Financial information

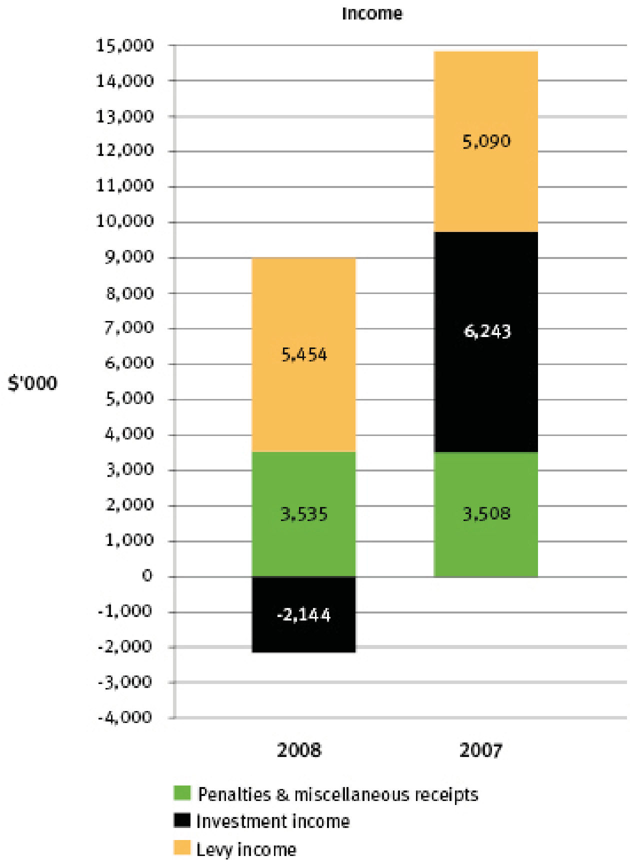
2007–08

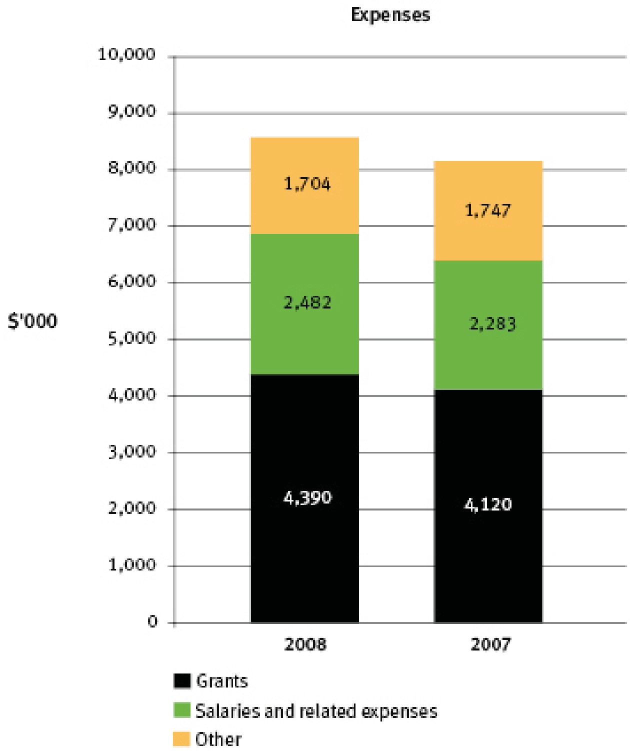
Motor Accident Insurance Commission
Financial summary 2007–08

In comparison to the previous year, revenue decreased from $14.84 million to $6.84 million. The Statutory Insurance Scheme levy produced $5.45 million of the total revenue and was set at a rate of $1.60 per CTP policy. Investment income from QIC investments decreased significantly from $6.24 million to negative $2.14 million for the 2007-08 year due to the downturn in the global financial markets. However, there was a slight increase in the revenue from penalty receipts.

The Commission's expenses were slightly higher than the previous year, primarily a result of an increase in grant expenditure which was $4.39 million compared to $4.12 million in the 2006-07 financial year. Details of grant funding are provided in Appendix Five.

With the negative investment returns, the resulting operating profit for the Commission for the year ended 30 June 2008 decreased to negative $1.73 million.





Motor Accident Insurance Commission
Income statement
For the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Revenue			
Levy income	2	5,454	5,090
Investment income	3	(2,144)	6,243
Penalties and miscellaneous receipts		3,535	3,507
Total income		**6,845**	**14,840**
Expenses			
Grants		4,390	4,120
Employee expenses	4	2,482	2,283
Depreciation and amortisation	5	80	77
Computer facilities management fee		548	367
Rent		272	198
Consultancy expenditure		243	373
Other	6	561	732
Total expenses		**8,576**	**8,150**
Operating (loss)/surplus		**(1,731)**	**6,690**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Balance sheet
As at 30 June 2008

	Note	2008 $'000	2007 $'000
Current assets			
Cash assets	16(i)	1,393	2,753
Receivables	7	574	312
Other financial assets	8	30,795	31,365
Prepayments		4	33
Total current assets		**32,766**	**34,463**
Non-current assets			
Receivables	7	500	500
Other financial assets	8	10,500	10,500
Property, plant and equipment	9	29	31
Intangibles	10	140	194
Total non-current assets		**11,169**	**11,225**
Total assets		**43,935**	**45,688**
Current liabilities			
Payables	11	309	345
Accrued employee benefits	12	249	213
Total current liabilities		**558**	**558**
Non-current liabilities			
Accrued employee benefits	12	45	43
Total non-current liabilities		**45**	**43**
Total liabilities		**603**	**601**
Net assets		**43,332**	**45,087**
Equity			
Reserves	13	15,875	15,875
Retained surpluses		27,457	29,212
Total equity		**43,332**	**45,087**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Statement of changes in equity
For the year ended 30 June 2008

	Retained Surpluses		Reserves (Note 13)		Contributed Equity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance 1 July 2007	29,212	23,130	15,875	15,300	45,087	38,430
Operating Surplus	(1,731)	6,690	-	-	(1,731)	6,690
Transfer to Reserves						
- Accident Prevention Initiatives	(1,785)	(2,600)	1,785	2,600	-	-
- Rehabilitation Initiatives	(2,605)	(2,429)	2,605	2,429	-	-
Transfer from Reserves						
- Accident Prevention Initiatives	2,210	2,276	(2,210)	(2,276)	-	-
- Rehabilitation Initiatives	2,180	2,178	(2,180)	(2,178)	-	-
Net leave liabilities transferred from other business units	(24)	(33)	-	-	(24)	(33)
Balance 30 June 2008	**27,457**	**29,212**	**15,875**	**15,875**	**43,332**	**45,087**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Cash flow statement
For the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Cash flows from operating activities			
Inflows:			
Levy income		5,454	5,090
Investment income		461	6,193
Penalties and miscellaneous receipts		3,756	3,519
GST input taxes recovered from ATO		(221)	874
Outflows:			
Grants		(4,390)	(4,120)
Employee expenses		(2,469)	(2,307)
Computer facilities management fees		(586)	(367)
Other		(1,045)	(1,883)
Realised losses on QIC investments		(2,866)	-
Net cash provided by operating activities	16(ii)	**(1,906)**	**6,999**
Cash flows from investing activities			
Outflows:			
Purchase of property, plant and equipment		(24)	-
Net cash used in investing activities		**(24)**	**-**
Net (decrease)/increase in cash held		**(1,930)**	**6,999**
Cash at beginning of financial year		44,618	37,619
Cash at end of financial year	16(i)	**42,688**	**44,618**

The accompanying notes form part of these financial statements.

Note 1 Summary of significant accounting policies

(a) Reporting entity

The Motor Accident Insurance Commission is responsible for regulating and ongoing management of the Queensland Compulsory Third Party (CTP) scheme and the Nominal Defendant Fund.

