

Financial information
2004-05

Motor Accident Insurance Commission

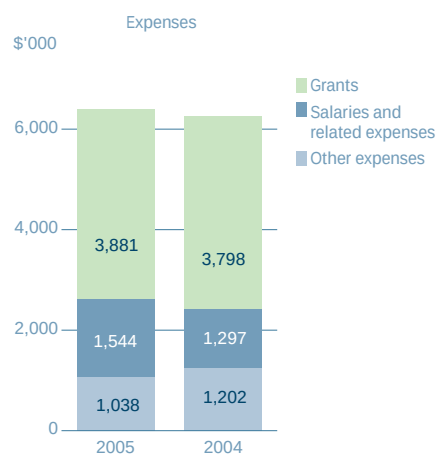
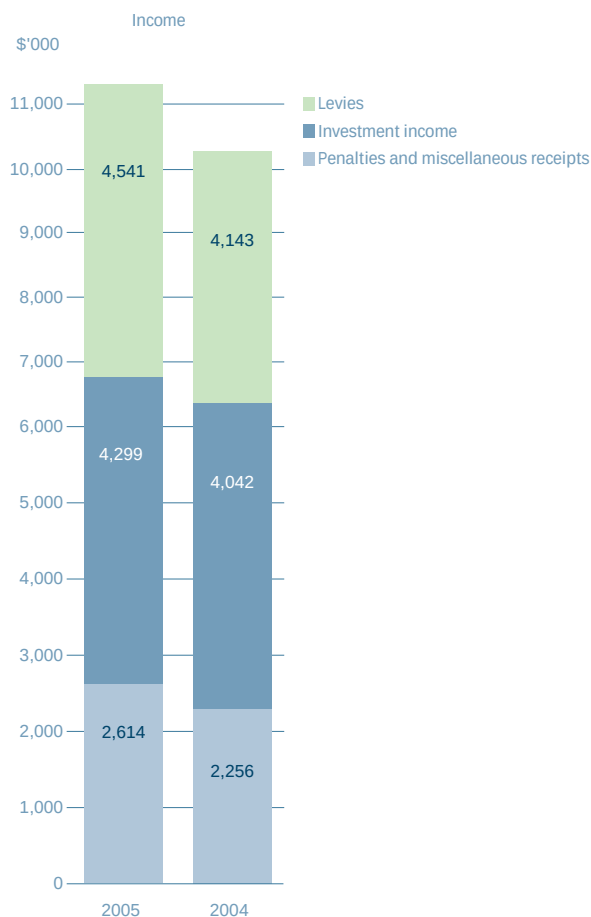


Motor Accident Insurance Commission Financial Summary

In comparison to the previous year, revenue increased overall from \$10.441 million to \$11.454 million. \$4.541 million of total revenue came from the MAIC Statutory levy which was set at a rate of \$1.55 per CTP policy. Revenue from investment income remained at a consistent level relative to the previous financial year and there was a slight increase in the revenue from penalty receipts.

The expenses of the Commission were slightly higher than the previous year, which was primarily a result of increased salaries and wages. Expenditure on grants was \$3.881 million compared to \$3.798 million in the 2003-04 financial year. Details of grant funding are provided in Appendix 5.

The resultant operating profit for the Commission for the year ended 30 June 2005 increased by approximately 20% to \$4.991 million.



Motor Accident Insurance Commission

Statement of Financial Performance
For the Financial Year ended 30 June 2005

	NOTE	2005 S'000	2004 S'000
REVENUES FROM ORDINARY ACTIVITIES			
Levies	2 (a)	4,541	4,143
Investment Income	2 (b)	4,299	4,042
Penalties and miscellaneous receipts		2,614	2,256
Total revenue from ordinary activities		<u>11,454</u>	<u>10,441</u>
EXPENSES FROM ORDINARY ACTIVITIES			
Grants		3,881	3,798
Salaries and related expenses	2 (c)	1,544	1,297
Depreciation	2 (d)	22	31
Computer facilities management fee		156	188
Rent		116	107
Consultancy Expenditure		224	273
Other	2 (e)	520	603
Total expenses from ordinary activities		<u>6,463</u>	<u>6,297</u>
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	10	<u>4,991</u>	<u>4,144</u>

The accompanying notes form part of these financial statements.

Financial information 2004-05

Motor Accident Insurance Commission

Statement of Financial Position
As at 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
CURRENT ASSETS			
Cash Assets		1,519	2,734
Receivables	3	123	106
Investment securities	4	21,711	15,527
Prepayments		29	2
Total current assets		23,382	18,369
NON-CURRENT ASSETS			
Receivables	3	500	500
Investment securities	4	10,500	10,500
Property, plant and equipment	5	55	77
Intangibles	6	220	220
Total non-current assets		11,275	11,297
TOTAL ASSETS		34,657	29,666
CURRENT LIABILITIES			
Payables	7	222	225
Provisions	8	93	100
Total current liabilities		315	325
NON-CURRENT LIABILITIES			
Provisions	8	16	-
Total non-current liabilities		16	-
TOTAL LIABILITIES		331	325
NET ASSETS		34,326	29,341
EQUITY			
Reserves	9	14,096	14,596
Retained profits	10	20,230	14,745
TOTAL EQUITY		34,326	29,341

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission

Statement of Cash Flows
For the Financial Year Ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		4,541	4,143
Investment income		4,284	4,232
Penalties and miscellaneous receipts		2,610	2,266
GST input taxes recovered from ATO		524	503
Outflows:			
Grants		(3,881)	(3,248)
Salaries and related expenses		(1,533)	(1,298)
Computer facilities management fees		(151)	(190)
Other		(1,425)	(1,480)
Net cash provided by operating activities	14(ii)	4,969	4,928
CASH FLOWS FROM INVESTING ACTIVITIES			
Outflows:			
Purchase of property, plant and equipment		-	(279)
Net cash used in investing activities		-	(279)
NET INCREASE/(DECREASE) IN CASH HELD		4,969	4,649
Cash at the beginning of the financial year		28,761	24,112
CASH AT THE END OF THE FINANCIAL YEAR	14(i)	33,730	28,761

The accompanying notes form part of these financial statements.

Financial information 2004-05

Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 1 Statement of Significant Accounting Policies

(a) Basis of Preparation

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of the *Financial Administration and Audit Act 1977* and applicable Australian Accounting Standards and Concepts. The financial statements have been prepared on an historical cost basis, except for investment securities which are shown at net market value.

(b) Property, Plant and Equipment

All items of property, plant and equipment, except intangibles, with a cost or other value 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.

(c) Intangibles

Intangible assets with a cost or other value greater than \$50,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life, less any anticipated residual value.

Internal Use Software

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit, namely 5 years.

(d) Amortisation and Depreciation of Intangibles, Property, Plant and Equipment

Amortisation and depreciation is calculated on a straight-line basis, to write off the net cost of each depreciable asset, progressively over its estimated useful life.

The estimated useful lives are as follows:

Plant and Equipment	3-5 years
Computer Software	5 years

Internal use software under development is not amortised until it has been fully developed and utilised.

