Our financial information

Motor Accident Insurance Commission Financial Statements 2010-11

for the year ended 30 June 2011

Contents

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

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

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

Level 9, 33 Charlotte Street
GPO Box 1083
Brisbane, Queensland 4001

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 Statements 2010-11

for the year ended 30 June 2011

Contents

These financial statements cover the Nominal Defendant.

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

The head office and principal place of business is:

Level 9, 33 Charlotte Street
GPO Box 2203
Brisbane, Queensland 4001

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

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

Financial information 2010-11

Motor Accident Insurance Commission

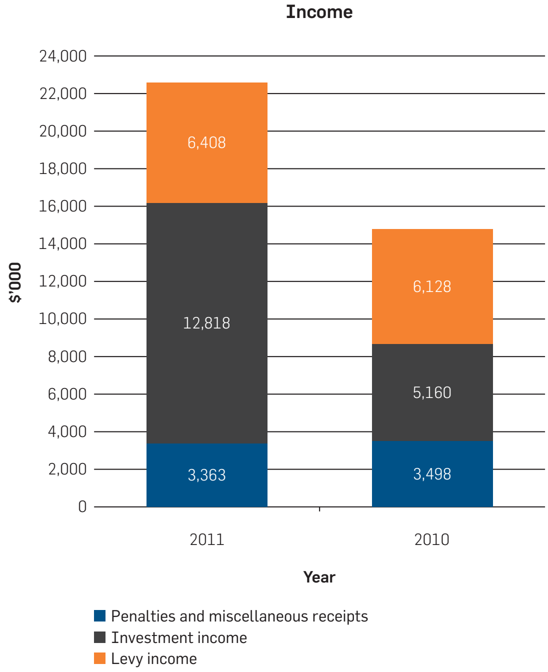
Financial summary 2010-11

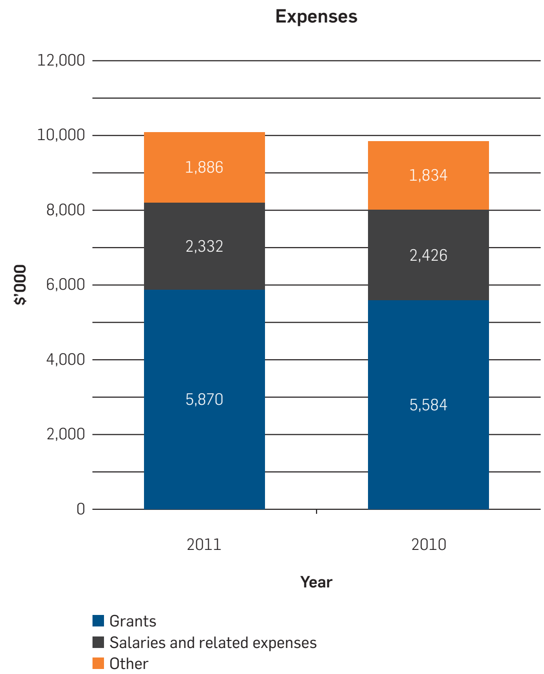
The operating surplus of the Commission for the year ended 30 June 2011 was $12.50 million compared to the prior year's operating surplus of $4.94 million. The major driver of the increase are the gains on QIC investments of $12.58 million.

With respect to the HIH insolvency and in accordance with the Deed of Indemnity between the State Government of Queensland and the Nominal Defendant, $57.82 million was reimbursed from the Nominal Defendant during 2010-11.

Income for the Commission increased this year to $22.59 million (prior year $14.79 million). The Statutory Insurance Scheme levy produced $6.41 million of the total income and was set at a rate of $1.80 per CTP policy. QIC investment income increased to $12.58 million (prior year $4.98 million) due to the recovery of the equity markets. There was a slight decrease of $0.21 million in the income from penalty receipts.

The Commission's expenses were higher than the previous year due primarily to an increase in grant expenditure which was $5.87 million (prior year $5.58 million). Details of the grant funding are provided in Appendix 5.





Financial information 2010-11

Motor Accident Insurance Commission

Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Income			
Levy income		6,408	6,128
Net fair value gains on financial assets		12,582	4,982
Interest income		236	178
Penalties and miscellaneous receipts		3,290	3,498
User charges		73	-
Total income		**22,589**	**14,786**
Expenses			
Grants		5,870	5,584
Employee expenses	2, 3	2,332	2,426
Supplies and services	4	1,776	1,693
Depreciation and amortisation	5	43	62
Other expenses	6	67	79
Total expenses		**10,088**	**9,844**
Operating result		**12,501**	**4,942**
Other comprehensive income		**-**	**-**
Total comprehensive income		**12,501**	**4,942**

The accompanying notes form part of these statements.

Financial information 2010-11

Motor Accident Insurance Commission

Statement of Financial Position

as at 30 June 2011

	Notes	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	7	1,544	1,348
Receivables	8	191	139
Financial assets	9	11,163	36,088
Prepayments		7	17
Total current assets		**12,905**	**37,592**
Non-current assets			
Financial assets	9	104,207	10,500
Plant and equipment	10	37	38
Intangible assets	11	-	32
Total non-current assets		**104,244**	**10,570**
Total assets		**117,149**	**48,162**
Current liabilities			
Payables	12	283	1,621
Accrued employee benefits	13	217	187
Total current liabilities		**500**	**1,808**
Non-current liabilities			
Accrued employee benefits	13	6	30
Total non-current liabilities		**6**	**30**
Total liabilities		**506**	**1,838**
Net assets		**116,643**	**46,324**
Equity			
Contributed equity	1 (s)	57,818	-
Accumulated surplus		58,825	29,824
Reserves	14	-	16,500
Total equity		**116,643**	**46,324**

The accompanying notes form part of these statements.

Financial information 2010-11

Motor Accident Insurance Commission

Statement of Changes in Equity

for the year ended 30 June 2011

	Contributed equity $'000	Accumulated surplus $'000	Reserves $'000	Total equity $'000
Balance as at 1 July 2009	-	25,482	15,900	41,382
Operating result	-	4,942	-	4,942
Other comprehensive income				
Transfer to reserves				
- Accident prevention initiatives	-	(2,270)	2,270	-
- Rehabilitation initiatives	-	(3,914)	3,914	-
Transfer from reserves				
- Accident prevention initiatives	-	2,155	(2,155)	-
- Rehabilitation initiatives	-	3,429	(3,429)	-
Balance as at 30 June 2010	**-**	**29,824**	**16,500**	**46,324**
Balance as at 1 July 2010	-	29,824	16,500	46,324
Operating result	-	12,501	-	12,501
Other comprehensive income				
Transfer from reserves				
- Income maintenance	-	10,500	(10,500)	-
- Accident prevention initiatives	-	2,375	(2,375)	-
- Rehabilitation initiatives	-	3,625	(3,625)	-
Transactions with owners as owners:				
- Transfer of funds from the Nominal Defendant refer Note 1 (s)	57,818	-	-	57,818
Balance as at 30 June 2011	**57,818**	**58,825**	**-**	**116,643**

The accompanying notes form part of these statements.

Financial information 2010-11

Motor Accident Insurance Commission

Statement of Cash Flows

for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Inflows:			
Levy income		6,408	6,128
Interest income		220	172
Penalties and miscellaneous receipts		3,275	3,511
User charges		67	-
GST input tax credits from ATO		839	567
GST collected from customers		7	-
Outflows:			
Grants		(7,174)	(3,781)
Employee expenses		(2,323)	(2,485)
Supplies and services		(1,507)	(1,541)
GST remitted to ATO		(7)	-
GST paid to suppliers		(850)	(485)
Other		(67)	(78)
Net cash (used in)/provided by operating activities	15	**(1,112)**	**2,008**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		3,000	2,000
Outflows:			
Payments for plant and equipment		(10)	(30)
Payments for financial assets		(59,500)	(3,000)
Net cash used in investing activities		**(56,510)**	**(1,030)**
Cash flows from financing activities			
Inflows:			
Transfer of funds from the Nominal Defendant		57,818	-
Net cash provided by financing activities		**57,818**	**-**
Net increase in cash and cash equivalents		**196**	**978**
Cash and cash equivalents at beginning of financial year		1,348	370
Cash and cash equivalents at end of financial year	7	**1,544**	**1,348**

The accompanying notes form part of these statements.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

Objectives and principal activities of the Commission

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

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

1 Summary of significant accounting policies

(a) Statement of compliance

The Commission has prepared these financial statements in compliance with section 43 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Treasury's Financial Reporting Requirements for the year ending 30 June 2011, and other authoritative pronouncements.

