning of financial year and lower than anticipated expenditure in areas of actuarial, information technology and arbitration costs as well as administrative support associated with the reimbursement to CMTEDD for the CMTEDD staff to undertake the CTP regulator's functions in 2014-15.
Payables	21	70	(49)	-70%	The lower payable figure resulted from reimbursements to CMTEDD being able to be paid in June 2015 rather than accrued.



## ACT Compulsory Third-Party Insurance Regulator

### Notes to and Forming Part of the Financial Statements

**For the Year Ended 30 June 2015**

#### **NOTE 16. BUDGETARY REPORTING - EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AMOUNTS AND ORIGINAL BUDGET AMOUNTS**

The following are brief explanations of major line item variances between budget estimates and actual outcomes. Variances are considered to be major variances if **both** of the following criteria are met:

- (a) The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- (b) The variances (original budget to actual) are greater than plus (+) or minus (-) 10% of the budget for the financial statement line item.

Operating Statement Line Items	Actual 2014-15	Original Budget <sup>1</sup> 2014-15	Variance		Variance Explanation
			Variance		
Employee Expenses	\$'000	\$'000	\$'000	%	
	-	152	(152)	-100%	Budgeted Employee Expenses were associated with the salaries and superannuation of CMTEDD staff allocated to undertake the CTP regulator's functions during 2014-15. The actual 2014-15 costs of \$105k for the reimbursement were classified as Supplies and Services, rather than Employee Expenses since the CTP did not employ any staff.(see Note 2(K)). These expenses were lower than budgeted due to staff vacancies.
Supplies and Services	321	285	36	13%	Supplies and Services for the actual 2014-15 figure included \$72k on road safety initiatives originally budgeted under Other Expenses and \$105k of the reimbursement to CMTEDD for salaries and superannuation originally budgeted under Employee Expenses. That additional costs were partially offset by the lower than anticipated actual expenses on actuarial, information technology and arbitration costs.
Other Expenses	-	75	(75)	-100%	Expenses on road safety initiatives were originally budgeted under Other Expenses, but were reclassified to Supplies and Services. The actual costs of \$72k on initiatives were slightly lower than anticipated at budget.

**ACT Compulsory Third-Party Insurance Regulator**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 16. BUDGETARY REPORTING - EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AMOUNTS AND ORIGINAL BUDGET AMOUNTS (CONTINUED)**

Cash Flow Statement Line Items	Actual 2014-15	Original Budget <sup>1</sup> 2014-15	Variance	Variance	Variance Explanation
	\$'000	\$'000	\$'000	%	
Employee	-	152	152	-100%	The CTP regulator did not employ any staff in 2014-15. Costs of salary and superannuation expenses for the CMTEDD staff allocated to undertake the CTP regulator's functions were more accurately classified as Supplies and Services. (see Note 2(k))
Supplies and Services	357	285	72	25%	Supplies and Services for the actual 2014-15 figure included \$72k on initiatives originally budgeted under Other Expenses and \$105k of the reimbursement to CMTEDD for salaries and superannuation originally budgeted under Employee Expenses. That additional cash outflow was partially offset by the lower than anticipated actual expenses on actuarial, information technology and arbitration costs.
Other	-	75	75	-100%	Payments on road safety initiatives were originally budgeted under Other but actual expenses for the initiatives were classified as Supplies and Services.

<sup>1</sup> Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2014-15 Budget Statements).

**Note:** # in the Line Item Variance % column represents a variance that is greater than 999 per cent or less than -999 per cent.

**Statement of Performance**  
**For the Year Ended**  
**30 June 2015**

**ACT Compulsory Third-Party**  
**Insurance Regulator**



## REPORT OF FACTUAL FINDINGS

### ACT COMPULSORY THIRD-PARTY INSURANCE REGULATOR

To the Members of the ACT Legislative Assembly

#### Report on the statement of performance

The statement of performance of the ACT Compulsory Third-Party Insurance Regulator (the Regulator) for the year ended 30 June 2015 has been reviewed.

#### Responsibility for the statement of performance

The Regulator is responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the accountability indicators reported in the statement of performance.

#### The auditor's responsibility

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Regulator, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

As disclosed in the statement of performance, in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, the Total Cost information included in the statement of performance has not been reviewed.

## **Electronic presentation of the statement of performance**

Those viewing an electronic presentation of this statement of performance should note that the review does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from the statement of performance. If users of the statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

## **Independence**

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the review.

## **Review opinion**

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Regulator for the year ended 30 June 2015, are not fairly presented in accordance with the *Financial Management Act 1996*.

This review opinion should be read in conjunction with the other information disclosed in this report.



Malcolm Prentice  
Acting Director, Financial Audits  
21 August 2015

**ACT Compulsory Third-Party Insurance Regulator**  
**Statement of Performance**  
**For the Year Ended 30 June 2015**

**Statement of Responsibility**

In my opinion, the Statement of Performance is in agreement with the Australian Capital Territory Compulsory Third-Party Insurance Regulator's records, and fairly reflects the service performance of the Australian Capital Territory Compulsory Third-Party Insurance Regulator for the year ended 30 June 2015, and also fairly reflects the judgements exercised in preparing it.



Karen Doran

ACT Compulsory Third-Party Insurance Regulator

21 July 2015

**ACT Compulsory Third-Party Insurance Regulator**  
**Statement of Performance**  
**For the Year Ended 30 June 2015**

	Original Target 2014-15	Actual Result 2014-15	Variance from Original Target	Explanation of Material Variances
<b>TOTAL COST (\$'000)</b>	512	321	-37%	Actual costs were lower than target mainly due to lower than anticipated expenses on actuarial costs, information technology and arbitration costs as well as decreased administrative support expenses. Administrative support expenses were associated with the reimbursement of salary and superannuation expenses for Chief Minister, Treasury and Economic Directorate (CMTEDD) staff to undertake the CTP regulator's function in 2014-15.
<b>Accountability Indicators</b>				
a. CTP premiums are approved in accordance with the <i>Road Transport (Third-Party Insurance) Act 2008</i> .	Review annual CTP premium filings <sup>1</sup> .	Premium filings were received from NRMA in September 2014. Premium filings were received from AAMI, GIO and APIA in November 2014. The premium filings received in September 2014 and November 2014, were assessed and approved by 30 June 2015 in accordance with the Act.	-	
b. The scheme is fully funded.	Actuarial review of premium filing applications by 30/06/2015.	An actuarial assessment was conducted in respect of each premium filing to ensure each met the fully funded test, that is, the premium met the present and likely future liability of the insurer under the CTP insurance scheme.	-	
c. Make guidelines under the Act.	Monitor and revise Premium guidelines and early payment guidelines by 30/6/2015 as necessary.	Issues on the guidelines under the Act were discussed as a standing item at the Industry Council of Australia meetings. The premium guidelines were revised, including with input from insurers, to improve the regulation of the scheme and provide improved guidance with regard to the premium setting process. The guidelines were notified on the Legislation Register on 8 January 2015. No revisions to the early payment guidelines were required.	-	



	Original Target 2014-15	Actual Result 2014-15	Variance from Original Target	Explanation of Material Variances
d. To continue to refine the system of CTP insurance for vehicles in the ACT in conjunction with insurers.	Participation at Industry Council of Australia meetings.	The CTP regulator and insurers met regularly during 2014-15, at meetings facilitated by the Industry Council of Australia, and discussed a range of issues and arrangements for improving the CTP scheme. This included developing Sharing Guidelines for the industry Deed; revising the CTP claims forms to reduce duplication and complexity (new claims forms became effective 5 September 2014); and discussing the Lifetime Care and Support Levy and how this would impact on premium filings.	-	
e. Promote public awareness of the causes of motor accidents through funding measures directed at reducing causes of motor vehicle accidents.	Contributing to road safety strategies consistent with the CTP regulator's function to promote public awareness of the causes of motor accidents.	The CTP regulator contributed \$42,000 to a campaign aimed at reducing tailgating and \$30,000 to a campaign aimed at reducing speeding in 2014-15, developed in conjunction with the Road Safety Unit of the Justice and Community Safety Directorate (JACS ), given that tailgating and speeding are a significant cause of third-party injuries.	-	
f. Complaints handling within 10 working days of receipt of the complaint. <sup>2</sup>	85% compliance.	Of the 6 written complaints received, 5 complaints were responded to within the 10 working day timeframe. This is equivalent to a compliance rate of 83.3%, 2 per cent below the 85% target.	-2%	

The above Accountability Indicators were examined by the ACT Audit Office in accordance with the *Financial Management Act 1996*. The Total Cost measure was not examined by the ACT Audit Office in accordance with the Financial Management (Statement of Performance Scrutiny) Guidelines 2011. The above Statement of Performance should be read in conjunction with section B.2 Analysis of the CTP regulator's Performance of this report.

<sup>1</sup>. A premium filing is a report provided by a CTP insurer to the CTP regulator containing a range of information in support of its annual CTP premium. The filing is assessed by the scheme actuary to ensure the CTP insurance scheme remains fully funded and that the premium is not excessive. Premium filings are usually submitted on an annual basis.

<sup>2</sup>. Responses to complaints within 10 working days of receipt of the complaint apply in cases where no other directorate is involved. Also refers to written correspondence only, not phone calls.



**Financial Statements**  
**For the Year Ended**  
**30 June 2015**

**Lifetime Care and Support Fund**



# **Lifetime Care and Support Fund Management Discussion and Analysis For the Year Ended 30 June 2015**

## **General Overview**

### **Objectives**

The Lifetime Care and Support Fund (LTCS fund) was established under the *Lifetime Care and Support (Catastrophic Injuries) Act 2014* (LTCS Act) and commenced operation on 1 July 2014. The LTCS fund reflects the financial operations of the Lifetime Care and Support Scheme (LTCS Scheme). The LTCS Scheme provides on-going reasonable and necessary treatment and care to people who have been catastrophically injured as a result of a motor accident in the Australian Capital Territory, on or after 1 July 2014, on a no-fault basis. The LTCS Scheme is funded by a levy on Compulsory Third-Party Insurance (CTP) policies that commenced on or after 1 July 2014.

### **Overview of the 2014-15 Financial Outcome**

The LTCS fund is Territorial in nature as it is administered on behalf of the ACT Government in accordance with the LTCS Act.

The LTCS fund's operating result for 2014-15 is a deficit of \$8.269 million, compared to the budgeted break even position (a budgeted surplus of \$0.003 million). This operating deficit is associated with a higher actuarially assessed provision than budgeted for the future treatment and care costs of the five interim LTCS Scheme participants accepted into the Scheme during 2014-15. The higher provision reflects the younger age profile and higher severity of injury of the participants compared to the average cost estimates used in the budget.

As at 30 June 2015, the LTCS fund's current assets (\$9.269 million) sufficiently exceed its current liabilities (\$0.729 million). However, its total liabilities (\$17.538 million) exceed its total assets (\$9.269 million). This is associated with the above mentioned higher than budgeted provision for future treatment and care costs of the LTCS Scheme participants.

Sufficiency of the LTCS Levy is reassessed every year by the LTCS Commissioner of the ACT and it is supported by an independent actuary report. The LTCS fund expects variability each year (unders and overs) compared with the average estimated costs used when setting the LTCS Levy each year.

As indicated by the actuary, 'while the estimate of incurred cost is far in excess of expected, there is not yet sufficient evidence to assume that the number and severity of claimants will be significantly higher in the medium to long-term than the assumptions in the original costings of the scheme'.

Comparative information in respect of the previous period is not applicable as the LTCS fund commenced operation on 1 July 2014 and this is its first set of annual financial statements.

### **Risk Management**

Although the LTCS fund is a separate reporting entity for the purposes of the *Financial Management Act 1996* and has an independent statutorily appointed Commissioner, the fund is part of the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). As such, the LTCS fund's risk management plan is incorporated within the risk management plan of the CMTEDD prepared in accordance with the Australian/New Zealand risk management AS/NZS ISO 31000:2009 and the ACT Government's "Enterprise Wide Risk Management Framework".

The LTCS fund has overall responsibility for risk management, and for ensuring compliance with the risk management plan.

# **Lifetime Care and Support Fund Management Discussion and Analysis For the Year Ended 30 June 2015**

## **Directorate's Territorial Statement of Income and Expenses**

The following financial information is based on the audited Financial Statements for 2014-15 and the forward estimates contained in the 2014-15 Budget Statements.

### **Total Expenditure**

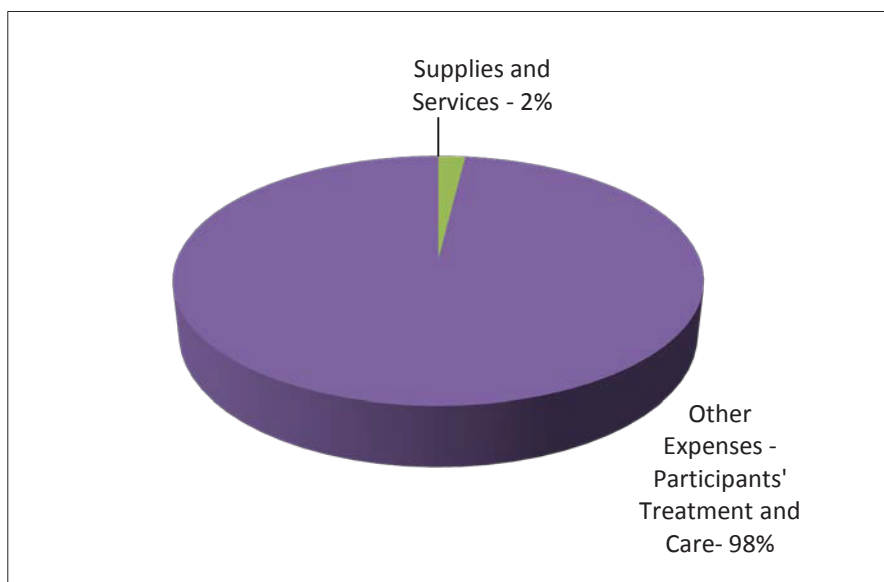
#### **1. Components of Expenditure**

For the financial year ended 30 June 2015, the LTCS fund recorded total expenditure of \$18.065 million. The largest component was the treatment and care costs of the five participants in the LTCS Scheme, which represents 98 per cent of the total expenditure or \$17.736 million. Of this, \$17.383 million (or 96% of the total expenditure) was a provision for future treatment and care costs of the LTCS Scheme participants.

The supplies and services expenses mainly include LTCS Scheme Handling Advisory costs (\$0.124 million) associated with advisory and support services provided to the LTCS fund by the New South Wales Lifetime Care and Support Authority and administrative support expenses (\$0.096 million) associated with the reimbursement of salary and superannuation expenses for the CMTEDD staff allocated to carry out the LTCS Scheme's functions. The LTCS fund does not employ any staff.

Figure 1 indicates the components of the LTCS fund's expenditure for the financial year ended 30 June 2015.

**Figure 1 – Components of Expenditure**



#### **2. Comparison to Original Budget**

Total expenditure of \$18.065 million was \$8.463 million higher than the 2014-15 Budget of \$9.602 million. This was due to the increased provision for the future treatment and care costs of the LTCS Scheme participants assessed by the independent actuaries on the basis of latest information relating to injury severity and age profiles of existing participants. The higher than anticipated provision amount reflects the younger age profile and higher severity of injury of the participants compared to the average cost estimates used in the budget. Given the relatively short

## **Lifetime Care and Support Fund Management Discussion and Analysis For the Year Ended 30 June 2015**

period since the participants incurred their injuries, there is significant uncertainty as to the ultimate severity of each injury. Experience of catastrophic injury claims, particularly severe brain injuries, is that the injury may take time to stabilise. For example, two brain injured claimants with similar severity scores immediately following injury may have significantly different outcomes following the period of hospital and rehabilitation. As a result, the ultimate amount of claim payments for the existing participants largely depends on the potential improvements.

Actual costs associated with the reimbursement of employee and superannuation expenses for CMTEDD staff allocated to carry out the LTCS Scheme's functions, were reflected under supplies and services expenses for a more accurate accounting classification.

### **3. Future Trends**

In the 2014-15 Budget, expenditure was estimated at similar levels in the forward years. The treatment and care costs of the LTCS Scheme's future participants and the associated timing of payments was reassessed at the time of the 2015-16 budget and the expenditure is now expected to increase in 2015-16 and beyond. The increased budget provision for estimated future treatment and care costs was based on independent actuarial projections.

It must be recognised however that the number of new participants and their associated treatment and care expense profiles will be volatile, particularly in the early years of the Scheme.

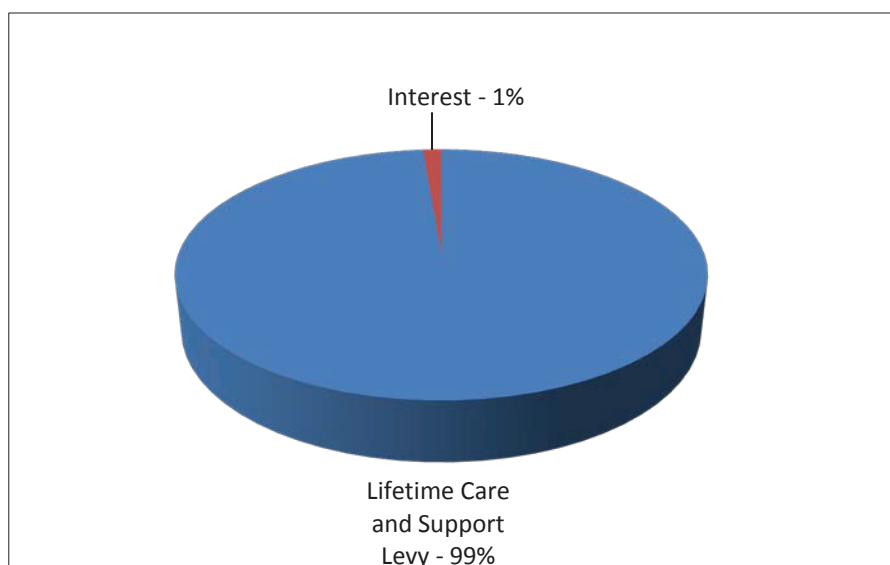
### **Total Income**

#### **1. Components of Income**

For the financial year ended 30 June 2015, the LTCS fund recorded a total income of \$9.796 million. The LTCS fund's income was derived from the LTCS Levy (\$9.666 million) and interest from cash at bank (\$0.130 million).

Figure 2 indicates the components of the LTCS fund's income for the financial year ended 30 June 2015.

**Figure 2 – Components of Income**



# **Lifetime Care and Support Fund Management Discussion and Analysis For the Year Ended 30 June 2015**

## **2. Comparison to Original Budget**

Income for the financial year ended 30 June 2015 was \$0.191 million, or 2 per cent higher than the 2014-15 Budget of \$9.605 million.

## **3. Future Trends**

Income is budgeted to increase in the future mainly due to the increase in income from LTCS Levy associated with the expected growth in population. In accordance with the LTCS Act, the LTCS Levy will be reassessed each year.

The increase in income is also due to the increase in income from returns associated with the investment of funds not required in the short-term. This increase reflects the accumulation of funds to provide for the LTCS Scheme participants, the number of which is budgeted to increase each year. Funds are collected to provide for the estimated whole of life costs of participants in the year they are accepted into the Scheme. Developing a long-term investment strategy that establishes strategic asset allocation, a target investment return and provides options for investing funds not required in the short term, has been identified as a priority for the LTCS fund in 2015-16. This will result in funds not required in the short-term being invested in longer term (non-current) investments with higher returns.

## **Directorate's Territorial Statement of Assets and Liabilities**

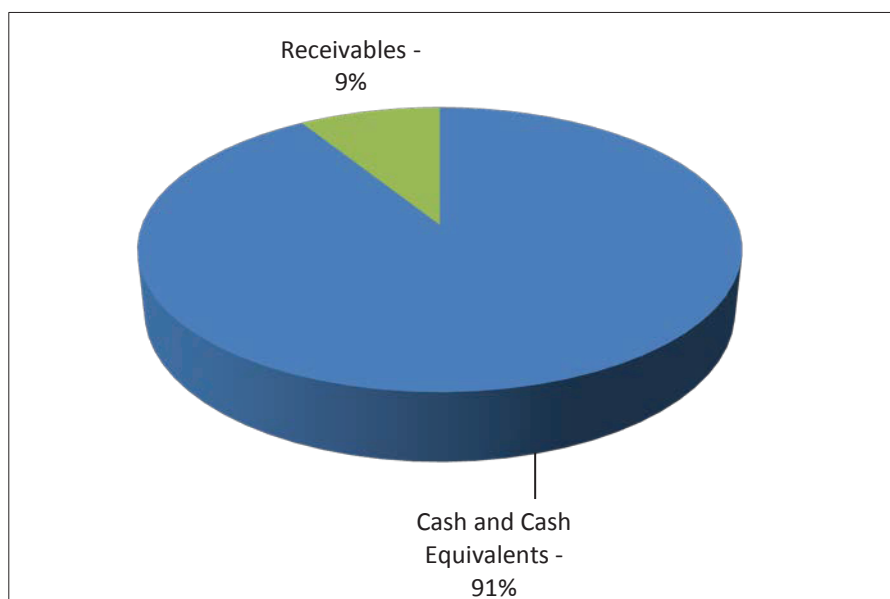
### **Total Assets**

#### **1. Components of Total Assets**

The total asset position as at 30 June 2015 was \$9.269 million and shows the LTCS fund held 91 per cent of its assets in Cash.

Figure 3 indicates the components of the LTCS fund's total assets as at 30 June 2015.

**Figure 3 – Total Assets as at 30 June 2015**





# Lifetime Care and Support Fund Management Discussion and Analysis For the Year Ended 30 June 2015

## 2. Comparison to Budget

Total assets of \$9.269 million at 30 June 2015 were \$0.733 million higher than the Budget of \$8.536 million mainly due to an increase in cash at bank associated with the timing of payments for the treatment and care costs of the LTCS Scheme participants in the early period after their acceptance into the LTCS Scheme. Treatment and care payments are now forecast to be lower in the early years and correspondingly higher in the latter years than what was initially forecast at the time of the budget.

