FINANCIAL PERFORMANCE

The following pages provide details around the QBCC's financial performance in 2022-2023.

SUMMARY OF FINANCIAL PERFORMANCE

The QBCC returned a surplus of $19.52 million in 2022-2023 and has a net asset position of $178.14 million.

Total income was $359.73 million, 13.28 per cent higher than 2021-2022. The reason for the increase from 2021-2022 to 2022-2023 relates to the change in fair value of investments which is dependent on the performance of investment markets.

Total expenditure was $340.21 million, 3.92 per cent less than 2021-2022. This decrease is primarily due to the stabilisation of inflationary pressures on the Queensland residential building industry and the impact on the provisions for future claims under the Queensland Home Warranty Scheme.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
FOR THE YEAR ENDED 30 JUNE 2023
TABLE OF CONTENTS

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
FOR THE YEAR ENDED 30 JUNE 2023
TABLE OF CONTENTS

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2023

OPERATING RESULT	NOTES	2023 ACTUAL $'000	2023 ORIGINAL BUDGET $'000	BUDGET VARIANCE* $'000	2022 ACTUAL $'000
INCOME					
Licence revenue	B1-1	43 579	39 349	4 230	48 053
Premium revenue	B1-2	107 137	92 962	14 175	117 232
Insurance administration fees revenue	B1-3	51 478	35 864	15 615	43 747
Reinsurance and other recoveries revenue	B1-4	88 414	71 000	17 414	105 199
Investment revenue	B1-5	32 335	9 133	23 201	(15 775)
Other revenue	B1-6	36 796	7 946	28 850	19 061
TOTAL REVENUE		**359 739**	**256 254**	**103 484**	**317 517**
Gains on disposals/revaluation of assets		(4)	173	(177)	37
TOTAL INCOME		**359 735**	**256 427**	**103 307**	**317 554**
EXPENSES					
Outward reinsurance	B2-1	53 710	57 932	(4 222)	70 535
Claims approved and charged	B2-2	129 817	55 097	74 719	147 553
Employee expenses	B2-4	77 105	85 269	(8 164)	69 849
Supplies and services	B2-5	38 898	44 893	(5 995)	28 032
Depreciation and amortisation	B2-6	4 637	4 895	(258)	4 882
Impairment losses on financial assets	B2-7 & C2-1	34 291	43 267	(8 977)	31 866
Finance/borrowing costs	B2-8	196	262	(66)	282
Other expenses	B2-9	1 559	822	738	1 123
TOTAL EXPENSES		**340 213**	**292 438**	**47 775**	**354 122**
OPERATING RESULT		**19 522**	**(36 011)**	**55 533**	**(36 568)**
OTHER COMPREHENSIVE INCOME		**-**	**-**	**-**	**-**
TOTAL COMPREHENSIVE INCOME		**19 522**	**(36 011)**	**55 533**	**(36 568)**

*An explanation of major variances is included in Note E1.

The accompanying notes form part of these financial statements.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

	NOTES	2023 ACTUAL $'000	2023 ORIGINAL BUDGET $'000	BUDGET VARIANCE* $'000	2022 ACTUAL $'000
CURRENT ASSETS					
Cash and cash equivalents	C1	23 158	(18 354)	41 512	24 810
Receivables	C2	21 943	15 290	6 653	19 707
Reinsurance receivables	C3	54 142	22 974	31 168	44 037
Other financial assets	D1-2	487 562	406 954	80 608	398 747
Other current assets	C4	21 687	23 033	(1 346)	27 789
TOTAL CURRENT ASSETS		**608 492**	**449 897**	**158 594**	**515 090**
NON-CURRENT ASSETS					
Reinsurance receivables	C3	109 596	126 564	(16 968)	103 885
Intangible assets	C5-2	343	468	(125)	558
Property, plant and equipment	C6-2	2 295	2 889	(594)	3 072
Right-of-use assets	C7	8 764	12 064	(3 300)	11 283
TOTAL NON-CURRENT ASSETS		**120 998**	**141 985**	**(20 986)**	**118 798**
TOTAL ASSETS		**729 490**	**591 882**	**137 608**	**633 888**
CURRENT LIABILITIES					
Payables	C8	59 286	38 220	21 066	42 393
Lease liabilities	C7	4 034	3 520	514	3 672
Accrued employee benefits	C9	11 351	11 346	5	9 663
Provisions	C10	-	-	-	502
Unearned income liability	C11	54 960	54 936	24	51 632
Future claims and associated costs	C12	129 503	41 414	88 089	95 905
TOTAL CURRENT LIABILITIES		**259 134**	**149 436**	**109 699**	**203 767**
NON-CURRENT LIABILITIES					
Accrued employee benefits	C9	10 990	10 884	106	10 271
Lease liabilities	C7	6 413	10 808	(4 395)	9 621
Provisions	C10	1 263	947	316	636
Future claims and associated costs	C12	273 549	311 629	(38 080)	251 365
TOTAL NON-CURRENT LIABILITIES		**292 215**	**334 268**	**(42 053)**	**271 893**
TOTAL LIABILITIES		**551 349**	**483 704**	**67 645**	**475 660**
NET ASSETS		**178 141**	**108 178**	**69 963**	**158 228**
EQUITY					
Contributed equity		1 169			778
Accumulated surplus		176 972			157 450
TOTAL EQUITY		**178 141**	**-**	**-**	**158 228**

*An explanation of major variances is included in Note E1.
The accompanying notes form part of these statements.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	CONTRIBUTED EQUITY $'000	ACCUMULATED SURPLUS $'000	TOTAL EQUITY $'000
BALANCE AS AT 1 JULY 2021	**395**	**194 018**	**194 413**
Operating result	-	(36 568)	(36 568)
Equity injection	383	-	383
Total comprehensive income for the year	383	(36 568)	(36 185)
BALANCE AT 30 JUNE 2022	**778**	**157 450**	**158 228**
Operating result	-	19 522	19 522
Equity injection	391	-	391
Total comprehensive income for the year	391	19 522	19 913
BALANCE AT 30 JUNE 2023	**1 169**	**176 972**	**178 141**

The accompanying notes form part of these statements.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	NOTES	2023 ACTUAL $'000	2023 ORIGINAL BUDGET $'000	BUDGET VARIANCE $'000	2022 ACTUAL $'000
CASH FLOWS FROM OPERATING ACTIVITIES					
INFLOWS					
Received from licence fees		43 665	37 500	6 165	48 801
Received from insurance administration fees		51 478	35 864	15 614	43 747
Received from interest		9 393	3 293	6 100	189
GST input tax credits from ATO		7 429	10 883	(3 454)	7 558
GST collected from customers		14 634	12 416	2 218	13 907
Received from other revenue		35 965	7 748	28 217	18 360
		162 565	**107 704**	**54 861**	**132 562**
OUTFLOWS					
Payments to employees		(71 363)	(82 127)	10 764	(61 475)
Payments to suppliers		(41 350)	(43 630)	2 280	(34 256)
Finance/borrowing costs		(196)	(262)	66	(282)
GST paid to suppliers		(7 511)	(10 683)	3 172	(7 492)
GST remitted to ATO		(14 658)	(12 616)	(2 042)	(13 760)
		(135 079)	**(149 318)**	**14 240**	**(117 265)**
		27 486	**(41 614)**	**69 101**	**15 297**
INSURANCE					
Received from premiums		105 591	92 962	12 629	115 435
Payments to reinsurers		(49 639)	(51 983)	2 344	(69 101)
Claims paid		(52 316)	(55 097)	2 781	(33 040)
Received from reinsurers and other recoveries		36 684	30 824	5 860	20 976
		40 320	**16 706**	**23 613**	**34 270**
NET CASH PROVIDED BY OPERATING ACTIVITIES	**CF-1**	**67 806**	**(24 908)**	**92 714**	**49 567**
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for plant, equipment and intangibles		(69)	(442)	373	(106)
Investment in other financial assets		(59 000)	-	(59 000)	(43 000)
Payments for investments		(6 873)	(5 914)	(959)	-
Investments redeemed		-	-	-	4 334
NET CASH USED IN INVESTING ACTIVITIES		**(65 942)**	**(6 356)**	**(59 586)**	**(38 772)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Equity injections		391	391	-	383
Lease payments	C7	(3 907)	(3 494)	(413)	(3 607)
NET CASH USED IN FINANCING ACTIVITIES		**(3 516)**	**(3 103)**	**(413)**	**(3 224)**
Net increase/(decrease) in cash and cash equivalents		(1 652)	(34 367)	32 715	7 571
Cash and cash equivalents - opening balance		24 810	16 013	8 797	17 239
CASH AND CASH EQUIVALENTS - CLOSING BALANCE	**C1**	**23 158**	**(18 354)**	**41 512**	**24 810**

*An explanation of major variances is included in Note E1.
The accompanying notes form part of these statements.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

NOTES TO THE STATEMENT OF CASH FLOWS

CF-1 RECONCILIATION OF OPERATING RESULT TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2023 ACTUAL $'000	2022 ACTUAL $'000
Operating surplus/(deficit)	19 522	(36 568)
NON-CASH ITEMS INCLUDED IN OPERATING RESULT:		
Depreciation and amortisation expense	4 637	4 882
Net (gains)/losses on disposal of property, plant and equipment	4	(37)
Movement in impairment losses	12 741	8 472
Changes in net market value of investments	(22 941)	15 964
CHANGES IN ASSETS AND LIABILITIES		
(Increase)/decrease in receivables	(30 793)	(61 342)
(Increase)/decrease in other current assets	(543)	195
(Increase)/decrease in prepayments - outward reinsurance	6 644	623
Increase/(decrease) in payables	16 893	4 275
Increase/(decrease) in accrued employee benefits	2 407	2 583
Increase/(decrease) in provisions	125	191
Increase/(decrease) in unearned income liability	3 328	(154)
Increase/(decrease) in future claims	55 782	110 483
NET CASH PROVIDED BY OPERATING ACTIVITIES	**67 806**	**49 567**

CF-2 CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

2022-23		NON-CASH CHANGES		CASH FLOWS		
	OPENING BALANCE $'000	NEW LEASES ACQUIRED $'000	OTHER $'000	CASH RECEIVED $'000	CASH REPAYMENTS $'000	CLOSING BALANCE $'000
Lease liabilities	13 293	-	1 061	-	(3 907)	10 447
TOTAL	**13 293**	**-**	**1 061**	**-**	**(3 907)**	**10 447**

2021-22		NON-CASH CHANGES		CASH FLOWS		
	OPENING BALANCE $'000	NEW LEASES ACQUIRED $'000	OTHER $'000	CASH RECEIVED $'000	CASH REPAYMENTS $'000	CLOSING BALANCE $'000
Lease liabilities	21 377	-	(4 477)	-	(3 607)	13 293
TOTAL	**21 377**	**-**	**(4 477)**	**-**	**(3 607)**	**13 293**

Accounting Policy - Cash flows are included in the Statement of Cash Flows on a gross basis with the Goods and Services Tax (GST) components of the cash flows shown as separate line items. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows. Refer to Note C1.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

SECTION 1 — HOW WE OPERATE - OUR OBJECTIVES AND ACTIVITIES

A1. BASIS OF FINANCIAL STATEMENT PREPARATION

GENERAL INFORMATION

The Queensland Building and Construction Commission (QBCC) is a statutory body established under the *Queensland Building and Construction Commission Act 1991* (the QBCC Act). The QBCC is a not-for-profit entity.

The Queensland Building and Construction Employing Office (QBCEO) is also a statutory body established under the QBCC Act, and is controlled by the QBCC. The QBCEO, through its employees, provides the skilled labour required to deliver the services provided by the QBCC.

The principal place of business of the QBCC is 299 Montague Road, West End, QLD 4101.

The QBCC is comprised of a General Statutory Fund and an Insurance Fund as stipulated by sections 25 and 26 of the QBCC Act. The QBCC's financial statements have been prepared as a consolidation of both funds. The balances and effects of transactions between the funds included in the consolidated financial statements have been eliminated.

THE REPORTING ENTITY

This financial report represents the financial statements for the consolidated entity of the QBCC, consisting of the parent entity, the QBCC, and its controlled entity, the QBCEO. The consolidated financial statements include the value of all assets, liabilities, equity, revenues and expenses of the QBCC.

This financial report does not separately disclose the QBCC's financial statements due to the immaterial differences between the consolidated and parent entity's financial statements. These immaterial differences are listed in Note F5.

