Our financial information

Motor Accident Insurance Commission Financial Statements 2009-10

for the year ended 30 June 2010

Contents

Financial Summary	32
Statement of Comprehensive Income	33
Statement of Financial Position	34
Statement of Changes in Equity	35
Statement of Cash Flows	36
Notes to and forming part of the financial statements	37 – 55
Management Certificate	56
Independent Auditor's Report	57

These financial statements cover the Motor Accident Insurance Commission (the Commission).

The Commission is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business of the Commission is:

Level 9, 33 Charlotte Street
GPO Box 1083
Brisbane, Queensland 4000

A description of the nature of the Commission's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the Commission's financial report please call 07 3227 7993, email maic@maic.qld.gov.au or visit the Commission's internet site www.maic.qld.gov.au.

Nominal Defendant Financial Statements 2009-10

for the year ended 30 June 2010

Contents

Financial Summary	59
Statement of Comprehensive Income	60
Statement of Financial Position	61
Statement of Changes in Equity	62
Statement of Cash Flows	63
Notes to and forming part of the financial statements	64 – 90
Management Certificate	91
Independent Auditor's Report	92

These financial statements cover the Nominal Defendant.

The Nominal Defendant is an independent statutory body established under the *Motor Accident Insurance Act 1994*.

The head office and principal place of business is:

Level 9, 33 Charlotte Street
GPO Box 2203
Brisbane, Queensland 4000

A description of the nature of the Nominal Defendant's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the Nominal Defendant's financial report please call 07 3227 7993, email nd@maic.qld.gov.au or visit the Nominal Defendant's internet site www.maic.qld.gov.au.

Financial information 2009-10

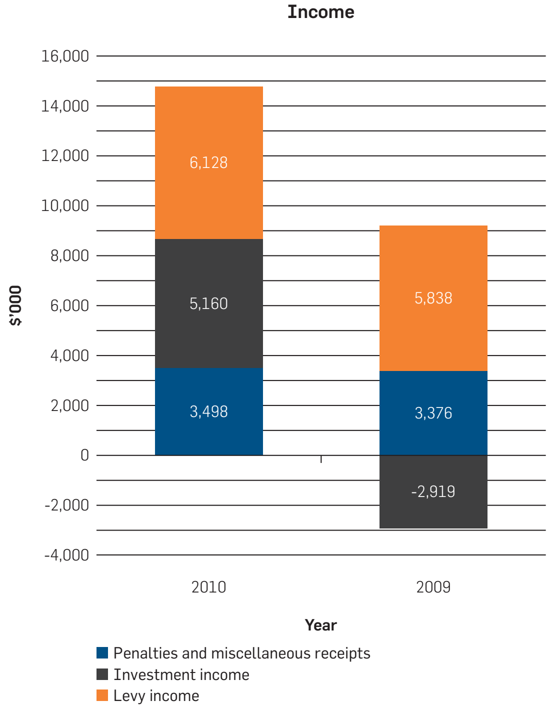
Motor Accident Insurance Commission

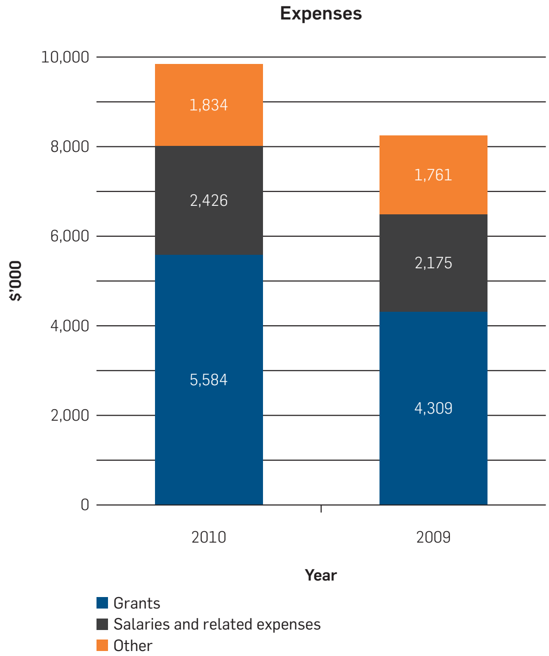
Financial summary 2009-10

In comparison to the previous year, revenue increased from $6.29 million to $14.79 million. The Statutory Insurance Scheme levy produced $6.13 million of the total revenue and was set at a rate of $1.75 per CTP policy. QIC investment income increased from negative $2.92 million to $5.16 million for the 2009-10 year due to the recovery of the equity markets. There was also a slight increase of $0.12 million in the revenue from penalty receipts.

The Commission's expenses were higher than the previous year, primarily the result of an increase in grant expenditure which was $5.59 million compared to $4.31 million in the 2008-09 financial year. Details of grant funding are provided in Appendix 5.

The operating result for the Commission for the year ended 30 June 2010 increased to a surplus of $4.94 million compared to a deficit of $1.95 million in the prior year.





Financial information 2009-10

Motor Accident Insurance Commission

Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Income			
Revenue			
Levy income		6,128	5,838
Net fair value gains/(losses) on financial assets		4,982	(3,342)
Interest income		178	423
Penalties and miscellaneous receipts		3,498	3,376
Total income		**14,786**	**6,295**
Expenses			
Grants		5,584	4,309
Employee expenses	2	2,426	2,175
Supplies and services	3	1,693	1,611
Depreciation and amortisation	4	62	67
Other expenses	5	79	83
Total expenses		**9,844**	**8,245**
Operating result		**4,942**	**(1,950)**
Other comprehensive income			
Net movement in grant reserves			
- Accident prevention initiatives	13	(115)	115
- Rehabilitation initiatives	13	(485)	(140)
Total other comprehensive income		**(600)**	**(25)**
Total comprehensive income		**4,342**	**(1,975)**

The accompanying notes form part of these statements.

Financial information 2009-10

Motor Accident Insurance Commission

Statement of Financial Position

as at 30 June 2010

	Notes	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	6	1,348	370
Receivables	7	139	230
Financial assets	8	36,088	30,186
Prepayments		17	-
Total current assets		**37,592**	**30,786**
Non-current assets			
Receivables	7	-	500
Financial assets	8	10,500	10,500
Plant and equipment	9	38	16
Intangible assets	10	32	86
Total non-current assets		**10,570**	**11,102**
Total assets		**48,162**	**41,888**
Current liabilities			
Payables	11	1,621	233
Accrued employee benefits	12	187	222
Total current liabilities		**1,808**	**455**
Non-current liabilities			
Accrued employee benefits	12	30	51
Total non-current liabilities		**30**	**51**
Total liabilities		**1,838**	**506**
Net assets		**46,324**	**41,382**
Equity			
Reserves	13	16,500	15,900
Accumulated surplus		29,824	25,482
Total equity		**46,324**	**41,382**

The accompanying notes form part of these statements.

Financial information 2009-10

Motor Accident Insurance Commission

Statement of Changes in Equity

for the year ended 30 June 2010

	Accumulated surplus		Reserves		Total equity	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
Balance as at 1 July	25,482	27,457	15,900	15,875	41,382	43,332
Operating result	4,942	(1,950)	-	-	4,942	(1,950)
Total other comprehensive income					-	-
Transfer to reserves						
- Accident prevention initiatives	(2,270)	(1,685)	2,270	1,685	-	-
- Rehabilitation initiatives	(3,914)	(2,649)	3,914	2,649	-	-
Transfer from reserves						
- Accident prevention initiatives	2,155	1,800	(2,155)	(1,800)	-	-
- Rehabilitation initiatives	3,429	2,509	(3,429)	(2,509)	-	-
Balance as at 30 June	**29,824**	**25,482**	**16,500**	**15,900**	**46,324**	**41,382**

The accompanying notes form part of these statements.

