Financial Information

2006-07

Motor Accident Insurance Commission

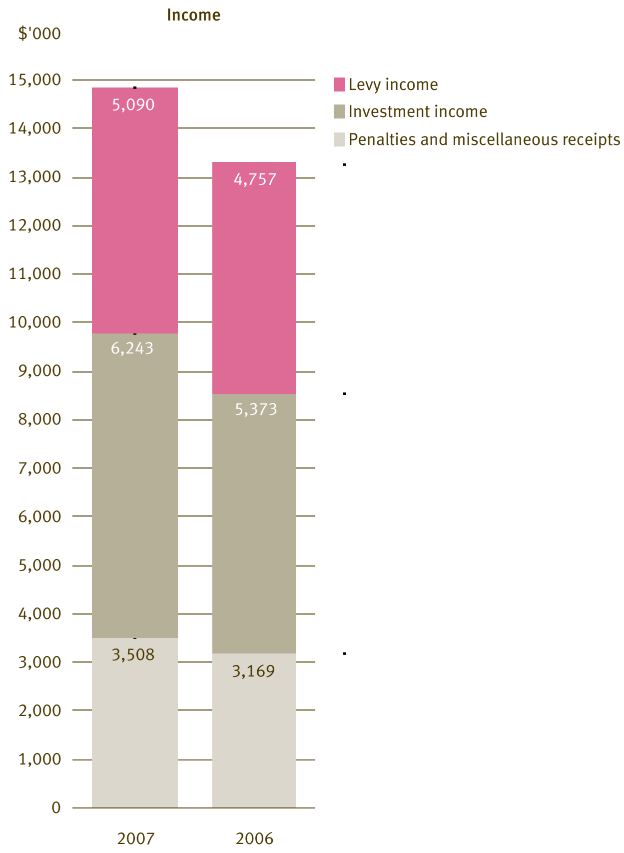
Motor Accident Insurance Commission

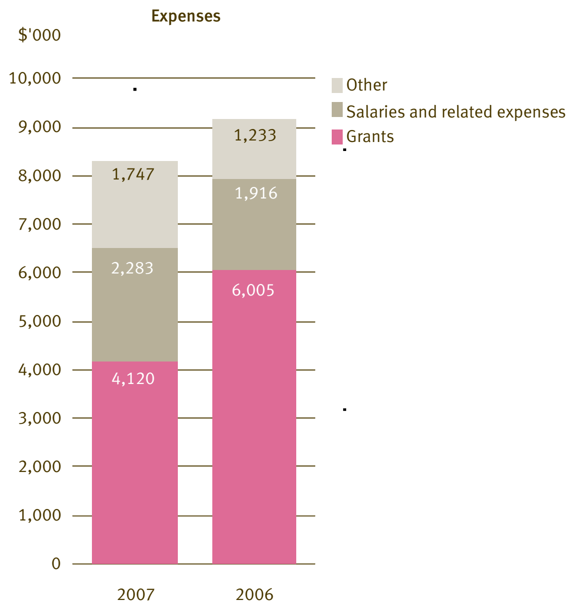
Financial Summary

In comparison to the previous year, revenue increased overall from $13.299 million to $14.840 million. $5.090 million of total revenue came from the statutory levy which was set at a rate of $1.60 per CTP policy. Investment income increased significantly from $5.373 million to $6.243 million for the 2006-07 year and there was a slight increase in the revenue from penalty receipts.

The expenses of the Commission were significantly lower than the previous year, primarily the result of a decrease in grant expenditure which was $4.120 million compared to $6.005 million in the 2005-06 financial year. Details of grant funding are provided in Appendix 5.

The resultant operating profit for the Commission for the year ended 30 June 2007 increased by approximately 38% to $6.690 million.





Motor Accident Insurance Commission
Income Statement
For the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
Income			
Revenue			
Levy income	2	5,090	4,757
Investment income	3	6,243	5,373
Penalties and miscellaneous receipts		3,507	3,169
Total Income		**14,840**	**13,299**
Expenses			
Grants		4,120	6,005
Employee expenses	4	2,283	1,916
Depreciation and amortisation	5	77	43
Computer facilities management fee		367	209
Rent		198	125
Consultancy expenditure		373	271
Other	6	732	585
Total Expenses		**8,150**	**9,154**
Operating Surplus		**6,690**	**4,145**

The accompanying notes form part of these financial statements.

Financial information 2006-07

Motor Accident Insurance Commission
Balance Sheet
As at 30 June 2007

	Note	2007 $'000	2006 $'000
Current Assets			
Cash assets	16(i)	2,753	912
Receivables	7	312	517
Other financial assets	8	31,365	26,207
Prepayments		33	29
Total Current Assets		**34,463**	**27,665**
Non Current Assets			
Receivables	7	500	500
Other financial assets	8	10,500	10,500
Property, plant and equipment	9	31	54
Intangibles	10	194	248
Total Non Current Assets		**11,225**	**11,302**
Total Assets		**45,688**	**38,967**
Current Liabilities			
Payables	11	345	290
Accrued employee benefits	12	213	215
Total Current Liabilities		**558**	**505**
Non Current Liabilities			
Accrued employee benefits	12	43	32
Total Non Current Liabilities		**43**	**32**
Total Liabilities		**601**	**537**
Net Assets		**45,087**	**38,430**
Equity			
Reserves	13	15,875	15,300
Retained surpluses		29,212	23,130
Total Equity		**45,087**	**38,430**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Statement of Changes in Equity
For the year ended 30 June 2007