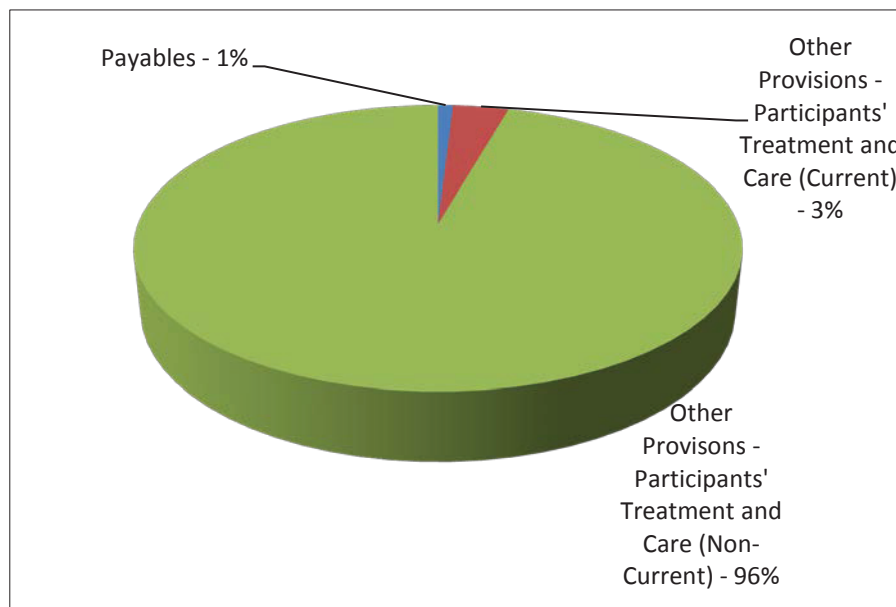
## Total Liabilities

### 1. Components of Total Liabilities

The LTCS fund's total liabilities of \$17.538 million as at 30 June 2015 largely relate to the provision for future treatment and care costs of participants in the LTCS Scheme, of which the current component is \$0.574 million and the non current component is \$16.809 million. The liabilities also relate to accrued expenses associated with the actuaries fees, audit fees and the cost of hospital services provided to LTCS Scheme participants during the financial year for which the invoices were received after the end of the financial year.

Figure 4 below shows the components of the LTCS fund's total liabilities as at 30 June 2015.

**Figure 4 – Total Liabilities as at 30 June 2015**



## 2. Comparison to Budget

Liabilities as at 30 June 2015 were \$9.005 million, or 106 per cent higher than the Budget of \$8.533 million. This increase is largely due to the actuarial projections at 30 June 2015 that revised the estimated future treatment and care costs of the LTCS Scheme participants based on the latest information relating to injury severity and age profile of the existing participants. The increased

**Lifetime Care and Support Fund  
Management Discussion and Analysis  
For the Year Ended 30 June 2015**

provision reflects the younger age profile and higher severity of injury of the participants compared to the average cost estimates used in the budget, as previously discussed.

Given the short length of time from the date of injury for all of the participants, there is significant uncertainty as to the ultimate severity of each injury. Experience of catastrophic injury claims, particularly severe brain injuries, is that the injury may take time to stabilise. For example, two brain injured claimants with similar severity scores immediately following injury may have significantly different outcomes following the period of hospital and rehabilitation. As a result, the ultimate amount of claim payments for the existing participants largely depends on the potential improvements.

## **INDEPENDENT AUDIT REPORT**

### **LIFETIME CARE AND SUPPORT FUND**

#### **To the Members of the ACT Legislative Assembly**

##### **Report on the financial statements**

The financial statements of the Lifetime Care and Support Fund (the Fund) for the year ended 30 June 2015 have been audited. These comprise the statement of income and expenses on behalf of the Territory, statement of assets and liabilities on behalf of the Territory, statement of changes in equity on behalf of the Territory, cash flow statement on behalf of the Territory and accompanying notes.

##### **Responsibility for the financial statements**

The Under Treasurer is responsible for the preparation and fair presentation of the financial statements in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

##### **The auditor's responsibility**

Under the *Financial Management Act 1996*, I am responsible for expressing an independent audit opinion on the financial statements of the Fund.

The audit was conducted in accordance with Australian Auditing Standards to obtain reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to provide assurance on the appropriateness of budget information included in the financial statements or to evaluate the prudence of decisions made by the Fund.

## Electronic presentation of the audited financial statements

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

## Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

## Audit opinion

In my opinion, the financial statements of the Fund for the year ended 30 June 2015:

- (i) are presented in accordance with the *Financial Management Act 1996*, Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Fund as at 30 June 2015 and the results of its operations and cash flows for the year then ended.

## Emphasis of matter

The financial statements disclose in Note 2(o) 'Significant Accounting Judgements and Estimates' and Note 14: 'Other Provisions', the significant uncertainty associated with the estimate of the provision for future treatment and care costs of the Fund 'participants'.

This is due to the long term nature of the provision and a limited understanding of the likely costs of 'participants' as the Fund has only been in operation since 1 July 2014. This uncertainty will remain until there are a larger number of 'participants' in the Fund and significantly more years experience of the Fund's operations to be able to gain a greater understanding of the likely costs.

The audit opinion is not qualified in respect of this matter.

This audit opinion should be read in conjunction with the other information disclosed in this report.



Malcolm Prentice  
Acting Director, Financial Audits  
17 September 2015

**LIFETIME CARE AND SUPPORT FUND  
FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015**

**STATEMENT OF RESPONSIBILITY**

In my opinion, the financial statements are in agreement with the Lifetime Care and Support Fund's accounts and records and fairly reflect the financial operations of the Fund for the year ended 30 June 2015 and the financial position of the Fund on that date.



---

David Nicol  
Under Treasurer  
Delegate for the Director-General  
Chief Minister, Treasury and  
Economic Development Directorate

17 September 2015



---

Lisa Holmes  
Acting Lifetime Care and Support Commissioner  
of the ACT

17 September 2015

**LIFETIME CARE AND SUPPORT FUND  
FINANCIAL STATEMENTS  
For the Year Ended 30 June 2015**

**STATEMENT BY THE CHIEF FINANCE OFFICER**

In my opinion, the financial statements have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Lifetime Care and Support Fund's accounts and records and fairly reflect the financial operations of the Fund for the year ended 30 June 2015 and the financial position of the Fund on that date.



---

Lisa Holmes

Chief Finance Officer

Director, Financial Framework Management and Insurance

Chief Minister, Treasury and Economic Development Directorate

17 September 2015

## **LIFETIME CARE AND SUPPORT FUND**

## **TERRITORIAL FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**

**Lifetime Care and Support Fund**  
**Statement of Income and Expenses on Behalf of the Territory**  
**For the Year Ended 30 June 2015**

	<b>Note No.</b>	<b>Actual 2015 \$'000</b>	<b>Original Budget 2015 \$'000</b>
<b>Income</b>			
<i>Revenue</i>			
Lifetime Care and Support Levy	4	9,666	9,500
Interest	5	130	105
<i>Total Revenue</i>		<u>9,796</u>	<u>9,605</u>
<b>Total Income</b>		<u><b>9,796</b></u>	<u><b>9,605</b></u>
<b>Expenses</b>			
Employee Expenses		-	139
Superannuation Expenses		-	13
Supplies and Services	6	329	125
Other Expenses - Participants' Treatment and Care	8	17,736	9,325
<b>Total Expenses</b>		<u><b>18,065</b></u>	<u><b>9,602</b></u>
<b>Operating (Deficit)/ Surplus</b>		<u><b>(8,269)</b></u>	<u><b>3</b></u>
<b>Total Comprehensive (Deficit)/ Income</b>		<u><u><b>(8,269)</b></u></u>	<u><u><b>3</b></u></u>

The above Statement of Income and Expenses on Behalf of the Territory should be read in conjunction with the accompanying notes.



**Lifetime Care and Support Fund**  
**Statement of Assets and Liabilities on Behalf of the Territory**  
**As at 30 June 2015**

	<b>Note No.</b>	<b>Actual 2015 \$'000</b>	<b>Original Budget 2015 \$'000</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	11	8,443	1,100
Investments		-	7,436
Receivables	12	826	-
<b>Total Current Assets</b>		<b>9,269</b>	<b>8,536</b>
<b>Total Assets</b>		<b>9,269</b>	<b>8,536</b>
<b>Current Liabilities</b>			
Payables	13	155	-
Other Provisions - Participants' Treatment and Care	14	574	899
<b>Total Current Liabilities</b>		<b>729</b>	<b>899</b>
<b>Non-Current Liabilities</b>			
Other Provisions - Participants' Treatment and Care	14	16,809	7,634
<b>Total Non-Current Liabilities</b>		<b>16,809</b>	<b>7,634</b>
<b>Total Liabilities</b>		<b>17,538</b>	<b>8,533</b>
<b>Net (Liabilities)/ Assets</b>		<b>(8,269)</b>	<b>3</b>
<b>Equity</b>			
(Deficit)/Accumulated Funds		(8,269)	3
<b>Total Equity</b>		<b>(8,269)</b>	<b>3</b>

The above Statement of Assets and Liabilities on Behalf of the Territory should be read in conjunction with the accompanying notes.

**Lifetime Care and Support Fund**  
**Statement of Changes in Equity on Behalf of the Territory**  
**For the Year Ended 30 June 2015**

	(Deficit)	Total	Original
	Actual	Equity	Budget
Note	2015	2015	2015
No.	\$'000	\$'000	\$'000
<b>Balance at 1 July 2014</b>	-	-	-
<b>Comprehensive Income</b>			
Operating (Deficit)/ Surplus	(8,269)	(8,269)	3
<b>Total Comprehensive (Deficit)/ Income</b>	<b>(8,269)</b>	<b>(8,269)</b>	<b>3</b>
<b>Balance at 30 June 2015</b>	<b>(8,269)</b>	<b>(8,269)</b>	<b>3</b>

The above Statement of Changes in Equity on Behalf of the Territory should be read in conjunction with the accompanying notes.

**Lifetime Care and Support Fund**  
**Cash Flow Statement on Behalf of the Territory**  
**For the Year Ended 30 June 2015**

	<b>Note No.</b>	<b>Actual 2015 \$'000</b>	<b>Original Budget 2015 \$'000</b>
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Lifetime Care and Support Levy		8,859	9,500
Interest Received		130	105
Goods and Services Tax Input Tax Credits from the Australian Taxation Office		2	-
<b>Total Receipts from Operating Activities</b>		<b>8,991</b>	<b>9,605</b>
<b>Payments</b>			
Employee		-	139
Superannuation		-	13
Supplies and Services		262	125
Goods and Services Tax Paid to Suppliers		21	-
Other - Participants' Treatment and Care		265	792
<b>Total Payments from Operating Activities</b>		<b>548</b>	<b>1,069</b>
<b>Net Cash Inflows from Operating Activities</b>	19	<b>8,443</b>	<b>8,536</b>
<b>Cash Flows from Investing Activities</b>			
<b>Payments</b>			
Purchase of Investments		-	7,436
<b>Total Payments from Investing Activities</b>		<b>-</b>	<b>7,436</b>
<b>Net Cash (Outflows) from Investing Activities</b>		<b>-</b>	<b>(7,436)</b>
<b>Net Cash Inflows/(Outflows) from Financing Activities</b>		<b>-</b>	<b>-</b>
<b>Net Increase in Cash and Cash Equivalents Held</b>		<b>8,443</b>	<b>1,100</b>
Cash and Cash Equivalents at the Beginning of the Reporting Period		-	-
<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	19	<b>8,443</b>	<b>1,100</b>

The above Cash Flow Statement on Behalf of the Territory should be read in conjunction with the accompanying notes.

**Lifetime Care and Support Fund  
Financial Statements  
For the Year Ended 30 June 2015**

**Note Index**

Note 1	Objectives of the Lifetime Care and Support Fund
Note 2	Summary of Significant Accounting Policies
Note 3	Change in Accounting Policy and Accounting Estimates
 <b>Income Notes</b>	
Note 4	Lifetime Care and Support Levy
Note 5	Interest
 <b>Expenses Notes</b>	
Note 6	Supplies and Services
Note 7	Auditor's Remuneration
Note 8	Other Expenses - Participants' Treatment and Care
Note 9	Waivers, Impairment Losses and Write-Offs
Note 10	Act of Grace Payments
 <b>Assets Notes</b>	
Note 11	Cash and Cash Equivalents
Note 12	Receivables
 <b>Liabilities Notes</b>	
Note 13	Payables
Note 14	Other Provisions - Participants' Treatment and Care
 <b>Other Notes</b>	
Note 15	Financial Instruments
Note 16	Commitments
Note 17	Contingent Liabilities and Contingent Assets
Note 18	Events Occurring After Balance Date
Note 19	Cash Flow Reconciliation
Note 20	Budgetary Reporting - Explanation of Major Variances between Actual Amounts and Original Budget Amounts

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 1. OBJECTIVES OF THE LIFETIME CARE AND SUPPORT FUND**

The Lifetime Care and Support Fund (LTCS fund) was established under the *Lifetime Care and Support (Catastrophic Injuries) Act 2014* (LTCS Act) and commenced operation on 1 July 2014.

**Operations and Principal Activities**

The LTCS fund reflects the financial operations of the Lifetime Care and Support Scheme (LTCS Scheme). The LTCS Scheme provides on-going treatment and care to people who have been catastrophically injured as a result of a motor accident in the Australian Capital Territory, on or after 1 July 2014, on a no-fault basis. The LTCS Scheme is funded by a levy on Compulsory Third-Party Insurance (CTP) policies that commenced on or after 1 July 2014.

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Preparation**

The LTCS fund has been established as a separate directorate under the *Financial Management Act 1996* (FMA), in accordance with section 75 of the LTCS Act and the Financial Management (Directorates) Guidelines 2014.

The FMA requires the preparation of annual financial statements for ACT Government agencies.

The FMA and the *Financial Management Guidelines* issued under the Act, requires the LTCS fund financial statements to include:

- (i) a Statement of Income and Expenses on Behalf of the Territory for the year;
- (ii) a Statement of Assets and Liabilities on Behalf of the Territory at the of the year;
- (iii) a Statement of Changes in Equity on Behalf of the Territory for the year;
- (iv) a Cash Flow Statement on Behalf of the Territory for the year;
- (v) a summary of the significant accounting policies adopted for the year; and
- (vi) such other statements as are necessary to fairly reflect the financial operations of the LTCS fund during the year and its financial position at the end of the year.

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP) as required by the FMA. The financial statements have been prepared in accordance with:

- (i) Australian Accounting Standards; and
- (ii) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention.

These financial statements are presented in Australian dollars, which is the LTCS fund's functional currency.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**(a) Basis of Preparation - Continued**

As at 30 June 2015, the LTCS fund's current assets (\$9.269 million) are sufficient to meet its current liabilities (\$0.729 million). However, its total liabilities (\$17.538 million) exceed its total assets (\$9.269 million). This is mainly associated with the provision for future treatment and care costs of the LTCS Scheme participants which is reflective of the higher injury severity and younger age profile of the five LTCS Scheme participants accepted into the Scheme during 2014-15, than what was estimated when the LTCS Levy was determined.

Sufficiency of the LTCS Levy in relation to the anticipated lifetime treatment and care costs of participants in the LTCS Scheme is reassessed every year, based on an independent actuary report. The LTCS fund expects variability each year (unders and overs) compared with the average estimated costs used when setting the LTCS Levy each year. Notwithstanding the year to year volatility in outcome, it is envisaged that the LTCS Levy reassessed every year together with the anticipated investment income will be sufficient to meet the expected LTCS fund's liabilities as they become payable.

**(b) Territorial Items**

The LTCS fund only produces Territorial financial statements. The Territorial financial statements include income, expenses, assets, and liabilities that the LTCS fund administers on behalf of the ACT Government but does not control. LTCS levies are 'taxes, fees and fines' in nature. Section 78 of the LTCS Act deems the fund levies, interest and all other money paid into the LTCS fund to be appropriated for the purposes of the LTCS fund. Payments from the LTCS fund are made in accordance with the requirements of the LTCS Act.

**(c) The Reporting Period**

These financial statements state the financial performance, changes in equity and cash flows of the LTCS fund for the year ended 30 June 2015, together with the financial position of the LTCS fund as at 30 June 2015.

**(d) Comparative Figures**

*Budget Figures*

To facilitate a comparison with the Budget Papers, as required by the FMA, budget Information for 2014-15 has been presented in the financial statements. Budget numbers in the financial statements are the original budget numbers that appear in the Budget Papers.

*Prior Year Comparatives*

Comparative information in respect of the previous period is not applicable as the LTCS fund commenced operation on 1 July 2014 and this is its first set of annual financial statements.

**(e) Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000). Use of "-" represents zero amounts or amounts rounded down to zero.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**(f) Revenue Recognition**

Revenue is recognised at the fair value of the consideration received or receivable in the Statement of Income and Expenses on Behalf of the Territory. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the LTCS fund and the revenue can be reliably measured. In addition, the following criteria must be met before revenue is recognised.

*Lifetime Care and Support Levy*

Section 84 of the LTCS Act requires the Lifetime Care and Support Commissioner of the Australian Capital Territory (LTCS Commissioner) to determine the Lifetime Care and Support Levy (LTCS Levy) for a contribution period. The LTCS Levy applies to all CTP policies issued under the *Road Transport (Third-Party Insurance) Act 2008* that commence during the reporting period and payable upfront on any CTP insurance policy taken out during the period.

The LTCS Levy is recognised as revenue at the time the LTCS fund gains control over the economic benefits embodied in the LTCS Levy. The LTCS fund has assessed that control is established when a taxpayer registers a motor vehicle and pays the LTCS Levy.

*Interest*

Interest revenue is recognised using the effective interest method.

**(g) Waivers of Debt**

Debts that are waived under section 131 of the FMA are expensed during the year in which the right to payment was waived. No debts were waived during the reporting period.

**(h) Current and Non-Current Items**

Assets and liabilities are classified as current or non-current in the Statement of Assets and Liabilities on Behalf of the Territory and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the LTCS fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Assets or liabilities which do not fall within the current classification are classified as non-current.

**(i) Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement on Behalf of the Territory and the Statement of Assets and Liabilities on Behalf of the Territory, cash and cash equivalents includes cash at bank.

**(j) Receivables**

Accounts receivable are initially recognised at fair value and are subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory.

The allowance for impairment losses represents the amount of receivables the LTCS fund estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**(j) Receivables - Continued**

The LTCS fund considers the following is objective evidence of impairment:

- a) becoming aware of financial difficulties of debtors;
- b) default payments; or
- c) debts more than 90 days overdue.

The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The amount of the allowance is recognised in the Statement of Income and Expenses on Behalf of the Territory. The allowance for impairment losses are written off against the allowance account when the LTCS fund ceases action to collect the debt when the cost to recover the debt is more than the debt is worth.

No bad debts were written off during the financial year ended 30 June 2015.

**(k) Payables**

Payables are a financial liability and are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Statement of Income and Expenses on Behalf of the Territory. All amounts are normally settled within 30 days after the invoice is received.

Payables include Trade Payables and Accrued Expenses.

Trade payables represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the end of the reporting period and relating to the normal operations of the LTCS fund.

Accrued expenses represent goods and services provided by other parties during the period that are unpaid at the end of the reporting period and where an invoice has not been received by period end.

**(l) Other Provisions – Participants' Treatment and Care**

Other provisions relate to the provision for estimated future treatment and care costs of LTCS Scheme participants in the ACT. The LTCS Scheme provides on-going treatment and care to people who have been catastrophically injured as a result of a motor accident in the ACT, on or after 1 July 2014, on a no-fault basis. The liability for the participant treatment and care costs is measured as the present value of the expected future payments for all claims incurred to the valuation date and based on independent actuarial projections. The valuation uses a long-term fixed gap assumption of 2% per annum based on the difference between an inflation rate of 4% per annum and a discount rate of 6% per annum.

The LTCS fund does not fall within the scope of AASB 1023: *General Insurance Contracts* as its operations are not underpinned by contracts of insurance with its participants. Accordingly, the provision for estimated future treatment and care costs of LTCS Scheme participants is based on AASB 137: *Provisions, Contingent Liabilities and Contingent Assets*.

**(m) Employee Benefits**

The LTCS fund does not employ any staff. The functions of the LTCS fund are undertaken by officers from the Chief Minister, Treasury and Economic Development Directorate (CMTEDD). The Financial Framework Management and Insurance Branch of the Economic and Financial Group provide a supporting role to the



**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**(m) Employee Benefits - Continued**

LTCS fund by providing a number of staff to carry out the functions of the LTCS fund. In 2014-15 the LTCS fund reimbursed CMTEDD for the employee expenses associated with the staff allocated to carrying out the functions of the LTCS fund. These expenses are reflected under 'supplies and services' (Note 6: *Supplies and Services*). Accrued employee benefits that remain unpaid at the end of the reporting period for these staff are reflected in CMTEDD's financial statements.

**(n) Budgetary Reporting**

Explanations of major variances between the 2014-15 original budget and the 30 June 2015 actual results are discussed in Note 20: *Budgetary Reporting – Territorial – Explanation of Major Variances Between Actual Amounts and Original Budget*.

The definition of 'major variances' is provided in Note 2 (o): *Significant Accounting Judgements and Estimates - Budgetary Reporting*.

Original budget refers to the original budgeted financial statements presented to the Legislative Assembly in a form that is consistent with the LTCS fund's annual financial statements. The 2014-15 budget numbers have not been audited.

Budgetary reporting is disclosed for the territorial financial statements with the exception of Statement of Changes in Equity on Behalf of the Territory, as relevant line items are included in other financial statements.

**(o) Significant Accounting Judgements and Estimates**

- (i) *Other Provisions – Participants' Treatment and Care*: The LTCS fund has made a significant estimate in determining its liability for future treatment and care costs of LTCS Scheme participants in the ACT.

At 30 June 2015, the liabilities for all claims incurred up to this date under the LTCS Scheme were valued by the actuaries at Cumpston Sarjeant Pty Ltd.

The liability for the participants' treatment and care costs is measured as the present value of the expected future payments for all claims incurred to the valuation date. Claims incurred include accepted participants as well as an estimate for claims incurred but not reported. The valuation is based on a number of assumptions including the underlying cost of the claim, payment pattern, term of the claim, and inflation and discount rates. Uncertainty exists due to the long-term nature of liabilities and volatility around the number of Scheme participants and their injury severity. Further, given that the LTCS Scheme has only been in operation for one year, there is little experience of claim payments to date. This provision represents the best estimate of the Scheme's future payments, taking into consideration the considerable uncertainties that will exist during the early years of the Scheme's operation until more data becomes available.

As indicated by the actuary, 'while the estimate of incurred cost is far in excess of expected, there is not yet sufficient evidence to assume that the number and severity of claimants will be significantly higher in the medium to long-term than the assumptions in the original costings of the scheme'.

Details of the amount of provision for future treatment and care costs are provided at Note 14: *Other Provisions – Participants' Treatment and Care*.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**(o) Significant Accounting Judgements and Estimates – Continued**

(ii) *Budgetary Reporting*: Significant judgements have been applied in determining what variances are considered as 'major variances' requiring explanations in Note 20: *Budgetary Reporting – Territorial – Explanation of Major Variances Between Actual Amounts and Original Budget*. Variances are considered to be major variances if both of the following criteria are met:

- The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- The variances (original budget to actual) are greater than plus (+) or minus (-) 10% for the budget for the financial statement line item.

Further information on this is provided in Note 2(n): *Budgetary Reporting*.

