Our financial information

Motor Accident Insurance Commission Financial Report 2008-09

for the year ended 30 June 2009

Contents

This financial report covers 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 is:
Level 9, 33 Charlotte Street
GPO Box 2203
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 8088, email maic@maic.qld.gov.au or visit the Commission's internet site www.maic.qld.gov.au

Nominal Defendant Financial Report 2008-09

for the year ended 30 June 2009

Contents

This financial report covers 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 summary 2008-09

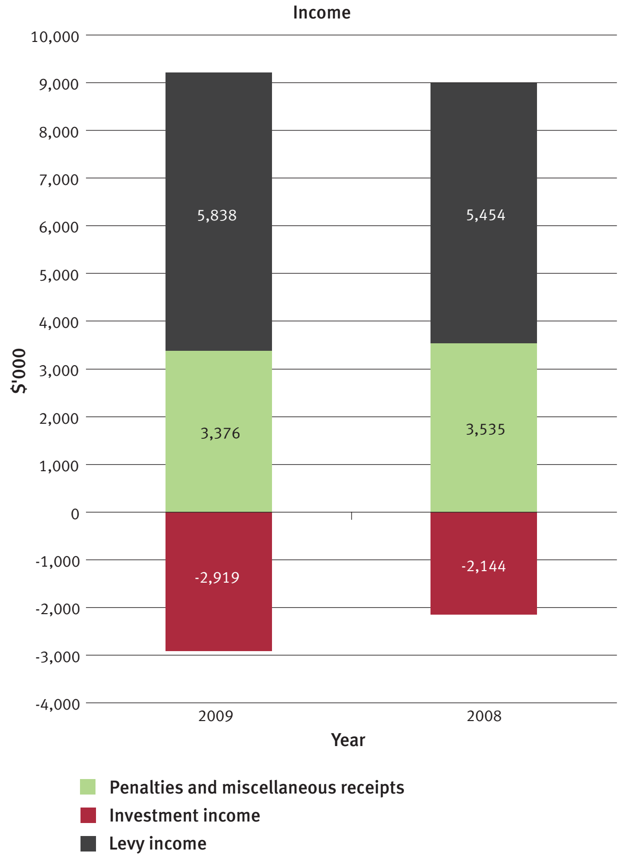
Motor Accident Insurance Commission

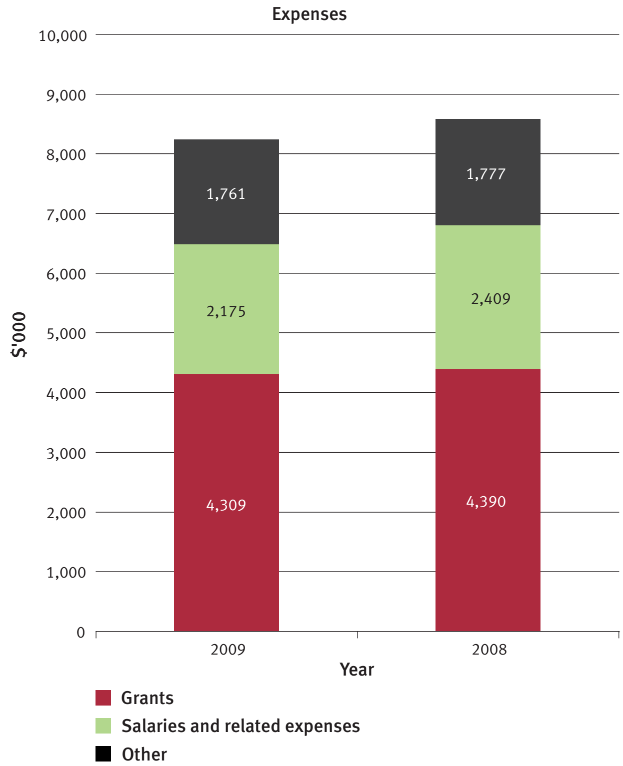
Financial summary 2008–09

In comparison to the previous year, revenue decreased from $6.85 million to $6.29 million. The Statutory Insurance Scheme levy produced $5.84 million of the total revenue and was set at a rate of $1.70 per CTP policy. Investment income from QIC investments decreased from negative $2.59 million to negative $3.34 million for the 2008-09 year due to the continued downturn in the global financial markets. There was also a slight decrease of $0.16 million in the revenue from penalty receipts.

The Commission's expenses were slightly lower than the previous year, primarily the result of decreased employee related expenses which was $2.18 million compared to $2.41 million in the 2007–08 financial year.

With the negative investment returns, the resulting operating deficit for the Commission for the year ended 30 June 2009 increased to $1.95 million from $1.73 million in the prior year.





Financial information 2008-09

Motor Accident Insurance Commission

Income Statement

For the year ended 30 June 2009

	Note	2009 $'000	2008 $'000
Income			
Revenue			
Levy income		5,838	5,454
Net fair value losses on financial assets		(3,342)	(2,594)
Interest income		423	450
Penalties and miscellaneous receipts		3,376	3,535
Total income		**6,295**	**6,845**
Expenses			
Grants		4,309	4,390
Employee expenses	2	2,175	2,409
Supplies and services	3	1,611	1,624
Depreciation and amortisation	4	67	80
Other expenses	5	83	73
Total expenses		**8,245**	**8,576**
Operating deficit		**(1,950)**	**(1,731)**

The accompanying notes form part of these statements.

Financial information 2008-09

Motor Accident Insurance Commission

Balance Sheet

As at 30 June 2009

	Note	2009 $'000	2008 $'000
Current assets			
Cash and cash equivalents	6	370	1,393
Receivables	7	230	574
Financial assets	8	30,186	30,795
Prepayments		-	4
Total current assets		**30,786**	**32,766**
Non-current assets			
Receivables	7	500	500
Financial assets	8	10,500	10,500
Plant and equipment	9	16	29
Intangibles	10	86	140
Total non-current assets		**11,102**	**11,169**
Total assets		**41,888**	**43,935**
Current liabilities			
Payables	11	233	309
Accrued employee benefits	12	222	249
Total current liabilities		**455**	**558**
Non-current liabilities			
Accrued employee benefits	12	51	45
Total non-current liabilities		**51**	**45**
Total liabilities		**506**	**603**
Net assets		**41,382**	**43,332**
Equity			
Reserves	13	15,900	15,875
Accumulated surplus		25,482	27,457
Total equity		**41,382**	**43,332**

The accompanying notes form part of these statements.