	Retained Profits		Reserves (Note 13)		Total Equity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Balance 1 July	23,130	20,231	15,300	14,096	38,430	34,327
Operating Surplus	6,690	4,145	-	-	6,690	4,145
Transfer to Reserves						
- Accident Prevention Initiatives	(2,600)	(2,476)	2,600	2,476	-	-
- Rehabilitation Initiatives	(2,429)	(2,299)	2,429	2,299	-	-
Transfer from Reserves						
- Accident Prevention Initiatives	2,276	1,441	(2,276)	(1,441)	-	-
- Rehabilitation Initiatives	2,178	2,130	(2,178)	(2,130)	-	-
Net leave liabilities transferred from other business units	(33)	(42)	-	-	(33)	(42)
Balance 30 June	**29,212**	**23,130**	**15,875**	**15,300**	**45,087**	**38,430**

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission
Statement of Cash Flows
For the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
Cash flows from operating activities			
Inflows:			
Levy income		5,090	4,757
Investment income		6,193	5,361
Penalties and miscellaneous receipts		3,519	3,149
GST input taxes recovered from ATO		874	322
Outflows:			
Grants		(4,120)	(6,005)
Employee expenses		(2,307)	(1,842)
Computer facilities management fees		(367)	(121)
Other		(1,883)	(1,662)
Net cash provided by operating activities	**16(ii)**	**6,999**	**3,959**
Cash flows from investing activities			
Outflows:			
Purchase of property, plant and equipment		-	(20)
Purchase of intangibles		-	(50)
Net cash used in investing activities		-	**(70)**
Net increase in cash held		**6,999**	**3,889**
Cash at the beginning of the financial year		37,619	33,730
Cash at the end of the financial year	**16(i)**	**44,618**	**37,619**

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 the *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.

(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.

Note 1 Summary of Significant Accounting Policies (continued)

(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 re-valued amount. When the asset is measured at a re-valued 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 re-valued amount, in which case the reversal of the impairment loss is treated as revaluation increase.

(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.

Note 1 Summary of Significant Accounting Policies (continued)

(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*.

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.

Note 1 Summary of Significant Accounting Policies (continued)

(l) Employee Benefits (continued)

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 2007)
- 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.

(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.

(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.

Note 1 Summary of Significant Accounting Policies (continued)

(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.

(u) New and Revised Accounting Standards

Disclosure is required when initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect, except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods.

In the current year, the Motor Accident Insurance Commission had adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for 2006-07 reporting period. There was no material impact on adoption of the new and revised Standards and Interpretations.

Note 1 Summary of Significant Accounting Policies (continued)

(u) New and Revised Accounting Standards (continued)

Disclosure is required when a new Australian Accounting Standard which has been issued but is not yet effective has not been applied. At the date of authorisation of the financial report, the following Standards and Interpretations had been issued/revised but were not yet effective:

Title	Operative for reporting periods beginning on/after
AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*	1 January 2008
AASB 2: *Share-based Payment*	1 March 2007
AASB 4: *Insurance Contracts*	1 January 2007
AASB 8: *Operating Segments*	1 January 2009
AASB 101: *Presentation of Financial Statements*	1 January 2007
AASB 114: *Segment Reporting*	1 January 2007
AASB 117: *Leases*	28 February 2007
AASB 118: *Revenue*	28 February 2007
AASB 120: *Accounting for Government Grants and Disclosure of Government Assistance*	28 February 2007
AASB 121: *The Effects of Changes in Foreign Exchange Rates*	28 February 2007
AASB 127: *Consolidated and Separate Financial Statements*	28 February 2007
AASB 131: *Interests in Joint Ventures*	28 February 2007
AASB 132: *Financial Instruments: Presentation*	1 January 2007
AASB 133: *Earnings per Share*	1 January 2007
AASB 139: *Financial Instruments: Recognition and Measurement*	28 February 2007
AASB 1023: *General Insurance Contracts*	1 January 2007
AASB 1038: *Life Insurance Contracts*	1 January 2007
AASB 1048: *Interpretation and Application of Standards*	31 March 2007
AASB 1049: *Financial Reporting of General Government Sectors by Governments*	1 July 2008
AASB 2007-1: *Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]*	1 March 2007
AASB 2007-2: *Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]*	28 February 2007 1 January 2008

Note 1 Summary of Significant Accounting Policies (continued)

(u) New and Revised Accounting Standards (continued)

Title	Operative for reporting periods beginning on/after
AASB 2007-3: *Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]*	1 January 2009
AASB 2007-4: *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]*	1 July 2007
AASB 2007-5: *Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]*	1 July 2007
AASB 2007-6: *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and interpretations 1 & 12]*	1 January 2007
AASB 2007-7: *Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]*	1 July 2007
Interpretation 4: *Determining whether an Arrangement contains a Lease [revised]*	1 January 2008
Interpretation 10: *Interim Financial Reporting and Impairment*	1 November 2006
Interpretation 11: *AASB 2 – Group and Treasury Share Transactions*	1 March 2007
Interpretation 12: *Service Concession Arrangements*	1 January 2008
Interpretation 129: *Disclosure – Service Concession Arrangements [revised]*	1 January 2008

It is anticipated that the above Standards and Interpretations are either not applicable to the Commission or adoption of them in future periods will have no material impact on the Commission's financial statements.