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

(b) The reporting entity

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

(c) Levy collection, contributions and penalties

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

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

Details on the levies collected on behalf of and distributed to Queensland Health and the Department of Community Safety are provided in Note 16.

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

(d) Grants

The *Motor Accident Insurance Act 1994* provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant monies is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(e) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June.

In accordance with AASB 107 *Statement of Cash Flows*, the recognition of Queensland Investment Corporation interest on investments, subscriptions and redemptions have been re-classified as Investing Activities in the Statement of Cash Flows. Balances have been restated in the 2009-10 comparatives for the Statement of Cash Flows and related notes.

(f) Receivables

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from invoice date.

The collectability of receivables is assessed periodically with provision being made for impairment. All known bad debts were written-off as at 30 June.

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

(g) Acquisitions of assets

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

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

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

(h) Plant and equipment

Items of plant and equipment with a cost or other value equal to or in excess of $5,000 are recognised for financial reporting purposes in the year of acquisition.

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

(i) Revaluations of non-current physical and intangible assets

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

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

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(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.

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	Rate %
Plant and equipment:	
Computer hardware	20 – 25
Office equipment	20
Leasehold improvements	8.33
Intangibles:	
Software internally generated	20

(l) Impairment of non-current assets

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

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

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(m) Leases

The Commission has entered into a number of operating leases whereby the lessor effectively retains substantially the entire risks and benefits incidental to ownership. Non-cancellable operating lease commitments are disclosed under Note 17.

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.

The Commission does not have any finance leases.

(n) Financial assets

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

(o) Payables

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

(p) Financial instruments

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

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

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

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

(q) Employee benefits

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

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

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

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(q) Employee benefits – continued

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

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

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

Long service leave
Under the Queensland Government's long service leave scheme, a levy is made on the Commission to cover the cost of employees' long service leave. The levies are expensed in the period in which they are payable. Amounts paid to employees for long service leave are claimed from the scheme quarterly in arrears.

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

Superannuation
Employer superannuation contributions are paid to QSuper, the superannuation scheme for Queensland Government employees, at rates determined by the Treasurer on the advice of 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.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is 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*.

Key executive management personnel and remuneration
Key executive management personnel and remuneration disclosures are made in accordance with the section 5 Addendum (issued in May 2011) to the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury. Refer to Note 3 for the disclosures on key executive management personnel and remuneration.

(r) Insurance

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

(s) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities. Appropriations for equity adjustments are similarly designated.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(s) Contributed equity – 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.

As funds received from the liquidator exceed the Deed of Indemnity to Nominal Defendant for the assumed HIH CTP liability, the Treasurer directed the Nominal Defendant to transfer the $57,818,000 back to the Motor Accident Insurance Commission on 24 August 2010.

(t) Reserves

The funds in equity were sub-classified in the Statement of Financial Position, to fulfil our charter under section 10(1) of the *Motor Accident Insurance Act 1994*. These funds were 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 was held to give the Commission and its creditors an added measure of protection from the effects of losses.

For the financial year ended 30 June 2011, the reserves were no longer required and the balances transferred to accumulated surplus.

(u) Taxation

The Commission is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Commission. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 8).

(v) 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.

(w) 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.

(x) 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.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards

The Commission did not voluntarily change any of its accounting policies during 2010-11. Only one amendment to an Australian Accounting Standard applicable for the first time for 2010-11 was relevant to the Commission, as explained below.

AASB 2009 – 5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* included certain amendments to AASB 117 *Leases* that revised the criteria for classifying leases involving land and buildings. Consequently, the Commission was required to reassess the classification of the land elements of all unexpired leases the Commission had entered into as at 1 July 2010, on the basis of information existing at the inception of the relevant leases. The outcome of the Commission's reassessment was that no reclassification from an operating lease to a finance lease was necessary.

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

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

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]* becomes effective from reporting periods beginning on or after 1 January 2011. The Commission will then need to make changes to its disclosures about credit risk on financial instruments in note 19(c). No longer will the Commission need to disclose amounts that best represent an entity's maximum exposure to credit risk where the carrying amount of the instrument reflects this. If the Commission holds collateral or other credit enhancements in respect of any financial instrument, it will need to disclose – by class of instrument – the financial extent to which those arrangements mitigate the credit risk. There will be no need to disclose the carrying amount of financial assets for which the terms have been renegotiated, which would otherwise be past due or impaired.

Also, for those financial assets that are either past due but not impaired, or have been individually impaired, there will be no need to separately disclose details about any associated collateral or other credit enhancements held by the Commission.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]* become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the Commission are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at either amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(y) New and revised accounting standards – continued

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

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]* and apply to reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2").

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1. AASB 2010-2 sets out the details of which disclosures in standards and interpretations are not required under tier 2 reporting.

Pursuant to AASB 1053, public sector entities like the Commission may adopt tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledged the power of a regulator to require application of the tier 1 requirements. In the case of the Commission, the Treasury Department is the regulator. Treasury Department has advised that it's policy decision is to require all departments to adopt tier 1 reporting requirements. In compliance with Treasury's policy which prohibits the early adoption of new or revised accounting standards unless Treasury approval is granted, the Commission has not early adopted AASB 1053.

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

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
2. Employee expenses		
Employee benefits		
Salaries and wages	1,913	1,996
Employer superannuation contributions*	224	240
Long service leave levy*	27	31
Other employee benefits	28	28
Employee related expenses		
Workers' compensation premium*	6	7
Payroll tax*	107	106
Other employee related expenses	27	18
Total	**2,332**	**2,426**

*Refer to Note 1(q).

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

	2011	2010
Number of employees	21.57	22.39

3. Key executive management personnel and remuneration

(a) Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Commission during 2010-11. Further information on these positions can be found in the body of the Annual Report under the section relating to Our People.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

3. Key executive management personnel and remuneration – continued

(a) Key executive management personnel – continued

Position	Responsibilities	Current incumbents: Contract classification and appointment authority	Current incumbents: Date appointed to position
Insurance Commissioner	The Insurance Commissioner provides strong strategic leadership, administers the QGIF, provides strategic advice to Government and ensures a viable, affordable and equitable CTP scheme in Queensland.	Contract classification SES3.4 appointed under the *Public Service Act 2008* and Governor in Council, in accordance with section 7 of the *Motor Accident Insurance Act 1994*.	6 December 2010 (Prior incumbent resigned 20 August 2010)
General Manager, Motor Accident Insurance	The General Manager, Motor Accident Insurance is responsible for leading the effective oversight of Queensland's CTP scheme ensuring affordable premiums to motorists and appropriate compensation to injured parties.	Contract classification SES2.1 appointed under common law contract of employment in accordance with section 8(2) of the *Motor Accident Insurance Act 1994*.	30 January 2006
Manager, Corporate Governance	The Manager, Corporate Governance is responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of the Commission.	Contract classification SO.3 appointed under the *Public Service Act 2008*.	13 February 2006

(b) Remuneration

Remuneration policy for the Commission's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for the provision of perfomance-related cash bonuses and other benefits including motor vehicles.

For the 2010-11 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

Remuneration packages for key executive management personnel comprise the following components:

- Short term employee benefits which include:
  - Base – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - Non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- Performance payments are not applicable.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

3. Key executive management personnel and remuneration – continued

(b) Remuneration – continued

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

The remuneration includes remuneration in connection with the management of Nominal Defendant and the Queensland Government Insurance Fund.