Established under the *Motor Accident Insurance Act 1994*, the Commission commenced operations on 1 September 1994 as a statutory body reporting to the Treasurer. It provides a framework for premium setting and ensures compliance with the provisions of the Act.

(b) Basis of accounting

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of Australian Equivalents to International Financial Reporting Standards (AEIFRS) where appropriate. They have also been prepared in accordance with the *Financial Administration and Audit Act (1977)*, *Financial Management Standard (1997)* and Australian Accounting Standards (including the Australian Accounting Interpretations).

The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(c) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date. The collectability of receivables is assessed periodically with provision made for impairment. All known bad debts were written-off as at 30 June.

Other debtors generally arise from transactions outside the usual operating activities of the Commission and are recognised at their assessed values.

(d) Acquisitions of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use. However, any training costs are expensed as incurred.

Assets acquired at no cost or for nominal consideration are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(e) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Plant & equipment	$5,000
Intangibles	$100,000

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

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 1 Summary of significant accounting policies (continued)

(f) Valuations of non-current physical and intangible assets

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment, other than major plant and equipment, are measured at cost. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

(g) Intangibles

Intangible assets with a cost or other value greater than $100,000 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.

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

Internally generated 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.

(h) Amortisation and depreciation of intangibles and 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.

Software under development is not amortised until it has been fully developed and utilised.

For each class of depreciable asset the following depreciation and amortisation rates are used:

Class	Rate %
Plant and Equipment	20 – 25
Intangibles	20

(i) Impairment of non-current assets

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

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

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

Note 1 Summary of significant accounting policies (continued)

(j) Other financial assets

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.

(k) Payables

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

(l) Employee benefits

Wages, salaries, recreation leave and sick leave
Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement. Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses. Employer superannuation contributions and long service leave levies are regarded as employee benefits.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using the 1 year Commonwealth Government bond rate.

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

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Long service leave
Under the Queensland Government's long service leave scheme, a levy is made on the Nominal Defendant to cover this cost. Levies are expensed in the period in which they are paid or payable. 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*.

Superannuation
Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary. Contributions are expensed in the period in which they are paid or payable. The Commission's obligation is limited to its contribution to QSuper.

Therefore, 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*.

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 1 Summary of significant accounting policies (continued)

(l) Employee benefits (continued)

Executive remuneration
The executive remuneration disclosures in the employee expenses note (note 4) in the financial statements include:

- the aggregate remuneration of all senior executives whose remuneration for the financial year is $100,000 or more, and
- the number of senior executives, whose total remuneration for the financial year falls within each successive $20,000 band, commencing at $100,000.

The remuneration disclosed is all remuneration received or receivable, directly or indirectly, from the Commission or any related party in connection with the management of the affairs of the Commission, whether as an executive or otherwise. For this purpose, remuneration includes:

- wages and salaries
- accrued leave (that is, the increase/decrease in the amount of annual leave owed to an executive, inclusive of any increase in the value of annual leave balances as a result of salary rate increases or the like)
- accrued superannuation contributions (being the value of all employer superannuation contributions during the financial year, both paid and payable as at 30 June 2008)
- Fringe benefits tax including motor vehicles and any other taxable allowances.

The remuneration disclosed does not include long service leave entitlements.

The disclosures apply to all senior executives appointed by Governor in Council and classified SES1 and above, with remuneration above $100,000 in the financial year. 'Remuneration' means any money, consideration or benefit, but excludes amounts:

- paid to an executive by an entity or its subsidiary where the person worked during the financial year wholly or mainly outside Australia during the time the person was so employed, or
- in payment or reimbursement of out of pocket expenses incurred for the benefit of the Commission.

In addition, separate disclosure of separation or redundancy/termination benefit payments is included where applicable.

(m) Reserves

The funds in equity have been sub-classified in the balance sheet, to fulfil our charter under Section 10(1) of the *Motor Accident Insurance Act 1994*. These funds 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.

The Income Maintenance reserve is required to give the Commission and its creditors an added measure of protection from the effects of losses.

(n) 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.

Note 1 Summary of significant accounting policies (continued)

(o) 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.

(p) Levy collection, contributions and penalties

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 Income Statement 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 15.

Penalties imposed under Section 20 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 and Department of Justice and Attorney-General to the Commission, upon receipt of monies from uninsured motorists.

(q) Insurance

The Commission's non-current assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Commission pays premiums to Work Cover Queensland in respect of its obligations for employee compensation.

(r) Issuance of financial statements

The financial statements are authorised for issue by the Insurance Commissioner and the Manager, Corporate Governance at the date of signing the management certificate.

(s) Judgement and assumptions

The Commission has made no judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

(t) 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 2008

Note 1 Summary of significant accounting policies (continued)

(u) New and revised accounting standards

No Australian accounting standards and interpretation issued or amended and applicable for the first time in the 2007-08 financial year have an effect on the Motor Accident Insurance Commission (the Commission). Also, the Commission has not voluntarily changed any of its accounting policies.

The Commission is not permitted to early adopt a new accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury. Consequently, the Commission has not applied any Australian Accounting Standards and interpretations that have been issued but are not yet effective. The Commission will apply these standards and interpretations in accordance with their respective commencement dates.

At the date of authorisation of the financial report, a number of new or amended Australian Accounting Standards with future commencement dates will have a significant impact on the Commission. Details of such impacts are set out below.

AASB 1004 *Contributions* have been revised, and will affect the Commission as from 2008-09. One implication arising from this revised standard will be that – to the extent that no cash consideration is provided/received – transfers of accrued employee benefits between the Commission and other Queensland Government agencies will need to be recognised as either income or expense in the Commission's Income Statement, instead of being adjusted directly against Contributed Equity (refer to the Statement of Changes in Equity). If the revised AASB 1004 applied to the Commission during 2007-08, the 2007-08 operating surplus would have decreased by approximately $23,954 due to accrued employee benefits for new Commission's employees.

AASB 101 *Presentation of Financial Statements* has been revised, but such revisions will not impact on the Commission until 2009-10. This revised standard does not have measurement or recognition implications. Instead, there will be significant changes to the presentation of the Commission's overall financial performance and position, particularly the content of the Statement of Changes in Equity, and preparation of a new Statement of Comprehensive Income.

All other Australian Accounting Standards and interpretations with future commencement dates are either not applicable to Commission, or have no material impact on the Commission.

		2008 $'000	2007 $'000
Note 2	**Levy income**		
	Levies comprise amounts required to by paid by licensed CTP insurers on gross insurance premiums		
	Statutory Insurance Scheme Levy	**5,454**	**5,090**
Note 3	**Investment income**		
	Distributions received from and changes in net market values of Queensland Investment Corporation investments	(2,594)	5,928
	Interest received from funds held by Queensland Treasury	450	315
	Total	**(2,144)**	**6,243**

		2008 $'000	2007 $'000
Note 4	**Employee expenses**		
	Employee benefits		
	Wages and salaries	1,822	1,701
	Employer superannuation contributions*	248	221
	Long service leave levy*	29	31
	Recreation leave expense	174	146
	Employee related expenses		
	Worker's compensation premium*	8	3
	Payroll tax*	107	101
	Other employee related expenses	94	80
	Total	**2,482**	**2,283**

*Cost of workers' compensation insurance and payroll tax are a consequence of employing employees, but are not counted in employees' total remuneration package. They are not employee benefits, but rather employee related expenses. Employer superannuation contributions and the long service leave levy are regarded as employee benefits.