BASIS OF CONSOLIDATION

In order to provide enhanced disclosure, the QBCC has adopted the principles outlined in Australian Accounting Standard AASB 10 Consolidated Financial Statements and AASB 12 Disclosure of Interest in Other Entities. This is considered appropriate as it reflects the relationship between the QBCC core business activities and those of the QBCEO. In reporting on the QBCC as a single economic entity, all internal transactions and balances have been eliminated.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

A1. BASIS OF FINANCIAL STATEMENT PREPARATION (CONTINUED)

STATEMENT OF COMPLIANCE

These general purpose financial statements are prepared on an accrual basis and in accordance with the Australian Accounting Standards (AASBs) and Interpretations, other authoritative pronouncements, the Financial and Performance Management Standard 2019 and Queensland Treasury's Minimum Reporting Requirements for reporting periods on or after 1 July 2022.

Except where stated, the historical cost convention is used.

PRESENTATION MATTERS

Currency and Rounding

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest $1,000 or, where the amount is $500 or less, to zero, unless disclosure of the full amount is specifically required.

Amounts shown in these financial statements may not add up to the correct sub-totals or total due to rounding.

Comparatives

Comparative information reflects the audited 2021-22 financial statements. There has been no material restatement of prior period amounts.

Current/Non-Current Classification

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

AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements are authorised for issue in accordance with a resolution by the QBC Board by the CEO & Commissioner, the Chair of the Board and the Chief Financial Officer at the date of signing the Management Certificate.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

A2. OBJECTIVES AND PRINCIPAL ACTIVITIES OF THE QBCC

The QBCC's objectives include:

- promote quality, safety, security of payment and licensee sustainability;
- deliver regulatory and insurance services that are timely, accurate, fair and transparent;
- put our people first, and support and value them; and
- be efficient and financially sustainable.

The QBCC's principal activities are:

- licensing
- dispute resolution
- home warranty insurance
- compliance and enforcement.

Our supporting business activities are:

- education and awareness campaigns
- payment dispute resolution.

The QBCC and the QBCEO are statutory bodies within the portfolio of the Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement.

A3. INSURANCE CONTRACTS RISK MANAGEMENT

The QBCC is responsible for the management of a statutory insurance scheme called the Queensland Home Warranty Scheme ("Scheme"). The Scheme's insurance product meets the definition of an insurance contract (a contract under which one party, the insurer, accepts significant insurance risk from another party, the policyholder, by agreeing to compensate the policyholder if a specified uncertain future event, the insured event, adversely affects the policyholder) and none of the contracts contain embedded derivatives or are required to be unbundled.

The Scheme provides Queensland consumers with "first resort" home warranty protection.

The scheme provides protection:

- where a contractor defaults on an obligation to complete residential construction work or fails to rectify defective residential construction work;
- for theft, vandalism or damage caused by fire, storm or tempest to incomplete standing works where a claim is made for completion of work;
- for damage caused by subsidence or settlement, even if the cause is defective design by an engineer or incorrect site classification.

As a statutory provider of home warranty insurance the QBCC insures all eligible residential construction work throughout Queensland and does not have the ability to be selective with its acceptance of risk.

To ensure the Scheme remains sustainable and continues to provide comprehensive cover which is reasonably priced, the QBCC is committed to a dedicated risk management framework.

The QBCC's exposure to concentration of insurance risk relates to:
- where there is a single large builder failure;
- extreme losses from single defects; or
- losses from a large scale downturn in the building industry.

These risks have been considered in order to estimate a Probable Maximum Loss for the QBCC.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

A3. INSURANCE CONTRACTS RISK MANAGEMENT (CONTINUED)

Risk is managed through several mechanisms.

Reinsurance

As part of the risk management strategy, the QBCC ensures that the reinsurance program meets the business needs by the maintenance of a Reinsurance Management Strategy (REMS). The REMS is a high-level strategic document which provides a framework for the placement of reinsurance and the acceptance of reinsurers for the QBCC's business. The strategy is reviewed and approved by the Board each financial year.

The level of reinsurance is approved by the QBC Board, on advice from QBCC's appointed reinsurance broker, the Scheme Actuary, the CEO & Commissioner and the Director Insurance Services. The level of reinsurance must ensure that at all times the QBCC will have sufficient capacity to meet its obligations as they fall due.

Reinsurers must be approved by the Board, upon management's recommendations.

Risk mitigation

Any insurance or warranty activity primarily involves the underwriting of risk and the management of claims. The QBCC manages its insurance business on the basis of strict risk management protocols and avoids premium volume/cash flow underwriting principles.

Underwriting - risk acceptance

As a statutory insurer the QBCC must accept all risks as presented. Underwriting of risk commences with an entity's application to hold or renew a contractor licence.

Under QBCC's Minimum Financial Requirements, an entity wishing to hold a contractor licence to perform residential construction work in Queensland must hold certain qualifications or their equivalent, and meet financial and managerial requirements. Currently these requirements allow a contractor to perform a stated maximum amount of work each year depending on their net tangible assets, provided they maintain a current ratio of 1 or more.

Once an entity has been granted a licence to perform residential construction work, eligibility to the Scheme is automatic. The QBCC Act provides that any contract for residential construction work entered into by an appropriately licensed person is deemed covered by the Scheme whether or not the premium was paid.

Risk pricing

The QBCC reviews premium prices annually to ensure the Scheme is managed in accordance with actuarially sustainable principles. Statistical modelling, based on historical and projected building industry and economic information as well as policy and claims data, ensures the pricing is adequate. Recommendations for adjustments to premiums are developed in conjunction with the Scheme Actuary to ensure adequacy prior to ministerial approval.

Warranty terms of cover

The terms of cover, including limitations and exclusions, set the cover provided and level of risk accepted by the Scheme. Structural defects are covered for six and a half years' duration for a single premium payment, and the claim must be lodged within three months of noticing the defect. Non-structural defects are covered if the consumer becomes aware, or ought reasonably to have become aware, of the defect within six months after the day the work is completed. The claim must be lodged within seven months of the completion date. As a statutory provider the terms and conditions of cover are not negotiable and are called up in legislation.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

A3. INSURANCE CONTRACTS RISK MANAGEMENT (CONTINUED)

Claims management

Some claims management functions are outsourced to Sedgwick Building Consultants who are responsible for preparing scopes, calling for tenders and managing rectification works.

Investment management

The Scheme's assets are invested in accordance with the Board's investment policy. The investment policy and investments are monitored to reflect the anticipated pattern of claim payments with sufficient assets held in reserve to meet calculated future claims liabilities.

Regulatory risk

The Australian Prudential Regulation Authority (APRA) supervises the financial safety and soundness of general insurers such that the community can have confidence that they will meet their financial commitments under all reasonable circumstances. As a statutory insurer the QBCC is not regulated by APRA, however it chooses to voluntarily comply with most prudential standards applicable to general insurers, with exceptions relating to supervisory review, disclosure and reporting to APRA and the application of an asset concentration risk charge on the basis the QBCC investment options are restricted by the *Statutory Bodies Financial Arrangements Act 1982.*

Claims development

The Scheme Actuary values future claims and associated costs. The actuary uses historical claims, underwriting data and expert models to arrive at a value. The Scheme is classed as "long-tail" insurance business. This means the claims may develop several years after the premium is paid.

The Scheme provides cover against non-completion of contracted works, defects in contracted works and subsidence or movement in contracted works. Each of these claim types has a distinct development pattern, non-completion claims being approved principally in the first two development years, defects being approved up to the ninth development year and subsidence up to the 10th and 11th development years.

As part of the QBCC's management of the Scheme, the Scheme Actuary reviews claims development patterns as part of the bi-annual Scheme performance review and calculates the outstanding claim liability. The QBCC has adopted the accounting standard AASB 1023 'General Insurance Contracts' for the calculation and preparation of the financial statements. The calculation of the outstanding claims provision meets this accounting standard.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

SECTION 2 NOTES ABOUT OUR FINANCIAL PERFORMANCE

B1. REVENUE

	NOTES	2023 $'000	2022 $'000
B1-1 LICENCE REVENUE			
Renewal fees		37 913	42 304
Application fees		5 666	5 749
		43 579	**48 053**

Accounting Policy - Upon application for a licence, new entrants pay both an application fee (for assessing and processing the application) and a renewal fee (to maintain a licence over the selected period). Revenue is recognised upfront when a licence is issued or renewed as all performance obligations have been met upon the issuance/renewal of the licence. Licences can be renewed for one year up to five. As there are multiple renewal periods that can be selected, licence fee revenue will fluctuate year to year depending on the number of renewals and the period they are renewed for.

B1-2 PREMIUM REVENUE

	NOTES	2023 $'000	2022 $'000
Premiums	B2-3	145 758	138 470
Movement in unearned premiums		(38 621)	(21 238)
		107 137	**117 232**

Accounting Policy - Premium revenue is the amounts charged to policyholders for insurance contracts. Premium revenue is earned from the date of notification (generally this is similar to the date of contract) over the period of the contract in accordance with the pattern of the incidence of risk expected. This period is thirteen months from the date of notification. The unearned portion of premium is recognised as an unearned income liability in the Statement of Financial Position. Refer to Note C11.

B1-3 INSURANCE ADMINISTRATION FEES REVENUE

	NOTES	2023 $'000	2022 $'000
Exchange commission fees received from reinsurers		51 477	43 729
Administration fees received from policyholders		1	18
		51 478	**43 747**

Accounting Policy - Administration fees are the amounts charged to cover administration costs for insurance contracts. For insurance contracts dated on or after the 28th October 2016, an exchange commission fee is charged to the reinsurers for insurance contracts to cover administration costs for insurance contracts. The QBCC continues to charge administration fees from policyholders for insurance contracts dated prior to 28th October 2016 for residential construction work deemed covered by the Scheme. Insurance administration fees revenue is recognised once the policy has been issued.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

B1. REVENUE (CONTINUED)

	NOTES	2023 $'000	2022 $'000
B1-4 REINSURANCE AND OTHER RECOVERIES REVENUE			
Reinsurers' share of claims approved		31 974	18 643
Reinsurers' share of future claims movement		15 816	52 939
Reinsurers' share of claims management fee		660	789
Recovery revenue		39 964	32 828
		88 414	**105 199**

Accounting Policy - The recovery revenue is the claims recoverable from licensees found at fault and are recognised when a claim is paid and finalised.

Reinsurers' share of claims approved is recognised at the time the claim is approved based on the level of reinsurance applicable to the policy. The reinsurers' share of future claims movement relates to the movement in the actuarial assessment of the future claims and the level of reinsurance. The QBCC is entitled to recover its external claims management costs from our reinsurers in some circumstances.

B1-5 INVESTMENT REVENUE

Changes in fair value of investments	22 941	(23 424)
Distributions	8 360	7 461
Interest	1 034	188
	32 335	**(15 775)**

Accounting Policy - Changes in the net market value of investments are recognised as revenue or expenses in the Statement of Comprehensive Income. Income derived from investments is brought to account when earned.

B1-6 OTHER REVENUE

Non-recurrent funding from Department of Energy and Public Works	27 589	9 984
Notifiable works	3 413	3 305
Infringements and court fines awarded	2 426	2 387
Pool safety certificate fees	1 566	1 690
Owner-builder fees	1 387	1 330
Adjudication application fees	180	117
Certificate fees	125	126
Search fees	73	91
Other	37	31
	36 796	**19 061**

Accounting Policy - Fines are recognised when issued, awarded or when convictions are recorded in favour of the QBCC.
All other revenue is recognised when goods or services are provided.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

B2. EXPENSES

	NOTES	2023 $'000	2022 $'000
B2-1 OUTWARD REINSURANCE			
Reinsurers' share of premium		51 934	69 239
Reinsurers' share of recovery		1 776	1 296
		53 710	**70 535**

Accounting Policy - Premium ceded to reinsurers is recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated as a prepayment and presented as other current asset on the Statement of Financial Position at the reporting date. Refer to Note C4.

B2-2 CLAIMS APPROVED AND CHARGED

	NOTES	2023 $'000	2022 $'000
Claims approved		69 406	35 974
Movement in provision for future claims processing cost	C12	4 738	17 417
Movement in provision for future claims	C12	51 044	93 066
Movement in unexpired risk	C11	4 629	1 096
		129 817	**147 553**

Accounting Policy - Claims approved, the movement in future claims and processing costs are recognised in respect of direct insurance business. The expense for claims approved is recognised when a home warranty insurance claim is approved by the QBCC. The QBCC also provides for claims reported but not yet approved, incurred but not reported, incurred but not enough reported. Refer to Note C12.

