



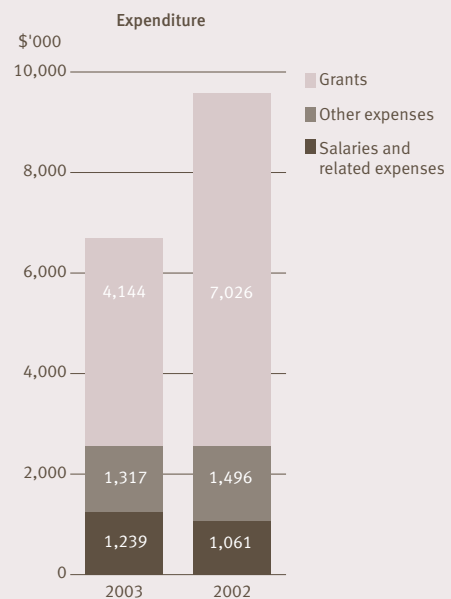
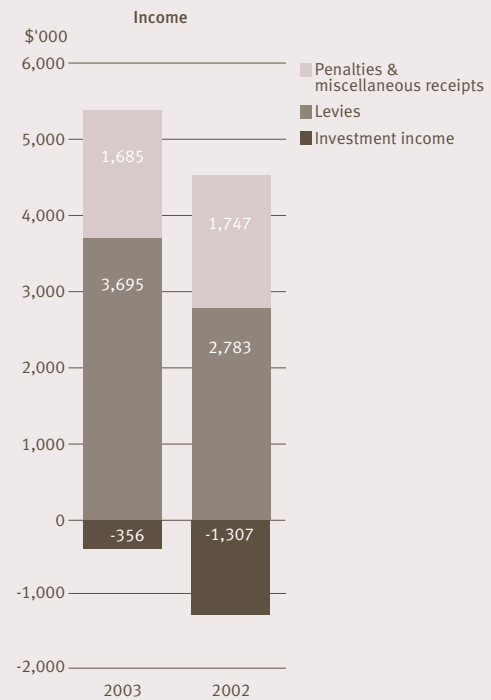
Financial Information 2002-03

Motor Accident Insurance Commission – Financial Summary

In comparison to the previous year, revenue increased overall from \$3.223 million to \$5.024 million. \$3.695 million of total revenue came from the MAIC statutory levy which increased from \$1.10 to \$1.35 per CTP policy. The return on investments saw an improvement during the reporting period, though the rate still remains in the negative.

The expenses of the Commission were lower than the previous year, which was primarily a result of fewer grant payments. Expenditure on grants was \$4.144 million compared to \$7.026 million in the 2001-02 financial year. Details of grant funding are provided in Appendix Five.

The resultant operating loss for the Commission for the year ended 30 June 2003 was \$1.676 million compared to an operating loss of \$6.360 million for the prior financial year. These operating losses are in part attributable to the Commission's grant commitments made prior to the collapse of HIH. However, it should be noted that an amount of \$15.107 million is set aside in reserves to meet anticipated future funding of accident prevention and rehabilitation grants.



Motor Accident Insurance Commission

Statement of Financial Performance For the Financial Year ended 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Levies	2 (a)	3,695	2,783
Investment Income	2 (b)	(356)	(1,307)
Penalties and miscellaneous receipts		1,685	1,747
Total revenue from ordinary activities		5,024	3,223
EXPENSES FROM ORDINARY ACTIVITIES			
Grants		4,144	7,026
Salaries and related expenses	2 (c)	1,239	1,061
Depreciation	2 (d)	20	17
Amortisation	2 (e)	0	11
Computer facilities management fee		206	288
Marketing and advertising		1	2
Rent		100	64
Other	2 (f)	990	1,114
Total expenses from ordinary activities		6,700	9,583
LOSS FROM ORDINARY ACTIVITIES	10	(1,676)	(6,360)

The accompanying notes form part of these financial statements



Statement of Financial Position
As at 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
CURRENT ASSETS			
Cash Assets		1,047	999
Receivables	3	864	161
Investment securities	4	12,565	14,372
Prepayments		1	10
Total current assets		14,477	15,542
NON-CURRENT ASSETS			
Receivables	3	500	1,050
Investment securities	4	10,500	10,500
Property, plant and equipment	5	110	63
Total non-current assets		11,110	11,613
TOTAL ASSETS		25,587	27,155
CURRENT LIABILITIES			
Payables	6	306	237
Provisions	7	101	71
Total current liabilities		407	308
TOTAL LIABILITIES		407	308
NET ASSETS		25,180	26,847
EQUITY			
Contributed Equity	8	0	0
Reserves	9	15,107	15,428
Retained profits	10	10,073	11,419
TOTAL EQUITY		25,180	26,847

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission

Statement of Cash Flows For the Financial Year ended 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		3,695	2,783
Investment income		80	3,859
Penalties and miscellaneous receipts		1,721	1,807
GST input taxes recovered from ATO		541	566
Outflows:			
Grants		(4,144)	(7,026)
Salaries and related expenses		(1,209)	(1,063)
Computer facilities management fees		(220)	(263)
Marketing and advertising		(1)	(2)
Other		(2,181)	(1,567)
GST paid to ATO		0	0
Net cash used in operating activities	14(ii)	(1,718)	(906)
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows:			
Proceeds from sale of property, plant and equipment		1	1
Outflows:			
Purchase of property, plant and equipment		(42)	(35)
Net cash used in investing activities		(41)	(34)
CASH FLOWS FROM FINANCING ACTIVITIES			
Outflows			
Transfer of funds to the Nominal Defendant		0	(57,818)
Net cash used in financing activities		0	(57,818)
NET DECREASE IN CASH HELD		(1,759)	(58,758)
Cash at the beginning of the financial year		25,871	84,629
CASH AT THE END OF THE FINANCIAL YEAR	14(i)	24,112	25,871

The accompanying notes form part of these financial statements



NOTE 1 Statement of Significant Accounting Policies

(a) Background

The Motor Accident Insurance Commission, established on 1 September 1994 under the provisions of the *Motor Accident Insurance Act 1994*, is constituted as a body corporate under that Act. The Insurance Commissioner constitutes the Commission.

(b) Basis of Preparation

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

Amounts shown have been rounded to the nearest thousand dollars.

(c) Property, Plant & Equipment

In order to comply with the *Non-Current Asset Accounting Guidelines for the Queensland Public Sector* issued by Queensland Treasury, items of property, plant and equipment have been recorded at cost.

The threshold for the recording of property, plant and equipment assets is \$5,000.

(d) Depreciation

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

The expected useful lives are as follows:

Plant & Equipment	3 - 5 years
Furniture & Fittings	5 years
Leasehold Improvements	12 years

Amortisation

Amortisation is calculated on a straight-line basis, to write-off the net cost progressively over its expected useful life.

The expected useful lives are as follows:

Computer Software	5 years
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(e) Funding of Motor Accident Insurance Fund

Funding is by way of levies paid by motorists pursuant to the *Motor Accident Insurance Act 1994*, based on the gross premiums collected for Compulsory Third Party motor vehicle insurance policies; interest on investments; and penalties imposed for offences under the Act.