Financial information 2009-10

Motor Accident Insurance Commission

Statement of Cash Flows

for the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Inflows:			
Levy income		6,128	5,838
Fair value gains on financial assets		4,982	-
Interest income		172	612
Penalties and miscellaneous receipts		3,511	3,378
GST input tax credits from ATO		567	684
Outflows:			
Grants		(3,781)	(4,307)
Employee expenses		(2,485)	(2,197)
Fair value losses on financial assets		-	(3,342)
Supplies and services		(1,621)	(1,670)
GST paid to suppliers		(485)	(545)
Other		(78)	(83)
Net cash provided by/(used in) operating activities	14	**6,910**	**(1,632)**
Cash flows from investing activities			
Outflows:			
Payments for plant and equipment		(30)	-
Net cash provided by/(used in) investing activities		**(30)**	**-**
Net increase/(decrease) in cash and cash equivalents		**6,880**	**(1,632)**
Cash and cash equivalents at beginning of financial year		41,056	42,688
Cash and cash equivalents at end of financial year	6	**47,936**	**41,056**

The accompanying notes form part of these statements.

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

Objectives and principal activities of the Commission

The Motor Accident Insurance Commission (the Commission) is responsible for regulating and the 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.

1 Summary of significant accounting policies

(a) Statement of compliance

The Commission has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Treasury's Financial Reporting Requirements for the year ending 30 June 2010, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Commission has applied those requirements applicable to not-for-profit entities, as the Commission is a not-for-profit entity. The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the Commission.

(c) 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 Department of Transport and Main Roads to the Commission, upon receipt of monies from motorists.

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

Details on the levies collected on behalf of and distributed to Queensland Health and the Department of Community Safety 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 Department of Transport and Main Roads and Department of Justice and Attorney General to the Commission, upon receipt of monies from uninsured motorists.

(d) Grants

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.

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(e) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June. It also includes investments with short periods to maturity that are readily convertible to cash on hand at the Commission's or issuer's option and that are subject to a low risk of changes in value.

(f) 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 being 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.

(g) 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, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government entity (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with *AASB 116 Property, Plant and Equipment*.

(h) Plant and equipment

Items of 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
Leasehold improvements	$5,000

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

(i) Revaluations 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.

(j) 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 to the Commission, less any anticipated residual value. The residual value is zero for all the Commission's intangible assets.

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(j) Intangibles – continued

It has been determined that there is no 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 to the Commission, namely 5 years.

(k) Amortisation and depreciation of intangibles and plant and equipment

Amortisation and depreciation is calculated on a straight-line basis so as to allocate the net cost of each asset, less its estimated residual value, progressively over its estimated useful life to the Commission.

Assets under construction (work-in-progress) are not amortised or depreciated until they reach service delivery capacity.

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

Class	Depreciation rate
Plant and equipment:	
Computer hardware	20 – 25%
Office equipment	20%
Leasehold improvements	8.33%

Class	Amortisation rate
Intangibles:	
Software internally generated	20%

(l) 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 Statement of Comprehensive Income.

Where 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 increased 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.

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(m) Leases

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

(n) Financial assets

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

(o) Payables

Trade creditors are recognised upon receipt of the 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.

(p) Financial instruments

Recognition
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Commission becomes party to the contractual provisions of the financial instrument.

Classification
Financial instruments are classified and measured as follows:
- Cash and cash equivalents – held at fair value through profit or loss;
- Receivables – held at amortised cost;
- Investments – held at fair value through profit or loss; and
- Payables – held at amortised cost.

The Commission does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, the Commission holds no financial assets classified at fair value through profit and loss.

All other disclosures relating to the measurement and financial risk management of financial instruments held by the Commission are included in Note 19.

(q) Employee benefits

Employer superannuation contributions and long service leave levies are regarded as employee benefits.

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.

Wages, salaries, recreation leave and sick leave
Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement.

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(q) Employee benefits – continued

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of the likely settlement.

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 Commission to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

No provision for long service leave is recognised in the Commission's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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 the Commission's financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Executive remuneration
The executive remuneration disclosures in the employee expenses note (Note 2) in the financial statements include:
- the aggregate remuneration of all senior executive officers (including the Insurance Commissioner) whose remuneration for the financial year is $100,000 or more; and
- the number of senior executives whose total remuneration for the financial year falls within each successive $20,000 band, commencing at $100,000.

The remuneration disclosed is all remuneration paid or payable, directly or indirectly, by 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 and long service leave owed to an executive, inclusive of any increase in the value of leave balances as a result of salary rate increases or the like);
- accrued superannuation (being the value of all employer superannuation contributions during the financial year, both paid and payable as at 30 June);
- car parking benefits and the cost of motor vehicles, such as lease payments, fuel costs, registration/insurance, repairs /maintenance and fringe benefit tax on motor vehicles incurred by the agency during the financial year, both paid and payable as at 30 June, net of any amounts subsequently reimbursed by the executives; and
- fringe benefits tax included in remuneration agreements.

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(q) Employee benefits – continued

The disclosures apply to all senior executives appointed by Governor in Council and the *Public Service Act 2008* classified as 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 the Commission 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 and redundancy/termination benefit payments is included, where applicable.

(r) Insurance

The Commission's non-current physical 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 WorkCover Queensland in respect of its obligations for employee compensation.

(s) Reserves

The funds in equity have been sub-classified in the Statement of Financial Position, 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.

(t) Taxation

The Commission is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Commission. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 7).

(u) 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.

(v) Judgements and assumptions

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

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.

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(w) Rounding and comparatives

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

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

(x) New and revised accounting standards

The Commission did not voluntarily change any of its accounting policies during 2009-10. Those new and amended Australian accounting standards that were applicable for the first time in the 2009-10 financial year and that had a significant impact on the Commission's financial statements are as follows.

The Commission complied with the revised AASB 101 *Presentation of Financial Statements* as from 2009-10. This revised standard does not have any measurement or recognition implications. Pursuant to the change of terminology used in the revised AASB 101, the Balance Sheet is now re-named to the Statement of Financial Position, and the Cash Flow Statement has now been re-named to Statement of Cash Flows. The former Income Statement has been replaced by a Statement of Comprehensive Income. In line with the new concept of 'comprehensive income', the bottom of this new statement contains certain transactions that previously were detailed in the Statement of Changes in Equity (refer to the items under sub-heading "other comprehensive income" in the new Statement of Comprehensive Income). The Statement of Changes in Equity now only includes details of transactions with owners in their capacity as owners, in addition to the total comprehensive income for the relevant components of equity.

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

At the date of authorisation of the financial report, the only significant impacts of new or amended Australian accounting standards with future commencement dates are as set out below.

AASB 9 Financial Instruments and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5,7 101, 102, 108, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]* become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at either amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(x) New and revised accounting standards – continued

On initial application of AASB 9, the Commission will need to re-assess the measurement of its financial assets against the new classification and measurement requirements, based on the facts and circumstances that exist at that date. Assuming no change in the types of transactions the Commission enters into, it is not expected that any of the Commission's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the Commission's financial assets will be required to be classified as "financial assets required to be measured at fair value through profit or loss" (instead of the measurement classifications presently used in notes 1(p) and 19). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the Commission's receivables, the carrying amount is considered to be a reasonable approximation of fair value.

All other Australian accounting standards and interpretations with future commencement dates are either not applicable to the Commission's activities, or have no material impact on the Commission.

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
2 Employee expenses		
Employee benefits		
Salaries and wages	1,996	1,769
Employer superannuation contributions*	240	212
Long service leave levy*	31	27
Other employee benefits	28	18
Employee related expenses		
Workers' compensation premium*	7	-
Payroll tax*	106	95
Other employee related expenses	18	54
Total	**2,426**	**2,175**

*Refer to Note 1(q).