**(p) Impact of Accounting Standards Issued but yet to be Applied**

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The LTCS fund does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting standards will be adopted from their application date.

- AASB 9 Financial Instruments (December 2014) (application date 1 January 2018):  
This standard supersedes AASB 139 *Financial Instruments: Recognition and Measurement*. The main impact of AASB 9 is that it will change the classification, measurement and disclosures of financial assets however; no material financial impact is expected.
- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 and 1038 and Interpretations 2, 5, 10, 12, 19 and 127] (application date 1 January 2018):  
This standard makes consequential amendments to a number of standards and interpretations as a result of the issuing of AASB 9 in December 2010 and no material financial impact is expected.
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part C Financial Instruments [AASB 9 December (2009); 2009-11, AASB 9 (December 2010) and 2010-7] (application date 1 January 2015):  
Part C of this Omnibus standard defers the application of AASB 9 to 1 January 2017. The application date of AASB 9 was subsequently deferred to 1 January 2018 by AASB2014-1 with no material financial impact being expected.
- AASB 2014-1 Amendments to Australian Accounting Standards Part E Financial Instruments [AASB 1,3, 4, 5, 7, 9 (December 2009), 9 (December 2010), 101, 102, 108, 112, 118, 120, 121, 132, 136, 137, 137, 139, Interpretation 2, 5, 10, 12, 16, 19 and 107] (applicable 1 January 2018):  
Part E of this standard defers the application of AASB 9 to 1 January 2018 with no material financial impact being expected.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**(p) Impact of Accounting Standards Issued but yet to be Applied - Continued**

- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) [AASB 1, 2, 3, 4, 5, 7, 13, 101, 102, 108, 110, 112, 120, 121, 123, 128, 132, 133, 136, 137, 139, 1023, 1038, 1049, Interpretation 2, 5, 10, 12, 16, 19 and 127] (application date 1 January 2018);

This standard makes consequential amendments to a number of standards and interpretations as a result the issuing of AASB 9 (December 2014). No material financial impact on the LTCS fund is expected.

- 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, 101, 134 and 1049] (application date 1 January 2016):

These amendments relate to disclosure only and while there is a potential decrease in disclosure there is no material financial impact on the LTCS fund.

- 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality [AASB 6, 10, 11, 12, 107, 108, 110, 111, 117, 123, 127, 128, 129, 133, 141, 1004, 1039, 1053, and 1054] (application date 1 January 2015):

This standard gives effect to the withdrawal of AASB 1031 Materiality and deletes references to AASB 1031 in the Australian Accounting Standards. There is no material financial impact on the LTCS fund.

**NOTE 3. CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES**

**Change in Accounting Policy**

The LTCS fund had no changes in Accounting Policy during the reporting period.

**Changes in Accounting Estimates**

The LTCS fund had no change in accounting estimates during the reporting period.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4. LIFETIME CARE AND SUPPORT LEVY**

Under the LTCS Act, the LTCS Commissioner is required to assess the amount needed to be contributed to the LTCS fund in each contribution period. In particular, the required fund contribution is an amount that will:

- fully fund the present and likely future liabilities of the LTCS Commissioner under part 6 (Payments under LTCS scheme) in relation to people who become participants in the scheme because of motor accident injuries suffered during the contribution period; and
- meet the payments needed to be made from the fund (other than payments under part 6) during the contribution period; and
- provide for any other matters the LTCS Commissioner should, in all the circumstances, prudently make provision for in relation to liabilities under part 6.

The amount needed to fully fund the present and likely future liability of the LTCS Commissioner under part 6 is an amount sufficient to provide an amount of money that together with anticipated investment income is equal to the best estimate of the cost of meeting the liability (in inflated dollars) when the liability becomes payable.

The LTCS Levy is the amount that the LTCS Commissioner considers will result in the required fund contribution for the contribution period and has been determined in accordance with the report of an independent actuary.

The LTCS Levy applies to all Compulsory Third Party Insurance (CTP) policies issued under the *Road Transport (Third-Party Insurance) Act 2008* that commence during the contribution period. The LTCS Levy is collected by the Road Transport Authority (Chief Minister, Treasury and Economic Development Directorate) on behalf of LTCS Commissioner and remitted to the LTCS fund.

**2015**  
**\$'000**

Lifetime Care and Support Levy <sup>1</sup>	9,666
<b>Total Lifetime Care and Support Fund Levy</b>	<b>9,666</b>

<sup>1</sup>. The LTCS Commissioner determined the LTCS Levy for the contribution period from 1 July 2014 to 30 June 2015 to be \$34 for a 12 months CTP policy, \$17 for a 6 months CTP policy and \$8.50 for a 3 months CTP policy (charged proportionately based on the number of months a vehicle is registered).

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

	2015 \$'000
<b>NOTE 5. INTEREST</b>	
<b>Revenue from Non-ACT Government Entities</b>	
Other Interest Revenue <sup>1</sup>	130
<b>Total Interest Revenue from Non-ACT Government Entities</b>	<u>130</u>
<b>Total Interest Revenue</b>	<u><u>130</u></u>
Total interest revenue from financial assets not at fair value through profit and loss	130

<sup>1</sup> Interest revenue is associated with the cash balance held in the bank during the financial year.

**NOTE 6. SUPPLIES AND SERVICES**

Actuarial Expenses <sup>1</sup>	31
Administration Expenses	2
Administrative Support Expenses <sup>2</sup>	96
Advertising	8
Audit Fees <sup>3</sup>	41
Consultants <sup>4</sup>	22
Information and Technology Costs	5
LTCS Scheme Claim Handling Advisory Costs <sup>5</sup>	124
<b>Total Supplies and Services</b>	<u><u>329</u></u>

<sup>1</sup> Actuarial expenses are mainly associated with the valuation of the provision for future treatment and care costs of LTCS Scheme participants in the ACT.

<sup>2</sup> Administrative support expenses are associated with the reimbursement of salary and superannuation expenses for the CMTEDD staff allocated to carry out the LTCS Scheme's functions.

<sup>3</sup> Refer Note 7: *Auditor's Remuneration*.

<sup>4</sup> Consultants fee is associated with the independent accounting advice sought in relation to the application of Australian Accounting Standards to the LTCS fund.

<sup>5</sup> LTCS Scheme Claim Handling Advisory costs are associated with the charge from the New South Wales Lifetime Care and Support Authority in relation to advisory and support services provided to the LTCS fund in its first year of operation.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 7. AUDITOR'S REMUNERATION** **2015**  
**\$'000**

Auditor's remuneration consists of financial audit services provided to the LTCS fund by the ACT Audit Office to conduct the financial audit.

**Audit Services**

Audit fees paid or payable to the ACT Audit Office	41
<b>Total Audit Fees</b>	<b>41</b>

No other services were provided by the ACT Audit Office.

**NOTE 8. OTHER EXPENSES - PARTICIPANTS' TREATMENT AND CARE**

**LTCS Fund Participants' Treatment and Care Expenses**

Attendant Care	4
Education and Vocational Support Services	11
Equipment	1
Home Modifications	2
Hospital <sup>1</sup>	252
Medical	1
Rehabilitation	25
Support Services <sup>2</sup>	52
Other	5
	<hr/> 353
Movement in Provision for Future Participants' Treatment and Care Costs <sup>3</sup>	 17,383
<b>Total Other Expenses</b>	<b>17,736</b>

<sup>1</sup>. Hospital costs are mainly associated with the cost of procedures and inpatient services for the LTCS Scheme participants.

<sup>2</sup>. Support services include the cost of travel and accommodation for the LTCS Scheme participants, their relative and provider as required and case management.

<sup>3</sup>. Also, refer Note 14: *Other Provisions - Participants' Treatment and Care*.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 9. WAIVERS, IMPAIRMENT LOSSES AND WRITE-OFFS**

There were no waivers, impairment losses and write-offs during the reporting period.

**NOTE 10. ACT OF GRACE PAYMENTS**

Under Section 130 of the *Financial Management Act 1996* the Treasurer may, in writing, authorise Act of Grace Payments be made by a directorate. Act of Grace payments are a method of providing equitable remedies to entities or individuals that may have been unfairly disadvantaged by the Government but have no legal claim to the payment.

In 2014-15 the Treasurer did not authorise any Act of Grace Payments in relation to the LTCS fund.

**NOTE 11. CASH AND CASH EQUIVALENTS**

The LTCS fund holds one bank account with the Westpac Banking Corporation. As part of the arrangements, the LTCS fund receives interest at floating rates based on daily bank deposit rates.

	<b>2015</b>
	<b>\$'000</b>
Cash at Bank	8,443
<b>Total Cash and Cash Equivalents</b>	<b>8,443</b>



**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

	2015 \$'000
<b>NOTE 12. RECEIVABLES</b>	
<b>Current Receivables</b>	
LTCS Levy Receivable <sup>1</sup>	807
Net Goods and Services Tax Receivable	19
<b>Total Current Receivables</b>	<u>826</u>
<b>Total Receivables</b>	<u><u>826</u></u>

<sup>1</sup>. The LTCS Levy Receivable is associated with the LTCS Levy for June 2015 remitted to the LTCS fund in July 2015.

**Ageing of Receivables**

No receivables are past due or impaired.

**Allowance for Impairment Losses**

There were no impaired receivables during the reporting period.

**Classification of ACT Government/Non-ACT Government Receivables**

<b>Receivables with ACT Government Entities</b>	-
<b>Total Receivables with ACT Government Entities</b>	<u>-</u>
<b>Receivables with Non-ACT Government Entities</b>	
LTCS Levy Receivable	807
Net Goods and Services Tax Receivable	19
<b>Total Receivables with Non-ACT Government Entities</b>	<u>826</u>
<b>Total Receivables</b>	<u><u>826</u></u>



**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

	2015 \$'000
<b>Note 13. PAYABLES</b>	
<b>Current Payables</b>	
Accrued Expenses <sup>1</sup>	155
<b>Total Current Payables</b>	<u>155</u>
<b>Total Payables</b>	<u>155</u>

<sup>1</sup> Accrued expenses are mainly associated with the actuary fees, audit fees and the cost of hospital services provided to LTCS Scheme participants during the financial year for which the invoices were received after the end of the financial year.

**Ageing of Payables:**

No payables are overdue for payment.

**Classification of ACT Government/Non-ACT Government Payables**

<b>Payables with ACT Government Entities</b>	
Accrued Expenses	41
<b>Total Payables with ACT Government Entities</b>	<u>41</u>
<b>Payables with Non-ACT Government Entities</b>	
Accrued Expenses	114
<b>Total Payables with Non-ACT Government Entities</b>	<u>114</u>
<b>Total Payables</b>	<u>155</u>

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 14. OTHER PROVISIONS - PARTICIPANTS' TREATMENT AND CARE**

Other provisions relate to the provision for estimated future treatment and care costs of LTCS Scheme participants in the ACT. The LTCS Scheme provides on-going treatment and care to people who have been catastrophically injured as a result of a motor accident in the ACT, on or after 1 July 2014, on a no-fault basis.

	2015 \$'000
<b>Current Other Provisions - Participants' Treatment and Care</b>	
Provision for the Participants' Treatment and Care Costs	574
<b>Total Current Other Provisions - Participants' Treatment and Care</b>	<u>574</u>
<b>Non-Current Other Provisions - Participants' Treatment and Care</b>	
Provision for the Participants' Treatment and Care Costs	16,809
<b>Total Non-Current Other Provisions - Participants' Treatment and Care</b>	<u>16,809</u>
<b>Total Other Provisions - Participants' Treatment and Care<sup>1</sup></b>	<u><u>17,383</u></u>

<sup>1.</sup> At 30 June 2015 there were five interim participants who had been accepted into the LTCS Scheme.

**Reconciliation of the Provision for Treatment and Care Costs**

<b>Provision for Treatment and Care Costs at the Beginning of the Reporting Period</b>	-
Additional Provision Recognised	17,383
Reduction in the Provision	-
<b>Provision for Treatment and Care Costs at the End of the Reporting Period</b>	<u><u>17,383</u></u>

At 30 June 2015, the liabilities for all claims incurred up to this date under the LTCS Scheme were valued by the actuaries at Cumpston Sarjeant Pty Ltd.

The liability for the participants' treatment and care costs are measured as the present value of the expected future payments. The present values of the minimum payments after discounting are as follows:

Within one year	574
Later than one year but not later than five years	1,725
Later than five years	15,084
<b>Total Other Provisions - Participants' Treatment and Care</b>	<u><u>17,383</u></u>

Also, refer to Note 2(l): *Summary of Significant Accounting Policies - Other Provisions - Participants' Treatment and Care* and Note 2(o): *Significant Accounting Judgements and Estimates - Other Provisions - Participants' Treatment and Care*.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 14. OTHER PROVISIONS - PARTICIPANTS' TREATMENT AND CARE - CONTINUED**

The following inflation rates and discount factors were used in measuring the liability for outstanding participants' treatment and care costs:

	Inflation Rate	Investment Return Rate
	2015	2015
	%	%
2015-16	4%	6%
2016-17	4%	6%
2017-18	4%	6%
2018-19	4%	6%
2019-20	4%	6%
2020-21	4%	6%
2021-22	4%	6%
2022-23 and later	4%	6%
<b>Equivalent to a Single Rate</b>	<b>4%</b>	<b>6%</b>

These rates have been actuarially assessed.

For the economic parameters, a gap approach, whereby the gap between the discount rate and regular inflation rate is 2%, has been applied by the actuary.

**Sensitivity Analysis for the Valuation of Provision for Participants' Treatment and Care Costs**

Uncertainty exists due to the long-term nature of liabilities and volatility around the number of Scheme participants and their injury severity. Further, given that the LTCS Scheme has only been in operation for one year, there is little experience of claim payments to date.

While uncertainty has been taken into account in estimating the provision (based on standard actuarial assessment), the following analysis is provided to show the impact of the sensitivities on the provision.

Scenario	Provision \$'000	Difference %
Base Provision	<b>17,383</b>	
Change in economic 'gap' to 2.5%	15,471	-11.0%
Additional 0.75 IBNR claims <sup>1</sup>	18,988	9.2%
Death of a participant within the next five years	14,529	-16.4%

<sup>1</sup>. IBNR claims represent 'Incurred But Not yet Reported' claims associated with potential claimants reported late.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 15. FINANCIAL INSTRUMENTS**

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2: *Summary of Significant Accounting Policies*.

*Interest Rate Risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market interest rates. The LTCS fund's exposure to market interest rates relates only to cash at bank. The cash at bank earns interest at floating rates based on daily bank deposit rates.

A sensitivity analysis has not been undertaken for the interest rate risk of the LTCS fund, as it has been determined that the possible impact on income and expenses or total equity from interest rate fluctuations is immaterial.

*Currency Risk*

Currency risk is the risk that the fair value or future cashflows associated with a transaction that is denominated in a foreign currency will fluctuate as a result of movements in international exchange rates. The LTCS fund's currency risk is in relation to participants to the LTCS Scheme that are living overseas and receiving treatment and care in the country of their residence.

Part 11 of the LTCS Guidelines governing the treatment and care of participants living overseas, allow the LTCS Commissioner to reimburse reasonable costs of care incurred by overseas participants. The reasonable maximum cost which can be reimbursed for overseas care will be determined by reference to the amount of care not exceeding that amount that the LTCS Commissioner has assessed as reasonable and necessary, and the cost of care the participant would have required had the care been provided in the Australian Capital Territory, Australia. At reporting date there was only one overseas participant to the LTCS scheme. As a result, the LTCS fund's exposure to currency risk is not significant.

*Credit Risk*

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The LTCS fund's credit risk is limited to the amount of the financial assets held less any provision for losses. The LTCS fund's maximum exposure to credit risk at reporting date relates to the carrying amount of receivables as indicated in the Statement of Assets and Liabilities on Behalf of the Territory. Receivables are monitored on an ongoing basis. At 30 June 2015, none of the receivables are past due or considered impaired. The LTCS fund is not materially exposed to concentration of credit risk to a single trade debtor or group of debtors and expects to collect all its receivables. The receivable at 30 June 2015 is mainly associated with the LTCS Levy for June 2015 which has already been collected by another ACT Government entity on behalf of the LTCS fund and only needs to be remitted to the LTCS fund. As a result, the LTCS fund's exposure to bad debts is not significant.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 15. FINANCIAL INSTRUMENTS - CONTINUED**

*Liquidity Risk*

Liquidity risk is the risk that the LTCS fund will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the LTCS fund ensures that, at any particular point in time, it has a sufficient amount of current financial assets to meet its current financial liabilities. The LTCS fund manages this risk by maintaining a cash balance which will allow payment of all current financial liabilities when they fall due. At the reporting date, the LTCS fund has enough liquidity to meet its emerging financial liabilities.

*Price Risk*

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether these changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The LTCS fund is not exposed to any price risk.

**ACT Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 15. FINANCIAL INSTRUMENTS - CONTINUED**

**Fair Value of Financial Assets and Liabilities**

The carrying amounts and fair value of financial assets and liabilities at balance date are:

	<b>Note No.</b>	<b>Carrying Amount 2015 \$'000</b>	<b>Fair Value 2015 \$'000</b>
<b>Financial Assets</b>			
Cash and Cash Equivalents	11	8,443	8,443
<b>Total Financial Assets</b>		<b>8,443</b>	<b>8,443</b>
<b>Financial Liabilities</b>			
Payables	13	155	155
<b>Total Financial Liabilities</b>		<b>155</b>	<b>155</b>

**Maturity Analysis**

The LTCS fund does not have any financial assets or liabilities which mature outside the following financial year. The interest rate risk on the assets and liabilities is not significant, therefore the Maturity Analysis table has been omitted.

**Carrying Amount of Each Category of Financial Asset and Financial Liability**

	<b>2015 \$'000</b>
<b>Financial Liabilities</b>	
Financial Liabilities Measured at Amortised Cost	155

The LTCS fund does not have any financial assets in the 'Available for Sale' category, the 'Financial Assets at Fair Value through Profit and Loss' category, the 'Held to Maturity' category or the 'Measured at Amortised Cost' category and, as such, these categories are not included above. Also, the LTCS fund does not have any financial liabilities in the 'Financial Liabilities at Fair Value through Profit and Loss' category and as such this category is not included above.

**Fair Value Hierarchy**

The LTCS fund does not have any financial assets or financial liabilities at fair value. As such no fair value hierarchy disclosures have been made.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 16. COMMITMENTS**

The LTCS fund did not have any commitments as at 30 June 2015.

**NOTE 17. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The LTCS fund does not have any contingent liabilities or contingent assets as at 30 June 2015.

**NOTE 18. EVENTS OCCURRING AFTER BALANCE DATE**

There were no events occurring after the balance date, which would affect the financial statements as at 30 June 2015 or in future reporting periods.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 19. CASH FLOW RECONCILIATION**

**(a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Statement of Assets and Liabilities on Behalf of the Territory**

	<b>2015</b>
	<b>\$'000</b>
Total Cash and Cash Equivalents Disclosed in the Statement of Assets and Liabilities on Behalf of the Territory	8,443
<b>Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement on Behalf of the Territory</b>	<b>8,443</b>

**(b) Reconciliation of the Operating (Deficit) to Net Cash Inflows from Operating Activities**

Operating (Deficit)	(8,269)
<b>Add/(Less) Non-Cash Items</b>	<b>-</b>
<b>Cash Before Changes in Operating Assets and Liabilities</b>	<b>(8,269)</b>
<b>Changes in Operating Assets and Liabilities</b>	
(Increase) in Receivables	(826)
Increase in Payables	155
Increase in Other Provisions - Participants' Treatment and Care	17,383
<b>Net Changes in Operating Assets and Liabilities</b>	<b>16,712</b>
<b>Net Cash Inflows from Operating Activities</b>	<b>8,443</b>
<b>(c) Non-Cash Financing and Investing Activities</b>	<b>-</b>



**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 20. BUDGETARY REPORTING - TERRITORIAL - EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AMOUNTS AND ORIGINAL BUDGET AMOUNTS**

The following are brief explanations of major line item variances between budget estimates and actual outcomes. Variances are considered to be major variances if **both** of the following criteria are met:

- (a) The line item is a significant line item: the line item actual amount accounts for more than 10% of the relevant associated category (Income, Expenses and Equity totals) or sub-element (e.g. Current Liabilities and Receipts from Operating Activities totals) of the financial statements; and
- (b) The variances (original budget to actual) are greater than plus (+) or minus (-) 10% of the budget for the financial statement line item.

Statement of Income and Expenses on Behalf of The Territory Line Items	Actual 2014-15 \$'000	Original Budget <sup>1</sup> 2014-15 \$'000	Variance		Variance Explanation
			Variance	Variance	
Other Expenses - Participants' Treatment and Care	17,736	9,325	8,411	90%	Mainly due to the increase in the provision for estimated future treatment and care costs of LTCS Scheme participants based on recent actuarial projections. The higher than budgeted provision reflects the younger age profile and higher severity of injury of the participants compared to the average cost estimates used in the budget.

<sup>1</sup> Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2014-15 Budget Statements). These amounts have not been adjusted to reflect supplementary appropriation or appropriation instruments.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 20. BUDGETARY REPORTING - TERRITORIAL - EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AMOUNTS AND ORIGINAL BUDGET AMOUNTS - CONTINUED**

Statement of Assets and Liabilities on Behalf of The Territory Line Items	Actual 2014-15 \$'000	Original Budget <sup>1</sup> 2014-15 \$'000	Variance	Variance	Variance Explanation
Cash and Cash Equivalents	8,443	1,100	7,343	668%	Mainly due to the pending investment of funds not required in the short-term associated with the planned development of a long-term investment strategy.
Investments	-	7,436	(7,436)	-100%	As per above explanation for Cash and Cash Equivalents.
Payables	155	-	155	#	Due to expenses accrued at 30 June 2015 not anticipated in the budget.
Current Other Provisions - Participants' Treatment and Care	574	899	(325)	-36%	Due to the actuarial projections at 30 June that revised down the estimated yearly payment profile for participants in the early years of their acceptance into the LTCS Scheme (with a corresponding increase in payments in later years).
Non Current Other Provisions - Participants' Treatment and Care	16,809	7,634	9,175	120%	Due to the increase in the provision for estimated future treatment and care costs of LTCS Scheme participants based on recent actuarial projections. The higher than budgeted provision reflects the younger age profile and higher severity of injury of the participants compared to the average cost estimates used in the budget.

**Statement of Changes in Equity on Behalf  
of the Territory**

**These line items are covered in other financial statements**

<sup>1</sup>. Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2014-15 Budget Statements). These amounts have not been adjusted to reflect supplementary appropriation or appropriation instruments.

Note: # in the Line Item Variance % column represents a variance that is greater than 999 per cent or less than -999 per cent.

