

ASBESTOS COMPENSATION COMMISSIONER

ANNUAL REPORT 2013-2014

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We welcome your feedback on this report
Send to acc@justice.tas.gov.au

***The Hon Peter Gutwein MP
Treasurer***

***Asbestos Compensation Commissioner
Annual Report 2013–14***

I am pleased to submit the Asbestos Compensation Commissioner's Annual Report 2013–14 to you, for presentation to Parliament.

The financial statements presented here have been prepared in accordance with the provisions of the Financial Management and Audit Act 1990.



Martin Shirley

Asbestos Compensation Commissioner

GLOSSARY

| | |
|------------------|---|
| the Act | Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011 |
| the Commissioner | Asbestos Compensation Commissioner |
| the scheme | asbestos compensation scheme |
| the year | reporting period from 1 July 2013 to 30 June 2014 |

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COMMISSIONER'S MESSAGE

This is the third annual report of the Asbestos Compensation Commissioner.

About the scheme

Tasmania's asbestos compensation scheme governs all statutory compensation in Tasmania for asbestos-related diseases reasonably attributable to exposure to asbestos at work.

It provides no-fault and timely compensation to workers, and members of the family of deceased workers, who have been diagnosed with an asbestos-related disease and are entitled to compensation under the Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011 (the Act).

The scheme is designed to be non-adversarial, where claimants are helped in completing the necessary employment and medical information to facilitate a determination of their claim.

The role of the Commissioner

The Commissioner's role is to manage the scheme and to exercise the decision-making powers provided by the legislation. The Commissioner is not the sole decision maker in determining an applicant's entitlement to compensation. Medical panels play a crucial role; the Commissioner is bound by the decision of a medical panel on medical questions. The success of the scheme is very much dependent on the availability and expertise of a relatively small group of medical experts. I would like to thank them for their important contribution.

The Commissioner also provides advice to the Minister on matters relating to asbestos compensation in Tasmania. Information is also provided to the Department of Justice, for developing compensation policy on asbestos-related diseases.

The Commissioner is supported by staff from the Department of Justice. The Commissioner has paid the Department approximately \$161,400 this year for administrative support. This amount moves annually in line with the CPI index.

Supporting workers and members of their families

Staff work closely with applicants to ensure their applications are processed accurately and promptly. This often requires personal meetings with applicants to ensure correct occupational and asbestos exposure history is recorded. In addition, many discussions occur with employers, former work colleagues and legal representatives to ensure all the necessary information about each applicant's occupational history is obtained.

Monitoring the scheme

Under the Act, the WorkCover Tasmania Board has a role in monitoring and reporting to the Minister on the operation and effectiveness of the Act, and publishing information and statistics about the scheme. For more information about the Board, go to its website at www.workcover.tas.gov.au

Operating the scheme

I would like to express my personal thanks to Roy Omerod who acted as a delegate for the previous Asbestos Compensation Commissioner Michael Stevens for an extended period during the year.

A handwritten signature in black ink, appearing to read 'Martin Shirley', with a long, sweeping horizontal stroke extending to the left.

Martin Shirley

Asbestos Compensation Commissioner

SCHEME OBJECTIVES

The asbestos compensation scheme aims to ensure that Tasmanian workers with an asbestos-related disease, reasonably attributable to exposure at work, and their families can access statutory compensation to assist them in a difficult period of their lives.

The scheme's objectives are to:

- provide fair and appropriate compensation and pay certain expenses to workers with asbestos-related diseases, and family members of deceased workers
- ensure applications are resolved promptly and effectively
- provide an effective and economical mechanism for resolving disputes
- provide a mechanism in which medical determinations are made accurately, and are based on evidence.

CUSTOMER SERVICES

Tasmanian workers and members of their families accessing the scheme are treated with respect and dignity.

The scheme:

- provides advice to potential applicants on eligibility for compensation
- where necessary, makes home visits to correlate evidence and to provide advice and assistance in completing applications
- keeps applicants informed of the progress of their application
- ensures compensation is paid quickly, and where relevant, expenses are paid promptly.

In collecting medical and occupational evidence, staff liaise with applicants' medical professionals, previous employers, former work colleagues, legal professionals, and other relevant sources. This ensures the medical panel and the Commissioner have all of the necessary information to determine the claim.

MEDICAL PROCESS

Medical register

Section 50 of the Act requires the Commissioner to establish and maintain a register of medical practitioners who are specialists in a field of medicine in which asbestos-related diseases occur.

The current register comprises:

Associate Professor David Bryant

Dr Christopher Clarke

Dr Peter Corte

Dr Ian Gardiner

Dr Nick Harkness

Dr Graham Hart

Dr Robert Hewer

Dr Cameron Hunter

Dr Gregory Kaufman

Mr James Markos

Dr David Stock

Medical panels

Three practitioners must be convened by the Commissioner to form a medical panel to assess each application for compensation.

Medical panels make their determination based on questions asked by the Commissioner under section 8 of the Act. These include (but are not limited to):

- whether the person has an asbestos-related disease
- if contracting the asbestos-related disease is reasonably attributable to exposure to asbestos in the course of their employment as a worker
- whether or not the person with the asbestos-related disease is reasonably likely to die within two years
- the degree of impairment or incapacity of the person
- whether the person may recover from the disease or has so recovered.

In answering these questions, the Commissioner provides medical panels with a copy of the person's application, medical information and industrial history. If further information is required, the chair of the panel will request this through the Commissioner. Medical panel members do not physically examine applicants.

