WorkCover QUEENSLAND

Consolidated financial statements

2023-2024

Contents

Consolidated statement of comprehensive income

For the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Net premium revenue	*B1*	2,527,334	2,151,418
Gross claims expense	*C1*	(2,972,287)	(2,537,815)
Claims recoveries revenue	*C1*	134,379	117,398
Net claims incurred	*C1*	(2,837,908)	(2,420,417)
Underwriting expenses	*E1*	(66,719)	(43,372)
Underwriting result		**(377,293)**	**(312,371)**
Investment income	*D1*	590,637	380,412
Other income		956	1,458
Investment expenses	*D1*	(37,863)	(36,114)
Other expenses		(452)	(523)
Operating result for the year before income tax equivalent		**175,985**	**32,862**
Income tax equivalent expense	*F1(a)*	(43,481)	(6,032)
Operating result for the year		**132,504**	**26,830**
Other comprehensive loss			
Items that will not be reclassified subsequently to operating result:			
Revaluation of land and building	*F4(b)*	(163)	(903)
Income tax effect on revaluation of land and building	*F1(a)*	49	271
Other comprehensive loss for the year, net of income tax equivalent		**(114)**	**(632)**
Total comprehensive income for the year		**132,390**	**26,198**

This statement is to be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2024

	Note	2024 $'000	2023 $'000
Current assets			
Cash and cash equivalents	*D2(a)*	448,796	417,991
Recoveries receivable on outstanding claims	*C2(b)*	92,404	82,103
Receivables	*D2*	53,704	49,519
Investment assets	*D2(d)*	1,962,505	1,753,572
Other assets		2,958	3,083
Total current assets		**2,560,367**	**2,306,268**
Non-current assets			
Recoveries receivable on outstanding claims	*C2(b)*	220,059	194,941
Receivables	*D2*	3,255	2,404
Investment assets	*D2(d)*	4,491,154	4,008,770
Property, plant and equipment	*E4*	69,573	71,402
Deferred tax assets	*F1(a)*	143,190	186,622
Other assets		392	591
Total non-current assets		**4,927,623**	**4,464,730**
Total assets		**7,487,990**	**6,770,998**
Current liabilities			
Payables	*D2(c)*	44,536	36,310
Unearned premium liability	*B2*	23,874	22,233
Outstanding claims liability	*C2(a)*	2,041,942	1,806,223
Employee benefits liabilities	*E2(b)*	22,562	25,539
Investment related liabilities	*D2(d)*	12,967	29,452
Other liabilities		51	51
Total current liabilities		**2,145,932**	**1,919,808**
Non-current liabilities			
Unearned premium liability	*B2*	-	308
Outstanding claims liability	*C2(a)*	3,306,163	2,948,271
Employee benefits liabilities	*E2(b)*	2,128	2,507
Investment related liabilities	*D2(d)*	4,499	3,223
Other liabilities		16	19
Total non-current liabilities		**3,312,806**	**2,954,328**
Total liabilities		**5,458,738**	**4,874,136**
Net assets		**2,029,252**	**1,896,862**
Equity			
Contributed equity	*F4(a)*	2,500	2,500
Asset revaluation surplus	*F4(b)*	38,220	38,334
Investment fluctuation reserve	*F4(c)*	896,785	881,202
Accumulated surplus		1,091,747	974,826
Total equity		**2,029,252**	**1,896,862**

This statement is to be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2024

	Contributed equity	Asset revaluation surplus	Investment fluctuation reserve	Accumulated surplus	Total
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2022	**2,500**	**38,966**	**949,872**	**879,326**	**1,870,664**
Operating result for the year	-	-	-	26,830	26,830
Other comprehensive loss for the year	-	(632)	-	-	(632)
Total comprehensive income for the year	-	(632)	-	26,830	26,198
Transfer from investment fluctuation reserve to accumulated surplus	-	-	(68,670)	68,670	-
Total transactions with owners, recorded directly in equity	-	-	(68,670)	68,670	-
Balance at 30 June 2023	**2,500**	**38,334**	**881,202**	**974,826**	**1,896,862**
Balance at 1 July 2023	**2,500**	**38,334**	**881,202**	**974,826**	**1,896,862**
Operating result for the year	-	-	-	132,504	132,504
Other comprehensive loss for the year	-	(114)	-	-	(114)
Total comprehensive income for the year	-	(114)	-	132,504	132,390
Transfer from accumulated surplus to investment fluctuation reserve	-	-	15,583	(15,583)	-
Total transactions with owners, recorded directly in equity	-	-	15,583	(15,583)	-
Balance at 30 June 2024	**2,500**	**38,220**	**896,785**	**1,091,747**	**2,029,252**

This statement is to be read in conjunction with the accompanying notes.

Consolidated statement of cash flows
For the year ended 30 June 2024

	Note	2024 $'000	2023 $'000
Cash flows from operating activities			
Premiums received		2,505,830	2,139,107
Interest received		45,910	27,981
Managed unit trust distributions received		245,342	446,671
Investment management fees paid		(37,503)	(36,104)
GST collected on sales		251,374	214,389
Claims paid		(2,362,971)	(1,985,331)
Claims recoveries received		102,918	91,536
Other operating income received		1,068	1,578
Other operating expenses paid		(63,830)	(38,848)
GST paid on purchases		(38,391)	(32,429)
GST remitted to the ATO		(211,348)	(180,421)
Net cash provided by operating activities	*F2*	**438,399**	**648,129**
Cash flows from investing activities			
Acquisition of investments		(447,420)	(446,610)
Proceeds from sale of investments		40,046	86,598
Acquisition of property, plant and equipment		(217)	(284)
Net cash used in investing activities		**(407,591)**	**(360,296)**
Cash flows from financing activities			
Principal elements of lease payments		(3)	(4)
Net cash used in financing activities		**(3)**	**(4)**
Net increase in cash and cash equivalents		30,805	287,829
Cash and cash equivalents at 1 July		417,991	130,162
Cash and cash equivalents at 30 June	*D2(a)*	**448,796**	**417,991**

This statement is to be read in conjunction with the accompanying notes.

Basis of preparation

A1 General information

WorkCover Queensland is a not-for-profit statutory body established by the *Workers' Compensation and Rehabilitation Act 2003* (the Act). WorkCover Queensland is controlled by the Queensland State Government and is the main provider of workers' compensation insurance in Queensland.

WorkCover Queensland's principal place of business is 280 Adelaide Street, Brisbane, Queensland, Australia.

WorkCover Queensland's Chair, Dr Anthony Lynham, authorised this report at the date of signing the Management Certificate.

A2 Compliance with prescribed requirements

These general purpose consolidated financial statements are prepared on an accrual basis and in accordance with Australian Accounting Standards (AASBs) issued by the Australian Accounting Standards Board (AASB), other authoritative pronouncements of the AASB, section 62(1) of the *Financial Accountability Act 2009*, section 39 of the *Financial and Performance Management Standard 2019*, the Act and the *Workers' Compensation and Rehabilitation Regulation 2014* (the Regulations).

The material accounting policy information adopted in the preparation of these consolidated financial statements has been included in the relevant notes. The policy information has been consistently applied for all years presented unless otherwise stated.

New accounting standards applied for the first time in these consolidated financial statements are outlined in note F8.

The preparation of consolidated financial statements also requires the use of accounting estimates and management to exercise its judgement in the process of applying accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the consolidated financial statements are:

- outstanding claims liability and recoveries receivable (note C2); and
- fair value measurements (note D3).

A3 Presentation and measurement

The measurement basis is historical cost, unless the application of fair value, present value, or net realisable value is required by the relevant accounting standard or as nominated in the notes to the consolidated financial statements.

Assets and liabilities are classified as either 'current' or 'non-current' in the consolidated statement of financial position and the associated notes. Assets are classified as current where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as current when they are due to be settled within 12 months after the reporting date or there is not an unconditional right to defer settlement to beyond 12 months after the reporting date. All other assets and liabilities are classified as non-current.

The presentation currency is Australian dollars. Amounts included in these consolidated financial statements have been rounded to the nearest $1,000 or, where the amount is less than $500, to zero, unless disclosure of the full amount is specifically required.

A4 The reporting entity

These consolidated financial statements represent the financial statements for the consolidated entity 'WorkCover', consisting of the parent entity, WorkCover Queensland, and its controlled entity, the WorkCover Employing Office (WEO). All transactions and balances internal to the consolidated entity have been eliminated in full.

WEO is a statutory body established under the Act. WEO is assessed as a structured entity under AASB 12 *Disclosure of Interests in Other Entities* that is controlled by WorkCover Queensland in accordance with AASB 10 *Consolidated Financial Statements* based on relevant factors including:

- WEO's work performance arrangement with WorkCover Queensland, which requires WEO to provide employees to perform work for WorkCover Queensland. WEO has only this agreement and is unlikely to make another; and
- WorkCover Queensland has been deemed to act as WEO's principal under the delegation of powers, due to the fact that WorkCover Queensland exercises its own discretion and is not subject to specific direction by the Minister regarding WEO.

These consolidated financial statements do not separately disclose the financial statements of the parent entity, WorkCover Queensland, due to the immaterial differences between the consolidated and parent entity's financial statements. These differences are disclosed in note F6.

A summary of WEO's financial statements is provided in note F7.

Premium

Premium received from policyholders is the key source of revenue for WorkCover. This section provides detail on the measurement of premium, its adequacy, and insurance risk.

B1 Net premium revenue

	Note	2024 $'000	2023 $'000
Gross written premiums		2,567,308	2,188,969
Discount on premiums		(47,678)	(41,002)
Premium penalties		9,037	6,255
		2,528,667	2,154,222
Movement in unearned premium	*B2*	(1,333)	(2,804)
		2,527,334	**2,151,418**

Premium revenue is earned from contracts when a policyholder transfers significant insurance risk to WorkCover. Gross written premiums are the amounts charged to the policyholder excluding stamp duty and goods and services tax (GST). A discount is offered to policyholders for early payment subject to certain conditions.

Premium revenue, including that on unclosed written business, is recognised in the consolidated statement of comprehensive income over the period of the contract from the date of attachment of risk. The pattern of recognition over the policy period is based on time, which is considered to closely approximate the pattern of risks underwritten.

The proportion of premium received but not earned in the consolidated statement of comprehensive income at the reporting date is recognised as an unearned premium liability in the consolidated statement of financial position. The carrying value reflects its fair value.

B2 Unearned premium liability

	Note	2024 $'000	2023 $'000
Balance at 1 July		22,541	19,737
Movement in unearned premium:			
Deferral of premiums on contracts written during the year		23,566	22,541
Earning of premiums written in previous years		(22,233)	(19,737)
	B1	1,333	2,804
Balance at 30 June	*B3*	**23,874**	**22,541**
Represented by:			
Current		23,874	22,233
Non-current		-	308
	B3	**23,874**	**22,541**

B3 Liability adequacy test

At the end of each reporting period, WorkCover assesses whether the unearned premium liability is adequate to cover all expected future cash flows relating to future claims against current insurance contracts. This test is performed at a portfolio of contracts level using contracts that are subject to broadly similar risks and managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims and the additional risk margin reflecting the inherent uncertainty in the central estimate exceed the unearned premium liability, the unearned premium liability is deemed to be deficient. If there is a deficiency, the entire deficiency is expensed immediately in the consolidated statement of comprehensive income.

	Note	2024 $'000	2023 $'000
Unearned premium liability	*B2*	23,874	22,541
Less present value of expected future cash flows for future claims:			
Discounted central estimate		20,988	19,876
Risk margin		2,799	2,651
		23,787	22,527
Surplus		**87**	**14**
Risk margin		13.3%	13.3%
Probability of adequacy		75%	75%

As the test has identified a surplus (2023: surplus), no further liability has been recognised.

B4 Insurance risk

(a) Terms and conditions of insurance contracts

WorkCover writes one class of business, workers' compensation. It provides two types of insurance contracts:

- accident insurance; and
- contracts of insurance.

Accident insurance

All employers in Queensland are required to have accident insurance coverage for all employees that meet the definition of a 'worker' under the Act.

Contracts of insurance

WorkCover provides optional insurance instruments that provide cover to individuals, employees, or members of associations who do not meet the definition of a 'worker' and are therefore not covered by the accident insurance policies.

The terms and conditions attaching to accident insurance contracts and contracts of insurance determine the level of insurance risk accepted by WorkCover. All insurance contracts entered into are in the same standard form and are subject to substantially the same terms and conditions under the Act.

The Act provides that all insurance policies issued by or on behalf of WorkCover are guaranteed by the Queensland State Government.

(b) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

WorkCover has an objective to manage insurance risk to reduce the volatility of insurance premiums and operating results so that the required funding ratio can be maintained. In addition to the inherent uncertainty of insurance risk, which can lead to significant variability in the loss experience, operating results are affected by market factors. Short-term variability is, to some extent, a feature of the insurance business.

Key aspects of processes established to mitigate insurance risks include:

- the maintenance and use of management information systems, which provide up-to-date, reliable data on the risks to which WorkCover is exposed to at any point in time;
- the use of actuarial models, using information from the management information systems, to monitor claims patterns and calculate premiums. Past experience and statistical methods are used as part of the process; and
- the mix of assets in which WorkCover invests being driven by the nature and term of insurance liabilities. The management of assets and liabilities is closely monitored to attempt to match maturity dates of assets with the expected pattern of claim payments.