Financial information 2006-07

Note 2 Levy Income

	2007 $'000	2006 $'000
Levies comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums.		
Statutory Insurance Scheme Levy	**5,090**	**4,757**

Note 3 Investment Income

	2007 $'000	2006 $'000
Distributions received from Queensland Investment Corporation	5,928	5,161
Interest received from funds held by Queensland Treasury	315	212
Total	**6,243**	**5,373**

Note 4 Employee Expenses

	2007 $'000	2006 $'000
Employee Benefits		
Wages and salaries	1,701	1,430
Employer superannuation contributions*	221	166
Long service leave levy*	31	20
Recreation leave expense	146	127
Employee Related Expenses		
Workers' compensation premium*	3	3
Payroll Tax*	101	-
Other employee related expenses	80	170
Total	**2,283**	**1,916**

Note 4 Employee expenses (continued)

	2007 $'000	2006 $'000

*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:

	2007	2006
Number of Employees:	28.43	26.26

Executive Remuneration

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

	2007	2006
$100,000 to $119,999		
$120,000 to $139,999	1	-
	-	1
The total remuneration of executives shown above ** ($'000).	106	123

**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.

	2007	2006
The total separation and redundancy/ termination benefit payments during the year to executives shown above ($'000).	5	–

Note 5 Depreciation and Amortisation

	2007	2006
Plant and equipment	23	21
Intangibles	54	22
Total	**77**	**43**

Note 6 Other Expenses

	2007 $'000	2006 $'000
Administration Fees	175	171
Legal and Barrister Fees	53	78
Insurance Premiums - QGIF	26	25
Audit Fees	16	12
Other	462	299
Total	**732**	**585**

Total external audit fees relating to the 2006-07 financial year are estimated to be $16,000 (2005-06: $12,000)

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007 $'000	2006 $'000
Note 7	**Receivables**		
	Current		
	Accrued investment income	94	45
	Penalties receivable	93	105
	Other receivables	125	367
	Total	**312**	**517**
	Non-Current		
	Loan Receivable	500	500
	Total	**500**	**500**
Note 8	**Other Financial Assets**		
	Current		
	Queensland Investment Corporation	31,365	26,207
	Non-Current		
	Queensland Investment Corporation	10,500	10,500
	Total	**41,865**	**36,707**
Note 9	**Property, Plant and Equipment**		
	Plant and equipment:		
	At Cost	196	196
	Less: Accumulated depreciation	(165)	(142)
	Total	**31**	**54**

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:

Reconciliation	2007 $'000	2006 $'000
Carrying amount at beginning of year	54	55
Additions	-	20
Disposals	-	-
Depreciation	(23)	(21)
Carrying amount at end of year	**31**	**54**

Note 10 Intangibles

	2006 $'000	2006 $'000
Internally Generated Software:		
At cost	270	433
Less: Accumulated amortisation	(76)	(185)
Total	**194**	**248**
Reconciliation		
Carrying amount at beginning of year	248	220
Additions	-	50
Disposals	-	-
Transfers	-	-
Amortisation	(54)	(22)
Carrying amount at end of year	**194**	**248**

Note 11 Payables

Sundry creditors and accruals	**345**	**290**

Note 12 Accrued Employee Benefits

Current		
Wages outstanding	50	62
Recreation Leave	163	153
Total	**213**	**215**
Non-Current		
Recreation Leave	43	32
Total	**43**	**32**

The discount rates used to calculate the present value of non-current recreation leave is 6.385% (2006: 5.32%)

Note 13 Reserves

Composition and movements:

Income Maintenance		
Balance at beginning and end of year	**10,500**	**10,500**

		2007 $'000	2006 $'000
Note 13	***Reserves (continued)***		
	Accident Prevention Initiatives		
	Balance at beginning of year	2,476	1,441
	Transfer to retained profits	(2,276)	(1,441)
	Transfer from retained profits	2,600	2,476
	Balance at end of year	**2,800**	**2,476**
	Rehabilitation Initiatives		
	Balance at beginning of year	2,324	2,155
	Transfer to retained profits	(2,178)	(2,130)
	Transfer from retained profits	2,429	2,299
	Balance at end of year	**2,575**	**2,324**
	Total	**15,875**	**15,300**

Note 14 Commitments for Expenditure

(a) Maintenance Contract Commitments

Total expenditure contracted for at balance date but not provided for in the financial statements:

	2007 $'000	2006 $'000
Due not later than one year	346	328
Due later than one year but not later than five years	-	-
Total	**346**	**328**

(b) Operating Lease Rental Commitments

Future operating lease rentals not provided for in the financial statements are payable as follows:

	2007 $'000	2006 $'000
Due not later than one year	319	187
Due later than one year but not later than five years	-	187
Total	**319**	**374**

(c) Motor Vehicle Lease Commitments

Future operating lease rentals not provided for in the financial statements are payable as follows:

	2007 $'000	2006 $'000
Due not later than one year	24	11
Due later than one year but not later than five years	19	-
Total	**43**	**11**

		2007 $'000	2006 $'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:

	2007 $'000	2006 $'000
Due not later than one year	3,465	2,654
Due later than one year but not later than five years	8,808	4,675
Total	**12,273**	**7,329**

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.