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

Number of employees	22.39	23.14

Executive remuneration

The number of senior executives who received or were due to receive total remuneration of $100,000 or more:	**2010**	**2009**
$180,000 to $199,999	1	1

	2010 $'000	**2009 $'000**
Total remuneration of executives show above**	183	186

**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 amount will therefore differ from advertised executive remuneration packages which do not include the latter items. This remuneration includes remuneration in connection with the management of Nominal Defendant and the Queensland Government Insurance Fund.

The total separation and redundancy/termination benefit payments during the year to executives shown above	-	-

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

		2010 $'000	2009 $'000
3	**Supplies and services**		
	Computer facilities management fee	447	387
	Consultants and contractors	518	428
	Rent	295	284
	Supplies and consumables	199	181
	Corporate services fee	109	110
	QIC management fee	75	62
	Professional services	43	142
	Other	7	17
	Total	**1,693**	**1,611**
4	**Depreciation and amortisation**		
	Depreciation and amortisation were incurred in respect of:		
	Plant and equipment	8	13
	Intangibles	54	54
	Total	**62**	**67**
5	**Other expenses**		
	External audit fees	19	17
	Insurance premiums – QGIF	26	28
	Other	34	38
	Total	**79**	**83**

Total external audit fees relating to the 2009-10 financial year are estimated to be $18,600 (2008-09 $17,200). There are no non-audit services included in this amount.

		2010 $'000	2009 $'000
6	**Cash and cash equivalents**		
	Cash at bank and on hand	1,348	370
	Total	**1,348**	**370**
	Cash assets as shown in the Statement of Cash Flows:		
	Balance per above	1,348	370
	Current financial assets (Note 8)	36,088	30,186
	Non-current financial assets (Note 8)	10,500	10,500
	Total	**47,936**	**41,056**

Interest earned on cash held with Queensland Treasury earned between 2.16% to 3.42% in 2010 (2009: 2.11% to 6.76%).

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
7 Receivables		
Current		
Accrued investment income	49	43
Penalties receivable	75	88
GST receivable	10	91
Other receivables	5	8
Total	**139**	**230**
Non-current		
Loan receivable	-	500
Total	**-**	**500**
8 Financial assets		
Current		
Queensland Investment Corporation investments	36,088	30,186
Total	**36,088**	**30,186**
Non-current		
Queensland Investment Corporation investments	10,500	10,500
Total	**10,500**	**10,500**
9 Plant and equipment		
Plant and equipment:		
At cost	178	194
Less: accumulated depreciation	(140)	(178)
Total	**38**	**16**

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000

9 Plant and equipment – continued

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

	2010 $'000	2009 $'000
Carrying amount at 1 July	16	29
Acquisitions	30	-
Disposals	-	-
Depreciation	(8)	(13)
Carrying amount at 30 June	**38**	**16**

10 Intangible assets

	2010 $'000	2009 $'000
Purchased software:		
At cost	270	270
Less: accumulated amortisation	(238)	(184)
Total	**32**	**86**

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

	2010 $'000	2009 $'000
Carrying amount at 1 July	86	140
Acquisitions	-	-
Disposals	-	-
Amortisation	(54)	(54)
Carrying amount at 30 June	**32**	**86**

11 Payables

	2010 $'000	2009 $'000
Sundry creditors and accruals	1,621	233
Total	**1,621**	**233**

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
12 Accrued employee benefits		
Current		
Recreation leave	187	172
Accrued salaries and wages	-	50
Total	**187**	**222**
Non-current		
Recreation leave	30	51
Total	**30**	**51**

The discount rate used to calculate the present value of the non-current recreation leave is 4.5% (2009: 3.4%).

13 Reserves

Composition and movements

	2010 $'000	2009 $'000
Income maintenance	**10,500**	**10,500**
Accident prevention initiatives		
Balance at beginning of year	2,260	2,375
Transfer to retained surplus	(2,155)	(1,800)
Transfer from retained surplus	2,270	1,685
Balance at end of year	**2,375**	**2,260**
Rehabilitation initiatives		
Balance at beginning of year	3,140	3,000
Transfer to retained surplus	(3,429)	(2,509)
Transfer from retained surplus	3,914	2,649
Balance at end of year	**3,625**	**3,140**
Total	**16,500**	**15,900**

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
14 Reconciliation of operating result to net cash from operating activities		
Operating result	4,942	(1,950)
Non-cash items:		
Depreciation	8	13
Amortisation	54	54
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	(17)	4
(Increase)/decrease in receivables	591	344
Increase/(decrease) in payables	1,388	(76)
Increase/(decrease) in accrued employee benefits	(56)	(21)
Net cash from operating activities	**6,910**	**(1,632)**

15 Agency transactions

The Commission receives Hospital and Emergency Services Levy amounts from the Department of Transport and Main Roads on behalf of the Queensland Health and the Department of Community Safety. Details of amounts collected and administered by the Commission during the year and the amount held on behalf of Queensland Health and the Department of Community Safety at year end are as follows:

Levies

Comprise amounts collected from the Department of Transport and Main Roads on gross insurance premiums.

	2010 $'000	2009 $'000
Levies collected but not remitted in the previous year	4,838	4,217
Hospital levy	33,002	30,566
Emergency Services levy	12,549	11,640
Total	**50,389**	**46,423**

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
15 Agency transactions – continued		
Contributions		
Comprise payments to Queensland Health and the Department of Community Safety on account of levies received from the Department of Transport and Main Roads.		
Hospital levy contributions	33,451	29,995
Emergency Services levy contributions	12,720	11,590
Total	**46,171**	**41,585**
Amounts collected on behalf of but not yet remitted to Queensland Health and the Department of Community Safety in respect of hospital and emergency services levies at 30 June:		
Hospital levy	3,056	3,505
Emergency Services levy	1,162	1,333
Total	**4,218**	**4,838**
16 Commitments for expenditure		
(a) Non-cancellable operating lease		
Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:		
- Not later than one year	287	280
- Later than one year and not later than five years	-	-
Total	**287**	**280**
(b) Expenditure commitments		
Material expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:		
- Not later than one year	453	440
- Later than one year and not later than five years	4	4
Total	**457**	**444**
(c) Grant commitments		
Approval has been given to various grantees in accordance with formal agreements to pay the following grants and subsidies inclusive of GST provided certain criteria are met:		
- Not later than one year	6,512	5,834
- Later than one year and not later than five years	5,068	4,148
- Later than five years	-	-
Total	**11,580**	**9,982**

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

17 Contingencies

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.

As funds received from the liquidator is now in excess of the Deed of Indemnity to Nominal Defendant for the assumed HIH CTP liability, approval has been sought from the Treasurer under section 33(6) and 33(7) of the *Motor Accident Insurance Act 1994* to direct the Nominal Defendant to transfer the $57,818,000 back to the Motor Accident Insurance Fund.

18 Events occurring after balance date

There are no major events that have occurred post 30 June 2010.

19 Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2010 $'000	2009 $'000
Financial assets			
Cash and cash equivalents	6	1,348	370
Receivables	7	139	730
Investments	8	46,588	40,686
Total		**48,075**	**41,786**
Financial liabilities			
Financial liabilities measured at amortised costs:			
Payables	11	1,621	233
Total		**1,621**	**233**

(b) Financial risk management

The Commission's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Government and Commission policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Commission.

All financial risk is managed by Corporate Governance under policies approved by the Commission. The Commission provides written principles for overall risk management, as well as policies covering specific areas.

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

19 Financial instruments – continued

(c) Credit risk exposure

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

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

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

Maximum exposure to credit risk Category	Note	2010 $'000	2009 $'000
Financial assets			
Cash and cash equivalents	6	1,348	370
Receivables	7	139	730
Investments	8	46,588	40,686
Total		**48,075**	**41,786**

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

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

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

The method for calculating any provisional impairment for risk is based on past experience, current and expected changes in economic conditions and changes in client credit ratings.