The QBCC incurs Goods and Services Tax (GST) for which it is currently unable to claim a decreasing adjustment, in accordance with Division 78 of *A New Tax System (Goods and Services Tax) Act 1999,* on all claim settlements.

B2-3 PROFIT/(LOSS) ON UNDERWRITING

	NOTES	2023 $'000	2022 $'000
Premiums received	B1-2	145 757	138 470
Less: Outward reinsurance premium expense	B2-1	(51 934)	(69 239)
QBCC's share of premiums		93 823	69 231
Less: Unearned premiums at the end of year	C11	(28 356)	(23 014)
Total premiums received and earned during the year		65 467	46 217
Add: Unearned premiums at the beginning of the year	C11	23 014	23 640
Less: Exchange commission		(33 278)	(21 864)
EARNED PREMIUMS		**55 202**	**47 993**
Claims approved and charged	B2-2	129 817	147 553
Less: Reinsurance and other recoveries		(52 813)	(72 398)
NET CLAIMS		**77 004**	**75 155**
PROFIT/(LOSS) ON UNDERWRITING		**(21 802)**	**(27 162)**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

B2. EXPENSES (CONTINUED)

PARTICIPATION IN THE INSURANCE SCHEME

DATE	QBCC	BROKERS/ REINSURERS
Pre - 01/07/91	10.0%	90.0%
01/07/91 - 30/06/98	25.0%	75.0%
01/07/98 - 30/09/99	30.0%	70.0%
01/10/99 - 30/06/03	25.0%	75.0%
01/07/03 - 30/06/04	32.5%	67.5%
01/07/04 - 30/06/08	25.0%	75.0%
01/07/08 - 30/06/10	20.0%	80.0%
01/07/10 - 30/06/15	30.0%	70.0%
01/07/15 - 30/06/22	50.0%	50.0%
01/07/22 - 30/06/23	67.0%	33.0%

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

B2. EXPENSES (CONTINUED)

	NOTES	2023 $'000	2022 $'000
B2-4 EMPLOYEE EXPENSE			
EMPLOYEE BENEFITS			
Wages and salaries		56 322	50 984
Employer superannuation contributions		7 502	6 623
Annual leave expense		5 826	5 670
Long service leave expense		1 684	2 177
Termination benefits		159	-
EMPLOYEE-RELATED EXPENSES			
Payroll tax		3 375	3 054
Workers' compensation premium		232	288
Fringe benefits tax		353	97
Training		820	445
Recruitment		670	344
Other employee related expenses		163	166
		77 105	**69 849**
Full-Time Equivalent Employees		579	511

Accounting Policy - Employee Expense

Employer superannuation contributions, annual leave entitlements and long service leave entitlements are regarded as employee benefits. Payroll tax and workers' compensation insurance are a consequence of employing staff, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses. The QBCC pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

Accounting Policy - Wages and Salaries

Wages and salaries due but unpaid at reporting date are recognised at current salary rates. As the QBCC expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts. Refer to Note C9.

Accounting Policy - Annual Leave and Long Service Leave

Annual Leave and Long Service Leave are accrued based on award entitlement. Refer to Note C9.

Accounting Policy - Sick Leave

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Key management personnel and remuneration disclosures are detailed in Note F1.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

B2. EXPENSES (CONTINUED)

	NOTES	2023 $'000	2022 $'000
B2-5 SUPPLIES AND SERVICES			
Consultants and contractors		15 885	8 922
Information system maintenance, equipment and furniture		9 455	5 332
Legal cost		5 317	3 535
Communications and marketing		2 017	4 304
Bank fees and charges		2 131	2 015
Property lease expenses		1 388	1 552
Property maintenance		1 711	1 653
Motor vehicles operating cost		275	211
Printing and stationery		357	336
Travel		363	172
		38 898	**28 032**

Accounting Policy - The QBCC recognises expenses when incurred, usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Lease expenses includes lease rentals for short-term leases, leases of low value assets and variable lease payments. Refer to Note C-7 for breakdown of lease expenses and other lease disclosures.

B2-6 DEPRECIATION AND AMORTISATION

Depreciation - right-of-use assets	C7	3 580	3 622
Depreciation - property plant and equipment	C6	843	901
Amortisation - intangibles	C5	214	359
		4 637	**4 882**

B2-7 IMPAIRMENT LOSSES ON FINANCIAL ASSETS

Sundry receivables		34 291	31 866
		34 291	**31 866**

Accounting Policy - Impairment losses may arise on assets held by the QBCC from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting Policies and events giving rise to impairment losses are disclosed in the following notes:
Receivables – Note C2-1

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

B2. EXPENSES (CONTINUED)

	NOTES	2023 $'000	2022 $'000
B2-8 FINANCE/BORROWING COSTS			
Interest on lease liabilities		196	282
		196	**282**

Accounting Policy - Finance costs are recognised as an expense in the period in which they are incurred. Refer to Note C7 for further detail on lease expenses.

B2-9 OTHER EXPENSES			
Internal audit(1)		68	120
External audit fees(2)		125	135
Board members' fees and costs (3)		294	357
Insurance Premiums(4)		607	440
Special payments(5)			
Ex-gratia payments		465	71
		1 559	**1 123**

Disclosures Relating to Other Expenses

(1) The amount disclosed for internal audit only includes expenditure for external sources.

(2) Total audit fees paid to the Queensland Audit Office relating to the 2022-23 financial statements are estimated to be $131,880 (2022: $119,000). There are no non-audit services included in this amount.

(3) The amount disclosed includes the costs for the Board members fees, travel, industry events, meeting costs, professional development and contractors / consultants engaged by the Board.

(4) The QBCC's non-current physical assets and other risks are insured through private insurance companies with premiums paid on a risk assessment basis.

(5) Special payments represent ex gratia expenditure and other expenditure that the QBCC is not contractually or legally obliged to make to other parties. The QBCC made seven special payments during 2022-23 above $5,000 (2022: three). Three payments were due to defective administration, three payments for employee related matters and one payment was in relation to a Home Warranty Insurance claim dispute. The previous financial year payments were due to Home Warranty Insurance claim disputes and employee related matters.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

SECTION 3 NOTES ABOUT OUR FINANCIAL POSITION

C1. CASH AND CASH EQUIVALENTS

	NOTES	2023 $'000	2022 $'000
Cash		1 490	1 584
Deposits at call		21 668	23 226
		23 158	**24 810**

Accounting Policy - Cash and Cash Equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked as at 30 June, as well as deposits at call with financial institutions.

Excess cash balances as defined in QBCC's Investment Policy in the QBCC's General and Insurance Funds' bank accounts are cleared to Queensland Treasury Corporation's (QTC) Cash Fund daily to maximise investment returns.

C2. RECEIVABLES

Sundry debtors		96 068	81 091
Less: Loss allowance		(74 125)	(61 384)
		21 943	**19 707**

Accounting Policy - Receivables

Sundry debtors are recognised at amounts due at the time of service delivery.

C2-1. IMPAIRMENT OF RECEIVABLES

Accounting Policy - Impairment of Receivables

The loss allowance for sundry debtors reflects lifetime expected credit losses. The method for calculating any loss allowance is to review each debt based on past experience for certain receivables such as fines and costs awarded by courts. In the case of recovery of insurance claims, each case was examined and assessed for potential impairment on a regular basis in light of the circumstances surrounding the creation of the receivable and subsequent recovery attempts. Most losses occur in the area of recovery of insurance claims paid from at fault parties, who in the majority of cases ceased to trade due to bankruptcy or insolvency. The QBCC recognised this facet of its business. This risk is provided for in premiums charged for insurance.

Impairment loss expense for the current year regarding the QBCC's receivables is disclosed in Note B2-7.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C2. RECEIVABLES (CONTINUED)

C2-1. IMPAIRMENT OF RECEIVABLES (CONTINUED)

Disclosure - Credit Risk Exposure of receivables

The carrying amount of receivables disclosed above represents the maximum exposure to credit risk from these items.

The QBCC has determined three material groupings for measuring expected credit losses. One group for General Fund measures expected credit losses determined using a provision matrix. The calculation for the provision matrix is based on historical observed default rates calculated using credit losses experienced during the past five years preceding 30 June 2023. The second General Fund group measures expected credit loss based on legislated license payment timeframes and individual assessment.

The Insurance Fund group is assessed individually for impairment.

Set out below is the credit risk exposure on the QBCC's sundry debtors broken down by the groupings and ageing band.

GENERAL FUND GROUP - INFRINGEMENTS AND MAGISTRATES ORDERS SUNDRY DEBTORS

AGEING	2023			2022		
	GROSS RECEIVABLES $'000	LOSS RATE %	EXPECTED CREDIT LOSSES $'000	GROSS RECEIVABLES $'000	LOSS RATE %	EXPECTED CREDIT LOSSES $'000
1 to 30 days overdue	218	83%	211	188	82%	154
31 to 60 days overdue	203	83%	169	228	83%	188
61 to 90 days overdue	98	83%	81	275	76%	209
> 90 days overdue	7 116	85%	6 001	7 025	85%	5 967
TOTAL	**7 636**		**6 462**	**7 716**		**6 518**

GENERAL FUND GROUP - OTHER SUNDRY DEBTORS

AGEING	2023			2022		
	GROSS RECEIVABLES $'000	LOSS RATE %	EXPECTED CREDIT LOSSES $'000	GROSS RECEIVABLES $'000	LOSS RATE %	EXPECTED CREDIT LOSSES $'000
1 to 30 days overdue	1,817	0%	2	1,706	0%	1
31 to 60 days overdue	848	1%	5	768	0%	0
61 to 90 days overdue	164	99%	162	181	97%	177
> 90 days overdue	1 926	100%	1 926	1 908	95%	1 811
TOTAL	**4 755**		**2 145**	**4 564**		**1 989**

INSURANCE FUND GROUP

AGING	2023			2022		
	GROSS RECEIVABLES $'000	LOSS RATE %	EXPECTED CREDIT LOSSES $'000	GROSS RECEIVABLES $'000	LOSS RATE %	EXPECTED CREDIT LOSSES $'000
1 to 30 days overdue	10,982	42%	4 593	7,734	32%	2 473
31 to 60 days overdue	4,632	85%	3 938	1,995	74%	1 482
61 to 90 days overdue	1,610	84%	1 347	2,261	78%	1 758
> 90 days overdue	66 453	84%	55 641	56 821	83%	47 165
TOTAL	**83 677**		**65 518**	**68 811**		**52 878**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C2. RECEIVABLES (CONTINUED)

C2-1. IMPAIRMENT OF RECEIVABLES (CONTINUED)

MOVEMENTS IN LOSS ALLOWANCE FOR SUNDRY DEBTORS

	2023 $'000	2022 $'000
Loss allowance as at 1 July	61 384	52 912
Increase/(decrease) in allowance recognised in operating result	34 291	31 866
Amounts written-off during the year	(21 550)	(23 394)
Loss allowance as at 30 June	**74 125**	**61 384**

C3. REINSURANCE RECEIVABLES

CURRENT		
Reinsurers' share of future claims provision	54 142	44 037
	54 142	**44 037**
NON-CURRENT		
Reinsurers' share of future claims provision	109 596	103 885
	109 596	**103 885**
REPRESENTED BY		
Expected future recoveries	183 773	163 270
Less discount to present value	(51 185)	(41 997)
	132 587	121 273
Risk margin	31 151	26 649
	163 738	**147 922**
RECONCILIATION OF MOVEMENT DURING THE YEAR		
Balance at 1 July	147 922	94 983
Provisions made	35 102	38 377
Payments made	(34 787)	(18 439)
Effects of changes in assumptions to prior year provisions	15 501	33 001
Balance at 30 June	**163 738**	**147 922**

Accounting Policy - Reinsurance Receivables

Reinsurance receivables on reported claims not yet approved, incurred but not reported, incurred but not enough reported are recognised as revenue. Reinsurance receivables are assessed and calculated in a manner similar to the assessment of outstanding claims. Reinsurance receivables in relation to "long-tail" classes are measured at the present value of expected future receipts.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C3. REINSURANCE RECEIVABLES (CONTINUED)

	2023 $'000	2022 $'000

DISCLOSURE - CREDIT RISK EXPOSURE

QBCC is exposed to credit risk for reinsurance receivables as follows:

Category		
Financial assets		
Reinsurance receivables	163 738	147 922
Total	**163 738**	**147 922**

No collateral is held as security by the QBCC.