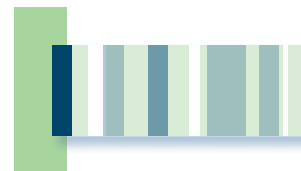
(e) Investments

All funds not required for the day to day management of the Motor Accident Insurance Commission are invested with the Queensland Investment Corporation ("QIC") and are recorded in these financial statements at net market value.

(f) Employee Leave Entitlements

(1) Wages, Salaries, Annual Leave and Sick Leave

Wages, salaries and annual leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, WorkCover premiums, long service leave levies and employer superannuation contributions.



Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 1 Statement of Significant Accounting Policies (Continued)

(f) Employee Leave Entitlements (Continued)

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to recur 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.

(2) Long Service Leave

Under the Queensland Government's long service leave scheme, a levy is made on the Commission to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – *Financial Reporting by Governments*.

(g) Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary.

No liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – *Financial Reporting by Governments*.

(h) Contingent Assets

Under section 33(4) and 33(5) of the *Motor Accident Insurance Act 1994*, an amount of \$57,818,000 was transferred from the Motor Accident Insurance Fund to the Nominal Defendant Fund on 22 January 2002 to be applied to outstanding claims liabilities arising from the insolvency of FAI General Insurance Company Limited.

Under section 33(6) and 33(7) of the *Motor Accident Insurance Act 1994*, should circumstances give rise to a recovery from the liquidation of FAI General Insurance Company Limited, or recovery from another party, the Treasurer may, by written notice to the Nominal Defendant, direct it to return funds of an amount, not exceeding \$57,818,000 to the Motor Accident Insurance Fund.

(i) Levy Collection and Contribution

Levies received in accordance with Section 27 of the *Motor Accident Insurance Act 1994* are recognised as revenue at the time they are legally due to be paid by the Queensland Department of Transport to the Commission, upon receipt of monies from motorists.

Levies collected on behalf of the Queensland Department of Health and the Department of Emergency Services during the current year have not been included as revenue in the Statement of Financial Performance as these amounts are not controlled. Similarly, remittances made to Queensland Department of Health and the Department of Emergency Services have not been included as expenses.

Details on the levies collected on behalf of and distributed to Queensland Department of Health and the Department of Emergency Services are provided in Note 13.

Financial information 2004-05

Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 1 Statement of Significant Accounting Policies (Continued)

(j) Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(k) Adoption of International Financial Reporting Standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for reporting periods beginning on or after 1 January 2005.

All Australian Equivalents to IFRSs have been reviewed for implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the Commission has identified the following likely impacts arising from the adoption of Australian Equivalents to IFRSs:

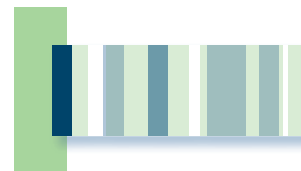
- The introduction of AASB 136 on Impairment of Assets requires an annual impairment test to be performed on all non-current physical and intangible assets. The material assets of the Commission are currently recorded at cost and the effect of this Standard is expected to be immaterial. However, as an impairment test has not previously applied to the public sector, an assessment of the effect is still ongoing and can not be quantified at this time.
- AASB 119 Employee Benefits requires employers to recognise the net surplus or deficit in their employer sponsored defined benefit superannuation funds as an asset or liability, respectively. As the Commission contributes to a whole-of-Government superannuation scheme, and the Government assumes the responsibility for the funding of the scheme, the department will recognise as a liability only that portion of superannuation contributions owing to QSuper at the end of the reporting period. There will therefore be no effect on the Commission's accounts.

AASB 119 also requires that where there are instances of annual leave not expected to be paid within 12 months, the liability is to be measured at the present value of the future cash flows. Currently, all annual leave is measured in the nominal amount.
- Intangible assets held by the Commission are valued at cost and have no external market. There will therefore be no change in the value disclosed in the financial statements under AASB 138 Intangible Assets.

(l) Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.



Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

		2005 \$'000	2004 \$'000
NOTE 2	Profit from Ordinary Activities		
(a)	Levies		
	Levies – comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums.		
	Statutory Insurance Scheme Levy	<u>4,541</u>	<u>4,143</u>
(b)	Investment Income		
	Distributions received from Queensland Investment Corporation	4,166	3,962
	Interest received from funds held by Queensland Treasury	133	80
	Total	<u>4,299</u>	<u>4,042</u>
(c)	Salaries and related Expense		
	Salaries and wages	1,149	938
	Superannuation	149	123
	Long service leave expense	18	14
	Recreation leave expense	104	94
	Other related expenses	124	128
	Total	<u>1,544</u>	<u>1,297</u>
(d)	Depreciation		
	Plant and Equipment	<u>22</u>	<u>31</u>
(e)	Other		
	Administration Fees	157	167
	Legal and Barrister Fees	28	67
	Loss on disposal of assets	-	61
	Other	335	308
	Total	<u>520</u>	<u>603</u>

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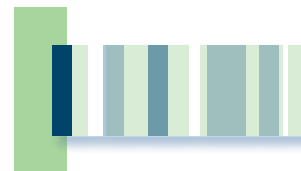
Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

		2005 \$'000	2004 \$'000
NOTE 3	Receivables		
	<u>Current</u>		
	Accrued investment income	33	17
	Penalties receivable	85	81
	Other receivables	5	8
	Total	123	106
	<u>Non-Current</u>		
	Loan Receivable	500	500
	Total	500	500
NOTE 4	Investment Securities		
	<u>Current</u>		
	Queensland Investment Corporation	21,711	15,527
	<u>Non-Current</u>		
	Queensland Investment Corporation	10,500	10,500
	Total	32,211	26,027
NOTE 5	Property, Plant and Equipment		
	Plant and Equipment		
	Plant, Equipment and Fittings – at cost	182	192
	Accumulated depreciation	(127)	(115)
	Total	55	77

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Plant and Equipment \$'000	Total \$'000
Carrying amount at beginning of the financial year	77	77
Additions	-	-
Disposals	-	-
Depreciation Charged	(22)	(22)
Carrying amount at the end of the financial year	55	55



Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

		2005 \$'000	2004 \$'000
NOTE 6	Intangibles		
	Computer Software – at cost	163	163
	Accumulated amortisation	(163)	(163)
		<u>-</u>	<u>-</u>
	Internal use software under development – at cost	220	220
	Total	<u>220</u>	<u>220</u>
NOTE 7	Payables		
	Sundry creditors and accruals	<u>222</u>	<u>225</u>
NOTE 8	Provisions		
	<u>Current</u>		
	Employee Entitlements	93	100
	<u>Non-Current</u>		
	Employee Entitlements	16	-
	Total	<u>109</u>	<u>100</u>
NOTE 9	Reserves		
	(a) Composition and movements:		
	Income Maintenance		
	Balance at beginning and end of year	<u>10,500</u>	<u>10,500</u>
	Accident Prevention Initiatives		
	Balance at beginning of year	1,484	1,550
	Transfer to retained profits	(1,484)	(1,550)
	Transfer from retained profits	1,441	1,484
	Balance at end of year	<u>1,441</u>	<u>1,484</u>
	Rehabilitation Initiatives		
	Balance at beginning of year	2,612	3,057
	Transfer to retained profits	(2,397)	(2,498)
	Transfer from retained profits	1,940	2,053
	Balance at end of year	<u>2,155</u>	<u>2,612</u>
	Total Reserves	<u>14,096</u>	<u>14,596</u>

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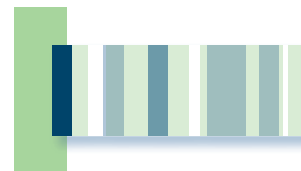
Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 9 Reserves (Continued)

(b) To fulfil our charter under Section 10(1) of the *Motor Accident Insurance Act 1994*, the funds in reserves are to be used in the research into the cause and prevention of motor vehicle accidents and the treatment and rehabilitation of those involved in motor vehicle accidents.