	2007 $'000	2006 $'000
Levies collected but not remitted in the previous year	2,545	2,310
Hospital levy	22,782	19,120
Emergency Services levy	8,899	8,575
Total	**34,226**	**30,005**

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

	2007 $'000	2006 $'000
Hospital levy contributions	22,461	18,947
Emergency Services levy contributions	8,850	8,513
Total	**31,311**	**27,460**
Amounts collected on behalf of but not yet remitted to Queensland Department of Health and the Department of Emergency Services in respect of hospital and emergency services levies as at 30 June:	**2,915**	**2,545**

Motor Accident Insurance Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007 $'000	2006 $'000
Note 16	**Cash Flow Statement**		
(i)	**Reconciliation of cash**		
	For the purposes of the of 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	2,753	912
	Investments	41,865	36,707
	Total	**44,618**	**37,619**
(ii)	**Reconciliation of operating surplus with net cash provided by operating activities**		
	Operating surplus	6,690	4,145
	Add non-cash items:		
	Depreciation	23	21
	Amortisation	54	22
	Direct changes to equity	(33)	(42)
	Changes in assets and liabilities:		
	Increase in payables	55	90
	Decrease / (Increase) in receivables	205	(394)
	(Increase) in prepayments	(4)	-
	Increase in accrued employee benefits	9	117
	Net cash provided by operating activities	**6,999**	**3,959**

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

Note 17 Financial Instruments

(a) Categorisation of Financial Instruments

Financial Instrument	*Related Financial Statement Notes*	*Accounting Policies*	*Terms and Conditions*
Financial Assets			
Cash on hand	16 (i)	Recorded at book value, which approximates fair value. Interest is recognised in the Income Statement when earned.	Under the Cash Management Incentives Regime (CMIR) the Treasury Controlled Bank account earns interest on surplus funds and pays interest when in overdraft. The interest rate is changed quarterly and the June quarter rate is 5.5%.
Receivables			
Penalties receivable	7	Recognition - upon receipt of fines by Qld Transport and the Courts. Measurement - prescribed by the Motor Accident Insurance Act 1994. Recorded at book value.	Usually received within 30 days from the month due.
Loans receivable	7	Recognition – upon issue of funds. Measurement – based on memorandum of agreement and recorded at book value.	No interest rate applied as this is funding to promote research into accident prevention and rehabilitation. Repayments in accordance with individual loan agreements.
Other financial assets	8	Recognition – on the day funds are invested. Measurement – at net market value.	May be drawn upon as and when required.
Financial Liabilities			
Payables	11	Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/ contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

Note 17 Financial Instruments (continued)

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

(b) Interest Rate Risk Exposure

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

2007	Notes	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		2,753	-	-	-	-	2,753
Receivables	7	-	-	-	-	812	812
Investments	8	-	-	-	-	41,865**	41,865
		2,753	**-**	**-**	**-**	**42,677**	**45,430**
Financial Liabilities							
Payables	11	-	-	-	-	345	345
Net Financial Assets		**2,753**	-	-	-	**42,332**	**45,085**

***Weighted average Interest rate 5.26%**

2007	Notes	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		912	-	-	-	-	912
Receivables	7	-	-	-	-	1,017	1,017
Investments	8		-	-	-	36,707*	36,707
		912	**-**	**-**	**-**	**37,724**	**38,636**
Financial Liabilities							
Payables	11	**-**	**-**	**-**	**-**	**290**	**290**
Net Financial Assets		**912**	**-**	**-**	**-**	**37,434**	**38,346**

*Weighted average Interest rate **4.63%**

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

Note 17 Financial Instruments (continued)

(c) Credit Risk Exposures

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

(d) Fair Values

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

Financial assets past due but not impaired

	Contractual repricing / maturity date:						
	Not overdue $'000	Less than 30 days $'000	Overdue 30 – 60 days $'000	61 – 90 days $'000	More than 90 days $'000	Total $'000	Total financial assets $'000
Financial assets							
Receivables	312	-	-	-	500	812	812
Total	**312**	**-**	**-**	**-**	**500**	**812**	**812**

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 2007 and of the financial position of the Commission at the end of that year.

John Hand
Insurance Commissioner

L Lee
Manager Corporate Governance

Dated: 26 September 2007

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 2007 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 2007, 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 Commission and officer responsible for the financial administration of the Motor Accident Insurance Commission.

The Commission's Responsibility for the Financial Report

The 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 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 2006 to 30 June 2007 and of the financial position as at the end of that year.

