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PREVENTION. CARE. RECOVERY.
Te Kaporeihana Āwhina Hunga Whara

Accident Compensation Corporation
Annual Report
2007

Our Vision

Freedom from injury and its consequences, for everyone in New Zealand

Our Values

Honour people as People	Freedom to succeed	Pride in what we do

Our Strategic Priorities

E	M	P	O	W	E	R
Ensuring New Zealanders have confidence in ACC	Maintaining fair and stable levies	People-focused with good outcomes	Open and fair access for all New Zealanders	Working to reduce injuries and occupational diseases	Efficient, sustainable and flexible organisation	Rehabilitation focused on returning to productive life

2007 Service Highlights

In 2006–2007, ACC staff at 48 locations looked after 1.8 million claims from injured people in New Zealand.

Every day, injured people, levy payers and health providers contact ACC – our staff sent almost 24,000 letters, answered over 23,000 telephone calls and looked after 7,000 claims each day.

ACC also paid for more than 3.1 million visits to physiotherapists, 2.5 million visits to GPs and other treatment providers, 200,000 sessions of vocational rehabilitation, and social rehabilitation support on 1.7 million occasions.

To provide care for injured people, levies paid for rehabilitation, compensation and administration costs amounting to $2,825 million.

Through good care and world-class programmes, injured people return to productive life as quickly as possible. Rehabilitation rates were high – with 65% of injured people returning to productive life within three months, 83% within six months and 92% within a year.

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ACC at a Glance

ACC is a Crown entity, set up by the New Zealand Government to provide comprehensive, 24-hour, no-fault personal injury cover for all New Zealand residents and visitors to New Zealand. ACC's role is to prevent injury, treat it where it occurs, and rehabilitate people back to a productive life as soon as is practicable. ACC has its own Board of eight members appointed by the Minister for ACC.

All taxpayers, employers, self-employed people and motor vehicle owners contribute to the funding of the ACC Scheme. The Government also funds part of the Scheme for people who are non-earners, such as children and the elderly.

Cover is managed under six (previously seven) Accounts.

Work Account	Covers all work-related injuries. Funded from levies paid by employers and self-employed people. Net levy income: $639 million Claims liability: $1,267 million	Non-Earners' Account	Covers injuries to people not in the paid workforce: students, beneficiaries, older people and children. Funded by Government. Net levy income: $719 million Claims liability: $2,398 million
Earners' Account	Covers non-work injuries (including at home, and during sport and recreation) to earners. Funded from earners' levies (paid through PAYE), plus self-employed levies based on earnings. Net levy income: $905 million Claims liability: $2,453 million	Treatment Injury Account	Covers injuries arising from treatment. Funded from Earners' and Non-Earners' Accounts. Net levy income: $121 million Claims liability: $886 million
Residual Claims Account	Covers the continuing cost of work-related injuries sustained before 1 July 1999 and non-work injuries to earners before 1 July 1992. Funded from levies paid by employers and self-employed. Net levy income: $315 million Claims liability: $2,767 million	Motor Vehicle Account	Covers all personal injuries involving motor vehicles on public roads. Funded from petrol excise duty and a levy collected with the motor vehicle relicensing fee. Net levy income: $590 million Claims liability: $3,964 million
ACC Total	Net levy income: $3,290 million	Claims liability: $13,735 million	

Part One

From the Minister Hon Ruth Dyson

During the past year, ACC's contribution to the Government's policy goals has been particularly significant.

Working in close partnership with other agencies and organisations, ACC has achieved outcomes that strongly support the Government's key priorities – economic transformation, families and national identity.

A fair and sustainable Scheme that minimises both the overall incidence of injury and its impact on the community plays a vital (if often unappreciated) role in our nation's economy.

Throughout 2006–2007, ACC's co-operative efforts with the Department of Labour and other partners in the New Zealand Injury Prevention Strategy to create a safety culture have made encouraging progress. At the same time, ACC has collaborated with the Ministry of Health, District Health Boards, Ministry of Social Development, employers, unions and health providers to minimise the social and financial impact of injury.

Under ACC's strategic plan, major developments across the full range of ACC's responsibilities have been achieved throughout the year, but it is particularly pleasing to note progress in two areas of major significance: rehabilitation; and initiatives preventing, treating and compensating people for occupational diseases.