The QBCC engages with reinsurers to limit the risk of the Scheme. There is a concentration of risk regarding the amount of receivables for the reinsurers. However, this risk is being managed by QBCC agreements with the reinsurers. The agreements allow for net settlement of receivables and payables monthly and specify the terms of settlement, thereby reducing the credit risk exposure for receivables.

C4. OTHER CURRENT ASSETS

Prepayments - outward reinsurance on unearned premium liability	18 350	24 994
Prepayments	3 257	2 715
Other - refundable bond	80	80
	21 687	**27 789**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C5. INTANGIBLES AND AMORTISATION EXPENSE

C5-1 ACCOUNTING POLICIES

Recognition and Measurement of Intangibles

Intangible assets comprising purchased software and internally developed software with a cost or other value equal to or greater than $100,000 are recognised in the Statement of Financial Position. Items with a lesser value are expensed. Each intangible asset, less any anticipated residual value, is amortised over its estimated useful life to the QBCC. The residual value is zero for all of the QBCC's intangible assets.

It has been determined that there is not an active market for any of the QBCC's intangible assets. As such, the assets are recognised and carried at a cost less accumulated amortisation and accumulated impairment losses.

Expenditure on research activities relating to internally generated intangible assets is recognised as an expense in the period in which it is incurred.

Amortisation Expense

The purchase cost of software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the QBCC, namely three to five years.

Costs associated with the development of computer software, including internal staff cost, have been capitalised and are amortised on a straight-line basis over the period of expected benefit to the QBCC, namely three to ten years.

Research and development expensed during the period is included in 'Employee Expenses' and 'Supplies and Services' as it was conducted by staff and contractors.

The following amortisation rates are used:

Software Internally Generated	10-34%

Impairment of intangible assets

All intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the QBCC determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets are principally assessed for impairment by reference to the actual and expected continuing use of the asset by the QBCC, including discontinuing the use of the software. Recoverable amount is determined as the higher of the asset's fair value less costs to sell and its value-in-use.

Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the QBCC with the right to access the cloud provider's application software over the contract period. As such the QBCC does not receive a software intangible asset at the contract commencement date.

Implementation costs including costs to configure or customise the cloud provider's application software are recognised as operating expenses when the services are received.

The QBCC does not recognise the current SaaS arrangements as intangible assets for any software systems under this type of arrangement. Licensing, support and maintenance costs are recognised over the contract period.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C5. INTANGIBLES AND AMORTISATION EXPENSE (CONTINUED)

C5-2 BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	2023 $'000	2022 $'000
SOFTWARE INTERNALLY GENERATED : AT COST		
Gross	11 814	11 814
Less: Accumulated amortisation	(11 471)	(11 256)
	343	558
Total	**343**	**558**

	SOFTWARE INTERNALLY GENERATED $'000	SOFTWARE WORK IN PROGRESS $'000	TOTAL $'000
2022-23			
Carrying amount at 1 July 2022	558	-	558
Acquisitions	-	-	-
Amortisation	(215)	-	(215)
Carrying amount at 30 June 2023	**343**	**-**	**343**
2021-22			
Carrying amount at 1 July 2021	917	-	917
Acquisitions	-	-	-
Amortisation	(359)	-	(359)
Carrying amount at 30 June 2022	**558**	**-**	**558**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C6. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION EXPENSE

C6-1 ACCOUNTING POLICIES

Property, Plant and Equipment

Recognition Thresholds for Property, Plant and Equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of $5,000 are recognised for financial reporting purposes in the year of acquisition.

Items with a lesser value are expensed in the year of acquisition.

Acquisition of Assets

Actual cost is used for the initial recording of all property, plant and equipment acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the asset ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Items comprising the QBCC technical library are expensed on acquisition.

Depreciation of Property, Plant and Equipment

Property, plant and equipment is depreciated on a straight line basis so as to allocate the net cost progressively over its estimated useful life to the Commission. For each class of depreciable assets, the following depreciation rates are used:

CLASS	RATE
Plant and equipment:	
Motor vehicles	15-20%
IT equipment	20-33%
Other equipment	3-33%
Leasehold improvements	3-44%

Impairment of non-current assets

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the QBCC determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C6. PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION EXPENSE (CONT.)

C6-2 BALANCES AND RECONCILIATION OF CARRYING AMOUNT

	NOTES	2023 $'000	2022 $'000
Plant & equipment			
Gross		2 879	3 093
Less: Accumulated depreciation		(1 697)	(1 572)
		1 182	1 521
Leasehold improvements			
Gross		9 966	9 966
Less: Accumulated depreciation		(8 853)	(8 415)
		1 113	1 551
TOTAL		**2 295**	**3 072**

Property, plant and equipment reconciliation

	LEASEHOLD $'000	PLANT & EQUIPMENT $'000	TOTAL $'000
2022-23			
Carrying amount at 1 July 2022	1 551	1 521	3 072
Acquisitions	-	69	69
Disposals		(4)	(4)
Depreciation expense	(438)	(405)	(843)
CARRYING AMOUNT AT 30 JUNE 2023	**1 113**	**1 182**	**2 295**
2021-22			
Carrying amount at 1 July 2021	2 035	1 795	3 830
Acquisitions	13	242	255
Disposals	(53)	(59)	(112)
Depreciation expense	(444)	(457)	(901)
CARRYING AMOUNT AT 30 JUNE 2022	**1 551**	**1 521**	**3 072**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C7. RIGHT OF USE ASSETS AND LEASE LIABILITIES

Right-of-use assets

	BUILDINGS $'000	TOTAL $'000
2022-23		
Opening balance at 1 July	11 283	11 283
Acquisitions	-	-
Disposals / derecognition	-	-
Depreciation expense	(3 580)	(3 580)
Other adjustments	1 061	1 061
CLOSING BALANCE AT 30 JUNE	**8 764**	**8 764**

	BUILDINGS $'000	TOTAL $'000
2021-22		
Opening balance at 1 July	19 382	19 382
Acquisitions	-	-
Disposals / derecognition	-	-
Depreciation expense	(3 622)	(3 622)
Other adjustments	(4 477)	(4 477)
CLOSING BALANCE AT 30 JUNE	**11 283**	**11 283**

Lease liabilities

	2023 $'000	2022 $'000
CURRENT		
Lease liabilities	4 034	3 672
NON-CURRENT		
Lease liabilities	6 413	9 621
TOTAL LEASE LIABILITIES	**10 447**	**13 293**

Accounting Policy - Leases

Right-of-use assets

Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability
- lease payments made at or before the commencement date, less any lease incentives received initial direct costs incurred, and
- the initial estimate of restoration costs

Right-of-use assets are subsequently depreciated over the lease term and subject to impairment testing on an annual basis.

The carrying amount of right-of-use assets are adjusted for any remeasurement of the lease liability in the financial year following a change in discount rate, a reduction in lease payments payable, changes in variable lease payments that depend upon variable indexes/rates or a change in lease term.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C7. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Accounting Policy - Leases (continued)

The QBCC measures right-of-use assets from concessionary leases at cost on initial recognition, and measures all right-of-use assets at cost subsequent to initial recognition.

The QBCC has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases and leases of low value assets. The lease payments are recognised as expenses as and when they occur. An asset is considered low value where it is expected to cost less than $10,000 when new.

Lease Liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that QBCC is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date

When measuring the lease liability, the QBCC uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined, which is the case for all QBCC's leases. To determine the incremental borrowing rate, the QBCC uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

Subsequent to initial recognition, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in the lease term.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C7. RIGHT OF USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Disclosures - Leases

(i) Details of leasing arrangements - Property leases

The QBCC currently has seven external property leases that are recognised as right-of-use assets and lease liabilities. Some of the leases have fixed rent reviews, whereas other leases are subject to market rent reviews or CPI-based rent increases. As the future rent increases for market based and CPI reviews are variable, they are not captured in the right-of-use asset or lease liability until the increases take effect.

(ii) Office accommodation

The Department of Energy and Public Works (DEPW) provides the QBCC with access to office accommodation under government-wide frameworks. These arrangements are categorised as procurement of services rather than as leases because DEPW has substantive substitution rights over the assets. The QBCC had two office accommodations under this framework during the financial year and the expenses are included in Note B2-5.

(iii) Amounts recognised in profit or loss

	2023 $'000	2022 $'000
Depreciation expense for right of use assets	3 580	3 622
Interest expense on lease liabilities	196	282
Breakdown of 'Property lease expenses' included in Note B2-5.		
- Expenses relating to office accommodation provided by DEPW	1 206	1 356
- Expenses relating to short-term leases	182	196
(iv) Total cash outflow for leases	3 907	3 607

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C8. PAYABLES

	NOTES	2023 $'000	2022 $'000
Sundry creditors		11 477	11 101
Accruals		3 660	2 295
Claims approved but not yet paid		36 524	20 174
Reinsurers' share of recoveries provision		7 341	8 281
		59 001	**41 851**
GST payable		1 339	1 364
GST receivable		(1 055)	(822)
		284	542
TOTAL		**59 285**	**42 393**

Accounting Policy - Payables

Sundry creditors are recognised upon receipt of the goods and services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 30-day terms.

The QBCC is a State body as defined under the Income Tax Assessment Act 1936 and is exempt from Commonwealth taxation, with the exception of Fringe Benefits Tax (FBT) and GST. FBT and GST are the only taxes accounted for by the QBCC. GST credits receivable from and GST payable to the Australian Taxation Office (ATO), are recognised.

Receivables and payables are recognised inclusive of the amount of GST that is receivable or payable. An allowance for GST payable on future claims has been included in the provision for future claims.

Claims

The claims approved but not yet paid liability covers claims unpaid at reporting date. Claims outstanding are assessed and estimated changes in the ultimate cost of settling claims.

C9. ACCRUED EMPLOYEE BENEFITS

Current			
Wages and salaries outstanding		1 715	841
Annual leave provision		8 593	7 832
Long service leave provision		972	907
Time off in lieu provision		71	83
		11 351	**9 663**
Non-Current			
Long service leave provision		10 990	10 271
		10 990	**10 271**

Accounting Policy - Accrued Employee Benefits

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the QBCC resulting from employees' services provided up to the balance date.

Wages and salaries due but unpaid at reporting date are recognised at current salary rates. As the QBCC expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C9. ACCRUED EMPLOYEE BENEFITS (CONTINUED)

Liabilities for employee entitlements which are not expected to be settled within 12 months are recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity.

In determining the liability for employee entitlements, consideration has been given to future increases in wage and salary rates, and the QBCC's experience with staff separations. Related on-costs have also been included in the liability.

The long service leave provision also takes into account employees' prior service in other state, local or federal government entities.

Superannuation contributions by the QBCC are made to an employee superannuation scheme and to other funds as required under award legislation. Contributions are expensed in the period in which they are paid or payable. The QBCC has no obligation to cover any shortfall in any of the funds' obligations to provide benefits to employees on retirement. Therefore, no liability is recognised for accruing superannuation benefits in the QBCC's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

C10. PROVISIONS

	NOTES	2023 $'000	2022 $'000
CURRENT			
Leasehold restoration		-	502
		-	**502**
NON-CURRENT			
Leasehold restoration		1 263	636
		1 263	**636**

Accounting Policy - Provisions

Provisions are recorded when the QBCC has a present obligation, either legal or constructive, as a result of a past event. They are recognised at the amount expected at reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate.

Provision for leasehold restoration

As at 30 June 2023, the QBCC has nine offices in Queensland, of which eight are commercial agreements and one agreement via the Queensland Government Accommodation Office. The leasehold restoration provision relates to seven properties as per the current agreements. One property does not have a provision for leasehold restoration as it was paid in advance at the beginning of the lease. The provision has been calculated by an estimated rate per square metre, based on historical trends at current rates.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C11. UNEARNED INCOME LIABILITY

	NOTES	2023 $'000	2022 $'000
Current			
Unearned premium liability			
QBCC's share		28 357	23 014
Unexpired risk liability		8 253	3 624
Reinsurers' share		18 350	24 994
		54 960	**51 632**

Accounting Policy - Unearned income

Unearned premium liability

The QBCC recognises premium revenue from the date of notification over a period in accordance with the pattern of incidence of expected risk. Any unearned portion is recognised as an unearned premium liability.