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

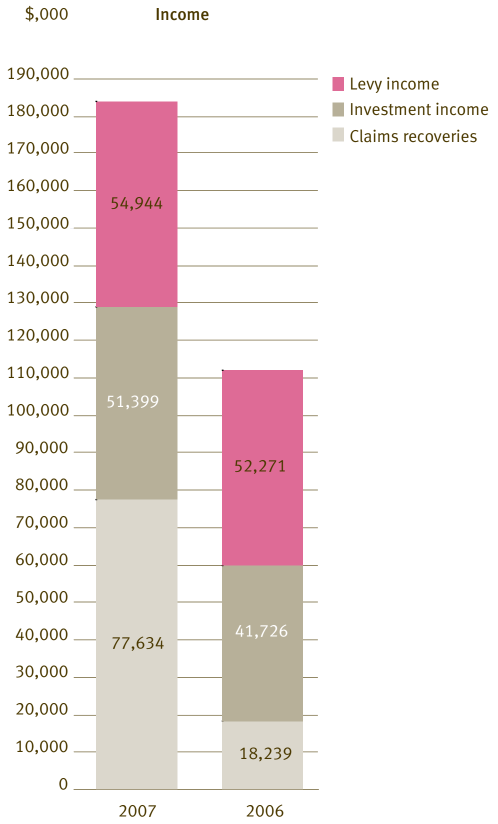
26 **September 2007**
Brisbane

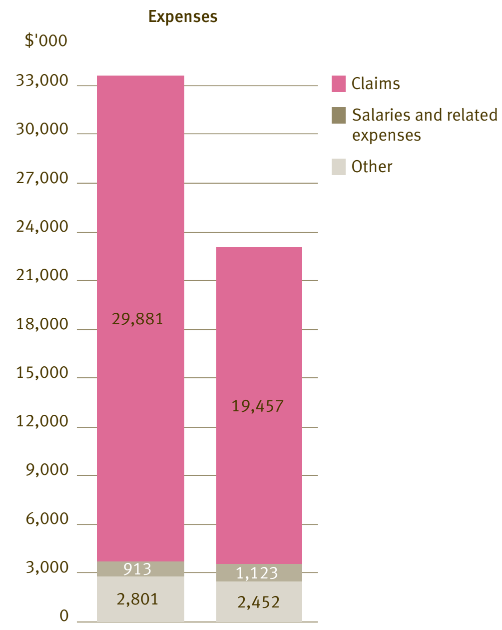
Nominal Defendant
Financial Summary

The operating surplus of the Nominal Defendant for the year ended 30 June 2007 was approximately $153.4 million compared to the prior year's operating surplus of $92.458 million. In accordance with the Deed of Indemnity between the Queensland Government and the Nominal Defendant with respect to the CTP liabilities of FAI Insurance, $78.201 million was reimbursed to the Treasury Department during 2006-07. This amount was funded primarily by $77.634 million received in dividends from the HIH Liquidator during 2006-07 and proceeds from the CTP levy surcharge.

In relation to the normal business of the Nominal Defendant (claims relating to unidentified and uninsured vehicles under section 31 of the *Motor Accident Insurance Act*), payments on claims and associated costs during the financial year increased from $16.667 million to $25.038 million. The provisions for outstanding claim liabilities were actuarially assessed and were increased by $3.975 million.

The income from the levy for the normal business of the Nominal Defendant increased to $39.560 million reflecting growth in the number of registered vehicles. The Nominal Defendant levy was set at $12.95 per Class 1 policy, plus the $5 HIH levy which raised $1.384 million in the year. Claims recoveries were $3.017 million during the year, down from $3.254 million in the previous year. The increase in Other Expenses predominantly reflects an increase in the 2006-07 reinsurance premium and Queensland Investment Corporation (QIC) management fees. The performance of the QIC investments improved significantly from $41.726 million to $51.399 million for the 2006-07 year.





Nominal Defendant
Income Statement
For the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
Income			
Revenue			
Levy income	1(o), 2	54,944	52,271
Investment income	5	51,399	41,726
Dividends from liquidator	6	77,634	18,239
Total Income		**183,977**	**112,236**
Expenses			
Claims expense	2	29,881	19,457
Claims recoveries		(3,017)	(3,254)
Net claims incurred	3	26,864	16,203
Other expenses	4	3,714	3,575
Total Expenses		**30,578**	**19,778**
Operating Surplus		**153,399**	**92,458**

The accompanying notes form part of these financial statements.

Financial information 2006-07

Nominal Defendant
Balance Sheet
As at 30 June 2007

	Note	2007 $'000	2006 $'000
Current Assets			
Cash assets	15(i)	959	1,122
Receivables	7	3,492	1,023
Other financial assets	8	80,133	89,662
Prepayments		1	3
Total Current Assets		**84,585**	**91,810**
Non-Current Assets			
Other financial assets	8	287,301	226,477
Property, plant and equipment	9	3	9
Intangibles	10	127	171
Total Non-Current Assets		**287,431**	**226,657**
Total Assets		**372,016**	**318,467**
Current Liabilities			
Payables	11	4,438	17,784
Accrued employee benefits	12	70	211
Future claims and associated costs	13	47,074	47,314
Unearned levies		27,843	26,500
Total Current Liabilities		**79,425**	**91,809**
Non-Current Liabilities			
Accrued employee benefits	12	14	14
Future claims and associated costs	13	168,775	178,034
Total Non-Current Liabilities		**168,789**	**178,048**
Total Liabilities		**248,214**	**269,857**
Net Assets		**123,802**	**48,610**
Equity			
Contributed equity		148,810	227,011
Accumulated losses		(25,008)	(178,401)
Total Equity		**123,802**	**48,610**

The accompanying notes form part of these financial statements.

Nominal Defendant
Statement of Changes in Equity
For the year ended 30 June 2007

	Contributed Equity		Accumulated Losses		Total Equity	
	2007 $'000	2006 $'000	2007 $'000	2006 $'000	2007 $'000	2006 $'000
Balance 1 July	227,011	245,537	(178,401)	(270,857)	48,610	(25,320)
Operating Surplus	-	-	153,399	92,458	153,399	92,458
State Government Equity withdrawal (Note 1(c))	(78,201)	(18,526)	-	-	(78,201)	(18,526)
Net leave liabilities transferred from other business units	-	-	(6)	(2)	(6)	(2)
Balance 30 June	**148,810**	**227,011**	**(25,008)**	**(178,401)**	**123,802**	**48,610**

The accompanying notes form part of these financial statements.

Nominal Defendant
Statement of Cash Flows
For the year ended 30 June 2007

	Note	2007 $'000	2006 $'000
Cash flows from operating activities			
Inflows:			
Levy income		56,287	53,549
Claims recoveries		2,134	3,344
Investment income		51,399	41,736
Dividends from liquidator		76,048	18,239
GST recovered from ATO		566	696
Outflows:			
Claims paid		(38,817)	(37,331)
Salaries and related expenses		(1,239)	(990)
Other		(3,082)	(3,094)
Net cash provided by operating activities	15(ii)	**143,296**	**76,149**
Cash flows from financing activities			
Outflows:			
Equity withdrawals		(92,164)	(1,096)
Net cash used in financing activities		**(92,164)**	**(1,096)**
Net increase in cash held		**51,132**	**75,053**
Cash at the beginning of the financial year		317,261	242,208
Cash at the end of the financial year	15(i)	**368,393**	**317,261**

The accompanying notes form part of these financial statements.