Accredited impairment assessors

The scheme uses impairment assessors who are accredited under the Workers Rehabilitation and Compensation Act 1988 and who are authorised to perform impairment assessments.

Current accredited impairment assessors include:

Dr Jonathan Burdon

Dr Robin Dubow

Dr Andreas Ernst

Dr Russell Gibbs

Dr Nick Harkness

Dr Helen McArdle

Dr John O'Sullivan

Dr Andrew Rees

Dr Peter Sharman

Dr Tim Stewart

An application will be referred to an impairment assessor if the worker is diagnosed by a medical specialist as having a non-imminently fatal asbestos-related disease.

The impairment assessor provides an assessment about the percentage of whole person impairment (WPI) in relation to the asbestos-related disease. If an applicant is assessed as having 10% or more WPI, the application is forwarded to a medical panel for its determination.

Where an applicant has less than a 10% WPI, they do not receive compensation. They are entitled to one free impairment assessment each calendar year.

SCHEME PERFORMANCE

Applications

The Commissioner received 27 applications during the year. Of these, 24 were from workers and three were from family members.

| APPLICATION STATUS | NUMBER |
|-------------------------------------|---------------|
| Compensation paid to worker | 10 |
| Compensation paid to family members | 3 |
| Decision pending | 5 |
| Less than 10% WPI | 4 |
| Incomplete application | 4 |
| Not eligible to apply | 1 |
| TOTAL | 27 |

In the previous financial year (2012–13), the Commissioner received 22 applications.

As at 30 June 2014, the Commissioner had determined 13 applications. All 13 were assessed as being entitled to compensation. The diseases relating to the successful claims were:

- eight mesothelioma
- three asbestosis
- two lung cancer.

Four applicants were assessed as having less than 10% WPI and are therefore currently not entitled to compensation. These claimants are eligible for one annual impairment assessment to track any increase in their degree of whole person impairment. Under the Act, once an applicant is assessed at 10% WPI or greater, the application is sent to a medical panel for the determination of medical questions. The amount of compensation payable is based on the assessed level of impairment.

As at 30 June 2014, five applications were pending and were from workers.

Four applications were incomplete and the applicants were advised to provide further information.

One applicant was not eligible to apply to the scheme.

OCCUPATION OF WORKER WHEN EXPOSED (ACCEPTED CLAIMS)

| | |
|-------------------|---|
| Labourer | 8 |
| Plumber | 2 |
| Fitter and turner | 1 |
| Builder | 1 |
| Electrician | 1 |

Scheme expenditure

Claim payments for the year totalled \$6.836 million. This consisted of lump sum payments for imminently fatal and non-imminently fatal asbestos-related diseases, funeral expenses, travel expenses, evidence and rehabilitation.

The scheme covered reasonable medical expenses during the year. These costs were approximately \$150,000.

The scheme also covered the costs of impairment assessor and medical panel costs. During the year, these costs were approximately \$107,800.

As at 30 June 2014, approximately \$6.139 million was remaining in the Asbestos Compensation Fund.

For exact costs, see the Audited Financial Statements in this Annual Report.

ASBESTOS LEVY

The Act established the Asbestos Compensation Fund and an associated levy. The levy for the year was set at 4% of workers' compensation premiums. This percentage was based on information provided by the scheme's actuaries.

Levy funds collected for the year (from the licensed insurers, self insurers and state service agencies) was \$7.547 million.

RIGHT TO INFORMATION

During the year, no requests were made under the Right to Information Act 2009.

SYSTEMS AUDIT

During the year, KPMG was engaged to audit the systems used to manage claims, including to assess the adequacy of controls.

The audit determined that the controls used in the claims management system were effective. There were 12 opportunities for improvement identified; the majority have been implemented and the remainder will be resolved once the claims management system has been integrated into WorkSafe's information management systems in the coming year.

Asbestos Compensation Fund

Financial Statements 2013-14

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Statement by Asbestos Compensation Commissioner

The accompanying Financial Statements of the Asbestos Compensation Fund are in agreement with the relevant accounts and records and have been prepared in compliance with Treasurer's Instructions issued under the provision of the *Financial Management and Audit Act 1990* to present fairly the financial transactions for the year ended 30 June 2014 and the financial position as at the end of the year.

At the date of signing, I am not aware of any circumstances, which would render the particulars included in the financial statements misleading or inaccurate.



Martin Shirley

Asbestos Compensation Commissioner

12 August 2013

Statement of Comprehensive Income for the year ended 30 June 2014

| | Notes | 2014 Actual \$'000 | 2013 Actual \$'000 |
|---|----------------|--------------------------|--------------------------|
| Continuing operations | | | |
| Revenue and other income from transactions | | | |
| Levies | 1.5(a), 3.1 | 6 107 | 8 110 |
| Interest | 1.5(b) | 297 | - |
| Total revenue and other income from transactions | | 6 404 | 8 110 |
| Expenses from transactions | | | |
| Compensation awarded | 1.6(a), 4.1 | 6 854 | 6 510 |
| Medical expenses | 4.2 | 282 | 182 |
| Administration expenses | 4.3 | 211 | 275 |
| Total expenses from transactions | | 7 347 | 6 967 |
| Net result from transactions (net operating balance) | | 943 | 1 143 |
| Other economic flows included in net result | | | |
| (Increase)/decrease in Provision for Compensation Payable | 1.8(b), 6.2(b) | (2 275) | 19 480 |
| Increase/(decrease) in Future levies receivable | 1.7(b), 5.1 | 3 218 | (20 623) |
| Total other economic flows included in net result | | 943 | (1 143) |
| Net result | | - | - |
| Comprehensive result | | - | - |

This Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2014

| | Notes | 2014 Actual \$'000 | 2013 Actual \$'000 |
|------------------------------------|-------------|--------------------------|--------------------------|
| Assets | | | |
| <i>Financial assets</i> | | | |
| Cash and deposits | 1.7(a), 8.1 | 6 139 | 5 639 |
| Receivables | 1.7(b), 5.1 | 113 844 | 112 067 |
| Total assets | | 119 983 | 117 706 |
| Liabilities | | | |
| <i>Financial liabilities</i> | | | |
| Payables | 1.8(a), 6.1 | 68 | 66 |
| Provision for Compensation Payable | 1.8(b), 6.2 | 119 915 | 117 640 |
| Total liabilities | | 119 983 | 117 706 |
| Net assets | | - | - |
| Equity | | | |
| Accumulated funds | | - | - |
| Total equity | | - | - |

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows for the year ended 30 June 2014

| | Notes | 2014 Actual \$'000 | 2013 Actual \$'000 |
|---|-------|--------------------------|--------------------------|
| Cash flows from operating activities | | Inflows (Outflows) | Inflows (Outflows) |
| Cash inflows | | | |
| Levies | | 7 548 | 6 690 |
| Interest | | 297 | - |
| Total cash inflows | | 7 845 | 6 690 |
| Cash outflows | | | |
| Compensation awarded | | (6 860) | (6 494) |
| Medical expenses | | (270) | (182) |
| Administration expenses | | (215) | (289) |
| Total cash outflows | | (7 345) | (6 965) |
| Net cash from (used by) operating activities | 8.2 | 500 | (275) |
| Net increase/(decrease) in cash held and cash equivalents | | 500 | (275) |
| Cash and deposits at the beginning of the reporting period | | 5 639 | 5 914 |
| Cash and deposits at the end of the reporting period | 8.1 | 6 139 | 5 639 |

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2014

| | Notes | Accumulated Funds \$'000 | Total equity \$'000 |
|-----------------------------------|-------|--------------------------------|---------------------------|
| Balance as at 1 July 2013 | | - | - |
| Total comprehensive result | | - | - |
| Total | | - | - |
| Balance as at 30 June 2014 | | - | - |

| | Notes | Accumulated Funds \$'000 | Total equity \$'000 |
|-----------------------------------|-------|--------------------------------|---------------------------|
| Balance as at 1 July 2012 | | - | - |
| Total comprehensive result | | - | - |
| Total | | - | - |
| Balance as at 30 June 2013 | | - | - |

This Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Notes to and forming part of the Financial Statements for the year ended 30 June 2014

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Note 1 Significant Accounting Policies

1.1 Objectives and Funding

The *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* (the Act) received Royal Assent on 4 October 2011 and was Proclaimed on 31 October 2011. The Act establishes the Asbestos Compensation Scheme (the Scheme) which provides for the payment of compensation, and certain expenses to workers who develop an asbestos-related disease as a result of exposure to asbestos during the course of their work in Tasmania. The Act requires that the Asbestos Compensation Commissioner (the Commissioner) administer the Scheme through the Asbestos Compensation Fund (the Fund).

The *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* has four main objectives:

- to ensure the provision of fair and appropriate compensation, and the payment of certain expenses in relation to the contraction by persons of asbestos-related diseases in the course of employment as workers in connection with this State;
- to provide for the prompt and effective resolution of applications under the Act for compensation or for the payment of certain expenses;
- to provide an effective and economical mechanism for resolving disputes relating to applications under this Act for compensation or for the payment of certain expenses; and
- to make provision in relation to certain judgements and agreements relating to the contraction by persons of asbestos-related diseases in the course of employment as workers.

The Commissioner has entered into a Service Level Agreement with the Department of Justice to provide the Commissioner with administrative support to enable him to fulfil his responsibilities.

According to Section 160 of the Act, the Commissioner is required to prepare financial statements on the activity of the Fund and provide them to the Auditor-General.

The Fund is predominantly funded through a levy, set by the Minister for Workplace Relations (the Minister) each year, payable by licensed insurers and self-insurers. Further details regarding the levy can be found in Note 1.5(b).

1.2 Basis of Accounting

The Act received Royal Assent on 4 October 2011 and commenced on 31 October 2011. The Fund began operations on 31 October 2011 with no equity provided upon creation. Initial funding was provided from the transfer of HIH funds (see Note 1.5(a)) with a levy on the premiums of licensed insurers and the notional premiums of self-insurers to provide ongoing funding. The Fund is operated on a break even arrangement and does not accumulate equity.

The Financial Statements are a general purpose financial report and have been prepared in accordance with:

- the Australian Accounting Standards (AAS) and Interpretations issued by the Australian Accounting Standards Board (AASB);
- the provisions of the *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011*; and
- the Treasurer's Instructions issued under the provisions of the *Financial Management and Audit Act 1990*.

The Financial Statements were signed by the Asbestos Compensation Commissioner on 14 August 2014.

Compliance with the AAS may not result in compliance with International Financial Reporting Standards (IFRS), as the AAS include requirements and options available to not-for-profit organisations that are inconsistent with IFRS. The Fund is considered to be not-for-profit and has adopted some accounting policies under the AAS that do not comply with IFRS.