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

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

2010 Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	30 - 60 days $'000	61 - 90 days $'000	More than 90 days $'000	Total $'000
Receivables	139	-	-	-	139
Total	**139**	**-**	**-**	**-**	**139**

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

19 Financial instruments – continued

(c) Credit risk exposure – continued

2009 Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	**30 - 60 days $'000**	**61 - 90 days $'000**	**More than 90 days $'000**	**Total $'000**
Receivables	230	-	-	500	730
Total	**230**	**-**	**-**	**500**	**730**

(d) Liquidity risk

Liquidity risk refers to the situation where the Commission may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

		2010 Payable in			**Total**
		< 1 year	1-5 years	> 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	11	1,621	-	-	1,621
Total		**1,621**	**-**	**-**	**1,621**

		2009 Payable in			**Total**
		< 1 year	1-5 years	> 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	11	233	-	-	233
Total		**233**	**-**	**-**	**233**

Financial information 2009-10

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

19 Financial instruments – continued

(e) Market risk

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

(f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/- 1% from the year-end rates applicable to the Commission's financial assets. With all other variables held constant, the Commission would have a surplus and equity increase/(decrease) of $13,000 (2009: $4,000) due to interest rate risk and $466,000 (2009: $407,000) due to unit price risk.

The Commission's sensitivity to movements in interest rates in relation to the value of cash and cash equivalents is shown in the table below.

		Financial impact			
Cash	**Movement in variable %**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**	**Profit/(loss) 2009 $'000**	**Equity 2009 $'000**
Interest rate risk	+1	13	13	4	4
	-1	(13)	(13)	(4)	(4)

The Commission's sensitivity to movements in unit price rates in relation to the value of investments is shown in the table below.

		Financial impact			
Investments	**Movement in variable %**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**	**Profit/(loss) 2009 $'000**	**Equity 2009 $'000**
Unit price risk	+1	466	466	407	407
	-1	(466)	(466)	(407)	(407)

(g) Fair value

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

Financial information 2009-10

Motor Accident Insurance Commission

Certificate of the Motor Accident Insurance Commission

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

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

b) 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 financial year ended 30 June 2010 and of the financial position of the Commission at the end of that year.

Lina Lee CA
Manager Corporate Governance

26 August 2010

Paul Donaldson
Acting Insurance Commissioner

26 August 2010

Financial information 2009-10

Motor Accident Insurance Commission

Independent Auditor's Report

To the Motor Accident Insurance Commission

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of the Motor Accident Insurance Commission (the Commission) for the financial year ended 30 June 2010 included on the Commission's website. The Commission is responsible for the integrity of its website. I have not been engaged to report on the integrity of the Commission's website. The auditor's 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 Insurance Commissioner to confirm the information included in the audited financial report presented on this website.

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 (the Commission) which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income statement, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Insurance Commissioner and officer responsible for the financial administration of the 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 Accountability Act 2009* and the *Financial Performance Management Standard 2009* 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 the *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 Executive Officer, 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.

Financial information 2009-10

Motor Accident Insurance Commission

Independent Auditor's Report – continued

Independence

The *Auditor-General Act 2009* 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.40 of the *Auditor-General Act 2009* –

(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 2009 to 30 June 2010 and of the financial position as at the end of that year.

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

26 August 2010
Brisbane

Financial information 2009-10

Nominal Defendant

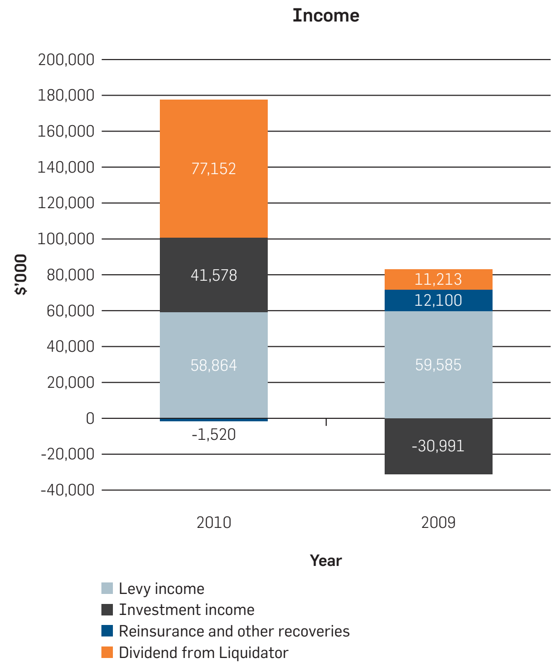
Financial summary 2009-10

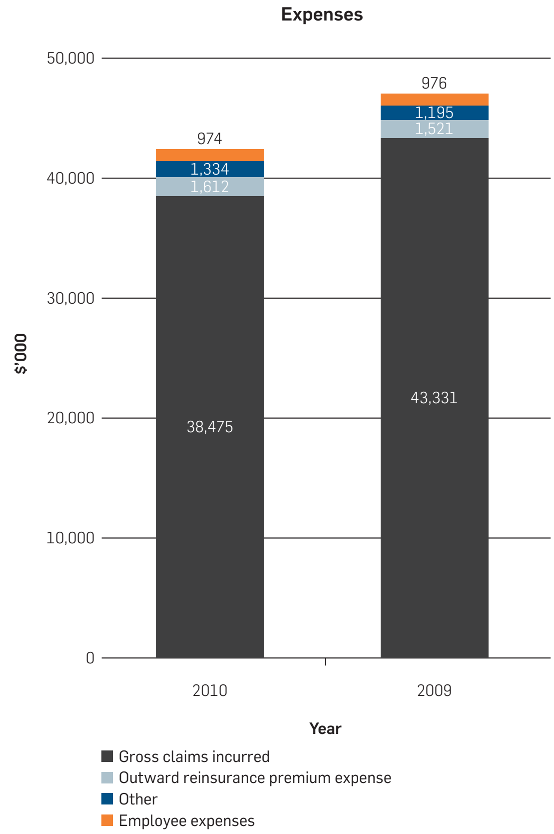
The operating surplus of the Nominal Defendant for the year ended 30 June 2010 was $133.68 million compared to the prior year's operating surplus of $4.88 million. The prior year's operating surplus included $11.21 million in dividends from the HIH Liquidator as opposed to $77.15 million received this financial year. The prior year's operating surplus also included losses on QIC investments of $31.15 million as opposed to gains of $41.43 million received this financial year.

With respect to the HIH insolvency and in accordance with the Deed of Indemnity between the State Government of Queensland and the Nominal Defendant, $6.26 million was reimbursed to Treasury Department during 2009-10. This amount was funded by dividends received from the HIH Liquidator during 2009-10 and proceeds from the surcharge on the Nominal Defendant levy.

In relation to the normal business of the Nominal Defendant (claims relating to unidentified and uninsured vehicles under section 31 of the Act), payments on claims and associated costs during the financial year increased from $25.93 million to $29.28 million. The outstanding claims liabilities were actuarially assessed and increased by $14.58 million compared to $12.62 million in the prior year.

The income from the levy for the normal business of the Nominal Defendant decreased marginally from $59.59 million to $58.86 million. The Nominal Defendant levy was set at $17.40 per Class 1 policy (including $5 HIH surcharge which raised $16.91 million in the year). Claims recoveries were $0.38 million during the year, a decrease from $1.04 million in the previous year.