(f) Investments

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

NOTE 1 (Continued)

(g) Employee Leave Entitlements

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

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

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

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

(2) Long Service Leave

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

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

(h) Superannuation

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

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

(i) Contingent Assets

Under section 33(6) and 33(7) of the *Motor Accident Insurance Act 1994*, should circumstances give rise to a recovery from the liquidation of FAI General Insurance Company Limited, or recovery from another party, the Treasurer may, by written notice to the Nominal Defendant, direct it to return funds of an amount, not exceeding \$57,818,000 to the Motor Accident Insurance Fund. Refer note 8.

(j) Levy Collection and Contribution

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

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

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

(k) Leases

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



Notes to and forming part of the financial statements
For the year ended 30 June 2003

	2003 \$'000	2002 \$'000
NOTE 2 Profit from Ordinary Activities		
(a) Levies		
Levies – comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums.		
Statutory Insurance Scheme Levy	3,695	2,783
Total	3,695	2,783
(b) Investment Income		
Distributions received from Queensland Investment Corporation	(434)	(1,373)
Interest received from funds held by Queensland Treasury	78	66
Total	(356)	(1,307)
(c) Salaries and related Expense		
Salaries and wages	920	798
Superannuation	117	101
Long service leave expense	12	10
Recreation leave expense	88	79
Other related expenses	102	73
Total	1,239	1,061
(d) Depreciation		
Plant, Equipment and Furniture and Fittings	20	17
Total	20	17
(e) Amortisation		
Computer Software	0	11
Total	0	11
(f) Other		
Consultancy Expenditure	316	254
Administration Fees	162	234
Other	512	626
Total	990	1,114

Motor Accident Insurance Commission

Notes to and forming part of the financial statements For the year ended 30 June 2003

		2003 \$'000	2002 \$'000
NOTE 3	Receivables		
	<u>Current</u>		
	Loan Receivable	550	0
	Accrued investment income	207	18
	Penalties receivable	90	105
	Other receivables	17	38
	Total	864	161
	<u>Non-Current</u>		
	Loan Receivable	500	1,050
	Total	500	1,050
NOTE 4	Investment Securities		
	<u>Current</u>		
	Queensland Investment Corporation	12,565	14,372
	<u>Non-Current</u>		
	Queensland Investment Corporation	10,500	10,500
	Total	23,065	24,872
NOTE 5	Property, Plant and Equipment		
	Property		
	Leasehold Improvements – at cost	89	60
	Accumulated depreciation	(21)	(11)
	Total property	68	49
	Plant and Equipment		
	Plant, Equipment and Fittings – at cost	133	73
	Accumulated depreciation	(91)	(59)
	Total plant and equipment	42	14
	Intangibles		
	Computer Software – at cost	163	163
	Accumulated amortisation	(163)	(163)
	Total intangibles	0	0
	Total Property, Plant and Equipment and Intangibles	110	63



Notes to and forming part of the financial statements
For the year ended 30 June 2003

NOTE 5 (Continued)

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

	Leasehold Improvements \$'000	Plant, Equipment & Fittings \$'000	Total \$'000
Carrying amount at beginning of the financial year	49	14	63
Additions	0	42	42
Transfers	24	(2)	22
Depreciation Charged	(8)	(12)	(20)
Adjustments	3	0	3
Carrying amount at the end of the financial year	68	42	110

	2003 \$'000	2002 \$'000
NOTE 6 Payables		
Sundry creditors and accruals	306	237
Total	306	237
NOTE 7 Provisions		
Employee Entitlements	101	71
Total	101	71
NOTE 8 Contributed Equity		
Assets and liabilities transferred on establishment of the Motor Accident Insurance Commission on 1 September 1994.		
Opening Balance at 1 July		
Nominal Defendant (Queensland)	0	57,818
Consolidated Fund	0	(31)
	0	57,787
Transfers to:		
Nominal Defendant	0	(57,818)
Retained profits	0	31
Total equity at the reporting date	0	0

Motor Accident Insurance Commission

Notes to and forming part of the financial statements For the year ended 30 June 2003

NOTE 8 (Continued)

Under section 33(4) and 33(5) of the *Motor Accident Insurance Act 1994*, the 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 the outstanding claims liabilities arising from the insolvency of FAI General Insurance Company Limited

	NOTE	2003 \$'000	2002 \$'000
NOTE 9 Reserves			
Composition and movements:			
Income Maintenance			
Balance at end of year		10,500	10,500
Accident Prevention Initiatives			
Balance at beginning of year		1,376	1,350
Transfer to retained profits		(1,052)	(1,110)
Transfer from retained profits		1,226	1,136
Balance at end of year		1,550	1,376
Rehabilitation Initiatives			
Balance at beginning of year		3,552	6,472
Transfer to retained profits		(3,184)	(5,872)
Transfer from retained profits		2,689	2,952
Balance at end of year		3,057	3,552
Total Reserves		15,107	15,428
NOTE 10 Retained Profits			
Retained profits at the beginning of the financial year		11,419	14,889
Loss from ordinary activities		(1,676)	(6,360)
Transfers to reserves:			
Accident Prevention Initiatives		(1,226)	(1,136)
Rehabilitation Initiatives		(2,689)	(2,952)
Transfers from reserves:			
Accident Prevention Initiatives		1,052	1,110
Rehabilitation Initiatives		3,184	5,872
Other		9	27
Equity Transfer – Consolidated Fund	8	0	(31)
Retained profits at the reporting date		10,073	11,419



Notes to and forming part of the financial statements
For the year ended 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
NOTE 11	Auditor's Remuneration		
	Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services	11	10
NOTE 12	Commitments for Expenditure		
	(a) Maintenance Contract Commitment		
	Total expenditure contracted for at balance date but not provided for in the accounts:		
	Due not later than one year	62	258
	Due later than one year but not later than five years	0	62
	Total	62	320
	(b) Operating Lease Rental Commitments		
	Future operating lease rentals not provided for in the financial statements are payable as follows:		
	Due not later than one year	110	92
	Due later than one year but not later than five years	0	30
	Total	110	122
	(c) Grant Commitments		
	The <i>Motor Accident Insurance Act 1994</i> provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant monies is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.		
	Future grant commitments not provided for in the financial statements are payable as follows:		
	Due not later than one year	4,607	4,928
	Due later than one year but not later than five years	6,909	10,197
	Total	11,516	15,125

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
NOTE 13	Agency Transactions (Hospital & Emergency Services Levy)		
The Motor Accident Insurance Commission (MAIC) receives hospital and emergency services levy amounts from Queensland Transport for transfer payments to Queensland Department of Health and the Department of Emergency Services. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows:			
Levies			
Comprise amounts collected from Queensland Transport on gross insurance premiums.			
Levies collected but not remitted in the previous year		1,646	1,423
Hospital levy		14,111	12,941
Emergency Services levy		7,085	5,864
		22,842	20,228
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		13,604	12,915
Emergency Services levy contributions		6,871	5,667
		20,475	18,582
Amounts collected on behalf of but not yet remitted to Queensland Department of Health and the Department of Emergency Services in respect of hospital and emergency services levies as at 30 June 2003: (This amount is held in QIC investments)			
		2,367	1,646