(c) Concentration of insurance risk

WorkCover's exposure to concentration of insurance risk relates to injuries caused through an event or disaster that may have occurred during the reporting period. This risk is mitigated as WorkCover supplies compulsory workers' compensation insurance to most Queensland businesses who employ workers and as such, WorkCover's customers are geographically and occupationally diverse.

(d) Liquidity risk

WorkCover's exposure to liquidity risk is managed by ensuring that investments held to meet policyholder liabilities are matched to the expected duration of those liabilities and sufficient cash deposits are available to meet day-to-day operations. The liquidity risk associated with WorkCover's investment related liabilities is disclosed in note D5(b).

The liquidity risk of outstanding claims held by WorkCover, representing the maturity of outstanding claims liabilities calculated based on discounted cash flows relating to the liabilities, at reporting date is as follows:

	Note	2024 $'000	2023 $'000
1 year or less	*C2(a)*	2,041,942	1,806,223
1 - 3 years		2,071,119	1,842,404
3 - 5 years		642,525	600,801
More than 5 years		592,519	505,066
	C2(a)	**5,348,105**	**4,754,494**

Claims

WorkCover's claimants are individuals injured at work who are covered by WorkCover's accident insurance policies and contracts of insurance. This section provides information on net claims costs incurred and the net outstanding claims provision, including the assumptions and estimates.

C1 Net claims incurred

	Note	2024 $'000 Current year	2024 $'000 Prior years	2024 $'000 Total	2023 $'000 Current year	2023 $'000 Prior years	2023 $'000 Total
Gross claims expense:							
Undiscounted claims expense		3,611,658	410,903	4,022,561	2,865,228	53,744	2,918,972
Discount		(636,559)	(413,715)	(1,050,274)	(333,813)	(47,344)	(381,157)
	C2(a)	2,975,099	(2,812)	2,972,287	2,531,415	6,400	2,537,815
Claims recoveries revenue:							
Undiscounted claims recoveries revenue		(127,342)	(10,048)	(137,390)	(104,836)	(20,425)	(125,261)
Discount		13,309	(10,298)	3,011	11,084	(3,221)	7,863
	C2(b)	(114,033)	(20,346)	(134,379)	(93,752)	(23,646)	(117,398)
		2,861,066	**(23,158)**	**2,837,908**	**2,437,663**	**(17,246)**	**2,420,417**

Current year claims relate to risks borne in this financial year. Prior years claims relate to a reassessment of the expense for risks borne in all previous financial years.

There was a decrease in net claims incurred for injury years 2023 and prior over the past year. This was driven by an increase in the discount rates, resulting in lower net claims incurred, as well as higher than expected recoveries. This was partially offset by increases to future inflation assumptions.

Reconciliation of net claims incurred

	Note	2024 $'000	2023 $'000
Gross claims incurred:			
Statutory claims paid		1,455,274	1,253,710
Common law claims paid		648,942	535,022
Claims handling expenses	*E1*	272,965	257,511
Net self-insurance payments		1,495	(29,988)
	C2(a)	2,378,676	2,016,255
Claims recoveries:			
Statutory claims recovered		(93,047)	(94,255)
Common law claims recovered		(5,913)	(4,541)
	C2(b)	(98,960)	(98,796)
Movement in net outstanding claims liability:			
Gross claims liability		593,611	521,560
Recoveries receivable		(35,419)	(18,602)
		558,192	502,958
		2,837,908	**2,420,417**

Claims expenses are recognised in the consolidated statement of comprehensive income as the costs are incurred. Claims recoveries are recognised as revenue in the consolidated statement of comprehensive income once the amount to be recovered can be estimated and is likely to be recovered.

Self-insurance

Under the Act, an employer may provide their own accident insurance for their workers instead of insuring with WorkCover if they meet certain requirements. Upon separation or return, WorkCover will make a payment to or receive a payment from the self-insurer for the estimated liability of outstanding claims payments which relate to the period of insurance covered by WorkCover or the self-insurer.

Bank guarantees, financial guarantees given by an insurance company that is an approved security provider and cash deposits of $492.737 million (2023: $471.312 million) are held by the Workers' Compensation Regulator on behalf of self-insurers. If a self-insurer fails its obligations under the Act, WorkCover may recover from the guarantees for any debts owing from the self-insurer. As the likelihood of having to call on the guarantees has been assessed as low, no financial asset has been recognised in the consolidated statement of financial position.

C2 Outstanding claims liability and recoveries receivable

(a) Gross outstanding claims liability

	Note	2024 $'000	2023 $'000
Expected future claims payments		6,162,654	4,832,305
Claims handling expenses		642,021	464,219
		6,804,675	5,296,524
Less discount to present value		(1,898,157)	(934,603)
Discounted central estimate		4,906,518	4,361,921
Risk margin		441,587	392,573
	B4(d)	**5,348,105**	**4,754,494**
Represented by:			
Current	*B4(d)*	2,041,942	1,806,223
Non-current		3,306,163	2,948,271
	B4(d)	**5,348,105**	**4,754,494**
Reconciliation of movement during the year:			
Balance at 1 July		4,754,494	4,232,934
Provisions made	*C1*	2,975,099	2,531,415
Payments made	*C1*	(2,378,676)	(2,016,255)
Effect of changes in assumptions to prior year provisions	*C1*	(2,812)	6,400
Balance at 30 June	*B4(d)*	**5,348,105**	**4,754,494**

This liability is calculated by an independent actuary, Taylor Fry Pty Ltd (the Actuary), in accordance with the Act and AASB 1023 *General Insurance Contracts*. PricewaterhouseCoopers Consulting (Australia) Pty Ltd was WorkCover's independent actuary for the 2023 financial year.

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments for claims incurred at the end of the reporting period plus an additional risk margin to allow for the inherent uncertainty in the central estimate. The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not yet reported (IBNR), claims incurred but not enough reported (IBNER), and anticipated claims handling costs. The expected future payments are discounted to present value at the reporting date using a risk-free rate.

In respect of latent onset injuries, the Act states that the definition of the date of injury for a latent onset injury, is the date at which a medical practitioner diagnoses the injury. No liability is held for latent onset injuries where a medical practitioner has not yet diagnosed the injury.

(b) Recoveries receivable on outstanding claims

	Note	2024 $'000	2023 $'000
Expected future recoveries		311,860	276,604
Less discount to present value		(25,197)	(22,435)
Discounted central estimate		286,663	254,169
Risk margin		25,800	22,875
		312,463	**277,044**
Represented by:			
Current		92,404	82,103
Non-current		220,059	194,941
		312,463	**277,044**
Reconciliation of movement during the year:			
Balance at 1 July		277,044	258,442
Recoveries recognised	*C1*	114,033	93,752
Recoveries received	*C1*	(98,960)	(98,796)
Effect of changes in assumptions to prior year provisions	*C1*	20,346	23,646
Balance at 30 June		**312,463**	**277,044**

Claims recoveries receivable is measured as the present value of the expected future receipts and is calculated by the Actuary on the same basis as the liability for gross outstanding claims in accordance with the Act and AASB 1023.

(c) Claims development

The development of net undiscounted outstanding claims for each underwriting year relative to the ultimate expected claims is as follows:

	Injury year										
	2015 $'000	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**2023 $'000**	**2024 $'000**	**Total $'000**
Estimate of ultimate claims cost:											
At end of injury year	1,046,117	1,339,208	1,407,682	1,445,470	1,435,652	1,590,785	1,777,829	1,916,322	2,216,443	2,824,519	
One year later	1,119,682	1,206,767	1,268,765	1,302,500	1,512,595	1,615,787	1,812,027	1,942,779	2,422,749		
Two years later	1,025,004	1,084,722	1,186,315	1,325,147	1,560,243	1,667,786	1,837,296	1,895,727			
Three years later	972,577	1,064,268	1,213,882	1,316,980	1,605,536	1,717,310	1,817,760				
Four years later	958,846	1,063,510	1,251,196	1,329,801	1,639,267	1,860,609					
Five years later	961,472	1,078,682	1,264,390	1,335,893	1,680,709						
Six years later	965,637	1,075,879	1,264,037	1,326,974							
Seven years later	961,381	1,077,799	1,326,613								
Eight years later	961,436	1,074,524									
Nine years later	957,198										
Current estimate of cumulative claims cost	957,198	1,074,524	1,326,613	1,326,974	1,680,709	1,860,609	1,817,760	1,895,727	2,422,749	2,824,519	17,187,382
Cumulative payments	950,086	1,061,346	1,180,985	1,259,150	1,479,100	1,476,111	1,404,457	1,153,468	1,045,040	630,407	11,640,150
Undiscounted outstanding claims	7,112	13,178	145,628	67,824	201,609	384,498	413,303	742,259	1,377,709	2,194,112	5,547,232
Undiscounted outstanding claims for prior injury years											303,562
Claims handling expenses											642,021
Central estimate of outstanding claims											6,492,815
Discount											(1,872,960)
Discounted central estimate											4,619,855
Risk margin											415,787
Net outstanding claims liability											**5,035,642**

The claims development table has been presented on a net of recoveries basis to give the most meaningful insight into the impact on the operating result. The net outstanding claims liability can be reconciled by taking the gross outstanding claims liability per note C2(a) and offsetting the recoveries receivable on outstanding claims as per note C2(b).

(d) Claims actuarial assumptions and methods

In calculating the gross outstanding claims liability, the Actuary uses a variety of estimation techniques based upon statistical analysis of historical experience. The projections given by the estimation techniques assist in setting the range of possible outcomes. The most appropriate technique is selected taking into account the characteristics of the insurance class and the extent of the development of each injury year. These techniques assume that the development pattern of the current claims will be consistent with past relevant experience.

In estimating the cost of settling claims already notified to WorkCover, the Actuary gives regard to the claim circumstances as reported and information on the cost of settling claims with similar characteristics in previous periods. These claims tend to display lower levels of estimation volatility as more information about the claims events is generally available.

The estimation of claims IBNR is generally subject to a greater degree of uncertainty as information is not yet available and these claims may often not be apparent until many years after the claim event.

Large claims are generally assessed separately, being projected or measured on a case by case basis in order to allow for the possible distortive effect of the development and incidence of these large claims.

Allowances are made for changes or uncertainties that may create distortions in the underlying statistics which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including:

- changes in WorkCover's processes, which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation and discount rates;
- movements in industry benchmarks; and
- medical and technological developments.

Payments experience is analysed to obtain averages paid per claim incurred and averages paid per claim settled, active or finalised. Estimated claims payments are adjusted to allow for general economic inflation and are discounted to allow for the time value of money, being the investment return expected based on risk-free rates in the period to settlement. The resulting average claims payments together with the ultimate numbers of claims and anticipated claims handling costs are analysed to determine a final central estimate of gross outstanding claims. A risk margin is also added to allow for the inherent uncertainty in the central estimate.

In addition to the calculation of the gross outstanding claims liability, estimates for potential claims recoveries are analysed separately and derived using the same methods, based on past recovery experience and adjustments to assumptions where appropriate. In addition, the recoverability of the assets is assessed on a periodic basis to ensure that the balance is reflective of the amounts that will ultimately be received, taking into consideration factors such as credit risk. Impairment is recognised where there is objective evidence that WorkCover may not receive the amounts due and where these amounts can be reliably measured. Estimated outstanding recoveries are then subtracted from gross outstanding claims to arrive at the net outstanding claims estimate.

The Actuary takes all reasonable steps to ensure that it has appropriate information regarding WorkCover's claims exposures. However, given the uncertainty in establishing claims provisions, it is likely the final outcome will be different from the original liability established.

Key assumptions

The key actuarial assumptions made in determining the net outstanding claims liability and the processes used to determine the assumptions are as follows:

Variable	2024	2023
Ultimate claim numbers per annum		
Statutory claims	79,109	73,075
NIIS	18	14
Common law	3,898	3,282
Silicosis	3	5
Ultimate claims size		
Statutory claims	$19,997	$18,596
NIIS	$3,701,099	$4,158,410
Common law	$193,367	$194,507
Silicosis	$1,502,417	$1,371,278
Average weighted term to settlement from claims reporting date		
Gross outstanding claims	3.1 years	2.8 years
Recoveries receivable on outstanding claims	2.0 years	2.1 years
Claims handling expense rate		
Statutory claims	20.0%	22.0%
Common law and latent	1.0%	1.0%

Variable	2024	2023
Inflation rates[1] (average weekly earnings)		
Gross outstanding claims:		
Not later than one year	4.4%	4.0%
Later than one year	4.0%	3.5%
Recoveries receivable on outstanding claims:		
Not later than one year	4.4%	4.0%
Later than one year	4.0%	3.5%
Discount rates		
Gross outstanding claims:		
Not later than one year	4.4%	4.4%
Later than one year	4.3%	4.5%
Recoveries receivable on outstanding claims:		
Not later than one year	4.4%	4.4%
Later than one year	4.1%	4.0%
Risk margin	9.0%	9.0%

[1] The inflation rate for later than one year is based on a weighted average of the uninflated and undiscounted gross outstanding cash flow.

Ultimate claim numbers per annum

Numbers of claims incurred are used in determining the estimates in respect of claims IBNR for statutory and common law claims and in respect of claims diagnosed but not reported (DBNR) for latent onset related claims. The incurred claims total for the current underwriting year has been estimated based on past reporting patterns for statutory and common law claims separately, taking into account trends or changes in reporting patterns. The ratio of numbers of common law to statutory claims is also examined for reasonableness. The incurred claims total for latent onset related claims for the current underwriting year is an estimate of all claims diagnosed in the current year. This is estimated using past reporting patterns and delays from diagnosis to report for latent onset related claims. Silicosis, a latent onset related claim, and claims related to the National Injury Insurance Scheme (NIIS) have been included into the key assumptions disclosure as these emerging classifications include assumptions that have a significant impact on the outstanding claims liability.