Financial information 2009-10

Nominal Defendant

Statement of Comprehensive Income

for the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Income			
Revenue			
Levy income	2	58,864	59,585
Net fair value gains/(losses) on financial assets		41,430	(31,150)
Dividends received from FAI liquidator		77,152	11,213
Reinsurance and other recoveries	3	(1,520)	12,100
Interest income		148	159
Total income		**176,074**	**51,907**
Expenses			
Gross claims incurred	3	38,475	43,331
Outward reinsurance premium expense	2	1,612	1,521
Employee expenses	4	974	976
Supplies and services	5	1,259	1,116
Depreciation and amortisation	6	18	47
Other	7	57	32
Total expenses		**42,395**	**47,023**
Operating result		**133,679**	**4,884**
Total other comprehensive income		**-**	**-**
Total comprehensive income		**133,679**	**4,884**

The accompanying notes form part of these statements.

Financial information 2009-10

Nominal Defendant

Statement of Financial Position

as at 30 June 2010

	Notes	2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	8	2,418	2,166
Receivables	9	22,142	9,472
Financial assets	10	154,894	67,665
Reinsurance and other recoveries on outstanding claims	15	1,878	2,202
Prepayments		7	-
Total current assets		**181,339**	**81,505**
Non-current assets			
Financial assets	10	294,532	270,530
Reinsurance and other recoveries on outstanding claims	15	6,275	8,440
Plant and equipment	11	19	11
Intangible assets	12	26	40
Total non-current assets		**300,852**	**279,021**
Total assets		**482,191**	**360,526**
Current liabilities			
Payables	13	278	10,688
Accrued employee benefits	14	82	89
Outstanding claims liability	15	45,890	41,782
Unearned levies	1 (e)	29,381	28,944
Total current liabilities		**75,631**	**81,503**
Non-current liabilities			
Accrued employee benefits	14	13	16
Outstanding claims liability	15	165,898	165,775
Total non-current liabilities		**165,911**	**165,791**
Total liabilities		**241,542**	**247,294**
Net assets		**240,649**	**113,232**
Equity			
Contributed equity		57,941	64,203
Accumulated surplus		182,708	49,029
Total equity		**240,649**	**113,232**

The accompanying notes form part of these statements.

Financial information 2009-10

Nominal Defendant

Statement of Changes in Equity

for the year ended 30 June 2010

	Accumulated surplus		Contributed equity		Total equity	
	2010 $'000	**2009 $'000**	**2010 $'000**	**2009 $'000**	**2010 $'000**	**2009 $'000**
Balance as at 1 July	49,029	44,145	64,203	87,357	113,232	131,502
Operating result	133,679	4,884	-	-	133,679	4,884
State Government Equity withdrawal refer Note 1(c)	-	-	(6,262)	(23,154)	(6,262)	(23,154)
Balance as at 30 June	**182,708**	**49,029**	**57,941**	**64,203**	**240,649**	**113,232**

The accompanying notes form part of these statements.

Financial information 2009-10

Nominal Defendant

Statement of Cash Flows

for the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Inflows:			
Levy income		59,301	58,382
Fair value gains on financial assets		41,430	-
Dividends received from FAI liquidator		61,964	5,268
Reinsurance and other recoveries		3,510	6,140
Interest income		137	336
GST input tax credits from ATO		604	546
Outflows:			
Gross claims incurred		(34,244)	(33,375)
Fair value losses on financial assets		-	(31,150)
Outward reinsurance premium expense		(1,624)	(1,533)
Employee expenses		(999)	(924)
Supplies and services		(1,232)	(1,203)
GST paid to suppliers		(617)	(556)
Other		(54)	(31)
Net cash provided by/(used in) operating activities	16	**128,176**	**1,900**
Cash flows from investing activities			
Outflows:			
Payments for plant and equipment		(12)	(9)
Net cash provided by/(used in) investing activities		**(12)**	**(9)**
Cash flows from financing activities			
Outflows:			
Equity withdrawals		(16,681)	(12,738)
Net cash provided by/(used in) financing activities		**(16,681)**	**(12,738)**
Net increase/(decrease) in cash and cash equivalents		**111,483**	**(10,847)**
Cash at beginning of financial year		340,361	351,208
Cash and cash equivalents at end of financial year	8	**451,844**	**340,361**

The accompanying notes form part of these statements.

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

Objectives and principal activities of the Nominal Defendant

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.

1 Summary of significant accounting policies

(a) Statement of compliance

The Nominal Defendant has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with the Treasurer's Financial Reporting Requirements for the year ending 30 June 2010, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Nominal Defendant has applied those requirements applicable to not-for-profit entities, as the Nominal Defendant is a not-for-profit entity. The financial statements have been prepared on a historical cost basis, except for investment securities which are shown at net market value.

(b) The reporting entity

The financial statements include the value of all revenues, expenses, assets, liabilities and equities of the Nominal Defendant.

(c) Deed of Indemnity

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

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

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

(d) Funding of the Nominal Defendant

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

(e) Levy income

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.

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(e) Levy income – continued

Levy revenue is recognised in the Statement of Comprehensive Income 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 Statement of Financial Position and then systematically transferred to revenue in the Statement of Comprehensive Income 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 Department of Transport and Main Roads.

Levy revenue is received from motorists via the Department of Transport and Main Roads 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.

(f) Outwards reinsurance premium expense

Premium ceded to reinsurers is recognised as outwards reinsurance expense from the attachment date over the period of indemnity of the reinsurance contract.

(g) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June. It also includes investments with short periods to maturity that are readily convertible to cash on hand at the Nominal Defendant's or issuer's option and that are subject to a low risk of changes in value.

(h) 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 being 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.

(i) Reinsurance and other recoveries on outstanding claims

The reinsurance and other recoveries on outstanding claims has been actuarially calculated as at the financial year-end by the Queensland Government State Actuary's Office.

Reinsurance and other recoveries revenue and a receivable for reinsurance and other recoveries on outstanding claims are recognised for claims incurred but not yet paid and incurred but not yet reported claims.

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(i) Reinsurance and other recoveries on outstanding claims – continued

Amounts recoverable are assessed in a manner similar to the assessment of outstanding claims liability (Note 1 (s)). Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the outstanding claims liability.

(j) 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, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government Entity (whether as a result of a machinery-of-Government or other involuntary transfer), the acquisition cost is recognised as the gross carrying amount in the books of the transferor immediately prior to the transfer together with any accumulated depreciation.

Assets acquired at no cost or for nominal consideration, other than from an involuntary transfer from another Queensland Government entity, are recognised at their fair value at date of acquisition in accordance with AASB 116 *Property, Plant and Equipment*.

(k) Plant and equipment

Items of 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
Leasehold improvements	$5,000

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

(l) Revaluations 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.

(m) 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 to the Nominal Defendant, less any anticipated residual value. The residual value is zero for all the Nominal Defendant's intangible assets.

It has been determined that there is no active market for any of the Nominal Defendant's intangible assets. As such, the assets are recognised and carried at cost less accumulated amortisation and accumulated impairment losses.

Purchased Software
The purchase cost, together with any internal development costs, of this software has been capitalised and is being amortised on a straight-line basis over the period of the expected benefit to the Nominal Defendant, namely 7 years.

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(n) Amortisation and depreciation of intangibles and plant and equipment

Amortisation and depreciation is calculated on a straight-line basis so as to allocate the net cost of each asset, less its estimated residual value, progressively over its estimated useful life to the Nominal Defendant.

Assets under construction (work-in-progress) are not amortised or depreciated until they reach service delivery capacity.

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

Class	Depreciation rate
Plant and equipment:	
Computer hardware	20 – 25%
Office equipment	20%
Leasehold improvements	8.33%

Class	Amortisation rate
Intangibles:	
Software internally generated	14.29%

(o) 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 Statement of Comprehensive Income.

Where 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 increased 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.

(p) Leases

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risks and benefits.

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

(q) 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.

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(r) Payables

Trade creditors are recognised upon receipt of the 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.