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2008	2007
Number of employees:	20.2	28.43

Executive remuneration

The number of senior executives who received or were due to receive total remuneration of $100,000 or more:

	2008	2007
$100,000 to $119,999	1	1
The total remuneration of executives shown above** ($'000).	100	106

**The amount calculated as executive remuneration in these financial statements includes the direct remuneration received, as well as items not directly received by senior executives, such as the movement in leave accruals and fringe benefits tax paid on motor vehicles. This remuneration received does not include remuneration in connection with the management of Nominal Defendant.

	2008	2007
The total separation and redundancy/termination benefit payments during the year to executives shown above ($'000).	-	5

		2008	2007
Note 5	**Depreciation and amortisation**		
	Plant and equipment	26	23
	Intangibles	54	54
	Total	**80**	**77**

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2008

		2008 $'000	2007 $'000
Note 6	**Other expenses**		
	Administration fees	185	175
	Legal and barrister fees	13	53
	Insurance premiums - QGIF	29	26
	Audit fees	18	16
	Other	316	462
	Total	**561**	**732**

Total external audit fees relating to the 2007-08 financial year are estimated to be $16,250 (2007-08: $16,000)

		2008 $'000	2007 $'000
Note 7	**Receivables**		
	Current		
	Accrued investment income	232	94
	Penalties receivable	90	93
	Other receivables	252	125
	Total	**574**	**312**
	Non-current		
	Loan receivable	500	500
	Total	**500**	**500**
Note 8	**Other financial assets**		
	Current		
	Queensland Investment Corporation	30,795	31,365
	Non-current		
	Queensland Investment Corporation	10,500	10,500
	Total	**41,295**	**41,865**
Note 9	**Property, plant and equipment**		
	Plant and equipment:		
	At cost	208	196
	Less: Accumulated depreciation	(179)	(165)
	Total	**29**	**31**

		2008 $'000	2007 $'000
Note 9	**Property, plant and equipment (continued)**		

Plant and equipment is valued at cost in accordance with Queensland Treasury's *Non-Current Asset Accounting Policies for the Queensland Public Sector*.

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:

	2008 $'000	2007 $'000
Reconciliation		
Carrying amount at beginning of year	31	54
Additions	24	-
Depreciation	(26)	(23)
Carrying amount at end of year	**29**	**31**

Note 10 Intangibles

	2008 $'000	2007 $'000
Internally generated software:		
At cost	270	270
Less: Accumulated amortisation	(130)	(76)
Total	**140**	**194**
Reconciliation		
Carrying amount at beginning of year	194	248
Amortisation	(54)	(54)
Carrying amount at end of year	**140**	**194**

Note 11 Payables

	2008 $'000	2007 $'000
Sundry creditors and accruals	**309**	**345**

Note 12 Accrued employee benefits

	2008 $'000	2007 $'000
Current		
Wages outstanding	55	50
Recreation leave	194	163
Total	**249**	**213**
Non-current		
Recreation leave	45	43
Total	**45**	**43**

The discount rates used to calculate the present value of non-current recreation leave is 7% (2007: 6.385%)

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2008

		2008 $'000	2007 $'000
Note 13	**Reserves**		
	Composition and movements		
	Income maintenance	**10,500**	**10,500**
	Accident prevention initiatives		
	Balance at beginning of year	2,800	2,476
	Transfer to retained surplus	(2,210)	(2,276)
	Transfer from retained surplus	1,785	2,600
	Balance at end of year	**2,375**	**2,800**
	Rehabilitation initiatives		
	Balance at beginning of year	2,575	2,324
	Transfer to retained surplus	(2,180)	(2,178)
	Transfer from retained surplus	2,605	2,429
	Balance at end of year	**3,000**	**2,575**
	Total	**15,875**	**15,875**
Note 14	**Commitments for expenditure**		
(a)	**Maintenance contract commitments**		
	Total expenditure contracted for at balance date but not provided for in the financial statements:		
	Due not later than one year	393	346
	Due later than one year but not later than five years	-	-
	Total	**393**	**346**
(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	301	319
	Due later than one year but not later than five years	-	-
	Total	**301**	**319**
(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	17	24
	Due later than one year but not later than five years	3	19
	Total	**20**	**43**

		2008 $'000	2007 $'000
Note 14	**Commitments for expenditure (continued)**		

(d) Grant commitments

The *Motor Accident Insurance Act 1994* 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:

	2008 $'000	2007 $'000
Due not later than one year	3,713	3,465
Due later than one year but not later than five years	5,976	8,808
Total	**9,689**	**12,273**

Note 15 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.

	2008 $'000	2007 $'000
Levies collected but not remitted in the previous year	2,915	2,545
Hospital levy	25,562	22,782
Emergency Services levy	11,417	8,899
Total	**39,894**	**34,226**

Contributions

Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from Queensland Transport.

	2008 $'000	2007 $'000
Hospital levy contributions	24,715	22,461
Emergency Services levy contributions	10,962	8,850
Total	**35,677**	**31,311**

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 at 30 June:

	2008 $'000	2007 $'000
	4,217	**2,915**

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2008

		2008 $'000	2007 $'000
Note 16	**Cash flow statement**		
(i)	**Reconciliation of cash**		
	For the purposes of the Cash Flow Statement, 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 Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
	Cash	1,393	2,753
	Investments	41,295	41,865
	Total	**42,688**	**44,618**
(ii)	**Reconciliation of operating (loss)/surplus with net cash provided by operating activities**		
	Operating (loss)/surplus	(1,731)	6,690
	Add non-cash items:		
	Depreciation	26	23
	Amortisation	54	54
	Direct changes to equity	(24)	(33)
	Changes in assets and liabilities:		
	(Decrease)/Increase in payables	(35)	55
	(Decrease)/Increase in receivables	(262)	205
	(Decrease)/Increase in prepayments	29	(4)
	Increase in accrued employee benefits	37	9
	Net cash provided by operating activities	**(1,906)**	**6,999**

(iii) The Motor Accident Insurance Commission has no unused borrowing or overdraft facility.

		Note	2008 $'000	2007 $'000
Note 17	**Financial instruments**			

(a) Categorisation of financial instruments

The Commission has the following categories of financial assets and financial liabilities:

Category	Note	2008 $'000	2007 $'000
Financial assets			
Cash and cash equivalents	16(i)	1,393	2,753
Receivables	7	1,074	812
Investments	8	41,295	41,865
Total		**43,762**	**45,430**
Financial liabilities			
Financial liabilities measured at amortised cost:			
Payables	11	309	345
Total		**309**	**345**

(b) Credit risk exposure

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The following table represents the department's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum exposure to credit risk

Category	Note	2008 $'000	2007 $'000
Financial assets			
Cash	16(i)	1,393	2,753
Receivables	7	1,074	812
Investments	8	41,295	41,865
Total		**43,762**	**45,430**

No collateral is held as security and no credit enhancements relate to financial assets held by the Commission.

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

No financial assets and financial liabilities have been offset and presented net in the Balance Sheet.

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 17 Financial instruments (continued)

(b) Credit risk exposure (continued)

The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. These economic and geographic changes form part of the Commission's documented risk analysis assessment in conjunction with historic experience and associated industry data.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

Aging of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

2008 Financial assets past due but not impaired

Contractural repricing/ maturity date	Not overdue	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total	Total Financial Assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Receivables	574	-	-	-	500	-	1,074
Total	**574**	**-**	**-**	**-**	**500**	**-**	**1,074**

2007 Financial assets past due but not impaired

Contractural repricing/ maturity date	Not overdue	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total	Total Financial Assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Receivables	312	-	-	-	500	-	812
Total	**312**	**-**	**-**	**-**	**500**	**-**	**812**

(c) Liquidity risk

The Commission is exposed to liquidity risk in respect of its payables and borrowings from Queensland Treasury Corporation for capital works. The borrowings are based on the Queensland Government's gazetted floating rate.