1 July 2010 to 30 June 2011

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
	Base $'000	Non-monetary benefits $'000				
Insurance Commissioner (resigned 20/08/10)	21	-	-	3	185	209
Acting Insurance Commissioner (23/8-3/12/10)	59	-	1	5	-	65
Insurance Commissioner (appointed 6/12/10)	127	-	3	12	-	142
General Manager, Motor Accident Insurance	139	16	(14)	16	-	157
Manager, Corporate Governance	119	-	(2)	15	-	132

There were no performance bonuses paid in 2010-11 and 2009-10 years.

1 July 2009 to 30 June 2010

Consistent with the flexibility provided in the first year of the introduction of new reporting policies, the Commission has not included the comparative data for 2009-10. This reflects the complexity in retrospectively calculating minor movements in accrual balances for prior periods. Key executive management personnel listed in the table who occupy like for like positions received base increases in line with the Government's remuneration policy of 2.5%.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
4. Supplies and services		
Computer facilities management fee	398	447
Consultants and contractors	439	518
Rent	296	295
Supplies and consumables	209	199
Corporate services fee	111	109
QIC management fee	301	75
Professional services	20	43
Other	2	7
Total	**1,776**	**1,693**
5. Depreciation and amortisation		
Depreciation and amortisation were incurred in respect of:		
Plant and equipment	11	8
Intangibles	32	54
Total	**43**	**62**
6. Other expenses		
External audit fees	19	19
Insurance premiums – QGIF	26	26
Other	22	34
Total	**67**	**79**

Total external audit fees relating to the 2010-11 financial year are estimated to be $19,500 (2009-10 $18,468). There are no non-audit services included in this amount.

	2011 $'000	2010 $'000
7. Cash and cash equivalents		
Cash at bank and on hand	1,544	1,348
Total	**1,544**	**1,348**

Interest earned on cash held with Queensland Treasury earned between 3.84% to 3.96% in 2011 (2010: 2.16% to 3.42%).

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
8. Receivables		
Accrued investment income	65	49
Penalties receivable	89	75
GST receivable	22	10
Other receivables	15	5
Total	**191**	**139**
9. Financial assets		
Current		
Queensland Investment Corporation investments	11,163	36,088
Total	**11,163**	**36,088**
Non-current		
Queensland Investment Corporation investments	104,207	10,500
Total	**104,207**	**10,500**
10. Plant and equipment		
Plant and equipment:		
At cost	159	178
Less: accumulated depreciation	(122)	(140)
Total	**37**	**38**

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:

	2011 $'000	2010 $'000
Carrying amount at 1 July	38	16
Acquisitions	10	30
Disposals	-	-
Depreciation	(11)	(8)
Carrying amount at 30 June	**37**	**38**

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
11. Intangible assets		
Purchased software:		
At cost	270	270
Less: accumulated amortisation	(270)	(238)
Total	**-**	**32**
Movements in the carrying amounts of intangibles between the beginning and the end of the current financial year are as follows:		
Carrying amount at 1 July	32	86
Acquisitions	-	-
Disposals	-	-
Amortisation	(32)	(54)
Carrying amount at 30 June	**-**	**32**
12. Payables		
Sundry creditors and accruals	283	1,621
Total	**283**	**1,621**
13. Accrued employee benefits		
Current		
Recreation leave	217	187
Total	**217**	**187**
Non-current		
Recreation leave	6	30
Total	**6**	**30**

The discount rate used to calculate the present value of the non-current recreation leave is 4.8% (2010: 4.5%).

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
14. Reserves		
Composition and movements		
Income maintenance		
Balance at beginning of year	10,500	10,500
Transfer to accumulated surplus	(10,500)	-
	-	**10,500**
Accident prevention initiatives		
Balance at beginning of year	2,375	2,260
Transfer to accumulated surplus	(2,375)	(2,155)
Transfer from accumulated surplus	-	2,270
Balance at end of year	**-**	**2,375**
Rehabilitation initiatives		
Balance at beginning of year	3,625	3,140
Transfer to accumulated surplus	(3,625)	(3,429)
Transfer from accumulated surplus	-	3,914
Balance at end of year	**-**	**3,625**
Total	**-**	**16,500**
15. Reconciliation of operating result to net cash from operating activies		
Operating result	12,501	4,942
Add/(subtract) items classified as investing activities:		
QIC management fees	300	80
(Increase)/decrease in net market value of investments	(12,582)	(4,982)
Non-cash items:		
Depreciation	11	8
Amortisation	32	54
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	10	(17)
(Increase)/decrease in receivables	(52)	591
Increase/(decrease) in payables	(1,338)	1,388
Increase/(decrease) in accrued employee benefits	6	(56)
Net cash from operating activities	**(1,112)**	**2,008**

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000

16. Agency transactions

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

Levies

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

	2011 $'000	2010 $'000
Levies collected but not remitted in the previous year	4,218	4,838
Hospital levy	36,833	33,002
Emergency Services levy	14,006	12,549
Total	**55,057**	**50,389**

Contributions

Comprise payments to Queensland Health and the Department of Community Safety on account of levies received from the Department of Transport and Main Roads.

	2011 $'000	2010 $'000
Hospital levy contributions	36,669	33,451
Emergency Services levy contributions	13,944	12,720
Total	**50,613**	**46,171**

Amounts collected on behalf of but not yet remitted to Queensland Health and the Department of Community Safety in respect of hospital and emergency services levies at 30 June:

	2011 $'000	2010 $'000
Hospital levy	3,220	3,056
Emergency Services levy	1,224	1,162
Total	**4,444**	**4,218**

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
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:		
- Not later than one year	235	287
- Later than one year and not later than five years	-	-
Total	**235**	**287**

Operating leases are entered into as a means of acquiring access to office accommodation and motor vehicles. These operating leases are primarily held with the Department of Public Works for office accommodation and QFleet for motor vehicles. Payments are generally fixed with agreements containing inflation escalation clauses from which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

	2011 $'000	2010 $'000
(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	841	453
- Later than one year and not later than five years	163	4
Total	**1,004**	**457**
(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	2,854	6,512
- Later than one year and not later than five years	2,685	5,068
Total	**5,539**	**11,580**

18. Events occurring after the reporting period

The Queensland Government has approved a Voluntary Separation Program (the program) for eligible employees across the Queensland Public Service. The program is pending an expression of interest stage from eligible employees and as such no formal offers have been made. The program commenced operation in July 2011.

As at 30 June 2011 the Commission is considering 8 expressions of interest. Offers made by the Commission and acceptance by employees under the program is voluntary and therefore the management committee for the program believe there is insufficient information available to determine a value of the future obligation at reporting date. Accordingly, no provision has been taken up in the Commission's financial statements.

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

19. Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2011 $'000	2010 $'000
Financial assets			
Cash and cash equivalents	7	1,544	1,348
Receivables	8	191	139
Financial assets	9	115,370	46,588
Total		**117,105**	**48,075**
Financial liabilities			
Financial liabilities measured at amortised costs:			
Payables	12	283	1,621
Total		**283**	**1,621**

(b) Financial risk management

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

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

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

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

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

19. Financial instruments – continued

(c) Credit risk exposure

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

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

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

Maximum exposure to credit risk Category	Note	2011 $'000	2010 $'000
Financial assets			
Cash and cash equivalents	7	1,544	1,348
Receivables	8	191	139
Financial assets	9	115,370	46,588
Total		**117,105**	**48,075**

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

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

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

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

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

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

2011 Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	30 - 60 days $'000	61 - 90 days $'000	More than 90 days $'000	Total $'000
Receivables	191	-	-	-	191
Total	**191**	**-**	**-**	**-**	**191**

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

19. Financial instruments – continued

(c) Credit risk exposure – continued

2010 Financial assets past due but not impaired

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

(d) Liquidity risk

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

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

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

		2011 Payable in			Total
		< 1 year	1-5 years	> 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	12	283	-	-	283
Total		**283**	**-**	**-**	**283**

		2010 Payable in			Total
		< 1 year	1-5 years	> 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	12	1,621	-	-	1,621
Total		**1,621**	**-**	**-**	**1,621**

Financial information 2010-11

Motor Accident Insurance Commission

Notes to and forming part of the financial statements 2010-11

19. Financial instruments – continued

(e) Market risk

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

(f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/- 1% from the year-end rates applicable to the Commission's financial assets. With all other variables held constant, the Commission would have a surplus and equity increase/(decrease) of $15,000 (2010: $13,000) due to interest rate risk and $1,154,000 (2010: $466,000) due to unit price risk.