(s) Outstanding claims liability

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

Claims incurred expense and a liability for outstanding claims are recognised for claims incurred but not yet paid, incurred but not yet reported claims and anticipated direct and indirect costs of settling those claims. Claims outstanding are assessed by reviewing individual claims files and estimating unnotified claims and settlement costs using statistics based on past experiences and trends. The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal and superimposed inflation.

(t) Financial instruments

Recognition
Financial assets and financial liabilities are recognised in the Statement of Financial Position when the Nominal Defendant becomes party to the contractual provisions of the financial instrument.

Classification
Financial instruments are classified and measured as follows:
- Cash and cash equivalents – held at fair value through profit or loss;
- Receivables – held at amortised cost;
- Investments – held at fair value through profit or loss; and
- Payables – held at amortised cost.

The Nominal Defendant does not enter into transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents and investments held with QIC, the Nominal Defendant holds no financial assets classified at fair value through profit and loss.

All disclosures relating to the measurement basis and financial risk management of other financial instruments held by the Nominal Defendant are disclosed in Note 20.

(u) Employee benefits

Employer superannuation contributions and long service leave levies are regarded as employee benefits.

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.

Wages, salaries, recreation leave and sick leave
Wages, salaries and recreation leave due but unpaid at reporting date are recognised in the Statement of Financial Position at the remuneration rates expected to apply at the time of settlement.

For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. Entitlements not expected to be paid within 12 months are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity, after projecting the remuneration rates expected to apply at the time of the likely settlement.

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(u) Employee benefits – continued

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. The 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 quarterly in arrears.

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 those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

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.

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 those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

(v) Insurance

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

(w) Taxation

The Nominal Defendant is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Nominal Defendant. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 9).

(x) 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.

(y) Judgements and assumptions

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions, and management judgements that have the potential to cause a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(y) Judgements and assumptions – continued

The Nominal Defendant places high reliance on actuarial estimates provided by its actuary, Queensland Government State Actuary's Office, in calculating the reinsurance and other recoveries on outstanding claims and the outstanding claims liability as at the end of the financial year. Refer to Notes 1 (i), 1 (s) and 15.

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.

(z) Rounding and comparatives

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

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

(aa) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2009-10. Those new and amended Australian accounting standards that were applicable for the first time in the 2009-10 financial year and that had a significant impact on the Nominal Defendant's financial statements are as follows.

The Nominal Defendant complied with the revised AASB 101 *Presentation of Financial Statements* as from 2009-10. This revised standard does not have any measurement or recognition implications. Pursuant to the change of terminology used in the revised AASB 101, the Balance Sheet is now re-named to the Statement of Financial Position, and the Cash Flow Statement has now been re-named to Statement of Cash Flows. The former Income Statement has been replaced by a Statement of Comprehensive Income. In line with the new concept of 'comprehensive income', the bottom of this new statement contains certain transactions that previously were detailed in the Statement of Changes in Equity (refer to the items under sub-heading "other comprehensive income" in the new Statement of Comprehensive Income). The Statement of Changes in Equity now only includes details of transactions with owners in their capacity as owners, in addition to the total comprehensive income for the relevant components of equity.

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

At the date of authorisation of the financial report, the only significant impacts of new or amended Australian accounting standards with future commencement dates are as set out below.

AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5,7 101, 102, 108, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]* become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at either amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

1 Summary of significant accounting policies – continued

(aa) New and revised accounting standards – continued

On initial application of AASB 9, the Nominal Defendant will need to re-assess the measurement of its financial assets against the new classification and measurement requirements, based on the facts and circumstances that exist at that date. Assuming no change in the types of transactions the Nominal Defendant enters into, it is not expected that any of the Nominal Defendant's financial assets will meet the criteria in AASB 9 to be measured at amortised cost. Therefore, as from the 2013-14 financial statements, all of the Nominal Defendant's financial assets will be required to be classified as "financial assets required to be measured at fair value through profit or loss" (instead of the measurement classifications presently used in notes 1(t) and 20). The same classification will be used for net gains/losses recognised in the Statement of Comprehensive Income in respect of those financial assets. In the case of the Nominal Defendant's receivables, the carrying amount is considered to be a reasonable approximation of fair value.

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

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

		2010 $'000	2009 $'000
2	**Net levy income**		
	Levy income	58,864	59,585
	Outward reinsurance premium expense	(1,612)	(1,521)
	Net levy income	**57,252**	**58,064**
3	**Net claims incurred**		
(a)	**Claims analysis**		
	Gross claims incurred	38,475	43,331
	Reinsurance and other recoveries	1,520	(12,100)
	Total net claims incurred	**39,995**	**31,231**
	Net claims incurred attributable to Nominal Defendant		
	Gross claims incurred	43,851	38,546
	Reinsurance and claims recoveries	621	(2,913)
		44,472	35,633
	Net claims incurred attributable to FAI		
	Gross claims incurred	(5,376)	4,785
	Reinsurance and other recoveries	899	(9,187)
		(4,477)	(4,402)
	Total net claims incurred	**39,995**	**31,231**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

3 Net claims incurred – continued

(b) Claims development

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

	2010			2009		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	62,469	(17,469)	45,000	55,612	(27,377)	28,235
Discount	(11,127)	9,978	(1,149)	(10,776)	21,087	10,311
	51,342	(7,491)	43,851	44,836	(6,290)	38,546
Reinsurance and other recoveries						
Undiscounted	1,557	(2,417)	(860)	1,383	1,554	2,937
Discount	(275)	514	239	(267)	243	(24)
	1,282	(1,903)	(621)	1,116	1,797	2,913
Net claims incurred – discounted	**50,060**	**(5,588)**	**44,472**	**43,720**	**(8,087)**	**35,633**

Claims attributable to FAI

	2010			2009		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	-	(7,587)	(7,587)	-	1,247	1,247
Discount	-	2,211	2,211	-	3,538	3,538
	-	(5,376)	(5,376)	-	4,785	4,785
Reinsurance and other recoveries						
Undiscounted	-	(1,285)	(1,285)	-	9,625	9,625
Discount	-	386	386	-	(438)	(438)
	-	(899)	(899)	-	9,187	9,187
Net claims incurred – discounted	**-**	**(4,477)**	**(4,477)**	**-**	**(4,402)**	**(4,402)**

Total net claims incurred – discounted	**50,060**	**(10,065)**	**39,995**	**43,720**	**(12,489)**	**31,231**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000

3 Net claims incurred – continued

(c) Claims reconciliation

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.

	2010 $'000	2009 $'000
Claims attributable to Nominal Defendant		
Claims and associated settlement costs	29,275	25,926
Movement in outstanding claims liability	14,576	12,620
	43,851	**38,546**
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	4,970	7,449
Movement in outstanding claims liability	(10,346)	(2,664)
	(5,376)	**4,785**
Total gross claims incurred	**38,475**	**43,331**
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	377	1,043
Movement in reinsurance and other recoveries receivable	(998)	1,870
	(621)	**2,913**
Reinsurance and claims recoveries attributable to FAI		
Reinsurance and claims recoveries	591	6,757
Movement in reinsurance and other recoveries receivable	(1,490)	2,430
	(899)	**9,187**
Total reinsurance and other recoveries	**(1,520)**	**12,100**
Net claims incurred	**39,995**	**31,231**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
4 Employee expenses		
Employee benefits		
Salaries and wages	813	805
Employer superannuation contributions*	96	98
Long service leave levy*	13	13
Other employee benefits	1	9
Employee related expenses		
Workers' compensation premium*	3	-
Payroll tax*	43	43
Other employee related expenses	5	8
Total	**974**	**976**

*Refer to Note 1(u).