Financial information 2008-09

Motor Accident Insurance Commission

Statement of Changes in Equity

For the year ended 30 June 2009

	Accumulated surplus		Reserves		Total equity	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance 1 July	27,457	29,212	15,875	15,875	43,332	45,087
Operating deficit	(1,950)	(1,731)	-	-	(1,950)	(1,731)
Transfer to reserves						
- Accident prevention initiatives	(1,685)	(1,785)	1,685	1,785	-	-
- Rehabilitation initiatives	(2,649)	(2,605)	2,649	2,605	-	-
Transfer from reserves						
- Accident prevention initiatives	1,800	2,210	(1,800)	(2,210)	-	-
- Rehabilitation initiatives	2,509	2,180	(2,509)	(2,180)	-	-
- Net leave liabilities transferred from other business units	-	(24)	-	-	-	(24)
Balance 30 June	**25,482**	**27,457**	**15,900**	**15,875**	**41,382**	**43,332**

The accompanying notes form part of these statements.

Financial information 2008-09

Motor Accident Insurance Commission

Cash Flow Statement

For the year ended 30 June 2009

	Note	2009 $'000	2008 $'000
Cash flows from operating activities			
Inflows:			
Levy income		5,838	5,454
Interest income		612	313
Penalties and miscellaneous receipts		3,378	3,539
GST input tax credits from ATO		684	331
Outflows:			
Grants		(4,307)	(4,280)
Employee expenses		(2,197)	(2,397)
Fair value losses on financial assets		(3,342)	(2,594)
Supplies and services		(1,670)	(1,647)
GST paid to suppliers		(545)	(552)
Other		(83)	(73)
Net cash used in operating activities	**14**	**(1,632)**	**(1,906)**
Cash flows from investing activities			
Outflows:			
Payments for plant and equipment		-	(24)
Net cash used in investing activities		**-**	**(24)**
Net decrease in cash held		**(1,632)**	**(1,930)**
Cash at beginning of financial year		42,688	44,618
Cash at end of financial year	**6**	**41,056**	**42,688**

The accompanying notes form part of these statements.

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

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.

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1 Summary of significant accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with Australian Accounting Standards. In addition, the financial statements comply with the Treasurer's Minimum Reporting Requirements for the year ending 30 June 2009, and other authoritative pronouncements.

These financial statements constitute a general purpose financial report.

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 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 Queensland Department of Transport to the Commission, upon receipt of monies from motorists.

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

Details on the levies collected on behalf of and distributed to Queensland Department of Health and the Department of Emergency Services are provided in Note 15.

Penalties imposed under Section 20 of the *Motor Accident Insurance Act 1994* are recognised as revenue at the time they are legally due to be paid by the Queensland Department of Transport and Department of Justice and Attorney-General to the Commission, upon receipt of monies from uninsured motorists.

(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 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

(e) Cash and cash equivalents

For the purposes of the Balance Sheet and the Cash Flow Statement, cash assets include all cash and cheques receipted but not banked at 30 June 2009. 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 department (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

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

(i) Revaluation 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 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

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%

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 Income Statement.

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.

(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.

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

(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 Balance Sheet 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 and loss;
- Receivables – held at amortised cost;
- Investments – held at fair value through profit and 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 disclosures relating to the measurement basis and financial risk management of other financial instruments held by the Commission are disclosed in Note 19.

(q) Employee benefits

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

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

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 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.

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

(q) Employee benefits - continued

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 Commission's obligation is limited to its contribution to QSuper.

Therefore, no liability is recognised for accruing superannuation benefits in these financial statements, the liability being held on a whole-of-Government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Executive remuneration
The senior 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 2009);
- 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 2009, net of any amounts subsequently reimbursed by the executives; and
- fringe benefits tax included in remuneration agreements.

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.

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

(s) Reserves

The funds in equity have been sub-classified in the Balance Sheet, to fulfil our charter under Section 10(1) of the *Motor Accident Insurance Act 1994*. These funds are to be used in the research into the cause and prevention of motor vehicle accidents and the treatment and rehabilitation of those involved in motor vehicle accidents.

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

(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 Balance Sheet (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.

(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 2008-09. The significance of those new and amended Australian accounting standards that were applicable for the first time in the 2008-09 financial year and have had a significant impact on the Commission's financial statements are as follows.

A review has been undertaken of revised accounting standard AASB 1004 *Contributions*, and it is considered the financial statements adequately reflect the matters required to be disclosed, given the Commission's present operating circumstances.

The Commission is not permitted to early adopt a new 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 will apply these standards and interpretations in accordance with their respective commencement dates.

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

(x) New and revised accounting standards - continued

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

The Commission will need to comply with a revised version of AASB 101 *Presentation of Financial Statements* as from 2009-10. This revised standard does not have measurement or recognition implications. However, in line with the new concept of 'comprehensive income' in the revised AASB 101, there will be significant changes to the presentation of the Commission's income and expenses that are currently presented in the Income Statement and the Statement of Changes in Equity. Ignoring other potential impacts on the operating result, if the revised AASB 101 was applied by the Commission for 2008-09 reporting, it would have reported negative comprehensive income of $1,975,000 for the year. In addition, where there have been retrospective accounting policy changes, retrospective re-statement of items in the financial statements or re-classifications of financial statement items during the current reporting period, the revised AASB 101 will require a statement of financial position to be presented as at the beginning of the earliest comparative period included in the financial statements.

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

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
2. Employee expenses		
Employee benefits	1,769	1,968
Salaries and wages	212	241
Employer superannuation contributions*	27	29
Long service leave levy*	18	21
Other employee benefits		
Employee related expenses		
Workers' compensation premium*	-	8
Payroll tax*	95	107
Other employee related expenses	54	35
Total	**2,175**	**2,409**

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

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

	2009	2008
Number of employees	23.14	20.2

Executive remuneration

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

	2009	2008
$180,000 to $199,999	1	-
$200,000 to $219,999	-	1
Total remuneration of executives show above** ($'000)	186	200

**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.

	2009	2008
The total separation and redundancy/termination benefit payments during the year to executives shown above ($'000)	-	-

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
3. Supplies and services		
Computer facilities management fee	387	548
Consultants and contractors	428	334
Rent	284	329
Supplies and consumables	181	200
Corporate services fee	110	114
QIC management fee	62	71
Professional services	142	28
Other	17	-
Total	**1,611**	**1,624**
4. Depreciation and amortisation		
Depreciation and amortisation were incurred in respect of:		
Plant and equipment	13	26
Intangibles	54	54
Total	**67**	**80**
5. Other expenses		
External audit fees	17	18
Insurance premiums - QGIF	28	29
Other	38	26
Total	**83**	**73**

Total external audit fees relating to the 2008-09 financial year are estimated to be $17,200 (2007-08 $16,000). There are no non-audit services included in this amount.