The Commission manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring MAIC has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various employee and supplier liabilities.

The following table sets out the liquidity risk of financial liabilities held by the Commission. It represents the contractual maturity of financial liabilities, calculated based on cash flows relating to the repayment of the principal amount outstanding at balance date.

Note 17 Financial instruments (continued)

(c) Liquidity risk (continued)

	2008 Payable in			
	< 1 year $’000	1-5 years $’000	> 5 years $’000	Total
Financial liabilities				
Payables	309	-	-	309
Total	**309**	**-**	**-**	**309**

	2007 Payable in			
	< 1 year $’000	1-5 years $’000	> 5 years $’000	Total
Financial liabilities				
Payables	345	-	-	345
Total	**345**	**-**	**-**	**345**

(d) Market risk

The Commission does not trade in foreign currency and is not materially exposed to commodity price changes. The Commission is exposed to interest rate risk through cash deposited in interest bearing accounts. The department does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy.

Unit prices & interest rate sensitivity analysis

The following unit price & interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates and unit prices would change by +/- 1% from the year-end rates applicable to the Commission’s financial assets and liabilities. With all other variables held constant, the Commission would have a surplus and equity increase/(decrease) of $14 (2007: $28) due to interest risk and $413 (2007:$419) due to unit price risk.

		2008 Interest rate risk			
Financial instruments	Carrying amount	Profit	- 1% Equity	Profit	+ 1% Equity
Cash	1,393	(14)	(14)	14	14
Overall effect on profit and equity		**(14)**	**(14)**	**14**	**14**

		2007 Interest rate risk			
Financial instruments	Carrying amount	Profit	- 1% Equity	Profit	+ 1% Equity
Cash	2,753	(28)	(28)	28	28
Overall effect on profit and equity		**(28)**	**(28)**	**28**	**28**

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 17 Financial instruments (continued)

(d) Market risk (continued)

		2008 Unit price risk			
Financial instruments	**Carrying**	**- 1%**		**+ 1%**	
	amount	**Profit**	**Equity**	**Profit**	**Equity**
Queensland Investment Corporation	41,295	(413)	(413)	413	413
Overall effect on profit and equity		**(413)**	**(413)**	**413**	**413**

		2007 Unit price risk			
Financial instruments	**Carrying**	**- 1%**		**+ 1%**	
	amount	**Profit**	**Equity**	**Profit**	**Equity**
Queensland Investment Corporation	41,865	(419)	(419)	419	419
Overall effect on profit and equity		**(419)**	**(419)**	**419**	**419**

Fair value

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 Queensland Investment Corporation advice.

Note 18 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.

Note 19 Events occurring after balance date

No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

CERTIFICATE OF THE MOTOR ACCIDENT INSURANCE COMMISSION

The foregoing general purpose financial statements have been prepared pursuant to section 46F(1) of the *Financial Administration and Audit Act 1977* (the Act), and other prescribed requirements. In accordance with section 46F(3) of the Act we certify that:

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

  (ii) the statements have been drawn up 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 2008 and of the financial position of the Commission at the end of that year.

John Hand
Insurance Commissioner

L Lee
Manager Corporate Governance

Dated: 28 August 2008

Motor Accident Insurance Commission
Independent auditor's 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 the Motor Accident Insurance Commission for the financial year ended 30 June 2008 included on the Motor Accident Insurance Commission's web site. The Board is responsible for the integrity of the Motor Accident Insurance Commission's 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 the 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.

Report on the Financial Report

I have audited the accompanying financial report of the Motor Accident Insurance Commission which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Motor Accident Insurance Commission and officer responsible for the financial administration of the Motor Accident Insurance Commission.

The Motor Accident Insurance Commission's Responsibility for the Financial Report

The Motor Accident Insurance Commission is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Administration and Audit Act (1977)* and the *Financial Management Standard (1997)*, including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). 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 on the audit. The audit was conducted in accordance with Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from 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 the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Motor Accident Insurance Commission, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

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 Queensland 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 audit 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.

Auditor's Opinion

In accordance with s.46G 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 financial report has 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 2007 to 30 June 2008 and of the financial position as at the end of that year.

J A LATIF (CA)
Delegate of the Auditor-General of Queensland

2 8 **August 2008**
Brisbane

Nominal Defendant

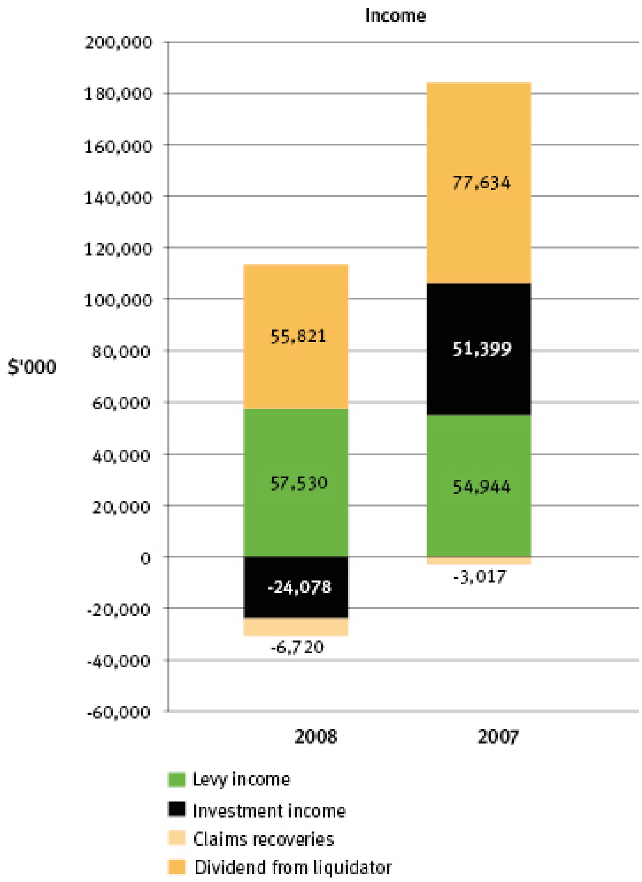
Financial summary 2007–08

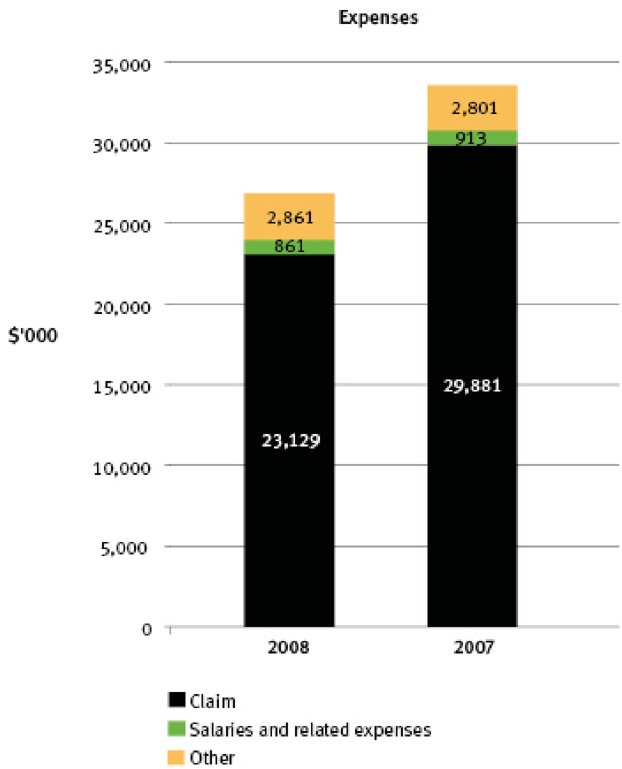
The operating surplus of the Nominal Defendant for the year ended 30 June 2008 was approximately $69.14 million compared to the prior year's operating surplus of $153.40 million.