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

	2010	2009
Number of employees	10.4	11.6

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

	2010 $'000	2009 $'000
Employee benefits		
Salaries and wages	100	168
Employer superannuation contributions*	15	20
Long service leave levy*	2	2
Other employee benefits	-	1
Employee related expenses		
Workers' compensation premium*	-	-
Payroll tax*	7	9
Other employee related expenses	-	-
Total	**124**	**200**

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

	2010	2009
Number of employees	1.2	1.6

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
5 Supplies and services		
QIC management fee	668	522
Computer facilities management fee	231	218
Rent	122	115
Consultants and contractors	73	97
Corporate services fee	93	91
Supplies and consumables	71	53
Professional services	-	16
Other supplies and services	1	4
Total	**1,259**	**1,116**

Supplies and services attributable to FAI are included in the figures listed above:

	2010 $'000	2009 $'000
Computer facilities management fee	96	86
Rent	10	9
Consultants and contractors	-	15
Supplies and consumables	7	4
Professional services	-	1
Total	**113**	**115**

6 Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

	2010 $'000	2009 $'000
Plant and equipment	4	3
Intangibles	14	44
Total	**18**	**47**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
7 Other expenses		
Audit fees	34	31
Insurance premiums – QGIF	1	1
Other	22	-
Total	**57**	**32**

Total external audit fees relating to the 2009-10 financial year are estimated to be $33,600 (2008-09 $31,100). There are no non-audit services included in this amount.

Other expenses attributable to FAI are included in the figures listed above:		
Audit fees	13	12
Total	**13**	**12**

	2010 $'000	2009 $'000
8 Cash and cash equivalents		
Cash at bank and on hand	2,418	2,166
Total	**2,418**	**2,166**
Cash assets as shown in the Statement of Cash Flows:		
Balance per above	2,418	2,166
Current financial assets (Note 10)	154,894	67,665
Non-current financial assets (Note 10)	294,532	270,530
Total	**451,844**	**340,361**

Interest earned on cash held with Queensland Treasury earned between 2.16% to 3.42% in 2010 (2009: 2.11% to 6.76%).

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
9 Receivables		
Accrued investment income	41	31
Sharing recoveries receivable on paid claims	91	115
Reinsurance recoveries on paid claims	811	3,329
Dividend receivable from FAI liquidator	21,132	5,944
GST receivable	65	52
Other receivables	2	1
Total	**22,142**	**9,472**

Receivables attributable to FAI are included in the figures listed above:

	2010 $'000	2009 $'000
Sharing recoveries receivable on paid claims	91	115
Reinsurance recoveries on paid claims	811	3,329
Total	**902**	**3,444**

10 Financial assets

	2010 $'000	2009 $'000
Current		
Queensland Investment Corporation investments	154,894	67,665
Total	**154,894**	**67,665**
Non-current		
Queensland Investment Corporation investments	294,532	270,530
Total	**294,532**	**270,530**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
11 Plant and equipment		
Plant and equipment:		
At cost	41	63
Less: accumulated depreciation	(22)	(52)
Total	**19**	**11**

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

	2010 $'000	2009 $'000
Carrying amount at 1 July 2009	11	14
Acquisitions	12	-
Disposals	-	-
Depreciation	(4)	(3)
Carrying amount at 30 June 2010	**19**	**11**

	2010 $'000	2009 $'000
12 Intangible assets		
Purchased software:		
At cost	219	219
Less: accumulated amortisation	(193)	(179)
Total	**26**	**40**

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

	2010 $'000	2009 $'000
Carrying amount at 1 July 2009	40	84
Acquisitions	-	-
Disposals	-	-
Amortisation	(14)	(44)
Carrying amount at 30 June 2010	**26**	**40**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
13 Payables		
Sundry creditors and accruals	278	271
Equity withdrawal	-	10,417
Total	**278**	**10,688**
Payables attributable to FAI are included in the figures listed above:		
Sundry creditors and accruals	11	11
Equity withdrawal	-	10,417
Total	**11**	**10,428**
14 Accrued employee benefits		
Current		
Recreation leave	82	54
Accrued salaries and wages	-	35
Total	**82**	**89**
Non-current		
Recreation leave	13	16
Total	**13**	**16**
Accrued employee benefits attributable to FAI are included in the figures listed above:		
Current		
Recreation leave	11	10
Accrued salaries and wages	4	4
Total	**15**	**14**
Non-current		
Recreation leave	3	3
Total	**3**	**3**

The discount rate used to calculate the present value of the non-current recreation leave is 4.5% (2009: 3.4%).

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
15 Net outstanding claims		
(a) Net outstanding claims		
Net outstanding claims		
Gross outstanding claims liability:		
Current	45,890	41,782
Non-current	165,898	165,775
Total	**211,788**	**207,557**
Reinsurance and other recoveries on outstanding claims:		
Current	1,878	2,202
Non-current	6,275	8,440
Total	**8,153**	**10,642**
Net outstanding claims:		
Current	44,012	39,580
Non-current	159,623	157,335
Total	**203,635**	**196,915**
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	195,954	181,188
Claims settlement costs	11,396	10,436
	207,350	191,624
Discount to present value	(31,473)	(30,323)
Gross outstanding claims liability	**175,877**	**161,301**
Current	36,240	29,194
Non-current	139,637	132,107
Gross outstanding claims liability	**175,877**	**161,301**
Reinsurance and other recoveries on outstanding claims	6,019	7,255
Discount to present value	(908)	(1,146)
Reinsurance and other recoveries on outstanding claims	**5,111**	**6,109**
Current	1,073	993
Non-current	4,038	5,116
Reinsurance and other recoveries on outstanding claims	**5,111**	**6,109**
Net outstanding claims	**170,766**	**155,192**
Central estimate	155,242	141,084
Risk margin	15,524	14,108
Net outstanding claims	**170,766**	**155,192**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

15 Net outstanding claims – continued

(a) Net outstanding claims – continued

	2010 $'000	2009 $'000
Net outstanding claims attributable to FAI		
Gross outstanding claims/ expected future claim payments	40,328	52,394
Claims settlement costs	1,531	2,021
	41,859	54,415
Discount to present value	(5,948)	(8,159)
Gross outstanding claims liability	**35,911**	**46,256**
Current	9,650	12,588
Non-current	26,261	33,668
Gross outstanding claims liability	**35,911**	**46,256**
Reinsurance and other recoveries on outstanding claims	3,614	5,490
Discount to present value	(572)	(957)
Reinsurance and other recoveries on outstanding claims	**3,042**	**4,533**
Current	805	1,209
Non-current	2,237	3,324
Reinsurance and other recoveries on outstanding claims	**3,042**	**4,533**
Net outstanding claims	**32,869**	**41,723**
Central estimate	28,335	35,968
Risk margin	4,534	5,755
Net outstanding claims	**32,869**	**41,723**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

15 Net outstanding claims – continued

(b) Actuarial assumptions

The following assumptions have been made in determining the net outstanding claims liability.

Assumptions attributable to the Nominal Defendant

	2010	**2009**
Inflation rate	5.90%	6.10%
Discount rate	4.90%	5.10%
Claims handling expenses	6%	6%
Risk margin	10%	10%
Weighted average expected term to settlement	3.78 years	3.73 years

Assumptions attributable to FAI

	2010	**2009**
Inflation rate	N/A	N/A
Discount rate	4.80%	5.10%
Claims handling expenses	4%	4%
Risk margin	16%	16%
Weighted average expected term to settlement	3.5 years	3.5 years

(c) Impact of changes in key variables on net outstanding claims

The following table illustrates how a change in some key valuation assumptions in section (b) above affects the net outstanding claims and shows an analysis of the profit/(loss) and equity changes in these assumptions. Note that the table is illustrative only, and is not intended that it cover the range of potential variations.