Ultimate claims size

The average ultimate claims size for the current underwriting year has been estimated based on past payment patterns for statutory, common law, and latent onset related claims separately, taking into account trends or changes in payment patterns.

Average weighted term to settlement from claims reporting date

The average weighted term to settlement is calculated separately based on historic settlement patterns. A decrease in the average term to settlement rates would lead to more claims being paid sooner than anticipated.

Claims handling expense rate

Claims handling expenses are calculated by reference to past experience of claims handling costs as a percentage of past payments. For the purposes of this calculation, latent comprises of silicosis and asbestos related claims costs.

Inflation rates (average weekly earnings)

Expected future payments are inflated to take into account inflationary increases. Economic inflation assumptions are set by reference to current economic indicators.

Discount rates

The outstanding claims liability is calculated by reference to expected future payments. These payments are discounted to adjust for the time value of money. Discount rates derived from market yields on Commonwealth Government securities at reporting date have been adopted.

Risk margin

The risk margin is determined having regard to the inherent uncertainties in the actuarial models and economic assumptions, the quality of the underlying data used in the models, and industry and market conditions. The analysis of these inherent uncertainties is performed considering the statutory, common law, and latent onset related gross outstanding claims estimates separately. The assumptions regarding uncertainty are applied to the net central estimates in order to arrive at an overall provision which is intended to have a 75% (2023: 75%) probability of adequacy.

Sensitivity analysis

WorkCover conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables as disclosed above. The movement in any key variable will impact the operating result after tax and equity of WorkCover as follows:

Variable	Movement	Impact on operating result after tax and equity	
		2024 $'000	2023 $'000
Ultimate claim numbers per annum - latest year	+10%	-147,121	-126,068
	-10%	+147,121	+126,068
Ultimate claims size - latest year	+10%	-147,121	-126,068
	-10%	+147,121	+126,068
Average weighted term to settlement - years	+0.5	+6,016	+16,044
	-0.5	-6,343	-16,275
Claims handling expense rate	+1%	-32,459	-28,682
	-1%	+32,459	+28,682

Variable	Movement	Impact on operating result after tax and equity	
		2024 $'000	2023 $'000
Inflation rates - net claims cost:			
Not later than one year	+1%	-23,997	-21,090
	-1%	+24,014	+21,110
Later than one year	+1%	-108,998	-65,931
	-1%	+84,923	+57,753
Discount rates - net claims cost:			
Not later than one year	+1%	+28,230	+23,939
	-1%	-28,814	-24,374
Later than one year	+1%	+88,207	+59,337
	-1%	-114,480	-68,710
Risk margin	+1%	-32,339	-28,668
	-1%	+32,339	+28,668

Financial instruments

Financial instruments are held by WorkCover to fund future claims payments. Financial instruments include cash, contractual rights to deliver or receive cash or another type of financial instrument, or an equity instrument of another entity. This section provides information about the financial instruments held, the associated risks arising from holding these financial instruments, income derived, and fair value measurement methodology.

D1 Investment income

	2024 $'000	2023 $'000
Financial assets at amortised cost:		
Interest income	43,857	27,734
	43,857	27,734
Financial assets or liabilities at fair value through profit or loss (FVPL):		
Designated upon initial recognition:		
Interest income	2,241	1,943
Managed unit trust distributions	403,582	355,827
Gain on financial instruments	165,301	87,621
Other income	28	-
	571,152	445,391
Mandatorily measured:		
Loss on financial instruments	(24,372)	(92,713)
	(24,372)	(92,713)
Total investment income	**590,637**	**380,412**
Investment expenses	(37,863)	(36,114)
Net investment income	**552,774**	**344,298**

Interest income and managed unit trust distributions are recognised in the consolidated statement of comprehensive income when earned. Changes in the fair value of investments are recognised as gains or losses in the consolidated statement of comprehensive income as they occur.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently becomes credit impaired. Refer to note D5(a) for credit risk disclosure.

WorkCover holds a diverse portfolio of investments with QIC Limited (QIC). Refer to note D5(c) for the market value exposure under the different sectors. The final rate of return net of fees for the QIC portfolio for this financial year is 8.71% (2023: 5.77%). Refer to note D5(c) for the cash and cash equivalents interest rates.

Investment management fees are recognised in the consolidated statement of comprehensive income when incurred.

Direct investment management expenses are calculated as a percentage of the balance under management which were 0.6% for QIC and 0.12% for Queensland Treasury Corporation (QTC) for 2024 (2023: 0.6% and 0.15% respectively). Other investment fees paid to QIC include custody fees and brokerage fees.

D2 Categories of financial instruments

	Note	2024 $'000 Current	2024 $'000 Non-current	2024 $'000 Total	2023 $'000 Current	2023 $'000 Non-current	2023 $'000 Total
Financial assets							
Financial assets at amortised cost:							
Cash and cash equivalents	*D2(a)*	448,796	-	448,796	417,991	-	417,991
Receivables	*D2(b)*	53,704	3,255	56,959	49,519	2,404	51,923
Financial assets at FVPL:							
Investment assets	*D2(d)*	1,962,505	4,491,154	6,453,659	1,753,572	4,008,770	5,762,342
		2,465,005	**4,494,409**	**6,959,414**	**2,221,082**	**4,011,174**	**6,232,256**
Financial liabilities							
Financial liabilities at amortised cost:							
Payables	*D2(c)*	44,536	-	44,536	36,310	-	36,310
Financial liabilities at FVPL:							
Investment related liabilities	*D2(d)*	12,967	4,499	17,466	29,452	3,223	32,675
		57,503	**4,499**	**62,002**	**65,762**	**3,223**	**68,985**

(a) Cash and cash equivalents

	2024 $'000	2023 $'000
Cash at bank	447,766	417,009
QTC Capital Guaranteed Cash Fund	1,030	982
	448,796	**417,991**

Cash and cash equivalents are measured at amortised cost and include cash deposits held with a financial institution, and a capital guaranteed investment held with QTC that is subject to a low risk of change in value and is readily convertible to cash on hand at WorkCover's option. Cash and cash equivalents exclude those classified and held as investments within the QIC investment portfolio. Further, the consolidated cashflow statement reflects actual cashflow movements by WorkCover for operational cashflow management and not the balance or short-term movements within the underlying investment portfolio with QIC. Refer to note D2(d) and note D3 for more information about cash and cash equivalents amounts held for the purpose of investment strategy.

(b) Receivables

	Note	2024 $'000	2023 $'000
Premiums and related penalties		36,769	23,518
Claims and related penalties		17,655	23,559
Unclosed business		14,551	13,561
Other debtors		3,284	3,185
		72,259	63,823
Less allowance for impairment	*D5(a)*	(15,300)	(11,900)
		56,959	**51,923**

Receivables are recognised initially at fair value and subsequently measured at amortised cost. Receivables are not discounted as the effect of discounting is immaterial. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. For the non-current receivables, the fair values are also not significantly different to their carrying amounts. Receivables exclude those classified and held as investments within the QIC investment portfolio. Refer to note D2(d) and note D3 for more information.

The allowance for impairment is the difference between the carrying amount of the receivables and the present value of estimated future cash flows. The amount of the allowance raised, used or derecognised is recognised in the consolidated statement of comprehensive income. Refer to note D5(a) for further information.

(c) Payables

	2024 $'000	2023 $'000
Trade creditors	29,586	24,811
Premiums in credit	2,057	2,437
Claims creditors	5,459	4,226
	37,102	31,474
GST receivable	(3,610)	(3,566)
GST payable	11,044	8,402
Net GST payable	7,434	4,836
	44,536	**36,310**

Payables are carried at amortised cost and due to their short-term nature are not discounted. Trade creditors are recognised for unpaid goods or services for which WorkCover has a present obligation to make payment. Premiums in credit are recognised upon receipt for premiums received in advance and upon adjustment for policies in credit. Claims creditors are recognised for amounts related to claims payments or claims made. All amounts are unsecured and are paid as they fall due. Payables exclude those classified and held as investments within the QIC investment portfolio. Refer to note D2(d) and note D3 for more information.

The carrying amounts of payables are considered to be the same as their fair values due to their short-term nature.

(d) Investments

	2024 $'000			2023 $'000		
	Current	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Financial assets at FVPL						
Designated upon initial recognition:						
Cash and cash equivalents	71,924	-	71,924	68,601	-	68,601
Cash collateral and margin accounts	6,072	10	6,082	20,050	3,269	23,319
Receivables	248,004	-	248,004	85,705	-	85,705
Managed unit trusts	1,607,888	4,449,944	6,057,832	1,567,550	3,987,444	5,554,994
Debt securities	-	1,309	1,309	-	1,120	1,120
Mandatorily measured:						
Derivatives held for trading	28,617	39,891	68,508	11,666	16,937	28,603
	1,962,505	**4,491,154**	**6,453,659**	**1,753,572**	**4,008,770**	**5,762,342**
Financial liabilities at FVPL						
Designated upon initial recognition:						
Cash and cash equivalents	7,590	-	7,590	4,945	-	4,945
Cash collateral and margin accounts	-	4,499	4,499	-	1,050	1,050
Payables	624	-	624	791	-	791
Mandatorily measured:						
Derivatives held for trading	4,753	-	4,753	23,716	2,173	25,889
	12,967	**4,499**	**17,466**	**29,452**	**3,223**	**32,675**

WorkCover classifies and designates all investments at FVPL on the basis that the investments are managed as a portfolio based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies. For all investments excluding derivatives, initial recognition is at fair value in the consolidated statement of financial position, with attributable transaction costs expensed as incurred. Subsequent measurement is at fair value with any resultant realised and unrealised gains or losses recognised in the consolidated statement of comprehensive income. Purchases and sales of financial assets are recognised on the settlement date. Refer to note D3 for the policy relating to derivatives.

As part of its investment strategy, WorkCover engages QIC to actively manage its investment portfolio and to ensure that sufficient cash and liquid assets are on hand to meet the expected future cash flows arising from insurance contract liabilities. Investments that are required to meet current insurance contract liabilities and current investment related liabilities are classified as current investments in the consolidated statement of financial position. While this classification policy may result in a reported working capital deficit, included in non-current investments are liquid investments which can be called upon by WorkCover to ensure it is able to meet WorkCover's operating requirements.

There were no significant changes to the overall investment strategy and processes during this financial year (2023: no significant changes). However, notwithstanding that some of WorkCover's investment instruments are complex and interrelated, for greater transparency, WorkCover has provided a breakdown of the investment instruments held by WorkCover's custodian. These instruments consist of cash and cash equivalents, cash collateral and margin accounts, receivables, payables and derivatives. Under the direction of QIC, WorkCover's custodian actively trades and holds investment assets and liabilities on behalf of WorkCover. Further details of financial instruments and the methods and assumptions used to estimate fair value are included in note D3.

D3 Fair value measurements

There are three levels of fair value:

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

The fair value levels of WorkCover's financial assets and liabilities are as follows:

	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2024					
Financial assets					
QTC Capital Guaranteed Cash Fund	*D2(a)*	-	1,030	-	1,030
Investment assets:					
Cash and cash equivalents	*D2(d)*	71,924	-	-	71,924
Cash collateral and margin accounts	*D2(d)*	6,082	-	-	6,082
Receivables	*D2(d)*	650	112,592	134,762	248,004
Managed unit trusts	*D2(d)*	-	3,886,199	2,171,633	6,057,832
Debt securities	*D2(d)*	-	1,309	-	1,309
Derivatives	*D2(d)*	39,891	28,617	-	68,508
		118,547	**4,029,747**	**2,306,395**	**6,454,689**
Financial liabilities					
Investment related liabilities:					
Cash and cash equivalents	*D2(d)*	7,590	-	-	7,590
Cash collateral and margin accounts	*D2(d)*	4,499	-	-	4,499
Payables	*D2(d)*	624	-	-	624
Derivatives	*D2(d)*	-	4,753	-	4,753
	D2(d)	**12,713**	**4,753**	**-**	**17,466**
2023					
Financial assets					
QTC Capital Guaranteed Cash Fund	*D2(a)*	-	982	-	982
Investment assets:					
Cash and cash equivalents	*D2(d)*	68,601	-	-	68,601
Cash collateral and margin accounts	*D2(d)*	23,319	-	-	23,319
Receivables	*D2(d)*	438	83,636	1,631	85,705
Managed unit trusts	*D2(d)*	-	3,405,137	2,149,857	5,554,994
Debt securities	*D2(d)*	-	1,120	-	1,120
Derivatives	*D2(d)*	17,127	11,476	-	28,603
		109,485	**3,502,351**	**2,151,488**	**5,763,324**
Financial liabilities					
Investment related liabilities:					
Cash and cash equivalents	*D2(d)*	4,945	-	-	4,945
Cash collateral and margin accounts	*D2(d)*	1,050	-	-	1,050
Payables	*D2(d)*	791	-	-	791
Derivatives	*D2(d)*	2,173	23,716	-	25,889
	D2(d)	**8,959**	**23,716**	**-**	**32,675**

There have been no significant transfers in either direction between level 1, level 2 and level 3 during this financial year (2023: no significant transfers in either direction between level 1, level 2 and level 3).

QTC Capital Guaranteed Cash Fund

The QTC Capital Guaranteed Cash Fund is assessed as level 2 as it is valued at the current redemption value of the fund.