With respect to the HIH insolvency and in accordance with the Deed of Indemnity between the State Government of Queensland and the Nominal Defendant, $61.45 million was reimbursed to Treasury Department during 2007-08. This amount was funded primarily by $55.82 million received in dividends from the HIH Liquidator during 2007-08 and proceeds from the $5 surcharge on the Nominal Defendant levy.

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 increased from $25.04 million to $31.05 million. The provisions for outstanding claims liabilities were actuarially assessed and decreased by $16.28 million.

The income from the levy for the normal business of the Nominal Defendant increased to $57.53 million reflecting growth in the number of registered vehicles. The Nominal Defendant levy was set at $17.85 per Class 1 policy (including the $5 HIH surcharge which raised $16.02 million in the year). Claims recoveries were $6.72 million during the year, an increase from $3.02 million in the previous year. The increase in Other Expenses predominantly reflects an increase in computer related expenses for the year. Due to the downturn in the global financial markets, the return from the QIC Investments was negative $24.08 million.





Nominal Defendant
Income statement
For the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Revenue			
Levy income	1(o), 2	57,530	54,944
Investment income	5	(24,078)	51,399
Dividends from liquidator	6	55,821	77,634
Total income		**89,273**	**183,977**
Expenses			
Claims expense	2	23,129	29,881
Claims recoveries		(6,720)	(3,017)
Net claims incurred	3	16,409	26,864
Other expenses	4	3,722	3,714
Total expenses		**20,131**	**30,578**
Operating surplus		**69,142**	**153,399**

The accompanying notes form part of these financial statements.

Nominal Defendant
Balance sheet
As at 30 June 2008

	Note	2008 $'000	2007 $'000
Current assets			
Cash assets	15(i)	2,793	959
Receivables	7	2035	3,492
Other financial assets	8	71,935	80,133
Prepayments		2	1
Total current assets		**76,765**	**84,585**
Non-current assets			
Other financial assets	8	276,480	287,301
Property, plant and equipment	9	14	3
Intangibles	10	84	127
Total non-current assets		**276,578**	**287,431**
Total assets		**353,343**	**372,016**
Current liabilities			
Payables	11	373	4,438
Accrued employee benefits	12	53	70
Future claims and associated costs	13	39,488	47,074
Unearned levies		30,148	27,843
Total current liabilities		**70,062**	**79,425**
Non-current liabilities			
Accrued employee benefits	12	8	14
Future claims and associated costs	13	151,771	168,775
Total non-current liabilities		**151,779**	**168,789**
Total liabilities		**221,841**	**248,214**
Net assets		**131,502**	**123,802**
Equity			
Contributed equity	1(c)	87,357	148,810
Accumulated surplus/losses		44,145	(25,008)
Total equity		**131,502**	**123,802**

The accompanying notes form part of these financial statements.

Nominal Defendant
Statement of changes in equity
For the year ended 30 June 2008

	Contributed Equity		Accumulated Surplus		Total Equity	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Balance 1 July	148,810	227,011	(25,008)	178,401	123,802	48,610
Operating surplus	-	-	69,142	153,399	69,142	153,399
State Government Equity withdrawal (Note 1(c))	(61,453)	(78,201)	-	-	(61,453)	(78,201)
Net leave liabilities transferred from other business units	-	-	11	(6)	11	(6)
Balance 30 June	**87,357**	**148,810**	**44,145**	**(25,008)**	**131,502**	**123,802**

The accompanying notes form part of these financial statements.

Nominal Defendant
Cash flow statement
For the year ended 30 June 2008

	Note	2008 $'000	2007 $'000
Cash flows from operating activities			
Inflows:			
Levy income		59,868	56,287
Claims recoveries		6,721	2,134
Investment income		205	51,399
Dividends from liquidator		57,406	76,048
GST recovered from ATO		12	566
Outflows:			
Claims paid		(42,839)	(38,817)
Salaries and related expenses		(822)	(1,239)
Realised losses on QIC investments		(24,457)	-
Other		(8,354)	(3,082)
Net cash provided by operating activities	15(ii)	**47,740**	**143,296**
Cash flows from investing activities			
Outflows:			
Purchase of assets		(6)	-
Net cash provided by investing activities		**(6)**	**-**
Cash flows from financing activities			
Outflows:			
Equity withdrawals		(64,919)	(92,164)
Net cash provided in financing activities		**(64,919)**	**(92,164)**
Net (decrease)/increase in cash held		**(17,185)**	**51,132**
Cash at the beginning of the financial year		368,393	317,261
Cash at the end of the financial year	15(i)	**351,208**	**368,393**

The accompanying notes form part of these financial statements.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 1 Summary of significant accounting policies

(a) Reporting entity

The Nominal Defendant was established under the *Motor Accident Insurance Act 1994* to act as a Queensland Compulsory Third Party (CTP) insurer for claims arising from unidentified and uninsured vehicles and to provide continuity of protection if a licensed insurer becomes insolvent.

(b) Basis of accounting

These financial statements have been prepared as general purpose financial statements in accordance with the requirements of Australian Equivalents to International Financial Reporting Standards (AEIFRS) where appropriate. They have also been prepared in accordance with the *Financial Administration and Audit Act (1977)*, *Financial Management Standard (1997)* and Australian Accounting Standards (including the Australian Accounting Interpretations).

The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(c) Deed of Indemnity

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, recoveries from the liquidator of the insolvent insurer and funds transferred from the Motor Accident Insurance Commission.

The funds provided by the State are to be recorded by the Nominal Defendant as equity injections in its financial statements. Where cash receipts from the CTP levy surcharge and/or recoveries from the liquidator of HIH exceed outflows from HIH CTP claims, that amount will be remitted back to the State Government and recorded as an equity withdrawal.

(d) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date. The collectability of receivables is assessed at each reporting date with provision made for impairment. All known bad debts were written-off as at 30 June.

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.

(e) Acquisition of assets

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use. However, any training costs are expensed as incurred.

Assets acquired at no cost or for nominal consideration are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

Note 1 Summary of significant accounting policies (continued)

(f) Property, plant and equipment

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Plant and equipment	$5,000

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

(g) Valuations of non-current physical and intangible assets

Where intangible assets have an active market, they are measured at fair value, otherwise they are measured at cost.

Plant and equipment, other than major plant and equipment, are measured at cost. The carrying amounts for plant and equipment at cost should not materially differ from their fair value.

(h) Intangibles

Intangible assets with a cost or other value greater than $100,000 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.

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

<u>Purchased software</u>
The purchase cost, together with any internal developments costs, of this software has been capitalised and is being amortised on a straight-line basis over the period of expected benefit, namely 5 years.

(i) Amortisation and depreciation of intangibles and 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.

Software under development is not amortised until it has been fully developed and utilised.

For each class of depreciable asset the following depreciation and amortisation rates are used:

Class	Rate%
Plant and equipment	20 - 25
Software	20

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 1 Summary of significant accounting policies (continued)

(j) Impairment of non-current assets

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

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Income Statement, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation reserve of the relevant class to the extent available.

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

(k) Other financial assets

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 the financial statements at net market value.

(l) Payables

Trade creditors are recognised upon receipt of goods or services at the contracted amount to be paid for the goods and services rendered. Amounts owing are unsecured and are generally settled on 30 day terms.

(m) Future claims and associated costs

Provisions for outstanding claims have been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office.

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 claims files and estimating unnotified claims and settlement costs using statistics based on past experiences and trends.

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all 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.

Note 1 Summary of significant accounting policies (continued)

(n) Funding of Nominal Defendant

Funding is by way of levies, as explained at Note 1(o); 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(c).