	2005 \$'000	2004 \$'000
NOTE 10 Retained Profits		
Retained profits at the beginning of the financial year	14,745	10,073
Profit from ordinary activities	4,991	4,144
Transfers to reserves:		
Accident Prevention Initiatives	(1,441)	(1,484)
Rehabilitation Initiatives	(1,940)	(2,053)
Transfers from reserves:		
Accident Prevention Initiatives	1,484	1,550
Rehabilitation Initiatives	2,397	2,498
Other	(6)	17
Retained profits at the reporting date	20,230	14,745
NOTE 11 Auditor's Remuneration		
Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services	12	12
NOTE 12 Commitments for Expenditure		
(a) Maintenance Contract Commitment		
Total expenditure contracted for at balance date but not provided for in the financial statements:		
Due not later than one year	35	51
Due later than one year but not later than five years	-	-
Total	35	51
(b) Operating Lease Rental Commitments		
Future operating lease rentals not provided for in the financial statements are payable as follows:		
Due not later than one year	155	140
Due later than one year but not later than five years	169	286
Total	324	426



Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

	2005 \$'000	2004 \$'000
NOTE 12		
Commitments for Expenditure (Continued)		
(c) Motor Vehicle Lease Commitments		
Future operating lease rentals not provided for in the financial statements are payable as follows:		
Due not later than one year	14	12
Due later than one year but not later than five years	7	5
Total	21	17
(d) Grant Commitments		
The <i>Motor Accident Insurance Act 1994</i> provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant monies is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.		
Future grant commitments not provided for in the financial statements are payable as follows:		
Due not later than one year	3,595	4,096
Due later than one year but not later than five years	331	3,372
Total	3,926	7,468
NOTE 13		
Agency Transactions		
The Motor Accident Insurance Commission (MAIC) receives Hospital and Emergency Services Levy amounts from Queensland Transport for transfer payments to Queensland Department of Health and the Department of Emergency Services. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows:		
Levies		
Comprise amounts collected from Queensland Transport on gross insurance premiums.		
Levies collected but not remitted in the previous year	2,092	2,367
Hospital levy	17,617	14,970
Emergency Services levy	7,928	7,529
	27,637	24,866

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Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
NOTE 13	Agency Transactions (Continued)		
	Contributions		
	Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from Queensland Transport.		
	Hospital levy contributions	17,423	15,145
	Emergency Services levy contributions	7,904	7,629
		<u>25,327</u>	<u>22,774</u>
	Amounts collected on behalf of but not yet remitted to Queensland Department of Health and the Department of Emergency Services in respect of hospital and emergency services levies as at 30 June: (This amount is held in cash at bank at 30 June 2005)	<u>2,310</u>	<u>2,092</u>
NOTE 14	Statement of Cash Flows		
(i)	Reconciliation of cash		
	For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
	Cash	1,519	2,734
	Investments	4 32,211	26,027
	Total	<u>33,730</u>	<u>28,761</u>
(ii)	Reconciliation of operating profit/(loss) with net cash provided by operating activities		
	Operating profit	4,991	4,144
	Add/(Less) non cash items:		
	Depreciation	22	31
	(Profit)/Loss on disposal of property, plant and equipment	-	61
	Direct changes to equity	(6)	17
	Changes in assets and liabilities:		
	Increase/(Decrease) in creditors	(3)	(81)
	(Increase)/Decrease in receivables	(17)	758
	Decrease/(Increase) in prepayments	(27)	(1)
	(Decrease)/Increase in provisions	9	(1)
	Net cash provided by/ (used in) operating activities	<u>4,969</u>	<u>4,928</u>
(iii)	The Motor Accident Insurance Commission has no unused borrowing or overdraft facility.		

Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 15 Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms and Conditions
<u>Financial Assets</u>			
Cash on hand	14 (i)	Recorded at book value, which approximates fair value.	
Receivables Penalties receivable	3	Recognition – upon receipt of fines by QLD Transport and the Courts. Measurement – prescribed by the <i>Motor Accident Insurance Act 1994</i> . Recorded at book value	Usually received within 30 days from the month due.
Loans receivable	3	Recognition – upon issue of funds. Measurement – based on memorandum of agreement and recorded at book value.	No interest rate applied as this is funding to promote research into accident rehabilitation. Repayments in accordance with individual loan agreements.
Investment securities	4	Recognition – on the day funds are invested. Measurement – at net market value.	May be drawn upon as and when required.
<u>Financial Liabilities</u>			
Payables	7	Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

The Commission invests with the Queensland Investment Corporation (QIC). The QIC will have invested in a variety of financial instruments including derivatives which expose the Commission's investments to a variety of investment risks including market risk, credit risk, interest rate risk and currency risk.

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Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 15 Financial Instruments (Continued)

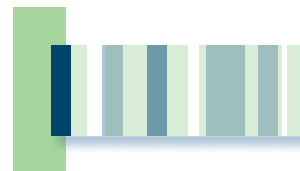
(b) Interest Rate Risk Exposures

The Commission invests in financial assets for the primary purpose of obtaining a return on investments, to help meet the costs of administering the *Motor Accident Insurance Act 1994*. The Commission's return on the investments will fluctuate in accordance with movements in the market interest rates.

2005		Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
	Notes		1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		1,519	-	-	-	-	1,519
Receivables	3	-	-	-	-	623	623
Investments	4	-	-	-	-	32,211*	32,211
		1,519	-	-	-	32,834	34,353
Financial Liabilities							
Payables	7	-	-	-	-	222	222
Net Financial Assets		1,519	-	-	-	32,612	34,131
Weighted average interest rate		4.55%					

2004		Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
	Notes		1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		2,734	-	-	-	-	2,734
Receivables	3	-	-	-	-	606	606
Investments	4	-	-	-	-	26,027 *	26,027
		2,734	-	-	-	26,633	29,367
Financial Liabilities							
Payables	7	-	-	-	-	225	225
Net Financial Assets		2,734	-	-	-	26,408	29,142
Weighted average interest rate		4.2%					

* Investments in QIC are not classified as interest bearing as the Commission receives a distribution of profits based on the earnings of units in investments in QIC.