Investment assets

Cash and cash equivalents

Investment related cash and cash equivalents held by WorkCover's custodian consist primarily of deposits with banks and highly liquid financial assets with maturity dates less than three months, however, exclude units held in cash fund unit trusts. Cash equivalents are assets that are subject to an insignificant risk in the change in fair value and are used to manage short term commitments. Amounts classified as cash and cash equivalents are recorded at face value and are categorised as Level 1.

Cash collateral and margin accounts

Cash collateral and margin accounts are held by the custodian on WorkCover's behalf, and under the direction of QIC.

Cash collateral refers to amounts held as security against future counterparty performance and in the event of a default or termination of derivative contracts. A collateral amount is usually made up of the net economic exposure of the parties to each other by calculating the market-to-market value of all derivatives transactions. More collateral may be required to be transferred as the value of the obligations and/or the value of the collateral fluctuates. Collateral may also be returned to the provider or released from the collateral arrangement in instances where the provider performs its obligations, excess collateral has been transferred, the value of the collateralised obligations changes or the collateral provider substitutes alternative eligible collateral. These instruments are recorded at face value and categorised as Level 1.

Margin accounts represent cash held with a broker or central counterparties against open derivative contracts.

Receivables/payables

Investment related receivables/payables include distributions receivable from unit trusts, interest income/expense, GST obligations, investment expenses, etc. Due to the short-term nature of receivables, their carrying value is taken to be their fair value. Where unable to be confirmed as level 1, the fair value level is categorised based on the underlying financial instrument.

Managed unit trusts

Managed unit trusts are unlisted managed unit trusts held with QIC. Fair value for managed unit trusts is based on the unit price of the relevant trust at the reporting date. While the units in the trusts have quoted prices and are able to be traded, the market would not be considered active for level 1 and therefore they are considered to be level 2. Some of the unlisted managed unit trusts are considered to be level 3 where the underlying assets held by the unit trusts are measured at fair value using significant unobservable inputs and the units held by WorkCover are not actively traded.

Derivatives

QIC utilises derivative financial instruments as part of WorkCover's approved investment strategy. Derivative instrument types used include equity futures, bond futures, forward currency contracts and swaps. The purpose of these derivatives is to ensure liquidity, as well as offset (hedge) movements in the managed unit trusts in identified risk areas (such as foreign exchange risks) and to help achieve particular exposures by taking advantage of, and protecting against, market conditions. Such derivatives are entered into with the intention to settle in the near future. WorkCover has hedging relationships between most derivatives and other financial instruments, but none that are subject to hedge accounting.

WorkCover's derivative financial instruments held for trading are initially recorded at fair value. Subsequent to initial recognition, these instruments are remeasured to fair value. Fair value for these instruments is based on settlement price. Gains and losses on fair value are recognised in the consolidated statement of comprehensive income. For derivative instruments that fall into level 2, the valuation technique used is a market comparison technique primarily based on exchange data for similar derivative instruments.

Reconciliation of level 3 fair value measurement

A reconciliation of the movement in the fair value of financial instruments categorised in level 3 between the beginning and end of this financial year is as follows:

	2024 $'000	2023 $'000
Balance at 1 July	2,151,488	2,036,925
Acquisitions	58,935	263,408
Gains/(losses) recognised in operating result[1]	95,972	(148,845)
Balance at 30 June	**2,306,395**	**2,151,488**
[1]Includes unrealised losses recognised in operating result attributable to balances held at the end of the reporting period	(37,159)	(34,083)

Significant inputs and assumptions and estimation uncertainty

The valuation of WorkCover's investments, including derivatives, is in accordance with QIC's Investment Valuations Policy. The significant unobservable valuation inputs and their potential impact on the valuation outcome for assets other than property, plant and equipment measured at fair value and classified as level 3 under the fair value hierarchy are as follows:

Description		Fair value $'000	Valuation approach	Key unobservable inputs	Impact of alternative amounts for significant level 3 inputs
Managed unit trusts (including receivables)	2024: 2023:	2,306,395 2,151,488	Independent valuation	Valuation of underlying investments of the unit trusts	An increase in the value of the underlying investments of the unit trusts would result in higher fair values. Reductions would result in lower fair values.

The valuations of these unlisted managed unit trusts are inherently subject to estimation uncertainty as the units are not traded in an active market and their fair value at reporting date is based on the price advised by external fund managers or valuations determined by appropriately skilled independent third parties. The underlying inputs and assumptions are reviewed on an on-going basis to ensure the valuations reflect the best estimates of the economic conditions at financial year end.

D4 Offsetting financial assets and financial liabilities

WorkCover's agreements with derivative counterparties are consistent with the International Swaps and Derivatives Association (ISDA) Master Agreements. As such, financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As well as this, under the terms of ISDA Master Agreements, when certain credit events occur the net position owing or receivable to a single counterparty in the same currency will be taken as outstanding and all the relevant arrangements terminated. As WorkCover does not presently have a legally enforceable right of set-off of these amounts, they have not been offset in the consolidated statement of financial position.

The gross and net positions of financial assets and financial liabilities that have been offset in the consolidated statement of financial position and the amounts subject to master netting arrangements are as follows:

	Note	Effects of offsetting on the consolidated statement of financial position			Related amounts not offset		
		Gross amounts	Gross amounts set-off	Net amounts of financial instruments	Amounts subject to master netting agreements	Financial Instrument collateral	Net amounts
		$'000	$'000	$'000	$'000	$'000	$'000
2024							
Derivative assets	*D2(d)*	4,617,753	(4,549,245)	68,508	(3,569)	(4,499)	60,440
Derivative liabilities	*D2(d)*	(4,553,998)	4,549,245	(4,753)	3,569	10	(1,174)
		63,755	**-**	**63,755**	**-**	**(4,489)**	**59,266**
2023							
Derivative assets	*D2(d)*	3,738,088	(3,709,485)	28,603	(5,139)	(1,051)	22,413
Derivative liabilities	*D2(d)*	(3,735,374)	3,709,485	(25,889)	5,139	3,218	(17,532)
		2,714	**-**	**2,714**	**-**	**2,167**	**4,881**

D5 Financial risk management

(a) Credit risk

Credit risk represents the extent of credit related losses that WorkCover may be subject to on amounts to be exchanged under financial instrument contracts or on amounts receivable from trade and other debtors.

The maximum exposure to credit risk at reporting date for each financial asset is measured as the carrying amount less any allowance for impairment. Credit risk exposure, including the identification of any significant concentrations of risk, is monitored on a regular basis.

Investments

While the managed unit trusts are unrated funds, the exposure to credit risk is minimal and is mitigated by holding a diverse portfolio of investment funds of which the composition is monitored regularly by the Board.

The utilisation of derivative financial instruments creates counterparty credit risk for WorkCover due to the risk that fulfilment of the contract may not occur in the future. QIC closely monitors and manages counterparty risk by ensuring that:

- the credit ratings of all counterparties are monitored very closely;
- the transactions are undertaken with a large number of counterparties;
- the majority of transactions are undertaken on recognised derivative trading exchanges where practical; and
- collateral arrangements are implemented, where possible, to reduce WorkCover’s exposure in derivative financial instruments.

Cash and cash equivalents

Cash and cash equivalents are held with bank and financial institution counterparties. Impairment on cash and cash equivalents is measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The QTC Capital Guaranteed Cash Fund invests with a wide variety of high credit rated counterparties and all deposits made by WorkCover are capital guaranteed. WorkCover considers the credit risk in both the QTC Capital Guaranteed Cash Fund and cash at bank are low based on the credit ratings of the counterparties.

No impairment allowances were recognised for cash and cash equivalents as at 30 June 2024 (2023: no impairment allowance recognised).

Receivables

A large proportion of receivables at the end of the reporting period relates to compliance/enforcement activity which provides the most significant concentration of credit risk.

Receivables are closely monitored for collectability. WorkCover considers the probability of default upon initial recognition and on an ongoing basis throughout each reporting period. A debt is considered to be in default when the debtor fails to make contractual payments when they fall due. Policyholder accounts that fall overdue render an employer uninsured and liable for any claims costs should they incur a claim against their policy. Various actions including subsequent legal recovery may occur as debts begin to age.

WorkCover does not require collateral in respect of trade and other debtors. If collateral is held as part of a legal recovery, it is infrequent and the amounts immaterial. When appropriate, WorkCover renegotiates debt terms on outstanding debts. Receivables that have been renegotiated are accounted for based on the renegotiated terms and the credit risk is reassessed as required.

To assess whether there is a significant increase in credit risk, WorkCover compares the risk of a default occurring on the receivable as at the reporting date with the risk of default as at the date of initial recognition. A significant increase in credit risk occurs when a debtor is more than 30 days past due in making a contractual payment.

Receivables are considered for write-off throughout the reporting period based on their impairment. Receivables are considered impaired where there is objective evidence that WorkCover will not be able to collect all amounts due according to the original terms of the receivables. Evidence that a debt should be written-off includes the following observable data:

- significant financial difficulty of the debtor;
- it is probable that the debtor will enter bankruptcy, insolvency or other financial reorganisation; and
- all other reasonable action, including legal action and renegotiated debt terms where appropriate, to collect the outstanding amount has been undertaken and it is deemed unlikely that the amount will be recovered.

Amounts written off during this financial year that were outstanding at the beginning of this financial year are written off against the allowance. However, if the amount exceeds the loss allowance, the excess is recognised as an impairment loss in the consolidated statement of comprehensive income, along with amounts written off that were raised during the reporting period. For the total impairment loss, refer to bad debts expense in note E1.

Allowance for impairment

Impairment and provisioning for impairment of receivables is a continuous process that is regularly updated based on WorkCover's internal framework. WorkCover measures the expected credit losses using the lifetime expected loss model for all receivables except other debtors, which is determined as 12 months expected credit losses. Throughout and at the end of the reporting period, WorkCover assessed whether there was objective evidence that a receivable (individual) or group of receivables (collective basis depending on shared credit risk characteristics) was impaired or likely to be impaired. Factors considered during these reviews include historical loss experience, current economic conditions, performance trends within specific portfolio segments, and any other pertinent information.

WorkCover then uses provision matrices to evaluate and measure the expected credit losses on receivables. Loss rates are calculated separately for groupings of debt (debt types, stage of debt cycle and debt aging) and reflect historical observed default rates experienced during the last 6 years preceding 30 June 2024 for each group. The historical default rates are then adjusted by reasonable and supportable forward-looking information for expected changes in macroeconomic indicators that affect the future recovery of those receivables.

For WorkCover, a change in the economic growth, Queensland employment landscape and compliance/enforcement activity are determined to be the most relevant forward-looking indicators for receivables. No other significant changes to estimate assumptions or techniques were made during this financial year.

WorkCover's exposure to credit risk and expected credit losses of receivables are as follows:

		2024			2023		
	Note	Gross receivables[1]	Loss rate	Expected credit losses	Gross receivables[1]	Loss rate	Expected credit losses
Ageing		$'000	%	$'000	$'000	%	$'000
Current		45,627	8.39%	3,828	42,555	9.90%	4,213
1-30 days overdue		6,511	9.56%	622	5,917	14.49%	857
31-60 days overdue		2,438	27.81%	678	1,755	29.29%	514
61-90 days overdue		1,873	66.15%	1,239	1,559	38.09%	593
90+ days overdue		15,810	56.50%	8,933	12,037	47.55%	5,723
Total	*D2(b)*	**72,259**		**15,300**	**63,823**		**11,900**

[1]Includes receivables of $27.454 million (2023: $31.514 million) with no loss allowance recorded (eg. claims recoveries, premiums and other receivables deemed to have immaterial credit risk).

The movement in the allowance for impairment in respect of receivables during the financial year is as follows:

	Note	2024	2023
		$'000	$'000
Allowance for impairment of receivables during the year:			
Balance at 1 July		11,900	9,500
Net debts written off		(4,457)	(5,550)
Allowance made		7,857	7,950
Balance at 30 June	*D2(b)*	**15,300**	**11,900**
Individual impairment assessment		9,697	2,711
Collective impairment assessment		5,603	9,189
	D2(b)	**15,300**	**11,900**

Other debtors are subject to the impairment requirements and the identified impairment loss was immaterial.

(b) Liquidity risk

Liquidity risk is the risk that WorkCover will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. WorkCover manages liquidity risk through its diversified investment portfolio that provides for the sale of investments to meet both short-term and long-term cash flow requirements. WorkCover regularly reviews its investment strategy having regard to the expected future obligations.

WorkCover's liquidity risk is grouped by the contractual maturity of the financial liabilities. Liabilities with maturity dates exceeding 12 months are calculated based on discounted cash flows. Commitments that are payable on demand are included in the 0 to 3 months category. WorkCover's liquidity risk is as follows:

	Note	0 - 3 months $'000	3 - 12 months $'000	1 - 3 years $'000	More than 3 years $'000	Total $'000
2024						
Financial liabilities						
Payables	*D2(c)*	44,536	-	-	-	44,536
Investment related liabilities:						
Cash and cash equivalents	*D2(d)*	7,590	-	-	-	7,590
Cash collateral and margin accounts	*D2(d)*	-	-	-	4,499	4,499
Payables	*D2(d)*	624	-	-	-	624
Derivatives	*D2(d)*	4,753	-	-	-	4,753
		57,503	**-**	**-**	**4,499**	**62,002**
2023						
Financial liabilities						
Payables	*D2(c)*	36,310	-	-	-	36,310
Investment related liabilities:						
Cash and cash equivalents	*D2(d)*	4,945	-	-	-	4,945
Cash collateral and margin accounts	*D2(d)*	-	-	-	1,050	1,050
Payables	*D2(d)*	791	-	-	-	791
Derivatives	*D2(d)*	23,362	354	-	2,173	25,889
		65,408	**354**	**-**	**3,223**	**68,985**

(c) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk, being currency risk, interest rate risk and other price risk.