**Lifetime Care and Support Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 20. BUDGETARY REPORTING - TERRITORIAL - EXPLANATION OF MAJOR VARIANCES BETWEEN ACTUAL AMOUNTS AND ORIGINAL BUDGET AMOUNTS - CONTINUED**

Cash Flow Statement on Behalf of the Territory Line Items	Actual 2014-15 \$'000	Original Budget <sup>1</sup> 2014-15 \$'000	Variance \$'000	Variance %	Variance Explanation
Supplies and Services	262	125	137	110%	Mainly due to the transfer of administrative support costs associated with reimbursement of employee expenses for the CMTEDD staff allocated to carry out the LTCS Scheme's functions originally budgeted under employee expenses and superannuation expenses and the transfer of claims handling costs previously reflected under other expenses, to supplies and services expenses. This transfer is associated with a more accurate classification of these costs. These higher than budgeted payments were partially offset by the accrual of some expenses rather than paid as was reflected in the budget.
Other - Participants' Treatment and Care	265	792	(527)	-67%	The pattern of treatment and care payments is different to that originally advised by the actuary, with lower than anticipated payments in the earlier years and a corresponding increase in anticipated payments in later years.
Purchase of Investments	-	7,436	(7,436)	-100%	As per explanation in this note for Cash and Cash Equivalent assets.

<sup>1</sup>. Original Budget refers to the amounts presented to the Legislative Assembly in the original budgeted financial statements in respect of the reporting period (2014-15 Budget Statements). These amounts have not been adjusted to reflect supplementary appropriation or appropriation instruments.



**Statement of Performance**  
**For the Year Ended**  
**30 June 2015**

**Lifetime Care and Support Fund**



## **REPORT OF FACTUAL FINDINGS**

### **LIFETIME CARE AND SUPPORT FUND**

**To the Members of the ACT Legislative Assembly**

#### **Report on the statement of performance**

The statement of performance of the Lifetime Care and Support Fund (the Fund) for the year ended 30 June 2015 has been reviewed.

#### **Responsibility for the statement of performance**

The Under Treasurer is responsible for the preparation and fair presentation of the statement of performance in accordance with the *Financial Management Act 1996*. This includes responsibility for maintaining adequate records and internal controls that are designed to prevent and detect fraud and error, and the systems and procedures to measure the results of the accountability indicators reported in the statement of performance.

#### **The auditor's responsibility**

Under the *Financial Management Act 1996* and *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, I am responsible for providing a report of factual findings on the statement of performance.

The review was conducted in accordance with Australian Auditing Standards applicable to review engagements, to provide assurance that the results of the accountability indicators reported in the statement of performance have been fairly presented in accordance with the *Financial Management Act 1996*.

A review is primarily limited to making inquiries with representatives of the Fund, performing analytical and other review procedures and examining other available evidence. These review procedures do not provide all of the evidence that would be required in an audit, therefore, the level of assurance provided is less than that given in an audit. An audit has not been performed and no audit opinion is being expressed on the statement of performance.

The review did not include an assessment of the relevance or appropriateness of the accountability indicators reported in the statement of performance or the related performance targets.

No opinion is expressed on the accuracy of explanations provided for variations between actual and targeted performance due to the often subjective nature of such explanations.

As disclosed in the statement of performance, in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*, the Total Cost information included in the statement of performance has not been reviewed.

### **Electronic presentation of the statement of performance**

Those viewing an electronic presentation of this statement of performance should note that the review does not provide assurance on the integrity of information presented electronically, and does not provide an opinion on any other information which may have been hyperlinked to or from the statement of performance. If users of the statement of performance are concerned with the inherent risks arising from the electronic presentation of information, they are advised to refer to the printed copy of the reviewed statement of performance to confirm the accuracy of this electronically presented information.

### **Independence**

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the review.

### **Review opinion**

Based on the review procedures, no matters have come to my attention which indicate that the results of the accountability indicators, reported in the statement of performance of the Fund for the year ended 30 June 2015, are not fairly presented in accordance with the *Financial Management Act 1996*.

This review opinion should be read in conjunction with the other information disclosed in this report.

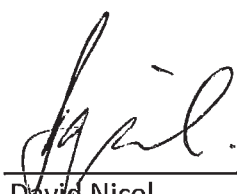


Malcolm Prentice  
Acting Director, Financial Audits  
17 September 2015

**LIFETIME CARE AND SUPPORT FUND  
STATEMENT OF PERFORMANCE  
For the Year Ended 30 June 2015**

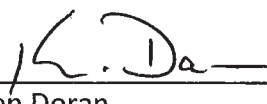
**STATEMENT OF RESPONSIBILITY**

In my opinion, the Statement of Performance is in agreement with the Lifetime Care and Support Fund's records and fairly reflects the service performance of the Fund in providing each class of outputs during the financial year ended 30 June 2015 and also fairly reflects the judgements exercised in preparing them.



David Nicol  
Under Treasurer  
Delegate for the Director-General  
Chief Minister, Treasury and  
Economic Development Directorate

27 July 2015



Karen Doran  
Lifetime Care and Support Commissioner  
of the ACT

24 July 2015



**LIFETIME CARE AND SUPPORT FUND  
STATEMENT OF PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2015**

<b>EBT Class 1:</b>	<b>LIFETIME CARE AND SUPPORT FUND</b>
<b>EBT 1.1:</b>	<b>Lifetime Care and Support Fund</b>
<b>Description:</b>	<p>The LTCS Fund reflects the operation of the LTCS Scheme to provide on-going care to people who have been catastrophically injured as a result of a motor accident in the Australian Capital Territory.</p> <p>The key outputs delivered in 2014-15 included:</p> <ul style="list-style-type: none"> <li>• deciding the eligibility of applicants to the LTCS Scheme in accordance with Part 4 of the LTCS Act and the LTCS Guidelines;</li> <li>• assessing the treatment and care needs of participants in the LTCS Scheme in accordance with Part 5 of the LTCS Act;</li> <li>• paying all reasonable expenses incurred by or on behalf of an injured person in relation to the injured person's assessed treatment and care needs in accordance with Part 6 and Part 9 of the LTCS Act; and</li> <li>• determining the LTCS Levy in accordance with Part 10 of the LTCS Act.</li> </ul>

	Original Target 2014-15	Actual Result 2014-15	% Variance from Original Target	Explanation of Material Variances (+/- 5%)
<b>TOTAL COST (\$'000)</b>	<b>\$9,602</b>	<b>\$18,065</b>	<b>88%</b>	Total actual cost at 30 June 2015 reflects the acceptance of five interim participants into the LTCS Scheme. The higher actual result is mainly associated with the increased provision for future treatment and care costs of LTCS Scheme participants based on actuarial projections at 30 June. The higher provision reflects the younger age profile and higher severity of injury of the participants compared to the average cost estimates on which the budget was based.
<b>PAYMENT FOR EXPENSES ON BEHALF OF THE TERRITORY (\$'000)</b>	<b>\$0</b>	<b>\$0</b>	<b>0%</b>	
<b>Accountability Indicators</b>				
Provision of LTCS Scheme in the ACT				
a. Independent actuarial review to advise on the required fund contribution	1	1	0%	
b. Determine LTCS Levy	1	1	0%	
c. LTCS Guidelines available	1	1	0%	
d. Application Form available	1	1	0%	

The above Statement of Performance should be read in conjunction with the accompanying notes.

**Notes**

- In accordance with section 83(3) of the LTCS Act, the Commissioner must obtain, before the beginning of each contribution period, a report from an independent actuary in relation to the amount needed to be contributed to the LTCS fund for the contribution period. The actuarial review for the 2015-16 contribution period was undertaken by Cumpston Sarjeant Pty Ltd in April 2015 with the final report received in May 2015.
- In accordance with section 84 of the LTCS Act, the LTCS Commissioner must determine the LTCS Levy for a contribution period. The Levy determination for the 2015-16 contribution period was notified on the Legislation Register on 11 May 2015.
- In accordance with section 93 of the LTCS Act, the LTCS Commissioner may make LTCS Guidelines about any matter required or permitted by the Act. The Guidelines were issued in 17 parts for ease of future updating. The parts cover topics such as eligibility for participation; treatment, rehabilitation and care needs assessment; handling of disputes etc. The 17 parts of the Guidelines were notified on the Legislation Register progressively from 30 June 2014 to 10 July 2014. They are also available on the LTCS website.
- In accordance with section 98 of the LTCS Act, the LTCS Commissioner may approve forms for this Act. The application form was notified on the Legislation Register on 1 July 2014. It is also available on the LTCS website.

The above Accountability Indicators were examined by the ACT Audit Office in accordance with the *Financial Management Act 1996*. The Total Cost and Payment for Expenses on Behalf of the Territory measures were not examined by the ACT Audit Office in accordance with the *Financial Management (Statement of Performance Scrutiny) Guidelines 2011*.



**Financial Statements  
For the Year Ended  
30 June 2015**

**Office of the Nominal Defendant of the ACT**



## INDEPENDENT AUDIT REPORT

### OFFICE OF THE NOMINAL DEFENDANT OF THE ACT

#### To the Members of the ACT Legislative Assembly

#### Report on the financial statements

The financial statements of the Office of the Nominal Defendant of the ACT (the Nominal Defendant) for the year ended 30 June 2015 have been audited. These comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

#### Responsibility for the financial statements

The Under Treasurer is responsible for the preparation and fair presentation of the financial statements of the Nominal Defendant. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

#### The auditor's responsibility

I am responsible for expressing an independent audit opinion on the financial statements of the Nominal Defendant.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to evaluate the prudence of decisions made by the Nominal Defendant.

## **Electronic presentation of the audited financial statements**

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

## **Independence**

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

## **Audit opinion**

In my opinion, the financial statements of the Nominal Defendant for year ended 30 June 2015:

- (i) are presented in accordance with the Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Nominal Defendant as at 30 June 2015 and the results of its operations and cash flows for the year then ended.

This audit opinion should be read in conjunction with the other information disclosed in this report.



Malcolm Prentice  
Acting Director, Financial Audits  
18 September 2015

**Office of the Nominal Defendant of the ACT  
Financial Statements  
For the Year Ended 30 June 2015**

**Statement of Responsibility**

In my opinion, the Financial Statements are in agreement with the Office of the Nominal Defendant of the ACT (the Fund) accounts and records and fairly reflect the financial operations of the Fund for the year ended 30 June 2015 and the financial position of the Fund on that date.



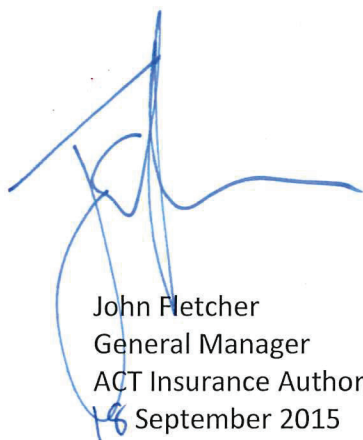
David Nicol  
Under Treasurer  
Chief Minister, Treasury and Economic  
Development Directorate  
Delegate for the Chief Executive Officer,  
ACT Insurance Authority

18 September 2015

**Office of the Nominal Defendant of the ACT  
Financial Statements  
For the Year Ended 30 June 2015**

**Statement by the General Manager**

In my opinion, the Financial Statements are in agreement with the Office of the Nominal Defendant of the ACT (the Fund) accounts and records and fairly reflect the financial operations of the Fund for the year ended 30 June 2015 and the financial position of the Fund on that date.



John Fletcher  
General Manager  
ACT Insurance Authority  
16 September 2015



**Office of the Nominal Defendant of the ACT**  
**Operating Statement**  
**For the Year Ended 30 June 2015**

	<b>Note No.</b>	<b>Actual 2015 \$'000</b>	<b>Actual 2014 \$'000</b>
<b>Income</b>			
Interest and Distributions	6	832	899
Levies	7	4,815	4,742
Unrealised Gain on Investments	8	74	37
Other Revenue	9	1,041	1,021
<b>Total Income</b>		<b>6,762</b>	<b>6,699</b>
<b>Expenses</b>			
Claims Expenses	10	6,734	11,675
Supplies and Services	11	358	346
<b>Total Expenses</b>		<b>7,092</b>	<b>12,021</b>
<b>Operating (Deficit)</b>		<b>(330)</b>	<b>(5,322)</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive (Deficit)</b>		<b>(330)</b>	<b>(5,322)</b>

The above Operating Statement should be read in conjunction with the accompanying notes.

**Office of the Nominal Defendant of the ACT**  
**Balance Sheet**  
**As at 30 June 2015**

	<b>Note No.</b>	<b>Actual 2015 \$'000</b>	<b>Actual 2014 \$'000</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	13	18,450	15,594
Receivables	14	1,471	3,631
<b>Total Current Assets</b>		<b>19,921</b>	<b>19,225</b>
<b>Non-Current Assets</b>			
Investments	15	6,042	5,967
<b>Total Non-Current Assets</b>		<b>6,042</b>	<b>5,967</b>
<b>Total Assets</b>		<b>25,963</b>	<b>25,192</b>
<b>Current Liabilities</b>			
Payables	16	96	208
Provision for Claims Payable	17	5,304	4,869
<b>Total Current Liabilities</b>		<b>5,400</b>	<b>5,077</b>
<b>Non-Current Liabilities</b>			
Provision for Claims Payable	17	19,974	19,196
<b>Total Non-Current Liabilities</b>		<b>19,974</b>	<b>19,196</b>
<b>Total Liabilities</b>		<b>25,374</b>	<b>24,273</b>
<b>Net Assets</b>		<b>589</b>	<b>919</b>
<b>Equity</b>			
Accumulated Funds		589	919
<b>Total Equity</b>		<b>589</b>	<b>919</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

**Office of the Nominal Defendant of the ACT**  
**Statement of Changes in Equity**  
**For the Year Ended 30 June 2015**

	<b>Accumulated Funds Actual 2015 \$'000</b>	<b>Total Equity Actual 2015 \$'000</b>
<b>Balance at 1 July 2014</b>	<b>919</b>	<b>919</b>
<b>Comprehensive Income</b>		
Operating (Deficit)	(330)	(330)
<b>Total Comprehensive Income</b>	<u>(330)</u>	<u>(330)</u>
<b>Balance at 30 June 2015</b>	<u><u>589</u></u>	<u><u>589</u></u>

	<b>Accumulated Funds Actual 2014 \$'000</b>	<b>Total Equity Actual 2014 \$'000</b>
<b>Balance at 1 July 2013</b>	<b>6,241</b>	<b>6,241</b>
<b>Comprehensive Income</b>		
Operating (Deficit)	(5,322)	(5,322)
<b>Total Comprehensive Income</b>	<u>(5,322)</u>	<u>(5,322)</u>
<b>Balance at 30 June 2014</b>	<u><u>919</u></u>	<u><u>919</u></u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Office of the Nominal Defendant of the ACT**  
**Cash Flow Statement**  
**For the Year Ended 30 June 2015**

	<b>Note No.</b>	<b>Actual 2015 \$'000</b>	<b>Actual 2014 \$'000</b>
<b>Cash Flows from Operating Activities</b>			
<b>Receipts</b>			
Interest and Distributions		833	895
Recoveries		31	80
Fees and Fines		1,017	936
Levies	14	7,015	2,555
Goods and Services Input Tax Credits from the Australian Taxation Office		378	515
<b>Total Receipts from Operating Activities</b>		<b>9,274</b>	<b>4,981</b>
<b>Payments</b>			
Supplies and Services		453	256
Payment of Claims		5,523	6,376
Goods and Services Tax Paid to Suppliers		442	519
<b>Total Payments from Operating Activities</b>		<b>6,418</b>	<b>7,151</b>
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	20	<b>2,856</b>	<b>(2,170)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>2,856</b>	<b>(2,170)</b>
Cash and Cash Equivalents at Beginning of Reporting Period		15,594	17,764
<b>Cash and Cash Equivalents at End of Reporting Period</b>	20	<b>18,450</b>	<b>15,594</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE INDEX**

Note 1	Objectives of the Office of the Nominal Defendant of the ACT
Note 2	Summary of Significant Accounting Policies
Note 3	Impact of Accounting Standards Issued but Yet to be Applied
Note 4	Significant Accounting Judgements and Estimates
Note 5	Change in Accounting Policy and Accounting Estimates

**Income Notes**

Note 6	Interest and Distributions
Note 7	Levies
Note 8	Unrealised Gain on Investments
Note 9	Other Revenue

**Expense Notes**

Note 10	Claims Expenses
Note 11	Supplies and Services
Note 12	Auditor's Remuneration

**Asset Notes**

Note 13	Cash and Cash Equivalents
Note 14	Receivables
Note 15	Investments

**Liability Notes**

Note 16	Payables
Note 17	Provision for Claims Payable

**Other Notes**

Note 18	Financial Instruments
Note 19	Contingent Liabilities and Contingent Assets
Note 20	Cash Flow Reconciliation
Note 21	Events Occurring after Balance Date

# **Office of the Nominal Defendant of the ACT**

## **Notes to and Forming Part of the Financial Statements**

### **For the Year Ended 30 June 2015**

#### **NOTE 1 OBJECTIVES OF THE OFFICE OF THE NOMINAL DEFENDANT OF THE ACT**

##### **Operations and Principal Activities of the Office of the Nominal Defendant of the ACT**

The ACT Insurance Authority is the Nominal Defendant of the ACT (the Fund) as defined under Section 13 of the *Road Transport (Third Party Insurance) Act 2008*. The objectives of the Fund are to:

- provide a safety net mechanism to meet the costs of third party personal injury claims made by injured parties where:
  - i. the vehicle involved does not have a compulsory third party insurance policy; or
  - ii. the injured person is unable to identify the driver and vehicle at fault;
- ensure that persons who are injured in the circumstances listed above, receive the same entitlements as an injured person would receive where the vehicle did have Compulsory Third Party insurance;
- collect recoveries from uninsured drivers at fault to the sum paid out by the Nominal Defendant of the ACT; and
- raise levies on each licensed Compulsory Third Party insurer in the Territory as well as the Commonwealth and ACT Governments.

#### **NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **(a) Basis of Preparation**

These general purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles'. These financial statements have been prepared in accordance with:

- i. Australian Accounting Standards; and
- ii. ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effects of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention, except for assets such as those included in financial instruments which were measured at fair value in accordance with the valuation policies applicable to the Fund during the reporting period.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using the market approach, the cost approach or the income approach valuation techniques as appropriate. In estimating the fair value of an asset or liability, the Fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at measurement date.

For disclosure purposes fair value measurements are categorised into Level 1, 2 or 3 based on the extent to which the inputs to the valuation techniques are observable and the significance of the inputs to the fair value measurement in its entirety. The Fair Value Hierarchy is made up of the following three levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs) that are unobservable for particular assets or liabilities.

The financial statements are presented in Australian dollars, which is the Fund's functional currency.

The Fund is an individual reporting entity.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**(b)      Reporting Period**

The financial statements state the financial performance, change in equity and cash flows of the Fund for the year ended 30 June 2015 together with the financial position of the Fund as at 30 June 2015.

**(c)      Comparative Figures**

*Prior Year Comparatives*

Comparative information has been disclosed in respect of the previous period for amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.

Where the presentation or classification of items in the financial statements is amended, the comparative amounts have been reclassified where practical. Where a reclassification has occurred, the nature, amount and reason for the reclassification is provided.

**(d)      Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000). Use of “-” represents zero amounts or amounts rounded down to zero.

**(e)      Revenue Recognition**

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. In addition, the following specific criteria must also be met before revenue is recognised:

*Levies*

Levies are placed on Comprehensive Third Party Insurers and Self-Insurers in the ACT to ensure that the Fund has sufficient monies to satisfy claims. Levies are recognised in the Operating Statement when they have been earned.

*Interest*

Interest revenue is recognised using the effective interest method.

*Distributions*

Distribution revenue is received from investments with the Public Trustee for the ACT Fixed Interest Portfolio. This is recognised on an accrual basis.

**(f)      Current and Non-Current Items**

Assets and liabilities are classified as either current or non-current in the Balance Sheet and in the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the Fund does not have an unconditional right to defer settlement of the liability for at 12 months after the reporting date.

Assets or liabilities which do not fall within the current classification are classified as non-current.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**(g)      Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents include any short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash equivalents include short-term investments held in the Cash Trust Account managed by an external fund manager on behalf of the Public Trustee for the ACT.

**(h)      Receivables**

Accounts receivable (including interest and other receivables) are initially recognised at fair value and subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

The collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for impaired losses is raised when some doubt as to collection exists. The allowance for impairment losses is based on objective evidence and review of overdue balances. The Fund considers the following is objective evidence of impairment:

- i. becoming aware of financial difficulties of debtors; or
- ii. defaulting debtors; or
- iii. debts more than 90 days overdue.

**(i)      Investments**

Long-term investments are held with the Public Trustee for the ACT in a unit trust called the Fixed Interest Portfolio. The prices of units in the Fixed Interest Portfolio fluctuate in value. The net gain or loss on investments consists of the fluctuation in price of the units in the trust between the end of the last reporting period and the end of this reporting period as well as any profit on the sale of units in the unit trust (the profit being the difference between the price at the end of the last reporting period and the sale price). The net gains or losses do not include interest or dividend income.

Long-term investments are measured at fair value with any adjustments to the carrying amount being recorded in the Operating Statement. Fair value is based on an underlying pool of investments which have quoted market prices at reporting date.

**(j)      Payables**

Payables are a financial liability and are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 30 days after the invoice date.

Payables include trade creditors and accrued expenses.

Trade creditors represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period relating to the normal operations of the Fund.

Accrued expenses represent goods and services provided by other parties during the reporting period that are unpaid at the end of the reporting period and where an invoice has not been received by the end of the reporting period.



**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**(k)      Provision for Claims Payable**

The Provision for Claims Payable covers claims reported but not yet paid, incurred but not yet reported claims (IBNR), incurred but not enough reported (IBNER) and the anticipated direct and indirect costs of settling those claims. Claims payable are assessed by review of individual claim files and estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends.

An estimate of provision for claims payable is done annually by an independent actuary. The Fund has used the services of an independent actuary, KPMG Actuaries Pty Ltd, to provide a full assessment of outstanding claims at 30 June 2015.

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 inflation and 'superimposed inflation'. Superimposed inflation refers to factors such as trends in court awards, for example increases in the level and period of compensation for injury. The expected future payments are then discounted to present value using the Commonwealth Government Bond risk free rate.

The provision for claims payable estimated to fall due within a 12-month period are classified as a current liability and all other claims payable are classified as a non-current liability.

**(l)      Recoveries**

The Fund may receive recoveries from the uninsured drivers, claimant third parties, and court associated recoveries. The recoveries are included in the actuarial calculations and are netted off from the value of outstanding claims.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 3      IMPACT OF ACCOUNTING STANDARDS ISSUED BUT YET TO BE APPLIED**

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Fund does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their applicable date.

