

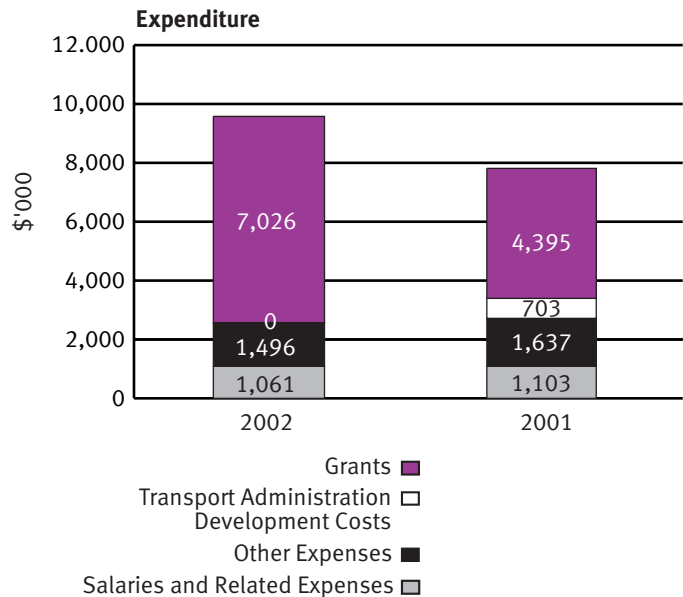
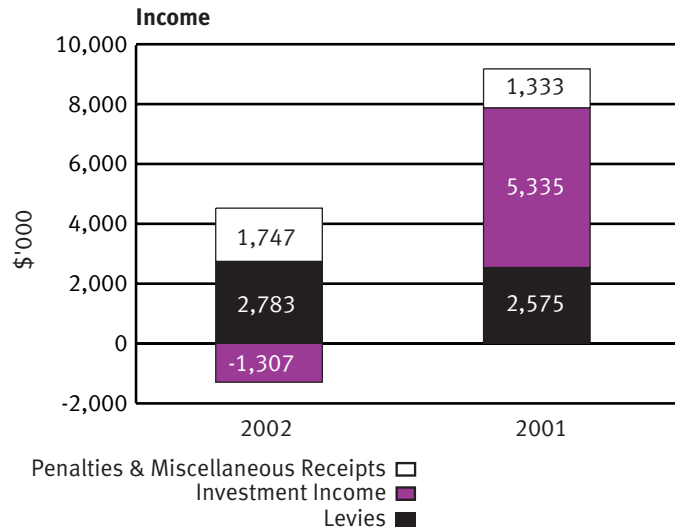
Financial Information 2001-2002

Financial Summary

Revenue fell overall from \$9.243 million to \$3.223 million due primarily to a negative rate of return on investments. There was an increase in revenue from the MAIC statutory levy resultant from an increase in the levy from \$1.00 to \$1.10 per CTP policy, and an increase in penalty receipts.

The expenses of the Commission were higher this financial year, due mainly to the timing of the payment of some grants. Expenditure on grants was \$7.026 million compared to \$4.395 million and \$7.609 million in the two previous financial years. Details of grant funding are provided in Appendix Five.

The resultant operating loss for the Commission for the year ended 30 June 2002 was \$6.360 million compared to an operating profit of \$1.405 million for the prior financial year. An amount of \$15.428 million is set aside in reserves to meet anticipated future funding of accident prevention and rehabilitation grants. During the year, \$57.818 million was transferred from the Motor Accident Insurance Fund to the Nominal Defendant Fund to fund a proportion of the liabilities arising from the insolvency of FAI General Insurance Company Limited.



Statement of Financial Performance
For the Financial Year ended 30 June 2002

	NOTE	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Levies	2 (a)	2,783	2,575
Investment income	2 (b)	(1,307)	5,335
Penalties & miscellaneous receipts		1,747	1,333
Total revenue from ordinary activities		3,223	9,243
EXPENSES FROM ORDINARY ACTIVITIES			
Grants		7,026	4,395
Salaries and related expenses	2 (c)	1,061	1,103
Depreciation	2 (d)	17	33
Amortisation	2 (e)	11	3
Computer facilities management fee		288	243
Marketing and advertising		2	7
Rent		64	75
Other	2 (f)	1,114	1,979
Total expenses from ordinary activities		9,583	7,838
(LOSS)/PROFIT FROM ORDINARY ACTIVITIES	10	(6,360)	1,405

The accompanying notes form part of these financial statements.

Motor Accident Insurance Commission

Statement of Financial Position
As at 30 June 2002

	NOTE	2002 \$'000	2001 \$'000
CURRENT ASSETS			
Cash assets		999	600
Receivables	3	161	5,373
Investment securities	4	14,372	73,529
Prepayments		10	37
Total current assets		15,542	79,539
NON-CURRENT ASSETS			
Receivables	3	1,050	1,050
Investment securities	4	10,500	10,500
Property, plant and equipment	5	63	112
Total non-current assets		11,613	11,662
TOTAL ASSETS		27,155	91,201
CURRENT LIABILITIES			
Payables	6	237	130
Provisions	7	71	73
Total current liabilities		308	203
TOTAL LIABILITIES		308	203
NET ASSETS		26,847	90,998
EQUITY			
Contributed equity	8	0	57,787
Reserves	9	15,428	18,322
Retained profits	10	11,419	14,889
TOTAL EQUITY		26,847	90,998

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the Financial Year ended 30 June 2002

	NOTE	2002 \$'000	2001 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		2,783	2,575
Investment income		3,859	12,066
Penalties & miscellaneous receipts		1,807	1,282
GST input taxes recovered from ATO		566	502
Outflows:			
Grants		(7,026)	(4,395)
Salaries and related expenses		(1,063)	(1,098)
Computer facilities management fee		(263)	(244)
Marketing and advertising		(2)	(8)
Other		(1,567)	(2,972)
GST paid to ATO		0	(1)
Net cash provided by (used in) operating activities	14(ii)	(906)	7,707
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows:			
Proceeds from sale of property, plant and equipment		1	0
Outflows:			
Purchase of property, plant and equipment		(35)	(89)
Net cash (used in) investing activities		(34)	(89)
CASH FLOWS FROM FINANCING ACTIVITIES			
Outflows:			
Transfer of funds to the Nominal Defendant		(57,818)	0
Net cash (used in) financing activities		(57,818)	0
NET INCREASE/(DECREASE) IN CASH HELD			
		(58,758)	7,618
Cash at the beginning of the financial year		84,629	77,011
CASH AT THE END OF THE FINANCIAL YEAR	14(i)	25,871	84,629

The accompanying notes form part of these financial statements.