Notes to and forming part of the financial statements
For the year ended 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
NOTE 14 Statement of Cash Flows			
(i) Reconciliation of cash			
For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Cash		1,047	999
Investments	4	23,065	24,872
Total		24,112	25,871
(ii) Reconciliation of operating loss with net cash provided by operating activities			
Operating loss		(1,676)	(6,360)
Add/(Less) non cash items:			
Depreciation		20	17
Amortisation		0	11
Profit on disposal of property, plant and equipment		(1)	(1)
Asset Transfers		(25)	56
Direct changes to equity		9	27
Changes in assets and liabilities:			
Increase/(Decrease) in creditors		69	107
(Increase)/Decrease in receivables		(153)	5,212
Decrease/(Increase) in prepayments		9	27
(Decrease)/Increase in provisions		30	(2)
Net cash provided by operating activities		(1,718)	(906)
(iii) The Motor Accident Insurance Fund has no unused borrowing or overdraft facility			

Notes to and forming part of the financial statements
For the year ended 30 June 2003

NOTE 15 Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms and Conditions
<u>Financial Assets</u>			
Cash on hand	14 (i)	Recorded at book value, which approximates fair value.	
Receivables penalties receivable	3	Recognition – upon receipt of fines by QLD Transport and the Courts. Measurement – prescribed by the <i>Motor Accident Insurance Act 1994</i> . Recorded at book value	Usually received within 30 days from the month due.
interest on investments	2 (b)	Recognition – at the end of the financial year. Measurement – based on the preliminary distribution provided by QIC.	Interest is normally paid in August of the following year.
Loans receivable	3	Recognition – upon issue of funds. Measurement – based on memorandum of agreement and recorded at book value.	No interest rate applied as this is funding to promote research into accident rehabilitation. Repayments in accordance with individual loan agreements.
Investment securities	4	Recognition – on the day funds are invested. Measurement – at net market value.	Can be drawn upon as when required.
<u>Financial Liabilities</u>			
Payables	6	Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.



Notes to and forming part of the financial statements
For the year ended 30 June 2003

NOTE 15 (Continued)

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

(b) Interest Rate Risk Exposures

The Fund invests in financial assets for the primary purpose of obtaining a return on investments, to help meet the costs of administering the *Motor Accident Insurance Act 1994*.

The Fund's return on the investments will fluctuate in accordance with movements in the market interest rates.

2003			Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	
	Notes			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		Total \$'000
Financial assets								
Cash			1,047	-	-	-		1,047
Receivables	3		-	-	-	-	1,364	1,364
Investments	4		-	-	-	-	23,065*	23,065
			1,047	-	-	-	24,429	25,476
Financial Liabilities								
Payables	6		-	-	-	-	306	306
Net financial assets								
(liabilities)			1,047	-	-	-	24,123	25,170
Weighted average interest rate			3.9%					
2002			Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	
	Notes			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		Total \$'000
Financial assets								
Cash			999	-	-	-		999
Receivables	3		-	-	-	-	1,211	1,211
Investments	4		-	-	-	-	24,872*	24,872
			999	-	-	-	26,083	27,082
Financial Liabilities								
Payables	6		-	-	-	-	237	237
Net financial assets								
(liabilities)			999	-	-	-	25,846	26,845
Weighted average interest rate			3.6%					

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

NOTE 15 (Continued)

(c) Credit Risk Exposures

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

(d) Net Fair Values

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

NOTE 16 Segment Information

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

Certificate of the Motor Accident Insurance Commission



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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Motor Accident Insurance Commission; and
- (b) in our opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the year ended 30 June 2003 and of the financial position of the Commission as at 30 June 2003.



L Anderson
Insurance Commissioner



G Bott
Manager Systems and Finance

Dated: 8 September 2003

INDEPENDENT AUDIT REPORT

To the Motor Accident Insurance Commission

Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of the Motor Accident Insurance Commission for the financial year ended 30 June 2003 included on the Motor Accident Insurance Commission's web site. The Motor Accident Insurance Commission is responsible for the integrity of the Motor Accident Insurance Commission's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Motor Accident Insurance Commission, to confirm the information included in the audited financial statements presented on this web site.

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

Scope

The financial statements

The financial statements of the Motor Accident Insurance Commission consist of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the Insurance Commissioner and officer responsible for the financial administration of the Motor Accident Insurance Commission, for the year ended 30 June 2003.

The Motor Accident Insurance Commission's responsibility

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

Audit approach

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

Audit procedures included -

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

Independence

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

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

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

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

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977* -

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Motor Accident Insurance Commission for the financial year 1 July 2002 to 30 June 2003 and of the financial position as at the end of that year.

P J Nottingham, FCPA
Audit Manager
(as Delegate of the Auditor-General of Queensland)



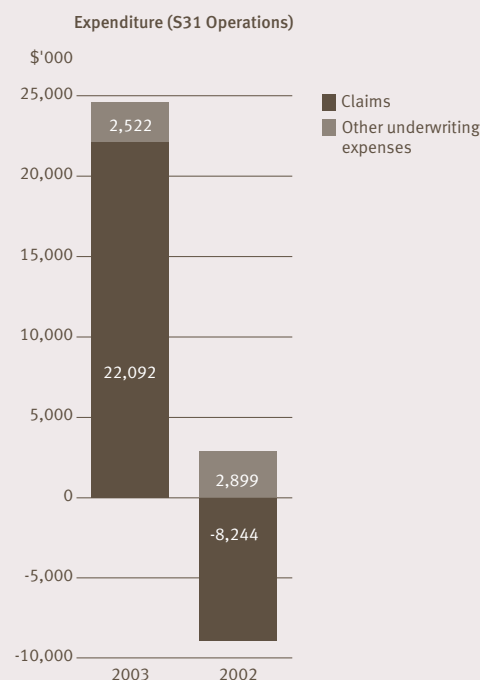
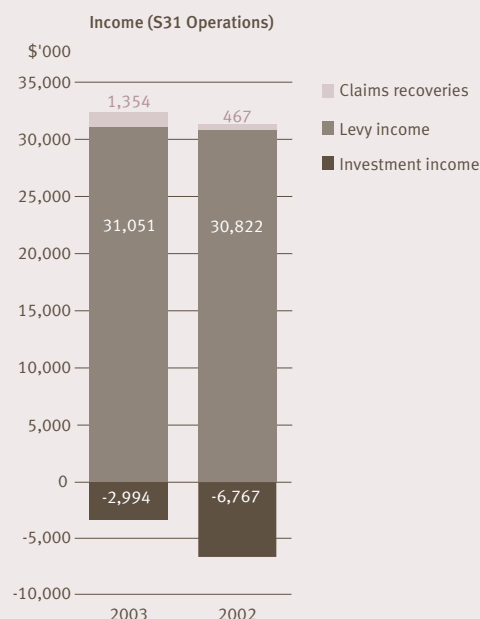
Queensland Audit Office
Brisbane

Nominal Defendant – Financial Summary

The operating loss of the Nominal Defendant was \$0.023 million for the year ended 30 June 2003 compared to the prior year's operating profit of \$0.645 million. The State Government advanced \$25.405 million to the Nominal Defendant to meet the liabilities of FAI during the year with an amount of \$15.889 million receivable at the end of the year. The amount of this advance was determined after deducting cash receipts of the CTP levy surcharge and \$50 million of funds transferred from the Nominal Defendant section 31 operations during 2002-03.