AASB 9 Financial Instruments (December 2014) (application date 1 January 2018);

- This standard supersedes AASB 139 Financial Instruments: Recognition and Measurement. The main impact of AASB 9 is that it will change the classification, measurement and disclosures of the Authority's financial assets. No material financial impact on the Authority is expected.
- AASB 2014-1 Amendments to Australian Accounting Standards – Part E Financial Instruments [AASB 1, 3, 4, 5, 7, 9 (December 2009), 9 (December 2010), 101, 102, 108, 112, 118, 120, 121, 132, 136, 137, 139, Interpretation 2, 5, 10, 12, 16, 19, and 107] (application date 1 Jan 2018);
- Part E of this standard defers the application of AASB 9 to 1 January 2018. No material financial impact on the Authority is expected.
- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) [AASB 1, 2, 3, 4, 5, 7, 13, 101, 102, 108, 110, 112, 120, 121, 123, 128, 132, 133, 136, 137, 139, 1023, 1038, 1049, Interpretation 2, 5, 10, 12, 16, 19 & 127] (application date 1 Jan 2018);
- This standard makes consequential amendments to a number of standards and interpretations as a result of the issuing of AASB 9 (December 2014). No material financial impact on the Authority is expected.
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (application date 1 Jan 2015);
- This standard makes amendments to AASB 9 (December 2009) and AASB 9 (December 2010) such that for annual reporting periods beginning on or after 1 January 2015, an entity may apply AASB 9 (December 2009) or AASB 9 (December 2010). The Authority does not intend to early adopt these standards and there is no financial impact.

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

**(a)      Measurement of the Provision for Outstanding Claims**

The Fund is not required to comply with Australian Accounting Standard AASB 1023: General Insurance Contracts as its operations are not underpinned by contracts of insurance with its customers. Contracts of insurance need to be in existence in order for a reporting entity to apply AASB 1023. Instead, liabilities are reported under AASB 137: Provisions, Contingent Liabilities and Contingent Assets. The measurement of liabilities under AASB 137 is based on an actuarial assessment, in the context of the Fund's claims, equating to the central estimate of claim liabilities (i.e. without an explicit risk margin). Refer to Note 4(b) 'Actuarial Assumptions'.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED**

**(b)      Actuarial Assumptions**

The Fund uses actuaries to estimate the provision for claims payable. Actuarial assumptions are based on past claims experience, risk exposure and projections of economic variables.

The actuarial estimate of provision for claims payable comprises:

- future compensation payments on open reported claims;
- future compensation payments for claims that have been incurred but not reported (i.e. IBNR) and for claims that have been incurred where not enough is reported (i.e. IBNER);
- any recoveries, including input tax credits, recoveries from owners of unregistered vehicles and sharing recoveries, where relevant;
- an estimate of the costs associated with managing the claims, such as the staff costs for employees managing the claims; and
- claims inflated and discounted to a 'present value' basis.

Analysis and estimates are analysed in aggregate, without being subdivided by claim types.

The approaches used in estimating the liability for all claims were as follows:

*Method 1 Projected Case Estimates*

- historical claim payments of the previous and current Nominal Defendant and outstanding case estimates were summarised by accident and payment year;
- adequacy of case estimates was assessed by comparing the outstanding case estimates for a given accident year at each year end, with payments in the following year added to outstanding case estimates at the following year end, and consideration given to the need to assume future increases in case estimates; and
- a rate of payout was assumed, with the projected payments then discounted to a present value, to allow for the expected timing of those payments.

*Method 2 Payment per Claims Incurred*

- Projection of IBNR claims by examining the rate of reporting as a frequency relative to vehicle registrations;
- claim payments were inflated to a common year (the 2014-15 year) using historical inflation indices;
- the payment pattern per number of claims incurred was analysed for each accident year, and an assumption made regarding a base average claim size (implicitly incorporating reported to date, IBNR and IBNER) and payment pattern for the run off of claims incurred to 30 June 2015; and
- the average claim size and pattern was applied to the reported and projected future reported claim numbers to derive projected payments, with the projected payments adjusted for future claims inflation and discounting to present value, allowing for the expected timing of those payments.

A blend of methods is adopted reflecting the relative strengths of those methods in projecting liabilities at different stages of development; this method was also used in the prior reporting period.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED**

**(b)      Actuarial Assumptions - Continued**

**Table 1 – Selected Actuarial Assumptions** - outlines the main assumptions which were made in estimating the provision for claims payable

<b>Assumption</b>	<b>2015</b>	<b>2014</b>
Claim frequency per thousand vehicles	0.168 per 1,000	0.155 per 1,000
Gross average claim size current year values (Method 2)	\$136,329	\$122,000
Case estimate development factors (Method 1)	Peak of 1.42 reducing to 1	Peak of 1.42 reducing to 1
Claims inflation – wage inflation	3.75% pa	4.25% pa
Claims inflation – superimposed inflation	3.0%	3.0%
Discount rate	2.44%	3.09%
Discounted average term to settlement	3.0 years	3.1 years
Claims handling expenses	7.5%	8%

**Projected Claim Numbers**

Projected claim numbers have been estimated based on an assumed pattern of claim emergence using chain ladder projections which uses ratios to project number of claims or the application of average claim frequencies to measures of exposure. This projection results in an underlying assumed average claim frequency per thousand registered vehicles. Individual years will vary based on experience to date.

**Average Claim Size**

The average claim size has been determined based on analysis of the quantum of payments at each stage of development relative to the number of claims ultimately incurred. The current values are then inflated to the estimated date of payments and discounted for time value of money.

**Case Estimate Development Factors**

For those years with reliance on Method 1, the projected increase over case estimates in each year ranges from 1.42 (i.e. an increase of 42%) or 1.2 (i.e. an increase of 20%) for a more recent year, reducing to 1 after eight years of development. Based on historical analysis after eight years no further increase in estimates are likely to occur after this point.

**Claims Inflation Rate**

A base wage inflation rate of 3.75% per annum has been selected. However, claims costs have a tendency to increase above the rate of wage inflation over time. A rate of 3.00% per annum for additional (i.e. superimposed) inflation has been adopted. Method 2 uses these assumptions, while inflation is implicit in Method 1.

**Discount Rate**

The estimate of the Fund's liability is provided on both a discounted (i.e. allowing for future investment income) and undiscounted basis. To discount the liability, the Fund has used the market yield as at 30 June 2015 on Commonwealth bonds, which gives a weighted average discount rate of 2.44%.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED**

**(b)      Actuarial Assumptions - Continued**

**Discounted average term to settlement**

The discounted average term to settlement has been determined based on weighted average historic settlement patterns.

**Claims Handling Expenses**

Based on a review of the ACT Insurance Authority's expenses in recent years, the Fund has adopted a claims handling expenses rate of 7.5% of the gross provision for claims payable.

**Sensitivity Analysis**

The provision for claims payable valuation relies on two key methods, each of which relies on certain assumptions about the experience of claims which are already incurred, but not yet fully paid. To understand the impact of variations in these assumptions, the Fund made changes to each assumption and quantified the impact on the outstanding claims result for the Fund. This is referred to as a sensitivity analysis.

Assumption Sensitivity	Change	Scenario net provision for claims payable (\$)	Difference from net provision for claims payable (\$)	Difference %
<b>Net provision for claims payable</b>		<b>25,278,736</b>		
Number of future claim reports	+10%	26,064,590	785,855	3.1
Claims Inflation Rate	+1%	25,795,940	517,204	2.0
Projected case estimate until development year 8	+5%	26,300,226	1,021,490	4.0
Payment per claim incurred (PPCI)	+5%	26,065,240	786,505	3.1
Discount Rate	-1%	26,025,771	747,036	3.0

**Explanation of Scenario Assumptions:**

- The net provision for claims payable is net of any recoveries, inclusive of claims handling expenses (CHE) and 'central' in the sense that it is not intentionally over or underestimated (i.e. the estimate does not include a margin for uncertainty).
- The projected case estimate method relies on assumptions regarding the adequacy of case estimates at any given period to cover the remaining run off cost of those claims. Therefore, 'development factors' are assumed that are intended to reflect the natural rate of increase (or decrease) of estimates as additional information or other factors come to light.
- The payment per claim incurred (or PPCI) method relies on an assumption regarding the average payment made in each period for each claim that was incurred. An increase in assumption implies a higher average claim cost and therefore a higher estimate of liabilities.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED**

**(b)      Actuarial Assumptions - Continued**

**Impact of Movement in Variables**

*Claims frequency*

The provision for claims payable is calculated by reference to expected claim frequency and average claim sizes. An increase in future reported claims would increase the liability.

*Average claim size*

The provision for claims payable is calculated by reference to expected claim frequency and average claim sizes. An increase in the base average claim size from which future payments are derived would have a proportionate impact on those periods relying on this method.

*Case estimate development*

The provision for claims payable relies in part on the case estimates held by the Fund. The impact on reported claim expense will reflect the extent that the development of case estimate differs from expected.

*Inflation and superimposed inflation rates*

Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate, an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. Such rates of superimposed inflation are specific to the model adopted. An increase in the assumed levels of either economic or superimposed inflation would have a corresponding and magnified impact on claims expense, given the long-tail nature of these liabilities.

*Discount rate*

The provision for claims payable is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. A decrease in the assumed discount rate will increase the total claims expense.

*Expense rate*

An estimate for the internal costs of handling claims is included in the outstanding claims provision. An increase in the expense rate assumption would increase the Fund's liability.

As a result of a change of all of the above variables, the provision of claims payable has increased by \$1,213,635 (\$5,298,566 increase in 2013-14) (Refer to Note 10 'Claims Expense' and Note 17 'Provision for Claims Payable').

**Uncertainty**

*General sources of uncertainty*

General areas of uncertainty include:

- data error – the base data can contain material errors or may not be representative of the current portfolio of claims;
- model error – incorrect or inappropriate models may be used to project the future claims;
- parameter error – the selected values for various assumptions within the valuation are in some cases based on judgement and may not accurately represent the future values for the parameters;
- random error – claims development is, by its nature, subject to random variation; and

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED**

**(b)      Actuarial Assumptions - Continued**

- unforeseen developments due to events including jury decisions, court interpretations, legislative changes, public attitudes, potential sources of 'latent claims' (e.g. child claims in the context of compulsory third party), and social/economic conditions such as inflation.

*Fund specific sources of uncertainty*

Specific sources of uncertainty of note include:

- the small number of claims in each year leads to significant volatility. Separating trends from variation can be challenging. The size of the portfolio also means that having more or fewer large claims will lead to significant variations in incurred cost between injury years. Models based on continuation of past averages will not necessarily reflect this variability;
- the change in administration of the portfolio of claims. Although there is now a number of years of data, payments can continue for many years after the initial accident. Therefore, the impact of any changes in claims management on the experience in the 'tail' (i.e. later durations) remains subject to some uncertainty;
- input errors and the currency of the data. Delays or errors in entering data into the database will affect how reliable the data is. The need for manual adjustments introduces additional risk to the process; however, the number of amendments has reduced over time; and
- the introduction of the Lifetime Care and Support Scheme from 1 July 2014 leads to uncertainty regarding the impact of this scheme on the Nominal Defendant fund. In theory, the introduction of the scheme should provide the potential for the claim costs within the Nominal Defendant fund to reduce. However, as such claims are expected to be infrequent, the exact impact on any given year is an unknown.

**NOTE 5      CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES**

**(a)      Changes in Accounting Estimate**

*Changes in Actuarial Assumptions*

The Fund uses actuaries (Refer to Note 4 'Significant Accounting Judgements and Estimates') to estimate the provision for claims payable. Assumptions are based on past claims experience, risk exposure and projections of economic variables. As such, the estimate of the provision for Claims Payable will change each time the provision is assessed by the actuaries (Refer to Note 17 'Provision for Claims Payable'). This change has resulted in an increase to the estimate of the provision for claims payable and expense in the current reporting period of \$1,213,635.

**(b)      Change in Accounting Policy**

The Fund had no changes in Accounting Policy during the reporting period.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 6 INTEREST AND DISTRIBUTIONS**

	2015 \$'000	2014 \$'000
<b>Interest and Distribution Revenue</b>		
Interest Revenue from Short-term Investments <sup>a</sup>	521	561
Distribution Revenue from Long-term Investments <sup>b</sup>	239	300
Interest Revenue from Banks	72	38
<b>Total Interest and Distribution Revenue</b>	<b>832</b>	<b>899</b>

<sup>a</sup> Interest revenue from short-term investments decreased due to the rates decreasing from 3.70% in 2013-14 to 3.38% in 2014-15.

<sup>b</sup> Distribution revenue from long-term investments decreased due to rates of return decreasing from 5.09% in 2013-14 to 3.93% in 2014-15.

**NOTE 7 LEVIES**

The ACT Compulsory Third Party Regulator collects levies to meet the costs of the fund under Section 163(1) of the *Road Transport (Third Party Insurance) Act 2008* from all licensed Compulsory Third Party insurers in the ACT, the Commonwealth and Territory Governments.

	2015 \$'000	2014 \$'000
Levies from Insurers	4,757	4,685
Levies from the Commonwealth Government	15	15
Levies from the ACT Government	43	42
<b>Total Levies</b>	<b>4,815</b>	<b>4,742</b>

**NOTE 8 UNREALISED GAIN ON INVESTMENTS**

	2015 \$'000	2014 \$'000
Unrealised Gain on Investments	74	37
<b>Total Unrealised Gain on Investments</b>	<b>74</b>	<b>37</b>

**NOTE 9 OTHER REVENUE**

	2015 \$'000	2014 \$'000
Unregistered Vehicle Permits <sup>a</sup>	576	607
Unregistered Vehicle Fines	434	334
Uninsured Owner/Driver Recoveries	31	80
<b>Total Other Revenue</b>	<b>1,041</b>	<b>1,021</b>

<sup>a</sup> Unregistered vehicle permits refer to payments made by a vehicle owner to allow an unregistered vehicle to be driven by providing a short term registration period and compulsory third party insurance cover.



**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 10 CLAIMS EXPENSES**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Settlements <sup>a</sup>	3,708	4,595
Medical Costs <sup>a</sup>	258	499
Investigation Costs	28	39
Legal Costs <sup>b</sup>	1,523	1,243
Other Claim Costs	4	-
Provision for Claims Payable <sup>c</sup>	1,213	5,299
<b>Total Claims Expenses</b>	<b><u>6,734</u></b>	<b><u>11,675</u></b>

<sup>a</sup> Settlements and medical costs decreased due to a number of high value claims settling in 2013-14.

<sup>b</sup> The increase in legal costs during 2014-15 is due to the pursuing of a 3<sup>rd</sup> party contribution for a high value claim settled in 2013-14.

<sup>c</sup> Represents the decrease in the provision for claims payable resulting from the 2014-15 actuarial estimate (Refer to Note 17 'Provision for Claims Payable').

**NOTE 11 SUPPLIES AND SERVICES**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Administration Expenses	62	72
Audit Fees	26	26
Purchased Administrative Services from the ACT Insurance Authority and Default Insurance Fund	270	248
<b>Total Supplies and Services</b>	<b><u>358</u></b>	<b><u>346</u></b>

**NOTE 12 AUDITOR'S REMUNERATION**

Auditor's remuneration consists of financial audit services provided to the Fund by the ACT Audit Office.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Audit Services</b>		
Audit Fees Paid or payable to the ACT Audit Office	26	26
<b>Total Audit Fees</b>	<b><u>26</u></b>	<b><u>26</u></b>

No other services were provided by the ACT Audit Office.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 13 CASH AND CASH EQUIVALENTS**

The Fund holds bank accounts with the Westpac Banking Corporation as part of the whole-of-government banking arrangements. The Fund also held short-term investments with the Public Trustee for the ACT in the Justice and Community Safety Directorate Cash Trust Account throughout the year. The investment earned a floating interest rate of 3.38% (3.70% in 2014). These funds are able to be withdrawn upon request and are not subject to movement in market value.

	2015 \$'000	2014 \$'000
Cash at Bank	1,337	720
Short Term Investments <sup>a</sup>	17,113	14,874
<b>Total Cash and Cash Equivalents</b>	<b>18,450</b>	<b>15,594</b>

<sup>a</sup> The increase in cash and cash equivalents is due to lower cash outflows.

**NOTE 14 RECEIVABLES**

	2015 \$'000	2014 \$'000
<b>Current Receivables</b>		
Accrued Interest	57	72
Goods and Services Tax Receivable	143	81
Accrued Fees and Fines for Unregistered Vehicles and Unregistered Vehicle Permits	72	79
Accrued Levies <sup>a</sup>	1,199	3,399
<b>Total Receivables</b>	<b>1,471</b>	<b>3,631</b>

<sup>a</sup> The decrease of accrued levies is due to a delay in the 2013-14 levies being received.

**Ageing of Receivables**

	Not Overdue	Overdue			Total
		Less Than 30 Days	30 to 60 Days	Greater than 60 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2015</b>					
Not Impaired <sup>1</sup> Receivables	1,471	-	-	-	1,471
Impaired Receivables	-	-	-	-	-
<b>2014</b>					
Not Impaired <sup>1</sup> Receivables	3,631	-	-	-	3,631
Impaired Receivables	-	-	-	-	-

<sup>1</sup> 'Not Impaired' refers to Net Receivables (Gross Receivables less Impaired Receivables).

The Fund does not hold any collateral for receivables that are overdue or determined to be impaired.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 15 INVESTMENTS**

The fixed interest investment is measured at fair value with any adjustments to the carrying amount being recorded in the Operating Statement. Fair value is based on an underlying pool of investments which have a quoted market price at the reporting date.

	2015 \$'000	2014 \$'000
<b>Non-Current Investments</b>		
Investment with the Public Trustee for the ACT	6,042	5,967
<b>Total Investments</b>	<b>6,042</b>	<b>5,967</b>

**NOTE 16 PAYABLES**

	2015 \$'000	2014 \$'000
<b>Current Payables</b>		
Trade Creditors	91	-
Accrued Expenses	5	208
<b>Total Payables</b>	<b>96</b>	<b>208</b>
<b>Payables are Aged as follows:</b>		
Not Overdue	96	208
<b>Total Payables</b>	<b>96</b>	<b>208</b>

**NOTE 17 PROVISION FOR CLAIMS PAYABLE**

	2015 \$'000	2014 \$'000
<b>Inflated and Discounted Liability</b>		
Gross Central Estimate	25,416	24,252
Recoveries	(2,044)	(2,127)
Claims Handling Expense	1,906	1,940
Net Central Estimate	<b>25,278</b>	<b>24,065</b>
<b>Current Provision for Claims Payable</b>		
Provision for Claims Payable	5,304	4,869
<b>Non-Current Provision for Claims Payable</b>		
Provision for Claims Payable	19,974	19,196
<b>Total Provision for Claims Payable</b>	<b>25,278</b>	<b>24,065</b>

The provision for claims payable is an actuarial assessment based on assumptions outlined in Note 4 (b) 'Significant Accounting Judgements and Estimates' – Actuarial Assumptions. The key factors impacting the increase of \$1,213,635 in the gross central estimate since 30 June 2014 are as a result of new claims in the 2014-15 period and changes in actuarial assumptions.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 17      PROVISION FOR CLAIMS PAYABLE - CONTINUED**

**Reconciliation to 30 June 2015 Gross outstanding claims**

	<b>Total (\$'000)</b>
<b>Net central estimate including claims handling expenses at 30 June 2014</b>	<b>24,065</b>
Adjustment to gross excluding claims handling expenses	187
<b>Gross central estimate at 30 June 2014</b>	<b>24,252</b>
Less expected payments (1 July 2014 to 30 June 2015)	(5,211)
Plus unwind of discount	236
<b>Expected gross central estimate at 30 June 2015</b>	<b>19,277</b>
Add/(Less) impact of:	
- Actual vs Expected claim payments	(694)
- Other experience impacts	(297)
- Change in payment per claim incurred /frequency assumptions	418
- Change in projected case estimate assumptions	79
- Change in blending of Method 1 and 2	(1,129)
- Change in economic assumptions	290
<b>Revised gross central estimate at 30 June 2015 (prior periods)</b>	<b>17,945</b>
Outstanding amounts arising from accident periods 1 July 2014 to 30 June 2015	7,472
<b>Gross central estimate at 30 June 2015</b>	<b>25,417</b>
Adjustment to net including claims handling expenses	(138)
<b>Net central estimate including claims handling expenses at 30 June 2015</b>	<b>25,279</b>

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS**

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2 'Summary of Significant Accounting Policies'.

**(a) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Most of the Fund's financial assets are held in floating interest rate arrangements and all of its financial liabilities are non-interest bearing. This means that the Fund is not exposed to movements in interest payable, however, it is exposed to movements in interest receivable.

Interest rate risk for financial assets is managed by the Fund by only investing in floating interest rate investments that are low risk. Interest rate risk for financial liabilities is not actively managed by the Fund as these liabilities are held in non-interest bearing arrangements.

There have been no changes in risk exposure or processes for managing risk since the last reporting period.

*Sensitivity Analysis*

Taking into account past performance, future expectations and economic forecasts, the impact on profit or loss and the impact on equity in the table below are 'reasonably possible' over the next 12 months if interest rates change by -/+ 1.0% per annum.

		(1.0%)	1.0%
	Carrying Amount \$'000	Profit/ (Loss) \$'000	Profit/ (Loss) \$'000
<b>Financial Assets:</b>			
Cash and Cash Equivalents	18,450	(185)	185

**(b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund's credit risk is limited to the amount of the financial assets it holds net any allowance for impairment.

Credit risk for cash and investments is managed by the Fund by only investing surplus funds with the Public Trustee for the ACT. The Public Trustee for the ACT has set appropriate investment criteria for the external fund manager it has engaged to manage the funds of agencies, resulting in an insignificant credit risk. No collateral is held by the Fund.

The Fund also manages the credit risk for receivables by undertaking an assessment of the credit worthiness of debtors. A large proportion of the Fund's receivables are from major Australian insurers, the ACT and Commonwealth Governments which means that the credit risk of these receivables going into default is low.

There have been no changes in credit risk since the last reporting period.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS - CONTINUED**

**(c) Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the Fund ensures that it has sufficient cash and cash equivalents to meet its estimated financial liabilities. The fund may raise additional levies at any time to meet the cost of any unexpected increase in financial liabilities that may arise.

The Fund's exposure to liquidity risk in relation to its financial instruments and the management of this risk has not changed since the previous reporting period.

**(d) Price Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The price risk to which the Fund is exposed results from its investment with the Public Trustee for ACT. The Fund has units in the Fixed Interest Portfolio which fluctuate in value. The price fluctuations in the units of the Fixed Interest Trust portfolio are caused by movements in the underlying investments of the portfolio. The underlying investments are managed by an external fund manager who invests in a variety of different bonds, including bonds issued by the Commonwealth Government, the State Government guaranteed Treasury corporations and semi-government authorities, as well as investment-grade corporate issues. To limit price risk, all the bonds that make up the underlying investments of the Fixed Interest Portfolio must have a long term credit rating of BBB- or greater. Anything rated BBB- or greater is considered investment grade.