Motor Accident Insurance Commission

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 15 Financial Instruments (Continued)

(c) Credit Risk Exposures

Credit exposure represents the extent of credit related losses that the Commission may be subject to on amounts to be received from financial assets. The Commission, while exposed to credit related losses in the event of non-performance by counterparties of financial institutions, does not expect any counterparties to fail to meet their obligations.

(d) Net Fair Values

The carrying amounts of financial assets and liabilities approximate their fair values. The fair value of investments is measured at net market value based on QIC advice.

NOTE 16 Segment Information

The Commission operates within one primary and one geographical segment, that being the administration of the Queensland compulsory third party motor vehicle insurance scheme.

Certificate of the Motor Accident Insurance Commission

The foregoing annual financial statements have been prepared pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements and we certify that-

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Motor Accident Insurance Commission; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the year ended 30 June 2005 and of the financial position of the Commission as at 30 June 2005.

L Anderson
Insurance Commissioner

G Bott
Manager Systems and Finance

Dated: 28 September 2005

INDEPENDENT AUDIT REPORT

To the Motor Accident Insurance Commission

Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of Motor Accident Insurance Commission for the financial year ended 30 June 2005 included on Motor Accident Insurance Commission's web site. The Insurance Commissioner is responsible for the integrity of the Motor Accident Insurance Commission web site. We have not been engaged to report on the integrity of the Motor Accident Insurance Commission's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Motor Accident Insurance Commission, to confirm the information included in the audited financial report presented on this web site.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Scope

The Financial Report

The financial report of Motor Accident Insurance Commission consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificate given by the Insurance Commissioner and the officer responsible for the financial administration of Motor Accident Insurance Commission for the year ended 30 June 2005.

The Motor Accident Insurance Commission's Responsibility

The Commission is responsible for the preparation and true and fair presentation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial report is presented fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Motor Accident Insurance Commission ;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and

- reviewing the overall presentation of information in the financial report.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Audit Opinion

In accordance with s.46F of the *Financial Administration and Audit Act 1977* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2004 to 30 June 2005 and of the financial position at the end of that year.

M O'Grady
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

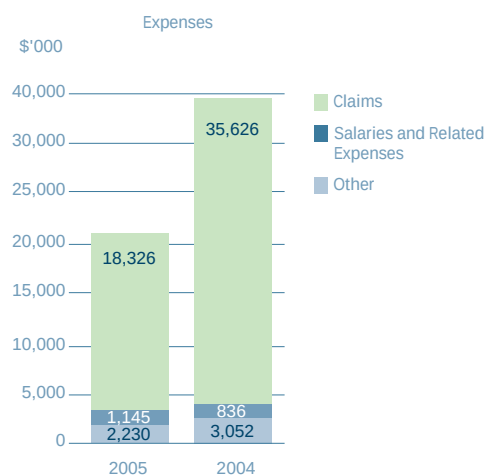
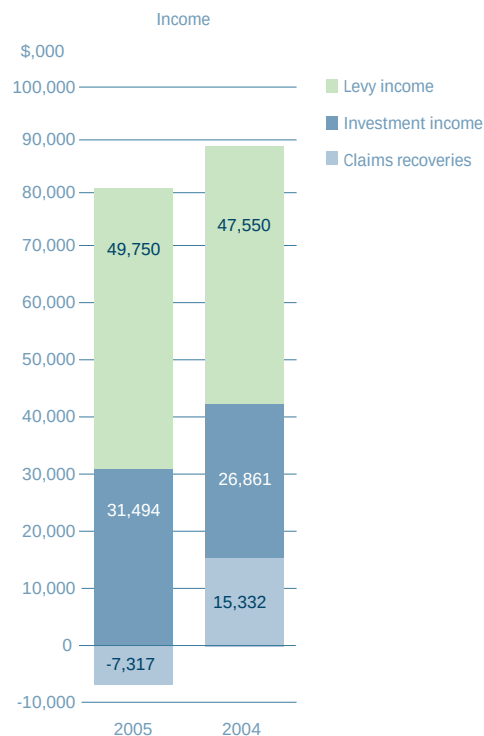


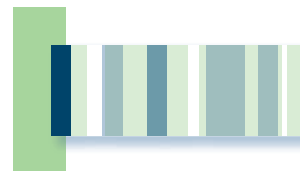
Nominal Defendant Financial Summary

The operating profit of the Nominal Defendant was \$52.226 million for the year ended 30 June 2005 as compared to the prior year's operating profit of \$50.229 million. The State Government Indemnity to the Nominal Defendant to meet the liabilities of FAI during the year amounted to \$14.656 million. The amount of this indemnity was determined after deducting cash receipts of the CTP levy surcharge and \$11 million of funds transferred from the Nominal Defendant Section 31 operations during 2004–05.

In relation to the normal business of the Nominal Defendant (claims relating to unidentified and uninsured vehicles under section 31 of the Act), payments on claims and associated costs during the financial year decreased from \$22.891 million to \$17.471 million. The provisions for outstanding claims liabilities were actuarially assessed and were increased by \$10.690 million, reflecting a return to a more normal pattern after several years of very small increases.

The income from the levy for the normal business of the Nominal Defendant increased to \$36.039 million reflecting growth in the number of registered vehicles. The Nominal Defendant levy was set at \$12.85 per Class 1 policy, plus the \$5 HIH levy which raised \$13.711 million in the year. The amount of claims recoveries in 2004–05 is impacted by the decision to recognise monies expected to be received from Reinsurance Treaties held by FAI as a contingent asset rather than a current receivable. The increase in Salaries and Related Expenses and the decrease in Other Expenses reflect the transfer of the FAI tail claim management in-house. The performance of the QIC investments improved significantly from \$26.861 million to \$31.494 million for the 2004–05 year.





Nominal Defendant

Nominal Defendant

Statement of Financial Performance
For the Financial Year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Levy Income	1(h)	49,750	47,550
Investment Income	5	31,494	26,861
Total revenue from ordinary activities		81,244	74,411
EXPENSES FROM ORDINARY ACTIVITIES			
Claims	2	18,326	35,626
Write Back of Claims Recoveries / (Claims Recoveries)		7,317	(15,332)
Net Claims Incurred		25,643	20,294
Other Ordinary Expenses	4	3,375	3,888
Total expenses from ordinary activities		29,018	24,182
PROFIT FROM ORDINARY ACTIVITIES	14	52,226	50,229

The accompanying notes form part of these financial statements.