Liability adequacy test

The liability adequacy test is an assessment of the amount of the unearned premium liability and is conducted at each reporting date. If the current estimates of the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance policies, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability, then the unearned premium liability is deemed to be deficient. Any deficiency is recognised in the Statement of Comprehensive Income with the corresponding impact on the Statement of Financial Position recognised as an unexpired risk liability.

The conduct of the liability adequacy test as at 30 June 2023 identified a deficiency for the insurance scheme.

For the purpose of the liability adequacy test, the premium liability provision required is $36.61 million (2022 $26.63 million), including a risk margin of $6.102 million (2022 $4.063 million). The unearned premium liability in the account totalled $28.36 million (2022 $23.01 million) and the deficiency of $8.254 million (2022 $3.624 million) has been recorded as an unexpired risk liability.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C12. FUTURE CLAIMS AND ASSOCIATED COSTS

	NOTES	2023 $'000	2022 $'000
Current		129 503	95 905
Non-current		273 549	251 365
		403 052	**347 270**

Represented by

Expected future claims payments		456 061	385 343
Claims handling provision		71 163	65 240
		527 224	**450 583**
Less discount to present value		(190 046)	(154 795)
		337 178	**295 788**
Risk margin		65 874	51 482
Liability for outstanding claims		**403 052**	**347 270**

Reconciliation of movement during the year

Gross Liability

Balance at 1 July		347 270	236 786
Provisions made		101 239	91 747
Payments made		(111 812)	(57 731)
Effects of changes in assumptions to prior year provisions		66 355	76 468
BALANCE AT 30 JUNE		**403 052**	**347 270**

Accounting Policy - Future claims and associated costs

The liability covers claims reported but not yet paid, incurred but not reported, incurred but not enough reported and the anticipated direct and indirect cost of settling claims, and settlement costs using statistics based on past experience and trends. All outstanding claims, including "long-tail" classes, are subject to independent actuarial assessment. "Long-tail" classes refer to claims not settled within one year of the incidence of risk.

The estimate of the QBCC's liability for future claims and associated costs is influenced by the effects of inflation and the discount rate used to obtain the present value of those estimated future costs. The discount rate is the projected "risk free" rate as at 30 June 2023.

The liability for outstanding claims for "long-tail" classes is measured at the present value of expected future payments. Payments are estimated on the basis of the ultimate cost for settling claims, including factors such as inflation. Such estimates are subject to uncertainty due to variations, which may affect components of the estimates. The expected future payments are discounted to present value at the balance date using market determined, risk-free discount rates.

The liability for outstanding claims is calculated using a "best estimate" methodology, which is a central estimate of likely future claim payments. This central estimate is intended to be neither optimistic nor pessimistic about future claims.

Refer to Note D1 for more details.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C12. FUTURE CLAIMS AND ASSOCIATED COSTS (CONTINUED)

Claims Development

The following table shows the development of net undiscounted outstanding claims for each underwriting year relative to the ultimate expected claims.

UNDERWRITING YEAR	2013 ($)	2014 ($)	2015 ($)	2016 ($)	2017 ($)	2018 ($)	2019 ($)	2020 ($)	2021 ($)	2022 ($)	2023 ($)	TOTAL ($)
ESTIMATE OF ULTIMATE CLAIMS COST:												
At end of under writing year				29,640,378	27,003,441	28,189,318	24,612,480	21,680,438	31,713,675	31,150,573	42,067,420	
One year later			18,961,852	25,817,769	27,838,578	26,177,202	17,628,599	17,137,832	33,647,700	28,795,524		
Two years later		13,842,436	20,025,080	27,289,236	25,389,310	21,019,056	16,495,690	17,970,873	30,160,030			
Three years later	10,555,862	13,464,079	19,386,944	24,183,647	23,388,914	21,122,412	17,976,068	15,113,509				
Four years later	9,770,627	13,648,380	17,234,916	22,315,526	22,709,988	23,223,225	16,409,543					
Five years later	10,425,045	12,008,208	16,377,701	23,273,356	24,302,731	21,265,040						
Six years later	9,163,340	11,801,909	16,021,245	25,027,651	21,829,455							
Seven years later	8,686,681	12,439,504	16,899,314	24,487,202								
Eight years later	8,951,033	12,868,391	16,852,029									
Nine years later	9,428,493	12,684,342										
Ten years later	9,295,839											
Current estimate of cumulative claims cost	9,295,839	12,684,342	16,852,029	24,487,202	21,829,455	21,265,040	16,409,543	15,113,509	30,160,030	28,795,524	42,067,420	**238,959,933**
Cumulative payments	9,010,176	11,888,481	15,285,990	20,349,537	16,173,014	13,109,825	7,859,138	4,709,928	9,068,537	3,838,817	750,680	**112,044,122**
Undiscounted outstanding claims	285,664	795,861	1,566,039	4,137,665	5,656,441	8,155,215	8,550,405	10,403,582	21,091,493	24,956,707	41,316,740	126,915,811

	TOTAL
Undiscounted outstanding claims for prior underwriting years	544,572
Claims handling expenses	85,218,813
Event Claims (large claims)	50,782,157
Backlog allowance	5,254,146
Non-reinsurance recoveries	5,520,820
CENTRAL ESTIMATE OF OUTSTANDING CLAIMS	**274,236,319**
Discount	(33,035,943)
DISCOUNTED CENTRAL ESTIMATE	**241,200,376**
Risk margin	34,722,684
Net insurance liability	275,923,061
Premium Liability	36,609,826
OUTSTANDING CLAIMS LIABILITY	**239,313,234**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C12. FUTURE CLAIMS AND ASSOCIATED COSTS (CONT.)

Reinsurance receivables and future claims cost and associated cost

The QBCC relies on the Scheme Actuary to value reinsurance receivables and future claims and associated cost. The Scheme Actuary uses historical claims trends, the new business issued and expert models to arrive at a value.

The QBCC engaged the Scheme Actuary to prepare the insurance liabilities valuation as at 30 June 2023. The philosophy adopted in this review is similar to the previous year.

The Scheme Actuary incorporated a prudential margin loading of 25.0% in relation to projected future claims in order to achieve a 75% confidence level that the outstanding claims provision would be adequate. No additional contingency margin was incorporated.

The table below sets out the adopted risk margin by claims type, after allowance for diversification benefits.

RISK MARGIN

	2023	2022
Defects	19.8%	17.8%
Non-Completion	20.0%	17.8%
Subsidence	19.7%	17.6%
Professional Fees	20.3%	18.0%
TOTAL	**20.0%**	**18.0%**

To determine the appropriate risk margin the Scheme Actuary applied the approach recommended in “A Framework for Assessing Risk Margins”, a paper prepared by a taskforce of the Institute of Actuaries of Australia. That approach requires estimates of coefficients of variation (standard deviation as a proportion of the mean) and various correlations. To determine the assumptions the Scheme Actuary applied some high level statistical tests on QBCC’s claims experience, however, a considerable element of judgement is also required when selecting the assumptions.

The Scheme Actuary uses a number of methods to estimate the amount of undiscounted outstanding claims for each claim type. They are:

- Chain Ladder Method (in relation to claim numbers and payments)
- Payments Per Claim incurred Method
- Bornhuetter-Ferguson Method.

The analysis was undertaken on an underwriting year basis with the adopted liabilities typically being a mix of the three methods. Notification delays for some claim types means that it is not possible to rely on the emerging experience for recent underwriting years. Generally, in these cases the Scheme Actuary relied more heavily on the Bornhuetter-Ferguson method, which produces results based on long term average claim frequency and severities.

The QBCC enters into agreements for reinsurance with external reinsurance companies. The rate of reinsurance is stated in the agreements and the rates are listed in Note B2-3. The reinsurance receivable amount is calculated based on the future claim cost and the rate of reinsurance at the time the policy was issued.

The key assumptions which are used to determine the Scheme's performance and the outstanding claims provisions are:
- various claims frequencies and average sizes (by claim type)
- external claims management cost from outsourced service provider
- inflation of claim costs
- discounting of projected future cash flows to allow for the time value of money
- event claims for claims relating to a single large event, such as builder insolvency
- claims handling expense which are the QBCC costs of managing claims.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

C12. FUTURE CLAIMS AND ASSOCIATED COSTS (CONT.)

Reinsurance receivables and future claims cost and associated cost (continued)

The following average inflation rates and discount rates were used in measurement of the outstanding claims:

	2023	2022
Inflation rate	3.23%	3.20%
Discount rate (first year)	4.30%	1.00%

The weighted average time until liabilities are expected to be approved is estimated to be 3.1 years.

Sensitivity testing

As part of the bi-annual reporting, the Scheme Actuary performs sensitivity analysis to measure the impact of changes and quantify the Scheme's exposure through application of the following variables:

- inflation rate
- discount rate
- 2% super-imposed inflation for defects
- risk margin increased to 22%
- cessation of non-reinsurance recoveries (recoveries and costs)
- The QBCC is advised of defect "event" which will result in $10 million in claim costs as a result of six large builder insolvencies.

Impact of changes in valuation on Gross and Net Outstanding Claims Provision:

JUNE 2023	GROSS OUTSTANDING CLAIMS PROVISION $M		NET OUTSTANDING CLAIMS PROVISION $M	
	452.773		**275.923**	
CHANGE TO VALUATION	CHANGE IN GROSS PROVISION $M	DIFFERENCE	CHANGE IN NET PROVISION $M	DIFFERENCE
4% p.a. long term inflation rate (the valuation assumes 3.2% p.a.)	9.445	2.1%	5.923	2.1%
2% p.a. long term inflation rate (the valuation assumes 3.2% p.a.)	(14.514)	(3.2%)	(9.095)	(3.3%)
1% p.a. increase to the discount rates	(6.337)	(1.4%)	(4.011)	(1.5%)
1% p.a. decrease to the discount rates	6.527	1.4%	4.134	1.5%
Risk margin increased from 20% to 22%	6.587	1.5%	3.472	1.3%
Risk margin decreased from 20% to 18%	(6.587)	(1.5%)	(3.472)	(0.8%)
Gross claims cost associated with the six large builder insolvencies increases by $10 million	14.000	3.1%	7.704	1.7%
Cessation of non-RI recoveries and costs	4.308	1.0%	(4.374)	(1.0%)
Claims Handling Expense rate of 30% (currently 20%)	31.448	6.9%	31.448	11.4%
Claims Handling Expense rate of 15% (currently 20%)	(15.724)	(3.5%)	(15.724)	(5.7%)

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

JUNE 2022	GROSS OUTSTANDING CLAIMS PROVISION $M		NET OUTSTANDING CLAIMS PROVISION $M	
		347.270		**225.986**
CHANGE TO VALUATION	CHANGE IN GROSS PROVISION $M	DIFFERENCE	CHANGE IN NET PROVISION $M	DIFFERENCE
Inflation returns to long term level in September 2024 (the valuation assumes September 2023)	26.103	6.7%	15.262	6.8%
4% p.a. long term inflation rate (the valuation assumes 3.2% p.a.)	6.349	1.6%	3.738	1.7%
2% p.a. long term inflation rate (the valuation assumes 3.2% p.a.)	(9.582)	(2.4%)	(5.641)	(2.5%)
1% p.a. increase to the discount rates	(5.688)	(1.5%)	(3.381)	(1.5%)
1% p.a. decrease to the discount rates	5.860	1.5%	3.484	1.5%
Risk margin increased from 18% to 22.5%	12.879	3.3%	6.212	2.7%
Risk margin decreased from 18% to 16.2%	(5.142)	(1.3%)	(2.480)	(0.6%)
Gross claims cost associated with the four large builder insolvencies increases by $10 million	13.963	3.6%	6.635	1.7%
Cessation of non-RI recoveries and costs	4.308	1.1%	(4.374)	(1.1%)
Claims Handling Expense rate of 30% (currently 21.6%)	22.738	5.8%	22.738	10.1%
Claims Handling Expense rate of 15% (currently 21.6%)	(18.032)	(4.6%)	(18.032)	(8.0%)

C13. NET CLAIMS INCURRED

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

	2022-23			2021-22		
	CURRENT YEAR $'000	PRIOR YEARS $'000	TOTAL $'000	CURRENT YEAR $'000	PRIOR YEARS $'000	TOTAL $'000
Gross claims incurred and related expenses - undiscounted	130 330	30 157	160 487	121 891	69 736	191 627
Reinsurance and other recoveries - undiscounted	(40 252)	(24 428)	(64 680)	(44 649)	(43 169)	(87 818)
Net claims incurred - undiscounted	90 078	5 729	95 807	77 242	26 567	103 809
Discount and discount movement - gross claims incurred	(14 733)	(328)	(15 061)	(13 021)	(20 028)	(33 049)
Discount and discount movement - reinsurance and other recoveries	4 467	899	5 365	4 720	9 735	14 455
Net discount movement	(10 266)	570	(9 696)	(8 301)	(10 293)	(18 594)
TOTAL DISCOUNTED NET INCURRED CLAIMS	**79 812**	**6 300**	**86 111**	**68 941**	**16 274**	**85 215**

	2023 $'000	2022 $'000
Other recoveries undiscounted		
Claims recoverable from licensees	39 829	32 765
Allowance for impaired receivables	(33 030)	(30 652)
	6 799	2 113
Reinsurers' portion	(1 776)	(1 296)
TOTAL UNDISCOUNTED RECOVERIES	**5 023**	**817**
Total discounted net incurred claims	82 027	75 972
Add: other recoveries undiscounted	(5 158)	(880)
UNDERWRITING CLAIMS	**76 869**	**75 092**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

SECTION 4 — NOTES ABOUT RISKS AND OTHER ACCOUNTING UNCERTAINTIES

D1. FAIR VALUE MEASUREMENT

D1-1. ACCOUNTING POLICIES AND BASIS FOR FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the QBCC include, but are not limited to, share prices, inflation rate, interest rate, and government bond rates.