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 1 Statement of Significant Accounting Policies

(a) Background

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

(b) Basis of Preparation

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

Amounts shown have been rounded to the nearest thousand dollars.

(c) Property, Plant & Equipment

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

From 1 July 2001 the threshold for the recording of property, plant and equipment assets was \$5,000 (previously \$2,000).

The revaluation threshold is \$200,000. Items of property, plant and equipment having a gross value greater than the revaluation threshold and an estimated life of more than three years are required to be revalued.

(d) Depreciation

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

The expected useful lives are as follows:

Plant & Equipment	3 years
Furniture & Fittings	5 years
Computer Software	5 years

Amortisation

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

The expected useful lives are as follows:

Leasehold Improvements	12 years
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(e) Funding of Motor Accident Insurance Fund

Funding is by way of levies paid by licensed Compulsory Third Party insurers pursuant to section 28 of the *Motor Accident Insurance Act 1994* based on the gross premiums collected for Compulsory Third Party motor vehicle insurance policies; interest on investments; and penalties imposed for offences under the Act.

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 1 (continued) Statement of Significant Accounting Policies

(f) Investments

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

(g) Employee Leave Entitlements

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

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 2002 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave, as these entitlements do not vest in the employee.

Due to its nature annual leave has been classified as a current liability.

(2) Long Service Leave

The Commission participates in the State Government's long service scheme in which a levy is made on the Commission to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken. No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS 31 – Financial Reporting by Governments.

(h) Superannuation

The Motor Accident Insurance Commission contributes to superannuation funds for the purpose of providing benefits for employees and their dependants on retirement, disability or death, and meets or exceeds the requirements of the Superannuation Guarantee Levy. No liability is shown for superannuation in the financial statements as the liability is assumed by QSuper.

(i) Contingent Assets

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

(j) Levy Collection and Contribution

In accordance with Section 27 of the *Motor Accident Insurance Act 1994* levies are recognised as revenue at the time they are legally due to be paid by the insurers to the Commission.

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

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

(k) Leases

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

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 2		Profit from Ordinary Activities	
	NOTE	2002 \$'000	2001 \$'000
(a) Levies			
Levies - comprise amounts required to be paid by licensed CTP insurers on gross insurance premiums.			
Statutory insurance scheme levy		2,783	2,575
Total		<u>2,783</u>	<u>2,575</u>
(b) Investment income			
Distributions received from Queensland Investment Corporation		(1,373)	5,288
Interest Received from funds held by Queensland Treasury		66	47
Total		<u>(1,307)</u>	<u>5,335</u>
(c) Salaries and Related Expense			
Salaries and wages		798	846
Superannuation		101	93
Long service leave expense		10	9
Recreation leave expense		79	60
Other related expenses		73	95
Total		<u>1,061</u>	<u>1,103</u>
(d) Depreciation			
Plant, Equipment and Furniture & Fittings		17	33
Total		<u>17</u>	<u>33</u>
(e) Amortisation			
Leasehold Improvements		11	3
Total		<u>11</u>	<u>3</u>
(f) Other			
Consultancy Expenditure		254	229
Administration Fees		234	1,064
Other		626	686
Total		<u>1,114</u>	<u>1,979</u>

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 3 Receivables			
	NOTE	2002 \$'000	2001 \$'000
Current			
Accrued investment income		18	5,184
Penalties receivable		105	165
Other receivables		38	24
Total		<u>161</u>	<u>5,373</u>
Non-Current			
Loan receivable		<u>1,050</u>	<u>1,050</u>
Total		<u>1,050</u>	<u>1,050</u>

Note 4 Investment Securities			
	NOTE	2002 \$'000	2001 \$'000
Current			
Queensland Investment Corporation		14,372	73,529
Non-Current			
Queensland Investment Corporation		<u>10,500</u>	<u>10,500</u>
Total		<u>24,872</u>	<u>84,029</u>

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 5 Property, Plant and Equipment

	NOTE	2002 \$'000	2001 \$'000
Property			
Leasehold Improvements - at cost		60	75
Accumulated amortisation		(11)	(3)
Total property		<u>49</u>	<u>72</u>
Plant and Equipment			
Plant, Equipment and Fittings - at cost		73	186
Accumulated depreciation		(59)	(157)
Total		<u>14</u>	<u>29</u>
Computer Software - at cost		163	163
Accumulated depreciation		(163)	(152)
Total		<u>0</u>	<u>11</u>
Total plant and equipment		<u>14</u>	<u>40</u>
Total Property, Plant and Equipment		<u>63</u>	<u>112</u>

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

	Leasehold Improvements \$'000	Plant, Equipment & Fittings \$'000	Computer Software \$'000	TOTAL \$'000
Carrying amount at beginning of the financial year	72	29	11	112
Additions	5	30	0	35
Disposals	0	0	0	0
Transfers	(20)	(36)	0	(56)
Depreciation Charged	(8)	(9)	(11)	(28)
Carrying amount at the end of the financial year	<u>49</u>	<u>14</u>	<u>0</u>	<u>63</u>

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 6	Payables		
	NOTE	2002 \$'000	2001 \$'000
Sundry creditors and accruals		237	130
Total		<u>237</u>	<u>130</u>

Note 7	Provisions		
	NOTE	2002 \$'000	2001 \$'000
Employee entitlements		71	73
Total		<u>71</u>	<u>73</u>