(o) Levies

In order to comply with the provisions of Australian Accounting Standard AASB 1023 *General Insurance Contracts*, 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 Income Statement only when it has been earned in accordance with the 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 Balance Sheet and then systematically transferred to revenue in the Income Statement as the levy is earned over time. In accordance with AASB 1023 the recognition of earned levy 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.

(p) Employee benefits

Wages, salaries, recreation leave and sick leave
Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Balance Sheet at the remuneration rates expected to apply at the time of settlement. Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses. Employer superannuation contributions and long service leave levies are regarded as employee benefits.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using the 1 year Commonwealth Government bond rate.

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

As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 1 Summary of significant accounting policies (continued)

(p) Employee benefits (continued)

Long service leave
Under the Queensland Government's long service leave scheme, a levy is made on the Nominal Defendant to cover this cost. Levies are expensed in the period in which they are paid or payable. 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*.

Superannuation
Employer superannuation contributions are paid to QSuper, the superannuation plan for Queensland Government employees, at rates determined by the State Actuary. Contributions are expensed in the period in which they are paid or payable. The Nominal Defendant's obligation is limited to its contribution to QSuper.

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*.

(q) 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.

(r) Insurance

The Nominal Defendant's non-current assets and other risks are insured through the Queensland Government Insurance Fund, premiums being paid on a risk assessment basis. In addition, the Nominal Defendant pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

(s) Issuance of financial statements

The financial statements are authorised for issue by the Nominal Defendant and the Manager, Corporate Governance at the date of signing the management certificate.

(t) Judgement and assumptions

The Nominal Defendant places high reliance on actuarial estimates provided by its actuary, Queensland Government State Actuary's Office, in calculating the Future Claims and Associated Costs as at the end of the financial year. Refer to Note 1(m) and 13. The Nominal Defendant has made no other judgements or assessments which may cause a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Note 1 Summary of significant accounting policies (continued)

(u) 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.

(v) New and revised accounting standards

No Australian accounting standards and interpretations issued or amended and applicable for the first time in the 2007-08 financial year have an effect on the Nominal Defendant. Also, the Nominal Defendant has not voluntarily changed any of its accounting policies.

Nominal Defendant is not permitted to early adopt a new accounting standard ahead of the specified commencement date unless approval is obtained from the Queensland Treasury. Consequently, the Nominal Defendant has not applied any Australian accounting standards and interpretations that have been issued but are not yet effective. Nominal Defendant will apply these standards and interpretations in accordance with their respective commencement dates.

At the date of the authorisation of the financial report, a number of new or amended Australian accounting standards with future commencement dates will have a significant impact on the Nominal Defendant. Details of such impacts are set out below.

AASB 1004 *Contributions* has been revised, and will affect Nominal Defendant as from 2008-09. One implication arising from this revised standard will be that – to the extent that no cash consideration is provided/received – transfers of accrued employee benefits between the Nominal Defendant and other Queensland Government agencies will need to be recognised as either income or expense in the Nominal Defendant's Income Statement, instead of being adjusted directly against Contributed Equity (refer to the Statement of Changes in Equity). If the revised AASB 1004 applied to Nominal Defendant during 2007-08, the 2007-08 operating surplus would have increased by approximately $10,328, due to accrued employee benefits for employees leaving the Nominal Defendant.

AASB 101 *Presentation of Financial Statements* has been revised but such revisions will not impact on the Nominal Defendant until 2009-10. This revised standard does not have measurement or recognition implications. Instead, there will be significant changes to the presentation of the Nominal Defendant's overall financial performance and position, particularly the content of the Statement of Changes in Equity, and preparation of a new Statement of Comprehensive Income.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the Nominal Defendant or have no material impact on the Nominal Defendant.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

		2008 $'000	2007 $'000
Note 2	**Claims expense**		
	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	(24,590)	(9,499)
	Claims and associated settlement costs	47,719	39,380
	Total	**23,129**	**29,881**
	Claims attributable to FAI		
	The following amounts attributable to FAI are included in the claims figures listed above:		
	Decrease in provision for outstanding claims	(8,314)	(13,474)
	Claims and associated settlement costs	16,669	14,342
	Total	**8,355**	**868**
	Underwriting result		
	Levy income	57,530	54,944
	Outward reinsurance premium expense	(1,513)	(1,481)
	Net premium revenue	56,017	53,463
	Claims expense	(23,129)	(29,881)
	Claims recoveries	6,720	3,017
	Net claims incurred	(16,409)	(26,864)
	Dividends from liquidator	55,821	77,634
	Underwriting result	**95,429**	**104,233**

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

	2008			2007		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - undiscounted	55,461	(37,911)	17,550	50,673	(30,481)	20,192
Reinsurance and other recoveries - undiscounted	-	523	523	-	2,447	2,447
Net claims incurred - undiscounted	55,461	(37,388)	18,073	50,673	(28,034)	22,639
Discount and discount movement - gross claims incurred	(14,323)	10,406	(3,917)	(11,573)	16,450	4,877
Discount and discount movement - reinsurance and other recoveries	-	106	106	-	769	769
Net discount movement	(14,323)	(10,512)	(3,811)	(11,573)	17,219	5,646
Net claims incurred - discounted	**41,138**	**26,876**	**14,262**	**39,100**	**(10,815)**	**28,285**

Claims attributable to FAI

	2008			2007		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - undiscounted	-	6,771	6,771	-	1,372	1,372
Reinsurance and other recoveries - undiscounted	-	(6,208)	(6,208)	-	(2,288)	(2,288)
Net claims incurred - undiscounted	-	563	563	-	(916)	(916)
Discount and discount movement - gross claims incurred	-	1,584	1,584	-	(505)	(505)
Discount and discount movement - reinsurance and other recoveries	-	-	-	-	-	-
Net discount movement	-	1,584	1,584	-	(505)	(505)
Net claims incurred - discounted	**-**	**2,147**	**2,147**	**-**	**(1,421)**	**(1,421)**
Total net claims incurred - discounted	**41,138**	**(24,729)**	**16,409**	**39,100**	**(12,236)**	**26,864**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

		Note	2008 $'000	2007 $'000
Note 3	**Net claims incurred (continued)**			
	Net claims incurred – discounted		14,262	28,285
	Claims recoveries		512	729
			14,774	29,014
	Add: Claims attributable to FAI		2,147	(1,421)
	Claims recoveries – FAI		6,208	2,288
		2	8,355	867
	Total	2	**23,129**	**29,881**
Note 4	**Other expenses**			
	Employee expenses			
	Employee benefits			
	Salaries and wages		660	591
	Employer superannuation contributions*		83	83
	Long service leave levy*		11	7
	Recreation leave expense		45	36
	Other employee benefits		15	139
	Employee related benefits			
	Workers' compensation premium*		3	1
	Payroll tax*		37	50
	Other employee related expenses		7	6
	Depreciation – Property, plant and equipment		4	6
	Amortisation – Intangibles		44	44
	Rent		101	73
	Consultancy expenditure		50	84
	Reinsurance		1,513	1,481
	Administration fees		709	641
	Audit fees		29	29
	Computer expenses		343	308
	Insurance premiums – QGIF		1	1
	Other		67	134
	Total		**3,722**	**3,714**

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

	2008	2007
Number of employees	10.5	12.6

Total external audit fees relating to the 2007-08 financial year are estimated to be $29,000 (2006-07: $29,000). There are no non-audit services included in this amount.