Due to the diverse nature of WorkCover's investments, the portfolio is subject to all of the risks and sensitivities outlined below. The investments are managed on a total portfolio basis.

Market risk is minimised by:

- regular review of investment strategy;
- set investment asset allocation ranges; and
- strict control over the use of derivatives and hedging instruments, which are only used to facilitate portfolio management or to reduce investment risk.

The methodology adopted for the purposes of sensitivity analysis involves forecasting a reasonably possible change in each of the risk variables and, where applicable, applying this change to the reporting date value of each investment to determine the impact caused by this change on the operating result after tax and equity for the financial year. This approach assumes that all variables remain constant. QIC has changed the approach to derive the exposure value subject to market risk that was reported in prior years. In prior years, the exposure value was derived utilising a 'bottom-up' approach which assessed each underlying QIC managed unit trust only. In this financial year, QIC has adopted a 'top-down' approach which considers the total investment portfolio to derive the exposure value. As a result, the 2023 financial year numbers have been reclassified to reflect the change in approach to provide a more appropriate comparative basis.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. WorkCover holds a portfolio of mainly forward exchange contracts within the foreign currency overlay to help achieve particular exposures, as well as hedge the foreign exchange risks of the investments in managed unit trusts and other non-hedge derivatives held by WorkCover. The currency hedging policy is updated as required. The current target risk exposure to foreign currency is 18.0% (2023: 18.0%). WorkCover's exposure to foreign currency risk at financial year end was 17.8% (2023: 18.4%) and a breakdown is as follows:

	US dollar	Euro	British pound	Japanese yen	Other	Total
2024	**Currency (AUD $'000)**					
Equities	1,133,471	107,841	46,015	72,307	255,729	1,615,363
Property	55,884	947	-	-	-	56,831
Infrastructure	30,923	-	-	-	16,680	47,603
Alternatives	387,471	111,838	5,382	-	8,190	512,881
Private equity	399,140	154,594	67,955	-	7,303	628,992
Fixed interest	40,295	33,609	-	-	-	73,904
Cash	40	(5,949)	3,644	1,738	531	4
Foreign currency derivatives	(1,288,597)	(327,825)	(85,403)	(13,936)	(75,163)	(1,790,924)
	758,627	**75,055**	**37,593**	**60,109**	**213,270**	**1,144,654**
2023	**Currency (AUD $'000)**					
Equities	774,352	120,718	50,393	78,972	267,417	1,291,852
Property	64,478	-	-	-	-	64,478
Infrastructure	54,142	-	8,699	-	16,749	79,590
Alternatives	397,644	70,534	1,122	-	-	469,300
Private equity	376,831	118,573	50,619	-	5,989	552,012
Fixed interest	28,469	23,339	-	-	-	51,808
Cash	3,116	854	6,276	3,319	4,237	17,802
Foreign currency derivatives	(1,042,369)	(254,570)	(77,540)	(22,184)	(78,472)	(1,475,135)
	656,663	**79,448**	**39,569**	**60,107**	**215,920**	**1,051,707**

Sensitivity analysis

This sensitivity analysis has been determined based on the exposure to foreign exchange rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the financial year. All other variables remaining constant, a 10% strengthening or weakening of the foreign currencies against the Australian dollar would have increased or decreased the operating result after tax and equity for the year as follows:

Variable	Movement in variable	Impact on operating result after tax and equity	
		2024	**2023**
		$'000	**$'000**
Foreign currency derivatives	+10%	+125,365	+103,259
	-10%	-125,365	-103,259
Investments (excluding foreign currency derivatives)	+10%	-205,490	-176,879
	-10%	+205,490	+176,879
Total	+10%	-80,125	-73,620
	-10%	+80,125	+73,620

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 interest rates.

WorkCover's exposure to interest rate risk and the effective weighted average interest rates on financial instruments are as follows:

	Note	Interest rate	Floating interest rate	Fixed interest maturing in			Non-interest bearing	Total
				1 year or less	1 - 5 years	More than 5 years		
		%	$'000	$'000	$'000	$'000	$'000	$'000
2024								
Financial assets								
Cash and cash equivalents	*D2(a)*	Note [1]	448,796	-	-	-	-	448,796
Receivables	*D2(b)*	11.25 [2]	-	-	-	-	56,959	56,959
Investments:		Note [3]						
Cash and cash equivalents			71,924	-	-	-	-	71,924
Cash collateral and margin accounts			6,072	-	-	10	-	6,082
Receivables			-	-	-	-	248,004	248,004
Managed unit trusts			-	-	-	-	6,057,832	6,057,832
Debt securities			-	-	-	-	1,309	1,309
Derivatives			-	8,442	-	-	60,066	68,508
Total investments	*D2(d)*	Note [3]	77,996	8,442	-	10	6,367,211	6,453,659
	D2		**526,792**	**8,442**	**-**	**10**	**6,424,170**	**6,959,414**
Financial liabilities								
Payables	*D2(c)*		-	-	-	-	44,536	44,536
Investment related liabilities								
Cash and cash equivalents			7,590	-	-	-	-	7,590
Cash collateral and margin accounts			-	-	-	4,499	-	4,499
Payables			-	-	-	-	624	624
Derivatives			-	2,591	-	-	2,162	4,753
Total investments	*D2(d)*	Note [3]	7,590	2,591	-	4,499	2,786	17,466
	D2		**7,590**	**2,591**	**-**	**4,499**	**47,322**	**62,002**
2023								
Financial assets								
Cash and cash equivalents	*D2(a)*	Note [1]	417,991	-	-	-	-	417,991
Receivables	*D2(b)*	11.25 [2]	-	-	-	-	51,923	51,923
Investments:		Note [3]						
Cash and cash equivalents			68,601	-	-	-	-	68,601
Cash collateral and margin accounts			20,101	-	-	3,218	-	23,319
Receivables			-	-	-	-	85,705	85,705
Managed unit trusts			-	-	-	-	5,554,994	5,554,994
Debt securities			-	-	-	-	1,120	1,120
Derivatives			-	1,035	-	-	27,568	28,603
Total investments	*D2(d)*	Note [3]	88,702	1,035	-	3,218	5,669,387	5,762,342
	D2		**506,693**	**1,035**	**-**	**3,218**	**5,721,310**	**6,232,256**
Financial liabilities								
Payables	*D2(c)*		-	-	-	-	36,310	36,310
Investment related liabilities								
Cash and cash equivalents			4,945	-	-	-	-	4,945
Cash collateral and margin accounts			-	-	-	1,050	-	1,050
Payables			-	-	-	-	791	791
Derivatives			-	7,428	-	-	18,461	25,889
Total investments	*D2(d)*	Note [3]	4,945	7,428	-	1,050	19,252	32,675
	D2		**4,945**	**7,428**	**-**	**1,050**	**55,562**	**68,985**

[1] WorkCover has three transaction banking accounts and one capital guaranteed cash fund account. The weighted average interest rate of the transaction banking accounts, and cash fund account are 4.70% (2023: 3.30%) and 4.99% (2023: 3.39%) respectively.

[2] WorkCover is entitled to charge interest on instalment plans at the rate published in the Queensland Government Gazette.

[3] The majority of securities in the derivative instruments are futures and although they are subject to interest rate risk they do not earn interest, except for a number of Australian cash accounts that earn minimal interest. Due to the number of buy and sell transactions it is impractical to obtain a weighted average interest rate for these investments.

Sensitivity analysis

All other variables remaining constant, a change of 100 basis points in interest rates at the reporting date would have increased or decreased the operating result after tax and equity for the year as follows:

Variable	Movement in variable	Impact on operating result after tax and equity	
		2024 $'000	2023 $'000
QTC Capital Guaranteed Cash Fund	+100	+7	+7
	-100	-7	-7
Investments	+100	+45,053	+40,108
	-100	-45,053	-40,108

Other price risk

Other 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 rates or currencies), whether those 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.

As a portfolio, WorkCover holds investments in managed unit trusts and derivative financial instruments. The managed unit trusts in turn hold investments in various instruments including equity, cash, property, infrastructure, private equity and alternative funds. The fair values of such financial instruments are affected by changes in the market price of the underlying instruments.

The market value exposure to other price risks for WorkCover is as follows:

Sector allocation	2024 $'000	2023 $'000
Australian equities	700,240	510,097
International equities	1,381,621	1,418,492
Private capital	680,440	600,997
Direct property	330,930	313,098
Direct infrastructure	522,140	476,597
Alternatives	523,420	482,397
Global fixed interest	1,265,861	1,129,893
Cash	729,131	555,997
Private debt	302,410	242,099
	6,436,193	**5,729,667**

Sensitivity analysis

All other variables remaining constant, based on gross return received from the portfolio, a 1% strengthening or weakening of the equities prices would have increased or decreased the operating result after tax and equity for the year as follows:

Variable	Movement in variable	Impact on operating result after tax and equity	
		2024 $'000	2023 $'000
Equities prices	+1%	+45,053	+40,108
	-1%	-45,053	-40,108

Supporting our business

Being the main provider of workers' compensation in Queensland requires the support of our people and infrastructure. This section provides information about the operating expenses and assets of WorkCover.

E1 Underwriting expenses

	Note	2024 $'000	2023 $'000
Employee expenses	*E2(a)*	135,227	119,541
Contractors		37,654	21,331
Other administration expenses		21,497	21,076
Depreciation and amortisation	*F2*	1,978	2,343
Net loss on disposal of property, plant and equipment and intangible assets	*F2*	8	-
Transfer to allowance for impairment of receivables		7,857	7,950
Bad debts expense		8,784	9,986
Workers' Compensation Regulator expenses		46,956	44,253
Workplace Health and Safety Queensland grant		79,723	74,403
		339,684	**300,883**
Claims handling expenses allocated to gross claims expense	*C1*	(272,965)	(257,511)
		66,719	**43,372**

Total external audit fees quoted in relation to the 2024 consolidated financial statements are $257,000 (2023: $277,500). The Auditor-General of Queensland is the auditor for both WorkCover and WEO. No non-audit services were provided during this financial year (2023: no non-audit services).

The Workers' Compensation Regulator levy and the Workplace Health and Safety Queensland (WHSQ) grant are payments made in accordance with the Minister's instruction as approved by the Governor-in-Council by gazette notice for the prevention, recognition and alleviation of injury to workers, making employers and workers aware of their rights and obligations, and scheme-wide rehabilitation and return to work programs for workers.

Special payments are payments that WorkCover is not contractually or legally obligated to make to other parties. Special payments in the form of a cash ex-gratia payment of $38,095 and an ex-gratia payment in kind with a market value of $1,545 were made to the former CEO, B Watson, upon his resignation (2023: no special payments made). The total ex-gratia payment of $39,640 is disclosed in note E3.

E2 Employee benefits

(a) Employee expenses

	Note	2024 $'000	2023 $'000
Salaries		111,994	99,743
Employer superannuation contributions		13,960	10,846
Other employee benefits		728	1,716
Payroll tax expense		6,253	5,476
Workers' compensation premium		633	572
Other employee related expenses		1,659	1,188
	E1	**135,227**	**119,541**

Post-employment benefits

Superannuation

Post-employment benefits for superannuation are provided through defined contribution (accumulation) plans or the Government's defined benefit plan as determined by the employee's conditions of employment.

Defined contribution plans

Contributions are made to eligible complying superannuation funds including QSuper (part of Australian Retirement Trust). Contributions are expensed when they are paid or become payable following completion of the employee's service each pay period.

Defined benefit plan

The liability for defined benefits is held on a whole-of-government basis and reported in the Queensland General Government and Whole of Government Consolidated Financial Statements in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The required contributions for defined benefit plan obligations are based upon the rates determined by the Treasurer on the advice of the State Actuary. Contributions are paid by WorkCover at the specified rate following completion of the employee's service each pay period. WorkCover's obligation is limited to its contribution to QSuper (part of Australian Retirement Trust).

(b) Employee benefits liabilities

	2024 $'000	2023 $'000
Current		
Accrued salaries and other benefits	564	3,858
Provision for annual leave	8,757	8,090
Provision for long service leave	13,241	13,448
Provision for termination benefits	-	143
	22,562	25,539
Non-current		
Provision for long service leave	2,128	2,507
	24,690	**28,046**

Reconciliation of provision for employee benefits during the year:

	2024	2023
Balance at 1 July	28,046	23,300
Amounts allocated to provision	7,944	14,200
Reductions in provision as a result of payments	(10,374)	(9,626)
Discount rate adjustments	(926)	172
Balance at 30 June	**24,690**	**28,046**

Short-term employee benefits

Accrued salaries and other benefits

Salaries due but unpaid at reporting date are recognised in the consolidated statement of financial position at current salary rates. As WorkCover expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts. Related on-costs of superannuation and payroll tax have been included in the liability.

Sick leave

Sick leave entitlements are non-vesting and are only paid upon valid claims for sick leave by employees. Sick leave expense is brought to account in the reporting period in which it occurs. No liability for unused sick leave has been recognised as experience indicates on average, sick leave taken each financial year is less than the entitlement accrued in that year. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees.