	2009 $'000	2008 $'000
6. Cash and cash equivalents		
Cash at bank and on hand	370	1,393
Total	**370**	**1,393**
Cash assets as shown in the Cash Flow Statement:		
Balance per above	370	1,393
Current financial assets (Note 8)	30,186	30,795
Non-current financial assets (Note 8)	10,500	10,500
Total	**41,056**	**42,688**

Interest earned on cash held with Queensland Treasury earned between 2.11% to 6.76% in 2009 (2008: 5.42% to 6.86%).

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
7. Receivables		
Current		
Accrued investment income	43	232
Penalties receivable	88	90
GST receivable	91	229
Other receivables	8	23
Total	**230**	**574**
Non-current		
Loan receivable	500	500
Total	**500**	**500**
8. Financial assets		
Current		
Queensland Investment Corporation investments	30,186	30,795
Total	**30,186**	**30,795**
Non-current		
Queensland Investment Corporation investments	10,500	10,500
Total	**10,500**	**10,500**
9. Plant and equipment		
Plant and equipment:		
At cost	194	208
Less: accumulated depreciation	(178)	(179)
Total	**16**	**29**

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'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:		
Carrying amount at 1 July	29	31
Acquisitions	-	24
Disposals	-	-
Depreciation	(13)	(26)
Carrying amount at 30 June	**16**	**29**
10. Intangibles		
Purchased software:		
At cost	270	270
Less: accumulated amortisation	(184)	(130)
Total	**86**	**140**
Movements in the carrying amounts for each class of intangibles between the beginning and the end of the current financial year are as follows:		
Carrying amount at 1 July	140	194
Acquisitions	-	-
Disposals	-	-
Amortisation	(54)	(54)
Carrying amount at 30 June	**86**	**140**
11. Payables		
Sundry creditors and accruals	233	309
Total	**233**	**309**
12. Accrued employee benefits		
Current		
Recreation leave	172	194
Accrued salaries and wages	50	55
Total	**222**	**249**
Non-current		
Recreation leave	51	45
Total	**51**	**45**

The discount rate used to calculate the present value of the non-current recreation leave is 3.4% (2008: 7%).

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
13. Reserves		
Composition and movements		
Income maintenance	**10,500**	**10,500**
Accident prevention initiatives		
Balance at beginning of year	2,375	2,800
Transfer to retained surplus	(1,800)	(2,210)
Transfer from retained surplus	1,685	1,785
Balance at end of year	**2,260**	**2,375**
Rehabilitation initiatives		
Balance at beginning of year	3,000	2,575
Transfer to retained surplus	(2,509)	(2,180)
Transfer from retained surplus	2,649	2,605
Balance at end of year	**3,140**	**3,000**
Total	**15,900**	**15,875**
14. Reconciliation of operating deficit to net cash from operating activies		
Operating deficit	(1,950)	(1,731)
Non-cash items:		
Depreciation	13	26
Amortisation	54	54
Net transfer of employee benefits from other departments	-	(24)
Changes in assets and liabilities:		
(Decrease)/increase in prepayments	4	29
(Decrease)/increase in receivables	344	(262)
Increase/(decrease) in payables	(76)	(35)
Increase/(decrease) in accrued employee benefits	(21)	37
Net cash used in operating activities	**(1,632)**	**(1,906)**

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
15. Agency transactions		
The Commission receives Hospital and Emergency Services Levy amounts from Queensland Transport on behalf of the Queensland Department of Health and the Department of Emergency Services. Details of amounts collected and administered by the Commission during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows:		
Levies		
Comprise amounts collected from Queensland Transport on gross insurance premiums.		
Levies collected but not remitted in the previous year	4,217	2,915
Hospital levy	30,566	25,562
Emergency Services levy	11,640	11,417
Total	**46,423**	**39,894**
Contributions		
Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from Queensland Transport.		
Hospital levy contributions	29,995	24,715
Emergency Services levy contributions	11,590	10,962
Total	**41,585**	**35,677**
Amounts collected on behalf of but not yet remitted to Queensland Department of Health and the Department of Emergency Services in respect of hospital and emergency services levies at 30 June:	**4,838**	**4,217**
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	280	301
- Later than one year and not later than five years	-	-
Total	**280**	**301**
(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	440	410
- Later than one year and not later than five years	4	3
Total	**444**	**413**

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
16. Commitments for expenditure - continued		
(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	5,834	3,713
- Later than one year and not later than five years	4,148	5,976
- Later than five years	-	-
Total	**9,982**	**9,689**

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.

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

18. Events occurring after balance date

There are no major events that have occurred post 30 June 2009.

19. Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2009 $'000	2008 $'000
Financial assets			
Cash and cash equivalents	6	370	1,393
Receivables	7	730	1,074
Investments	8	40,686	41,295
Total		**41,786**	**43,762**
Financial liabilities			
Financial liabilities measured at amortised costs:			
Payables	11	233	309
Total		**233**	**309**

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

19. Financial instruments - continued

(b) Credit risk exposure

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

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

Maximum exposure to credit risk		2009	2008
Category	Note	$'000	$'000
Financial assets			
Cash and cash equivalents	6	370	1,393
Receivables	7	730	1,074
Investments	8	40,686	41,295
Total		**41,786**	**43,762**

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

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

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

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.

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

19. Financial Instruments - continued

(b) Credit risk exposure - continued

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

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

2009 Financial assets past due but not impaired

Contractual repricing/maturity date:	Not overdue	Less than 30 days	30 - 60 days	61 - 90 days	More than 90 days	Total overdue	Total financial assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Receivables	230	-	-	-	500	500	730
Total	**230**	**-**	**-**	**-**	**500**	**500**	**730**

2008 Financial assets past due but not impaired

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

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

19. Financial instruments - continued

(c) Liquidity risk

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.

		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**

		2008 Payable in			Total
		‹ 1 year	1-5 years	› 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	11	309	-	-	309
Total		**309**	**-**	**-**	**309**

(d) Market risk

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

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 $4,000 (2008: $14,000) due to interest rate risk and $407,000 (2008: $413,000) due to unit price risk.

Financial information 2008-09

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

19. Financial instruments - continued

(d) Market risk - continued

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) 2009**	**Equity 2009**	**Profit/(loss) 2008**	**Equity 2008**
	%	**$'000**	**$'000**	**$'000**	**$'000**
Interest rate risk	+1	4	4	14	14
	-1	(4)	(4)	(14)	(14)

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) 2009**	**Equity 2009**	**Profit/(loss) 2008**	**Equity 2008**
	%	**$'000**	**$'000**	**$'000**	**$'000**
Unit price risk	+1	407	407	413	413
	-1	(407)	(407)	(413)	(413)

(e) Fair value

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

Financial information 2008-09

Motor Accident Insurance Commission

Certificate of the Motor Accident Insurance Commission

These general purpose financial statements have been prepared pursuant to section 46F(1) of the *Financial Administration and Audit Act 1977* (the Act), and other prescribed requirements. In accordance with Section 46F(3) of the Act we certify that 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 2009 and of the financial position of the Commission at the end of that year.