The aim of the fund manager is to match the total return of the UBS Australian Composite Board Index before taking into account fund fees and expenses. The Fund's exposure to price risk and the management of this risk has not changed since the last reporting period.

*Sensitivity Analysis*

Taking into account past performance, future expectations and economic forecasts, the impact on profit or loss and the impact on equity in the table below are 'reasonably possible' over the next 12 months if unit values change by +/- 3.12%.

	<b>Units Held 30 June 2015</b>	<b>Unit Value 30 June 2015</b>	<b>Carrying Amount</b>	<b>(3.12%) Profit/(Loss)</b>	<b>+3.12% Profit/(Loss)</b>
	<b>Number of Units</b>	<b>\$</b>	<b>\$ 000s</b>	<b>\$ 000s</b>	<b>\$ 000s</b>
<b>Financial Assets:</b>					
Investments with the Public Trustee for the ACT	5,909,583.37	1.0224	6,042	(189)	189

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS - CONTINUED**

**(e) Fair Values of Financial Assets and Liabilities**

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2 'Summary of Significant Accounting Policies'.

The carrying amounts and fair values of financial assets and liabilities at the end of the reporting period are:

	<b>Note No.</b>	<b>Carrying Amount 2015 \$'000</b>	<b>Fair Value 2015 \$'000</b>	<b>Carrying Amount 2014 \$'000</b>	<b>Fair Value 2014 \$'000</b>
<b>Financial Assets</b>					
Cash and Cash					
Equivalents	13	18,450	18,450	15,594	15,594
Receivables	14	57	57	72	72
Investments	15	6,042	6,042	5,967	5,967
<b>Total Financial Assets</b>		<b>24,549</b>	<b>24,549</b>	<b>21,633</b>	<b>21,633</b>
<b>Financial Liabilities</b>					
Payables	16	91	91	-	-
<b>Total Financial Liabilities</b>		<b>91</b>	<b>91</b>	<b>-</b>	<b>-</b>

**(f) Fair Value Hierarchy**

The carrying amount of financial assets measured at fair value, as well as the methods used to estimate the fair value are summarised in the table below. All other financial assets and liabilities are measured, subsequent to initial recognition, at amortised cost and as such are not included in the following table.

**2015**

	<b>Classification According to Fair Value Hierarchy</b>			
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial Assets</b>				
Investment with the Public Trustee for the ACT	-	6,042	-	<b>6,042</b>

**Transfer Between Categories**

There have been no transfers of financial assets or financial liabilities between Level 1 and Level 2 during the reporting period.

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS - CONTINUED**

**(g) Fair Value Hierarchy - continued**

**2014**

	<u>Classification According to Fair Value Hierarchy</u>			<b>Total \$'000</b>
	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	
<b>Financial Assets</b>				
Investment with the Public Trustee for the ACT	-	5,967	-	<b>5,967</b>

**Transfer Between Categories**

There have been no transfers of financial assets or financial liabilities between Level 1 and Level 2 during the reporting period.

The following table sets out the Fund's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2015. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

<b>2015</b>		<b>Weighted Average Interest Rate</b>	<b>Floating Interest Rate</b>	<b>1 Year or Less</b>	<b>Over 1 to 5 Years</b>	<b>More than 5 Years</b>	<b>Non- Interest Bearing</b>	<b>Total</b>
	<b>Note No.</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Instruments</b>								
<b>Financial Assets</b>								
Cash at Bank	13	2.82	1,337	-	-	-	-	<b>1,337</b>
Short Term Investments	13	3.38	17,113	-	-	-	-	<b>17,113</b>
Accrued Interest	14		-	-	-	-	57	<b>57</b>
Investments	15	3.93	-	-	-	-	6,042	<b>6,042</b>
<b>Total Financial Assets</b>			<b>18,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,099</b>	<b>24,549</b>
<b>Financial Liabilities</b>								
Payables	16		-	-	-	-	(91)	<b>(91)</b>
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(91)</b>	<b>(91)</b>
<b>Net Financial Assets</b>			<b>18,450</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,008</b>	<b>24,458</b>

	<b>No.</b>	<b>2015 \$'000</b>
<b>Reconciliation of Net Financial Assets to Net Assets as per the Balance Sheet</b>		
Net Financial Assets (as above)		24,458
Goods and Services Tax Receivable	14	143
Accrued Revenue	14	1,271
Accrued Expenses	16	(5)
Provision for Claims Payable	17	(25,278)
<b>Net Assets as per the Balance Sheet</b>		<b>589</b>



**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS – CONTINUED**

The following table sets out the Fund's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2014. All financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis

2014		Weighted Average Interest Rate	Floating Interest Rate	1 Year or Less	Over 1 to 5 Years	More than 5 Years	Non- Interest Bearing	Total
	Note No.	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial Instruments</b>								
<b>Financial Assets</b>								
Cash at Bank	13	2.87	720	-	-	-	-	720
Short Term Investments	13	3.70	14,874	-	-	-	-	14,874
Accrued Interest	14		-	-	-	-	72	72
Investments	15	5.09	-	-	-	-	5,967	5,967
<b>Total Financial Assets</b>			15,594	-	-	-	6,039	21,633
<b>Financial Liabilities</b>								
Payables	16		-	-	-	-	-	-
<b>Total Financial Liabilities</b>			-	-	-	-	-	-
Net Financial Assets			15,594	-	-	-	6,039	21,633

Reconciliation of Net Financial Assets to Net Assets as per the Balance Sheet	No.	2014 \$'000
Net Financial Assets (as above)		21,633
Goods and Services Tax Receivable	14	81
Accrued Revenue	14	3,478
Accrued Expenses	16	(208)
Provision for Claims Payable	17	(24,065)
<b>Net Assets as per the Balance Sheet</b>		<b>919</b>

**Carrying Amount of Each Category of Financial Assets and Liabilities**

Financial Assets	2015 \$'000	2014 \$'000
Financial Assets at Fair Value through the Profit and Loss		
Designated upon Initial Recognition	6,042	5,967
Loans and Receivables Measured at Amortised Cost	57	72

**Gain on Each Category of Financial Assets  
and Financial Liabilities**

Gain on Financial Assets at Fair Value through the Profit and Loss Designated upon Initial Recognition	74	37
---	----	----

**Office of the Nominal Defendant of the ACT**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 19      CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

There were no contingent liabilities or assets at the reporting date (nil in 2013-14).

**NOTE 20      CASH FLOW RECONCILIATION**

	2015 \$'000	2014 \$'000
<b>(a) Reconciliation of Cash and Cash Equivalents at the End of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Balance Sheet</b>		
Total Cash and Cash Equivalents Recorded in Balance Sheet	18,450	15,594
<b>Cash and Cash Equivalents at the End of the Reporting Period as Recorded in the Cash Flow Statement</b>	<u><b>18,450</b></u>	<u><b>15,594</b></u>
<b>(b) Reconciliation of Net Cash (Outflows)/Inflows from Operating Activities to the Operating (Deficit)</b>		
Operating (Deficit)	(330)	(5,322)
<b>(Less) Items Classified as Investing or Financing</b>		
Unrealised Gain on Investments	(74)	(37)
<b>Cash before Operating Assets and Liabilities</b>	<u><b>(404)</b></u>	<u><b>(5,359)</b></u>
<b>Changes in Operating Assets and Liabilities</b>		
Decrease/(Increase) in Receivables	2,160	(2,183)
(Decrease)/Increase in Payables	(112)	73
Increase in Provision for Claims Payable	1,213	5,299
<b>Net Changes in Operating Assets and Liabilities</b>	<u><b>3,261</b></u>	<u><b>3,189</b></u>
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	<u><b>2,857</b></u>	<u><b>(2,170)</b></u>

**NOTE 21      EVENTS OCCURRING AFTER BALANCE DATE**

There were no events occurring after 30 June 2015 which would affect the financial statements of the Fund in the current or future reporting periods.

# **Financial Statements For the Year Ended 30 June 2015**

## **Default Insurance Fund**



## **INDEPENDENT AUDIT REPORT**

### **DEFAULT INSURANCE FUND**

#### **To the Members of the ACT Legislative Assembly**

##### **Report on the financial statements**

The financial statements of the Default Insurance Fund (the Fund) for the year ended 30 June 2015 have been audited. These comprise the operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes.

##### **Responsibility for the financial statements**

The Fund Manager is responsible for the preparation and fair presentation of the financial statements of the Fund. This includes responsibility for maintaining adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and the accounting policies and estimates used in the preparation of the financial statements.

##### **The auditor's responsibility**

I am responsible for expressing an independent audit opinion on the financial statements of the Fund.

The audit was conducted in accordance with Australian Auditing Standards to provide reasonable assurance that the financial statements are free of material misstatement.

I formed the audit opinion following the use of audit procedures to obtain evidence about the amounts and disclosures in the financial statements. As these procedures are influenced by the use of professional judgement, selective testing of evidence supporting the amounts and other disclosures in the financial statements, inherent limitations of internal control and the availability of persuasive rather than conclusive evidence, an audit cannot guarantee that all material misstatements have been detected.

Although the effectiveness of internal controls is considered when determining the nature and extent of audit procedures, the audit was not designed to provide assurance on internal controls.

The audit is not designed to evaluate the prudence of decisions made by the Fund.

## Electronic presentation of the audited financial statements

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

## Independence

Applicable independence requirements of Australian professional ethical pronouncements were followed in conducting the audit.

## Audit opinion

In my opinion, the financial statements of the Fund for year ended 30 June 2015:

- (i) are presented in accordance with the Australian Accounting Standards and other mandatory financial reporting requirements in Australia; and
- (ii) present fairly the financial position of the Fund as at 30 June 2015 and the results of its operations and cash flows for the year then ended.

This audit opinion should be read in conjunction with the other information disclosed in this report.




Malcolm Prentice  
Acting Director, Financial Audits  
17 September 2015

**Default Insurance Fund  
Financial Statements  
For the Year Ended 30 June 2015**

---

**Statement by the Fund Manager**

In my opinion, the Financial Statements of the Default Insurance Fund have been prepared in accordance with generally accepted accounting principles, and are in agreement with the Fund's accounts and records and fairly reflect the financial operations of the Fund for the year ended 30 June 2015 and the financial position of the Fund on that date.



John Fletcher  
Fund Manager  
Default Insurance Fund  
16 September 2015





# **DEFAULT INSURANCE FUND (DIF)**

**Comprised of the  
Collapsed Insurer Fund (CIF) and  
Uninsured Employer Fund (UEF)**

## **FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2015**



**Default Insurance Fund**  
**Operating Statement**  
**For the Year Ended 30 June 2015**

	<b>Note</b>	<b>CIF</b>	<b>UEF</b>	<b>DIF</b>	<b>CIF</b>	<b>UEF</b>	<b>DIF</b>
	<b>No.</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
		<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Income</b>							
Interest and Distribution	5	524	240	<b>764</b>	441	332	<b>773</b>
Levies	6	-	734	<b>734</b>	-	3,844	<b>3,844</b>
Recoveries	7	2,777	157	<b>2,934</b>	2,003	118	<b>2,121</b>
Other Revenue	8	-	201	<b>201</b>	24	208	<b>233</b>
<b>Total Income</b>		<b>3,301</b>	<b>1,332</b>	<b>4,633</b>	<b>2,468</b>	<b>4,503</b>	<b>6,971</b>
<b>Expenses</b>							
Employee Expenses	9	-	209	<b>209</b>	21	186	<b>207</b>
Superannuation Expenses	9	-	39	<b>39</b>	5	34	<b>39</b>
Claims (Credit)/Expense	10	(203)	983	<b>780</b>	(301)	4,173	<b>3,872</b>
Supplies and Services	11	60	101	<b>161</b>	43	110	<b>153</b>
<b>Total Expenses</b>		<b>(143)</b>	<b>1,332</b>	<b>1,189</b>	<b>(232)</b>	<b>4,503</b>	<b>4,271</b>
<b>Operating Surplus</b>		<b>3,444</b>	-	<b>3,444</b>	<b>2,700</b>	-	<b>2,700</b>
Other Comprehensive Income		-	-	-	-	-	-
<b>Total Comprehensive Income</b>		<b>3,444</b>	-	<b>3,444</b>	<b>2,700</b>	-	<b>2,700</b>

The above Operating Statement should be read in conjunction with the accompanying notes

**Default Insurance Fund**  
**Balance Sheet**  
**As at 30 June 2015**

	<b>Note</b>	<b>CIF</b>	<b>UEF</b>	<b>DIF</b>	<b>CIF</b>	<b>UEF</b>	<b>DIF</b>
	<b>No.</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
		<b>2015</b>	<b>2015</b>	<b>2015</b>	<b>2014</b>	<b>2014</b>	<b>2014</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current Assets</b>							
Cash and Cash Equivalents	13	16,815	7,232	24,047	13,572	8,023	21,595
Receivables	14	-	466	466	24	545	569
<b>Total Current Assets</b>		<b>16,815</b>	<b>7,698</b>	<b>24,513</b>	<b>13,596</b>	<b>8,568</b>	<b>22,164</b>
<b>Non-Current Assets</b>							
Receivables	14	-	2,361	2,361	-	4,156	4,156
<b>Total Non-Current Assets</b>		<b>-</b>	<b>2,361</b>	<b>2,361</b>	<b>-</b>	<b>4,156</b>	<b>4,156</b>
<b>Total Assets</b>		<b>16,815</b>	<b>10,059</b>	<b>26,874</b>	<b>13,596</b>	<b>12,724</b>	<b>26,320</b>
<b>Current Liabilities</b>							
Payables	15	2	38	40	2	20	22
Employee Benefits	16	-	36	36	-	45	45
Provision for Claims Payable	17	79	789	868	138	1,521	1,659
<b>Total Current Liabilities</b>		<b>81</b>	<b>863</b>	<b>944</b>	<b>140</b>	<b>1,586</b>	<b>1,726</b>
<b>Non-Current Liabilities</b>							
Provision for Claims Payable	17	917	9,196	10,113	1,083	11,138	12,221
<b>Total Non-Current Liabilities</b>		<b>917</b>	<b>9,196</b>	<b>10,113</b>	<b>1,083</b>	<b>11,138</b>	<b>12,221</b>
<b>Total Liabilities</b>		<b>998</b>	<b>10,059</b>	<b>11,057</b>	<b>1,223</b>	<b>12,724</b>	<b>13,947</b>
<b>Net Assets</b>		<b>15,817</b>	<b>-</b>	<b>15,817</b>	<b>12,373</b>	<b>-</b>	<b>12,373</b>
<b>Equity</b>							
Accumulated Funds		15,817	-	15,817	12,373	-	12,373
<b>Total Equity</b>		<b>15,817</b>	<b>-</b>	<b>15,817</b>	<b>12,373</b>	<b>-</b>	<b>12,373</b>

The above Balance Sheet should be read in conjunction with the accompanying notes.

**Default Insurance Fund**  
**Statement of Changes in Equity**  
**For the Year Ended 30 June 2015**

	<b>CIF</b> <b>Accumulated</b> <b>Funds</b> <b>Actual</b> <b>2015</b> <b>\$'000</b>	<b>UEF</b> <b>Accumulated</b> <b>Funds</b> <b>Actual</b> <b>2015</b> <b>\$'000</b>	<b>DIF</b> <b>Accumulated</b> <b>Funds</b> <b>Actual</b> <b>2015</b> <b>\$'000</b>
<b>Balance at 1 July 2014</b>	<b>12,373</b>	<b>-</b>	<b>12,373</b>
<b>Comprehensive Income</b>			
Operating Surplus	3,444	-	<b>3,444</b>
<b>Balance at 30 June 2015</b>	<b>15,817</b>	<b>-</b>	<b>15,817</b>

	<b>CIF</b> <b>Actual</b> <b>2014</b> <b>\$'000</b>	<b>UEF</b> <b>Actual</b> <b>2014</b> <b>\$'000</b>	<b>DIF</b> <b>Actual</b> <b>2014</b> <b>\$'000</b>
<b>Balance at 1 July 2013</b>	<b>9,673</b>	<b>-</b>	<b>9,673</b>
<b>Comprehensive Deficit</b>			
Operating Surplus	2,700	-	<b>2,700</b>
<b>Balance at 30 June 2014</b>	<b>12,373</b>	<b>-</b>	<b>12,373</b>

The above Statement of Changes to Equity should be read in conjunction with the accompanying notes.

**Default Insurance Fund**  
**Cash Flow Statement**  
**For the Year Ended 30 June 2015**

	<b>Note No.</b>	<b>CIF Actual 2015 \$'000</b>	<b>UEF Actual 2015 \$'000</b>	<b>DIF Actual 2015 \$'000</b>	<b>CIF Actual 2014 \$'000</b>	<b>UEF Actual 2014 \$'000</b>	<b>DIF Actual 2014 \$'000</b>
<b>Cash Flow From Operating Activities</b>							
<b>Receipts</b>							
Interest and Distributions Received		524	240	764	442	334	776
Levies		-	2,425	2,425	-	2,494	2,494
Recoveries		2,777	171	2,947	2,003	100	2,103
Goods and Services Input Tax Credits from the Australian Taxation Office		-	67	67	10	55	65
Other Revenue		24	293	317	17	68	85
<b>Total Receipts from Operating Activities</b>		<b>3,325</b>	<b>3,196</b>	<b>6,521</b>	<b>2,472</b>	<b>3,051</b>	<b>5,523</b>
<b>Payments</b>							
Employee		-	258	258	34	208	242
Supplies and Services		60	88	148	48	112	160
Payment of Claims		22	3,583	3,605	454	2,782	3,236
Goods and Services Tax Paid to Suppliers		-	58	58	7	70	77
<b>Total Payments from Operating Activities</b>		<b>82</b>	<b>3,987</b>	<b>4,069</b>	<b>543</b>	<b>3,172</b>	<b>3,715</b>
<b>Net Cash Inflows/(Outflows) from Operating Activities</b>	20	<b>3,243</b>	<b>(791)</b>	<b>2,452</b>	<b>1,929</b>	<b>(121)</b>	<b>1,809</b>
Cash and Cash Equivalents at the Beginning of Reporting Period		13,572	8,023	21,595	11,643	8,144	19,787
<b>Cash and Cash Equivalents at the end of the Reporting Period</b>	13	<b>16,815</b>	<b>7,232</b>	<b>24,047</b>	<b>13,572</b>	<b>8,023</b>	<b>21,595</b>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE INDEX**

**Objectives and Principles**

Note 1	Objectives of the Default Insurance Fund
Note 2	Summary of Significant Accounting Policies
Note 3	Change in Accounting Policy and Accounting Estimates
Note 4	Significant Accounting Judgements and Estimates

**Income Notes**

Note 5	Interest and Distribution
Note 6	Levies
Note 7	Recoveries
Note 8	Other Revenue

**Expense Notes**

Note 9	Employee and Superannuation Expenses
Note 10	Claims Expenses
Note 11	Supplies and Services
Note 12	Auditor's Remuneration

**Asset Notes**

Note 13	Cash and Cash Equivalents
Note 14	Receivables

**Liabilities Notes**

Note 15	Payables
Note 16	Employee Benefits
Note 17	Provision for Claims Payable

**Other Notes**

Note 18	Financial Instruments
Note 19	Contingent Liabilities and Contingent Assets
Note 20	Cash Flow Reconciliation
Note 21	Commitments
Note 22	Events Occurring after Balance Date

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 1      OBJECTIVES OF THE DEFAULT INSURANCE FUND**

**Operations and Principal Activities of the Default Insurance Fund**

The Default Insurance Fund (the Fund) was established on 1 July 2006, and all activities, assets and liabilities of the former Workers' Compensation Supplementation Fund and Nominal Insurer were transferred into the Fund. The Workers' Compensation Supplementation Fund is now known as the Collapsed Insurer Fund (CIF) and Nominal Insurer is now known as the Uninsured Employer Fund (UEF). The Fund is operated under the Workers Compensation Act 1951. The objectives of the Fund are to:

- provide a safety net mechanism to meet the costs of workers' compensation claims made by workers where:
  - (i) an employer does not have a compulsory insurance policy; or
  - (ii) an approved insurer is wound up under the *Corporations Act 2001* or cannot provide the indemnity required under a compulsory insurance policy;
- ensure that workers who are injured in the circumstances listed above, receive the same entitlements as an injured worker would receive where the employer did have insurance, and the employer is able to provide indemnity;
- make payment of statutory entitlements under the *Workers Compensation Act 1951*; and
- satisfy or settle claims.

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a)      Basis of Preparation**

These general-purpose financial statements have been prepared to comply with 'Generally Accepted Accounting Principles' (GAAP). These financial statements have been prepared in accordance with:

- (i) Australian Accounting Standards; and
- (ii) ACT Accounting and Disclosure Policies.

The financial statements have been prepared using the accrual basis of accounting, which recognises the effect of transactions and events when they occur. The financial statements have also been prepared according to the historical cost convention.

These financial statements are presented in Australian dollars, which is the Fund's functional currency.

The Fund is an individual reporting entity.

**(b)      Reporting Period**

These financial statements state the financial performance, change in equity and cash flows of the Fund for the year ended 30 June 2015 together with the financial position of the Fund as at 30 June 2015.

**(c)      Comparative Figures**

*Prior Year Comparatives*

Comparative information has been disclosed in respect of the previous period for all amounts reported in the financial statements, except where an Australian Accounting Standard does not require comparative information to be disclosed.



**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**(c) Comparative Figures - Continued**

Where the presentation or classification of items in the financial statements are amended, the comparative amounts have been reclassified where practical. Where a reclassification occurs, the nature, amount and reason for the reclassification is provided.

**(d) Rounding**

All amounts in the financial statements have been rounded to the nearest thousand dollars (\$'000). Use of “-” represents zero amounts or amounts rounded down to zero.

**(e) Revenue Recognition**

Revenue is recognised at the fair value of the consideration received or receivable in the Operating Statement. All revenue is recognised to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. In addition, the following specific recognition criteria must also be met before revenue is recognised:

*Interest*

Interest revenue is recognised using the effective interest method.

*Levies*

Monies required to satisfy Uninsured Employer Fund claims are funded by way of levies placed on ACT Workers' Compensation Insurers and Self-Insurers. *The Workers Compensation Act 1951* provides the framework for the calculation of levies. In 2014-15, the Fund Manager imposed contributions from insurers and self-insurers equal to 1.4% of gross written premiums (1.4% in 2013-14).

*Recoveries*

The Collapsed Insurer Fund may receive recoveries from the administrators of failed insurance companies and the Uninsured Employer Fund may receive recoveries from other insurers due to third party arrangements. Both funds may receive repayments by claimant third parties and court associated recoveries.

*Other Revenue*

Other Revenue includes fines and support services provided to the Nominal Defendant. Fines are either recognised as revenue at the time of payment or when the fines are incurred.