Unobservable inputs are data, assumptions and judgments that are not available publicly, but are relevant to the characteristics of the assets/liability being valued. Significant unobservable inputs used by the QBCC include, but are not limited to, average claim size, ultimate claims rate, large claims loading, and claims handling expense ratio. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

All assets and liabilities of the QBCC for which fair value is measured or disclosed in the financial statements are categorised by the rankings below, based on the data and assumptions used in the most recent specific appraisals:

- 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
- Level 3 – represents fair value measurements that are substantially derived from unobservable inputs.

There were no transfers of assets between fair value hierarchy levels during the period.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

D1. FAIR VALUE MEASUREMENT (CONTINUED)

D1-2. HIERARCHY OF ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

The following table presents the QBCC's assets and liabilities measured and recognised at fair value at 30 June 2023. There have been no transfers between Level 1 and Level 2 during the current financial period.

AS AT 30 JUNE 2023

	CLASSIFICATION ACCORDING TO FAIR VALUE HIERARCHY			TOTAL CARRYING AMOUNT
	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	2023 $'000
FINANCIAL ASSETS				
Investments with QTC	-	21 668	-	21 668
Investments with QIC	-	487 562	-	487 562
TOTAL	**-**	**509 229**	**-**	**509 229**

AS AT 30 JUNE 2022

	CLASSIFICATION ACCORDING TO FAIR VALUE HIERARCHY			TOTAL CARRYING AMOUNT
	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	2022 $'000
FINANCIAL ASSETS				
Investments with QTC	-	23 226	-	23 226
Investments with QIC	-	398 747	-	398 747
TOTAL	**-**	**421 973**	**-**	**421 973**

Valuation Techniques

Investments

Investments are with Queensland Treasury Corporation (QTC) and Queensland Investment Corporation Limited (QIC) and measured at fair value based on the current redemption value of the funds as advised by the respective organisation. The QBCC invests in the following funds:

- QTC capital guaranteed cash fund
- QIC cash enhanced fund
- QIC long term diversified fund

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

D2. FINANCIAL RISK DISCLOSURES

D2-1. FINANCIAL INSTRUMENT CATEGORIES

Financial assets and financial liabilities are recognised in the statement of financial position when the QBCC becomes party to the contractual provisions of the financial instrument. The QBCC has the following categories of financial assets and financial liabilities:

CATEGORY	NOTES	2023 $'000	2022 $'000
Financial assets			
Cash and cash equivalents	C1	23 158	24 810
Receivables	C2	21 943	19 707
Investments	D1-2	487 562	398 747
TOTAL		**532 663**	**443 264**
Financial liabilities			
Payables	C8	59 286	42 393
Lease Liabilities	C7	10 447	13 293
TOTAL		**69 733**	**55 686**

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

D2-2. FINANCIAL RISK MANAGEMENT

The QBCC's activities expose it to a variety of financial risks - credit risk, liquidity risk and market risk.

Financial risk management was implemented pursuant to Queensland Government requirements and policies approved by the Board. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the QBCC.

All financial risk is managed by the Financial Services Division under policies approved by the Board. The Board provided written principles for overall risk management, as well as policies covering specific areas.

The QBCC measures risk exposure using a variety of methods:

Risk Exposure	Measurement method
Credit risk	Ageing analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Interest rate risk and price risk

Credit Risk Exposure

Credit risk exposure refers to the situation where the QBCC may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets (disclosed in Note C2 and D1-2) was the gross carrying amount of those assets inclusive of any provision for impairment.

The QBCC manages credit risk through the use of a credit management strategy. This strategy aims to reduce exposure to credit default by ensuring that the QBCC invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

D2. FINANCIAL RISK DISCLOSURES (CONTINUED)

D2-2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk

The QBCC does not trade in foreign currency and is not materially exposed to commodity price changes. The QBCC is exposed to interest rate risk and price risk through its leases, investments with Queensland Treasury Corporation (QTC), Queensland Investment Corporation (QIC) and cash deposited in interest bearing accounts.

Interest Rate Sensitivity Analysis

The QBCC has cash and cash equivalents, leases and investments that are impacted by interest rate risk. The impact of this is not material to disclose a sensitivity analysis.

Price Risk

Price risk relates to QBCC's investments in funds managed by QTC and QIC. The QBCC currently invests in the QTC capital guaranteed cash fund, QIC cash enhanced fund and QIC long term diversified fund in accordance with the QBCC investment powers under the *Statutory Bodies Financial Arrangements Act 1982*. The fund most impacted by price risk is the QIC long term diversifed fund.
The price risk is actively managed by QIC by diversifying the investment mix. The fund currently invests in the following areas:

- Global real estate
- Global infrastructure
- Other alternatives
- Global private equity and
- Global fixed interest and cash.

D2-3. LIQUIDITY RISK - CONTRACTUAL MATURITY OF FINANCIAL LIABILITIES

Liquidity risk refers to the situation where the QBCC may encounter difficulty in meeting obligations associated with financial liabilities that are settled by cash or another financial asset. The QBCC is exposed to liquidity risk in respect of its payables.

The QBCC manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the QBCC has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved through a daily examination of cash requirements to ensure various bank accounts hold the minimum cash requirements for immediate use and that medium-term requirements are held with QTC in order to maximise opportunity gains. Long-term requirements are invested in various QIC products.

	2023 PAYABLE IN		
	<1 YEAR $'000	>1 YEARS $'000	TOTAL $'000
Financial liabilities			
Payables	59 285	-	59 285
Lease Liabilities	4 034	6 413	10 447
TOTAL	**63 319**	**6 413**	**69 733**

	2022 PAYABLE IN		
	<1 YEAR $'000	>1 YEARS $'000	TOTAL $'000
Financial liabilities			
Payables	42 393	-	42 393
Lease Liabilities	3 672	9 621	13 293
TOTAL	**46 065**	**9 621**	**55 686**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

D3. CONTINGENT LIABILITIES

Building Disputes

The QBCC currently manages building disputes which, once resolved, may result in litigation against the QBCC.
At this stage it is not possible to determine the outcome to disputes or to quantify if any liability exists.

Financial Guarantees and Associated Credit Risk

The QBCC has one guarantee as security for lease of office premises, totalling $932,843.
The guarantee is not recognised in the Statement of Financial Position as it is not expected that the guarantee will be called upon.

D4. EVENTS OCCURRING AFTER THE REPORTING DATE

There have been no events that have arisen subsequent to the reporting date that may significantly affect the operation of the QBCC.

D5. FUTURE IMPACT OF ACCOUNTING STANDARDS NOT YET EFFECTIVE

Australian accounting standards and interpretations with future effective dates are either not applicable to the QBCC's activities or have no material impact. See below specific commentary on AASB 17 'Insurance Contracts'.

AASB 17 Insurance Contracts

"AASB 2022-9 Amendments to Australian Accounting Standards - Insurance Contracts in the Public Sector makes amendments to AASB 17 Insurance Contracts. The amendment standards is effective on or after 1 July 2026. The main modifications to AASB 17 include providing public sector entities with:
(a) pre-requisites, indicators and other considerations that need to be judged to identify arrangements that fall within the scope of AASB 17 in a public sector context;
(b) an exemption from sub-grouping onerous versus non-onerous contracts at initial recognition;
(c) an exemption from sub-grouping contracts issued no more than a year apart;
(d) an amendment to the initial recognition requirements so that they do not depend on when contracts become onerous; and
(e) an accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach.

The QBCC is yet to commence analysing the changes in recognition, measurement, presentation and disclosure of its insurance contracts against this new standard and is yet to form conclusions about significant impacts. QBCC will continue to monitor updates from the AASB in this regard.

D6. GOING CONCERN

The consolidated financial statements have been prepared on the assumption that QBCC will continue as a going concern.

Management remains confident that QBCC will be able to continue as a going concern. This assumes QBCC will be able to continue trading and realise assets and discharge liabilities in the ordinary course of business for at least 12 months from the date of the consolidated financial statements. In determining this position, management have considered the following factors:

- Operating surplus from continuing operations of $19,522,000 (2022: $36,568,000 deficit)
- Net asset position of $178,141,000 (2022: $158,228,000)
- Net cash provided from operating activities of $67,806,000 (2022: $49,567,000)

Based on the above factors and the ongoing support of the QBCC from the Queensland Government including the provision of funding to support operational needs as required, management consider that the QBCC will be able to meet its debts as and when they fall due for at least a period of 12 months from the date of the consolidated financial statements.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

SECTION 5 — NOTES ON OUR PERFORMANCE COMPARED TO BUDGET

E1 BUDGETARY REPORTING DISCLOSURES

This section contains explanations of major variances between the QBCC's actual 2022-23 financial results and the original budget presented to Parliament.

E1-1 EXPLANATIONS OF MAJOR VARIANCES - STATEMENT OF COMPREHENSIVE INCOME

Premium and Insurance administration fees revenue	The increase in premium and insurance administration fees revenue is due to industry activity and increase in building costs which determines insurance premiums.
Reinsurance and other recoveries revenue	The increase in reinsurance and other recoveries revenue is due to an increase in the reinsurers' share of future claims as a result of the actuarial assessment of the Home Warranty Insurance Scheme liability.
Investment revenue	The increase in investment revenue is due to the investment performance of the QIC long term diversified fund and increase in the cash rate.
Other revenue	The increase in other revenue is due to release of funding centrally held for 2022-23.
Claims approved and charged	The increase in claims approved and charged is due increase in non-completion claims as a result of several project home builders collapses.
Employee expenses	The decrease in employee expenses is due to the current difficulties in the recruitment market. The QBCC has progressed during 2022-23 to fill vacant roles with a focus on frontline and technical positions.
Supplies and services	The decrease in supplies and services is due to a number of budgeted initiatives being delayed or not occurring.
Impairment losses on financial assets	The decrease in impairment losses on financial assets is due to lower than anticipated claim write offs due to a higher recovery rate than budgeted.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

E1 BUDGETARY REPORTING DISCLOSURES (CONTINUED)