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 \$24.851 million to \$20.057 million. The provisions for outstanding claims liabilities were actuarially assessed and were increased by \$2.036 million compared to the unusual decrease of \$33.097 million last year.

The income from the levy for the normal business of the Nominal Defendant increased to \$31.051 million reflecting growth in the number of registered vehicles and a full year of earned income at the rate of \$12.80 per vehicle. Claims recoveries including sharing were \$1.354 million during the year, up from \$0.467 million in the previous year. Income from investments fell due to the negative rate of return on investments. The \$5 levy surcharge raised \$12.084 million in the year.



Nominal Defendant

Statement of Financial Performance For the Financial Year ended 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Levy Income	1(i)	43,135	34,568
Investment Income	5	(2,994)	(6,767)
Total revenue from ordinary activities		40,141	27,801
EXPENSES FROM ORDINARY ACTIVITIES			
Claims	2	36,586	22,691
Claims Recoveries		(1,468)	(1,152)
Net Claims Incurred		35,118	21,539
Other Ordinary Expenses	4	5,046	5,617
Total expenses from ordinary activities		40,164	27,156
(LOSS)/PROFIT FROM ORDINARY ACTIVITIES	13	(23)	645

The accompanying notes form part of these financial statements



Statement of Financial Position
As at 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
CURRENT ASSETS			
Cash Assets		1,612	719
Receivables	6	43,765	37,101
Investment securities	7	27,545	35,447
Prepayments		1	2
Total current assets		72,923	73,269
NON-CURRENT ASSETS			
Investment securities	7	121,638	148,599
Property, plant and equipment	8	111	84
Total non-current assets		121,749	148,683
TOTAL ASSETS		194,672	221,952
CURRENT LIABILITIES			
Payables	9	1,619	820
Provision for employee entitlements	10	50	43
Provision for outstanding claims	11	96,365	120,693
Unearned levies	1(i)	23,212	19,887
Total current liabilities		121,246	141,443
NON-CURRENT LIABILITIES			
Provision for outstanding claims	11	248,829	297,217
Total non-current liabilities		248,829	297,217
TOTAL LIABILITIES		370,075	438,660
NET LIABILITIES		(175,403)	(216,708)
EQUITY			
Contributed Equity	12	186,304	145,010
Accumulated Losses	13	(361,707)	(361,718)
TOTAL EQUITY		(175,403)	(216,708)

The accompanying notes form part of these financial statements.

Nominal Defendant

Statement of Cash Flows For the Financial Year ended 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		47,581	38,578
Claims recoveries		1,468	1,152
Investment income		114	4,380
GST input taxes recovered from ATO		1,665	1,344
Outflows:			
Claims		(123,424)	(150,941)
Salaries and related expenses		(724)	(711)
Others		(9,308)	(4,748)
GST paid to ATO		-	-
Net cash provided by (used in) operating activities	16(ii)	(82,628)	(110,946)
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows:			
Proceeds on disposal of property, plant and equipment		-	2
Outflows:			
Purchase of property, plant and equipment		(26)	(49)
Net cash used in investing activities		(26)	(47)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows:			
Transfer from MAIC		-	57,818
Queensland Treasury Indemnity Receipts		48,684	63,790
Net cash provided by financing activities		48,684	121,608
NET (DECREASE)/INCREASE IN CASH HELD		(33,970)	10,615
Cash at the beginning of the financial year		184,765	174,150
CASH AT THE END OF THE FINANCIAL YEAR	16(i)	150,795	184,765

The accompanying notes form part of these financial statements



NOTE 1 Statement of Significant Accounting Policies

(a) Background

The Nominal Defendant, established on 1 September 1994 under the provisions of the *Motor Accident Insurance Act 1994*, is constituted as a body corporate under that Act.

(b) Basis of Preparation

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

Amounts shown have been rounded to the nearest thousand dollars.

(c) Going Concern

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

Under Section 33(2) of the *Motor Accident Insurance Act 1994*, the Nominal Defendant 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. Funds to be advanced to the Nominal Defendant are determined after taking into consideration a component of the levy, potential recoveries from the liquidator of the insolvent insurer and funds transferred from the Motor Accident Insurance Commission as detailed in Note 1(n).

(d) Operating Assets

In order to comply with the *Non-Current Asset Accounting Guidelines for the Queensland Public Sector* issued by Queensland Treasury, operating assets have been recorded at cost.

The threshold for the recording of operating assets is \$5,000.

(e) Depreciation

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

The expected useful lives are as follows:

Plant & Equipment	3-5 years
Leasehold Improvements	12 years

NOTE 1 (Continued)

(f) Amortisation

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

The expected useful lives are as follows:

Computer Software 5 years

(g) Funding of Nominal Defendant Fund

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

(h) Provision for Outstanding Claims

Provisions for outstanding claims have been actuarially calculated as at 30 June 2003 by an independent actuarial firm, Trowbridge Consulting, the principals of which are Fellows of the Institute of Actuaries in Australia. The Actuaries have furnished a Certificate.

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

The liability for outstanding claims is measured as the present value of the expected future payments, reflecting the fact that all the claims do not have to be paid out in the immediate future. The expected future payments are estimated on the basis of the ultimate cost of settling claims, which is affected by factors arising during the period to settlement such as normal inflation. The expected future payments are then discounted to a present value at the reporting date using discount rates based on investment opportunities available to the organisation on the amount of funds sufficient to meet claims as they become payable. The details of rates applied are included in Note 11.

(i) Levies

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

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

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



Notes to and forming part of the financial statements
For the year ended 30 June 2003

NOTE 1 (Continued)

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.

(j) Investments

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

(k) Employee Leave Entitlements

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

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

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

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

(2) Long Service Leave

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

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

(l) Superannuation

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

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

NOTE 1 (Continued)

(m) Receivables

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

(n) Contingent Liabilities

In accordance with the Deed of Indemnity to the Nominal Defendant for the assumed HIH CTP Liability, where the cash receipts of the 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 General Insurance Company Limited, the Nominal Defendant will pay the excess to the Treasurer.

Under section 33(6) and 33(7) of the *Motor Accident Insurance Act 1994*, should circumstances give rise to a recovery from the liquidation of FAI General Insurance Company Limited, or recovery from another party, the Treasurer may, by written notice to the Nominal Defendant, direct it to return funds of an amount, not exceeding \$57,818,000 to the Motor Accident Insurance Fund. Refer note 12.

(o) Leases

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



Notes to and forming part of the financial statements
For the year ended 30 June 2003

NOTE 2 Claims

Claims comprise amounts required to be paid on behalf of those insured, amounts set aside for future claims and claims settlement costs. Claims settlement costs include costs that can be associated directly with individual claims, such as legal and professional fees.