Financial information 2004-05

Nominal Defendant

Statement of Financial Position
As at 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
CURRENT ASSETS			
Cash Assets		2,215	1,562
Receivables	6	1,114	29,244
Investment securities	7	48,804	37,116
Prepayments		6	5
Total current assets		52,139	67,927
NON-CURRENT ASSETS			
Investment securities	7	191,189	150,236
Property, plant and equipment	8	15	26
Intangibles	9	217	173
Total non-current assets		191,421	150,435
TOTAL ASSETS		243,560	218,362
CURRENT LIABILITIES			
Payables	10	449	600
Provision for employee entitlements	11	66	69
Provision for outstanding claims	12	63,207	78,811
Unearned levies	1(h)	25,222	24,089
Total current liabilities		88,944	103,569
NON-CURRENT LIABILITIES			
Provision for employee entitlements	11	12	-
Provision for outstanding claims	12	168,325	195,397
Total non-current liabilities		168,337	195,397
TOTAL LIABILITIES		257,281	298,966
NET LIABILITIES		(13,721)	(80,604)
EQUITY			
Contributed Equity	13	245,537	230,881
Accumulated Losses	14	(259,258)	(311,485)
TOTAL EQUITY		(13,721)	(80,604)

The accompanying notes form part of these financial statements.

Nominal Defendant

Statement of Cash Flows
For the Financial Year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		50,883	48,427
Claims recoveries		4,685	28,769
Investment income		31,490	28,200
GST recovered from ATO		876	1,047
Outflows:			
Claims		(60,974)	(106,613)
Salaries and related expenses		(1,133)	(831)
Other		(3,238)	(5,072)
Net cash used in operating activities	17(ii)	22,589	(6,073)
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows:			
Proceeds on disposal of property, plant and equipment		-	13
Outflows:			
Purchase of property, plant and equipment and intangibles		(49)	(189)
Net cash used in investing activities		(49)	(176)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows:			
Queensland Treasury Indemnity Receipts		30,754	44,368
Net cash provided by financing activities		30,754	44,368
NET INCREASE IN CASH HELD		53,294	38,119
Cash at the beginning of the financial year		188,914	150,795
CASH AT THE END OF THE FINANCIAL YEAR	17(i)	242,208	188,914

The accompanying notes form part of these financial statements.

Financial information 2004-05

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 1 Statement of Significant Accounting Policies

(a) Basis of Preparation

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of the *Financial Administration and Audit Act 1977* and applicable Australian Accounting Standards and Concepts. The financial statements have been prepared on an historical cost basis, except as otherwise disclosed in the financial statements or notes.

(b) Going Concern

These financial statements have been prepared on a going concern basis.

Under Section 33(2) of the *Motor Accident Insurance Act 1994*, the Nominal Defendant (the Fund) has assumed the Queensland Compulsory Third Party liabilities of the insolvent insurer, FAI General Insurance Company Limited (FAI).

The State Government has agreed to indemnify the Nominal Defendant for any shortfalls relating to the above. Any funds to be advanced to the Nominal Defendant are determined after taking into consideration a component of the levy, potential recoveries from the liquidator of the insolvent insurer and funds transferred from the Motor Accident Insurance Commission as detailed in Note 20.

(c) Property, Plant and Equipment

All items of property, plant and equipment, except intangibles, with a cost or other value 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.

(d) Intangibles

Intangible assets with a cost or other value greater than \$50,000 are recognised in the financial statements, items with a lesser value are expensed. Each intangible asset is amortised over its estimated useful life, less any anticipated residual value.

Internal Use Software

Costs associated with the development of computer software have been capitalised and are amortised on a straight-line basis over the period of expected benefit, namely 5 years.

(e) Amortisation and Depreciation of Intangibles, Property, Plant and Equipment

Amortisation and depreciation is calculated on a straight-line basis, to write off the net cost of each depreciable asset, progressively over its estimated useful life.

The estimated useful lives are as follows:

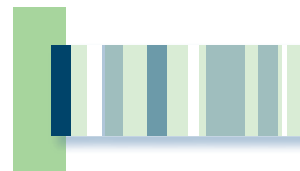
Plant and Equipment	3-5 years
Computer Software	5 years

(f) Funding of Nominal Defendant

Funding is by way of levies, as explained at Note 1(h); interest on investments; and moneys recovered by the Nominal Defendant against owners and/or drivers of uninsured vehicles and failed claimants. In addition, any shortfall resulting from FAI claims liabilities is funded by the State Government as detailed at Note 1(b).

(g) Provision for Outstanding Claims

Provisions for outstanding claims have been actuarially calculated as at the financial year end by an independent actuarial firm, Finity Consulting Pty Limited, the principals of which are Fellows of the Institute of Actuaries in Australia. The Actuaries have furnished a Certificate.



Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 1 Statement of Significant Accounting Policies (Continued)

(g) Provision for Outstanding Claims (Continued)

Claims incurred expense and a liability for outstanding claims are recognised for claims incurred but not yet paid, incurred but not yet reported claims and anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claim files and estimating unnotified claims and settlement costs using statistics based on past experience and trends.

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation. The expected future payments are then discounted to a present value at the reporting date using discount rates based on investment opportunities available to the Nominal Defendant on the amount of funds sufficient to meet claims as they become payable. The details of rates applied are included in Note 12.

(h) Levies

In order to comply with the provisions of Australian Accounting Standard AASB 1023 *Financial Reporting of General Insurance Activities*, the Nominal Defendant levy, as stated in Section 12 of the *Motor Accident Insurance Act 1994*, is to be treated as "premium" as defined in AASB 1023 and is accounted for as such in accordance with the provisions of AASB 1023.

Levy revenue is recognised in the Statement of Financial Performance only when it has been earned in accordance with accounting principles set out in AASB 1023. Levies received but not earned as at the end of the reporting period are recorded as a liability (*unearned levies*) in the Statement of Financial Position and then systematically transferred to revenue in the Statement of Financial Performance as the levy is earned over time. In accordance with AASB 1023 the recognition of earned levy revenue is on the basis of the passage of time, commencing from the week in which motorists remit their CTP premiums to the Queensland Department of Transport.

Levy revenue is received from motorists via the Queensland Department of Transport in accordance with Section 29 of the *Motor Accident Insurance Act 1994* based on a levy on gross premiums collected for Compulsory Third Party motor vehicle insurance policies. These levies are used to fund estimated costs of the Nominal Defendant scheme for the financial year and shortfalls from previous years.

The Nominal Defendant levy rate is fixed each year by regulation in accordance with Section 14A(1) of the *Motor Accident Insurance Act 1994*.

The Motor Accident Insurance Commission makes a recommendation to the Minister on the levy rate after obtaining and considering actuarial advice.

(i) Investments

All funds not required for the day to day management of the Nominal Defendant are invested with the Queensland Investment Corporation ("QIC"), and are recorded in these financial statements at net market value. As these investments are held primarily to fund present and future claims on the Nominal Defendant they have been classified between current and non-current assets on the same percentage basis as that applied to the Nominal Defendant Provision for Outstanding Claims.

(j) Employee Leave Entitlements

(1) Wages, Salaries, Annual Leave and Sick Leave

Wages, salaries and annual leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement and include related on-costs such as payroll tax, WorkCover premiums, long service leave levies and employer superannuation contributions.

Financial information 2004-05

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 1 Statement of Significant Accounting Policies (Continued)

(j) Employee Leave Entitlements (Continued)

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to recur 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.