Other long-term employee benefits

Long service leave and annual leave

The liabilities for long service leave and annual leave which are not expected to be settled wholly within 12 months after the end of the reporting period in which the employees render the related service are recognised and measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future salary rates, experience of employee departures, and periods of service. Expected future payments are discounted using the QTC zero rates (2023: Commonwealth Government securities interest rates) with terms to maturity that match, as closely as possible, the estimated future cash outflows. Related on-costs of workers' compensation premiums, superannuation, payroll tax and mental health levy have been included in the liabilities.

(c) Expected settlement of employee benefits liabilities

Based on past experience, WorkCover does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. Settlement expectations for annual leave and long service leave are as follows:

	2024 $'000	2023 $'000
No more than 12 months from reporting date:		
Annual leave	7,579	6,806
Long service leave	2,314	2,525
	9,893	**9,331**
More than 12 months from reporting date:		
Annual leave	1,178	1,284
Long service leave	13,055	13,430
	14,233	**14,714**

When WorkCover does not have an unconditional right to defer settlement of the obligation beyond 12 months, the entire amount is presented as current.

Key assumptions

The assumptions adopted to measure the present value of annual leave and long service leave are as follows:

	2024	2023
Discount rate	4.8%	3.9%
Settlement term for long service leave	6.3 years	5.9 years
Assumed annual leave days taken per year	20 days	20 days
Rate increase first year		
Assumed rate of increase for contract salaries - annual leave and long service leave	3.0%	7.0%
Assumed rate of increase for non-contract salaries - annual leave and long service	3.0%	8.0%
Rate increase thereafter		
Assumed rate of increase for contract salaries - annual leave and long service leave	3.0%	3.0%
Assumed rate of increase for non-contract salaries - annual leave and long service	3.0%	3.0%

The assumed rates disclosed are the base salary inflation rates, excluding the award progression increases based on the salary card rates. The higher assumed rates disclosed in 2023 reflect the higher inflation rate and the award back pay.

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is 1,095 (2023: 1,038).

E3 Related parties

(a) Details of key management personnel and remuneration

WorkCover's responsible Minister is identified as part of WorkCover's key management personnel, consistent with Australian implementation guidance included in AASB 124 *Related Party Disclosures*. WorkCover's Minister is the *Minister for State Development and Infrastructure, Minister for Industrial Relations and Minister for Racing*.

Ministerial remuneration entitlements are outlined in the *Legislative Assembly of Queensland's Members' Remuneration Handbook*. WorkCover does not bear any cost of remuneration of the Minister. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by the Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as key management personnel of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements, which are published as part of Queensland Treasury's Report on State Finances.

Details of the remuneration of the non-Ministerial key management personnel, being the Directors, the Chief Executive Officer (CEO), and the Senior Executives of WorkCover are as follows:

Directors (Non-executive)		**Short-term** Fees[1] **$'000**	**Post employment** Superannuation **$'000**	**Total** **$'000**
A Lynham[2]	2024	78	10	88
Chair	2023	-	-	-
J King[2]	2024	51	6	57
Deputy Chair	2023	-	-	-
J Bertram	2024	40	5	45
Director	2023	40	4	44
K Dear	2024	43	5	48
Director	2023	40	4	44
S Havas[2]	2024	43	5	48
Director	2023	-	-	-
I Leavers	2024	40	5	45
Director	2023	40	4	44
S McCullagh[3]	2024	40	5	45
Director	2023	33	4	37
S Morris	2024	44	6	50
Director	2023	44	5	49
S Schinnerl	2024	40	5	45
Director	2023	40	4	44
F Gobbo[2]	2024	-	-	-
Chair	2023	78	8	86
M Clifford[2]	2024	-	-	-
Deputy Chair	2023	51	5	56
J Crittall[2]	2024	-	-	-
Director	2023	43	5	48
Total remuneration:	**2024**	**419**	**52**	**471**
Directors	**2023**	**409**	**43**	**452**

[1] Fees represent amounts paid in cash during the financial year.
[2] The Board contracts for F Gobbo, M Clifford and J Crittall expired on 30 June 2023. The Governor-in-Council appointed new Board members effective from 1 July 2023. The new Board members are A Lynham (appointed Chair), J King (appointed Deputy Chair) and S Havas. All are non-executive Directors.
[3] Commenced on 1 September 2022.

Responsibilities of Directors (Non-executive)

Chair

The Chair's principal responsibility is to lead and direct the activities of the Board and ensure the Board fulfils all its legal and statutory obligations in accordance with the Board charter.

Deputy Chair

The Deputy Chair, in addition to Director's responsibilities, assists the Chair in meeting their obligations as required. In the absence of the Chair at a meeting, the Deputy Chair will preside.

Director

The Directors are responsible for the strategic guidance, the monitoring of management, ensuring good governance and the successful operation of WorkCover Queensland.

CEO and Senior Executives		Short-term		Post employment	Other long-term benefits		Ex-gratia payments	Termination benefits	Total
		Salary[1]	Non-monetary[2]	Superannuation	Annual leave accruals	Long service leave accruals			
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
M Pennisi[3]	2024	18	-	1	2	-	-	-	21
CEO	2023	-	-	-	-	-	-	-	-
B Watson[4]	2024	256	19	20	27	36	40	288	686
CEO	2023	467	10	28	38	23	-	-	566
D Heley[5]	2024	364	12	27	29	1	-	-	433
CEO, Acting CEO and Deputy CEO	2023	288	17	28	29	20	-	-	382
A Jones[6]	2024	163	2	15	13	1	-	-	194
Chief Digital and Information Officer	2023	-	-	-	-	-	-	-	-
B Dwyer[7]	2024	147	-	17	20	7	-	-	191
Acting Chief Digital and Information Officer	2023	-	-	-	-	-	-	-	-
B Martin	2024	228	3	48	23	3	-	-	305
Chief New Claims Officer	2023	215	2	47	21	10	-	-	295
C Lajeunesse[8]	2024	1	-	-	2	-	-	-	3
Chief Digital and Information Officer	2023	223	1	66	22	4	-	-	316
E Wright	2024	273	22	28	23	6	-	-	352
Chief People Officer	2023	232	2	30	21	8	-	-	293
J Reid	2024	211	4	35	21	1	-	-	272
Chief Legal Officer	2023	241	5	29	22	12	-	-	309
L Plimmer[9]	2024	261	32	32	24	4	-	-	353
Chief Claims Management Officer	2023	137	3	12	12	1	-	-	165
M Dennett	2024	237	10	32	22	1	-	-	302
Chief Partnerships and Relationships Officer	2023	233	9	25	20	5	-	-	292
C Carras[10]	2024	-	-	-	-	-	-	-	-
Chief Claims Management Officer	2023	50	1	20	6	19	-	137	233
Total remuneration:	**2024**	**2,159**	**104**	**255**	**206**	**60**	**40**	**288**	**3,112**
CEO and Senior Executives	**2023**	**2,086**	**50**	**285**	**191**	**102**	**-**	**137**	**2,851**

[1] Salary represents amounts paid in cash during the financial year and associated adjustments.
[2] Short-term non-monetary benefits relate to packaged amounts and fringe benefits provided to the CEO and Senior Executives.
[3] Commenced on 18 June 2024.
[4] Ceased on 16 February 2024. A cash ex-gratia payment of $38,095 and an ex-gratia payment in kind with a market value of $1,545 were made to B Watson as part of the final settlement which were agreed and documented through a Deed of Release.
[5] Deputy CEO from 1 July 2023 to 26 November 2023 and from 18 June 2024. The Deputy CEO position has remained vacant from 27 November 2023 to 17 June 2024. Acted as CEO from 7 July 2023 to 21 August 2023, 27 November 2023 to 14 February 2024 and 18 June 2024 to 21 June 2024. Appointed as CEO from 15 February 2024 to 17 June 2024 following the resignation of B Watson.
[6] Commenced on 8 January 2024.
[7] Commenced on 3 July 2023 and ceased to be a key management personnel on 9 January 2024.
[8] Ceased on 3 July 2023.
[9] Commenced on 9 January 2023.
[10] Ceased on 9 September 2022.

Responsibilities of the CEO and Senior Executives

CEO

The CEO is responsible to the Board for the overall performance and strategic management of WorkCover Queensland. The CEO is also the Executive Officer (EO) of WEO and is responsible for the management and direction of WEO. No remuneration is paid for the role of EO of WEO.

Deputy CEO

The Deputy CEO is responsible for the strategic leadership of the Strategy and Finance Group, ensuring all necessary corporate, and financial management processes and systems are in place to support the achievement of the organisation's commercially focused financial objectives. The Deputy CEO is also responsible for facilitating a collaborative process on the design, development and implementation of strategic initiatives to continue to deliver an outstanding customer experience.

Chief Claims Management Officer

The Chief Claims Management Officer is responsible for the strategic leadership of the Claims Management Group, ensuring that all statutory and common law claims are outcome managed balancing the interests of both injured workers and employers. They also ensure implementation of all key strategies to provide an exceptional customer experience.

Chief Digital and Information Officer

The Chief Digital and Information Officer is responsible for the delivery of technology solutions to maximise the efficiency and effectiveness of the business operations to meet WorkCover's business needs.

Chief Legal Officer

The Chief Legal Officer acts as Company Secretary and oversees common law claims management, provides legal advice and strategy, and ensures effective management of legal and contractual risks.

Chief New Claims Officer

The Chief New Claims Officer is responsible for the strategic leadership of the registrations and claims determination functions to ensure the effective operation and performance of workers compensation liability decisions.

Chief Partnerships and Relationships Officer

The Chief Partnerships and Relationships Officer is responsible for the strategic leadership of the Partnerships and Relationships Group in creating trusted community and stakeholder engagement through interactions and relationships that are beneficial to WorkCover's business needs. The Chief Partnerships and Relationships Officer is also responsible for the management of stakeholder relationships business wide.

Chief People Officer

The Chief People Officer is responsible for the strategic leadership of the people experience function and to provide best practice contemporary workplace management, learning, change management and human resource related solutions to critical people issues.

Remuneration and appointment authority of key management personnel

Remuneration policy

Remuneration levels for key management personnel are competitively set to attract and retain appropriately qualified and experienced Directors, Senior Executives and the CEO. Remuneration is reviewed annually. No remuneration packages for key management personnel provide for any performance or bonus payments.

Payments to the CEO and the Directors are made by WorkCover Queensland. All other key management personnel are remunerated by WEO.

Directors

Director contracts are entered into in accordance with the Act. The remuneration of Directors is determined by the Governor-in-Council as part of terms of their appointment and is paid by way of annual fee in accordance with the Queensland Government Remuneration procedures for part-time Chairs and members of Queensland Government bodies.

CEO and Senior Executives

The CEO's executive employment contract is entered into in accordance with the Act, with the conditions of the contract decided by the Board and signed by the Chair. The CEO is appointed by the Governor in Council on the Board's recommendation. The CEO remuneration arrangements are made in alignment with the Queensland Government CEO remuneration framework.

The remuneration arrangements for the Senior Executives are determined by the CEO in consultation with the Chair of the Board. The Senior Executive contracts are entered into in accordance with the Act.

Remuneration and other terms of employment for each Senior Executive are formalised in executive employment contracts.

The CEO and Senior Executives are given the opportunity to receive their fixed remuneration in a variety of forms, including cash and fringe benefits.

(b) Transactions with key management personnel

No transactions, other than remuneration payments or the reimbursement of approved expenses, were entered into by WorkCover with key management personnel or related parties of such key management personnel during this financial year (2023: no transactions with key management personnel).

c) Transactions with other related parties

WorkCover is required to pay contributions to WHSQ and the Workers' Compensation Regulator. See note E1 for details.

Queensland Health public hospitals are utilised by WorkCover in the treatment of injured workers. The total payments in this financial year are $57.793 million (2023: $49.170 million).

As the provider of compulsory workers' compensation insurance in Queensland, WorkCover provides insurance to all Queensland State Government controlled entities other than those who self-insure. Policies are issued on the same terms and conditions as to other policyholders. The total premium income received or receivable from Queensland State Government controlled entities in this financial year is $488.389 million (2023: $358.957 million).

WorkCover utilises the services of QIC and QTC to invest excess cash not immediately required to cover expenses. The use of QIC and QTC is approved by Queensland Treasury. The total management fees paid or payable in this financial year to QIC and QTC are $37.671 million and $0.001 million respectively (2023: $34.108 million and $0.001 million respectively). Refer to note D1 for further details.

From 1 July 2016, the *Workers' Compensation and Rehabilitation Amendment Act 2016* implemented the NIIS for workplace accidents connected with Queensland. The scheme provides eligible seriously injured workers with a lifetime statutory entitlement to treatment, care and support payments such as rehabilitation, medical services and hospital expenses. In accordance with the scheme, payments are made by WorkCover to reimburse NIIS Queensland (NIISQ), the external case managers for the seriously injured workers, for costs in relation to these claims. The total NIISQ amounts paid or payable for this financial year are $11.407 million (2023: $4.830 million).