**(f) Current and Non-Current Items**

Assets and liabilities are classified as either current or non-current in the Balance Sheet and the relevant notes. Assets are classified as current where they are expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or the Fund does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Assets or liabilities which do not fall within the current classification are classified as non-current.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**(g)      Cash and Cash Equivalents**

For the purposes of the Cash Flow Statement and the Balance Sheet, cash includes cash at bank and cash on hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. This includes short-term investments held in a Cash Trust Account managed by an external fund manager on behalf of the Public Trustee for the ACT.

**(h)      Receivables**

Accounts receivable (including trade receivables and other receivables) are recognised at fair value and subsequently measured at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement.

Receivables include trade debtors, Goods and Services Taxation (GST), Fringe Benefits Taxation (FBT) and claims related recoveries.

The allowance for impairment losses represents the amount of trade receivables and other receivables the Fund estimates will not be repaid. The allowance for impairment losses is based on objective evidence and a review of overdue balances. The Fund considers the following is objective evidence of impairment:

- (i)      becoming aware of financial difficulties of debtors; or
- (ii)     defaulting debtors; or
- (iii)    debts more than 90 days overdue.

The value of unfunded claims is accounted for as receivables. Levies required to meet the cost of future claims is the amount that needs to be raised to enable the outstanding claims liability of UEF to be fully funded over time. (Refer Note 17 'Provision for Claims Payable').

The *Workers Compensation Act 1951* provides the framework for contributions to be collected from approved insurers and self-insurers annually as well as any supplementary contribution determined by the DI Fund Manager. The Fund Manager has the ability to raise the levies to meet expenses should there be a cash shortfall before full funding is reached.

**(i)      Payables**

Payables are a financial liability and are initially recognised at fair value based on the transaction cost and subsequent to initial recognition at amortised cost, with any adjustments to the carrying amount being recorded in the Operating Statement. All amounts are normally settled within 30 days after the invoice date.

Payables include trade creditors, Goods and Services Taxation (GST), Pay As You Go (PAYG) and accrued expenses.

Trade creditors represent the amounts owing for goods and services received prior to the end of the reporting period and unpaid at the end of the reporting period and relating to the normal operations of the Fund.

Accrued expenses represent goods and services provided by other parties during the reporting period that are unpaid at the end of the reporting period and where an invoice has not been received by the end of the reporting period.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**(j)      Employee Benefits**

Employee benefits include:

- short-term employee benefits, such as wages and salaries, annual leave loading and applicable on-costs, if expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service;
- other long-term benefits, such as long service leave and annual leave; and
- termination benefits.

On-costs include annual leave, long service leave, superannuation and other costs that are incurred when the employee takes annual leave and long service leave.

*Wages and Salaries*

Accrued wages and salaries are measured at the amount that remains unpaid to employees at the end of the reporting period.

*Annual and Long Service Leave*

Annual and long service leave including applicable on-costs that are not expected to be wholly settled before twelve months after the end of the reporting period when the employees render the related service are measured at the present value of estimated future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to the future wage and salary levels, experience of employee departures and periods of service. At the end of each reporting period end, the present value of future annual leave and long service leave payments is estimated using market yields on Commonwealth Government bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Annual leave liabilities have been estimated on the assumption that they will be wholly settled within three years. In 2014-15, the rate used to estimate the present value of future payments for annual leave is 101.0% (100.9% in 2013-14).

In 2014-15, the rate used to estimate the present value of future payments for long service leave is 104.2% (103.5% in 2013-14).

The long service leave liability is estimated with reference to the minimum period of qualifying service. For employees with less than the required minimum period of 7 years qualifying service, the probability that employees will reach the required minimum period has been taken into account in estimating the provision for long service leave and applicable on-costs.

The provision for annual leave and long service leave includes estimated on-costs. As these on-costs only become payable if the employee takes annual and long service leave while in service, the probability that employees will take annual and long service leave while in service has been taken into account in estimating the liability for on-costs.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**(j)      Employee Benefits - Continued**

The significant judgements and assumptions included in the estimation of annual and long service leave liabilities are determined by an actuary. The Australian Government Actuary performed this assessment in May 2014. The assessment by an actuary is performed every 5 years. However it may be performed more frequently if there is a significant contextual change in the parameters underlying the 2014 report. The next actuarial review is expected to be undertaken by May 2019. Further information about this estimate is provided in Note 4(b) 'Significant Accounting Judgements and Estimates'.

Annual leave and long service leave liabilities are classified as current liabilities in the Balance Sheet where there is no unconditional right to defer the settlement of the liability for at least 12 months. Conditional long service leave liabilities are classified as non-current because the Fund has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of services.

**(k)      Superannuation**

The Fund makes payments on a fortnightly basis to the Territory banking Account to cover the Fund's superannuation liability for the Public Sector Superannuation Scheme (PSS). This payment covers the PSS employer contribution but does not include the productivity component. The productivity component is paid directly to ComSuper by the Fund. The PSS is a defined benefit superannuation plan meaning that the defined benefits received by employees are based on the employee's years of service and average final salary.

Superannuation employer contribution payments, for the PSS, are calculated by taking the salary level at an employee's anniversary date and multiplying it by the actuarially assessed nominal PSS employer contribution rate for each employee. The productivity component payments are calculated by taking the salary level, at an employee's anniversary date, and multiplying it by the employer contribution rate (approximately 3%) for each employee.

The total Territory superannuation liability for the CSS, PSS, and ComSuper is recognised in the Chief Minister, Treasury and Economic Development Directorate's Superannuation Provision Account. This superannuation liability is not recognised at individual agency level.

The ACT Government is liable for the reimbursement of the emerging costs of benefits paid each year to members of the PSS in respect of the ACT Government service provided after 1 July 1989. These reimbursement payments are made from the Superannuation Provision Account.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**(l)      Provision for Claims Payable**

The Fund is not required to comply with Australian Accounting Standard AASB 1023: General Insurance Contracts as its operations are not underpinned by contracts of insurance with its customers.

Contracts of insurance need to be in existence in order for a reporting entity to apply AASB 1023.

Instead, the business liabilities are reported under AASB 137: Provisions, Contingent Liabilities and Contingent Assets. The measurement of liabilities under AASB 137 is based on a best estimate which management believes, in the context of the Fund's business, equates to the central estimate of claim liabilities (i.e. the value of the liability without an explicit risk margin).

The provision for claims payable covers claims reported but not yet paid, incurred but not yet reported claims (IBNR), incurred but not enough reported (IBNER) and the anticipated direct and indirect costs of settling those claims. Claims payable are assessed by estimating changes in the ultimate cost of settling claims, IBNRs and settlement costs using statistics based on past experience and trends. In limited instances, this is supplemented or replaced by a review of individual claims information.

The Fund appointed an independent actuary, KPMG Actuarial Pty Limited, to provide a full assessment of Provision for claims payable. The valuation for this report was completed in July 2015, based on data at 30 June 2015.

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 inflation and 'superimposed inflation'. Superimposed inflation refers to factors such as trends in court awards. The expected future payments are then discounted to present value using the Commonwealth Government Bond risk free rate.

Claims estimated to fall due within a 12 month period are classified as a current liability and all other claims as a non-current liability.

**(m)      Impact of Accounting Standards Issued but yet to be Applied**

The following new and revised accounting standards and interpretations have been issued by the Australian Accounting Standards Board but do not apply to the current reporting period. These standards and interpretations are applicable to future reporting periods. The Fund does not intend to adopt these standards and interpretations early. Where applicable, these Australian Accounting Standards will be adopted from their application date. It is estimated that the effect of adopting the below pronouncements, when applicable, will have no material financial impact on the Fund in future reporting periods:

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**(m) Impact of Accounting Standards Issued but yet to be Applied - Continued**

- AASB 9 Financial Instruments (December 2014) (application date 1 January 2018);

This standard supersedes AASB 139 Financial Instruments: Recognition and Measurement. The main impact of AASB 9 is that it will change the classification, measurement and disclosures of the Authority's financial assets. No material financial impact on the Authority is expected.

- AASB 2014-1 Amendments to Australian Accounting Standards – Part E Financial Instruments [AASB 1, 3, 4, 5, 7, 9 (December 2009), 9 (December 2010), 101, 102, 108, 112, 118, 120, 121, 132, 136, 137, 139, Interpretation 2, 5, 10, 12, 16, 19, and 107] (application date 1 Jan 2018);

Part E of this standard defers the application of AASB 9 to 1 January 2018. No material financial impact on the Authority is expected.

- AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) [AASB 1, 2, 3, 4, 5, 7, 13, 101, 102, 108, 110, 112, 120, 121, 123, 128, 132, 133, 136, 137, 139, 1023, 1038, 1049, Interpretation 2, 5, 10, 12, 16, 19 & 127] (application date 1 Jan 2018);

This standard makes consequential amendments to a number of standards and interpretations as a result the issuing of AASB 9 (December 2014). No material financial impact on the Authority is expected.

- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (application date 1 Jan 2015);

This standard makes amendments to AASB 9 (December 2009) and AASB 9 (December 2010) such that for annual reporting periods beginning on or after 1 January 2015, an entity may apply AASB 9 (December 2009) or AASB 9 (December 2010). The Authority does not intend to early adopt these standards and there is no financial impact.

**NOTE 3 CHANGE IN ACCOUNTING POLICY AND ACCOUNTING ESTIMATES**

**(a) Changes in Accounting Estimates**

*Changes in Actuarial Assumptions*

The Fund uses KPMG Actuarial Pty Limited (Refer Note 4: 'Significant Accounting Judgements and Estimates') to estimate the provision for claims payable (liability) and related claims expenses.

Actuarial assumptions are based on past claims experience, risk exposure and projections of economic variables. As such, the estimate of the provision for claims payable will change each time the provision is assessed by the actuaries (Refer Note 17: 'Provision for Claims Payable'). This change has resulted in a decrease of \$2,899,000 (\$637,000 increase in 2013-14) to the estimate of the provision for claims payable in the current reporting period. This decrease has been largely driven by lower expense allowance and lower case estimates for the Uninsured Employers Fund.

**(b) Change in Accounting Policy**

The Fund had no changes in Accounting Policy during the reporting period.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4        SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES**

**(a)        Actuarial Assumptions**

The Fund uses actuaries to estimate the provision for claims payable. Actuarial assumptions are based on past claims experience, risk exposure and projections of economic variables.

The actuarial estimate of provision for claims payable comprises:

- future compensation payments on open reported claims including, where appropriate, an incurred but not enough reported (IBNER) allowance for development in the case estimate prior to the settlement of those claims;
- future compensation payments for claims that have been incurred but not reported (IBNR);
- net apportionment and cross-claims (i.e. 'sharing') with other defendants, where identified;
- an estimate of the costs associated with managing the claims, such as the staff costs for employees managing the claims; and
- claims inflated and discounted to a 'present value' basis.

Analysis and estimates are subdivided by:

- latent (including asbestos related and hearing claims), which are reported 4 or more years after the accident giving rise to the claim occurred; and
- all other injury types.

The approach used in calculating the provision for claims payable in the Uninsured Employers Fund was as follows:

- development of open claims (current value payments to date plus current case estimates) was analysed; and consideration was then given to the need to include an allowance for IBNER;
- a further allowance was made for incurred but not yet reported (IBNR) claims, based on a projection of future claim reports and an adopted average claim size;
- a pattern of future payments was applied to apportion the current value of the liability over future payment periods;
- an allowance was made for the effect of future recoveries, based on historic experience; and
- an allowance was made for the timing of benefit payments by adjusting for future claims inflation and discounting to a present value.



**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES – CONTINUED**

**(a)      Actuarial Assumptions - Continued**

The approach used in determining the provision for claims payable in the Collapsed Insurers Fund was as follows:

- historical claim payments gross of recoveries have been inflated to 30 June 2015 values;
- future claims payments were projected, based on payment experience to date;
- development of open claims (current value payments to date plus current case estimates) was analysed; and consideration was then given to the need to adjust the case estimates on the open claims for future case estimate developments;
- a pattern of future payments was applied to apportion the current value of the liability over future payment periods; and
- an allowance was made for the timing of benefit payments by adjusting for future claims inflation and discounting to a present value.

**Table 1 – Selected Assumptions outline the main assumptions which were made in determining the provision for claims payable**

Assumption	Collapsed Insurer Fund		Uninsured Employer Fund	
	2015	2014	2015	2014
Projected claim numbers	*	*	32.5	35.2
Gross average claim size	*	*	\$146,315	\$136,907
Claims Inflation rate – Wage Inflation	3.75%	4.25%	3.75%	4.25%
Claims Inflation rate – Superimposed inflation	1.75%	1.75%	1.75%	1.75%
Discount rate p.a.	2.2%	2.9%	2.6%	3.1%
Average weighted term to settlement (years)	4.1	3.6	4.7	4.2
Claims handling expenses	15%	30%	15%	30%

\*The approach used to value CIF claims in the current year is an aggregated method, which projects future claims payments directly. It does not require projected numbers of claims and average costs.

**Process Used to Determine Assumptions**

A description of the processes used to determine these assumptions is provided below:

*Projected claim numbers*

The projected claim numbers have been determined based on assumed pattern of claim emergence using chain ladder projections which uses ratios to project number of claims. This projection gives the average number of IBNR claims expected in the future from a notional distribution of possible outcomes. Because it is the result of an estimation process, the result is not an integral number.

For the Uninsured Employer Fund, 31% of new claims are project to be reported in 2015-16.



**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED**

**(a)      Actuarial Assumptions – Continued**

*Gross average claim size*

The gross average claims size assumption has been determined based on an analysis of past average claim size experience of latent and non-latent claims separately. The average claims size assumptions for the Uninsured Employer Fund are \$182,880 for latent claims (reported 4 or more years after the claim accident date) and \$99,916 for non-latent claims (reported within 3 years of the claim accident date).

*Claims Inflation Rate*

A base wages inflation rate of 3.75% per annum has been selected. However, claim costs have a tendency to increase above the rate of wage inflation over time. A rate of 1.75% per annum for additional (i.e. superimposed) inflation has been adopted.

*Discount Rate*

The estimate of the Default Insurance Fund's provision for claims payable is provided on both a discounted (i.e. allowing for future investment income) and undiscounted basis. To discount the liability, the Fund has used the market yield as at 30 June 2015 on long-duration Commonwealth Government bonds, which gives weighted average discount rates of 2.2% and 2.6% per annum for the Collapsed Insurer Fund and Uninsured Employer Fund respectively. The two funds have different projected payment patterns based on the nature of their claims. As the market yield of bonds varies by duration, this gives rise to the different average discount rates for the two funds.

*Claims Handling Expenses*

An assumption of 15% of gross future claim payments are made for the expenses of the Fund. This is lower than the assumption adopted at the previous valuation of 30% and reflects the lower level of expenses that remain with the Fund after allocation of some of the expenses incurred to the Nominal Defendant Fund.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED**

**(a)      Actuarial Assumptions – Continued**

**Sensitivity Analysis**

The Fund's provision for claims payable is calculated using methods which rely on certain assumptions about the experience of claims which are already incurred but not yet fully paid. To understand the impact of variations in these assumptions, the Fund made changes to key assumptions and quantified the impact on the outstanding claims result for the Fund. This is referred to as a sensitivity analysis. The impacts of varying the assumptions in the opposite direction would decrease the outstanding claims liability by a similar amount.

<b>Collapsed Insurance Fund</b>				
<b>Assumption Sensitivity</b>	<b>Change</b>	<b>Scenario net provision for claims payable (\$)</b>	<b>Difference from net provision for claims payable (\$)</b>	<b>Difference %</b>
<b>Net provision for claims payable</b>		<b>995,957</b>		
Increase development factors	10%	1,009,049	13,092	1.3
Additional latent IBNR claim	1	1,398,457	402,500	40.4
Increase Average Wage Earning Inflation	+1%	1,040,480	44,523	4.5
Movement in discount rate	-1%	1,041,664	45,707	4.6

<b>Uninsured Employer Fund</b>				
<b>Assumption Sensitivity</b>	<b>Change</b>	<b>Scenario net provision for claims payable (\$)</b>	<b>Difference from net provision for claims payable (\$)</b>	<b>Difference %</b>
<b>Net provision for claims payable</b>		<b>9,255,121</b>		
Additional latent IBNR claim	+1	9,486,463	231,342	2.5
Additional non-latent IBNR claim	+1	9,385,153	130,031	1.4
Increase non-latent average claim size	+\$20,000	9,625,045	369,923	4.0
Increase latent average claim size	+\$20,000	9,706,063	450,942	4.9
Case Estimate development	-10%	8,956,607	-298,514	-3.2
Increase Average Wage Earning Inflation	+1%	9,787,515	532,393	5.8
Movement in discount rate	-1%	9,692,608	437,487	4.7

\* The provision for claims payable for Collapsed Insurance Fund includes an allowance for one large claim (asbestos-related claim) of \$350,000 in size. The sensitivity above examines the impact of one additional claim on the Fund's net provision for claims payable. The net provision for claims payable refers to the provision for outstanding claims liability, which is net of any recoveries, inclusive of claims handling expenses and is not intentionally over or underestimated (i.e. does not include a margin for uncertainty).

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED**

**(a)      Actuarial Assumptions – Continued**

*Claims frequency*

The provision for claims payable is calculated by reference to expected claim frequency and average claim sizes. An increase in the claim frequency would increase the claims liability.

*Average claim size*

The provision for claims payable is calculated by reference to expected claim frequency and average claim sizes. An increase in the average claim size would increase the claims liability.

*Case estimate development*

The provision for claims payable relies in part on the case estimates held by the Fund. The impact on reported claim expense will reflect the extent that the development of case estimates differ from expected.

*Discount rate*

The provision for claims payable is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. A decrease in the assumed discount rate will increase the total claims liability.

*Inflation and superimposed inflation rates*

Expected future payments are inflated to take account of inflationary increases. In addition to the general economic inflation rate, an amount is superimposed to take account of non-economic inflationary factors, such as increases in court awards. Such rates of superimposed inflation are specific to the model adopted. An increase or decrease in the assumed levels of either economic or superimposed inflation would have a corresponding and magnified impact on the claims expense.

**Uncertainty**

*General sources of uncertainty*

- Data error – the base data can contain material errors or may not be representative of the current portfolio of business.
- Model error – incorrect or inappropriate models may be used to project the future claims.
- Parameter error – the selected values for various assumptions within the valuation are in some cases based on judgement and may not accurately represent the future values for the parameters.
- Random error – claims development is, by its nature, subject to random variation.
- Unforeseen development due to events including jury decisions, court interpretations, legislative changes, public attitudes, potential sources of 'latent claims' (e.g. child claims in the context of compulsory third party), and social/economic conditions such as inflation.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 4      SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES - CONTINUED**

**(a)      Actuarial Assumptions – Continued**

*Fund specific sources of uncertainty*

- The Default Insurance Fund data is quite sparse and an actuary could reasonably select a wide range of assumptions when assessing the liabilities.
- The provision for claims payable of the Collapsed Insurance Fund are expected to reduce over time (unless another insurer collapses). As such the 'tail' liabilities (i.e. liabilities from earlier accident periods) are likely to become increasingly uncertain in percentage terms as the liabilities reduce.
- The experience of the Uninsured Employer Fund, in particular, is influenced by social and economic factors such as the Global Financial Crisis. These factors appear to have had an impact on the claims experience of the Fund.
- For both Funds, there are specific uncertainties relating to latent claims, including very long tailed latent exposures such as asbestos-related diseases. No specific allowance has been made for the existence of latent claim types that are not already evident within the claims data. It is possible that these could be significant.
- The Fund has relied upon the case estimates when setting reserves for open claims. It is likely that when open claims are settled they will be settled at a different value to the case estimate held, and this value may be significantly higher or lower than the case estimate.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 5 INTEREST AND DISTRIBUTION**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Interest and Distribution Revenue</b>		
Distribution Revenue— Collapsed Insurer Fund <sup>a</sup>	505	431
Interest Revenue from Bank – Collapsed Insurer Fund	19	10
<b><u>Collapsed Insurer Fund</u></b>	<b><u>524</u></b>	<b><u>441</u></b>
 Distribution Revenue— Uninsured Employer Fund <sup>b</sup>	 199	 299
Interest Revenue from Bank – Uninsured Employer Fund	41	33
<b><u>Uninsured Employer Fund</u></b>	<b><u>240</u></b>	<b><u>332</u></b>
 <b>Total Interest and Distribution Revenue</b>	 <b><u>764</u></b>	 <b><u>773</u></b>

<sup>a</sup> Collapsed Insurer Fund distribution revenue increased due to a higher balance held in this account (refer to Note 13 'Cash and Equivalents').

<sup>b</sup> Uninsured Employer Fund distribution revenue decreased due to the rates of return decreasing from 3.70% in 2013-14 to 3.38% in 2014-15.

**NOTE 6 LEVIES**

Claims and administrative costs pertaining to the UEF are paid by raising a quarterly levy on all approved workers' compensation insurers and self-insurers who are currently operating in the Territory. A funding model was introduced on 1 July 2010 to move towards full funding by levy. This levy builds a reserve to cover the cost of the unfunded component of the provision for claims payable. Until such time as the UEF is fully funded, scheduled for 2020, levies are recognised by matching revenue to the expenses incurred in the financial year. This treatment recognises that the Fund has the ability to raise the levies to meet expenses should there be a cash shortfall before full funding is reached. *The Workers Compensation Act 1951* provides the framework around the calculation of levies.

In 2014-15, the Fund Manager imposed contributions from insurers and self-insurers equal to 1.4% of gross written premiums (1.4% in 2013-14). Levies paid during the year are balanced against a receivable 'Levies Required to meet the Cost of Future Claims' (refer 'Note 14 – Receivables').

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Levies Received – Uninsured Employer Fund	2,447	2,860
Levies Attributed to Unfunded Component <sup>a</sup>	(1,713)	984
<b>Total Levies</b>	<b><u>734</u></b>	<b><u>3,844</u></b>

<sup>a</sup> The unfunded component in the receivable balance was decreased by \$1,713,000 as a result of a decrease in claims expenses for the Uninsured Employer Fund (refer to Note 10 'Claims Expenses').

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 7      RECOVERIES**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Insurer – Collapsed Insurer Fund <sup>a</sup>	2,777	2,003
Other – Uninsured Employer Fund <sup>b</sup>	<u>157</u>	<u>118</u>
<b>Total Recoveries</b>	<b><u>2,934</u></b>	<b><u>2,121</u></b>

<sup>a</sup> The Collapsed Insurer Fund received recovery payments from the HIH Liquidator in 2014-15 with no further recoveries expected.

<sup>b</sup> Other Recoveries consist of invoices raised against employers for claims costs incurred. The actuaries assess the collectability of recoveries from employers for the Uninsured Employer Fund on a regular basis.