(2) Long Service Leave

Under the Queensland Government's long service leave scheme, a levy is made on the Nominal Defendant to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken.

No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – *Financial Reporting by Governments*.

(k) Superannuation

Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary.

No liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – *Financial Reporting by Governments*.

(l) Receivables

It is not the policy of the Nominal Defendant to recognise the debt or potential income accruing as the result of judgements granted in favour of it for legal costs and claims against uninsured owners and/or drivers. The resultant receipts are immaterial when compared to the Nominal Defendant's other sources of income and are recognised in the financial statements in the period in which they are received. This policy is under constant review by the Nominal Defendant.

(m) Leases

Lease payments under operating leases, where substantially all the risks and benefits remain with the lessor, are charged to expense in the period in which they are incurred.

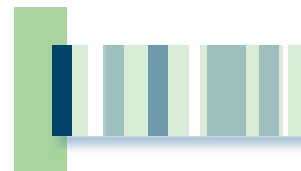
(n) Adoption of International Financial Reporting Standards

The Financial Reporting Council has determined that all entities preparing general purpose financial statements will apply the Australian Equivalents to International Financial Reporting Standards (IFRSs) for reporting periods beginning on or after 1 January 2005.

All Australian Equivalents to IFRSs have been reviewed for implications on policies, procedures, systems and financial impacts arising from such changes.

To date, the Nominal Defendant has identified the following likely impacts arising from the adoption of Australian Equivalents to IFRSs:

- The introduction of AASB 136 on Impairment of Assets requires an annual impairment test to be performed on all non-current physical and intangible assets. The material assets of the Nominal Defendant are currently recorded at cost and the effect of this Standard is expected to be immaterial. However, as an impairment test has not previously applied to the public sector, an assessment of the effect is still ongoing and cannot be quantified at this time.



Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 1 Statement of Significant Accounting Policies (Continued)

(n) Adoption of International Financial Reporting Standards (Continued)

- AASB 119 Employee Benefits requires employers to recognise the net surplus or deficit in their employer sponsored defined benefit superannuation funds as an asset or liability, respectively. As the Nominal Defendant contributes to a whole-of-Government superannuation scheme, and the Government assumes the responsibility for the funding of the scheme, the department will recognise as a liability only that portion of superannuation contributions owing to QSuper at the end of the reporting period. There will therefore be no effect on the Nominal Defendant's accounts.

AASB 119 also requires that where there are instances of annual leave not expected to be paid within 12 months, the liability is to be measured at the present value of the future cash flows. Currently, all annual leave is measured in the nominal amount.

- Intangible assets held by the Nominal Defendant are valued at cost and have no external market. There will therefore be no change in the value disclosed in the financial statements under AASB 138 Intangible Assets.
- The adoption of AASB 1023 on General Insurance Contracts requires outstanding claims liabilities to include a risk margin in addition to the central estimate of the present value of the expected future payments. In addition, the outstanding claims liability will be discounted for the time value of money using risk-free discount rates that are based on current observable, objective rates that relate to the nature, structure and term of the future obligations. An assessment of the effect is still ongoing and cannot be quantified at this time.

(o) Rounding and Comparatives

Amounts included in the financial statements have been rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

	2005 \$'000	2004 \$'000
NOTE 2 Claims		
Claims comprise amounts required to be paid on behalf of those insured, amounts set aside for future claims and claims settlement costs. Claims settlement costs include costs that can be associated directly with individual claims, such as legal and professional fees.		
Decrease in provision for outstanding claims	(42,676)	(70,986)
Claims and associated settlement costs	61,002	106,612
Total	18,326	35,626
Claims attributable to FAI		
The following amounts attributable to FAI are included in the claims figures listed above.		
Decrease in provision for outstanding claims	(53,365)	(73,455)
Claims and associated settlement costs	43,531	83,721
Total	(9,834)	10,266

Financial information 2004-05

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 3 Net Claims Incurred

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

Claims attributable to Nominal Defendant

	2005			2004		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
- undiscounted	40,518	(7,892)	32,626	41,445	(15,279)	26,166
Reinsurance and other recoveries						
- undiscounted	(1,005)	(4,121)	(5,126)	(708)	2,463	1,755
Net claims incurred						
- undiscounted	39,513	(12,013)	27,500	40,737	(12,816)	27,921
Discount and discount movement						
- gross claims incurred	(7,883)	7,338	(545)	(8,816)	5,852	(2,964)
Discount and discount movement						
- reinsurance and other recoveries	197	458	655	151	(522)	(371)
Net discount movement	(7,686)	7,796	110	(8,665)	5,330	(3,335)
Net Claims Incurred						
- discounted	31,827	(4,217)	27,610	32,072	(7,486)	24,586

Claims attributable to FAI

	2005			2004		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
- undiscounted	-	(35,628)	(35,628)	-	(597)	(597)
Reinsurance and other recoveries						
- undiscounted	-	25,558	25,558	-	(10,589)	(10,589)
Net claims incurred						
- undiscounted	-	(10,070)	(10,070)	-	(11,186)	(11,186)
Discount and discount movement						
- gross claims incurred	-	10,350	10,350	-	7,422	7,422
Discount and discount movement						
- reinsurance and other recoveries	-	(2,247)	(2,247)	-	(528)	(528)
Net discount movement	-	8,103	8,103	-	6,894	6,894
Net Claims Incurred						
- discounted	-	(1,967)	(1,967)	-	(4,292)	(4,292)

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
NOTE 3	Net Claims Incurred (Continued)		
	Net Claims Incurred		
	Net Claims Incurred – discounted	27,610	24,586
	Claims Recoveries	550	774
		<u>28,160</u>	<u>25,360</u>
	Add: Claims attributable to FAI	(1,967)	(4,292)
	Claims Recoveries - FAI	(7,867)	14,558
		<u>(9,834)</u>	<u>10,266</u>
	Total Claims	2 <u>18,326</u>	2 <u>35,626</u>

NOTE 4	Other Ordinary Expenses		
	Salaries and wages		
	Salaries and wages	858	622
	Superannuation	109	89
	Long service leave expense	13	3
	Recreation leave expense	86	68
	Other related expenses	79	54
	Depreciation- Property, Plant and Equipment	11	25
	Amortisation - Computer software	5	2
	Rent	96	76
	Consultancy Expenditure	119	107
	Reinsurance	1,242	1,115
	Administration Fees	89	120
	FAI Management Costs	-	1,012
	Loss/ (Profit) on disposal of Property, Plant and Equipment	-	61
	Other	668	534
	Total	3,375	3,888

Other Ordinary Expenses attributable to FAI are included in the figures listed above:

	Salaries and wages		
	Salaries and wages	339	70
	Superannuation	40	10
	Long service leave expense	5	1
	Recreation leave expense	32	6
	Other related expenses	26	4
	Depreciation		
	Plant and equipment	-	4
	Rent	32	-
	Consultancy Expenditure	20	19
	FAI Management Costs	-	1,012
	Other	52	57
	Total	546	1,183