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

		Financial impact			
Cash	**Movement in variable %**	**Profit/(loss) 2011 $'000**	**Equity 2011 $'000**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**
Interest rate risk	+1	15	15	13	13
	-1	(15)	(15)	(13)	(13)

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) 2011 $'000**	**Equity 2011 $'000**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**
Unit price risk	+1	1,154	1,154	466	466
	-1	(1,154)	(1,154)	(466)	(466)

(g) Fair value

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

Level 1 - fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities;

Level 2 - fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and

Level 3 - fair values that are derived from data not observable in a market.

According to the above hierarchy, the Commission classifies financial assets at fair value through profit or loss as level 2.

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.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

Financial information 2010-11

Motor Accident Insurance Commission

Certificate of the Motor Accident Insurance Commission

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

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

b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the financial year ended 30 June 2011 and of the financial position of the Commission at the end of that year.

Lina Lee CA
Manager Corporate Governance

29 August 2011

Neil Singleton
Insurance Commissioner

29 August 2011

Financial information 2010-11

Motor Accident Insurance Commission

Independent Auditor's Report

To the Insurance Commissioner

Report on the Financial Report

I have audited the accompanying financial report of Motor Accident Insurance Commission, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Manager Corporate Governance.

The Insurance Commissioner's Responsibility for the Financial Report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about 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 the risks of material misstatement of 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 of the financial report that gives a true and fair view 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 used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Financial information 2010-11

Motor Accident Insurance Commission

Independent Auditor's Report – continued

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor General and all 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.

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 relation to the establishment and keeping of accounts have been complied with in all material respects; and

   (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of Motor Accident Insurance Commission for the financial year 1 July 2010 to 30 June 2011 and of the financial position as at the end of that year.

J Latif (CA)
As Delegate of the Auditor-General of Queensland

29 August 2011
Brisbane

Financial information 2010-11

Nominal Defendant

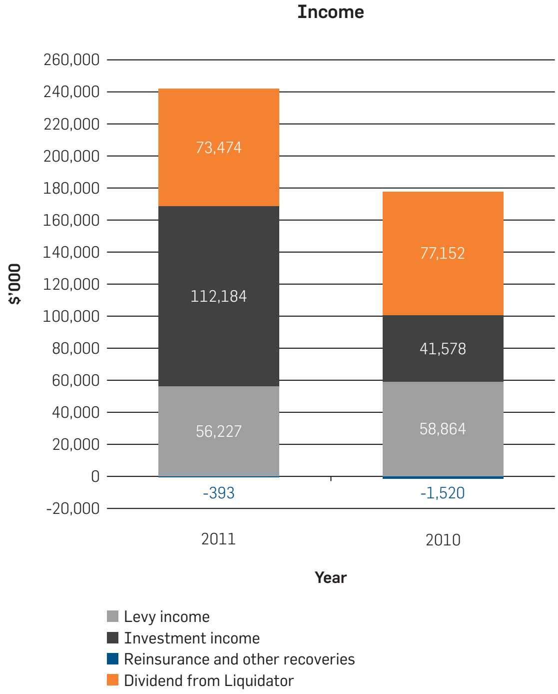
Financial summary 2010-11

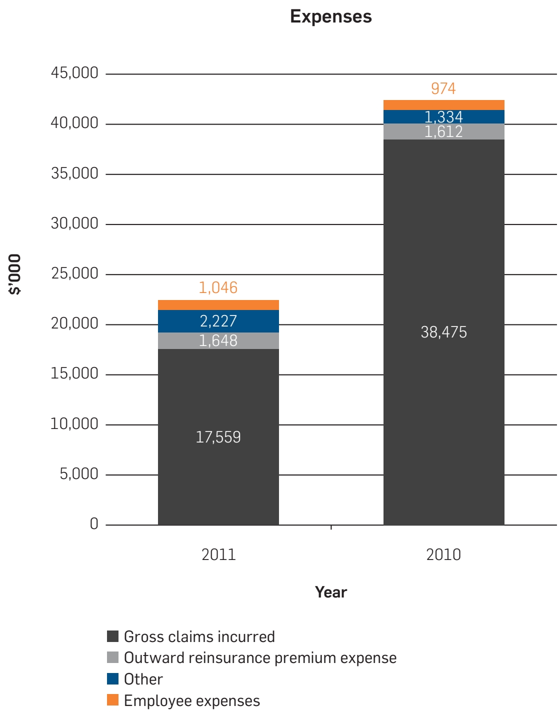
The operating surplus of the Nominal Defendant for the year ended 30 June 2011 was $177.43 million compared to the prior year's operating surplus of $133.68 million. The major driver of the increase are the dividends received from the HIH liquidation of $73.47 million (prior year $77.15 million) and gains on QIC investments of $70.44 million (prior year $41.43 million).

With respect to the HIH insolvency and in accordance with the Deed of Indemnity between the State Government of Queensland and the Nominal Defendant, $57.82 million was reimbursed to the Motor Accident Insurance Commission during 2010-11. This amount was funded by dividends received from the HIH Liquidator during 2010-11.

In relation to the normal business of the Nominal Defendant (claims relating to unidentified and uninsured vehicles under section 31 of the Act), payments on claims and associated costs during the financial year increased to $31.22 million (prior year $29.28 million). The outstanding claims liabilities were actuarially assessed and decreased by $14.41 million from the prior year to $161.47 million.

The income from the levy for the normal business of the Nominal Defendant decreased from $58.86 million to $56.23 million. The main reason for the decrease is the abolishment of the $5 HIH Levy surcharge from 1 October 2010. The Nominal Defendant levy was set at $12.40 per Class 1 policy. Claims recoveries were $0.61 million during the year, an increase from $0.38 million in the previous year.





Financial information 2010-11

Nominal Defendant

Statement of Comprehensive Income

for the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
Income			
Levy income	2	56,227	58,864
Net fair value gains on financial assets		70,441	41,430
Dividends received from FAI liquidator		73,474	77,152
Reinsurance and other recoveries	3	(393)	(1,520)
Interest income		165	148
Total income		**199,914**	**176,074**
Expenses			
Gross claims incurred	3	17,559	38,475
Outward reinsurance premium expense	2	1,648	1,612
Employee expenses	4, 5	1,046	974
Supplies and services	6	2,173	1,259
Depreciation and amortisation	7	18	18
Other	8	36	57
Total expenses		**22,480**	**42,395**
Operating result		**177,434**	**133,679**
Other comprehensive income		-	-
Total comprehensive income		**177,434**	**133,679**

The accompanying notes form part of these statements.

Financial information 2010-11

Nominal Defendant

Statement of Financial Position

as at 30 June 2011

	Notes	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents	9	1,704	2,418
Receivables	10	32,031	22,142
Financial assets	11	103,067	154,894
Reinsurance and other recoveries on outstanding claims	16	1,257	1,878
Prepayments		5	7
Total current assets		**138,064**	**181,339**
Non-current assets			
Financial assets	11	433,180	294,532
Reinsurance and other recoveries on outstanding claims	16	5,049	6,275
Plant and equipment	12	14	19
Intangible assets	13	13	26
Total non-current assets		**438,256**	**300,852**
Total assets		**576,320**	**482,191**
Current liabilities			
Payables	14	366	278
Accrued employee benefits	15	106	82
Outstanding claims liability	16	35,993	45,890
Unearned levies	1 (e)	23,342	29,381
Total current liabilities		**59,807**	**75,631**
Non-current liabilities			
Accrued employee benefits	15	3	13
Outstanding claims liability	16	156,244	165,898
Total non-current liabilities		**156,247**	**165,911**
Total liabilities		**216,054**	**241,542**
Net assets		**360,266**	**240,649**
Equity			
Contributed equity		124	57,941
Accumulated surplus		360,142	182,708
Total equity		**360,266**	**240,649**

The accompanying notes form part of these statements.