Note 8	Contributed Equity		
	NOTE	2002 \$'000	2001 \$'000
Assets and liabilities transferred on establishment of the Motor Accident Insurance Commission on 1 September 1994.			
Opening Balance at 1 July 2001			
Nominal Defendant (Queensland)		57,818	57,818
Consolidated fund		(31)	(31)
		<u>57,787</u>	<u>57,787</u>
Transfers to:			
Nominal Defendant		(57,818)	0
Retained Profits		31	0
Total equity at the reporting date		<u>0</u>	<u>57,787</u>
<p>Under section 33(4) and 33(5) of the <i>Motor Accident Insurance Act 1994</i>, the amount of \$57,818,000 was transferred from the Motor Accident Insurance Fund 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.</p>			

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 9	Reserves		
		2002	2001
	NOTE	\$'000	\$'000
Composition and movements:			
Income Maintenance			
Balance at end of year		10,500	10,500
Accident Prevention Initiatives			
Balance at beginning of year		1,350	3,076
Transfer to retained profits		(1,110)	(3,084)
Transfer from retained profits		1,136	1,358
Balance at end of year		<u>1,376</u>	<u>1,350</u>
Rehabilitation Initiatives			
Balance at beginning of year		6,472	7,319
Transfer to retained profits		(5,872)	(4,647)
Transfer from retained profits		2,952	3,800
Balance at end of year		<u>3,552</u>	<u>6,472</u>
Emergency Infrastructure			
Balance at beginning of year		0	850
Transfer to retained profits		0	(850)
Balance at end of year		<u>0</u>	<u>0</u>
Total Reserves		<u>15,428</u>	<u>18,322</u>

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 10		Retained Profits	
	NOTE	2002 \$'000	2001 \$'000
Retained profits at the beginning of the financial year		14,889	10,069
Profit/(loss) from ordinary activities		(6,360)	1,405
Transfers to reserves:			
Accident Prevention Initiatives		(1,136)	(1,358)
Rehabilitation Initiatives		(2,952)	(3,800)
Transfers from reserves:			
Accident Prevention Initiatives		1,110	3,084
Rehabilitation Initiatives		5,872	4,647
Emergency Infrastructure		0	850
Queensland Treasury adjustments		27	(8)
Equity Transfer - Consolidated Fund	8	(31)	0
Retained profits at the reporting date		<u>11,419</u>	<u>14,889</u>

Note 11		Auditor's Remuneration	
	NOTE	2002 \$'000	2001 \$'000
Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services		<u>10</u>	<u>8</u>

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 12		Commitments for Expenditure	
	NOTE	2002 \$'000	2001 \$'000
(a) Maintenance Contract Commitment			
Total expenditure contracted for at balance date but not provided for in the accounts:			
Due not later than one year		258	39
Due later than one year but not later than five years		62	0
Total		<u>320</u>	<u>39</u>
(b) Operating Lease Rental Commitments			
Future operating lease rentals not provided for in the financial statements are payable as follows:			
Due not later than one year		92	86
Due later than one year but not later than five years		30	115
Total		<u>122</u>	<u>201</u>
(c) Grant Commitments			
The <i>Motor Accident Insurance Act 1994</i> provides for the Commission to allocate funds for strategic accident prevention and rehabilitation initiatives. The payment of these grant moneys is dependent on the grantee organisation satisfying conditions as set out in the grant agreement.			
Future grant commitments not provided for in the financial statements are payable as follows:			
Due not later than one year		4,928	2,920
Due later than one year but not later than five years		10,197	7,721
Total		<u>15,125</u>	<u>10,641</u>

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 13 Agency Transactions (Hospital & Emergency Services Levy)

The Motor Accident Insurance Commission (MAIC) receives hospital and emergency services levy amounts from Compulsory Third Party insurers for transfer payments to Queensland Department of Health and the Department of Emergency Services. Details of amounts collected and administered by MAIC during the year and the amount held on behalf of Queensland Department of Health and the Department of Emergency Services at year end are as follows:

	NOTE	2002 \$'000	2001 \$'000
Levies			
Comprise amounts collected from licensed CTP insurers on gross insurance premiums.			
Levies collected but not remitted in the previous year		1,423	2,963
Hospital levy		12,941	12,780
Emergency Services levy		5,864	4,518
		<u>20,228</u>	<u>20,261</u>
Contributions			
Comprise payments to Queensland Department of Health and the Department of Emergency Services on account of levies received from licensed CTP insurers.			
Hospital levy contributions		5,667	14,207
Emergency Services levy contributions		12,915	4,631
		<u>18,582</u>	<u>18,838</u>
Amounts collected on behalf of but not yet remitted to Queensland Department of Health and the Department of Emergency Services in respect of hospital and emergency services levies as at 30 June 2002:		<u>1,646</u>	<u>1,423</u>
(This amount is held in QIC investments).			

Motor Accident Insurance Commission

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 14 Statement of Cash Flows			
	NOTE	2002 \$'000	2001 \$'000
(i) Reconciliation of cash			
For the purposes of the Statement of Cash Flows, cash includes cash on hand and investments in money market instruments, net of outstanding bank overdrafts.			
Cash at the end of the reporting period as shown in the Statement of Cash Flows is reconciled to the related items in the statement of financial position as follows:			
Cash		999	600
Investments	4	<u>24,872</u>	<u>84,029</u>
Total		<u>25,871</u>	<u>84,629</u>
(ii) Reconciliation of operating profit with net cash provided by operating activities			
Operating (loss)/profit		(6,360)	1,405
Add/(Less) non cash items:			
Depreciation		17	33
Amortisation		11	3
Profit on disposal of property, plant and equipment		(1)	0
Asset adjustments passed by Queensland Treasury		0	3
Asset Transfers		56	0
Direct changes to equity		27	(8)
Changes in assets and liabilities:			
Increase/(Decrease) in creditors		107	(388)
(Increase)/Decrease in receivables		5,212	6,659
Decrease/(Increase) in prepayments		27	(5)
(Decrease)/Increase in provisions		(2)	5
Net cash provided by operating activities		<u>(906)</u>	<u>7,707</u>
(iii) The Motor Accident Insurance Fund has no unused borrowing or overdraft facility.			