The Financial Statements have been prepared on an accrual basis and, except where stated, are in accordance with the historical cost convention.

The Financial Statements have been prepared on the basis that the Fund is a going concern.

1.3 Functional and Presentation Currency

These Financial Statements are presented in Australian dollars, which is the Commissioner's functional currency.

1.4 Changes in Accounting Policies

(a) Impact of new and revised Accounting Standards

In the current year, the Fund has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current annual reporting period. These include:

- AASB 2011-8 replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as a result of AASB 13
- AASB 119 *Employee Benefits* (2011-10 Amendments to Australian Accounting Standards arising from AASB 119) – This Standard supersedes AASB 119 *Employee Benefits*, introducing a number of changes to accounting treatments. The Standard was issued in September 2013. There is no financial impact.
- 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures [AASB 9, AASB 2009-11, AASB 2010-7, AASB 2011-7 & AASB 2011-8] – This Standard makes amendments to various standards as a consequence of the issuance of International Financial Reporting Standard Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7) by the International Accounting Standards Board in December 2011. It is anticipated that there will not be any financial impact.
- 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments [AASB 1, 5, 7, 8, 10, 11, 12, 13, 101, 102, 108, 112, 118, 119, 127, 128, 132, 133, 134, 137, 1023, 1038, 1039, 1049, & 2011-7 and Interpretation 12] – This Standard makes amendments to various standards as a consequence of the issuance of the International Financial Reporting Standard Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) by the International Accounting Standards Board in June 2012, deferral of the application of AASB 10, AASB 11, AASB 12, AASB 127, AASB 128 and AASB 2011-7 to not-for-profit entities, and editorial corrections. It is anticipated that there will not be any financial impact.

(b) Impact of new and revised Accounting Standards yet to be applied

The following applicable Standards have been issued by the AASB and are yet to be applied:

- AASB 9 *Financial Instruments* – This Standard supersedes AASB 139 *Financial Instruments: recognition and Measurement*, introducing a number of changes to accounting treatments. The Standard was reissued in December 2010. The Standard was issued in August 2011 and is available from 1 January 2017 for application by not-for-profit entities. The application or potential impact of the Standard has not yet been determined.
- AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASB 1, 2, 5, 7, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 1023, & 1038 and Interpretations 5, 9, 16 & 17] – This Standard gives effect to consequential changes arising from the issuance of AASB 10, AASB 11, AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures. For not-for-profit entities, it applies to annual reporting periods beginning on or after 1 January 2014. The application or potential impact of the Standard has not yet been determined.
- AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities [AASB 132]* – This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria, including clarifying the meaning of “currently has a legally enforceable right of set-off” and that some gross settlement systems may be considered equivalent to net settlement. It is anticipated that there will not be any financial impact.
- AASB 2013-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle [AASB 1, AASB 101, AASB 116, AASB 132 & AASB 134 and Interpretation 2] –

This Standard makes amendments to the Australian Accounting Standards and Interpretations as a consequence of the annual improvements process. It is anticipated that there will not be any financial impact.

- AASB 2013-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards [AASBs 1, 2, 3, 5, 7, 9, 2009-11, 101, 107, 112, 118, 121, 124, 132, 133, 136, 138, 139, 1023 & 1038 and Interpretations 5, 9, 16 and 17] – This Standard replaces the existing definition and fair value guidance in other Australian Accounting Standards and Interpretations as the result of issuing AASB 13 in September 2013. It is not expected to have a financial impact.
- AASB 2013-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance to Not-For-Profit Entities – Control and Structured Entities [AASB 10, AASB 12 & AASB 1049] - The amendments to AASB 10 add Appendix E Australian Implementation Guidance for Not-for-Profit Entities as an integral part of that Standard. The appendix explains various principles in AASB 10 regarding the criteria for determining whether one entity controls another entity from the perspective of not-for-profit entities, and illustrates the principles with examples. It is not anticipated that there will be any financial impact.

1.5 Income from Transactions

Income is recognised in the Statement of Comprehensive Income when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

(a) Levies

The levy is set by the Minister each year. In setting the levy, the Minister is to take in to account:

- the expected degree of payments and other expenses the Commissioner will be required to pay in the financial year; and
- the amount of any other money that is expected to be received by the Commissioner in the financial year; and
- the period during which payment of the levy is likely to be required; and
- any deficit or surplus projected to occur at the end of the financial year; and
- any other matters that are prescribed.

The levy is the rate levied on the premiums of licensed insurers and the notional premiums of self-insurers. The rate for the 2013-14 financial year remained unchanged at 4 per cent from the 2012-13 financial year.

The total expenses required by the Fund over its entire life are able to be recouped under the levy. Therefore, the Fund retains a Future levies receivable for all estimated future expenditure from the Fund. For this reason, the Fund does not accumulate any equity.

(b) Interest

Interest on funds invested is recognised as it accrues using the effective interest rate method.

(c) Other revenue

Revenue from sources other than those identified above are recognised in the Statement of Comprehensive Income when an increase in future economic benefits related to an increase in an asset or a decrease of a liability has arisen that can be measured reliably.

1.6 Expenses from Transactions

Expenses are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

(a) Compensation

Compensation related expenditure is recognised when the claim for compensation is approved by the Commissioner.