Financial information 2010-11

Nominal Defendant

Statement of Changes in Equity

for the year ended 30 June 2011

	Accumulated surplus $'000	Contributed equity $'000	Total equity $'000
Balance as at 1 July 2009	49,029	64,203	113,232
Operating result	133,679	-	133,679
Other comprehensive income	-	-	-
Transactions with owners as owners:			
- State Government Equity withdrawal refer Note 1 (c)	-	(6,262)	(6,262)
Balance as at 30 June 2010	**182,708**	**57,941**	**240,649**
Balance as at 1 July 2010	182,708	57,941	240,649
Operating result	177,434	-	177,434
Other comprehensive income	-	-	-
Transactions with owners as owners:			
- State Government Equity withdrawal refer Note 1 (c)	-	(57,817)	(57,817)
Balance as at 30 June 2011	**360,142**	**124**	**360,266**

The accompanying notes form part of these financial statements

Financial information 2010-11

Nominal Defendant

Statement of Cash Flows

for the year ended 30 June 2011

	Note	2011 $'000	2010 $'000
Cash flows from operating activities			
Inflows:			
Levy income		50,188	59,301
Interest income		163	137
Dividends received from FAI liquidator		62,746	61,964
Reinsurance and other recoveries		2,286	3,510
GST input tax credits from ATO		693	604
Outflows:			
Gross claims incurred		(37,108)	(34,244)
Outward reinsurance premium expense		(1,645)	(1,602)
Employee expenses		(1,019)	(999)
Supplies and services		(476)	(555)
GST paid to suppliers		(690)	(617)
Other		(35)	(54)
Net cash provided by operating activities	17	**75,103**	**87,445**
Cash flows from investing activities			
Inflows:			
Proceeds from sale of financial assets		55,000	2,000
Outflows:			
Payments for plant and equipment		-	(12)
Payment for financial assets		(73,000)	(72,500)
Net cash used in investing activities		**(18,000)**	**(70,512)**
Cash flows from financing activities			
Outflows:			
Equity withdrawals		-	(16,681)
Transfer of funds to the Motor Accident Insurance Commission		(57,817)	-
Net cash used in financing activities		**(57,817)**	**(16,681)**
Net (decrease)/increase in cash and cash equivalents		**(714)**	**252**
Cash and cash equivalents at beginning of financial year		2,418	2,166
Cash and cash equivalents at end of financial year	9	**1,704**	**2,418**

The accompanying notes form part of these statements.

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

Objectives and principal activities of the Nominal Defendant

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

1. Summary of significant accounting policies

(a) Statement of compliance

The Nominal Defendant has prepared these financial statements in compliance with section 43(1) of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements, and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with the Treasury's Financial Reporting Requirements for the year ending 30 June 2011, and other authoritative pronouncements.

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

(b) The reporting entity

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

(c) Deed of Indemnity

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

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

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

(d) Funding of the Nominal Defendant

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

(e) Levy income

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

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(e) Levy income – continued

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

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

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

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

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

(f) Outwards reinsurance premium expense

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

(g) Cash and cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted but not banked at 30 June.

In accordance with AASB 107 *Statement of Cash Flows*, the recognition of Queensland Investment Corporation interest on investments, subscriptions and redemptions have been re-classified as Investing Activities in the Statement of Cash Flows. Balances have been restated in the 2009-10 comparatives for the Statement of Cash Flows and related notes.

(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.

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

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

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.

(j) Acquisitions of assets

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

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

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

(k) Plant and equipment

Items of plant and equipment with a cost or other value equal to or in excess of $5,000 are recognised for financial reporting purposes in the year of acquisition.

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

(l) Revaluations of non-current physical and intangible assets

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

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

(m) Intangibles

Intangible assets with a cost or other value greater than $100,000 are recognised in the financial statements, items with a lesser value being expensed. Each intangible asset is amortised over its estimated useful life to the Nominal Defendant, less any anticipated residual value. The residual value is zero for all the Nominal Defendant's intangible assets.

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

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

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

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

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

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

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

Class	Rate %
Plant and equipment:	
Computer hardware	20 – 25
Office equipment	20
Leasehold improvements	8.33
Intangibles:	
Software internally generated	14.29

(o) Impairment of non-current assets

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

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

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income.

(p) Leases

The Nominal Defendant has entered into a number of operating leases whereby the lessor effectively retains substantially the entire risks and benefits incidental to ownership. Non-cancellable operating lease commitments are disclosed under Note 18.

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.

The Nominal Defendant does not have any finance leases.

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(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.

(s) Outstanding claims liability

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

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

(t) Financial instruments

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

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

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

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

(u) Employee benefits

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

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

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

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(u) Employee benefits – continued

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

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

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

Long service leave
Under the Queensland Government's long service leave scheme, a levy is made on the Nominal Defendant to cover the cost of employee's long service leave. 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.

The QSuper scheme has defined benefit and defined contribution categories. The liability for defined benefits is held on a whole-of-government basis and reported in those financial statements pursuant to AASB 1049 *Whole of Government Sector Financial Reporting*.

Key executive management personnel and remuneration
Key executive management personnel and remuneration disclosures are made in accordance with the section 5 Addendum (issued in May 2011) to the *Financial Reporting Requirements for Queensland Government Agencies* issued by Queensland Treasury. Refer to Note 5 for the disclosures on key executive management personnel and remuneration.

(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) Contributed equity

Non-reciprocal transfers of assets and liabilities between wholly-owned Queensland State Public Sector entities as a result of machinery-of-government changes are adjusted to Contributed Equity in accordance with Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities. Appropriations for equity adjustments are similarly designated.

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(w) Contributed equity – 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.

As funds received from the liquidator exceed the Deed of Indemnity to Nominal Defendant for the assumed HIH CTP liability, the Treasurer directed the Nominal Defendant to transfer $57,818,000 back to the Motor Accident Insurance Commission on 24 August 2010.

(x) Taxation

The Nominal Defendant is a State body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the Nominal Defendant. GST credits receivable from, and GST payable to the ATO, are recognised in the Statement of Financial Position (refer to Note 10).

(y) 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.

(z) 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 16.

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.

(aa) 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.

(ab) New and revised accounting standards

The Nominal Defendant did not voluntarily change any of its accounting policies during 2010-11. Those new and amended Australian Accounting Standards that were applicable for the first time in the 2010-11 financial year and that had a significant impact on the Nominal Defendant's financial statements are as follows.

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

1. **Summary of significant accounting policies – continued**

(ab) New and revised accounting standards – continued

AASB 2009 – 5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* included certain amendments to AASB 117 Leases that revised the criteria for classifying leases involving land and buildings. Consequently, the Nominal Defendant was required to reassess the classification of the land elements of all unexpired leases the Nominal Defendant had entered into as at 1 July 2010, on the basis of information existing at the inception of the relevant leases. The outcome of the Nominal Defendant's reassessment was that no reclassification from an operating lease to a finance lease was necessary.

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

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

AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]* becomes effective from reporting periods beginning on or after 1 January 2011. The Nominal Defendant will then need to make changes to its disclosures about credit risk on financial instruments in note 20(c). No longer will the Nominal Defendant need to disclose amounts that best represent an entity's maximum exposure to credit risk where the carrying amount of the instrument reflects this. If the Nominal Defendant holds collateral or other credit enhancements in respect of any financial instrument, it will need to disclose – by class of instrument – the financial extent to which those arrangements mitigate the credit risk. There will be no need to disclose the carrying amount of financial assets for which the terms have been renegotiated, which would otherwise be past due or impaired.

Also, for those financial assets that are either past due but not impaired, or have been individually impaired, there will be no need to separately disclose details about any associated collateral or other credit enhancements held by the Nominal Defendant.