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 15 Financial Instruments

(a) Terms, Conditions and Accounting Policies

Financial Instrument	Related Financial Statement Notes	Accounting Policies	Terms & Conditions
Financial Assets			
Cash on hand	14 (i)	Recorded at book value, which approximates fair value.	
Receivables penalties receivable	3	Recognition - upon receipt of fines by QLD Transport and the Courts. Measurement - prescribed by the <i>Motor Accident Insurance Act 1994</i> . Recorded at book value.	Usually received within 30 days from the month due.
interest on investments	2 (b)	Recognition - at the end of the financial year. Measurement - based on the preliminary distribution provided by QIC.	Interest is normally paid in August of the following year.
loans receivable	3	Recognition - upon issue of funds. Measurement - based on memorandum of agreement and recorded at book value.	No interest rate applied as this is funding to promote research into accident rehabilitation. Repayments in accordance with individual loan agreements which range from 3 to 5 years.
Investment securities	4	Recognition - on the day funds are invested. Measurement - at net market value.	Can be drawn upon as and when required.
Financial Liabilities			
Payables	6	Recognition - upon receipt of goods or services irrespective of whether an invoice has been received. Recognition - based on agreed purchase/contract costs.	Amounts are usually settled within 30 days upon receipt of invoice.

Notes to and forming part of the financial statements

For the year ended 30 June 2002

Note 15 (continued) Financial Instruments

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

(b) Interest Rate Risk Exposures

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

2002	Notes	Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		-	-	-	-	999	999
Receivables	3	-	-	-	-	1,211	1,211
Investments	4	-	-	-	-	24,872*	24,872
		-	-	-	-	27,082	27,082
Financial liabilities							
Payables	6	-	-	-	-	237	237
Net financial assets (liabilities)		-	-	-	-	26,845	26,845
2001	Notes	Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		-	-	-	-	600	600
Receivables	3	-	-	-	-	6,423	6,423
Investments	4	-	-	-	-	84,029*	84,029
		-	-	-	-	91,052	91,052
Financial liabilities							
Payables	6	-	-	-	-	130	130
Net financial assets (liabilities)		-	-	-	-	90,922	90,922

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

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 15 (continued) **Financial Instruments**

(c) Credit Risk Exposures

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

(d) Net Fair Values

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

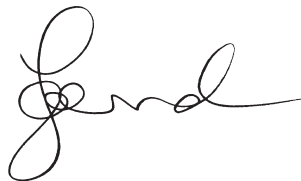
Note 16 **Segment Information**

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

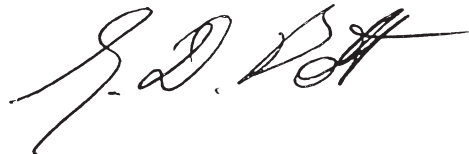
Certificate of the Motor Accident Insurance Commission

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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Motor Accident Insurance Commission; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Motor Accident Insurance Commission for the year ended 30 June 2002 and of the financial position of the Commission as at 30 June 2002.



L Anderson
Insurance Commissioner



G Bott
Manager Systems and Finance

Dated: 13 September 2002

Independent Audit Report

The Insurance Commissioner of the Motor Accident Insurance Commission

Scope

I have audited the general purpose financial statements of the Motor Accident Insurance Commission prepared by the statutory body for the year ended 30 June 2002 in terms of section 46F of the *Financial Administration and Audit Act 1977*. The financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Insurance Commissioner and the Manager Systems and Finance.

The Motor Accident Insurance Commission is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.


The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the entity's financial position and the performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations I have required and, in my opinion -

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of the Motor Accident Insurance Commission for the financial year from 1 July 2001 to 30 June 2002 and of the financial position as at the end of that year.



P J Nottingham
Audit Manager
(Delegate of the Auditor-General)

Queensland Audit Office
Brisbane

Dated: 20 September 2002

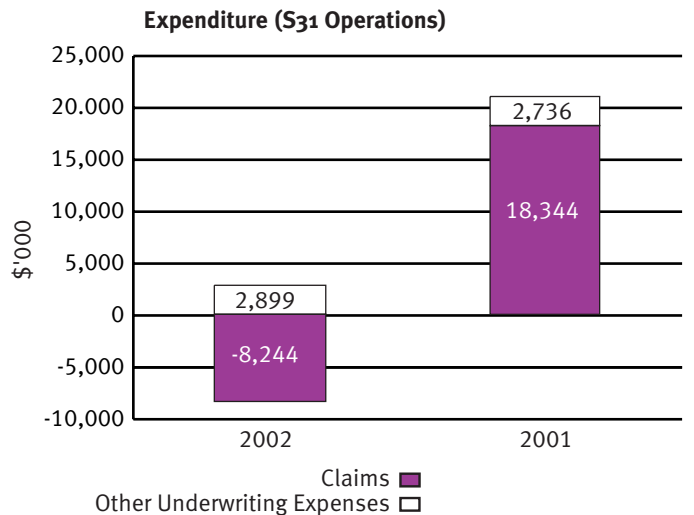
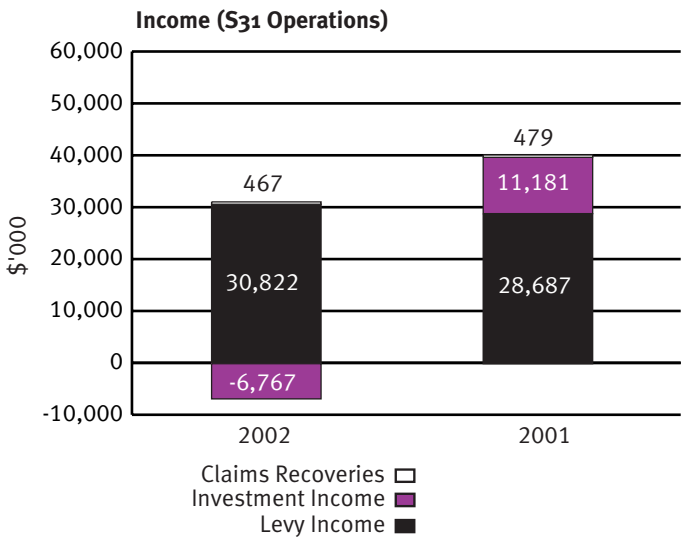
Nominal Defendant

Financial Summary

The operating surplus of the Nominal Defendant was \$0.645 million for the year ended 30 June 2002 compared to the prior year's operating loss of \$380,636 million which was a result of the insolvency of FAI General Insurance Company Ltd (FAI). The State Government advanced \$63.790 million to the Nominal Defendant to meet the liabilities of FAI during the year with an amount of \$23.281 million receivable at the end of the year. The amount of this advance was determined after deducting the proceeds of the increase in the CTP levy and funds transferred from the Motor Accident Insurance Fund during the year.