Lina Lee CA Manager, Corporate Governance	John Hand Insurance Commissioner
27 August 2009	27 August 2009

Financial information 2008-09

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 (Commission) for the financial year ended 30 June 2009 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 Commission 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 Commission which comprises the balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Commission and officer responsible for the financial administration of the Commission.

The Commission's Responsibility for the Financial Report

The Board is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the Financial Administration and Audit Act 1977 and the Financial Management Standard 1997, including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility to express an opinion on the financial report based on the audit is prescribed in the Auditor-General Act 2009. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the Financial Administration and Audit Act 1977.

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 Commission, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements as approved by the Treasurer for application in Queensland.

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

Independence

The 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 2008 to 30 June 2009 and of the financial position as at the end of that year.

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

27 August 2009
Brisbane

Financial summary 2008-09

Nominal Defendant

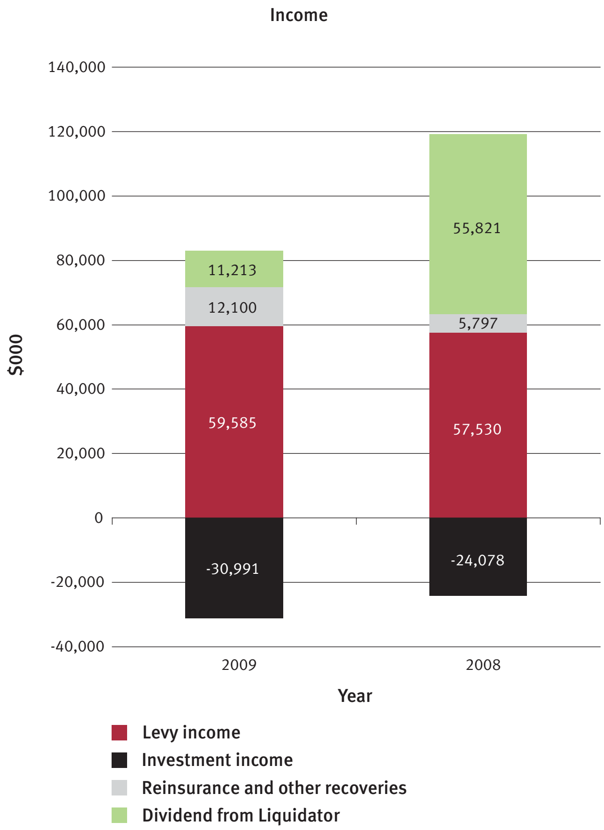
Financial summary 2008–09

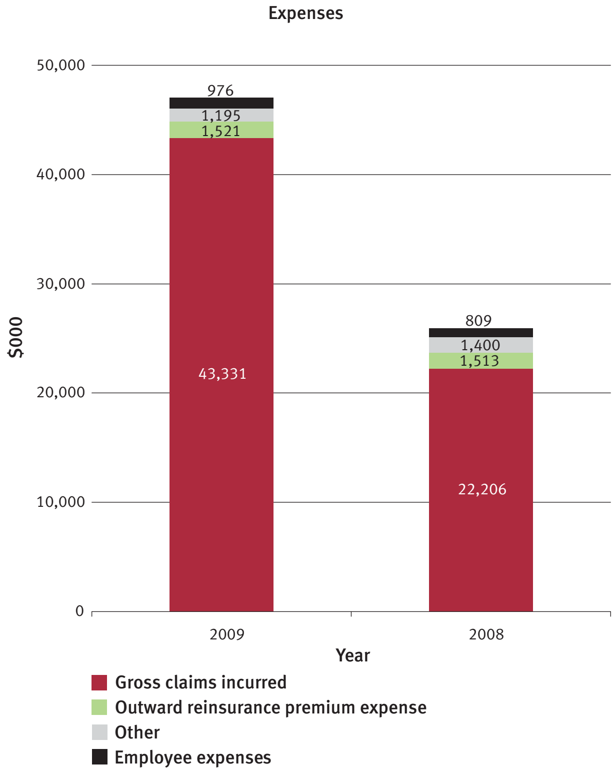
The operating surplus of the Nominal Defendant for the year ended 30 June 2009 was $4.88 million compared to the prior year's operating surplus of $69.14 million which included $55.82 million in dividends from the HIH Liquidator as opposed to $11.21 million received this financial year.

With respect to the HIH insolvency and in accordance with the Deed of Indemnity between the State Government of Queensland and the Nominal Defendant, $23.15 million was reimbursed to Treasury Department during 2008-09. This amount was funded primarily by $11.21 million received in dividends from the HIH Liquidator during 2008-09 and proceeds from the $5 component of 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 decreased from $31.05 million to $25.93 million. The outstanding claims liabilities were actuarially assessed and increased by $12.62 million compared to a decrease of $17.20 million in the prior year.

The income from the Nominal Defendant levy increased to $59.59 million reflecting growth in the number of registered vehicles. The Nominal Defendant levy was set at $17.30 per Class 1 policy (including $5 HIH surcharge which raised $16.87 million in the year). Claims reinsurance and other recoveries were $1.04 million during the year, an increase from $0.51 million in the previous year. Due to the downturn in the global financial markets, the return from the QIC Investments was negative $31.15 million.





Financial information 2008-09

Nominal Defendant

Income Statement

For the year ended 30 June 2009

	Note	2009 $'000	2008 $'000
Income			
Revenue			
Levy income	2	59,585	57,530
Net fair value losses on financial assets		(31,150)	(24,358)
Dividends received from FAI liquidator		11,213	55,821
Reinsurance and other recoveries	3	12,100	5,797
Interest income		159	280
Total income		**51,907**	**95,070**
Expenses			
Gross claims incurred	3	43,331	22,206
Outward reinsurance premium expense	2	1,521	1,513
Employee expenses	4	976	809
Supplies and services	5	1,116	1,319
Depreciation and amortisation	6	47	48
Other	7	32	33
Total expenses		**47,023**	**25,928**
Operating surplus		**4,884**	**69,142**

The accompanying notes form part of these statements.