E1-2 EXPLANATIONS OF MAJOR VARIANCES - STATEMENT OF FINANCIAL POSITION

Cash and cash equivalents	The increase in cash and cash equivalents is due to the increased General Fund cash holding from the funding being released in 2022-23.
Receivables	The increase in receivables is due to an increase in claims recoveries debts and a lower than expected number of claim debts written-off.
Current reinsurance receivables	The increase in reinsurance receivables is due to an increase in the provision for reinsurers' share of future claims provision as a result of an actuarial assessment for the change in reinsurance quota share for 2022-23 which was not forecast in the budget.
Other financial assets	The increase in other financial assets is due to increased cash flow from insurance premiums as a result of industry activity and higher unrealised gains in investments.
Non-current reinsurance receivables	The decrease in non-current reinsurance receivables is due to a decrease in the provision for reinsurers' share of future claims provision as a result of an actuarial assessment for the change in reinsurance quota share for 2022-23 which was not forecast in the budget.
Right-of-use assets	The decrease in right-of-use assets is due to the ageing of the lease agreements for the leased properties.
Payables	The increase in payables is due to an increase in the claims approved but not yet paid and other payable accounts increasing as at end of financial year.
Future claims and associated costs	The increase in future claims and associated costs is due to an actuarial assessment for the change in the QBCC quota share for 2022-23 which was not forecast in the budget.
Non-current lease liabilities	The decease in non-current lease liabilities is due to the ageing of the lease agreements for the leased properties.
Non-current future claims and associated costs	The decrease in non-current future claims and associated costs is due to an actuarial assessment for the change in the QBCC quota share for 2022-23 which was not forecast in the budget.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

E1 BUDGETARY REPORTING DISCLOSURES (CONTINUED)

E1-3 EXPLANATIONS OF MAJOR VARIANCES - STATEMENT OF CASH FLOWS

Received from licence fees	The increase in the cashflow from licence fees is due to a higher take up rate of multi-year licence renewals in 2022-23.
Received from insurance administration fees	The increase in received from insurance administration fees is due to an increased number of insurance policies issued in 2022-23 as a result of industry activity and increase in building costs which is linked to insurance premiums.
Received from other revenue	The increase in received from other revenue is due to release of funding centrally held for 2022-23.
Payments to employees	The decrease in payments to employees is due to the current difficulties in the recruitment market. The QBCC has progressed during 2022-23 to fill vacant roles with a focus on frontline and technical positions.
Received from premiums	The increase in received from premiums is due to an increased number of insurance policies issued in 2022-23 as a result of industry activity and increase in building costs which is linked to insurance premiums.
Received from reinsurers and other recoveries	The increase in received from reinsurers and other recoveries is due to an increased reinsurer share in claims approved as a result of several project home builders collapses causing a significant increase in non-completion claims.
Investment in other financial assets	The increase in investment in other financial assets is due to increased cash flow from insurance premiums as a result of industry activity.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

SECTION 6 — OTHER INFORMATION

F1. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES

Details of Key Management Personnel

The QBCC's responsible Minister, the Minister for Energy, Renewables and Hydrogen and Minister for Public Works and Procurement, is identified as part of the QBCC's KMP, consistent with additional guidance included in the revised version of AASB 124 Related Party Disclosures.

The following details for non-Ministerial KMP reflect those positions that had authority and responsibility for planning, directing and controlling the activities of the QBCC during 2022-23 and 2021-22. Further information on these positions can be found in the body of the Annual Report under the section relating to Our Executive Team.

The appointment authority for QBCC's key management personnel is set by the QBCC Act.

POSITION	POSITION RESPONSIBILITY
CEO & Commissioner	Strategically lead and manage the QBCC to deliver its services to the building and construction industry and its consumers. The position is also the Executive Officer of the Queensland Building and Construction Employing Office.
Chief Building Regulator *	Strategically lead and manage the Commission's regulatory and technical services.
Assistant Commissioner (Service Trades & Regulatory)*	Strategically lead and manage the Regulatory teams and Service Trades Unit. This position assists the Service Trades Council (STC) which was established through the *Plumbing and Drainage Act 2002 (PDA).*
Assistant Commissioner (Technical) *	Strategically lead and manage the technical workforce and focus on the role of technical standards and building products in the regulation of the building and construction industry
Chief Integrity & Risk Officer *	Strategically lead and manage the integrity, internal review and risk functions of the QBCC.
Chief Legal Officer *	Strategically lead and manage the legal and right to information functions of the QBCC. This role also provides legal support to the Board.
Chief Human Resources Officer *	Strategically lead and manage the human resources, payroll, and workplace health and safety functions of the QBCC.
Chief Information Officer *	Strategically lead and manage the information services and customer communications.
Chief Strategy & Transformation Officer *	Strategically lead and manage the transformation, strategy and industry insights divisions.
Chief Financial Officer *	Strategically lead and manage the Commission's finance, insurance, facilities and procurement functions.
Adjudication Registrar *	Strategically lead and manage the registry and the administration of the registry. The position is appointed under the *Building Industry Fairness (Security of Payment) Act 2017.*

* Indicates employees of the QBCEO

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F1. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (CONTINUED)

KMP Remuneration Policies

Ministerial remuneration entitlements are outlined in the Legislative Assembly of Queensland's Members' Remuneration Handbook. The QBCC does not bear any cost of remuneration of Ministers. The majority of Ministerial entitlements are paid by the Legislative Assembly, with the remaining entitlements being provided by Ministerial Services Branch within the Department of the Premier and Cabinet. As all Ministers are reported as KMP of the Queensland Government, aggregate remuneration expenses for all Ministers is disclosed in the Queensland General Government and Whole of Government Consolidated Financial Statements as from 2022-23, which are published as part of Queensland Treasury's Report on State Finances.

Remuneration policy for the QBCC's other KMP is set by the QBCC. The remuneration and other terms of employment for the KMP are specified in employment contracts. The contracts may provide for the provision of other non-monetary benefits.

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

Remuneration expenses for these KMP comprises the following components:

- Short-term employee expenses which include:
  - » salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied the specified positions.
  - » non-monetary benefits - consisting of provision of a motor vehicle together with fringe benefits tax applicable to the benefit.
  - » performance bonuses are not in place under the current contracts.
- Long-term employee expenses include amounts expensed in respect of long service leave entitlements earned.
- Post-employment expenses include amounts expensed in respect of employer superannuation obligations.
- Termination benefits are not provided for within individual contracts of employment for disciplinary, incapacity or employee-initiated terminations. Contracts of employment provide for notice periods or payment in lieu of notice on termination regardless of reason for termination. Contracts can allow for separation payment for termination of contracts or for non-renewal of contracts.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F1. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (CONTINUED)

Remuneration Expenses

The following disclosures focus on the expenses incurred by the QBCC attributable to non-Ministerial KMP during the respective reporting periods. The amounts disclosed are determined on the same basis as expenses recognised in the Statement of Comprehensive Income.

1 JULY 2022 - 30 JUNE 2023	SHORT TERM					
POSITION (DATE RESIGNED IF APPLICABLE)	MONETARY $'000	NON-MONETARY $'000	LONG TERM $'000	POST-EMPLOYMENT $'000	TERMINATION BENEFITS $'000	TOTAL EXPENSES $'000
CEO & Commissioner	555	4	13	25	-	**597**
Chief Building Regulator (from 29/8/2022)	224	-	5	24	-	**253**
Assistant Commissioner (Service Trades & Regulatory)	210	-	4	22	-	**236**
Assistant Commissioner (Technical)	224	-	5	23	-	**252**
Chief Integrity & Risk Officer (from 12/09/2022)	214	-	4	23	-	**241**
Chief Legal Officer	210	-	4	22	-	**236**
Chief Human Resources Officer (from 04/07/2022)	226	-	5	24	-	**255**
Chief Information Officer	202	-	4	21	-	**227**
Chief Strategy & Transformation Officer 1	131	-	3	13	-	**147**
Chief Financial Officer	239	-	5	25	-	**269**
Adjudication Registrar	195	-	4	20	-	**219**
TOTAL REMUNERATION	**2,630**	**4**	**56**	**242**	**-**	**2,932**

The acting arrangements have been aggregated for multiple periods of acting.

[1]. Position was vacant from 23/07/2022 until 04/12/2022.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F1. KEY MANAGEMENT PERSONNEL (KMP) DISCLOSURES (CONTINUED)

Remuneration Expenses (continued)

1 JULY 2021 - 30 JUNE 2022	SHORT TERM					
POSITION (DATE RESIGNED IF APPLICABLE)	MONETARY $'000	NON-MONETARY $'000	LONG TERM $'000	POST-EMPLOYMENT $'000	TERMINATION BENEFITS $'000	TOTAL EXPENSES $'000
Commissioner (until 03/09/2021)	68	-	2	8	35	**113**
Interim CEO & Commissioner (26/08/2021 until 08/03/2022)	265	-	72	29	-	**366**
CEO & Commissioner (from 14/02/2022) [5]	186	15	1	7	-	**209**
Assistant Commissioner (Service Trades & Regulatory) (until 09/07/2021)	7	-	-	1	7	**15**
Assistant Commissioner (Service Trades & Regulatory) (acting from 09/07/2021 until 04/02/2022)[1]	123	-	8	13	-	**144**
Assistant Commissioner (Service Trades & Regulatory) (acting from 02/03/2022)	66	-	1	6	-	**73**
Assistant Commissioner (Technical) (acting from 01/07/2021 until 28/04/2022)	171	-	11	18	-	**200**
Assistant Commissioner (Technical) (acting from 26/04/2022)	58	-	5	4	-	**67**
Chief Legal Officer (until 09/07/2021)[2]	6	-	-	1	-	**7**
Chief Legal Officer (from 16/08/2021)[2]	166	-	8	20	-	**194**
Chief Human Resources Officer (until 25/03/2022)	145	-	3	16	-	**164**
Chief Human Resources Officer (acting from 28/03/2022 until 25/04/2022)	13	-	-	1	-	**14**
Interim Chief Human Resources Officer (from 26/04/2022)	46	-	-	5	-	**51**
Chief Information Officer	193	-	1	20	-	**214**
Chief Strategy & Transformation Officer (on leave from 05/10/2021)	62	-	1	6	-	**69**
Interim Chief Strategy & Transformation Officer (from 10/01/2022)[3]	96	-	-	10	-	**106**
Chief Financial Officer (until 16/09/2021)[4]	84	-	-	9	-	**93**
Chief Financial Officer (from 04/01/2022)[4]	111	-	-	12	-	**123**
Adjudication Registrar	182	-	6	17	-	**205**
TOTAL REMUNERATION	**2,047**	**15**	**119**	**203**	**42**	**2,427**

The acting arrangements have been aggregated for multiple periods of acting.

1. Position was vacant from 05/02/2022 until 01/03/2022.
2. Position was vacant from 10/07/2021 until 15/08/2021.
3. The Interim Chief Strategy & Transformation Officer resigned effective from 23/07/2022.
4. Position was vacant from 17/09/2021 until 03/01/2022.
5. Correction of long service leave entitlement
6. Adjustment to figures related to the removal of acting arrangements that are not for a material period of the financial year.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F2. BOARD DISCLOSURES

The Board decides the strategies and the administrative, operational and financial policies to be followed by the QBCC ensuring the QBCC performs its functions and exercises its powers in an efficient, effective and proper way. The QBC Board consists of seven members appointed by the Governor-in-Council. The members are employed under the QBCC Act.

Current Board	DATE OF ORIGINAL APPOINTMENT	DATE OF RE-APPOINTMENT	DATE CEASED FROM POSITION
MEMBER			
Michelle James (Chair)	1/12/2016	1/12/2022	
John Anderson (Deputy Chair)	1/12/2022		
Meg Frisby	1/12/2019	1/12/2022	
Robyn Petrou	1/12/2022		
Christopher Edwards	1/12/2022		
Suzanne Baker	1/12/2022		
Colin Cassidy	1/12/2022		
Previous Board			
R. L. Williams (Chair)	1/12/2016	1/12/2019	30/11/2022
Lesley Anderson	1/12/2016	1/12/2019	30/11/2022
Brett Schimming	1/12/2016	1/12/2019	30/11/2022
Robert Schwarten	1/12/2016	1/12/2019	30/11/2022
Andrew Hickman	19/07/2018	1/12/2019	30/11/2022
Jade Ingham	19/07/2018	1/12/2019	30/11/2022
Debra Johnson	1/12/2019		30/11/2022
Cath Brokenborough	1/12/2019		30/11/2022

Board Member Remuneration	2023 $'000	2022 $'000
Michelle James (Chair)	44	28
John Anderson (Deputy Chair)	16	-
Meg Frisby	27	28
Robyn Petrou	16	-
Christopher Edwards	16	-
Suzanne Baker	16	-
Colin Cassidy	16	-
Previous Board		
R. L. Williams (Chair)	23	55
Lesley Anderson	12	28
Brett Schimming	-	26
Robert Schwarten	12	28
Andrew Hickman	12	28
Jade Ingham	11	28
Debra Johnson	12	28
Cath Brokenborough	12	28
	245	**305**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F3. RELATED PARTY TRANSACTIONS

Transactions with people/entities related to the QBCC

No transactions with related parties of key management personnel occurred during the financial year.