In relation to the normal business of the Nominal Defendant (claims relating to unidentified and uninsured vehicles under section 31 of the Act), payments on claims and associated costs during the financial year increased from \$16.277 million to \$24.852 million. The provisions for outstanding claims were actuarially assessed as being able to decrease by \$33.096 million compared to a \$2.067 million increase last year.

On the revenue side, income from the levy for the normal business of the Nominal Defendant was increased to \$30.822 million reflecting growth in the number of insured vehicles and a full year at the rate of \$12.40 per vehicle. Income from investments fell significantly due to the negative rate of return on investments.



Nominal Defendant

Statement of Financial Performance
For the Financial Year ended 30 June 2002

	NOTE	2002 \$'000	2001 \$'000
REVENUES FROM ORDINARY ACTIVITIES			
Levy income	1(i)	34,568	28,687
Investment income	5	<u>(6,767)</u>	<u>11,181</u>
		27,801	39,868
EXPENSES FROM ORDINARY ACTIVITIES			
Claims	2	22,691	417,299
Claims recoveries		<u>(1,152)</u>	<u>(479)</u>
Net claims incurred		21,539	416,820
Other ordinary expenses	4	<u>5,617</u>	<u>3,684</u>
		27,156	420,504
PROFIT/(LOSS) FROM ORDINARY ACTIVITIES	13	<u>645</u>	<u>(380,636)</u>

The accompanying notes form part of these financial statements.

Nominal Defendant

Statement of Financial Position As at 30 June 2002

	NOTE	2002 \$'000	2001 \$'000
CURRENT ASSETS			
Cash assets		719	620
Receivables	6	37,101	12,220
Investment securities	7	35,447	23,759
Prepayments		2	2
Total current assets		<u>73,269</u>	<u>36,601</u>
NON-CURRENT ASSETS			
Investment securities	7	148,599	149,771
Property, plant and equipment	8	84	63
Total non-current assets		<u>148,683</u>	<u>149,834</u>
TOTAL ASSETS		<u>221,952</u>	<u>186,435</u>
CURRENT LIABILITIES			
Payables	9	820	687
Provision for employee entitlements	10	43	44
Provision for outstanding claims	11	120,693	129,388
Unearned levies	1(i)	19,887	14,125
Total current liabilities		<u>141,443</u>	<u>144,244</u>
NON-CURRENT LIABILITIES			
Provision for outstanding claims	11	297,217	404,431
Total non-current liabilities		<u>297,217</u>	<u>404,431</u>
TOTAL LIABILITIES		<u>438,660</u>	<u>548,675</u>
NET ASSETS		<u>(216,708)</u>	<u>(362,240)</u>
EQUITY			
Contributed equity	12	145,010	121
Accumulated Losses	13	(361,718)	(362,361)
TOTAL EQUITY		<u>(216,708)</u>	<u>(362,240)</u>

The accompanying notes form part of these financial statements.

Nominal Defendant

Statement of Cash Flows
For the Financial Year ended 30 June 2002

	NOTE	2002 \$'000	2001 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Inflows:			
Levies		38,578	31,499
Claims recoveries		1,152	479
Investment income		4,380	23,959
GST input taxes recovered from ATO		1,344	296
Outflows:			
Claims		(150,941)	(41,565)
Salaries and related expenses		(711)	(601)
Other		(4,748)	(3,197)
GST paid to ATO		<u>0</u>	<u>0</u>
Net cash provided by (used in) operating activities	16(ii)	(110,946)	10,870
CASH FLOWS FROM INVESTING ACTIVITIES			
Inflows:			
Proceeds on disposal of property, plant and equipment		2	0
Outflows:			
Purchase of property, plant and equipment		<u>(49)</u>	<u>(67)</u>
Net cash (used in) investing activities		(47)	(67)
CASH FLOWS FROM FINANCING ACTIVITIES			
Inflows:			
Transfer from MAIC		57,818	0
Queensland Treasury Indemnity Receipts		<u>63,790</u>	<u>0</u>
Net cash provided by financing activities		121,608	0
NET INCREASE IN CASH HELD		10,615	10,803
Cash at the beginning of the financial year		<u>174,150</u>	<u>163,347</u>
CASH AT THE END OF THE FINANCIAL YEAR	16(i)	<u>184,765</u>	<u>174,150</u>

The accompanying notes form part of these financial statements.

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2002

Note 1 Statement of Significant Accounting Policies

(a) Background

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

(b) Basis of Preparation

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

Amounts shown have been rounded to the nearest thousand dollars.

(c) Going Concern

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

Under Section 33(2) of the *Motor Accident Insurance Act 1997*, the Nominal Defendant has assumed the Queensland Compulsory Third Party liabilities of the insolvent insurer, FAI General Insurance Company Limited (FAI).

The State Government has agreed to indemnify the Nominal Defendant for any shortfalls relating to the above. Funds to be advanced to the Nominal Defendant will be determined after taking into consideration the increase in the CTP levy, potential recoveries from the liquidator of the insolvent insurer and funds transferred from the Motor Accident Insurance Commission as detailed in Note 1(n).

(d) Operating Assets

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

The Nominal Defendant changed its accounting policy from 1 July 2001 and commenced with a new threshold for the recording of operating assets at \$5,000 (previously \$2,000).

The revaluation threshold is \$200,000. Operating assets having a gross value greater than the revaluation threshold and an estimated life of more than three years are required to be revalued.

(e) Depreciation

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

The expected useful lives are as follows:

Plant & Equipment	3 – 5 years
Computer Software	5 years

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 1 (continued) Statement of Significant Accounting Policies

(f) Amortisation

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

The expected useful lives are as follows:

Leasehold Improvements 12 years

(g) Funding of Nominal Defendant Fund

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

(h) Provision for Outstanding Claims

Provisions for outstanding claims have been actuarially calculated as at 30 June 2002 by an independent actuarial firm, Trowbridge Consulting, the principals of which are Fellows of the Institute of Actuaries in Australia. The Actuaries have furnished a Certificate.