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 Queensland 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 Queensland 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	Rates%
Plant and Equipment	20-25
Software	20

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 re-valued amount. When the asset is measured at a re-valued 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 re-valued 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 (2006 – Finity Consulting Pty Ltd).

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 un-notified 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 Queensland 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.

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 Work Cover 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 (2006 - Finity Consulting Pty Limited), 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

Disclosure is required when initial application of an Australian Accounting Standard has an effect on the current period or any prior period, would have such an effect, except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods.

In the current year, the Nominal Defendant had adopted all of the new and revised Standards and Interpretations that are relevant to its operations and effective for 2006-07 reporting period. There was no material impact on adoption of the new and revised Standards and Interpretations.

Disclosure is required when a new Australian Accounting Standard which has been issued but is not yet effective has not been applied. At the date of authorisation of the financial report, the following Standards and Interpretations had been issued/revised but were not yet effective:

Title	Operative for reporting periods beginning on/after
AASB 1: *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*	1 January 2008
AASB 2: *Share-based Payment*	1 March 2007
AASB 4: *Insurance Contracts*	1 January 2007
AASB 8: *Operating Segments*	1 January 2009
AASB 101: *Presentation of Financial Statements*	1 January 2007
AASB 114: *Segment Reporting*	1 January 2007
AASB 117: *Leases*	28 February 2007
AASB 118: *Revenue*	28 February 2007
AASB 120: *Accounting for Government Grants and Disclosure of Government Assistance*	1 July 2007
AASB 121: *The Effects of Changes in Foreign Exchange Rates*	28 February 2007
AASB 127: *Consolidated and Separate Financial Statements*	1 July 2007
AASB 131: *Interests in Joint Ventures*	28 February 2007
AASB 132: *Financial Instruments: Presentation*	1 January 2007
AASB 133: *Earnings per Share*	1 January 2007
AASB 139: *Financial Instruments: Recognition and Measurement*	28 February 2007

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

Title	Operative for reporting periods beginning on/after
AASB 1023: *General Insurance Contracts*	1 January 2007
AASB 1038: Life Insurance Contracts	1 January 2007
AASB 1048: *Interpretation and Application of Standards*	31 March 2007
AASB 1049: *Financial Reporting of General Government Sectors by Governments*	1 July 2008
AASB 2007-1: *Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]*	1 March 2007
AASB 2007-2: *Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]*	28 February 2007; 1 January 2008
AASB 2007-3: *Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]*	1 January 2009
AASB 2007-4: *Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]*	1 July 2007
AASB 2007-5: *Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]*	1 July 2007
AASB 2007-6: *Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and interpretations 1 & 12]*	1 January 2009
AASB 2007-7: *Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]*	1 July 2007
Interpretation 4: *Determining whether an Arrangement contains a Lease [revised]*	1 January 2008
Interpretation 10: *Interim Financial Reporting and Impairment*	1 November 2006
Interpretation 11: *AASB 2 – Group and Treasury Share Transactions*	1 March 2007
Interpretation 12: *Service Concession Arrangements*	1 January 2008
Interpretation 129: *Disclosure – Service Concession Arrangements [revised]*	1 January 2008

It is anticipated that the above Standards and Interpretations are either not applicable to the Nominal Defendant or adoption of them in future periods will have no material impact on the Nominal Defendant financial statements.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

	2007 $000	2006 $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.

	2007 $000	2006 $000
Decrease in provision for outstanding claims	(9,499)	(17,784)
Claims and associated settlement costs	39,380	37,241
Total	**29,881**	**19,457**

Claims attributable to FAI

The following amounts attributable to FAI are included in the claims figures listed above:

	2007 $000	2006 $000
Decrease in provision for outstanding claims	(13,474)	(32,278)
Claims and associated settlement costs	14,342	20,574
Total	**868**	**(11,704)**

Underwriting Result

	2007 $000	2006 $000
Levy income	54,944	52,271
Outward reinsurance premium expense	(1,481)	(1,338)
Net premium revenue	**53,463**	**50,933**
Claims expense	(29,881)	(19,457)
Claims recoveries	3,017	3,254
Net claims incurred	**(26,864)**	**(16,203)**
Dividends from liquidator	77,634	18,239
Underwriting result	**104,233**	**52,969**

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

	2007			2006		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses - undiscounted	50,673	(30,481)	20,192	47,911	(2,037)	45,874
Reinsurance and other recoveries - undiscounted	-	2,447	2,447	(1,191)	(1,351)	(2,542)
Net claims incurred - undiscounted	50,673	(28,034)	22,639	46,720	(3,388)	43,332
Discount and discount movement - gross claims incurred	(11,573)	16,450	4,877	(12,177)	(974)	(13,151)
Discount and discount movement - reinsurance and other recoveries	-	769	769	304	326	630
Net discount movement	(11,573)	17,219	5,646	(11,873)	(648)	(12,521)
Net Claims Incurred - discounted	**39,100**	**(10,815)**	**28,285**	**34,847**	**(4,036)**	**30,811**
Claims attributable to FAI						
Gross claims incurred and related expenses - undiscounted	-	1,372	1,372	-	(13,299)	(13,299)
Reinsurance and other recoveries - undiscounted	-	(2,288)	(2,288)	-	(2,904)	(2,904)
Net claims incurred - undiscounted	-	(916)	(916)	-	(16,203)	(16,203)
Discount and discount movement - gross claims incurred	-	(505)	(505)	-	1,594	1,594
Discount and discount movement - reinsurance and other recoveries	-	-	-	-	-	-
Net discount movement	-	(505)	(505)	-		1,594
Net Claims Incurred - discounted	**-**	**(1,421)**	**(1,421)**	**-**	**(14,608)**	**(14,608)**
Total Net Claims Incurred - discounted	**39,100**	**(12,236)**	**26,864**	**34,847**	**(18,644)**	**16,203**