		2008 $'000	2007 $'000
Note 4	**Other expenses (continued)**		
	Other expenses attributable to FAI are included in the figures listed above:		
	Employee expenses		
	Employee benefits		
	Salaries and wages	136	140
	Employer superannuation contributions*	17	19
	Long service leave levy*	2	2
	Recreation leave expense	9	13
	Other employee benefits	2	(2)
	Employee related expenses		
	Workers' compensation premium*	1	-
	Payroll tax*	8	9
	Rent	8	6
	Consultancy expenditure	0	12
	Computer expenses	132	92
	Audit fees	17	12
	Other	(4)	16
	Total	**328**	**319**

*Cost of workers' compensation insurance and payroll tax are a consequence of employing employees, but are not counted in employees' total remuneration package. They are not employee benefits, but rather employee related expenses. Employer superannuation contributions and the long service leave levy are regarded as employee benefits.

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

		2008	2007
	Number of employees	2.4	3.1
Note 5	**Investment income**		
	Distributions from & movements in market values of Queensland Investment Corporation investments	(24,358)	51,250
	Interest received from funds held by Queensland Treasury	280	149
	Total	**(24,078)**	**51,399**
Note 6	**Dividends from liquidator**		
	Dividends received from FAI liquidator	**55,821**	**77,634**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

		2008 $'000	2007 $'000
Note 7	**Receivables**		
	Accrued investment income	207	32
	Claims recoveries receivable	1,783	1,819
	Dividend from FAI liquidator	-	1,585
	Other receivables	45	56
	Total	**2,035**	**3,492**
Note 8	**Other financial assets**		
	Current		
	Queensland Investment Corporation	71,935	80,133
	Non-current		
	Queensland Investment Corporation	276,480	287,301
	Total	**348,415**	**367,434**
Note 9	**Property, plant and equipment**		
	Plant and equipment:		
	At cost	63	65
	Less: Accumulated depreciation	(49)	(62)
	Total	**14**	**3**

Plant and equipment is valued at cost in accordance with Queensland Treasury's *Non-Current Asset Accounting Policies for the Queensland Public Sector*.

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:

	2008	2007
Carrying amount at beginning of year	3	9
Additions	15	-
Depreciation	(4)	(6)
Carrying amount at end of year	**14**	**3**

		2008 $'000	2007 $'000
Note 10	**Intangibles**		
	Purchased software:		
	At cost	218	218
	Less: Accumulated amortisation	(134)	(91)
	Total	**84**	**127**
	Carrying amount at beginning of year	127	171
	Amortisation	(43)	(44)
	Carrying amount at end of year	**84**	**127**
Note 11	**Payables**		
	Sundry creditors and accruals	373	972
	Equity withdrawal	-	3,466
	Total	**373**	**4,438**
	The following amounts attributable to FAI are included in the payables figures listed above:		
	Sundry creditors and accruals	**26**	**33**
Note 12	**Accrued employee benefits**		
	Current		
	Wages outstanding	18	17
	Recreation leave	35	53
	Total	**53**	**70**
	Non-current		
	Recreation leave	8	14
	Total	**61**	**84**
	The following amounts attributable to FAI are included in the payables figures listed above:		
	Current		
	Wages outstanding	4	4
	Recreation leave	8	15
	Total	**12**	**19**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

		2008 $'000	2007 $'000
Note 12	**Accrued employee benefits (continued)**		
	Non-current		
	Recreation leave	1	-
	Total	**13**	**19**

The discount rate used to calculate the present value of non-current recreation leave is 7% (2007: 6.39%)

		2008 $'000	2007 $'000
Note 13	**Future claims and associated costs**		
	The total provision is as follows:		
	Current	39,488	47,074
	Non-current	151,771	168,775
	Total	**191,259**	**215,849**

The consulting actuaries have recommended an allowance for reinsurance recoveries in the valuation of the outstanding claims liabilities of the FAI-Tail claims. While there has been no diminution in the legal standing of the 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 the following allowance in the provision for outstanding claims valuation from 30 June 2005:

	2008 $'000	2007 $'000
Reinsurance recoveries allowance (undiscounted)	3,562	4,399
Discount to present value	(1,210)	(1,395)
Reinsurance recoveries allowance (discounted)	**2,352**	**3,004**
Outstanding claims attributable to the Nominal Defendant		
Expected future claims payments (undiscounted)	189,316	202,817
Expected recoveries (undiscounted)	(5,362)	(6,397)
Discount to present value	(39,512)	(35,702)
Liability for outstanding claims	**144,442**	**160,718**
Current	26,263	31,635
Non-current	118,179	129,083
Total	**144,442**	**160,718**

	2008 $'000	2007 $'000

Note 13 Future claims and associated costs (continued)

(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 4.03 years (2007 – 3.40 years).

(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.

	2008	2007
Claims expected to be paid:		
Not later than one year		
Inflation rate	7.55%	7.0%
Discount rate	6.80%	6.50%
Later than one year		
Inflation rate	7.55%	7.0%
Discount rate	6.80%	6.50%

Outstanding claims attributable to FAI

	2008 $'000	2007 $'000
Expected future claims payments (undiscounted)	57,891	67,788
Discount to present value	(11,074)	(12,657)
Liability for outstanding claims	**46,817**	**55,131**
Current	13,225	15,439
Non-current	33,592	39,692
Total	**46,817**	**55,131**

(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.58 years (2007 – 3.63 years).

(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.

	2008	2007
Claims expected to be paid:		
Not later than one year		
Inflation rate	na	na
Discount rate	6.80%	6.50%
Later than one year		
Inflation rate	na	na
Discount rate	6.80%	6.50%

Nominal Defendant
Notes to and forming part of the financial statements
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	2008 $'000	2007 $'000

Note 13 Future claims and associated costs (continued)

Nature and extent of risks arising from insurance contracts

The objective of the Nominal Defendant is to ensure the Fund is fully funded to enable it to meet its obligations under the *Motor Accident Insurance Act 1994*. This is facilitated by an actuarially derived levy which is incorporated in the Compulsory Third Party (CTP) premium charged by the respective CTP policy insurers. The levy is derived by taking into consideration such factors as claim frequency, average claim size, wages, inflation, applicable discount rates, operating expenses and cost of reinsurance. The levy amount is supplemented by investment income derived from investing the levy and other income from reinsurance and non-reinsurance recoveries.

A suitably qualified insurance broker is engaged in a consultancy capacity to provide the Nominal Defendant with the most cost effective plan to protect the Fund against major and catastrophic loss, and provide ongoing insurance risk advice. To this end, the Broker facilitates an annual contract for excess of loss reinsurance cover entered into by the Nominal Defendant with reinsurance underwriters from both local and overseas markets to provide reinsurance cover at various layers.

Reinsurers must comply with Queensland Treasury's minimum requirement for performance guarantee under a contract (per Section 87 of the Queensland Government Financial Management Standards 1997) which is for the approved financial institution to have a minimum S&P rating of A-. In the 2007-08 financial year the Nominal Defendant was able to secure unlimited cover with an excess of loss retention level of $6.0 million. All reinsurers complied with Treasury's minimum requirements as specified by the Financial Management Standards.

Prudential margin

Nominal Defendant – The provision for outstanding claims includes a 10% prudential margin (2007: 10%) to increase the probability that the overall provision for claims will be adequate. Based on accounting standard *AASB1023 (General Insurance Contracts)* the provision also includes an allowance of 6% of outstanding payments for future internal claims handling expenses.

FAI – The provision for outstanding claims includes a 16% prudential margin (2007: 13%) to increase the probability that the overall provision for claims will be adequate. Based on accounting standard *AASB1023 (General Insurance Contracts)* the provision also includes an allowance of 4% of outstanding payments for future internal claims handling expenses.