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

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

(i) Levies

In order to comply with the provisions of Australian Accounting Standard *AAS26 Financial Reporting of General Insurance Activities*, the Nominal Defendant levy, as stated in Section 12 of the *Motor Accident Insurance Act 1994*, is to be treated as "premium" as defined in AAS 26 and is accounted for as such in accordance with the provisions of AAS26.

Levy revenue is recognised in the Statement of Financial Performance only when it has been earned in accordance with accounting principles set out in AAS26. Levies received but not earned as at the end of the reporting period are recorded as a liability (*unearned levies*) in the Statement of Financial Position and then systematically transferred to revenue in the Statement of Financial Performance as the levy is earned over time. In accordance with AAS26 the recognition of earned levy revenue is on the basis of the passage of time, commencing from the month in which motorists remit their CTP premiums to the Queensland Department of Transport.

Levy revenue is received from licensed Compulsory Third Party insurers in accordance with Section 29 of the *Motor Accident Insurance Act 1994* based on a levy calculated on the 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.

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2002

Note 1 (continued) Statement of Significant Accounting Policies

The Nominal Defendant levy rate is set each year by the Motor Accident Insurance Commission after considering written submissions from licensed insurers and organisations representing motorists in Queensland and after obtaining and considering actuarial advice in accordance with Section 12(2) of the *Motor Accident Insurance Act 1994*.

(j) Investments

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

(k) Employee Leave Entitlements

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

Liabilities for wages, salaries and annual leave are recognised and are measured as the amount unpaid at 30 June 2002 at current pay rates in respect of employees' services up to that date. No provision has been made for sick leave as sick leave entitlements do not vest in the employee.

Due to its nature annual leave has been classified as a current liability.

(2) Long Service Leave

The Nominal Defendant participates in the State Government's long service scheme in which a levy is made on the Nominal Defendant to cover this expense. Amounts paid to employees for long service leave are claimed from the scheme as and when leave is taken. No provision for long service leave is recognised in the financial statements, the liability being held on a whole-of-Government basis and reported in the financial report prepared pursuant to AAS31- Financial Reporting by Governments.

(l) Superannuation

The Nominal Defendant contributes to superannuation funds for the purpose of providing benefits for employees and their dependants on retirement, disability or death, and meets or exceeds the requirements of the Superannuation Guarantee Levy. No liability is shown for superannuation in the financial statements as the liability is assumed by QSuper.

(m) Receivables

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

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 1 (continued) **Statement of Significant Accounting Policies**

(n) Contingent Liabilities

In accordance with the Deed of Indemnity to the Nominal Defendant for the assumed HIH CTP Liability, where the cash receipts of the CTP levy surcharge and any amounts received from the liquidator of the HIH Group exceed the amount paid for the claims liabilities and management costs, as a result of the insolvency of FAI General Insurance Company Limited, the Nominal Defendant will pay the excess to the Treasurer.

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

(o) Leases

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

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2002

Note 2	Claims		
		2002 \$'000	2001 \$'000
	NOTE		
	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.		
	(Decrease)/Increase in provision for outstanding claims	(115,908)	375,734
	Claims and associated settlement costs	<u>138,599</u>	<u>41,565</u>
	Total	<u>22,691</u>	<u>417,299</u>
	Claims attributable to FAI		
	The following amounts attributable to FAI are included in the claims figures listed above.		
	(Decrease)/Increase in provision for outstanding claims	(82,812)	373,667
	Claims and associated settlement costs	<u>113,748</u>	<u>25,288</u>
	Total	<u>30,936</u>	<u>398,955</u>

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 3 **Net Claims Incurred**

Current period claims relate to risks borne in the current reporting period. Prior period claims relate to a reassessment of the risks borne in all previous reporting periods.

	2002			2001		
	Current Year \$000	Prior Years \$000	Total \$000	Current Year \$000	Prior Years \$000	Total \$000
Gross Claims incurred and related expenses - undiscounted	36,657	(58,430)	(21,773)	53,370	(32,839)	20,531
Reinsurance and other recoveries - undiscounted	(1,336)	519	(817)	(2,254)	208	(2,046)
Net claims incurred - undiscounted	35,321	(57,911)	(22,590)	51,116	(32,631)	18,485
Discount and discount movement - gross claims incurred	(7,602)	21,572	13,970	(14,162)	13,172	(990)
Discount and discount movement - reinsurance and other recoveries	279	(370)	(91)	557	(187)	370
Net discount movement	(7,323)	21,202	13,879	(13,605)	12,985	(620)
Net Claims Incurred - discounted	27,998	(36,709)	(8,711)	37,511	(19,646)	17,865

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2002

Note 3 (continued) Net Claims Incurred

Claims attributable to FAI

	2002			2001		
	Current Year \$000	Prior Years \$000	Total \$000	Current Year \$000	Prior Years \$000	Total \$000
Gross Claims incurred and related expenses - undiscounted	0	27,624	27,624	37,947	441,701	479,648
Reinsurance and other recoveries - undiscounted	0	(10,784)	(10,784)	(1,799)	(28,309)	(30,108)
Net claims incurred - undiscounted	0	16,840	16,840	36,148	413,392	449,540
Discount and discount movement - gross claims incurred	0	13,245	13,245	(6,056)	(48,571)	(54,627)
Discount and discount movement - reinsurance and other recoveries	0	166	166	405	3,637	4,042
Net discount movement	0	13,411	13,411	(5,651)	(44,934)	(50,585)
Net Claims Incurred - discounted	0	30,251	30,251	30,497	368,458	398,955

Net Claims Incurred

	NOTE	2002 \$'000	2001 \$'000
Net Claims Incurred - discounted		(8,711)	17,865
Claims Recoveries		466	479
		(8,245)	18,344
Add: Claims attributable to FAI		30,251	398,955
Claims Recoveries - FAI		685	0
	2	30,936	398,955
Total claims	2	22,691	417,299