	2003 \$'000	2002 \$'000
Decrease in provision for outstanding claims	(72,717)	(115,908)
Claims and associated settlement costs	109,303	138,599
Total	36,586	22,691

Claims attributable to FAI

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

Decrease in provision for outstanding claims	(74,752)	(82,812)
Claims and associated settlement costs	89,246	113,748
Total	14,494	30,936

NOTE 3 Net Claims Incurred

Current period claims related 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

	2003			2002		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
- undiscounted	32,714	(4,925)	27,789	36,657	(58,430)	(21,773)
Reinsurance and other recoveries						
- undiscounted	(1,997)	(7,286)	(9,283)	(1,336)	519	(817)
Net claims incurred						
- undiscounted	30,717	(12,211)	18,506	35,321	(57,911)	(22,590)
Discount and discount movement						
- gross claims incurred	(6,570)	7,577	1,007	(7,602)	21,572	13,970
Discount and discount movement						
- reinsurance and other recoveries	405	820	1,225	279	(370)	(91)
Net discount movement	(6,165)	8,397	2,232	(7,323)	21,202	13,879
Net Claims Incurred						
- discounted	24,552	(3,814)	20,738	27,998	(36,709)	(8,711)

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2003

NOTE 3 (Continued)

Claims attributable to FAI

	2003			2002		
	Current Year \$'000	Prior Years \$'000	Total \$'000	Current Year \$'000	Prior Years \$'000	Total \$'000
Gross claims incurred and related expenses						
- undiscounted	-	9,921	9,921	-	27,624	27,624
Reinsurance and other recoveries						
- undiscounted	-	(8,032)	(8,032)	-	(10,784)	(10,784)
Net claims incurred						
- undiscounted	-	1,889	1,889	-	16,840	16,840
Discount and discount movement						
- gross claims incurred	-	13,922	13,922	-	13,245	13,245
Discount and discount movement						
- reinsurance and other recoveries	-	(1,432)	(1,432)	-	166	166
Net discount movement	-	12,490	12,490	-	13,411	13,411
Net Claims Incurred						
- discounted	-	14,379	14,379	-	30,251	30,251

	NOTE	2003 \$'000	2002 \$'000
Net Claims Incurred			
Net Claims Incurred – discounted		20,738	(8,711)
Claims Recoveries		1,354	466
		22,092	(8,245)
Add: Claims attributable to FAI		14,379	30,251
Claims Recoveries - FAI		115	685
	2	14,494	30,936
Total Claims	2	36,586	22,691



Notes to and forming part of the financial statements
For the year ended 30 June 2003

	2003 \$'000	2002 \$'000
NOTE 4 Other Underwriting Expenses		
Salaries and wages		
Salaries and wages	579	552
Superannuation	77	66
Long service leave expense	9	8
Recreation leave expense	59	47
Other related expenses	44	37
Depreciation		
Plant and equipment	21	10
Computer software	2	15
Rent	54	66
Consultancy Expenditure	130	74
Reinsurance	1,036	1,526
Administration Fees	120	382
FAI Management Costs	2,346	2,483
Other	569	351
Total	5,046	5,617
Other Underwriting Expenses attributable to FAI		
Salaries and wages		
Salaries and wages	62	61
Superannuation	8	9
Long service leave expense	1	1
Recreation leave expense	7	5
Other related expenses	4	4
Depreciation		
Plant and equipment	4	0
Consultancy Expenditure	35	50
FAI Management Costs	2,346	2,483
Other	59	132
Total	2,526	2,745
NOTE 5 Investment Income		
Distributions received from Queensland Investment Corporation	(3,104)	(6,842)
Interest received from funds held by Queensland Treasury	110	75
Total	(2,994)	(6,767)

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2003

	2003 \$'000	2002 \$'000
NOTE 6 Receivables		
Accrued investment income	1,377	25
Levies receivable	-	1,121
Queensland Treasury Indemnity Receipts	15,889	23,281
Claims Recoveries & Reinsurance Receivable	26,464	12,341
Other	35	333
Total	43,765	37,101
NOTE 7 Investment Securities		
<u>Current</u>		
Queensland Investment Corporation	27,545	35,447
<u>Non-Current</u>		
Queensland Investment Corporation	121,638	148,599
Total	149,183	184,046
NOTE 8 Property, Plant and Equipment		
Property		
Leasehold Improvements – at cost	89	59
Accumulated depreciation	(19)	(5)
Total property	70	54
Plant and Equipment		
Plant, Equipment and Fittings – at cost	107	103
Accumulated depreciation	(71)	(80)
Total plant and equipment	36	23
Intangibles		
Computer Software – at cost	174	174
Accumulated amortisation	(169)	(167)
Total intangibles	5	7
Total Property, Plant and Equipment and Intangibles	111	84



Notes to and forming part of the financial statements
For the year ended 30 June 2003

NOTE 8 (Continued)

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

	Leasehold Improvements \$'000	Plant & Equipment \$'000	Computer Software \$'000	TOTAL \$'000
Carrying amount at beginning of the financial year	54	23	7	84
Additions	-	26	-	26
Transfers	26	-	-	26
Depreciation Charged	(8)	(13)	(2)	(23)
QT Adjustments	(2)	-	-	(2)
Carrying amount at the end of the financial year	70	36	5	111
			2003 \$'000	2002 \$'000

NOTE 9 Payables

Sundry creditors and accruals	1,619	820
	1,619	820

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

Sundry creditors and accruals	1,222	368
	1,222	368

NOTE 10 Provision for Employee Entitlements

Employee Entitlements	50	43
	50	43

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

Employee Entitlements	6	6
	6	6

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2003

	2003 \$'000	2002 \$'000
NOTE 11 Provision for Outstanding Claims		
The total provision is as follows:		
Current	96,365	120,693
Non-Current	248,829	297,217
Total	345,194	417,910
Outstanding Claims attributable to Nominal Defendant		
Expected future claims payments (undiscounted)	154,694	154,890
Discount to present value	(25,603)	(27,835)
Liability for outstanding claims	129,091	127,055
(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.35 years (2002 – 3.3 years)		
(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.		
Claims expected to be paid:		
Not later than one year		
Inflation rate	7.0%	7.0%
Discount rate	5.2%	5.8%
Later than one year		
Inflation rate	7.0%	7.0%
Discount rate	5.2%	5.8%
Outstanding Claims attributable to FAI		
Expected future claims payments (undiscounted)	239,731	326,438
Discount to present value	(23,628)	(35,583)
Liability for outstanding claims	216,103	290,855
(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 2.21 years (2002 – 2.16 years).		
(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims.		
Claims expected to be paid:		
Not later than one year		
Inflation rate	7.0%	7.0%
Discount rate	5.0%	5.7%
Later than one year		
Inflation rate	7.0%	7.0%
Discount rate	5.0%	5.7%