Financial information 2008-09

Nominal Defendant

Balance Sheet

As at 30 June 2009

	Note	2009 $'000	2008 $'000
Current assets			
Cash and cash equivalents	8	2,166	2,793
Receivables	9	9,472	2,035
Financial assets	10	67,665	71,935
Reinsurance and other recoveries on outstanding claims	15	2,202	1,430
Prepayments		-	2
Total current assets		**81,505**	**78,195**
Non-current assets			
Financial assets	10	270,530	276,480
Reinsurance and other recoveries on outstanding claims	15	8,440	4,912
Plant and equipment	11	11	14
Intangibles	12	40	84
Total non-current assets		**279,021**	**281,490**
Total assets		**360,526**	**359,685**
Current liabilities			
Payables	13	10,688	373
Accrued employee benefits	14	89	53
Outstanding claims liability	15	41,782	40,918
Unearned levies	1 (e)	28,944	30,148
Total current liabilities		**81,503**	**71,492**
Non-current liabilities			
Accrued employee benefits	14	16	8
Outstanding claims liability	15	165,775	156,683
Total non-current liabilities		**165,791**	**156,691**
Total liabilities		**247,294**	**228,183**
Net assets		**113,232**	**131,502**
Equity			
Contributed equity		64,203	87,357
Accumulated surplus		49,029	44,145
Total equity		**113,232**	**131,502**

The accompanying notes form part of these statements.

Financial information 2008-09

Nominal Defendant

Statement of Changes in Equity

For the year ended 30 June 2009

	Accumulated surplus		Contributed equity		Total equity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance 1 July	44,145	(25,008)	87,357	148,810	131,502	123,802
Operating surplus	4,884	69,142	-	-	4,884	69,142
State Government Equity withdrawal refer Note 1(c)	-	-	(23,154)	(61,453)	(23,154)	(61,453)
Net leave liabilities transferred to other business units	-	11	-	-	-	11
Balance 30 June	**49,029**	**44,145**	**64,203**	**87,357**	**113,232**	**131,502**

The accompanying notes form part of these statements

Financial information 2008-09

Nominal Defendant

Cash Flow Statement

For the year ended 30 June 2009

	Note	2009 $'000	2008 $'000
Cash flows from operating activities			
Inflows:			
Levy income		58,382	59,834
Dividends received from FAI liquidator		5,268	57,406
Reinsurance and other recoveries		6,140	6,756
Interest income		336	106
GST input tax credits from ATO		546	604
Other		-	5
Outflows:			
Gross claims incurred		(33,375)	(48,279)
Fair value losses on financial assets		(31,150)	(24,358)
Outward reinsurance premium expense		(1,533)	(1,519)
Employee expenses		(924)	(823)
Supplies and services		(1,203)	(1,369)
GST paid to suppliers		(556)	(592)
Other		(31)	(31)
Net cash provided by operating activities	**16**	**1,900**	**47,740**
Cash flows from investing activities			
Outflows:			
Payments for plant and equipment		(9)	(6)
Net cash used in investing activities		**(9)**	**(6)**
Cash flows from financing activities			
Outflows:			
Equity withdrawals		(12,738)	(64,919)
Net cash used in investing activities		**(12,738)**	**(64,919)**
Net decrease in cash held		**(10,847)**	**(17,185)**
Cash at beginning of financial year		351,208	368,393
Cash at end of financial year	**8**	**340,361**	**351,208**

The accompanying notes form part of these statements.

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

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.

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1 Summary of significant accounting policies

(a) Basis of accounting

The financial statements have been prepared in accordance with Australian Accounting Standards. In addition, the financial statements comply with the Treasurer's Minimum Reporting Requirements for the year ending 30 June 2009, and other authoritative pronouncements.

These financial statements constitute a general purpose financial report.

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 moneys recovered by the Nominal Defendant against owners and/or drivers of uninsured vehicles and failed claimants. In addition, any shortfall resulting from FAI claims liabilities is funded by the State Government as detailed at Note 1(c).

(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.

Levy revenue is recognised in the Income Statement only when it has been earned in accordance with the accounting principles set out in AASB 1023. Levies received but not earned as at the end of the reporting period are recorded as a liability (unearned levies) in the Balance Sheet and then systematically transferred to revenue in the Income Statement as the levy is earned over time.

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

(e) Levy income - continued

In accordance with AASB 1023 the recognition of earned levy is on the basis of the passage of time, commencing from the week in which motorists remit their CTP premiums to the Queensland Department of Transport.

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

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

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

(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 Balance Sheet and the Cash Flow Statement, cash assets include all cash and cheques receipted but not banked at 30 June 2009. 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.

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.

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

(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 department (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

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 5 years.

(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.

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

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

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%

Class	Amortisation rate
Intangibles:	
Software internally generated	20%

(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 Income Statement.

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.

(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.

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

(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 Balance Sheet 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 and loss;
- Receivables – held at amortised cost;
- Investments – held at fair value through profit and 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 department are disclosed in Note 20.

(u) Employee benefits

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

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

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.

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1 Summary of significant accounting policies - continued

(u) Employee benefits - continued

Long service leave
Under the Queensland Government's long service leave scheme, a levy is made on the Nominal Defendant to cover this cost. 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 Balance Sheet (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.

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.

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

1. Summary of significant accounting policies - continued

(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 2008-09. The significance of those new and amended Australian accounting standards that were applicable for the first time in the 2008-09 financial year and have had a significant impact on the Nominal Defendant's financial statements are as follows.

A review has been undertaken of revised accounting standard AASB 1004 *Contributions*, and it is considered the financial statements adequately reflect the matters required to be disclosed, given the Nominal Defendant's present operating circumstances.

The Nominal Defendant is not permitted to early adopt a new 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 will apply these standards and interpretations in accordance with their respective commencement dates.

The Nominal Defendant will need to comply with a revised version of AASB 101 *Presentation of Financial Statements* as from 2009-10. This revised standard does not have measurement or recognition implications. However, in line with the new concept of 'comprehensive income' in the revised AASB 101, there may be changes to the presentation of the Nominal Defendant's income and expenses that are currently presented in the Income Statement and the Statement of Changes in Equity. In addition, where there have been retrospective accounting policy changes, retrospective re-statement of items in the financial statements or re-classifications of financial statement items during the current reporting period, the revised AASB 101 will require a Statement of Financial Position to be presented as at the beginning of the earliest comparative period included in the financial statements.