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 4		Other Underwriting Expenses	
	NOTE	2002 \$'000	2001 \$'000
Salaries and wages			
Salaries and wages		552	462
Superannuation		66	55
Long service leave expense		8	7
Recreation leave expense		47	41
Other related expenses		37	39
Depreciation			
Plant and equipment		10	18
Computer software		15	4
Rent		66	70
Consultancy Expenditure		74	68
Reinsurance		1,526	1,360
Administration Fees		382	447
FAI Management Costs		2,483	502
Other		351	611
Total		<u>5,617</u>	<u>3,684</u>
Other Underwriting Expenses attributable to FAI			
Salaries and wages			
Salaries and wages		61	0
Superannuation		9	0
Long service leave expense		1	0
Recreation leave expense		5	0
Other related expenses		4	0
Consultancy Expenditure		50	68
FAI Management Costs		2483	829
Other		132	51
Total		<u>2,745</u>	<u>948</u>

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2002

Note 5		Investment Income	
	NOTE	2002 \$'000	2001 \$'000
Distributions received from Queensland Investment Corporation		(6,842)	11,121
Interest received from funds held by Queensland Treasury		75	60
Total		<u>(6,767)</u>	<u>11,181</u>

Note 6		Receivables	
	NOTE	2002 \$'000	2001 \$'000
Accrued investment income		25	11,172
Levies receivable		1,121	829
Queensland Treasury Indemnity Receipts		23,281	0
Other Recoveries Receivable		12,341	0
Other		333	219
Total		<u>37,101</u>	<u>12,220</u>

Note 7		Investment Securities	
	NOTE	2002 \$'000	2001 \$'000
Current			
Queensland Investment Corporation		35,447	23,759
Non-Current			
Queensland Investment Corporation		148,599	149,771
Total		<u>184,046</u>	<u>173,530</u>

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 8	Property, Plant and Equipment			
	NOTE	2002 \$'000	2001 \$'000	
Property				
Leasehold improvements - at cost		59	41	
Accumulated amortisation		(5)	(0)	
Total property		<u>54</u>	<u>41</u>	
Plant and Equipment				
Plant and equipment - at cost		103	121	
Accumulated depreciation		(80)	(121)	
Total		<u>23</u>	<u>0</u>	
Computer software - at cost		174	174	
Accumulated depreciation		(167)	(152)	
Total		<u>7</u>	<u>22</u>	
Total plant and equipment		<u>30</u>	<u>22</u>	
Total Property, Plant and Equipment		<u>84</u>	<u>63</u>	
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year are as follows:				
	Leasehold Improvements \$'000	Plant & Equipment \$'000	Computer Software \$'000	TOTAL \$'000
Carrying amount at beginning of the financial year	41	0	22	63
Additions	5	44	0	49
Disposals	0	0	0	0
Transfers	13	(16)	0	(3)
Depreciation Charged	(5)	(5)	(15)	(25)
QT Adjustments	0	0	0	0
Carrying amount at the end of the financial year	<u>54</u>	<u>23</u>	<u>7</u>	<u>84</u>

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2002

Note 9		Payables	
	NOTE	2002 \$'000	2001 \$'000
Sundry creditors and accruals		820	687
		<u>820</u>	<u>687</u>
The following amounts attributable to FAI are included in the payables figures listed above			
Sundry creditors and accruals		368	578
Total		<u>368</u>	<u>578</u>

Note 10		Provision for Employee Entitlements	
	NOTE	2002 \$'000	2001 \$'000
Employee entitlements		43	44
Total		<u>43</u>	<u>44</u>
The following amounts attributable to FAI are included in the provision figures listed above			
Employee entitlements		6	0
Total		<u>6</u>	<u>0</u>

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 11 Provision for Outstanding Claims			
	NOTE	2002 \$'000	2001 \$'000
The total provision is as follows:			
Current		120,693	129,388
Non-current		<u>297,217</u>	<u>404,431</u>
		<u>417,910</u>	<u>533,819</u>
Outstanding Claims attributable to Nominal Defendant			
Expected future claims payments (undiscounted)		158,686	201,866
Discount to present value		<u>(31,631)</u>	<u>(41,714)</u>
Liability for outstanding claims		<u>127,055</u>	<u>160,152</u>
(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 3.3 years (2001 - 3.38 years)			
(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims:			
Claims expected to be paid:			
Not later than one year			
Inflation rate		7.0%	6.5%
Discount rate		5.8%	5.9%
Later than one year			
Inflation rate		7.0%	6.5%
Discount rate		5.8%	5.9%

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2002

Note 11 (continued) Provision for Outstanding Claims			
	NOTE	2002 \$'000	2001 \$'000
Outstanding Claims attributable to FAI			
Expected future claims payments (undiscounted)		326,438	420,702
Discount to present value		(35,583)	(47,035)
Liability for outstanding claims		<u>290,855</u>	<u>373,667</u>
(i) The weighted average expected term to settlement from the reporting date of the outstanding claims is estimated to be 2.16 years (2001 - 2.28 years)			
(ii) The following average inflation (normal and superimposed) rates and discount rates were used in measuring the liability for outstanding claims:			
Claims expected to be paid:			
Not later than one year			
Inflation rate		7.0%	6.5%
Discount rate		5.7%	5.6%
Later than one year			
Inflation rate		7.0%	6.5%
Discount rate		5.7%	5.6%

Note 12 Contributed Equity			
	NOTE	2002 \$'000	2001 \$'000
Assets and Liabilities transferred from Nominal Defendant (Queensland) on establishment of the Nominal Defendant on 1 September 1994	1(a)	121	121
Return of contributed equity - MAIC	(i)	57,818	0
Non appropriated equity injection	(ii)	87,071	0
Total equity at the reporting date		<u>145,010</u>	<u>121</u>
(i) Under section 33(4) and 33(5) of the <i>Motor Accident Insurance Act 1994</i> , the amount of \$57,818,000 was transferred from the Motor Accident Insurance Fund (MAIC) to the Nominal Defendant Fund on 22 January 2002 to be applied to the outstanding claims liabilities arising from the insolvency of FAI General Insurance Company Limited.			
(ii) Funding provided by the State Government in accordance with indemnity for shortfalls relating to liabilities of FAI General Insurance Company Limited.			