Notes to and forming part of the financial statements
For the year ended 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
NOTE 12 Contributed Equity			
Assets and Liabilities transferred from Nominal Defendant (Queensland) on establishment of the Nominal Defendant on 1 September 1994.	1(a)	121	121
Return of contributed equity – MAIC	(i)	57,818	57,818
Non appropriated equity injection	(ii)	128,365	87,071
Total equity at the reporting date		186,304	145,010
 (i) Under section 33(4) and 33(5) of the <i>Motor Accident Insurance Act 1994</i> , the amount of \$57,818,000 was transferred from the Motor Accident Insurance Fund (MAIC) to the Nominal Defendant Fund on 22 January 2002 to be applied to the outstanding claims liabilities arising from the insolvency of FAI General Insurance Company Limited.			
(ii) <u>Non Appropriated Equity Injection</u>			
Balance at the beginning of the financial year		87,071	-
Queensland Treasury Indemnity Receipts		41,294	87,071
Balance at the reporting date		128,365	87,071
Funding provided by the State Government in accordance with indemnity for shortfalls relating to liabilities of FAI General Insurance Company Limited			
NOTE 13 Accumulated Losses			
Accumulated Losses at the beginning of the financial year		(361,718)	(362,361)
Profit/(Loss) from ordinary activities		(23)	645
Other		34	(2)
Accumulated Losses at the reporting date		(361,707)	(361,718)
NOTE 14 Auditor's Remuneration			
Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services		20	19
NOTE 15 Commitments for Expenditure			
Operating Lease Rental Commitments			
The Nominal Defendant assumed joint responsibility with the Motor Accident Insurance Commission for servicing the lease entered into in joint tenancy between the Nominal Defendant (Queensland) and the Office of the Insurance Commissioner in the 1993/94 financial year			

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2003

	NOTE	2003 \$'000	2002 \$'000
NOTE 15 (Continued)			
Future operating lease rentals not provided for in the financial statements are payable as follows:			
Due not later than one year		57	77
Due later than one year but not later than five years		-	28
Total		57	105
Maintenance Contract Commitments			
Total expenditure contracted for at balance date but not provided for in the accounts:			
Due not later than one year		83	-
Due later than one year but not later than five years		-	-
Total		83	-
NOTE 16 Statement of Cash Flows			
(i) Reconciliation of cash			
For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:			
Cash		1,612	719
Investments	7	149,183	184,046
Total		150,795	184,765
(ii) Reconciliation of operating profit with net cash provided by operating activities			
Operating (loss)/profit		(23)	645
Add/(Less) non cash items:			
Depreciation		23	25
Loss/(Profit) on disposal of assets		(24)	(2)
Other			34
Changes in assets and liabilities:			
Decrease in prepayments		1	-
(Increase) in receivables		(14,056)	(1,600)
Increase in creditors		798	133
Increase in unearned levies		3,325	5,762
Decrease in provisions		(72,706)	(115,910)
Net cash provided by operating activities		(82,628)	(110,946)
(iii) The Nominal Defendant Fund has no unused borrowing or overdraft facility			



Notes to and forming part of the financial statements
For the year ended 30 June 2003

NOTE 17 Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms and Conditions
<u>Financial Assets</u>			
Cash on hand	16 (i)	Recorded at book value, which approximates fair value.	
Receivables levies receivable	6	Recognition – 7 days from due date. Measurement – based on levy rates fixed by regulation. Recorded at book value	Received 7 days from the due date.
interest on investments	5	Recognition – at the end of the financial year. Measurement – based on the final distribution statement provided by QIC.	Interest is normally paid in August of the following year.
Investments	7	Recognition – on the day funds are invested. Measurement – at net market value.	Can be drawn upon as when required.
<u>Financial Liabilities</u>			
Payables	9	Recognition – upon receipt of goods or services irrespective of whether an invoice has been received. Measurement – based on agreed purchase/contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

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

(b) Interest Rate Risk Exposures

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

Notes to and forming part of the financial statements
For the year ended 30 June 2003

NOTE 17 (Continued)

2003			Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	
	Notes			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		Total \$'000
Financial assets								
Cash			1,612	-	-	-		1,612
Receivables	6		-	-	-	-	43,765	43,765
Investments	7		-	-	-	-	149,183*	149,183
			1,612	-	-	-	192,948	194,560
Financial Liabilities								
Payables	9		-	-	-	-	1,619	1,619
Net Financial Assets			1,612	-	-	-	191,329	192,941
Weighted average interest rate			3.9%					
2002			Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	
	Notes			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		Total \$'000
Financial assets								
Cash			719	-	-	-		719
Receivables	6		-	-	-	-	37,101	37,101
Investments	7		-	-	-	-	184,046*	184,046
			719	-	-	-	221,147	221,866
Financial Liabilities								
Payables	9		-	-	-	-	820	820
Net Financial Assets			719	-	-	-	220,327	221,046
Weighted average interest rate			3.6%					

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

(c) Credit Risk Exposures

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



Notes to and forming part of the financial statements
For the year ended 30 June 2003

NOTE 17 (Continued)

(d) Net Fair Values

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

NOTE 18 Segment Information

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

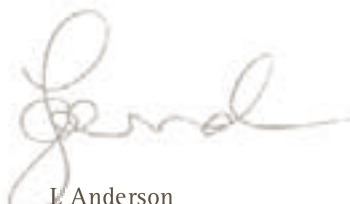


Certificate of the Nominal Defendant



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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Nominal Defendant; and
- (b) in our opinion –
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the year ended 30 June 2003 and of the financial position as at 30 June 2003.



L Anderson
Insurance Commissioner



G Bott
Manager Systems and Finance

Dated: 8 September 2003

INDEPENDENT AUDIT REPORT

To the Nominal Defendant

Matters relating to the electronic presentation of the audited financial statements

The audit report relates to the financial statements of the Nominal Defendant for the financial year ended 30 June 2003 included on the Nominal Defendant's web site. The Nominal Defendant is responsible for the integrity of the Nominal Defendant's web site. The audit report refers only to the financial statements identified below and does not include a review of the integrity of this web site or provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements, available from the Nominal Defendant, to confirm the information included in the audited financial statements presented on this web site.

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

Scope

The financial statements

The financial statements of the Nominal Defendant consist of the statement of financial performance, statement of financial position, statement of cash flows, notes to and forming part of the financial statements and certificates given by the Nominal Defendant and officer responsible for the financial administration of the Nominal Defendant, for the year ended 30 June 2003.

The Nominal Defendant's responsibility

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

Audit approach

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

Audit procedures included -

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

Independence

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

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

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

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

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977* -

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the statements have been drawn up so as to present a true and fair view, in accordance with the prescribed accounting standards of the transactions of the Nominal Defendant for the financial year 1 July 2002 to 30 June 2003 and of the financial position as at the end of that year.

P J Nottingham, FCPA
Audit Manager
(as Delegate of the Auditor-General of Queensland)



Queensland Audit Office
Brisbane

Appendix 1

Actuarial Certificate – Nominal Defendant – Section 31 Claims



Actuarial Certificate on Outstanding Claims Liability as at 30 June 2003

Trowbridge Deloitte was asked by the Nominal Defendant to undertake a valuation of the Nominal Defendant Fund's ("The Fund") claims liabilities as at 30 June 2003 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 "*Queensland Nominal Defendant Fund – Valuation of Outstanding Claims Liabilities as at 30 June 2003*". The advice set out in our report has been prepared in compliance with the relevant accounting standard AAS26, the tax ruling IT2663 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The provision adopted by the Nominal Defendant as at 30 June 2003 is \$129 million. This incorporates our discounted central estimate of the outstanding claims liability allowing for future claim inflation, expected future investment income on the assets supporting the Fund's liabilities, claim handling expenses, and a prudential margin. The prudential margin adopted by the Fund allows for the risk and uncertainty associated with the estimated liability in line with the requirements under the APRA liability valuation standard.