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

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
2. Net levy income		
Levy income	59,585	57,530
Outward reinsurance premium expense	(1,521)	(1,513)
Net levy income	**58,064**	**56,017**
3. Net claims incurred		
(a) Claims analysis		
Gross claims incurred	43,331	22,206
Reinsurance and other recoveries	(12,100)	(5,797)
Total net claims incurred	**31,231**	**16,409**
Net claims incurred attributable to Nominal Defendant		
Gross claims incurred	38,546	13,845
Reinsurance and claims recoveries	(2,913)	417
	35,633	14,262
Net claims incurred attributable to FAI		
Gross claims incurred	4,785	8,361
Reinsurance and other recoveries	(9,187)	(6,214)
	(4,402)	2,147
Total net claims incurred	**31,231**	**16,409**

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

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

	2009			2008		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	55,612	(27,377)	28,235	55,461	(37,911)	17,550
Discount	(10,776)	21,087	10,311	(13,275)	9,570	(3,705)
	44,836	(6,290)	38,546	42,186	(28,341)	13,845
Reinsurance and other recoveries						
Undiscounted	1,383	1,554	2,937	1,416	(1,939)	(523)
Discount	(267)	243	(24)	(368)	474	106
	1,116	1,797	2,913	1,048	(1,465)	(417)
Net claims incurred - discounted	**43,720**	**(8,087)**	**35,633**	**41,138**	**(26,876)**	**14,262**

Claims attributable to FAI

	2009			2008		
	Current Year $'000	Prior Years $'000	Total $'000	Current Year $'000	Prior Years $'000	Total $'000
Gross claims incurred and related expenses						
Undiscounted	-	1,247	1,247	-	6,811	6,811
Discount	-	3,538	3,538	-	1,550	1,550
	-	4,785	4,785	-	8,361	8,361
Reinsurance and other recoveries						
Undiscounted	-	9,625	9,625	-	6,235	6,235
Discount	-	(438)	(438)	-	(21)	(21)
	-	9,187	9,187	-	6,214	6,214
Net claims incurred - discounted	**-**	**(4,402)**	**(4,402)**	**-**	**2,147**	**2,147**

Total net claims incurred - discounted	**43,720**	**(12,489)**	**31,231**	**41,138**	**(24,729)**	**16,409**

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'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.

	2009 $'000	2008 $'000
Gross claims incurred attributable to Nominal Defendant		
Claims and associated settlement costs	25,926	31,050
Movement in outstanding claims liability	12,620	(17,205)
	38,546	**13,845**
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	7,449	16,669
Movement in outstanding claims liability	(2,664)	(8,308)
	4,785	**8,361**
Total gross claims incurred	**43,331**	**22,206**
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	1,043	512
Movement in reinsurance and other recoveries receivable	1,870	(929)
	2,913	**(417)**
Reinsurance and claims recoveries attributable to FAI		
Reinsurance and claims recoveries	6,757	6,208
Movement in reinsurance and other recoveries receivable	2,430	6
	9,187	**6,214**
Total reinsurance and other recoveries	**12,100**	**5,797**
Net claims incurred	**31,231**	**16,409**

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
4. Employee expenses		
Employee benefits		
Salaries and wages	805	668
Employer superannuation contributions*	98	83
Long service leave levy*	13	10
Other employee benefits	9	1
Employee related expenses		
Workers' compensation premium*	-	3
Payroll tax*	43	37
Other employee related expenses	8	7
Total	**976**	**809**

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

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

	2009	2008
Number of employees	11.6	10.5

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

	2009 $'000	2008 $'000
Employee benefits		
Salaries and wages	168	139
Employer superannuation contributions*	20	17
Long service leave levy*	2	2
Other employee benefits	1	-
Employee related expenses		
Workers' compensation premium*	-	1
Payroll tax*	9	8
Other employee related expenses	-	-
Total	**200**	**167**

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

	2009	2008
Number of employees	1.6	2.4

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
5. Supplies and services		
QIC management fee	522	617
Computer facilities management fee	218	343
Rent	115	114
Consultants and contractors	97	107
Corporate services fee	91	93
Supplies and consumables	53	55
Professional services	16	25
Other supplies and services	4	(35)
Total	**1,116**	**1,319**

Supplies and services attributable to FAI are included in the figures listed above:		
Computer facilities management fee	86	132
Rent	9	9
Consultants and contractors	15	9
Supplies and consumables	4	3
Professional services	1	-
Total	**115**	**153**

6. Depreciation and amortisation		
Depreciation and amortisation were incurred in respect of:		
Plant and equipment	3	4
Intangibles	44	44
Total	**47**	**48**
7. Other expenses		
Audit fees	31	29
Insurance premiums - QGIF	1	1
Other	-	-
Total	**32**	**33**

Total external audit fees relating to the 2008-09 financial year are estimated to be $31,100 (2007-08 $29,280). There are no non-audit services included in this amount.

Other expenses attributable to FAI are included in the figures listed above:		
Audit fees	12	17

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
8. Cash and cash equivalents		
Cash at bank and on hand	2,166	2,793
Total	**2,166**	**2,793**
Cash assets as shown in the Cash Flow Statement:		
Balance per above	2,166	2,793
Current financial assets (Note 10)	67,665	71,935
Non-current financial assets (Note 10)	270,530	276,480
Total	**340,361**	**351,208**

Interest earned on cash held with Queensland Treasury earned between 2.11% to 6.76% in 2009 (2008: 5.42% to 6.86%).

	2009 $'000	2008 $'000
9. Receivables		
Accrued investment income	31	207
Sharing recoveries receivable on paid claims	115	1,783
Reinsurance recoveries on paid claims	3,329	-
Dividend receivable from FAI liquidator	5,944	-
GST receivable	52	42
Other receivables	1	3
Total	**9,472**	**2,035**

	2009 $'000	2008 $'000
Receivables attributable to FAI are included in the figures listed above:		
Sharing recoveries receivable on paid claims	115	1,783
Reinsurance recoveries on paid claims	3,329	-
	3,444	**1,783**

	2009 $'000	2008 $'000
10. Financial assets		
Current		
Queensland Investment Corporation investments	67,665	71,935
Total	**67,665**	**71,935**
Non-current		
Queensland Investment Corporation investments	270,530	276,480
Total	**270,530**	**276,480**

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
11. Plant and equipment		
Plant and equipment:		
At cost	63	63
Less: accumulated depreciation	(52)	(49)
Total	**11**	**14**

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:

	2009 $'000	2008 $'000
Carrying amount at 1 July	14	3
Acquisitions	-	15
Disposals	-	-
Depreciation	(3)	(4)
Carrying amount at 30 June	**11**	**14**

	2009 $'000	2008 $'000
12. Intangibles		
Purchased software:		
At cost	219	219
Less: accumulated amortisation	(179)	(135)
Total	**40**	**84**

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

	2009 $'000	2008 $'000
Carrying amount at 1 July	84	128
Acquisitions	-	-
Disposals	-	-
Amortisation	(44)	(44)
Carrying amount at 30 June	**40**	**84**

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
13. Payables		
Sundry creditors and accruals	271	373
Equity withdrawal	10,417	-
Total	**10,688**	**373**

Payables attributable to FAI are included in the figures listed above:		
Sundry creditors and accruals	**11**	**26**

	2009 $'000	2008 $'000
14. Accrued employee benefits		
Current		
Recreation leave	54	35
Accrued salaries and wages	35	18
Total	**89**	**53**
Non-current		
Recreation leave	16	8
Total	**16**	**8**

Accrued employee benefits attributable to FAI are included in the figures listed above:		
Current		
Recreation leave	10	8
Accrued salaries and wages	4	4
Total	**14**	**12**
Non-current		
Recreation leave	3	1
Total	**3**	**1**

The discount rate used to calculate the present value of the non-current recreation leave is 3.4% (2008: 7%).