Transactions with other Queensland Government-controlled entities

As outlined in Note D1-2, the QBCC has investments in QTC and QIC investment products.

The QBCC received funds from Queensland Treasury (through the Department of Energy and Public Works) to support business as usual operations $27,589,000 and capital funding $391,000. In 2021-22, the QBCC also received funding to support business as usual operations $9,984,000 and capital funding $383,000. This is reflected in Note B1-6 and contributed equity in the Statement of Financial Position.

The QBCC had two contractual arrangements during the financial year with the Queensland Government Accommodation Office (QGAO) for the supply and management of office accommodation. The total payments to QGAO in this financial year are $1,358,254 (2022: $1,518,384).

There were no other material transactions with other Queensland Government-controlled entities during the financial year.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F4. SEGMENT INFORMATION

The QBCC is comprised of a General Statutory Fund and an Insurance Fund. The General Statutory Fund derives the majority of its revenue from fees received for licensing building industry contractors under the QBCC Act. The Insurance Fund derives its revenue from underwriting premiums and administration fees from operating the insurance scheme.

2022-23	GENERAL STATUTORY FUND $'000	INSURANCE FUND $'000	TOTAL $'000
Income			
Licence revenue	43 579	-	43 579
Premium revenue	-	107 137	107 137
Insurance administration fees revenue	-	51 478	51 478
Reinsurance and other recoveries revenue	-	88 414	88 414
Investment revenue	1 497	30 838	32 335
Other revenue	36 723	73	36 796
Gains on disposals/ revaluation of assets	(4)	-	(4)
TOTAL INCOME	**81 795**	**277 940**	**359 735**
Expenses			
Outward reinsurance	-	53 710	53 710
Claims approved and charged	-	129 817	129 817
Employee expenses	74 356	2 748	77 104
Supplies and services	31 874	7 025	38 899
Depreciation and amortisation	4 637	-	4 637
Impairment losses	857	33 434	34 291
Finance/borrowing costs	196	-	196
Other expenses	1 559	-	1 559
TOTAL EXPENSES	**113 479**	**226 734**	**340 213**
INTERFUND TRANSFER	**31 379**	**(31 379)**	**-**
OPERATING RESULT	**(305)**	**19 827**	**19 522**
2021-22			
Income			
Licence revenue	48 053	-	48 053
Premium revenue	-	117 232	117 232
Reinsurance and other recoveries revenue	-	43 747	43 747
Insurance administration fees revenue	-	105 199	105 199
Investment revenue	(24)	(15 751)	(15 775)
Other revenue	18 970	91	19 061
Gains on disposals/ revaluation of assets	37	-	37
TOTAL INCOME	**67 036**	**250 518**	**317 554**
Expenses			
Outward reinsurance	-	70 535	70 535
Claims approved and charged	-	147 553	147 553
Employee expenses	67 692	2 157	69 849
Supplies and services*	22 204	5 828	28 032
Depreciation and amortisation*	4 882	-	4 882
Impairment losses	800	31 066	31 866
Finance/borrowing costs	282	-	282
Other expenses	1 123	-	1 123
TOTAL EXPENSES	**96 983**	**257 139**	**354 122**
Interfund Transfer	26 479	(26 479)	-
OPERATING RESULT	**(3 468)**	**(33 100)**	**(36 568)**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F4. SEGMENT INFORMATION (CONTINUED)

30 June 2023	GENERAL STATUTORY FUND $'000	INSURANCE FUND $'000	TOTAL $'000
Consolidated Entity			
Current Assets			
Cash and cash equivalents	6 430	16 728	23 158
Receivables	3 783	18 160	21 943
Reinsurance receivables	-	54 142	54 142
Other financial assets	27 429	460 132	487 562
Other current assets	8 910	12 776	21 687
TOTAL CURRENT ASSETS	**46 553**	**561 939**	**608 492**
Non-Current Assets			
Reinsurance receivables	-	109 596	109 596
Intangible assets	343	-	343
Property, plant and equipment	2 295	-	2 295
Right-of-use assets	8 764	-	8 764
TOTAL NON-CURRENT ASSETS	**11 402**	**109 596**	**120 998**
TOTAL ASSETS	**57 955**	**671 535**	**729 490**
Current Liabilities			
Payables	8 450	50 836	59 286
Lease liabilities	4 034	-	4 034
Accrued employee benefits	11 054	297	11 351
Unearned income liability	-	54 960	54 960
Future claims and associated costs	-	129 503	129 503
TOTAL CURRENT LIABILITIES	**23 538**	**235 596**	**259 134**
Non-Current Liabilities			
Accrued employee benefits	10 675	315	10 990
Lease liabilities	6 413	-	6 413
Provisions	1 263	-	1 263
Future claims and associated costs	-	273 549	273 549
TOTAL NON-CURRENT LIABILITIES	**18 351**	**273 864**	**292 215**
TOTAL LIABILITIES	**41 889**	**509 460**	**551 349**
NET ASSETS	**16 065**	**162 076**	**178 141**
Equity			
Contributed equity	1 169	-	1 169
Accumulated surplus	14 896	162 076	176 972
TOTAL EQUITY	**16 065**	**162 076**	**178 141**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F4. SEGMENT INFORMATION (CONTINUED)

30 June 2022	GENERAL STATUTORY FUND $'000	INSURANCE FUND $'000	TOTAL $'000
Consolidated Entity			
Current Assets			
Cash and cash equivalents	5 003	19 807	24 810
Receivables	3 773	15 934	19 707
Reinsurance receivables	-	44 037	44 037
Other financial assets	24 282	374 465	398 747
Other current assets	6 774	21 015	27 789
TOTAL CURRENT ASSETS	**39 832**	**475 258**	**515 090**
Non-Current Assets			
Reinsurance receivables	-	103 885	103 885
Intangible assets	558	-	558
Property, plant and equipment	3 073	-	3 073
Right-of-use assets	11 282	-	11 282
TOTAL NON-CURRENT ASSETS	**14 913**	**103 885**	**118 798**
TOTAL ASSETS	**54 745**	**579 143**	**633 888**
Current Liabilities			
Payables	5 096	37 297	42 393
Lease liabilities	3 672	-	3 672
Accrued employee benefits	9 358	305	9 663
Provisions	502	-	502
Unearned income liability	-	51 632	51 632
Future claims and associated costs	-	95 905	95 905
TOTAL CURRENT LIABILITIES	**18 628**	**185 139**	**203 767**
Non-Current Liabilities			
Accrued employee benefits	9 881	390	10 271
Lease liabilities	9 621	-	9 621
Provisions	636	-	636
Future claims and associated costs	-	251 365	251 365
TOTAL NON-CURRENT LIABILITIES	**20 138**	**251 755**	**271 893**
TOTAL LIABILITIES	**38 766**	**436 894**	**475 660**
NET ASSETS	**15 979**	**142 249**	**158 228**
Equity			
Contributed equity	778	-	778
Accumulated surplus	15 201	142 249	157 450
TOTAL EQUITY	**15 979**	**142 249**	**158 228**

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F5. DIFFERENCES BETWEEN QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION CONSOLIDATED FINANCIAL STATEMENTS AND QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE INCOME

	CONSOLIDATED QBCC $'000	QBCC $'000	QBCEO $'000
EXPENSES FROM CONTINUING OPERATIONS			
Employee expenses	77 105	5 050	72 055
Other expenses	1 559	1 465	94
TOTAL EXPENSES FROM CONTINUING OPERATIONS	**78 664**	**6 515**	**72 149**

The difference of $72.055 million between the consolidated financial statements and the QBCC represents the employee expenses of all employees of the QBCC except the CEO & Commissioner. The CEO & Commissioner is the only employee not employed by the QBCEO. The $0.094 million difference on other expenses represents audit fees and special payments for the QBCEO Financial Statements.

STATEMENT OF FINANCIAL POSITION

	CONSOLIDATED QBCC $'000	QBCC $'000	QBCEO $'000
CURRENT ASSETS			
Receivables - other	21 943	21 943	-
TOTAL CURRENT ASSETS	**21 943**	**21 943**	**-**
CURRENT LIABILITIES			
Payables	59 286	58 854	432
Employee benefits	11 351	68	11 283
TOTAL CURRENT LIABILITIES	**70 637**	**58 922**	**11 715**
NON-CURRENT LIABILITIES			
Employee benefits	10 990	-	10 990
TOTAL NON-CURRENT LIABILITIES	**10 990**	**-**	**10 990**

The difference of $0.432 million between the payables on the consolidated financial statements and the QBCC represents;
• $0.008 million accrued expenses for audit fees and other invoices due on the QBCEO Financial Statements
• $0.066 million provision for Fringe Benefits Tax payable for employees of the QBCEO
• $0.358 million provision for Payroll Tax payable for employees of the QBCEO.

The difference of $11.283 million between the current accrued employee benefits on the consolidated financial statements and the QBCC represents:
• $8.546 million annual leave provision for employees of the QBCEO
• $0.970 million long service leave current provision for employees of the QBCEO
• $1.675 million 5 days wages payable for employees of the QBCEO
• $0.071 million time off in lieu provision for employees of the QBCEO
• $0.019 million parental leave payable due but not yet paid for employees of the QBCEO

The difference of $10.990 million between the non-current accrued employee benefits on the consolidated financial statements and the QBCC represents the long service leave provision for employees of the QBCEO.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F5. DIFFERENCES BETWEEN QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION CONSOLIDATED FINANCIAL STATEMENTS AND QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF CASH FLOWS

	CONSOLIDATED QBCC $'000	QBCC $'000	QBCEO $'000
OUTFLOWS			
Payments to employees	(71 363)	(1 912)	(69 451)
Payments to suppliers	(41 350)	(41 257)	(94)
	(112 713)	**(43 168)**	**(69 545)**

NOTES TO RECONCILIATIONS

The difference of $69.451 million between payments to employees in the consolidated cash flow and the QBCC is the salaries and on-costs made to employees of the QBCEO during 2022-23. The $0.094 million difference in payments to suppliers is made up of special payments to ex-employees and external audit fees.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2023

F6. FIRST YEAR APPLICATION OF NEW ACCOUNTING STANDARDS OR CHANGE IN ACCOUNTING POLICY

Accounting standards applied for the first time

There are no accounting standards or interpretations that apply to the QBCC for the first time in 2022-23 that have any material impact on the financial statements.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2022-23.

F7. CLIMATE RISK DISCLOSURE

The QBCC has not identified any material climate related risks relevant to the financial report at the reporting date, however constantly monitors the emergence of such risks under the Queensland Government Climate Action Plan 2020-2030 and other Government publications or directives.

QUEENSLAND BUILDING AND CONSTRUCTION COMMISSION MANAGEMENT CERTIFICATE FOR THE YEAR ENDED 30 JUNE 2023

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

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

b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Queensland Building and Construction Commission for the financial year ended 30 June 2023 and of the financial position of the Commission 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.

Signed in accordance with a resolution by the QBC Board.

Michelle James	Anissa Levy	Tim Murphy
Chair of the Board	CEO & Commissioner	Chief Financial Officer
24 August 2023	24 August 2023	24 August 2023
Brisbane	Brisbane	Brisbane

Queensland Audit Office
Better public services

INDEPENDENT AUDITOR'S REPORT

To the Board of Queensland Building and Construction Commission and Controlled Entity

Report on the audit of the financial report

Opinion

I have audited the accompanying financial report of Queensland Building and Construction Commission (the parent) and its controlled entity (the group).

In my opinion, the financial report:

a) gives a true and fair view of the parent's and group's financial position as at 30 June 2023, and their financial performance and cash flows for the year then ended

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

The financial report comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements including material accounting policy information and the management certificate.

Basis for opinion

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

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

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

Responsibilities of the entity for the financial report

The 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.

The Board is also responsible for assessing the parent's and 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 parent or group or to otherwise cease operations.

Queensland Audit Office
Better public services

Auditor's responsibilities for the audit of the financial report

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

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

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

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

Queensland Audit Office
Better public services

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 2023:

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.

29 August 2023

Sri Narasimhan
as delegate of the Auditor-General

Queensland Audit Office
Brisbane