E4 Property, plant and equipment

	Note	Land	Building	Plant and equipment	Work in progress	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2022		28,000	45,000	903	254	74,157
Acquisitions		-	81	150	9	240
Disposals		-	-	-	(136)	(136)
Transfers between asset classes		-	118	-	(118)	-
Depreciation		-	(1,796)	(160)	-	(1,956)
Revaluation decrements	*F4(b)*	-	(903)	-	-	(903)
Balance at 30 June 2023		**28,000**	**42,500**	**893**	**9**	**71,402**
At 30 June 2023:						
Cost or fair value		28,000	51,215	7,573	9	86,797
Accumulated depreciation		-	(8,715)	(6,680)	-	(15,395)
Net carrying amount		**28,000**	**42,500**	**893**	**9**	**71,402**
Balance at 1 July 2023		28,000	42,500	893	9	71,402
Acquisitions		-	2	121	109	232
Disposals		-	-	(8)	-	(8)
Depreciation		-	(1,739)	(151)	-	(1,890)
Revaluation increments/(decrements)	*F4(b)*	(4,900)	4,737	-	-	(163)
Balance at 30 June 2024		**23,100**	**45,500**	**855**	**118**	**69,573**
At 30 June 2024:						
Cost or fair value		23,100	54,725	7,685	118	85,628
Accumulated depreciation		-	(9,225)	(6,830)	-	(16,055)
Net carrying amount		**23,100**	**45,500**	**855**	**118**	**69,573**

(a) Recognition and measurement

All items of property, plant and equipment are recognised at their cost of acquisition, being the fair value of the consideration provided and any incidental costs directly attributable to the acquisition.

With respect to plant and equipment, an asset recognition threshold of $5,000 exists. With respect to property, an asset recognition threshold of $10,000 exists for buildings and $1 for land. Property, plant and equipment with a lesser cost are expensed.

Costs incurred subsequent to initial acquisition are added to an asset's carrying amount if they increase the service potential or useful life of that asset. Subsequent costs that do not meet these criteria are expensed as incurred.

Plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Plant and equipment with an original cost of $4.259 million (2023: $3.352 million) and a written down value of zero is still being used in the provision of services. There is currently no asset (2023: no asset) written down to an above zero residual value which is still being used in the provision of services.

(b) Valuation

Land and buildings are shown at fair value, based on annual valuations by an external independent valuer. On revaluation, accumulated depreciation of revalued assets in the class is eliminated against the gross carrying amount of those assets and the net amount restated to the revalued amount of the asset.

Any revaluation increase is credited, net of tax equivalents, to the asset revaluation surplus of the appropriate class, except to the extent that it reverses a revaluation decrease for the same asset class previously recognised as an expense, in which case the increase is recognised as income. A decrease in the carrying amount on the revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that asset class.

The land and building is valued having regard to the highest and best use of the asset. An independent valuation of land and building was performed as at 30 June 2024 and fair value was determined by reference to market based evidence, being active market prices adjusted for any differences in the nature, location or condition of the specific property. The independent valuer used the discounted cash flow, capitalisation and direct comparison approaches to determine the fair value. The land and building has been categorised as level 3 based on sensitivity of fair value to change in the unobservable inputs.

(c) Depreciation

Land is not depreciated.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the cost or revalued amount of each asset, less its estimated residual value, over the estimated useful life of the assets as follows:

ITEM	USEFUL LIFE
Building	3 to 56 years
Plant and equipment	
Computer equipment	5 to 14 years
Office equipment and furniture	5 to 23 years
Fixtures and fittings	10 to 25 years
Motor vehicles	6 years

The assets' residual values, useful lives and depreciation methods are reviewed and adjusted if appropriate on an annual basis.

(d) Impairment

All non-current assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, WorkCover determines the asset's recoverable amount. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised as an expense, unless the asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The asset's recoverable amount is determined as the greater of the asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(e) Derecognition

Property, plant and equipment assets are derecognised upon disposal or when no future economic benefits are expected from their use or disposal. Derecognition of property, plant and equipment assets includes writing back accumulated depreciation and any accumulated impairment losses against the cost of acquisition. Any resulting gain or loss is represented by the difference between the proceeds, if any, and the carrying amount of the asset and is recognised in the consolidated statement of comprehensive income.

E5 Commitments

WorkCover has contractual commitments for expenditure as follows:

	Acquisition of property, plant and equipment $'000	**Support and maintenance expenditure $'000**	**Other expenditure $'000**	**Total $'000**
2024				
Not later than 1 year	88	4,526	3,267	7,881
1 - 5 years	-	2,559	1,716	4,275
	88	**7,085**	**4,983**	**12,156**
2023				
Not later than 1 year	-	6,230	3,426	9,656
1 - 5 years	19	2,477	1,186	3,682
	19	**8,707**	**4,612**	**13,338**

Other

This section includes other relevant information that must be disclosed to comply with AASBs and other requirements.

F1 Taxation

WorkCover Queensland and its controlled entity are State/Territory bodies as defined under the *Income Tax Assessment Act 1936* and are exempt from Commonwealth Government taxation with the exception of fringe benefits tax (FBT) and GST. As such, FBT and GST receivable from and payable to the Australian Taxation Office (ATO) are recognised and accrued.

WorkCover Queensland is the only entity in the consolidated group subject to the National Tax Equivalents Regime (NTER). Under the NTER, payments are made to the State Treasurer equivalent to the amount of Commonwealth Government income tax. The Taxation of Financial Arrangements (TOFA) legislation is applicable to WorkCover Queensland and the default realisation and accrual methods are used. In addition, QIC adopts the attribution managed investment trust (AMIT) regime in respect of eligible QIC managed investment trusts in which WorkCover invests in.

WorkCover Queensland and its controlled entity are also required to comply with pay as you go (PAYG) withholding requirements and Queensland State Government taxes including payroll tax, stamp duty and land tax.

Tax Risk Management

The Tax Risk Management Policy sets out WorkCover's approach to satisfying its obligations under the Risk Management Policy with respect to tax. WorkCover's tax strategy is focused on integrity in compliance and reporting. The strategy is implemented through WorkCover's Tax Risk Management Framework. This Framework is supported by governance processes which ensure it is implemented with continued effectiveness. WorkCover has effective policies and processes in place to manage tax risk.

(a) Income tax equivalent

Income tax equivalent expense

	2024 $'000	2023 $'000
Deferred tax expense	**43,481**	**6,032**
Reconciliation of Income tax equivalent expense:		
Operating result for the year before income tax equivalent	175,985	32,862
Income tax equivalent expense at the standard tax rate of 30% (2023: 30%)	52,795	9,859
Tax effect of adjustments to income tax equivalent expense:		
Gross up of foreign income tax offset received	1,763	2,177
Gross up of franking tax offset received	2,206	2,539
Non-deductible expenses	1	-
Conversion of franking credit to tax loss	(6,285)	(8,464)
Tax offset for franked dividends	(1,069)	-
Tax offset for foreign income	(5,875)	-
Other deductible expenses	(55)	(78)
Adjustments for income tax equivalent of prior years	-	(1)
Income tax equivalent expense attributable to operating result	**43,481**	**6,032**

Income tax equivalent expense comprises current and deferred tax. Current and deferred tax is recognised as an expense in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax assets and liabilities are measured at the amount expected to be receivable or payable on the taxable income or loss for the current year. The amount is calculated using tax rates and tax laws that are enacted or substantively enacted at the reporting date.

No Pillar Two top up taxes have been recognised for this financial year. This is on the basis WorkCover is not within the scope of the Pillar Two top up taxes currently proposed for adoption in Australia.

Income tax equivalent expense recognised in other comprehensive loss

	2024 $'000	2023 $'000
Revaluation of land and building	**(49)**	**(271)**

Recognised deferred tax assets and liabilities

WorkCover is able to offset its deferred tax assets and liabilities and has disclosed the net balance in the consolidated statement of financial position. Deferred tax assets and liabilities are as follows:

	Assets		Liabilities		Net	
	2024	2023	2024	2023	2024	2023
	$'000	$'000	$'000	$'000	$'000	$'000
Income tax equivalent loss	322,948	316,891	-	-	322,948	316,891
Investment tax adjustments including unrealised (gain)/loss	-	-	(297,443)	(236,933)	(297,443)	(236,933)
Indirect claims handling expense	119,674	110,691	-	-	119,674	110,691
Employee expenses	1	43	-	-	1	43
Other provisions	4,590	3,570	-	-	4,590	3,570
Other items	1,580	1,012	(60)	(85)	1,520	927
Property, plant and equipment	-	-	(8,026)	(8,486)	(8,026)	(8,486)
Intangibles	-	-	(74)	(81)	(74)	(81)
Tax assets/(liabilities)	**448,793**	**432,207**	**(305,603)**	**(245,585)**	**143,190**	**186,622**

Movement in deferred tax balances during the year

Movement in deferred tax balances during the year	**Balance 1 July 2022**	**Recognised in operating result**	**Recognised in other comprehensive loss**	**Balance 30 June 2023**	**Recognised in operating result**	**Recognised in other comprehensive loss**	**Balance 30 June 2024**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Income tax equivalent loss	247,893	68,998	-	316,891	6,057	-	322,948
Investment tax adjustments including unrealised (gain)/loss	(140,818)	(96,115)	-	(236,933)	(60,510)	-	(297,443)
Indirect claims handling expense	90,415	20,276	-	110,691	8,983	-	119,674
Employee expenses	28	15	-	43	(42)	-	1
Other provisions	2,850	720	-	3,570	1,020	-	4,590
Other items	1,018	(91)	-	927	593	-	1,520
Property, plant and equipment	(8,948)	191	271	(8,486)	411	49	(8,026)
Intangibles	(55)	(26)	-	(81)	7	-	(74)
	192,383	**(6,032)**	**271**	**186,622**	**(43,481)**	**49**	**143,190**

Deferred tax is accounted for using the comprehensive balance sheet liability method and is provided on all temporary differences between the carrying amount of assets and liabilities in the consolidated financial statements and the corresponding tax base of those items at the reporting date.

Deferred tax liabilities are recognised for taxable temporary differences. Deferred tax assets are recognised for deductible temporary differences. However, deferred tax liabilities and assets are not recognised if the temporary differences arise from the initial recognition of assets or liabilities which affects neither the accounting profit nor taxable profit or loss. Unused tax credits and unused tax losses are carried forward to the extent it is probable that future taxable profit will be available against which they can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply for the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be utilised and such reductions are reversed when it becomes probable that sufficient taxable profit will be available.

(b) Goods and services tax

Income, expenses, assets, and liabilities are recognised net of the amount of associated GST, unless the GST is not recoverable from or remittable to the ATO. In this case, the GST is recognised as part of the cost of acquisition of the asset or in the amount of the expense.

Receivables and payables are stated with the amount of GST included, where applicable. The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables, respectively, in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows net of the amount of GST. The GST component of cash flows arising from investing activities which is recoverable from or payable to the ATO is classified as part of operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST, unless the GST incurred is not recoverable from the ATO.

F2 Reconciliation of operating result to net cash from operating activities

	Note	2024	2023
		$'000	$'000
Operating result for the year		132,504	26,830
Non-cash items included in operating result			
Net (gain)/loss on change in fair value of financial instruments		(299,151)	95,947
Net loss on disposal of property, plant and equipment and intangible assets	*E1*	8	-
Contribution of an asset		(9)	-
Reclassification of work in progress		-	136
Depreciation and amortisation expense	*E1*	1,978	2,343
Income tax effect on revaluation of land and building	*F4(b)*	49	271
Change in operating assets and liabilities			
Increase in receivables		(40,455)	(28,338)
Decrease/(increase) in other assets		235	(805)
Decrease in net deferred tax		43,432	5,761
Decrease in other liabilities		-	(34)
Increase in payables and unearned premium liability		9,553	19,712
Increase in outstanding claims liability and employee benefits liabilities		590,255	526,306
Net cash provided by operating activities		**438,399**	**648,129**

F3 Leases

Leases as lessor

WorkCover has 6 lease agreements (2023: 6) with respect of the 280 Adelaide Street building. The building is leased to tenants under operating leases with rentals payable on a monthly basis. These non-cancellable leases have remaining terms of between 2 and 10 years and include clauses to enable upward revision of the rental charge on an annual basis according to a fixed percentage where applicable. There are no other variable lease payments that depend on an index or rate. Where considered necessary to reduce credit risk, WorkCover may obtain bank guarantees for the term of the lease. Minimum lease payments receivable on operating leases are as follows:

	2024	2023
	$'000	$'000
Within 1 year	586	568
Between 1 and 2 years	608	422
Between 2 and 3 years	548	437
Between 3 and 4 years	137	368
Between 4 and 5 years	144	-
Later than 5 years	709	-
	2,732	**1,795**

The total lease income included in other income presented in the consolidated statement of comprehensive income is as follows:

	2024	2023
	$'000	$'000
Lease income	**843**	**1,345**

F4 Equity and reserves

(a) Contributed equity

In 2017, arising from the funding arrangement for the Workers' Compensation Regulator, WorkCover recognised a non-reciprocal cash transfer of $2.500 million from the Workers' Compensation Regulator as contributed equity.

(b) Asset revaluation surplus by asset class

	Note	Land $'000	Building $'000	Total $'000
Balance at 1 July 2022		16,520	22,446	38,966
Revaluation decrements	*E4*	-	(903)	(903)
Income tax effect on revaluation		-	271	271
Balance at 30 June 2023		**16,520**	**21,814**	**38,334**
Balance at 1 July 2023		16,520	21,814	38,334
Revaluation increments/(decrements)	*E4*	(4,900)	4,737	(163)
Income tax effect on revaluation		1,470	(1,421)	49
Balance at 30 June 2024		**13,090**	**25,130**	**38,220**

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

(c) Investment fluctuation reserve

The investment fluctuation reserve is held to mitigate the effects of financial volatility in the investment markets, allowing WorkCover to maintain a stable premium rate and minimise the impact on businesses during a downturn. It represents the excess capital held by WorkCover over the minimum funding ratio of 120% as set within WorkCover's Statement of Corporate Intent.