AASB 9 *Financial Instruments* (December 2010) and AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]* become effective from reporting periods beginning on or after 1 January 2013. The main impacts of these standards on the Nominal Defendant are that they will change the requirements for the classification, measurement and disclosures associated with financial assets. Under the new requirements, financial assets will be more simply classified according to whether they are measured at either amortised cost or fair value. Pursuant to AASB 9, financial assets can only be measured at amortised cost if two conditions are met. One of these conditions is that the asset must be held within a business model whose objective is to hold assets in order to collect contractual cash flows. The other condition is that the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

1. Summary of significant accounting policies – continued

(ab) New and revised accounting standards – continued

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

AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]* and apply to reporting periods beginning on or after 1 July 2013. AASB 1053 establishes a differential reporting framework for those entities that prepare general purpose financial statements, consisting of two tiers of reporting requirements – Australian Accounting Standards (commonly referred to as "tier 1"), and Australian Accounting Standards – Reduced Disclosure Requirements (commonly referred to as "tier 2").

Tier 1 requirements comprise the full range of AASB recognition, measurement, presentation and disclosure requirements that are currently applicable to reporting entities in Australia. The only difference between tier 1 and tier 2 requirements is that tier 2 requires fewer disclosures than tier 1. AASB 2010-2 sets out the details of which disclosures in standards and interpretations are not required under tier 2 reporting.

Pursuant to AASB 1053, public sector entities like the Nominal Defendant may adopt tier 2 requirements for their general purpose financial statements. However, AASB 1053 acknowledged the power of a regulator to require application of the tier 1 requirements. In the case of the Nominal Defendant, the Treasury Department is the regulator. Treasury Department has advised that it's policy decision is to require all departments to adopt tier 1 reporting requirements. In compliance with Treasury's policy which prohibits the early adoption of new or revised accounting standards unless Treasury approval is granted, the Nominal Defendant has not early adopted AASB 1053.

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

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
2. Net levy income		
Levy income	56,227	58,864
Outward reinsurance premium expense	(1,648)	(1,612)
Net levy income	**54,579**	**57,252**
3. Net claims incurred		
(a) Claims analysis		
Gross claims incurred	17,559	38,475
Reinsurance and other recoveries	393	1,520
Total net claims incurred	**17,952**	**39,995**
Net claims incurred attributable to Nominal Defendant		
Gross claims incurred	16,810	43,851
Reinsurance and claims recoveries	52	621
	16,862	44,472
Net claims incurred attributable to FAI		
Gross claims incurred	749	(5,376)
Reinsurance and other recoveries	341	899
	1,090	(4,477)
Total net claims incurred	**17,952**	**39,995**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

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

	2011			2010		
	Current Year $'000	**Prior Years $'000**	**Total $'000**	**Current Year $'000**	**Prior Years $'000**	**Total $'000**
Gross claims incurred and related expenses						
Undiscounted	50,190	(26,003)	24,187	62,469	(17,469)	45,000
Discount	(10,470)	3,093	(7,377)	(11,127)	9,978	(1,149)
	39,720	(22,910)	16,810	51,342	(7,491)	43,851
Reinsurance and other recoveries						
Undiscounted	1,249	(1,139)	110	1,557	(2,417)	(860)
Discount	(260)	98	(162)	(275)	514	239
	989	(1,041)	(52)	1,282	(1,903)	(621)
Net claims incurred – discounted	**38,731**	**(21,869)**	**16,862**	**50,060**	**(5,588)**	**44,472**

Claims attributable to FAI

	2011			2010		
	Current Year $'000	**Prior Years $'000**	**Total $'000**	**Current Year $'000**	**Prior Years $'000**	**Total $'000**
Gross claims incurred and related expenses						
Undiscounted	-	44	44	-	(7,587)	(7,587)
Discount	-	705	705	-	2,211	2,211
	-	749	749	-	(5,376)	(5,376)
Reinsurance and other recoveries						
Undiscounted	-	(575)	(575)	-	(1,285)	(1,285)
Discount	-	234	234	-	386	386
	-	(341)	(341)	-	(899)	(899)
Net claims incurred – discounted	**-**	**1,090**	**1,090**	**-**	**(4,477)**	**(4,477)**

Total net claims incurred – discounted	**38,731**	**(20,779)**	**17,952**	**50,060**	**(10,065)**	**39,995**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'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.

	2011 $'000	2010 $'000
Gross claims incurred attributable to Nominal Defendant		
Claims and associated settlement costs	31,215	29,275
Movement in outstanding claims liability	(14,405)	14,576
	16,810	**43,851**
Gross claims incurred attributable to FAI		
Claims and associated settlement costs	5,895	4,970
Movement in outstanding claims liability	(5,146)	(10,346)
	749	**(5,376)**
Total gross claims incurred	**17,559**	**38,475**
Reinsurance and other recoveries attributable to Nominal Defendant		
Reinsurance and other recoveries	615	377
Movement in reinsurance and other recoveries receivable	(667)	(998)
	(52)	**(621)**
Reinsurance and other recoveries attributable to FAI		
Reinsurance and claims recoveries	839	591
Movement in reinsurance and other recoveries receivable	(1,180)	(1,490)
	(341)	**(899)**
Total reinsurance and other recoveries	**(393)**	**(1,520)**
Net claims incurred	**17,952**	**39,995**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
4. Employee expenses		
Employee benefits		
Salaries and wages	861	813
Employer superannuation contributions*	111	96
Long service leave levy*	16	13
Other employee benefits	1	1
Employee related expenses		
Workers' compensation premium*	3	3
Payroll tax*	51	43
Other employee related expenses	3	5
Total	**1,046**	**974**

*Refer to Note 1(u).

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

	2011	2010
Number of employees	12.6	10.4

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

	2011 $'000	2010 $'000
Employee benefits		
Salaries and wages	59	100
Employer superannuation contributions*	8	15
Long service leave levy*	1	2
Other employee benefits	-	-
Employee related expenses		
Workers' compensation premium*	1	-
Payroll tax*	4	7
Other employee related expenses	-	-
Total	**73**	**124**

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

	2011	2010
Number of employees	0.6	1.2

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

5. Key executive management personnel and remuneration

(a) Key executive management personnel

The following details for key executive management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the Nominal Defendant during 2010-11. Further information on these positions can be found in the body of the Annual Report under the section relating to Our People.

Position	Responsibilities	Current incumbents: Contract classification and appointment authority	Current incumbents: Date appointed to position
Insurance Commissioner	The Insurance Commissioner provides strong strategic leadership, administers the QGIF, provides strategic advice to Government and ensures a viable, affordable and equitable CTP scheme in Queensland.	Contract classification SES3.4 appointed under the *Public Service Act 2008* and Governor in Council, in accordance with section 7 of the *Motor Accident Insurance Act 1994*.	6 December 2010 (Prior incumbent resigned 20 August 2010)
General Manager, Motor Accident Insurance	The General Manager, Motor Accident Insurance is responsible for leading the effective oversight of Queensland's CTP scheme ensuring affordable premiums to motorists and appropriate compensation to injured parties.	Contract classification SES2.1 appointed under common law contract of employment in accordance with section 8(2) of the *Motor Accident Insurance Act 1994*.	30 January 2006
Manager, Corporate Governance	The Manager, Corporate Governance is responsible for implementing and maintaining strong governance practices including the delegated responsibility for the financial administration of the Commission.	Contract classification SO.3 appointed under the *Public Service Act 2008*.	13 February 2006
Manager, Claims	The Manager, Claims is responsible for the effective management and internal control of the Nominal Defendant claims management unit.	Contract classification SO.2 appointed under the *Public Service Act 2008*.	1 July 2010

(b) Remuneration

Remuneration policy for the Commission's key executive management personnel is set by the Queensland Public Service Commission as provided for under the *Public Service Act 2008*. The remuneration and other terms of employment for the key executive management personnel are specified in employment contracts. The contracts provide for the provision of perfomance-related cash bonuses and other benefits including motor vehicles.

For the 2010-11 year, remuneration of key executive management personnel increased by 2.5% in accordance with government policy.

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

5. Key executive management personnel and remuneration – continued

(b) Remuneration – continued

Remuneration packages for key executive management personnel comprise the following components:

- Short term employee benefits which include:
  - Base – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position. Amounts disclosed equal the amount expensed in the Statement of Comprehensive Income.
  - Non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.
- Long term employee benefits include long service leave accrued.
- Post employment benefits include superannuation contributions.
- Redundancy payments are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.
- Performance payments are not applicable.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

The remuneration includes remuneration in connection with the management of Nominal Defendant and the Queensland Government Insurance Fund.