Financial information 2004-05

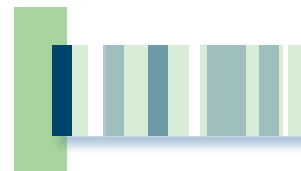
Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

		2005 \$'000	2004 \$'000
NOTE 5	Investment Income		
	Distributions received from Queensland Investment Corporation	31,361	26,744
	Interest received from funds held by Queensland Treasury	133	117
	Total	31,494	26,861
NOTE 6	Receivables		
	Accrued investment income	42	38
	Queensland Treasury Indemnity Receipts	-	16,098
	Claims Recoveries & Reinsurance Receivable	1,025	13,027
	Other	47	81
	Total	1,114	29,244
NOTE 7	Investment Securities		
	<u>Current</u>		
	Queensland Investment Corporation	48,804	37,116
	<u>Non-Current</u>		
	Queensland Investment Corporation	191,189	150,236
	Total	239,993	187,352
NOTE 8	Property, Plant and Equipment		
	Plant and Equipment:		
	At cost	65	114
	Less: Accumulated depreciation	(50)	(88)
	Total	15	26

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:

	Plant & Equipment \$'000	Total \$'000
Carrying amount at beginning of the financial year	26	26
Additions	-	-
Disposals	-	-
Depreciation Charged	(11)	(11)
Carrying amount at the end of the financial year	15	15



Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

		2005 \$'000	2004 \$'000
NOTE 9	Intangibles		
	Internal Use Software:		
	At cost	388	174
	Less: Accumulated amortisation	(171)	(171)
		<u>217</u>	<u>3</u>
	Internal Use Software under development:		
	At cost	-	170
		<u>-</u>	<u>170</u>
	Total	<u>217</u>	<u>173</u>
NOTE 10	Payables		
	Sundry creditors and accruals	<u>449</u>	<u>600</u>
	The following amounts attributable to FAI are included in the payables figures listed above:		
	Sundry creditors and accruals	<u>100</u>	<u>285</u>
NOTE 11	Provision for Employee Entitlements		
	The total provision is as follows:		
	Current	66	69
	Non-Current	12	-
		<u>78</u>	<u>69</u>
	Total	<u>78</u>	<u>69</u>
	The following amounts attributable to FAI are included in the provision figures listed above:		
	Current	24	11
	Non-Current	-	-
		<u>24</u>	<u>11</u>

Financial information 2004-05

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

		2005 \$'000	2004 \$'000
NOTE 12	Provision for Outstanding Claims		
	The total provision is as follows:		
	Current	63,207	78,811
	Non-Current	168,325	195,397
	Total	231,532	274,208

The consulting actuaries have recommended an undiscounted allowance of \$5.064 million (\$4.604 million discounted) for reinsurance recoveries in the valuation of the outstanding claims liabilities of the FAI-Tail claims as at 30 June 2005. While there has been no diminution in the legal standing of Nominal Defendant to these Reinsurance monies it has been recognised that the actual receipt of these funds may be protracted. As a consequence and out of prudence it has been decided to no longer recognise this allowance in the provision for outstanding claims valuation at 30 June 2005.

Outstanding Claims attributable to Nominal Defendant

Expected future claims payments (undiscounted)	178,457	163,303
Expected recoveries (undiscounted)	(7,381)	(2,806)
Discount to present value	(28,828)	(28,938)
Liability for outstanding claims	142,249	131,559
Current	28,927	26,062
Non-current	113,322	105,497
Total	142,249	131,559

- (i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.39 years (2004 – 3.29 years).
- (ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.

Claims expected to be paid:

Not later than one year

Inflation rate	7.0%	7.0%
Discount rate	5.25%	5.75%

Later than one year

Inflation rate	7.0%	7.0%
Discount rate	5.25%	5.75%

Outstanding Claims attributable to FAI

Expected future claims payments (undiscounted)	98,971	178,130
Expected recoveries (undiscounted)	(5,064)	(17,690)
Discount to present value	(9,228)	(17,791)
Liability for outstanding claims	84,679	142,649

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
NOTE 12	Provision for Outstanding Claims (Continued)		
Current		32,387	52,749
Non-current		52,292	89,900
Total		84,679	142,649
(i)	The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 2.11 years (2004 – 2.27 years).		
(ii)	The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.		
Claims expected to be paid:			
Not later than one year			
Inflation rate		7.0%	7.0%
Discount rate		5.25%	5.6%
Later than one year			
Inflation rate		7.0%	7.0%
Discount rate		5.25%	5.6%
NOTE 13	Contributed Equity		
Assets and Liabilities transferred from Nominal Defendant (Queensland) on establishment of the Nominal Defendant on 1 September 1994.		121	121
Return of contributed equity – MAIC	13(i)	57,818	57,818
Non appropriated equity injection	13(ii)	187,598	172,942
Total equity at the reporting date		245,537	230,881
(i)	<u>Return of contributed equity - MAIC</u>		
Under section 33(4) and 33(5) of the <i>Motor Accident Insurance Act 1994</i> , the amount of \$57,818,000 was transferred from the Motor Accident Insurance Fund (MAIC) to the Nominal Defendant Fund on 22 January 2002 to be applied to the outstanding claims liabilities arising from the insolvency of FAI General Insurance Company Limited.			
(ii)	<u>Non Appropriated Equity Injection</u>		
Balance at the beginning of the financial year		172,942	128,365
Queensland Treasury Indemnity Receipts		14,656	44,577
Balance at the reporting date		187,598	172,942
This represents funding provided by the State Government in accordance with indemnity for shortfalls relating to liabilities of FAI General Insurance Company Limited.			

Financial information 2004-05

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

		2005 \$'000	2004 \$'000
NOTE 14	Accumulated Losses		
	Accumulated Losses at the beginning of the financial year	(311,485)	(361,707)
	Profit/(Loss) from ordinary activities	52,226	50,229
	Other	1	(7)
	Accumulated Losses at the reporting date	(259,258)	(311,485)
NOTE 15	Auditor's Remuneration		
	Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services	23	22
NOTE 16	Commitments for Expenditure		
	Operating Lease Rental Commitments		
	Future operating lease rentals not provided for in the financial statements are payable as follows:		
	Due not later than one year	101	114
	Due later than one year but not later than five years	110	230
	Total	211	344
	Maintenance Contract Commitments		
	Total expenditure contracted for at balance date but not provided for in the financial statements:		
	Due not later than one year	156	19
	Due later than one year but not later than five years	-	-
	Total	156	19

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

	NOTE	2005 \$'000	2004 \$'000
NOTE 17	Statement of Cash Flows		
(i)	Reconciliation of cash		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Cash		2,215	1,562
Investments	7	239,993	187,352
Total		242,208	188,914
(ii)	Reconciliation of operating profit/(loss) with net cash used in operating activities		
Operating profit/(loss)		52,226	50,229
Add/(Less) non cash items:			
Depreciation and amortisation		16	27
Loss/(Profit) on disposal of Property, Plant and Equipment		-	61
Other		1	(7)
Changes in assets and liabilities:			
(Increase) in prepayments		(1)	(4)
Decrease in receivables		12,032	14,730
(Decrease) in creditors		(151)	(1,019)
Increase in unearned levies		1,133	877
(Decrease) in provisions		(42,667)	(70,967)
Net cash used in operating activities		22,589	(6,073)

The Nominal Defendant Fund has no unused borrowing or overdraft facility.