(b) Other expenses

Expenses from activities other than those identified above are recognised in the Statement of Comprehensive Income when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

1.7 Assets

Assets are recognised in the Statement of Financial Position when it is probable that the future economic benefits will flow to the Fund and the asset has a cost or value that can be measured reliably.

(a) Cash and deposits

Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund, being short term of three months or less and highly liquid. Deposits are recognised at amortised cost, being their face value.

The Fund has an overdraft facility on its account to allow for the delay in receiving reimbursement for GST payments from the Australian Taxation Office.

(b) Receivables

Receivables, other than Future levies receivable, are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, these receivables are not discounted back to their present value.

The calculation of the Future levies receivable is based on the fact that all expenditure incurred by the Scheme over its entire life can be off-set by licensed insurers and self-insurers through the levy. The Receivable is calculated as at 30 June 2014 and reflects the negative equity of the Fund, given the large number of claims that the Fund will be required to pay out over its life. The movement in equity for the period is not reported separately but part of the increase or decrease in Future levies receivable.

For future levies receivable, due to the long settlement period, the Fund discounts these receivables back to their present value.

(c) Property, plant and equipment

(i) Valuation basis

All Non-current physical assets are recorded at historic cost less accumulated depreciation.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of leasehold improvements and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of leasehold improvements and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Fund and its costs can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day-to-day servicing of leasehold improvements and equipment are recognised in profit or loss as incurred.

(iii) Asset recognition threshold

The asset capitalisation threshold adopted by the Fund for non-current physical assets is \$10,000. Assets acquired at a cost of less than \$10,000 are charged to the Statement of Comprehensive Income in the year of purchase (other than where they form part of a group of similar items which are material in total).

(d) Intangible assets

An intangible asset is recognised where:

- it is probable that an expected future benefit attributable to the asset will flow to the Fund; and
- the cost of the asset can be reliably measured.

Intangible assets held by the Fund are valued at fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment losses where an active market exists. Where no active market exists, intangibles are valued at cost less any accumulated amortisation and any accumulated impairment losses.

1.8 Liabilities

Liabilities are recognised in the Statement of Financial Position when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and the amount at which the settlement will take place can be measured reliably.

(a) Payables

Payables, including goods received and services incurred but not yet invoiced, are recognised at amortised cost, which due to the short settlement period, equates to face value, when the Fund becomes obliged to make future payments as a result of a purchase of assets or services.

(b) Provisions

A provision arises if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and the risks specific to the liability. Any right to reimbursement relating to some or all of the provision is recognised as an asset when it is virtually certain that the reimbursement will be received.

The Provision for Compensation Payable includes actuarially assessed costs of claims made and an actuarially assessed estimate for claims yet to be made. The Fund did not retain a provision on commencement, but engaged an actuary, Finity Consulting Pty Ltd to provide an initial estimate of the compensation payable as at 30 June 2012. Consequently, the movement in this provision for the period is not reported separately but part of the increase in the Provision for compensation payable. See Note 6.2 for further details on this provision.

1.9 Judgements and Assumptions

In the application of Australian Accounting Standards, the Fund is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The only judgements to have a significant effect on the Financial Statements made by the Fund relate to the provision for claims payable by the Asbestos Compensation Commissioner and the Future levies receivable. Refer to Note 6.2 for details on the assumptions used to estimate the claims payable provision and Note 1.7(b) for details on the receivable.

1.10 Foreign Currency

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables are translated at the exchange rates current as at balance date.

1.11 Comparative Figures

Comparative figures have been adjusted to reflect any changes in accounting policy or the adoption of new standards. Details of the impact of changes in accounting policy on comparative figures are at Note 1.4.

Where amounts have been reclassified within the Financial Statements, the comparative statements have been restated.

1.12 Rounding

All amounts in the Financial Statements have been rounded to the nearest thousand dollars, unless otherwise stated. Where the result of expressing amounts to the nearest thousand dollars would result in an amount of zero, the financial statement will contain a note expressing the amount to the nearest whole dollar.

1.13 Fund Taxation

The Fund is exempt from all forms of taxation except Fringe Benefits Tax and is registered for the Goods and Services Tax. All taxation issues are managed by the Department of Justice on the Commissioner's behalf.

1.14 Goods and Services Tax

Revenue, expenses and assets are recognised net of the amount of Goods and Services Tax (GST), except where the GST incurred is not recoverable from the Australian Taxation Commission (ATO). Receivables and payables are stated inclusive of GST. The net amount recoverable, or payable, to the ATO is recognised as an asset or liability within the Statement of Financial Position.

In the Statement of Cash Flows, the GST component of cash flows arising from operating, investing or financing activities which is recoverable from, or payable to, the ATO is, in accordance with the Australian Accounting Standards, classified as operating cash flows.

Note 2 Events Occurring After Balance Date

There have been no events subsequent to balance date which would have a material effect on the Fund's Financial Statements as at 30 June 2014.