Sensitivity analysis attributable to the Nominal Defendant

		Financial impact			
Net outstanding claims	**Movement in variable**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**	**Profit/(loss) 2009 $'000**	**Equity 2009 $'000**
Inflation rate	+1%	(4,734)	(4,734)	(4,908)	(4,908)
	-1%	4,466	4,466	5,092	5,092
Discount rate	+1%	5,066	5,066	4,592	4,592
	-1%	(5,434)	(5,434)	(4,908)	(4,908)
Claims handling expenses	+1%	(1,634)	(1,634)	(1,508)	(1,508)
	-1%	1,566	1,566	1,492	1,492
Risk margin	+1%	(1,534)	(1,534)	(1,408)	(1,408)
	-1%	1,566	1,566	1,392	1,392
Weighted average term to settlement	+0.5 years	3,677	3,677	3,546	3,546
	-0.5 years	(3,758)	(3,758)	(3,629)	(3,629)

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

15 Net outstanding claims – continued

(c) Impact of changes in key variables on net outstanding claims – continued

Sensitivity analysis attributable to FAI

Net outstanding claims	Movement in variable	Financial impact Profit/(loss) 2010 $'000	Equity 2010 $'000	Profit/(loss) 2009 $'000	Equity 2009 $'000
Inflation rate	+1%	N/A	N/A	N/A	N/A
	-1%	N/A	N/A	N/A	N/A
Discount rate	+1%	969	969	1,223	1,223
	-1%	(1,031)	(1,031)	(1,377)	(1,377)
Claims handling expenses	+1%	(331)	(331)	(477)	(477)
	-1%	369	369	423	423
Risk margin	+1%	(331)	(331)	(377)	(377)
	-1%	269	269	323	323
Weighted average term to settlement	+0.5 years	709	709	940	940
	-0.5 years	(724)	(724)	(961)	(961)

(d) Nature and extent of risks arising from claims liabilities

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 and Performance Management Standard 2009*) which is for the approved financial institution to have a minimum S&P rating of A-. In the 2009-10 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.

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

	2010 $'000	2009 $'000
16 Reconciliation of operating surplus to net cash from operating activities		
Operating surplus	133,679	4,884
Non-cash items:		
Depreciation	4	3
Amortisation	14	44
Changes in assets and liabilities:		
Decrease/(increase) in prepayments	(6)	2
Decrease/(increase) in receivables	(12,670)	(11,737)
Increase/(decrease) in payables	7	(92)
Increase/(decrease) in unearned levies	437	(1,204)
Increase/(decrease) in outstanding claims liability	6,721	9,956
Increase/(decrease) in accrued employee benefits	(10)	44
Net cash from operating activities	**128,176**	**1,900**

17 Commitments for expenditure

(a) Non-cancellable operating lease

Commitments under operating leases at reporting date are inclusive of anticipated GST and are payable as follows:

	2010 $'000	2009 $'000
- Not later than one year	119	122
- Later than one year and not later than five years	-	-
Total	**119**	**122**

(b) Other expenditure commitments

Material expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

	2010 $'000	2009 $'000
- Not later than one year	278	250
- Later than one year and not later than five years	-	-
Total	**278**	**250**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

18 Contingencies

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

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

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

19 Events occurring after balance date

As funds received from the liquidator are now in excess of the Deed of Indemnity to Nominal Defendant for the assumed HIH CTP liability, approval has been sought from the Treasurer under section 33(6) and 33(7) of the *Motor Accident Insurance Act 1994* to direct the Nominal Defendant to transfer the $57.818 million back to the Motor Accident Insurance Fund.

20 Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2010 $'000	2009 $'000
Financial assets			
Cash and cash equivalents	8	2,418	2,166
Receivables	9	22,142	9,472
Investments	10	449,426	338,195
Total		**473,986**	**349,833**
Financial liabilities			
Financial liabilities measured at amortised costs:			
Payables	13	278	10,688
Total		**278**	**10,688**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

20 Financial instruments – continued

(b) Financial risk management

The Nominal Defendant's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

Financial risk management is implemented pursuant to Government and Nominal Defendant policy. These policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Nominal Defendant.

All financial risk is managed by Corporate Governance under policies approved by the Nominal Defendant. The Nominal Defendant provides written principles for overall risk management, as well as policies covering specific areas.

Risk exposure	Measurement method
Credit risk	Ageing analysis
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

(c) Credit risk exposure

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

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

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

Maximum exposure to credit risk Category	Note	2010 $'000	2009 $'000
Financial assets			
Cash and cash equivalents	8	2,418	2,166
Receivables	9	22,142	9,472
Investments	10	449,426	338,195
Total		**473,986**	**349,833**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

20 Financial instruments – continued

(c) Credit risk exposure – continued

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

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

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

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

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

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

2010 Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	**30 - 60 days $'000**	**61 - 90 days $'000**	**More than 90 days $'000**	**Total $'000**
Receivables (excluding sharing recoveries)	22,051	-	-	-	22,051
Total	**22,051**	**-**	**-**	**-**	**22,051**

2009 Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	**30 - 60 days $'000**	**61 - 90 days $'000**	**More than 90 days $'000**	**Total $'000**
Receivables (excluding sharing recoveries)	9,357	-	-	-	9,357
Total	**9,357**	**-**	**-**	**-**	**9,357**

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

20 Financial instruments – continued

(d) Liquidity risk

Liquidity risk refers to the situation where the Nominal Defendant may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

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

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

		2010 Payable in			Total
		< 1 year	1-5 years	> 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	13	278	-	-	278
Total		**278**	**-**	**-**	**278**

		2009 Payable in			Total
		< 1 year	1-5 years	> 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	13	10,688	-	-	10,688
Total		**10,688**	**-**	**-**	**10,688**

(e) Market risk

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

Financial information 2009-10

Nominal Defendant

Notes to and forming part of the financial statements 2009-10

for the year ended 30 June 2010

20 Financial instruments – continued

(f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/- 1% from the year-end rates applicable to the Nominal Defendant's financial assets. With all other variables held constant, the Nominal Defendant would have a surplus and equity increase/(decrease) of $24,000 (2009: $22,000) due to interest rate risk and $4,494,000 (2009: $3,382,000) due to unit price risk.

The Nominal Defendant's sensitivity to movements in interest rates in relation to the value of cash and cash equivalents is shown in the table below.

		Financial impact			
Cash	**Movement in variable %**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**	**Profit/(loss) 2009 $'000**	**Equity 2009 $'000**
Interest rate risk	+1	24	24	22	22
	-1	(24)	(24)	(22)	(22)

The Nominal Defendant's sensitivity to movements in unit price rates in relation to the value of investments is shown in the table below.

		Financial impact			
Investments	**Movement in variable %**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**	**Profit/(loss) 2009 $'000**	**Equity 2009 $'000**
Unit price risk	+1	4,494	4,494	3,382	3,382
	-1	(4,494)	(4,494)	(3,382)	(3,382)

(g) Fair value

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

Financial information 2009-10

Nominal Defendant

Certificate of the Nominal Defendant

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

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

b) 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 2010 and of the financial position of the Nominal Defendant at the end of that year.

Lina Lee CA
Manager Corporate Governance

26 August 2010

Paul Donaldson
Acting Insurance Commissioner

26 August 2010

Financial information 2009-10

Nominal Defendant

Independent Auditor's Report

To the Nominal Defendant

Matters Relating to the Electronic Presentation of the Audited Financial Report

The auditor's report relates to the financial report of the Nominal Defendant for the financial year ended 30 June 2010 included on Nominal Defendant's website. The Nominal Defendant is responsible for the integrity of its website. I have not been engaged to report on the integrity of the Nominal Defendant's website. The auditor's 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 website.

Report on the Financial Report

I have audited the accompanying financial report of the Nominal Defendant which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows 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 Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, 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 to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *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.

Financial information 2009-10

Nominal Defendant

Independent Auditor's Report – continued

Independence

The *Auditor-General Act 2009* 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.40 of the *Auditor-General Act 2009* –

(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 2009 to 30 June 2010 and of the financial position as at the end of that year.

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

26 August 2010
Brisbane