1 July 2010 to 30 June 2011

Position (date resigned if applicable)	Short term employee benefits		Long term employee benefits $'000	Post employment benefits $'000	Termination benefits $'000	Total remuneration $'000
	Base $'000	Non-monetary benefits $'000				
Manager, Claims	128	-	4	15	-	147

There were no performance bonuses paid in 2010-11 and 2009-10 years.

The other three key executive management personnel are not included in this table, however, they have been included in the Motor Accident Insurance Commission financial statements under note 3.

1 July 2009 to 30 June 2010

Consistent with the flexibility provided in the first year of the introduction of new reporting policies, Nominal Defendant has not included the comparative data for 2009-10. This reflects the complexity in retrospectively calculating minor movements in accrual balances for prior periods. Key executive management personnel listed in the table who occupy like for like positions received base increases in line with the Government's remuneration policy of 2.5%.

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
6. Supplies and services		
QIC management fee	1,583	668
Computer facilities management fee	252	231
Rent	123	122
Consultants and contractors	69	73
Corporate services fee	96	93
Supplies and consumables	49	71
Other supplies and services	1	1
Total	**2,173**	**1,259**

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

	2011 $'000	2010 $'000
Computer facilities management fee	21	96
Rent	10	10
Supplies and consumables	2	7
Total	**33**	**113**

7. Depreciation and amortisation

Depreciation and amortisation were incurred in respect of:

	2011 $'000	2010 $'000
Plant and equipment	5	4
Intangibles	13	14
Total	**18**	**18**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
8. Other expenses		
Audit fees	35	34
Insurance premiums – QGIF	1	1
Other	-	22
Total	**36**	**57**

Total external audit fees relating to the 2010-11 financial year are estimated to be $35,000 (2009-10 $33,628). There are no non-audit services included in this amount.

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

	2011 $'000	2010 $'000
Audit fees	10	13
Total	**10**	**13**

	2011 $'000	2010 $'000
9. Cash and cash equivalents		
Cash at bank and on hand	1,704	2,418
Total	**1,704**	**2,418**

Interest earned on cash held with Queensland Treasury earned between 3.84% to 3.96% in 2011 (2010: 2.16% to 3.42%).

	2011 $'000	2010 $'000
10. Receivables		
Accrued investment income	43	41
Sharing recoveries receivable on paid claims	71	91
Reinsurance recoveries on paid claims	-	811
Dividend receivable from FAI liquidator	31,860	21,132
GST receivable	61	65
Other receivables	(4)	2
Total	**32,031**	**22,142**

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

	2011 $'000	2010 $'000
Sharing recoveries receivable on paid claims	71	91
Reinsurance recoveries on paid claims	-	811
Total	**71**	**902**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
11. Financial assets		
Current		
Queensland Investment Corporation investments	103,067	154,894
Total	**103,067**	**154,894**
Non-current		
Queensland Investment Corporation investments	433,180	294,532
Total	**433,180**	**294,532**
12. Plant and equipment		
Plant and equipment:		
At cost	27	41
Less: accumulated depreciation	(13)	(22)
Total	**14**	**19**
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	19	11
Acquisitions	-	12
Disposals	-	-
Depreciation	(5)	(4)
Carrying amount at 30 June	**14**	**19**
13. Intangible Assets		
Purchased software:		
At cost	219	219
Less: accumulated amortisation	(206)	(193)
Total	**13**	**26**
Movements in the carrying amounts for of intangibles between the beginning and the end of the current financial year are as follows:		
Carrying amount at 1 July	26	40
Acquisitions	-	-
Disposals	-	-
Amortisation	(13)	(14)
Carrying amount at 30 June	**13**	**26**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
14. Payables		
Sundry creditors and accruals	366	278
Total	**366**	**278**

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

	2011 $'000	2010 $'000
Sundry creditors and accruals	11	11
Total	**11**	**11**

	2011 $'000	2010 $'000
15. Accrued employee benefits		
Current		
Recreation leave	106	82
Total	**106**	**82**
Non-current		
Recreation leave	3	13
Total	**3**	**13**

Accrued employee benefits attributable to FAI are included in the figures listed above:

	2011 $'000	2010 $'000
Current		
Recreation leave	11	11
Accrued salaries and wages	4	4
Total	**15**	**15**
Non-current		
Recreation leave	3	3
Total	**3**	**3**

The discount rate used to calculate the present value of the non-current recreation leave is 4.8% (2010: 4.5%).

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
16. Net outstanding claims		
(a) Net outstanding claims		
Gross outstanding claims liability:		
Current	35,993	45,890
Non-current	156,244	165,898
Total	**192,237**	**211,788**
Reinsurance and other recoveries on outstanding claims:		
Current	1,257	1,878
Non-current	5,049	6,275
Total	**6,306**	**8,153**
Net outstanding claims:		
Current	34,736	44,012
Non-current	151,195	159,623
Total	**185,931**	**203,635**
Net outstanding claims attributable to the Nominal Defendant		
Gross outstanding claims/ expected future claim payments	189,295	195,954
Claims settlement costs	11,027	11,396
	200,322	207,350
Discount to present value	(38,851)	(31,473)
Gross outstanding claims liability	**161,471**	**175,877**
Current	27,692	36,240
Non-current	133,779	139,637
Gross outstanding claims liability	**161,471**	**175,877**
Reinsurance and other recoveries on outstanding claims	5,513	6,019
Discount to present value	(1,069)	(908)
Reinsurance and other recoveries on outstanding claims	**4,444**	**5,111**
Current	762	1,073
Non-current	3,682	4,038
Reinsurance and other recoveries on outstanding claims	**4,444**	**5,111**
Net outstanding claims	**157,027**	**170,766**
Central estimate	142,752	155,242
Risk margin	14,275	15,524
Net outstanding claims	**157,027**	**170,766**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

16. Net outstanding claims – continued

(a) Net outstanding claims – continued

	2011 $'000	2010 $'000
Net outstanding claims attributable to FAI		
Gross outstanding claims/ expected future claim payments	34,691	40,328
Claims settlement costs	1,318	1,531
	36,009	41,859
Discount to present value	(5,243)	(5,948)
Gross outstanding claims liability	**30,766**	**35,911**
Current	8,301	9,650
Non-current	22,465	26,261
Gross outstanding claims liability	**30,766**	**35,911**
Reinsurance and other recoveries on outstanding claims	2,200	3,614
Discount to present value	(338)	(572)
Reinsurance and other recoveries on outstanding claims	**1,862**	**3,042**
Current	495	805
Non-current	1,367	2,237
Reinsurance and other recoveries on outstanding claims	**1,862**	**3,042**
Net outstanding claims	**28,904**	**32,869**
Central estimate	24,917	28,335
Risk margin	3,987	4,534
Net outstanding claims	**28,904**	**32,869**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

16. Net outstanding claims – continued

(b) Actuarial assumptions

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

	2011	2010
Assumptions attributable to the Nominal Defendant		
Inflation rate	6.70%	5.90%
Discount rate	5.10%	4.90%
Claims handling expenses	6%	6%
Risk margin	10%	10%
Weighted average expected term to settlement	4.7 years	3.78 years

Assumptions attributable to FAI	**2011**	**2010**
Inflation rate	N/A	N/A
Discount rate	5.00%	4.80%
Claims handling expenses	4%	4%
Risk margin	16%	16%
Weighted average expected term to settlement	3.4 years	3.5 years