**NOTE 8      OTHER REVENUE**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Fines		
– Uninsured Employer Fund <sup>a</sup>	10	63
Services Provided to the Nominal Defendant		
– Collapsed Insurer Fund <sup>b</sup>	-	24
Services Provided to the Nominal Defendant		
– Uninsured Employer Fund	<u>191</u>	<u>145</u>
<b>Total Other Revenue</b>	<b><u>201</u></b>	<b><u>232</u></b>

<sup>a</sup> The decrease in fines is due to less monies being received from the Office of Regulatory Services for fines imposed on employers.

<sup>b</sup> The reduction in services provided to the Collapsed Insurer Fund is due to the decrease in required administration support due to the reduction in the number of active claims in the fund.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 9      EMPLOYEE AND SUPERANNUATION EXPENSES**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Uninsured Employer Fund</u></b>		
<b>Employee Expenses</b>		
Salaries	210	208
Increase in the Provision for Annual Leave	5	-
(Decrease) in the Provision for Long Service Leave	(6)	(1)
<b>Total Employee Expenses</b>	<b><u>209</u></b>	<b><u>207</u></b>
<b>Superannuation Expense</b>		
Superannuation Contribution to the Territory Banking Account	36	36
Productivity Benefit	3	3
<b>Total Superannuation Expenses</b>	<b><u>39</u></b>	<b><u>39</u></b>

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 10 CLAIMS (CREDIT)/EXPENSES**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Settlements	-	14
Weekly Compensation	22	22
Legal & Disbursements Costs <sup>a</sup>	-	417
Provision for Claims Payable <sup>b</sup>	(225)	(754)
<b><u>Collapsed Insurer Fund</u></b>	<b><u>(203)</u></b>	<b><u>(301)</u></b>
Settlements <sup>c</sup>	2,161	1,493
Medical & Rehabilitation Costs	134	117
Weekly Compensation	109	197
Legal & Disbursements Costs <sup>c</sup>	1,152	783
Other Claim Costs	101	192
Provision for Claims Payable <sup>d</sup>	(2,674)	1,391
<b><u>Uninsured Employer Fund</u></b>	<b><u>983</u></b>	<b><u>4,173</u></b>
<b>Total Claims Expenses</b>	<b><u>780</u></b>	<b><u>3,872</u></b>

<sup>a</sup> The decrease in the CIF's legal and disbursement costs is due to no claims being settled during 2014-15.

<sup>b</sup> Represents the movement in the CIF's provision for claims payable resulting from the 2014-15 actuarial estimate (Refer to Note 17 'Provision for Claims Payable').

<sup>c</sup> Settlements and legal costs for the UEF increased due to a number of large claims which included higher claim related costs in 2014-15.

<sup>d</sup> Represents the movement in the provision for claims payable resulting from the 2014-15 actuarial estimate (Refer to Note 17 'Provision for Claims Payable').



**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 11      SUPPLIES AND SERVICES**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Actuarial Costs <sup>a</sup>	10	18
Audit Fees	13	-
Contractors and Consultants <sup>b</sup>	13	-
Investment Commission	25	22
Support Services	-	3
<b><u>Collapsed Insurer Fund</u></b>	<b><u>61</u></b>	<b><u>43</u></b>
Actuarial Costs	18	17
Audit Fees	13	26
Contractors and Consultants	-	5
Investment Commission <sup>c</sup>	10	15
Support Services <sup>d</sup>	58	45
Other	2	2
<b><u>Uninsured Employer Fund</u></b>	<b><u>101</u></b>	<b><u>110</u></b>
<b>Total Supplies and Services</b>	<b><u>161</u></b>	<b><u>153</u></b>

<sup>a</sup> Actuarial costs decreased in 2014-15 due to the actuarial review of the HIH Liquidator final claim valuations conducted in 2013-14.

<sup>b</sup> Contractors and Consultants expenses in 2014-15 related to services provided by the HIH Liquidator.

<sup>c</sup> Investment commission costs are based on a percentage of interest received, the Uninsured Employer Fund costs decreased in 2014-15 due to less interest being received from the investment account.

<sup>d</sup> Support services costs have increased due to an increase to building rent costs to the Fund.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 12      AUDITOR'S REMUNERATION**

Auditor's remuneration consists of financial audit services provided to the Fund by the ACT Audit Office.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Audit Services</b>		
Audit Fees Paid or payable to the ACT Audit Office	26	29
<b>Total Audit Fees</b>	<u><b>26</b></u>	<u><b>29</b></u>

No other services were provided by the ACT Audit Office.

**NOTE 13      CASH AND CASH EQUIVALENTS**

The Fund holds bank accounts with the Westpac Banking Corporation as part of the whole-of-government banking arrangements. The Fund also held short-term investments with the Public Trustee in the Cash Trust Account. The investment earned a floating interest rate of 3.38% (3.70% in 2013-14). These funds are able to be withdrawn upon request and are not subject to movements in their market value.

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at Bank – Collapsed Insurer Fund	703	763
Cash at Bank – Uninsured Employer Fund	1,627	408
Investments – Collapsed Insurer Fund <sup>a</sup>	16,112	12,809
Investments – Uninsured Employer Fund	<u>5,605</u>	<u>7,615</u>
<b>Total Cash and Cash Equivalents</b>	<u><b>24,047</b></u>	<u><b>21,595</b></u>

<sup>a</sup> The Collapsed Insurer Fund investments increased due to recoveries received from the HIH Liquidator.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 14      RECEIVABLES**

	Note No.	2015 \$'000	2014 \$'000
<b><u>Uninsured Employer Fund</u></b>			
<b>Current Receivables</b>			
Levies Receivable		390	367
Services Supplied to the Nominal Defendant <sup>a</sup>		52	169
GST and FBT Receivable		15	24
		<u>457</u>	<u>560</u>
<b>Other Receivables</b>			
Claims Related		9	9
<b>Total Current Receivables</b>		<u><b>466</b></u>	<u><b>569</b></u>
<b>Non-Current Receivables</b>			
Claims Related		721	804
Levies Required to Meet the Cost of Future Claims <sup>b</sup>		1,640	3,352
<b>Total Non-Current Receivables</b>		<u><b>2,361</b></u>	<u><b>4,156</b></u>
<b>Total Receivables</b>		<u><b>2,827</b></u>	<u><b>4,725</b></u>

<sup>a</sup> The decrease to services supplied is due to the support charges receivable being for only half of the year in 2014-15 and the full year in 2013-14 as the first six month have been received prior to 30 June 2015.

<sup>b</sup> Levies required to meet the cost of future claims is the amount that needs to be raised to enable the provision for claims payable of UEF to be fully funded. (Refer Note 17: 'Provision for Claims Payable'). The decrease of \$1,713,000 for the amount of levies required is due to the reduction in the provision for claims payable during 2014-15 resulting in a decrease to Levies required to Meet the Cost of Future Claims.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 14 RECEIVABLES - CONTINUED**

**Ageing of Receivables**

	Not Overdue		Overdue		Total
		Less Than 30 Days	30 to 60 Days	Greater than 60 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2015</b>					
Not Impaired <sup>1</sup> Receivables	466	-	-	-	466
Impaired Receivables	-	-	-	-	-

**Ageing of Receivables**

	Not Overdue		Overdue		Total
		Less Than 30 Days	30 to 60 Days	Greater than 60 days	
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2014</b>					
Not Impaired <sup>1</sup> Receivables	569	-	-	-	569
Impaired Receivables	-	-	-	-	-

<sup>1</sup>“Not Impaired” refers to Net Receivables (Gross Receivables less Impaired Receivables).

The Fund does not hold any collateral for receivables that are overdue or determined to be impaired.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 15      PAYABLES**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Payables</b>		
Trade Creditors – Uninsured Employer Fund	20	-
PAYG Payable – Uninsured Employer Fund	6	1
Accrued Expenses – Collapsed Insurer Fund	2	2
Accrued Expenses – Uninsured Employer Fund	12	19
<b>Total Payables</b>	<b><u>40</u></b>	<b><u>22</u></b>

**Ageing of Payables**

Payables are Aged as follows:

Not Overdue	40	22
<b>Total Payables</b>	<b><u>40</u></b>	<b><u>22</u></b>

**NOTE 16      EMPLOYEE BENEFITS**

	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current Employee Benefits</b>		
Accrued Salaries	5	12
Annual Leave	12	8
Long Service Leave	19	26
<b>Total Employee Benefits</b>	<b><u>36</u></b>	<b><u>46</u></b>

	<b>2015</b>	<b>2014</b>
	<b>Number</b>	<b>Number</b>
<b>Employee Numbers</b>		
Full-Time Equivalents at the end of the Reporting Period	2	2

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 17 PROVISION FOR CLAIMS PAYABLE**

**(a) Funding of Provision for Claims Payable**

	Note No.	2015 \$'000	2014 \$'000
Total Provision for Claims Payable – Collapsed Insurer Fund		<u>996</u>	<u>1,221</u>
Funded Proportion of Provision for Claims Payable		8,345	9,307
Unfunded Proportion of Provision for Claims Payable	14	<u>1,640</u>	<u>3,352</u>
Total Provision for Claims Payable – Uninsured Employer Fund		<u>9,985</u>	<u>12,659</u>

**(b) Total Provision for Claims Payable by Fund**

	2015 \$'000	2014 \$'000
<b><u>Collapsed Insurer Fund</u></b>		
Current Provision for Claims Payable	79	138
Non-Current Provision for Claims Payable	<u>917</u>	<u>1,083</u>
	<u>996</u>	<u>1,221</u>
<b><u>Uninsured Employer Fund</u></b>		
Current Provision for Claims Payable	789	1,521
Non-Current Provision for Claims Payable	<u>9,196</u>	<u>11,138</u>
	<u>9,985</u>	<u>12,659</u>
<b>Total Provision for Claims Payable</b>	<u>10,981</u>	<u>13,880</u>

**(c) Change in Basis - In the 12 months from 30 June 2014 to 30 June 2015**

**Inflated and Discounted Liability at 30 June 2014 (Gross of Recoveries)**

Liability	CIF Component \$'000	UEF Component \$'000	Total DIF \$'000
Reported	398	4,060	4,458
Incurred But Not Reported (IBNR)	541	5,678	6,219
Claims Handling Expense	282	2,921	3,203
<b>Total</b>	<u>1,221</u>	<u>12,659</u>	<u>13,880</u>

**Inflated and Discounted Liability at 30 June 2015 (Gross of Recoveries)**

Liability	CIF Component \$'000	UEF Component \$'000	Total DIF \$'000
Reported	402	3,081	3,484
Incurred But Not Reported (IBNR)	464	5,601	6,065
Claims Handling Expense	130	1,302	1,432
<b>Total</b>	<u>996</u>	<u>9,985</u>	<u>10,981</u>

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 17 PROVISION FOR CLAIMS PAYABLE**

**(d) Reconciliation of Movement in provision for claims payable**

	UEF (\$'000)	CIF (\$'000)	Total (\$'000)
Gross inflated, discounted liability at 30 June 2014 (including claims handling expenses)	12,659	1,221	13,881
Remove the impact of claims handling expenses	(2,921)	(282)	(3,203)
Gross inflated, discounted liability at 30 June 2014 (excluding claims handling expenses)	9,738	939	10,678
Remove the impact of inflation and discounting	(1,245)	(24)	(1,269)
Gross uninflated, undiscounted liability at 30 June 2014	8,494	915	9,409
Expected Gross Payments during 2014-15	(1,138)	(102)	(1,240)
<b>Expected Gross uninflated, undiscounted Outstanding Claims at 30 June 2015</b>	<b>7,356</b>	<b>813</b>	<b>8,169</b>
Change due to difference in average payments	(2,443)	80	(2,362)
Change due to difference in reported incurred (paid + case)	2,074	-	2,074
New IBNER Loading	217	n/a	217
Impact of higher initial payment and application of expectation of life (National Employers Mutual – collapsed in 1990)	n/a	16	16
Change in IBNR	(1,380)	(71)	(1,451)
<b>Factors driving IBNR movements (Prior years)</b>	<b>UEF</b>	<b>CIF</b>	
Change in Non-Latent IBNR claim numbers	(12.4)	-	
Change in Latent IBNR claim numbers	(1.9)	-	
Change in IBNR Non-latent average claim size	3.75%	-	
Change in IBNR Latent average claim size	4.54%	-	
<b>Total movement for Prior Years</b>	<b>(1,532)</b>	<b>26</b>	<b>(1,507)</b>
<b>Gross uninflated, undiscounted liability Outstanding Claims at 30 June 2015 for prior Accident Years</b>	<b>5,823</b>	<b>839</b>	<b>6,662</b>
Gross uninflated, undiscounted central estimate at 30 June 2015 for 2014-15 Accident Year	1,618	-	1,618
Gross uninflated, undiscounted liability Outstanding Claims at 30 June 2015 for all Accident Years	7,441	839	8,280
Impact of inflating and discounting	1,241	27	1,269
<b>Gross inflated, discounted liability Outstanding Claims at 30 June 2015 for all Accident Years (excluding claims handling expenses)</b>	<b>8,682</b>	<b>866</b>	<b>9,548</b>
Add in claims handling expenses	1,302	130	1,432
<b>Gross inflated, discounted liability Outstanding Claims at 30 June 2015 for all Accident Years (including claims handling expenses)</b>	<b>9,985</b>	<b>996</b>	<b>10,981</b>

This table is provided by KPMG Actuarial Pty Limited

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS**

Details of the significant policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset and financial liability are disclosed in Note 2: 'Summary of Significant Accounting Policies'.

**(a) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Most of the Fund's financial assets are held in floating interest rate arrangements and all of its financial liabilities are non-interest bearing. This means that the Fund is not exposed to movements in interest payable, however, it is exposed to movements in interest receivable.

Interest rate risk for financial assets is managed by the Fund by only investing in floating interest rate investments that are low risk. Interest rate risk for financial liabilities is not actively managed by the Fund as these liabilities are held in non-interest bearing arrangements.

There have been no changes in risk exposure or processes for managing risk since the last reporting period.

*Sensitivity Analysis*

Taking into account past performance, future expectations and economic forecasts, the impact on profit or loss and the impact on equity in the table below are 'reasonably possible' over the next 12 months if interest rates change by +/- 1.0% per annum.

	<b>Carrying Amount 2015 \$'000</b>	<b>(1.0%) Profit/(Loss) \$'000</b>	<b>1.0% Profit/(Loss) \$'000</b>
<b>Financial Assets:</b>			
Cash and Cash Equivalents	24,047	(240)	240



**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS - CONTINUED**

**(b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Fund's credit risk is limited to the amount of the financial assets it holds net any allowance for impairment.

Credit risk is managed by the Fund for investments by only investing surplus funds with the Public Trustee for the ACT. The Public Trustee for the ACT has set appropriate investment criteria for the external fund manager it has engaged to manage the surplus funds of agencies, resulting in an insignificant credit risk. No collateral is held by the Fund.

A large proportion of the Fund's receivables are from major Australian insurers or self-insurers of major Australian companies which means that the credit risk of these receivables going into default is low.

There have been no changes in credit risk since the last reporting period.

**(c) Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulties in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. To limit its exposure to liquidity risk, the Fund ensures that it has sufficient cash and cash equivalents to meet its estimated financial liabilities. The fund may raise additional levies at any time to meet the cost of any unexpected increase in financial liabilities that may arise.

The Fund's exposure to liquidity risk in relation to its financial instruments and the management of this risk has not changed since the previous reporting period.

**(d) Price Risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether these changes are caused by factors specific to individual financial instruments or its issuer, or factors affecting all similar financial instruments traded in the market.

The Fund has units in the Cash Trust Portfolio which do not fluctuate in value. The Fund's exposure to price risk and the management of this risk has not changed since the last reporting period.

*Sensitivity Analysis*

A sensitivity analysis has not been undertaken for the price risk of the Fund as it has been determined that the possible impact on income and expenses or total equity from fluctuations is immaterial.

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS - CONTINUED**

**(e) Fair Values of Financial Assets and Liabilities**

The carrying amounts and fair values of financial assets and liabilities at the end of the Reporting period are:

	<b>Carrying Amount 2015 \$'000</b>	<b>Fair Value 2015 \$'000</b>	<b>Carrying Amount 2014 \$'000</b>	<b>Fair Value 2014 \$'000</b>
<b>Financial Assets</b>				
Cash and Cash Equivalents	24,047	24,047	21,595	21,595
Receivables	442	442	536	536
<b>Total Financial Assets</b>	<b>24,489</b>	<b>24,489</b>	<b>22,131</b>	<b>22,131</b>
<b>Financial Liabilities</b>				
Payables	34	34	21	21
<b>Total Financial Liabilities</b>	<b>34</b>	<b>34</b>	<b>21</b>	<b>21</b>

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS - CONTINUED**

The following table sets out the Fund's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2015. Except for non-current payables, financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

<b>2015</b>		<b>Weighted Average Interest Rate</b>	<b>Floating Interest Rate</b>	<b>1 year or less</b>	<b>Over 1 to 5 years</b>	<b>More than 5 years</b>	<b>Non- interest bearing</b>	<b>Total</b>
	<b>Note No.</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Instruments</b>								
<b>Financial Assets</b>								
<i>Collapsed Insurer Fund</i>								
Cash at Bank	13	2.82	703	-	-	-	-	<b>703</b>
Investments	13	3.38	16,112	-	-	-	-	<b>16,112</b>
<i>Uninsured Employer Fund</i>								
Cash at Bank	13	2.82	1,627	-	-	-	-	<b>1,627</b>
Investments	13	3.38	5,605	-	-	-	-	<b>5,605</b>
Receivables	14		-	-	-	-	442	<b>442</b>
<b>Total Financial Assets</b>			<b>24,047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>442</b>	<b>24,489</b>
<b>Financial Liabilities</b>								
Payables - Uninsured								
Employer Fund	15		-	-	-	-	(32)	<b>(32)</b>
Payables - Collapsed								
Insurer Fund	15		-	-	-	-	(2)	<b>(2)</b>
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(34)</b>	<b>(34)</b>
<b>Net Financial Assets</b>			<b>24,047</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>408</b>	<b>24,455</b>

<b>Reconciliation of Net Financial Assets to Net Liabilities</b>	<b>Notes</b>	<b>2015 \$'000</b>
Net Financial Assets (as above)		24,455
Claims Receivable	14	2,370
Taxation Receivable	14	15
Taxation Payable	15	(6)
Employee Benefits	16	(36)
Provision for Claims Payable	17	(10,981)
<b>Net Assets as per Balance Sheet</b>		<b>15,817</b>

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS – CONTINUED**

The following table sets out the Fund's maturity analysis for financial assets and liabilities as well as the exposure to interest rates, including the weighted average interest rates by maturity period as at 30 June 2014. Except for non-current payables, financial assets and liabilities which have a floating interest rate or are non-interest bearing will mature in one year or less. All amounts appearing in the following maturity analysis are shown on an undiscounted cash flow basis.

<b>2014</b>		<b>Weighted Average Interest Rate</b>	<b>Floating Interest Rate</b>	<b>1 year or less</b>	<b>Over 1 to 5 years</b>	<b>More than 5 years</b>	<b>Non- interest bearing</b>	<b>Total</b>
	<b>Note No.</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial Instruments</b>								
<b>Financial Assets</b>								
<i>Collapsed Insurer Fund</i>								
Cash at Bank	13	2.87	763	-	-	-	-	<b>763</b>
Investments	13	3.70	12,809	-	-	-	-	<b>12,809</b>
<i>Uninsured Employer Fund</i>								
Cash at Bank	13	2.87	408	-	-	-	-	<b>408</b>
Investments	13	3.70	7,615	-	-	-	-	<b>7,615</b>
Receivables	14		-	-	-	-	536	<b>536</b>
<b>Total Financial Assets</b>			<b>21,595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>536</b>	<b>22,131</b>
<b>Financial Liabilities</b>								
Payables - Uninsured								
Employer Fund	15		-	-	-	-	(19)	<b>(19)</b>
Payables - Collapsed								
Insurer Fund	15		-	-	-	-	(2)	<b>(2)</b>
<b>Total Financial Liabilities</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21)</b>	<b>(21)</b>
<b>Net Financial Assets</b>			<b>21,595</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>515</b>	<b>22,110</b>

**Reconciliation of Net Financial Assets to Net Liabilities**

	<b>Notes</b>	<b>2014 \$'000</b>
Net Financial Assets (as above)		22,110
Claims Receivable	14	4,165
Taxation Receivable	14	24
Taxation Payable	15	(1)
Employee Benefits	16	(45)
Provision for Claims Payable	17	(13,880)
<b>Net Assets as per Balance Sheet</b>		<b>12,373</b>

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 18 FINANCIAL INSTRUMENTS – CONTINUED**

Carrying Amount of Each Category of Financial Asset and Financial Liability	2015 \$'000	2014 \$'000
<b>Financial Assets</b>		
Loans and Receivables Measured at Amortised Cost	442	536
<b>Financial Liabilities</b>		
Financial Liabilities Measured at Amortised Cost	34	21

**NOTE 19 CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

No contingent liabilities or assets were recognised at the reporting date (nil in 2013-14).

**NOTE 20 CASH FLOW RECONCILIATION**

**(a) Reconciliation of Cash and Cash Equivalents at the end of the Reporting Period in the Cash Flow Statement to the Equivalent Items in the Balance Sheet**

	2015 \$'000	2014 \$'000
Total Cash and Cash Equivalents Recorded in Balance Sheet	24,047	21,595
<b>Cash and Cash Equivalents at the end of the Reporting Period as Recorded In the Cash Flow Statement</b>	<b><u>24,047</u></b>	<b><u>21,595</u></b>

**(b) Reconciliation of Net Cash Inflows from Operating Activities to the Operating Surplus**

	2015 \$'000	2014 \$'000
Operating Surplus	3,444	2,700
<b>Cash before Changes in Operating Assets and Liabilities</b>	<b><u>3,444</u></b>	<b><u>2,700</u></b>
<b>Changes in Operating Assets and Liabilities</b>		
Decrease/(Increase) in Receivables	1,898	(1,525)
(Decrease)/Increase in Outstanding Claims Payable	(2,899)	637
Increase/(Decrease) in Payables	18	(7)
(Decrease)/Increase in Employee Benefits	(9)	4
<b>Net Changes in Operating Assets and Liabilities</b>	<b><u>(992)</u></b>	<b><u>(891)</u></b>
<b>Net Cash Inflows from Operating Activities</b>	<b><u>2,452</u></b>	<b><u>1,809</u></b>

**Default Insurance Fund**  
**Notes to and Forming Part of the Financial Statements**  
**For the Year Ended 30 June 2015**

**NOTE 21      COMMITMENTS**

The Fund has no commitments at reporting date (nil in 2013-14).

**NOTE 22      EVENTS OCCURRING AFTER BALANCE DATE**

There were no events occurring after 30 June 2015 which would materially affect the financial statements of the Fund in the current or future reporting periods.