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. Reliance was placed on, but not limited to, the accuracy of the information described in our report.

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 are to be expected.

Estelle Pearson

Loan-Anh Nguyen

Fellows of the Institute of Actuaries of Australia



Actuarial Certificate on Outstanding Claims Liability as at 30 June 2003

Trowbridge Deloitte 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 runoff as at 30 June 2003, 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 "*Queensland Nominal Defendant Fund - Valuation of Outstanding Claims Liabilities for FAI Run-Off as at 30 June 2003*". The advice set out in our report has been prepared in compliance with the relevant accounting standard AAS26, the tax ruling IT2663 and Professional Standard 300 of the Institute of Actuaries of Australia.

Results

The provision adopted by the Nominal Defendant as at 30 June 2003 is \$216 million. This incorporates our discounted central estimate of the outstanding claims liability allowing for future claims inflation, expected future investment income on the assets supporting the Fund's liabilities and claim handling expenses. No prudential margin is included in the estimate.

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. Reliance was placed on, but not limited to, the accuracy of the information described in our report.

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 are to be expected.

Estelle Pearson

Loan-Anh Nguyen

Fellows of the Institute of Actuaries of Australia

Appendix 3

Information Sources



Publications

The Commission has the following publications available to the public at no charge:

- The Motor Accident Insurance Commission Annual Reports
- Work Training Guidelines for CTP Rehabilitation Providers
- MAIC Guidelines for CTP Rehabilitation Providers
- Review of Queensland Compulsory Third Party Insurance Scheme 1999
- Mitigating State Government Risk in Compulsory Third Party Insurance February 2002
- Mitigating State Government Risk in Compulsory Third Party Insurance, Phase Two
Paper released December 2002

Website

The publications listed are also available on-line at the Commission's Website (www.maic.qld.gov.au) along with the following information:

- CTP Claims Information
- Information on the CTP premium setting process
- Forms for claimants, legal practitioners and medical practitioners
- Information for medical practitioners, rehabilitation providers, and legal practitioners
- Guidelines and information for insurers
- MAIC Funding initiatives

Community Participation in Policy-Making

The Commission operates a Helpline which is accessible free of charge to the Queensland public. The Helpline staff assist the public in understanding the operations of the CTP insurance scheme in Queensland and record complaints about the scheme and suggestions on how the scheme could be improved. The Helpline number is 1300 302 568.

The Commission is involved in regular discussions with motoring organisations, licensed CTP insurers, the legal profession, and the medical and allied health professions to ensure the scheme operates effectively and is modified when necessary.

The major Review in 1999 involved wide consultation, with the Review Committee travelling to a number of major Queensland regional centres to conduct public meetings. An Issues Paper and a Draft Report were available to the public. Information on the Commission and the CTP Scheme are available on the MAIC website at www.maic.qld.gov.au

Freedom Of Information (FOI)

Requests for general and publicly available documents may be made by telephoning (07) 3227 8088. Some documents may be restricted owing to personal privacy issues, or confidentiality requirements if the document is considered commercially sensitive.

FOI requests are handled by the Insurance Commissioner in the case of the Commission and by the Nominal Defendant for documents held by the Nominal Defendant.

How to obtain documents:

1. Ask if the document you require is publicly available.
2. Identify the documents you require. Where the request involves general information or a large number of documents, it is preferable to discuss the issue with the Commission or the Nominal Defendant to identify what is required.
3. To assist in the process, the request should also state the type of access sought, (inspection of the document or a copy of the document).
4. Applications must be in writing, state an address to which a notification of the decision may be sent, and be accompanied by an application fee of \$32.50 if the request relates to matters which are not of a personal nature relating to the applicant.
5. If the document to which access is sought relates to the applicant's personal affairs, the applicant must supply proof of identification. No application fee or copy charge applies to such documents.
6. A \$20 per hour processing charge applies to access all non-personal information. This is in addition to the \$32.50 application fee. Photocopies of documents regarding a non-personal application are available at twenty cents per photocopied page.
7. The FOI Act specifies time limits within which applications are dealt with and provides an applicant with the right of review should the applicant not be satisfied that his/her application has been dealt with in accordance with the Act.

Appendix 4

Compulsory Third Party Insurers



Licensed Compulsory Third Party Insurers (as at 30 June 2003)

Allianz Australia Insurance Limited
(formerly MMI General Insurance Limited and incorporating FAI Allianz Limited)
GPO Box 1028
Brisbane Qld 4001
Ph 1300 655 663
ABN 15 000 122 850

Australian Associated Motor Insurers Limited
GPO Box 1155
Brisbane Qld 4001
Ph 13 22 44
ABN 92 004 791 744

NRMA Insurance Limited
GPO Box 5730
Brisbane Qld 4001
Ph 1800 244 013
ABN 11 000 016 722

QBE Insurance (Australia) Limited
GPO Box 1072
Brisbane Qld 4001
Ph 1800 112 472
ABN 78 003 191 035

RACQ Insurance Limited
(trading as RACQ Insurance)
PO Box 4
Springwood Qld 4127
Ph 13 19 05
ABN 50 009 704 152

Suncorp Metway Insurance Limited
GPO Box 1453
Brisbane Qld 4001
Ph 13 11 60
ABN 83 075 695 966

Previously Licensed CTP Insurers (as at 30 June 2003)

CIC Insurance Limited
ACN 004 078 880
*Licence withdrawn 22/01/1996;
Insurer became insolvent on
15 March 2001.*

GIO General Limited
ACN 002 861 583
Licence withdrawn 30/06/1996

Mercantile Mutual Insurance (Australia) Ltd
ACN 000 456 799
Licence withdrawn 01/11/1996

Commercial Union Assurance of Australia Ltd
ACN 004 478 371
Licence withdrawn 01/03/1997

Zurich Australian Insurance Limited
ACN 000 296 640
Licence withdrawn 15/11/1997

Fortis Insurance Limited
(formerly VACC Insurance Co. Limited)
ACN 004 167 953
*Licence suspended 30/03/1999
pending withdrawal*

FAI General Insurance Company Limited
ABN 15 000 327 855
*Licence suspended on 1 January 2001;
Insurer became insolvent on 15 March 2001.*

FAI Allianz Limited
(trading as FAI Insurance)
ABN 80 094 802 525
Licence withdrawn 01/07/2002

*NB For further information regarding the above listed insurers please contact the Motor Accident Insurance Commission's CTP Helpline on 1300 302 568.