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
15. Net outstanding claims		
(a) Net outstanding claims		
Net outstanding claims		
Gross outstanding claims liability:		
Current	41,782	40,918
Non-current	165,775	156,683
Total	**207,557**	**197,601**
Reinsurance and other recoveries on outstanding claims:		
Current	2,202	1,430
Non-current	8,440	4,912
Total	**10,642**	**6,342**
Net outstanding claims:		
Current	39,580	39,488
Non-current	157,335	151,771
Total	**196,915**	**191,259**
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	181,188	178,933
Claims settlement costs	10,436	10,383
	191,624	189,316
Discount to present value	(30,323)	(40,635)
Gross outstanding claims liability	**161,301**	**148,681**
Current	29,194	27,108
Non-current	132,107	121,573
Gross outstanding claims liability	**161,301**	**148,681**
Reinsurance and other recoveries on outstanding claims	7,255	5,362
Discount to present value	(1,146)	(1,123)
Reinsurance and other recoveries on outstanding claims	**6,109**	**4,239**
Current	993	845
Non-current	5,116	3,394
Reinsurance and other recoveries on outstanding claims	**6,109**	**4,239**
Net outstanding claims	**155,192**	**144,442**
Central estimate	141,084	131,311
Risk margin	14,108	13,131
Net outstanding claims	**155,192**	**144,442**

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
15. Net outstanding claims - continued		
(a) Net outstanding claims - continued		
Net outstanding claims attributable to FAI		
Gross outstanding claims/ expected future claim payments	52,394	58,385
Claims settlement costs	2,021	2,231
	54,415	60,616
Discount to present value	(8,159)	(11,696)
Gross outstanding claims liability	**46,256**	**48,920**
Current	12,588	13,810
Non-current	33,668	35,110
Gross outstanding claims liability	**46,256**	**48,920**
Reinsurance and other recoveries on outstanding claims	5,490	2,622
Discount to present value	(957)	(519)
Reinsurance and other recoveries on outstanding claims	**4,533**	**2,103**
Current	1,209	585
Non-current	3,324	1,518
Reinsurance and other recoveries on outstanding claims	**4,533**	**2,103**
Net outstanding claims	**41,723**	**46,817**
Central estimate	35,968	40,684
Risk margin	5,755	6,133
Net outstanding claims	**41,723**	**46,817**
As at 30 June 2008, the following amounts were not included in the outstanding claims valuation:		
Reinsurance and other recoveries on outstanding claims	-	3,562
Discount to present value	-	(1,210)
Reinsurance and other recoveries on outstanding claims	**-**	**2,352**

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

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

	2009	2008
Inflation rate	6.10%	7.55%
Discount rate	5.10%	6.80%
Claims handling expenses	6%	6%
Risk margin	10%	10%
Weighted average expected term to settlement	3.73 years	4.03 years

Assumptions attributable to FAI

	2009	2008
Inflation rate	na	na
Discount rate	5.10%	6.80%
Claims handling expenses	4%	4%
Risk margin	16%	16%
Weighted average expected term to settlement	3.5 years	3.58 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) 2009 $'000**	**Equity 2009 $'000**	**Profit/ (loss) 2008 $'000**	**Equity 2008 $'000**
Inflation rate	+1%	(4,908)	(4,908)	(4,058)	(4,058)
	-1%	5,092	5,092	3,942	3,942
Discount rate	+1%	4,592	4,592	4,442	4,442
	-1%	(4,908)	(4,908)	(4,658)	(4,658)
Claims handling expenses	+1%	(1,508)	(1,508)	(1,358)	(1,358)
	-1%	1,492	1,492	1,342	1,342
Risk margin	+1%	(1,408)	(1,408)	(1,358)	(1,358)
	-1%	1,392	1,392	1,342	1,342
Weighted average term to	+0.5 years	3,546	3,546	4,268	4,268
settlement	-0.5 years	(3,629)	(3,629)	(4,398)	(4,398)

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

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) 2009 $'000	Equity 2009 $'000	Profit/(loss) 2008 $'000	Equity 2008 $'000
Inflation rate	+1%	na	na	na	na
	-1%	na	na	na	na
Discount rate	+1%	1,223	1,223	1,266	1,266
	-1%	(1,377)	(1,377)	(1,334)	(1,334)
Claims handling expenses	+1%	(477)	(477)	(434)	(434)
	-1%	423	423	466	466
Risk margin	+1%	(377)	(377)	(334)	(334)
	-1%	323	323	366	366
Weighted average term to	+0.5 years	940	940	1,619	1,619
settlement	-0.5 years	(961)	(961)	(1,681)	(1,681)

(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 Management Standards 1997*) which is for the approved financial institution to have a minimum S&P rating of A-. In the 2008-09 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 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

	2009 $'000	2008 $'000
16. Reconciliation of operating surplus to net cash from operating activies		
Operating surplus	4,884	69,142
Non-cash items:		
Depreciation	3	4
Amortisation	44	44
Net transfer of employee benefits from other departments	-	11
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	2	(1)
(Increase)/decrease in receivables	(11,737)	2,380
Increase/(decrease) in payables	(92)	(609)
Increase/(decrease) in unearned levies	(1,204)	2,305
Increase/(decrease) in outstanding claims liability	9,956	(25,513)
Increase/(decrease) in accrued employee benefits	44	(23)
Net cash provided by operating activities	**1,900**	**47,740**

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:

	2009 $'000	2008 $'000
- Not later than one year	122	109
- Later than one year and not later than five years	-	-
Total	**122**	**109**

(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:

	2009 $'000	2008 $'000
- Not later than one year	250	194
- Later than one year and not later than five years	-	-
Total	**250**	**194**

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

18. Contingencies

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

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

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

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

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

19. Events occurring after balance date

There are no major events that have occurred post 30 June 2009.