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2002

Note 13			
Accumulated Losses			
	NOTE	2002 \$'000	2001 \$'000
Accumulated Losses at the beginning of the financial year		(362,361)	18,264
Profit/(Loss) from ordinary activities		645	(380,636)
Queensland Treasury adjustments		(2)	11
Accumulated Losses at the reporting date		<u>(361,718)</u>	<u>(362,361)</u>

Note 14			
Auditor's Remuneration			
	NOTE	2002 \$'000	2001 \$'000
Remuneration received or due and receivable by the Auditor-General of Queensland for external audit services		<u>19</u>	<u>20</u>

Note 15			
Operating Lease Rental Commitments			
	NOTE	2002 \$'000	2001 \$'000
The Nominal Defendant assumed joint responsibility with the Motor Accident Insurance Commission for servicing the lease entered into in joint tenancy between the Nominal Defendant (Queensland) and the Office of the Insurance Commissioner in the 1993/94 financial year.			
Future operating lease rentals not provided for in the financial statements are payable as follows:			
Due not later than one year		77	80
Due later than one year but not later than five years		28	106
Total		<u>105</u>	<u>186</u>

Nominal Defendant

Notes to and forming part of the financial statements For the year ended 30 June 2002

Note 16 Statement of Cash Flows

	NOTE	2002 \$'000	2001 \$'000
(i) Reconciliation of cash			
For the purposes of this statement, cash includes cash on hand, cash at bank and short term investments. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:			
Cash		719	620
Investments	7	<u>184,046</u>	<u>173,530</u>
Total		<u>184,765</u>	<u>174,150</u>
(ii) Reconciliation of operating (loss)/profit with net cash used in operating activities			
Operating profit/(loss)		645	(380,636)
Add/(less) non - cash items:			
Depreciation		25	22
Loss/(Profit) on disposal of assets		(2)	0
Queensland Treasury adjustments		1	(10)
Direct changes to equity			
Recreation leave		0	11
Changes in assets and liabilities:			
Increase in prepayments		0	(1)
(Increase)/Decrease in receivables		(1,600)	14,851
Increase in creditors		133	378
Increase in unearned levies		5,762	521
Decrease in provisions		(115,910)	375,734
Net cash provided by (used in) operating activities		<u>(110,946)</u>	<u>10,870</u>

(iii) The Nominal Defendant Fund has no unused borrowing or overdraft facility.

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 17 Financial Instruments

(a) Terms, Conditions and Accounting Policies

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

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

(b) Interest Rate Risk Exposures

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

Nominal Defendant

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 17 (continued) Financial Instruments

2002	Notes	Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		-	-	-	-	719	719
Receivables	6	-	-	-	-	37,101	37,101
Investments	7	-	-	-	-	184,046*	184,046
		-	-	-	-	221,866	221,866
Financial liabilities							
Payables	9	-	-	-	-	820	820
Net financial assets (liabilities)		-	-	-	-	221,046	221,046
2001	Notes	Floating interest rate \$'000	Fixed interest rate maturing in			Non interest bearing \$'000	Total \$'000
			1 year or less \$'000	over 1 to 5 years \$'000	more than 5 years \$'000		
Financial assets							
Cash		-	-	-	-	620	620
Receivables	6	-	-	-	-	12,220	12,220
Investments	7	-	-	-	-	173,530 *	173,530
		-	-	-	-	186,370	186,370
Financial liabilities							
Payables	9	-	-	-	-	687	687
Net financial assets (liabilities)		-	-	-	-	185,683	185,683

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

Notes to and forming part of the financial statements
For the year ended 30 June 2002

Note 17 (continued) Financial Instruments

(c) Credit Risk Exposures

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

(d) Net Fair Values

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

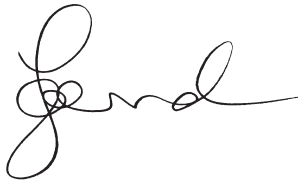
Note 18 Segment Information

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

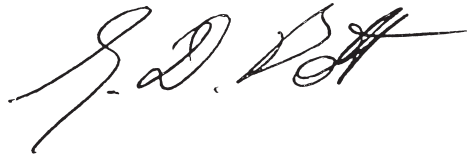
Certificate of the Nominal Defendant

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

- (a) the foregoing annual financial statements and notes to and forming part thereof are in agreement with the accounts and records of the Nominal Defendant; and
- (b) in our opinion -
 - (i) the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
 - (ii) the foregoing annual financial statements have been drawn up so as to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Nominal Defendant for the year ended 30 June 2002 and of the financial position as at 30 June 2002.



L Anderson
Nominal Defendant



G Bott
Manager Systems and Finance

Dated: 13 September 2002

Independent Audit Report

Scope

I have audited the general purpose financial statements of the Nominal Defendant prepared by the statutory body for the year ended 30 June 2002 in terms of section 46F of the *Financial Administration and Audit Act 1977*. The financial statements comprise the Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows, Notes to and forming part of the financial statements and certificates given by the Nominal Defendant and the Manager Systems and Finance.

The Nominal Defendant is responsible for the preparation and the form of presentation of the financial statements and the information they contain. I have audited the financial statements in order to express an opinion on them.

The audit has been conducted in accordance with *QAO Auditing Standards*, which incorporate the Australian Auditing Standards, to provide reasonable assurance as to whether the financial statements are free of material misstatement. Audit procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial statements are presented fairly in accordance with prescribed requirements in Australia which include Australian Accounting Standards so as to present a view which is consistent with my understanding of the Nominal Defendant's financial position and the performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In accordance with section 46G of the *Financial Administration and Audit Act 1977*, I certify that I have received all the information and explanations I have required and, in my opinion -

- the prescribed requirements in respect of the establishment and keeping of accounts have been complied with in all material respects; and
- the statements have been drawn up so as to present a true and fair view in accordance with prescribed accounting standards and other prescribed requirements of the transactions of the Nominal Defendant for the financial year 1 July 2001 to 30 June 2002 and of the financial position as at the end of that year.



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

Queensland Audit Office
Brisbane

Dated: 20 September 2002