Note 3 Income from transactions

3.1 Levies

| | 2014 | 2013 |
|--------------|--------------|--------------|
| | \$'000 | \$'000 |
| Levies | 6 107 | 8 110 |
| Total | 6 107 | 8 110 |

Note 4 Expenses from transactions

4.1 Compensation Awarded

| | 2014 | 2013 |
|---------------------|--------------|--------------|
| | \$'000 | \$'000 |
| Aged Based Lump Sum | 2 538 | 1 946 |
| Lump Sum | 4 128 | 4 482 |
| Funeral Expenses | 114 | 73 |
| Travel Expenses | 37 | 5 |
| Legal Costs | - | 3 |
| Rehabilitation | 37 | 1 |
| Total | 6 854 | 6 510 |

4.2 Medical Expenses

| | 2014 | 2013 |
|---------------------|------------|------------|
| | \$'000 | \$'000 |
| Impairment Assessor | 47 | 30 |
| Medical expenses | 168 | 105 |
| Medical Panel | 67 | 47 |
| Total | 282 | 182 |

4.3 Administration Expenses

| | 2014 | 2013 |
|--|------------|------------|
| | \$'000 | \$'000 |
| Administration costs paid to the Department of Justice | 161 | 144 |
| Actuarial costs | 45 | 63 |
| External audit fees | 1 | 12 |
| Other | 4 | 56 |
| Total | 211 | 275 |

Note 5 Assets

5.1 Receivables

| | 2014 | 2013 |
|--------------------------------|----------------|----------------|
| | \$'000 | \$'000 |
| Receivables | 40 | 1 481 |
| Future levies receivable | 113 804 | 110 586 |
| Total | 113 844 | 112 067 |
| Settled within 12 months | 9 891 | 10 557 |
| Settled in more than 12 months | 103 953 | 101 510 |
| Total | 113 844 | 112 067 |

The reduction in the Future levies receivable is due to the change in the Provision for compensation payable (see Note 6.2) as a result of the actuarial review completed by the Fund's actuary, Finity Consulting Pty Ltd as at 30 June 2014. See Note 1.7(b) for details of how the receivable is calculated.

Note 6 Liabilities

6.1 Payables

| | 2014 | 2013 |
|--------------------------|-----------|-----------|
| | \$'000 | \$'000 |
| Creditors | 13 | 7 |
| Accrued Expenses | 55 | 59 |
| Total | 68 | 66 |
| Settled within 12 months | 68 | 66 |
| Total | 68 | 66 |

Settlement is usually made within 30 days.

6.2 Provision

The Fund only has one provision which is the Provision for Compensation Payable. The Provision for Compensation Payable is measured as the present value of the expected future payments to persons who have an accepted claim for compensation or who are estimated by the actuaries to be entitled to compensation in the future.

The actuarial valuation contains numerous assumptions regarding the future numbers of claims and the characteristics of the workers.

Given the uncertainty of this portfolio of claims a range of assumptions may be plausible which reflect the current environment in which claims are managed and settled.

The main assumptions are:

- Claim numbers, both the starting number assumed for 2014-15 and the Incurred But Not Reported (IBNR) run-off curve;
- Age distribution of imminently fatal claims;
- Whole person impairment percentage of non-imminently fatal claims; and
- Inflation and discount rates.

The Fund's actuaries, Finity Consulting Pty Limited, in valuing the liabilities as at 30 June 2014, have estimated the compensation payable for claims yet to be lodged on and inflated and discounted basis.

The following inflation rates and discount rates were used in measuring the provision for compensation payable:

| | 2014 | 2013 |
|---|-------------|-------------|
| | % | % |
| Compensation Expected to be Paid | | |
| Not later than one year | | |
| Wages inflation rate | 3.50 | 3.75 |
| Discount rate | 4.05 | 4.35 |
| Later than one year | | |
| Wages inflation rate | 3.50 | 3.75 |
| Discount rate | 4.05 | 4.35 |

A wage inflation factor is used to inflate the estimated future compensation costs. This is primarily due to the bulk of the scheme benefits being linked to average weekly earnings. In addition, this factor is adjusted for inflation in medical costs. The Actuary had allowed 3% per annum superimposed inflation on these medical payments.

The estimate of the Provision is discounted to allow for the time value of money. The rate used to discount is based upon the current yield curve and expectations of longer term yield beyond the term of available Government bonds. That is, rate has also been adjusted for a return to more economic conditions for longer durations.

(a) Sensitivity analysis for the valuation

The liability represents the best estimate and is based on standard actuarial assessment techniques. The table below shows the key sensitivities of the valuation.

30 June 2014

| Assumptions | 30 June IBNR Liability \$million | Effect on IBNR Liability \$million | Percentage effect % |
|--|---|---|------------------------------------|
| Central estimate (including expenses) | 119.9 | | |
| Claim Numbers | | | |
| Reduce claim numbers by 30% | 82.9 | (37.0) | (30.8) |
| Increase claim numbers by 35% | 151.1 | 31.2 | 26.0 |
| IBNR Run-off curve | | | |
| Slower run-off, younger claimants | 141.7 | 21.8 | 18.2 |
| Average Claim Size | | | |
| Reduce adopted average claim size by 4% | 115.0 | (4.9) | (4.1) |
| Increase adopted average claim size by 3% | 123.0 | 3.1 | 2.6 |
| Inflation and discount rates | | | |
| Increase difference between inflation and discount by 1.5% | 103.3 | (16.6) | (13.9) |

Note: The effect of each variation is made in isolation from the others. The combined effect of two or more changes may involve interactions and substitutions which are not considered in the valuation.