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

20. Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2009 $'000	2008 $'000
Financial assets			
Cash and cash equivalents	8	2,166	2,793
Receivables	9	9,472	2,035
Investments	10	338,195	348,415
Total		**349,833**	**353,243**
Financial liabilities			
Financial liabilities measured at amortised costs:			
Payables	13	10,688	373
Total		**10,688**	**373**

(b) Credit risk exposure

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

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

Maximum exposure to credit risk

Category	Note	2009 $'000	2008 $'000
Financial assets			
Cash and cash equivalents	8	2,166	2,793
Receivables	9	9,472	2,035
Investments	10	338,195	348,415
Total		**349,833**	**353,243**

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

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

20. Financial instruments - continued

(b) Credit risk exposure - continued

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

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

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.

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

2009 Financial assets past due but not impaired

Contractual repricing/maturity date:	Not overdue	Less than 30 days	30 - 60 days	61 - 90 days	More than 90 days	Total overdue	Total financial assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Receivables (excluding sharing recoveries)	9,357	-	-	-	-	-	9,357
Total	**9,357**	**-**	**-**	**-**	**-**	**-**	**9,357**

2008 Financial assets past due but not impaired

Contractual repricing/maturity date:	Not overdue	Less than 30 days	30 - 60 days	61 - 90 days	More than 90 days	Total overdue	Total financial assets
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Receivables (excluding sharing recoveries)	252	-	-	-	-	-	252
Total	**252**	**-**	**-**	**-**	**-**	**-**	**252**

Financial information 2008-09

Nominal Defendant

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

20. Financial instruments - continued

(c) Liquidity risk

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.

		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**

		2008 Payable in			Total
		< 1 year	1-5 years	> 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	13	373	-	-	373
Total		**373**	**-**	**-**	**373**

(d) 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.

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 $22,000 (2008: $28,000) due to interest rate risk and $3,382,000 (2008: $3,484,000) due to unit price risk.

Notes to and forming part of the financial statements 2008–09

For the year ended 30 June 2009

20. Financial instruments - continued

(d) Market risk - continued

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) 2009**	**Equity 2009**	**Profit/(loss) 2008**	**Equity 2008**
	%	**$'000**	**$'000**	**$'000**	**$'000**
Interest rate risk	+1	22	22	28	28
	-1	(22)	(22)	(28)	(28)

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) 2009**	**Equity 2009**	**Profit/(loss) 2008**	**Equity 2008**
	%	**$'000**	**$'000**	**$'000**	**$'000**
Unit price risk	+1	3,382	3,382	3,484	3,484
	-1	(3,382)	(3,382)	(3,484)	(3,484)

(e) Fair value

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

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

Financial information 2008-09

Nominal Defendant

Certificate of the Nominal Defendant

These general purpose financial statements have been prepared pursuant to section 46F(1) of the *Financial Administration and Audit Act 1977* (the Act), and other prescribed requirements. In accordance with Section 46F(3) of the Act we certify that 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 2009 and of the financial position of the Nominal Defendant at the end of that year.

Lina Lee CA
Manager, Corporate Governance

27 August 2009

John Hand
Insurance Commissioner

27 August 2009

Financial information 2008-09

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 2009 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 balance sheet as at 30 June 2009 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and certificates given by the Nominal Defendant and officer responsible for the financial administration of the Nominal Defendant.

The Nominal Defendant's Responsibility for the Financial Report

The Nominal Defendant is responsible for the preparation and fair presentation of the financial report in accordance with prescribed accounting requirements identified in the Financial Administration and Audit Act 1977 and the Financial Management Standard 1997, including compliance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility to express an opinion on the financial report based on the audit is prescribed in the Auditor-General Act 2009. This Act, including transitional provisions, came into operation on 1 July 2009 and replaces the previous requirements contained in the Financial Administration and Audit Act 1977.

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.

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 2008 to 30 June 2009 and of the financial position as at the end of that year.

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

27 August 2009
Brisbane

Appendices

Appendices

Appendix 1: Actuarial Certificate, Nominal Defendant Fund

Actuarial Certificate

Queensland Nominal Defendant Fund
Outstanding Claims Liability as at 30 June 2009

The State Actuary's Office was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 2009 and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled *"Nominal Defendant Outstanding Claims Liability Review 30 June 2009"*. The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 137 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The recommended provision for the Nominal Defendant as at 30 June 2009 is $155.2 million, comprising the central estimate of the liability for outstanding claims and a prudential margin. The recommended provision is net of reinsurance and other recoveries. The central estimate is discounted (i.e. allows for investment income on notional assets equivalent to the liabilities), allows for future claim inflation and claim handling expenses. The prudential margin of 10% of the central estimate allows for the risk and uncertainty associated with the estimated liability.

Reliances and Limitations

In preparing our advice we relied extensively on information supplied by the Nominal Defendant. Independent verification of this information was not undertaken although it was reviewed and checked for reasonableness and consistency.

Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from our estimates. Deviations from our estimates are normal and to be expected.

A.A. van den Berg B.E. (Hons)

W.H. Cannon B.Sc. (Hons) FFin

Fellows of the Institute of Actuaries of Australia

11 August 2009

Appendix 2: Actuarial Certificate, Nominal Defendant Fund, FAI Run-off

Actuarial Certificate

Queensland Nominal Defendant Fund – FAI Run-Off
Outstanding Claims Liability as at 30 June 2009

The State Actuary's Office was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities in respect of the FAI run-off as at 30 June 2009 and to advise on an appropriate balance sheet provision for these liabilities.

The data, assumptions, approach and results of this valuation are described in detail in our report entitled *"Nominal Defendant – FAI Run-Off Outstanding Claims Liability Review 30 June 2009"*. The advice set out in our report has been prepared in compliance with the relevant accounting standard AASB 1023 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The recommended provision for the Nominal Defendant as at 30 June 2009 is $41.7 million, comprising the central estimate of the liability for outstanding claims and a prudential margin. The recommended provision is net of reinsurance and other recoveries. The central estimate is discounted (i.e. allows for investment income on notional assets equivalent to the liabilities), allows for future claim inflation and claim handling expenses. The prudential margin of 16% of the central estimate allows for the risk and uncertainty associated with the estimated liability.

Reliances and Limitations

In preparing our advice we relied extensively on information supplied by the Nominal Defendant. Independent verification of this information was not undertaken although it was reviewed and checked for reasonableness and consistency.

We have assumed for the purpose of our estimates that all reinsurance recoveries under the treaties covering FAI's Queensland CTP, as well as sharing recoveries on this portfolio, will be fully recoverable.

Although we have prepared estimates in conformity with what we believe to be the likely future experience, the experience could vary considerably from our estimates. Deviations from our estimates are normal and to be expected.

A.A. van den Berg B.E. (Hons)

W.H. Cannon B.Sc. (Hons) FFin

Fellows of the Institute of Actuaries of Australia

11 August 2009