F5 Contingent liabilities

In the normal course of business, WorkCover is exposed to legal issues, including litigation arising out of insurance policies. There are no known potential material litigation exposures at reporting date that may give rise to a contingent liability (2023: no contingent liabilities).

F6 Differences between WorkCover consolidated financial statements and WorkCover Queensland financial statements

(a) Reconciliation of differences between consolidated and parent entity statements of comprehensive income

	Note	2024 $'000			2023 $'000		
		WorkCover	WorkCover Queensland	WorkCover Employing Office	WorkCover	WorkCover Queensland	WorkCover Employing Office
Underwriting expenses	i	(66,719)	(64,342)	(133,844)	(43,372)	(42,844)	(118,343)
Investment income	ii	590,637	588,262	2,375	380,412	379,886	526
Other income	i	956	954	131,469	1,458	1,456	117,817

i. The difference in underwriting expenses represents expenses incurred by WEO excluding GST. The difference in other income represents the service fees raised by WEO for services provided to WorkCover Queensland. The service fee income in WEO and the service fee expense in WorkCover Queensland are eliminated on consolidation.
ii. The difference represents the bank interest income of WEO.

(b) Reconciliation of differences between consolidated and parent entity statements of financial position

	Note	2024 $'000			2023 $'000		
		WorkCover	WorkCover Queensland	WorkCover Employing Office	WorkCover	WorkCover Queensland	WorkCover Employing Office
Current assets							
Cash and cash equivalents		448,796	423,507	25,289	417,991	389,670	28,321
Receivables	i	53,704	53,620	84	49,519	49,437	82
Other assets	ii	2,958	2,924	34	3,083	3,083	-
Current liabilities							
Payables	iii	44,536	43,817	719	36,310	35,810	500
Employee benefits	iv	22,562	2	22,560	25,539	143	25,396
Non-current liabilities							
Employee benefits	iv	2,128	-	2,128	2,507	-	2,507

i. The difference represents the WEO bank interest receivable balance.
ii. The difference represents the WEO prepayments balance.
iii. The difference represents the WEO salary related payables of $0.585 million (2023: $0.491 million) and other WEO payables of $0.134 million (2023: $0.009 million).
iv. The liabilities for employee benefits in WorkCover Queensland is the CEO's employee benefits. All other employee benefit liabilities are part of WEO.

(c) Reconciliation of differences between consolidated and parent entity statements of changes in equity

There are no differences between the figures disclosed on the face of the WorkCover consolidated statement of changes in equity and WorkCover Queensland's statement of changes in equity.

(d) Reconciliation of differences between consolidated and parent entity statements of cash flows

	Note	2024 $'000			2023 $'000		
		WorkCover	WorkCover Queensland	WorkCover Employing Office	WorkCover	WorkCover Queensland	WorkCover Employing Office
Cash flows from operating activities							
Interest received		45,910	43,549	2,361	27,981	27,518	463
GST collected on sales		251,374	251,322	52	214,389	214,337	52
GST paid on purchases		(38,391)	(38,144)	(247)	(32,429)	(32,201)	(228)
Employee benefits expense paid	i	-	-	(136,691)	-	-	(113,125)
Employment services revenue received	i	-	-	131,582	-	-	117,893
Other operating income received	ii	1,068	1,068	2	1,578	1,578	2
Other operating expenses paid	iii	(63,830)	(58,632)	(91)	(38,848)	(43,580)	(38)

i. The employee benefits expense paid by WEO and the employment services revenue received by WEO are categorised within other operating expenses paid for WorkCover. The employment services revenue is the amount paid by WorkCover Queensland to WEO for employment services provided.
ii. Other operating income received by WEO is amounts received from salary packaging providers. These are categorised within other operating expenses paid for WorkCover.
iii. The difference between the consolidated financial statements and WorkCover Queensland represents the net of WEO's employee benefits expenses paid, employment services revenue received, other operating income received, and other operating expenses paid. The other operating expenses paid in WEO are sundry administration payments and bad debts written off.

F7 Controlled entity

Summary of WEO financial statements

	2024 $'000	2023 $'000
Statement of comprehensive income		
Revenue	133,844	118,343
Expenses	133,844	118,343
Operating result for the year	-	-
Statement of financial position		
Total assets	25,407	28,403
Total liabilities	25,407	28,403
Net assets	-	-

F8 Summary of additional material accounting policy information

(a) Changes in material accounting policy information and disclosures

One amendment to standards relevant to WorkCover that has been applied for the first time in the presentation of these consolidated financial statements from 1 July 2023 is as follows:

Disclosure of material accounting policies and definition of accounting estimates

AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* amends the below AASB standards and AASB practice statement to require entities to disclose material accounting policy information rather than significant accounting policies and to clarify how entities should distinguish changes in accounting policies and changes in accounting estimates:

- AASB 7 *Financial Instruments: Disclosures*
- AASB 101 *Presentation of Financial Statements*
- AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*
- AASB 134 *Interim Financial Reporting*
- AASB Practice Statement 2 *Making Materiality Judgements*

Impact on adoption

The adoption of AASB 2021-2 has not resulted in any significant changes in accounting policy information and adjustments to the amounts recognised in the consolidated financial statements.

(b) New and revised Australian Accounting Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023 and have not been early adopted in preparing these consolidated financial statements.

The nature and effects of the standard applicable to WorkCover that is not yet effective is as follows:

Insurance Contracts

AASB 17 *Insurance Contracts* is intended to combine all existing insurance standards (i.e. AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*) into one standard.

The mandatory application date of AASB 17 for public sector entities has been deferred to annual periods beginning on or after 1 July 2026 as a result of the following amendment standards issued by the AASB:

- AASB 2022-8 *Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments* which permits public sector entities to continue to apply AASB 4 and AASB 1023 up until 30 June 2026; and
- AASB 2022-9 *Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector* which amends AASB 17 to include modifications that apply to public sector entities from 1 July 2026.

Measurement models

The standard introduces a new ‘general model’ for the recognition and measurement of insurance contracts. Insurance contracts must be measured using either the general measurement model or the simplified approach known as the premium allocation approach (PAA). Entities may apply the PAA, if the insurance contracts have a coverage period of one year or less or if the liability for remaining coverage under that approach is not expected to be materially different from that under the general measurement model.

AASB 2022-9 permits public sector entities to choose to apply the PAA to insurance contracts issued without the need to develop a model and methodology for assessing eligibility. All WorkCover’s policies (except for the immaterial Household Workers’ Insurance, which has a two-year coverage period) have a coverage period of one year. WorkCover will choose to apply the PAA across all insurance products.

For groups of contracts that apply the PAA and have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition cash flows as expenses when incurred. WorkCover will continue to recognise any insurance acquisition cash flows as expenses as they incur for all policies, consistent with the current accounting treatment under AASB 1023.

Onerous contracts

AASB 17 requires the identification of ‘groups’ of onerous contracts which will be determined at a more granular level of aggregation than the level at which the liability adequacy test is performed under AASB 1023. Contracts that are measured using the PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. In accordance with AASB 2022-9, WorkCover will not be required to recognise onerous contracts at initial recognition.

Risk adjustment

The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment under AASB 17 is defined as the compensation required for bearing the uncertainty that arises from non-financial risk. WorkCover is currently assessing the approach to adopt in determining the risk adjustment for the liability for incurred claims.

Discount rates

AASB 1023 requires the net central estimate of outstanding claims to be discounted using risk-free rates as described in note C2. AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows (ie. the new liquidity premium) but does not prescribe a methodology for determining the discount rates used. WorkCover expects to estimate the level of illiquidity premium using historical long-term averages.

Presentation and disclosure

AASB 17 introduces changes to the presentation of insurance contracts in the consolidated statement of comprehensive income and consolidated statement of financial position. The standard contains more disclosures compared with existing reporting requirements.

Taxation impact

Current tax law in Australia has been amended to mirror AASB 17 and WorkCover is reviewing the financial and operational impact of the transition to AASB 17.

Transition

AASB 17 will be applied retrospectively to all insurance contracts on transition.

Financial impact

The requirements of AASB 17 are complex and the actual impact is subject to the finalisation of key assumptions in relation to each of the above components and may change. WorkCover’s implementation of AASB 17 is in its initial stages and work is ongoing and the full impacts are still being determined.

Fair Value Measurement

AASB 2022-10 *Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* applies from reporting periods beginning on or after 1 January 2024. AASB 2022-10 amends AASB 13 *Fair Value Measurement* to include authoritative implementation guidance and providing related illustrative examples for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.

WorkCover does not expect any significant impact as a result of applying this amendment standard.

F9 Events after reporting date

There has not arisen in the interval between the end of the financial year and the date of this report, any other item, transactions or event of a material nature likely to affect significantly the operations of WorkCover, the results on those operations, or the state of affairs of WorkCover in future financial years.

Management certificate

These general purpose consolidated financial statements have been prepared pursuant to the provisions of the *Workers' Compensation and Rehabilitation Act 2003*, section 62(1) of the *Financial Accountability Act 2009*, section 39 of the *Financial and Performance Management Standard 2019* and other prescribed requirements. In accordance with section 62(1)(b) of the *Financial Accountability Act 2009* we certify that in our opinion:

- the prescribed requirements for establishing and keeping of accounts have been complied with in all material respects; and

- the consolidated financial statements have been drawn up to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of WorkCover for the financial year ended 30 June 2024 and of the financial position at the end of that year; and

We acknowledge responsibility under section 7 and section 11 of the *Financial and Performance Management Standard 2019* for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.

27 August 2024

A Lynham
BDSC BMed (HONS), FRACDS (OMS) FRCS Ed
CHAIR

M Pennisi
BEcon, BComm
CHIEF EXECUTIVE OFFICER

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Board of WorkCover Queensland

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of WorkCover Queensland (WorkCover) and its controlled entity (the Group).

The financial report comprises the consolidated statements of financial position as at 30 June 2024, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, notes to the financial statements including material accounting policy information and the management certificate.

In my opinion, the financial report:

a) gives a true and fair view of the Group's financial position as at 30 June 2024, and its financial performance and cash flows for the year then ended

b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in my professional judgement, were of most significance in my audit of the financial report of the current period. I addressed these matters in the context of my audit of the financial report as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Valuation of gross outstanding claims liability ($5,348m)
Refer to Note C2(a) to the financial report.

Key audit matter	How my audit addressed the key audit matter
Valuation of gross outstanding claims liability The estimation of gross outstanding claims liability is a key audit matter due to the high degree of uncertainty that is inherent in estimating the expected future payments for claims incurred. It may take many years to finalise the cost of a claim and the ultimate cost may be influenced by factors unknown at 30 June 2024 or outside the control of WorkCover (refer Note C2(d) for key assumptions and judgements).	My procedures included, but were not limited to: • Challenging appropriateness of management's actuarial methods and assumptions through assessment of accuracy of previous estimates and changes made to the prior year's models • considering of the appropriateness of the assumptions adopted and methodologies applied for the individual benefit types • considering the reasonableness of movements in key claim experience and their impact on the calculation of the outstanding claims liability • benchmarking key economic assumptions such as discount rate, risk margin and inflation to observable market data. • assessing management's experts' qualifications, competence, capabilities, objectivity and the nature, scope and objectives of the work completed for appropriateness • evaluating management's experts' findings and conclusions for relevance, reasonableness and consistency with the evidence obtained from my testing.

Other information

Those charged with governance are responsible for the other information.

The other information comprises the information included in the Group's annual report for the year ended 30 June 2024 but does not include the financial report and my auditor's report thereon.

My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report and my knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report this fact.

I have nothing to report in this regard.

Responsibilities of the Board for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2019 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Queensland Audit Office
Better public services

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

Auditor's responsibilities for the audit of the financial report

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

A further description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/auditors_responsibilities/ar5.pdf

This description forms part of my auditor's report.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2024:

a) I received all the information and explanations I required.

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

Prescribed requirements scope

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

mluwinga

28 August 2024

Martin Luwinga
as delegate of the Auditor-General

Queensland Audit Office
Brisbane

WorkCover Queensland – Actuarial Certificate for Outstanding Claims Liabilities as at 30 June 2024

Taylor Fry was requested by WorkCover Queensland to advise on its provisions for outstanding claims liabilities at 30 June 2024.

Valuation report

Full details of data, methodology and assumptions are set out in our report dated 5 August 2024. The advice provided in this report complies with the requirements of the Institute of Actuaries of Australia's *Professional Standard 302 Valuations of General Insurance Claims* ("PS302').

Basis of estimates

The adopted provision as at 30 June 2024 is $5,036 million. This provision:

- Includes our central estimate of the liability of outstanding claims, net of recoveries.
- Is discounted (i.e. allows for the time value of money);
- Allows for future claims inflation;
- Includes a loading for claims handling expenses and a risk margin; and
- Complies with the requirements of Australian Accounting Standard AASB1023.

A risk margin has been included to allow for the risk and uncertainties inherent in the estimation of outstanding claims liabilities. The margin is expressed as a percentage of the central estimate. In recognition of the overall uncertainty in the claims experience, a risk margin of 9.0% has been adopted at 30 June 2024. The adopted margin is intended to provide a 75% probability of sufficiency.

Qualifications

There is inherent uncertainty in any estimate of the outstanding claims liability that limits its accuracy, no matter how rigorously the estimation exercise is performed. Deviations from our estimates are normal and are to be expected. The outcome depends on future events that are unpredictable, such as legislative, social, and economic factors. Our recommendations are based on assumptions we believe are reasonable given the current circumstances.

Yours sincerely

Richard Brookes

Richard Brookes
FIAA

Danielle Ling
FIAA

6 August 2024