	Note	2007 $000	2006 $000
Net Claims Incurred		28,285	30,811
Net Claims Incurred – discounted		729	350
Claims Recoveries		29,014	31,161
Add: Claims attributable to FAI		(1,421)	(14,608)
Claims Recoveries – FAI		2,288	2,904
	2	**867**	**(11,704)**
Total Claims	2	**29,881**	**19,457**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007 $'000	2006 $'000
Note 4	**Other Expenses**		
	Employee expenses		
	Employee benefits		
	Salaries and wages	591	757
	Employer superannuation contributions*	83	99
	Long service leave levy*	7	13
	Recreation leave expense	36	71
	Other employee benefits	139	129
	Employee related expenses		
	Workers' compensation premium*	1	2
	Payroll tax*	50	45
	Other employee related expenses	6	7
	Depreciation – Property, Plant and Equipment	6	6
	Amortisation – Intangibles	44	46
	Rent	73	89
	Consultancy Expenditure	84	112
	Reinsurance	1,481	1,338
	Administration Fees	641	539
	Audit Fees	29	23
	Insurance Premiums – QGIF	1	1
	Other	442	298
	Total	**3,714**	**3,575**

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

	2007	2006
Number of Employees:	12.6	11.77

Total external audit fees relating to the 2006-07 financial year are estimated to be $29,000 (2005-06: $23,000). There are no non-audit services included in this amount.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

Note 4 Other Expenses (continued)

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

	2007 $'000	2006 $'000
Employee expenses		
Employee benefits		
Salaries and wages	140	188
Employer superannuation contributions*	19	25
Long service leave levy*	2	3
Recreation leave expense	13	20
Other employee benefits	(2)	7
Employee related expenses		
Workers' compensation premium*	-	1
Payroll tax*	9	11
Rent	6	21
Consultancy Expenditure	12	10
Audit Fees	12	9
Other	108	80
Total	**319**	**375**

* 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:

	2007	2006
Number of Employees:	3.1	1.95

Note 5 Investment Income

	2007 $'000	2006 $'000
Distributions received from Queensland Investment Corporation	51,250	41,614
Interest received from funds held by Queensland Treasury	149	112
Total	**51,399**	**41,726**

Note 6 Dividends from Liquidator

	2007 $'000	2006 $'000
Dividends received from FAI Liquidator	77,634	18,239

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007 $'000	2006 $'000
Note 7	**Receivables**		
	Current		
	Accrued investment income	32	31
	Claims recoveries receivable	1,819	936
	Dividend from FAI Liquidator	1,585	-
	Other receivables	56	56
	Total	**3,492**	**1,023**
Note 8	**Other Financial Assets**		
	Current		
	Queensland Investment Corporation	80,133	89,662
	Non-Current		
	Queensland Investment Corporation	287,301	226,477
	Total	**367,434**	**316,139**
Note 9	**Property, Plant and Equipment**		
	Plant and equipment:		
	At Cost	65	65
	Less: Accumulated depreciation	(62)	(56)
	Total	**3**	**9**

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:

	2007 $'000	2006 $'000
Carrying amount at beginning of year	9	15
Additions	-	-
Disposals	-	-
Depreciation	(6)	(6)
Carrying amount at end of year	**3**	**9**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007 $'000	2006 $'000
Note 10	**Intangibles**		
	Purchased Software:		
	At Cost	218	388
	Less: Accumulated amortisation	(91)	(217)
	Total	**127**	**171**
	Carrying amount at beginning of year	171	217
	Additions	-	-
	Disposals	-	-
	Amortisation	(44)	(46)
	Carrying amount at end of year	**127**	**171**
Note 11	**Payables**		
	Sundry Creditors and accruals	972	354
	Equity Withdrawal	3,466	17,430
	Total	**4,438**	**17,784**
	The following amounts attributable to FAI are included in the payables figures listed above:		
	Sundry Creditors and accruals	**33**	**41**
Note 12	**Accrued Employee Benefits**		
	Current		
	Wages outstanding	17	143
	Recreation Leave	53	68
		70	**211**
	Non-Current		
	Recreation Leave	14	14
	Total	**84**	**225**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

Note 12 Accrued Employee Benefits (continued)

	2007 $'000	2006 $'000
The following amounts attributable to FAI are included in the payables figures listed above:		
Current		
Wages outstanding	4	10
Recreation Leave	15	22
	19	**32**
Non-Current		
Recreation Leave	-	-
Total	**19**	**32**

The discount rate used to calculate the present value of non-current recreation leave is 6.39% (2006: 5.32%)

Note 13 Future Claims and Associated Costs

	2007 $'000	2006 $'000
The total provision is as follows:		
Current	47,074	47,314
Non – current	168,775	178,034
Total	**215,849**	**225,348**

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:

	2007 $'000	2006 $'000
Reinsurance recoveries allowance (undiscounted)	4,399	3,545
Discount to present value	(1,395)	(340)
Reinsurance recoveries allowance (discounted)	**3,004**	**3,205**
Outstanding Claims attributable to the Nominal Defendant		
Expected future claims payments (undiscounted)	202,817	207,664
Expected recoveries (undiscounted)	(6,397)	(9,573)
Discount to present value	(35,702)	(41,348)
Liability for outstanding claims	**160,718**	**156,743**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		2007 $'000	2006 $'000
Note 13	*Future Claims and Associated Costs (continued)*		
	Current	31,635	25,999
	Non – Current	129,083	130,744
	Total	**160,718**	**156,743**

(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.40 years (2006 – 3.74 years).