30 June 2013

| Assumptions | 30 June IBNR Liability \$million | Effect on IBNR Liability \$million | Percentage effect % |
|--|---|---|------------------------------------|
| Central estimate (including expenses) | 117.6 | | |
| Claim Numbers | | | |
| Reduce claim numbers by 30% | 83.7 | (33.9) | (28.8) |
| Increase claim numbers by 35% | 151.7 | 34.1 | 28.9 |
| IBNR Run-off curve | | | |
| Slower run-off, younger claimants | 141.7 | 24.1 | 20.5 |
| Average Claim Size | | | |
| Reduce adopted average claim size by 4% | 113.8 | (3.8) | (3.2) |
| Increase adopted average claim size by 3% | 122 | 4.4 | 3.7 |
| Inflation and discount rates | | | |
| Increase difference between inflation and discount by 1.5% | 105.1 | (12.5) | (10.6) |

Note: The effect of each variation is made in isolation from the others. The combined effect of two or more changes may involve interactions and substitutions which are not considered in the valuation.

Compensation will be funded by funds held in investments and by future levies. The *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* gives the Asbestos Compensation Commissioner authority to impose levies each year to meet annual operating costs.

(b) Carrying amount

| | 2014 | 2013 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| Provision – compensation payments for reported claims | | |
| Outstanding at beginning of period | 3 022 | 6 524 |
| Net movement during the period | 361 | (3 502) |
| Outstanding at end of period | 3 383 | 3 022 |
| Provision – estimated compensation for future claims | | |
| Estimated at beginning of period | 114 618 | 130 596 |
| Net movement during the period | 1 915 | (15,978) |
| Estimate at end of period | 116 532 | 114 618 |
| Total Provision for Compensation Payable as at 30 June | 119 915 | 117 640 |
| Breakdown of compensation payable | | |
| Settled within 12 months | 9 851 | 9 078 |
| Settled in more than 12 months | 110 064 | 108 561 |
| Total | 119 915 | 117 640 |

The Fund includes in its provision an estimate for compensation payable for claims yet to be made of \$116,532,000 (\$114,618,000 as at 30 June 2013). This figure is shown in the Statement of Financial Position as a liability with the corresponding outstanding contributions receivable asset (net of cumulated surplus or deficit to date) representing the right to levy employers for these outstanding claims.

Note 7 Commitments and Contingencies

7.1 Schedule of Commitments

As the Department of Justice provides administrative support to the Commissioner, the Commissioner does not have any commitments.

7.2 Contingent Assets and Liabilities

Contingent assets and liabilities are not recognised in the Statement of Financial Position due to uncertainty regarding the amount or timing of the underlying claim or obligation.

(a) Quantifiable contingencies

A quantifiable contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

A quantifiable contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

At 30 June 2014 the Fund had no contingent assets or liabilities.

Note 8 Cash Flow Reconciliation

8.1 Cash and Deposits

Cash and deposits includes the balance of the Special Deposits and Trust Fund Accounts held by the Commission, and other cash held.

| | 2014 | 2013 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Special Deposits and Trust Fund balance | | |
| T741 Asbestos Compensation Fund | 6 139 | 5 639 |
| Total cash and deposits | 6 139 | 5 639 |

8.2 Reconciliation of Net Result to Net Cash from Operating Activities

| | 2014 | 2013 |
|---|------------|--------------|
| | \$'000 | \$'000 |
| Net result | - | - |
| Decrease (increase) in Receivables | (1 777) | 19 203 |
| Increase (decrease) in Provision for Compensation Payable | 2 275 | (19 480) |
| Increase (decrease) in Payables | 2 | 2 |
| Net cash from (used by) operating activities | 500 | (275) |

Note 9 Financial Instruments

9.1 Risk Exposures

(a) Risk management policies

The Fund has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

The Commissioner has overall responsibility for the establishment and oversight of the Fund's risk management framework. The risk management policies utilised by the Department of Justice are used to identify and analyse risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(b) Credit risk exposures

Credit risk is the risk of financial loss to the Fund if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

| Financial Instrument | Accounting and strategic policies (including recognition criteria and measurement basis) | Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows) |
|-------------------------|--|--|
| Financial Assets | | |
| Receivables | Receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value. | It is the Fund's policy to issue invoices with 30 day terms of trade. |
| Cash and deposits | Deposits are recognised at amortised cost, being their face value. | Cash means notes, coins, any deposits held at call with a bank or financial institution, as well as funds held in the Special Deposits and Trust Fund. |

The Fund monitors receivables on a monthly basis and follow up procedures are undertaken for all debts that are overdue. Action taken is dependent on the length of time the debt is overdue.

The carrying amount of financial assets recorded in the Financial Statements, net of any allowances for losses, represents the Fund's maximum exposure to credit risk. The Fund does not hold any collateral or other security over its receivables. The Fund's credit risk is considered to be minimal.

The following tables analyse financial assets that are past due but not impaired.

| | Analysis of financial assets that are past due at 30 June 2014 but not impaired | | | |
|-------------|---|------------------|------------------|--------|
| | Past due 30 days | Past due 60 days | Past due 90 days | Total |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables | 40 | - | - | 40 |

Analysis of financial assets that are past due at 30 June 2013 but not impaired

| | Past due 30 days | Past due 60 days | Past due 90 days | Total |
|-------------|------------------|------------------|------------------|--------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Receivables | - | - | - | - |

(c) Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when they fall due.

| Financial Instrument | Accounting and strategic policies (including recognition criteria and measurement basis) | Nature of underlying instrument (including significant terms and conditions affecting the amount. Timing and certainty of cash flows) |
|------------------------------|--|---|
| Financial Liabilities | | |
| Payables | Payables are recognised at amortised cost, which due to the short settlement period, equates to face value, when the Fund becomes obliged to make future payments as a result of a purchase of assets or services. | Payables, including goods received and services incurred but not yet invoiced arise when the Fund becomes obliged to make future payments as a result of a purchase of assets or services. The Fund's terms of trade are 30 days. |