Grants from the Motor Accident Insurance Fund

	Future Commitment \$	2002/03 \$	2001/02 \$
CONROD (Including the Chair of Rehabilitation Medicine)	5,809,697	2,083,724	1,914,579
CARRS-Q	3,568,000	976,000	1,136,000
Road Accident Prevention and Road Safety – Rural & Remote Research Project	962,856	0	0
Princess Alexandra Hospital Foundation Acquired Brain Injury Outreach Services	0	0	789,673
Spinal Injury Outreach Team and Transitional Rehabilitation Program Service	0	0	1,722,223
Royal Children's Hospital Foundation Statewide Paediatric Rehabilitation Service	320,000	640,000	960,000
James Cook University Distance Education for Disabled Project	0	0	60,000
Queensland University of Technology Fellowship in Clinical Biomechanics – additional funding	0	9,063	17,992
ARC SPIRT Grant – Alcohol Ignition Interlock Project	0	0	17,439
Emergency Services – Queensland Ambulance Service Queensland Trauma Plan Project (formerly referred to as Analysis and Evaluation of the Qld Trauma System)	125,141	214,737	308,403
Injury Prevention and Control Australia Ltd Member contribution to NHRMC Partnerships in Injury Research	300,000	100,000	100,000
Griffith University Centre for Human Services	180,000	120,000#	0
Queensland Police Service Assistance for purchase of Traffic Investigation Equipment	250,000	0	0
TOTAL	11,515,694	4,143,524	7,026,309

includes 2001/02 payment delayed to 2002/03

Appendix 5 continued

Ongoing Projects Funded in Previous Years

- Central Queensland University
 - School of Psychology & Sociology – Research Project (formerly referred to as Sociology/Social Work Research Project)
- Royal Australian College of General Practitioners Research Fellowship
- Royal Australasian College of Physicians Research Fellowship
- Royal Australasian College of Surgeons Research Fellowship
- Queensland University of Technology
 - Clinical Biomechanics Research Fellowship
- University of Southern Queensland
 - Mechatronics and Biomedical Engineering Research Fellowship
- University of Queensland
 - School of Health & Rehabilitation Sciences – Research Unit (*formerly referred to as Speech Therapy/Audiology/Physiotherapy/Occupational Therapy – Research Unit*)
 - Teaching and Community Services Rehabilitation Research Fellowship

Research Centres

The two MAIC-funded research centres (CONROD and CARRS-Q) produce reports covering research conducted within the centres and research projects funded through competitive grants.

The current CONROD report relates to calendar year 2002 and is available by contacting the centre on (07) 3365 5560. The current CARRS-Q report relates to the half year ending 30 June 2003 and is available by telephoning (07) 3864 4589.



Section 11 of the *Motor Accident Insurance Act 1994* enables the Commission to establish Advisory Committees to advise on the exercise of the Commission's statutory functions. On 19 June 2001, the Treasurer appointed the current Advisory Committee to advise on the implementation of the CTP reforms and setting of premium bands. The Committee is also advising on matters in relation to mitigating State Government risk in CTP insurance.

The structure of the current committee is:

Chairperson: Bernard Rowley
Members: Henry Smerdon, Noel Mason and Shauna Tomkins

The Advisory Committee has the benefit of long industry experience, both within government and the insurance industry; the areas of expertise of individual members being:

<i>Committee member</i>	<i>Area of expertise</i>
Bernard Rowley former CEO of Suncorp	Insurance and actuarial experience
Henry Smerdon, former Under Treasurer	Public policy, economic and financial experience
Noel Mason former CEO of RACQ	Insurance and motoring organisations
Shauna Tomkins formerly with the Australian Financial Institutions Commission	Financial system regulatory experience

From 1 July 2002 to 30 June 2003, a total of 31 meetings of the Advisory Committee were held, in addition to 8 occasions of special assignments. The total remuneration to the Committee for the year was \$44,179. These payments were made within the framework of the Government's Remuneration of *Part-time Chairs and Members of Government Boards, Committees and Statutory Authorities* arrangements administered by the Department of Industrial Relations.

Contact Details



Motor Accident Insurance Commission

Address: Level 18 – 288 Edward Street, Brisbane Qld
 Postal Address: GPO Box 1083, Brisbane Qld 4001
 Ausdoc: DX 147 Brisbane Qld
 Telephone: 07 – 3227 8088
 Facsimile: 07 – 3229 3214
 E-mail: maic@maic.qld.gov.au
 Website: www.maic.qld.gov.au

Insurance Commissioner
 Deputy Insurance Commissioner
 Executive Secretary
 Reception/ Administrative Assistant
 Project Officer
 Temporary Project Officer
 Manager, Systems and Finance
 Acting Senior Analyst, Premium & Licensing
 Senior Finance Officer
 Finance Officer
 Policy Officer, Systems and Finance
 Information Technology Support
 Assistant Manager, Research & Compliance
 Industry Liaison Officer
 Research and Compliance Officer (P/T)
 Research and Compliance Officer (P/T)
 Data Analyst
 Manager, Policy and Liaison
 Senior Policy Officer
 Manager, Injury Management & Claims
 Policy Adviser, Injury Management & Claims
 Policy Adviser, Injury Management
 Client Services Officer
 Client Services Officer

Lesley Anderson	07 – 3227 8105
John Hand	07 – 3227 8125
Julie Ecimovic	07 – 3227 7063
Esther Lewis	07 – 3227 8088
Janette Archibald	07 – 3224 4834
Natalie Pershouse	07 – 3227 4752
Greg Bott	07 – 3227 8164
Ursula Hauser	07 – 3227 7056
Tulia Koroivawai-Gauna	07 – 3224 5018
Kellie Phie	07 – 3224 4835
Debbie Davis	07 – 3224 4562
Troy Dunton	07 – 3227 8381
Wayne Saville	07 – 3234 0598
Lynne McCall	07 – 3227 8022
Lisa Hopson	07 – 3224 4849
Sherri Robinson	07 – 3224 4849
Beth Sanders	07 – 3234 0598
Neil Tomkins	07 – 3227 8242
Melissa Pignolet	07 – 3224 4383
Kim Birch	07 – 3227 8162
David Vincent	07 – 3234 0596
Cathy Pilecki	07 – 3224 5002
Kevin Lee	07 – 3227 8432
Mark Cowling	07 – 3227 8250

Nominal Defendant

Address: Level 18 – 288 Edward Street, Brisbane Qld
 Postal Address: GPO Box 2203, Brisbane Qld 4001
 Ausdoc: DX 147, Brisbane Qld
 Telephone: 07 – 3227 7993
 Facsimile: 07 – 3221 4805
 E-mail: nd@maic.qld.gov.au

Nominal Defendant
 Manager, Nominal Defendant
 Assistant Manager, Nominal Defendant
 Claim Manager
 Claim Manager
 Claim Manager
 Claim Manager
 Claim Manager
 Assistant Claim Manager
 Assistant Claim Manager
 Administration Officer

Lesley Anderson	07 – 3227 8105
Les Kilmartin	07 – 3227 8213
Robin Lee	07 – 3227 8908
Don Sacre	07 – 3227 8284
Laurie Meteyard	07 – 3227 8354
Rex Mellifont	07 – 3227 8387
Ian Evans	07 – 3227 8359
John Foster	07 – 3227 8353
Michael Walpole	07 – 3227 8402
Katie Gilmour	07 – 3227 8412
Sandra Clifton	07 – 3227 8596

CTP Helpline

Telephone: 1300 302 568