Note 14 Commitments for expenditure

Operating lease rental commitments

	2008 $'000	2007 $'000
Future operating lease rentals not provided for in the financial statements are payable as follows:		
Due not later than one year	109	110
Due later than one year but not later than five years	-	-
Total	**109**	**110**

		Note	2008 $'000	2007 $'000
Note 14	**Commitments for expenditure (continued)**			
	Maintenance contract commitments			
	Total expenditure contracted for at balance date but not provided for in the financial statements:			
	Due not later than one year		194	248
	Due later than one year but not later than five years		-	-
	Total		**194**	**248**
Note 15	**Cash flow statement**			
(i)	**Reconciliation of cash**			
	For the purposes of the Cash Flow Statement, 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 Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:			
		Note		
	Cash		2,793	959
	Other financial assets	**8**	348,415	367,434
	Total		**351,208**	**368,393**
(ii)	**Reconciliation of operating surplus with net cash provided by operating activities**			
	Operating surplus		69,142	153,399
	Add non-cash items:			
	Depreciation		4	6
	Amortisation		44	44
	Direct changes to equity		11	(6)
	Changes in assets and liabilities:			
	Decrease in prepayments		(1)	2
	(Increase)/decrease in receivables		1,457	(2,469)
	(Increase)/decrease in payables		(603)	617
	Increase in unearned levies		2,305	1,343
	Decrease in provisions		(24,596)	(9,499)
	(Decrease)/increase in accrued employee benefits		(23)	(141)
	Net cash provided by operating activities		**47,740**	**143,296**

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

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 16 Financial instruments

(a) Categorisation of financial instruments

The Nominal Defendant has the following categories of financial assets and financial liabilities:

	Note	2008 $'000	2007 $'000
Financial assets			
Cash and cash equivalents	15	2,793	959
Receivables	7	2,035	3,492
Investments	8	348,415	367,434
Total		**353,243**	**371,885**
Financial liabilities			
Payables	11	373	4,438
Total		**373**	**4,438**

(b) Credit risk exposure

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

The following table represents the Nominal Defendant's maximum exposure to credit risk based on contractual amounts net of any allowances:

Maximum exposure to credit risk

Category	Note	2008 $'000	2007 $'000
Financial assets			
Cash	15	2,793	959
Receivables	7	2,035	3,492
Investments	8	348,415	367,434
Total		**353,243**	**371,885**

No collateral is held as security and no credit enhancements relate to financial assets held by the Nominal Defendant.

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

No financial assets and financial liabilities have been offset and presented net in the Balance Sheet.

Note 16 Financial instruments (continued)

(b) Credit risk exposure (continued)

The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings. These economic and geographic changes form part of the Nominal Defendant's documented risk analysis assessment in conjunction with historic experience and associated industry data.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

Aging of past due but not impaired as well as impaired financial assets are disclosed in the following tables:

2008 Financial assets past due but not impaired
Contractural repricing/maturity date:

	Not overdue	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total	Total Financial Assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Receivables excluding sharing recoveries	252	-	-	-	-	-	252
Total	**252**	**-**	**-**	**-**	**-**	**-**	**252**

2007 Financial assets past due but not impaired
Contractural repricing/maturity date:

	Not overdue	Less than 30 days	30-60 days	61-90 days	More than 90 days	Total	Total Financial Assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Receivables excluding sharing recoveries	1,673	-	-	-	-	-	1,673
Total	**1,673**	**-**	**-**	**-**	**-**	**-**	**1,673**

(c) Liquidity risk

The Nominal Defendant is exposed to liquidity risk in respect of its payables.

The following table sets out the liquidity risk of financial liabilities held by the Nominal Defendant.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 16 Financial instruments (continued)

	2008 Payable in			
	< 1 year $'000	1-5 years $'000	> 5 years $'000	Total
Financial liabilities				
Payables	373	-	-	**373**
Total	**373**	**-**	**-**	**373**

	2007 Payable in			
	< 1 year $'000	1-5 years $'000	> 5 years $'000	Total
Financial liabilities				
Payables	4,438	-	-	**4,438**
Total	**4,438**	**-**	**-**	**4,438**

(d) Market risk

The Nominal Defendant does not trade in foreign currency and is not materially exposed to commodity price changes.

Unit price and interest rate sensitivity analysis

The following unit price and interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates and unit prices would change by +/- 1% from the year-end rates applicable to the Nominal Defendant's financial assets and liabilities. With all other variables held constant, the Nominal Defendant would have a surplus and equity increase/(decrease) of $28,000 (2007: $10,000) for interest rate risk and $3,484,000 (2007 $3,674,000) for unit price risk.

Note 16 Financial instruments (continued)

(d) Market risk (continued)

Financial instruments	Carrying amount	2008 Interest rate risk - 1% Profit	- 1% Equity	+ 1% Profit	+ 1% Equity
Cash	2,793	(28)	(28)	28	28
Overall effect on profit and equity		**(28)**	**(28)**	**28**	**28**

Financial instruments	Carrying amount	2008 Unit price risk - 1% Profit	- 1% Equity	+ 1% Profit	+ 1% Equity
QTC investments	348,415	(3,484)	(3,484)	3,484	3,484
Overall effect on profit and equity		**(3,484)**	**(3,484)**	**3,484**	**3,484**

Financial instruments	Carrying amount	2007 Interest rate risk - 1% Profit	- 1% Equity	+ 1% Profit	+ 1% Equity
Cash	959	(10)	(10)	10	10
Overall effect on profit and equity		**(10)**	**(10)**	**10**	**10**

Financial instruments	Carrying amount	2007 Unit price risk - 1% Profit	- 1% Equity	+ 1% Profit	+ 1% Equity
QTC investments	367,434	(3,674)	(3,674)	3,674	3,674
Overall effect on profit and equity		**(3,674)**	**(3,674)**	**3,674**	**3,674**

(e) Fair value

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.

The Nominal Defendant is unable to comply with the disclosure requirements in AASB 7 Financial Instrument disclosures paragraph 37(a) and (b) for the Nominal Defendant's financial assets. The difficulty for disclosure relates to the inability to age the receivable for sharing recoveries on claims due to the difficulty in accurately predicting the finalisation period of a claim.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2008

Note 17 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 18 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.

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.

Note 19 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. 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 in the balance sheet.

Note 20 Events occurring after balance date

No events have occurred subsequent to the balance sheet date that would require adjustment to, or disclosure in, the financial report.

CERTIFICATE OF THE NOMINAL DEFENDANT

The foregoing general purpose financial statements have been prepared pursuant to section 46F(1) of the *Financial Administration and Audit Act 1977* (the Act), and other prescribed requirements. In accordance with section 46F(3) of the Act we certify that:

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

  (ii) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2008 and of the financial position of the Nominal Defendant at the end of that financial year.

John Hand
Insurance Commissioner

L Lee
Manager Corporate Governance

Dated: 29 August 2008

To the Nominal Defendant

Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of the Nominal Defendant for the financial year ended 30 June 2008 included on the Nominal Defendant's web site. The Board is responsible for the integrity of the Nominal Defendant's 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 the 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.

Report on the Financial Report

I have audited the accompanying financial report of the Nominal Defendant which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Nominal Defendant and officer responsible for the financial administration of the Nominal Defendant.

The Nominal Defendant's Responsibility for the Financial Report

The Nominal Defendant is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the *Financial Administration and Audit Act (1977)* and the *Financial Management Standard (1997)*, including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). 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 on the audit. The audit was conducted in accordance with Auditor-General of Queensland Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance whether the financial report is free from 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 the auditor's judgement, including the assessment of risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies and the reasonableness of accounting estimates made by the Nominal Defendant, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

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 Queensland 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 audit 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.

Auditor's Opinion

In accordance with s.46G 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 financial report has 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 2007 to 30 June 2008 and of the financial position as at the end of that year.

J A LATIF (CA)
Delegate of the Auditor-General of Queensland

27 August 2008
Brisbane