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

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

Sensitivity analysis attributable to the Nominal Defendant

		Financial impact			
Net outstanding claims	**Movement in variable**	**Profit/(loss) 2011 $'000**	**Equity 2011 $'000**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**
Inflation rate	+1%	(4,273)	(4,273)	(4,734)	(4,734)
	-1%	4,027	4,027	4,466	4,466
Discount rate	+1%	3,927	3,927	5,066	5,066
	-1%	(4,273)	(4,273)	(5,434)	(5,434)
Claims handling expenses	+1%	(1,473)	(1,473)	(1,634)	(1,634)
	-1%	1,527	1,527	1,566	1,566
Risk margin	+1%	(1,473)	(1,473)	(1,534)	(1,534)
	-1%	1,427	1,427	1,566	1,566
Weighted average term to settlement	+0.5 years	3,557	3,557	3,677	3,677
	-0.5 years	(3,639)	(3,639)	(3,758)	(3,758)

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

16. 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) 2011 $'000	Equity 2011 $'000	Profit/(loss) 2010 $'000	Equity 2010 $'000
Inflation rate	+1%	N/A	N/A	N/A	N/A
	-1%	N/A	N/A	N/A	N/A
Discount rate	+1%	803	803	969	969
	-1%	(897)	(897)	(1,031)	(1,031)
Claims handling expenses	+1%	(297)	(297)	(331)	(331)
	-1%	303	303	369	369
Risk margin	+1%	(297)	(297)	(331)	(331)
	-1%	203	203	269	269
Weighted average term to settlement	+0.5 years	654	654	709	709
	-0.5 years	(669)	(669)	(724)	(724)

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

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

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

Reinsurers must comply with Queensland Treasury's minimum requirement for performance guarantee under a contract (per Section 87 of the *Queensland Government Financial and Performance Management Standard 2009*) which is for the approved financial institution to have a minimum S&P rating of A-. In the 2010-11 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 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

	2011 $'000	2010 $'000
17. Reconciliation of operating surplus to net cash from operating activities		
Operating surplus	177,434	133,679
Add/(subtract) items classified as investing activities:		
QIC management fees	1,583	667
(Increase)/decrease in net market value of investments	(70,440)	(41,430)
Non-cash items:		
Depreciation	5	4
Amortisation	13	14
Changes in assets and liabilities:		
(Increase)/decrease in prepayments	2	(6)
(Increase)/decrease in receivables	(8,042)	(12,670)
Increase/(decrease) in payables	124	39
Increase/(decrease) in unearned levies	(6,039)	437
Increase/(decrease) in outstanding claims liability	(19,551)	6,721
Increase/(decrease) in accrued employee benefits	14	(10)
Net cash from operating activities	**75,103**	**87,445**

18. 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:

	2011 $'000	2010 $'000
- Not later than one year	121	119
- Later than one year and not later than five years	-	-
Total	**121**	**119**

Operating leases are entered into as a means of acquiring access to office accommodation and motor vehicles. These operating leases are primarily held with the Department of Public Works for office accommodation and QFleet for motor vehicles. Payments are generally fixed with agreements containing inflation escalation clauses from which contingent rentals are determined. No renewal or purchase options exist in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

(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:

	2011 $'000	2010 $'000
- Not later than one year	287	278
- Later than one year and not later than five years	-	-
Total	**287**	**278**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

19. Events occurring after reporting period

The Queensland Government has approved a Voluntary Separation Program (the program) for eligible employees across the Queensland Public Service. The program is pending an expression of interest stage from eligible employees and as such no formal offers have been made. The program commenced operation in July 2011.

As at 30 June 2011 the Nominal Defendant is considering 2 expressions of interest. Offers made by the Nominal Defendant and acceptance by employees under the program is voluntary and therefore the management committee for the program believe there is insufficient information available to determine a value of the future obligation at reporting date. Accordingly, no provision has been taken up in the Nominal Defendant's financial statements.

20. Financial instruments

(a) Categorisation of financial instruments

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

Category	Note	2011 $'000	2010 $'000
Financial assets			
Cash and cash equivalents	9	1,704	2,418
Receivables	10	32,031	22,142
Financial assets	11	536,247	449,426
Total		**569,982**	**473,986**
Financial liabilities			
Financial liabilities measured at amortised costs:			
Payables	14	366	278
Total		**366**	**278**

(b) Financial risk management

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

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

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

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

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

20. Financial instruments – continued

(c) Credit risk exposure

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

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

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

Maximum exposure to credit risk Category	Note	2011 $'000	2010 $'000
Financial assets			
Cash and cash equivalents	9	1,704	2,418
Receivables	10	32,031	22,142
Financial assets	11	536,247	449,426
Total		**569,982**	**473,986**

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

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

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

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

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

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

2011 Financial assets past due but not impaired

	Overdue				
	Less than 30 days $'000	30 - 60 days $'000	61 - 90 days $'000	More than 90 days $'000	Total $'000
Receivables (excluding sharing recoveries)	31,960	-	-	-	31,960
Total	**31,960**	**-**	**-**	**-**	**31,960**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

20. Financial instruments – continued

(c) Credit risk exposure – continued

2010 Financial assets past due but not impaired

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

(d) Liquidity risk

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

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

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

		2011 Payable in			Total
		< 1 year	1-5 years	> 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	14	366	-	-	366
Total		**366**	**-**	**-**	**366**

		2010 Payable in			Total
		< 1 year	1-5 years	> 5 years	
Financial liabilities	**Note**	**$'000**	**$'000**	**$'000**	**$'000**
Payables	14	278	-	-	278
Total		**278**	**-**	**-**	**278**

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

20. Financial instruments – continued

(e) Market risk

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

(f) Unit price and interest rate sensitivity analysis

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome to profit and loss if interest rates would change by +/-1% from the year-end rates applicable to the Nominal Defendant's financial assets. With all other variables held constant, the Nominal Defendant would have a surplus and equity increase/(decrease) of $17,000 (2010: $24,000) due to interest rate risk and $5,362,000 (2010: $4,494,000) due to unit price risk.

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

		Financial impact			
Cash	**Movement in variable %**	**Profit/(loss) 2011 $'000**	**Equity 2011 $'000**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**
Interest rate risk	+1	17	17	24	24
	-1	(17)	(17)	(24)	(24)

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) 2011 $'000**	**Equity 2011 $'000**	**Profit/(loss) 2010 $'000**	**Equity 2010 $'000**
Unit price risk	+1	5,362	5,362	4,494	4,494
	-1	(5,362)	(5,362)	(4,494)	(4,494)

Financial information 2010-11

Nominal Defendant

Notes to and forming part of the financial statements 2010-11

20. Financial instruments – continued

(g) Fair value

The recognised fair values of financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used in making these measurements:

Level 1 - fair values that reflect unadjusted quoted prices in active markets for identical assets/liabilities;

Level 2 - fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and

Level 3 - fair values that are derived from data not observable in a market.

According to the above hierarchy, the Nominal Defendant classifies financial assets at fair value through profit or loss as level 2.

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.

The fair value of trade receivables and payables is assumed to approximate the value of the original transaction, less any allowance for impairment.

Financial information 2010-11

Nominal Defendant

Certificate of the Nominal Defendant

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

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

b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the financial year ended 30 June 2011 and of the financial position of the Nominal Defendant at the end of that year.

Lina Lee CA
Manager Corporate Governance

29 August 2011

Neil Singleton
Insurance Commissioner

29 August 2011

Financial information 2010-11

Nominal Defendant

Independent Auditor's Report

To the Insurance Commissioner

Report on the Financial Report

I have audited the accompanying financial report of the Nominal Defendant which comprises the statement of financial position as at 30 June 2011 the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Insurance Commissioner and Manager Corporate Governance.

The Insurance Commissioner's Responsibility for the Financial Report

The Insurance Commissioner is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Insurance Commissioner's responsibility also includes such internal control as the Insurance Commissioner determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about 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 the risks of material misstatement of 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 of the financial report that gives a true and fair view 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 used and the reasonableness of accounting estimates made by the Insurance Commissioner, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

Financial information 2010-11

Nominal Defendant

Independent Auditor's Report – continued

Independence

The *Auditor-General Act 2009* promotes the independence of the Auditor General and all 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.

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 relation to the establishment and keeping of accounts have been complied with in all material respects; and

   (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of Nominal Defendant for the financial year 1 July 2010 to 30 June 2011 and of the financial position as at the end of that year.

J Latif (CA)
As Delegate of the Auditor-General of Queensland

29 August 2011
Brisbane