The following tables detail the undiscounted cash flows payable by the Fund by remaining contractual maturity for its financial liabilities. It should be noted that as these are undiscounted, totals may not reconcile to the carrying amounts presented in the Statement of Financial Position:

2014

Maturity analysis for financial liabilities

| | 1 Year | Undiscounted Total | Carrying Amount |
|------------------------------|-----------|--------------------|-----------------|
| | \$'000 | \$'000 | \$'000 |
| Financial liabilities | | | |
| Payables | 68 | 68 | 68 |
| Total | 68 | 68 | 68 |

2013

Maturity analysis for financial liabilities

| | 1 Year | Undiscounted Total | Carrying Amount |
|------------------------------|-----------|--------------------|-----------------|
| | \$'000 | \$'000 | \$'000 |
| Financial liabilities | | | |
| Payables | 66 | 66 | 66 |
| Total | 66 | 66 | 66 |

(d) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The primary market risk that the Fund is exposed to is interest rate risk.

The Fund's exposure to interest rate risk is considered to be minimal. The majority of the Fund's interest bearing financial instruments are managed by the Department of Treasury and Finance.

At the reporting date the interest rate profile of the Fund's interest bearing financial instruments was:

| | 2014 | 2013 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Variable rate instruments | | |
| <i>Financial assets</i> | | |
| Cash in Special Deposits and Trust Funds | 6 139 | 5 639 |
| Total | 6 139 | 5 639 |

Changes in variable rates of 100 basis points at reporting date would have the following effect on the Fund's profit or loss and equity:

| | Statement of Comprehensive Income | | Equity | |
|---|---|---|---|---|
| | 100 basis points increase \$'000 | 100 basis points decrease \$'000 | 100 basis points increase \$'000 | 100 basis points decrease \$'000 |
| 30 June 2014 | | | | |
| Cash in Special Deposits and Trust Fund | 61 | (61) | 61 | (61) |
| Net sensitivity | 61 | (61) | 61 | (61) |
| 30 June 2013 | | | | |
| Cash in Special Deposits and Trust Fund | 56 | 56 | 56 | (56) |
| Net sensitivity | 56 | (56) | 56 | (56) |

This analysis assumes all other variables remain constant.

9.2 Categories of Financial Assets and Liabilities

| | 2014 | 2013 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Financial assets | | |
| Cash and deposits | 6 139 | 5 639 |
| Receivables | 40 | 1 481 |
| Total | 6 179 | 7 120 |
| Financial Liabilities | | |
| Financial liabilities measured at amortised cost | 68 | 66 |
| Total | 68 | 66 |

9.3 Comparison between Carrying Amount and Net Fair Values of Financial Assets and Liabilities

| | Carrying Amount 2014 \$'000 | Net Fair Value 2014 \$'000 | Carrying Amount 2013 \$'000 | Net Fair Value 2013 \$'000 |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| Financial assets | | | | |
| Cash in Special Deposits and Trust Fund | 6 139 | 6 139 | 5 639 | 5 639 |
| Receivables | 40 | 40 | 1 481 | 1 481 |
| Total financial assets | 6 179 | 6 179 | 7 120 | 7 120 |
| Financial liabilities | | | | |
| Payables | 68 | 68 | 66 | 66 |
| Total financial liabilities | 68 | 68 | 66 | 66 |

The Fund does not have any financial assets or financial liabilities carried at fair value through the profit and loss or any available for sale financial assets.

Financial Assets

The net fair values of cash and non-interest bearing monetary financial assets approximate their carrying amounts.

The net fair value of receivables are recognised at amortised cost, less any impairment losses, however, due to the short settlement period, receivables are not discounted back to their present value.

Financial Liabilities

The net fair values for trade creditors are approximated by their carrying amounts.



Independent Auditor's Report

To Members of the Tasmanian Parliament

Asbestos Compensation Fund

Financial Report for the year ended 30 June 2014

Report on the Financial Report

I have audited the accompanying financial report of the Asbestos Compensation Fund (the Fund), which comprises the statement of financial position as at 30 June 2014, the statements of comprehensive income, changes in equity and cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement by the Asbestos Compensation Commissioner.

Auditor's Opinion

In my opinion the Fund's financial report:

- a) presents fairly, in all material respects, its financial position as at 30 June 2014, and its financial performance, cash flows and changes in equity for the year then ended; and
- b) is in accordance with the *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011* and Australian Accounting Standards.

The Responsibility of the Commissioner for the Financial Report

The Commissioner of the Fund is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Section 160 of the *Asbestos-Related Diseases (Occupational Exposure) Compensation Act 2011*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based upon my audit. My audit was conducted in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance as to whether the financial report is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on my judgement, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, I considered internal control relevant to the Commissioner's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Commissioner, as well as evaluating the overall presentation of the financial report.

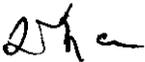
I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting this audit, I have complied with the independence requirements of Australian Auditing Standards. The *Audit Act 2008* further promotes independence by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General, and
- mandating the Auditor-General as auditor of State Entities but precluding the provision of non-audit services, thus ensuring the Auditor-General and the Tasmanian Audit Office are not compromised in their role by the possibility of losing clients or income.

TASMANIAN AUDIT OFFICE



H M Blake
Auditor-General

HOBART
14 August 2014

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