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

	2007	2006
Claims expected to be paid:		
Not later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.50%	6.0%
Later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.50%	6.0%

Outstanding Claims attributable to FAI

	2007	2006
Expected future claims payments (undiscounted)	67,788	76,699
Discount to present value	(12,657)	(8,094)
Liability for outstanding claims	**55,131**	**68,605**
Current	15,439	21,315
Non – Current	39,692	47,290
Total	**55,131**	**68,605**

(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.63 years (2006 – 2.04 years).

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

	2007	2006
Claims expected to be paid:		
Not later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.50%	6.00%
Later than one year		
Inflation rate	7.0%	7.0%
Discount rate	6.50%	6.00%

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 2006-07 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 (2006: 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 7% of outstanding payments for future internal claims handling expenses.

FAI - The provision for outstanding claims includes a 13% prudential margin (2006: 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.

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		Note	2007 $'000	2006 $'000
Note 14	**Commitments for Expenditure**			
	Operating Lease Rental Commitments			
	Future operating lease rentals not provided for in the financial statements are payable as follows:			
	Due not later than one year		110	123
	Due later than one year but not later than five years		-	123
	Total		**110**	**246**
	Maintenance Contract Commitments			
	Total expenditure contracted for at balance date but not provided for in the financial statements:			
	Due not later than one year		248	248
	Due later than one year but not later than five years		-	-
	Total		**248**	**248**

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

		Note	2007 $'000	2006 $'000
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:			
	Cash		959	1,122
	Other financial assets	8	367,434	316,139
	Total		**368,393**	**317,261**
(ii)	**Reconciliation of operating surplus with net cash provided by operating activities**			
	Operating surplus		153,399	92,458
	Add non-cash items:			
	Depreciation		6	6
	Amortisation		44	46
	Direct changes to equity		(6)	(2)
	Changes in assets and liabilities:			
	Decrease in prepayments		2	3
	(Increase) / Decrease in receivables		(2,469)	91
	Increase / (Decrease) in payables		617	(80)
	Increase in unearned levies		1,343	1,278
	(Decrease) in provisions		(9,499)	(17,784)
	(Decrease) / Increase in accrued employee benefits		(141)	133
	Net cash provided by operating activities		**143,296**	**76,149**

(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 2007

Note 16 Financial Instruments

(a) Categorisation of Financial Instruments

Financial Instrument	*Related Financial Statement Notes*	*Accounting Policies*	*Terms and Conditions*
Financial Assets			
Cash on hand	15 (i)	*Recorded at book value, which approximates fair value.* Interest is recognised in the Income Statement when earned.	*Under the Cash Management Incentives Regime (CMIR) the Treasury Controlled Bank account earns interest on surplus funds and pays interest when in overdraft. The interest rate is changed quarterly and the June quarter rate is 4.59%.*
Receivables			
Claims recoveries receivable	7	Recognition – at their assessed value. Measurement – based on actuarial assessment.	*No interest is charged and no security is obtained.*
Other financial assets	8	*Recognition – on the day funds are invested.* Measurement – at net market value.	*May be drawn upon as and when required.*
Financial Liabilities			
Payables	11	*Recognition – upon receipt of goods or services irrespective of whether an invoice has been received.* Measurement – based on agreed purchase/contract costs.	*Amounts are usually settled within 30 days upon receipt of invoice.*

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

(b) Interest Rate Risk Exposure

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

Nominal Defendant
Notes to and forming part of the financial statements
For the year ended 30 June 2007

Note 16 *Financial Instruments (continued)*

2007	Notes	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		959	-	-	-	-	959
Receivables	7	-	-	-	-	3,492	3,492
Investments	8	-	-	-	-	367,434**	367,434
		959	-	-	-	**370,926**	**371,885**
Financial Liabilities							
Payables	11	-	-	-	-	**4,438**	**4,438**
Net Financial Assets		**959**	-	-	-	**366,488**	**367,447**

***Weighted average Interest rate 5.26%**

2006	Notes	Floating interest rate $'000	Fixed interest rate maturing: 1 year or less $'000	Over 1 to 5 years $'000	More than 5 years $'000	Non Interest bearing $'000	Total $'000
Financial Assets							
Cash*		1,122	-	-	-	-	1,122
Receivables	7	-	-	-	-	1,023	1,023
Investments	8	-	-	-	-	316,139**	316,139
		1,122	-	-	-	**317,162**	**318,284**
Financial Liabilities							
Payables	11	-	-	-	-	**17,784**	**17,784**
Net Financial Assets		**1,122**	-	-	-	**299,378**	**300,500**

***Weighted average Interest rate 4.63%**

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

Note 16 Financial Instruments (continued)

(c) Credit Risk Exposures

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

(d) Fair Values

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

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.

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 Queensland 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

(c) 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 2007 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: 26 September 2007

INDEPENDENT AUDITOR'S REPORT

To the Nominal Defendant

Matters Relating to the Electronic Presentation of the Audited Financial Report

The audit report relates to the financial report of the Nominal Defendant for the financial year ended 30 June 2007 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 2007, 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 2006 to 30 June 2007 and of the financial position as at the end of that year.

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

26 **September 2007**
Brisbane