Financial information 2004-05

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 18 Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms and Conditions
<u>Financial Assets</u>			
Cash on hand	17 (i)	Recorded at book value, which approximates fair value.	
Receivables Claims recoveries and reinsurance receivable	6	Recognition – at their assessed value Measurement – based on actuarial assessment.	No interest is charged and no security is obtained
Investments	7	Recognition – on the day funds are invested. Measurement – at net market value.	May be drawn upon as and when required.
<u>Financial Liabilities</u>			
Payables	10	Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

The Fund invests with the Queensland Investment Corporation (QIC). The QIC will have invested in a variety of financial instruments including derivatives which expose the Fund's investments to a variety of investment risks including market risk, credit risk, interest rate risk and currency risk.

(b) Interest Rate Risk Exposures

The Fund invests in financial assets for the primary purpose of obtaining a return on investments, to help meet the costs of the Nominal Defendant and satisfies liabilities for motor vehicle accident claims. The Fund's return on the investments will fluctuate in accordance with movements in the market interest rates.

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 18 Financial Instruments (Continued)

2005	Notes	Floating interest rate \$'000	<u>Fixed interest rate maturing in</u>			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		2,215	-	-	-	-	2,215
Receivables	6	-	-	-	-	1,114	1,114
Investments	7	-	-	-	-	239,993 *	239,993
		2,215	-	-	-	241,107	243,322
Financial Liabilities							
Payables	10	-	-	-	-	449	449
Net Financial Assets		2,215	-	-	-	240,658	242,873
Weighted average interest rate		4.55%					

2004	Notes	Floating interest rate \$'000	<u>Fixed interest rate maturing in</u>			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		1,562	-	-	-	-	1,562
Receivables	6	-	-	-	-	29,244	29,244
Investments	7	-	-	-	-	187,352 *	187,352
		1,562	-	-	-	216,596	218,158
Financial Liabilities							
Payables	10	-	-	-	-	600	600
Net Financial Assets		1,562	-	-	-	215,996	217,558
Weighted average interest rate		4.2%					

* Investments in QIC are not classified as interest bearing as the Fund receives a distribution of profits based on the earnings of units in investments in QIC.

(c) Credit Risk Exposures

Credit exposure represents the extent of credit related losses that the Fund may be subject to on amounts to be received from financial assets. The Fund, while exposed to credit related losses in the event of non-performance by counterparties of financial institutions, does not expect any counterparties to fail to meet their obligations.

Financial information 2004-05

Nominal Defendant

Notes to and forming part of the Financial Statements
For the Year ended 30 June 2005

NOTE 18 Financial Instruments (Continued)

(d) Net Fair Values

The carrying amounts of financial assets and liabilities approximate their fair values. The fair value of investments is measured at net market value based on QIC advice.

NOTE 19 Segment Information

The Nominal Defendant operates in one primary and geographical segment and operates as a statutory body in the motor vehicle insurance industry in Queensland.

NOTE 20 Contingent Liabilities

(a) Indemnity for liabilities of FAI General Insurance Company Limited ("FAI")

In accordance with the Deed of Indemnity to the Nominal Defendant for the assumed HIH CTP Liability, funding is provided by the State Government for shortfalls relating to liabilities of FAI. Refer Note 13(ii).

In accordance with the Deed of Indemnity, where the cash receipts of the Compulsory Third Party ("CTP") levy surcharge and any amounts received from the liquidator of the HIH Group exceed the amount paid for the claims liabilities and management costs, as a result of the insolvency of FAI, the Nominal Defendant will pay the excess to the Treasurer.

(b) Funds transferred from Motor Accident Insurance Fund (MAIC)

Under section 33(6) and 33(7) of the *Motor Accident Insurance Act 1994*, should circumstances give rise to a recovery from the liquidation of FAI, or recovery from another party, the Treasurer may, by written notice to the Nominal Defendant, direct it to return funds of an amount, not exceeding \$57,818,000 to the Motor Accident Insurance Fund. Refer Note 13(i).

NOTE 21 Contingent Asset

On 15 March 2001 FAI General Insurance Company Limited was placed into provisional liquidation. The Nominal Defendant has by law become entitled to monies arising from Reinsurance Treaties held by FAI General Insurance Company Limited. At 30 June 2004 it was estimated that \$9.894 million was receivable and this was recognised as part of Note 6. While there has been no diminution in the legal standing of Nominal Defendant to these Reinsurance monies it has been recognised that the actual receipt of these funds may be protracted. As a consequence and out of prudence it has been decided to no longer recognise these monies as a current receivable.

Certificate of the Nominal Defendant

The foregoing annual financial statements have been prepared pursuant to the provisions of the *Financial Administration and Audit Act 1977* and other prescribed requirements and we certify that-

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Nominal Defendant; and
- (b) in our opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the year ended 30 June 2005 and of the financial position as at 30 June 2005.

L Anderson
Nominal Defendant

G Bott
Manager Systems and Finance

Dated: 28 September 2005

INDEPENDENT AUDIT REPORT

To the Nominal Defendant

Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of Nominal Defendant for the financial year ended 30 June 2005 included on Nominal Defendant web site. The Nominal Defendant is responsible for the integrity of the Nominal Defendant web site. We have not been engaged to report on the integrity of the Nominal Defendant's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report, available from Nominal Defendant, to confirm the information included in the audited financial report presented on this web site.

These matters also relate to the presentation of the audited financial report in other electronic media including CD Rom.

Scope

The Financial Report

The financial report of Nominal Defendant consists of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificate given by the Nominal Defendant and the officer responsible for the financial administration of Nominal Defendant for the year ended 30 June 2005.

The Nominal Defendant's Responsibility

The Nominal Defendant is responsible for the preparation and true and fair presentation of the financial report, the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

As required by law, an independent audit was conducted in accordance with *QAO Auditing Standards* to enable me to provide an independent opinion whether in all material respects the financial report is presented fairly, in accordance with the prescribed requirements, including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

Audit procedures included –

- examining information on a test/sample basis to provide evidence supporting the amounts and disclosures in the financial report;
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Nominal Defendant ;
- obtaining written confirmation regarding the material representations made in conjunction with the audit; and
- reviewing the overall presentation of information in the financial report.

Independence

The *Financial Administration and Audit Act 1977* promotes the independence of the Auditor-General and QAO authorised auditors.

The Auditor-General is the auditor of all public sector entities and can only be removed by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which powers are to be exercised.

The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

Audit Opinion

In accordance with s.46F of the *Financial Administration and Audit Act 1977* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year 1 July 2004 to 30 June 2005 and of the financial position at the end of that year.

M O'Grady
(as Delegate of the Auditor-General of Queensland)

Queensland Audit Office
Brisbane