In keeping with the 2006 ministerial service agreement, ACC outlined a three-year implementation plan for the new groundbreaking Rehabilitation Framework. The Framework is a long-term strategic project that focuses on helping injured people 'achieve an everyday life.' While the Framework aims to boost rehabilitation performance overall, it is designed to offer particular support to people who are likely to have long-term needs.

Also in accordance with the service agreement, ACC worked with the Department of Labour and the Ministerial Advisory Panel on Work-Related Gradual Process Disease and Infection. Following official advice and public consultation, the Government intends to update Schedule 2 of the Injury Prevention, Rehabilitation, and Compensation Act 2001 by Order-in-Council. ACC has also supported the Department of Labour with the medium-term work programme on work-related gradual process disease and infection.

By actively engaging in more collaborative planning with others, ACC has steadily enhanced its effectiveness in producing positive outcomes for all New Zealanders. The outcomes achieved throughout the year have been of benefit not just to the economy as a whole but to many thousands of individuals and their families throughout the country.

ACC has also intensified its drive to deliver a service to the public, injured people, levy payers and health providers that is more responsive to those customers' needs. In just 12 months, ACC's heightened customer awareness has raised the level of public confidence in ACC – an important step towards people having a greater knowledge of New Zealand's unique Scheme and an appreciation of its internationally unparalleled benefits.

I wish to thank the Board, management and staff of ACC for their commitment to the delivery of the Government's objectives and commend them on their willingness to work so readily and well in partnership with others.

This outward-focused culture of the organisation has enabled it to achieve truly encouraging outcomes throughout the year.

Ruth Dyson
Minister for ACC

From the Chair Brenda Tahi

In 2006–2007, ACC's 33rd year, we have made major progress towards our strategic priorities and produced some excellent results. Of particular note, our increasing customer focus is helping us to achieve each of our strategic priorities.

We have been focused on ensuring New Zealanders have confidence in ACC, given that in the past this has not always been the case. We are pleased to report that the rise in public trust and confidence in ACC this year is outstanding. The extent of the rise, which is more than that of all but one of the other 19 public sector organisations surveyed by Research New Zealand, is most encouraging. Further, we have engendered better understanding of the services and entitlements we offer New Zealanders. Over the next year, ACC will continue to improve public understanding by ensuring communities, businesses and individuals have easy access to information about entitlements.

In the face of rising costs for treatment of the injured, it is an ongoing challenge for ACC to maintain fair and stable levies. However, to this end, the average levy rates were held within the target of no more than a 5% change for most groups of levy payers. Our investments help in this regard, and in this year our returns exceeded market benchmarks by 0.4%. For levy payers, satisfaction levels for the largest employers increased and exceeded the targets. Although the satisfaction level for small to medium employers continued to outperform in a difficult year, we are introducing improvements to the way we work with smaller businesses. Throughout the coming year, new initiatives will include delivering online levy payment options, implementing the levy data strategy and refining levy Scheme products to better suit the needs of businesses.

As an organisation that is 'people-focused with good outcomes', ACC has worked hard during the year to improve claimant satisfaction, which has risen overall from 77% in 2005–2006 to 82% in 2006–2007. By empowering our business units to directly resolve complaints, we have managed to nearly halve the number of complaints referred to the Office of the Complaints Investigator. Satisfaction increased for all claimant groups and met targets with the exception of Māori claimants. Implementation of the Māori Access Strategy will result in improved services for Māori, which in turn will drive better results in Māori claimant satisfaction.

We aim to ensure that all New Zealanders have open and fair access to the ACC Scheme, and we have worked hard to engage and inform groups that have serious disparities in their access to the Scheme. Our achievements in this area have delivered greater access for these groups – the number of claims per 1,000 population has increased across Māori, Pacific and Asian groups. We have also developed detailed access strategies for each of these groups for implementation in ensuing years.

We have focused on the prevention of injury and occupational disease as a major responsibility for ACC. The results: a significant reduction in workplace injuries this year, with the 8.3% decline in claims in the six priority industry sectors exceeding the target reduction of 0.5%.

We also aimed to reduce claims rates overall this last year. However, our campaign to lift public understanding of the Scheme and to improve access has resulted in a 5% increase in the volume of processed claims (now totalling nearly 1.8 million for the year or 7,000 every working day). This highlights the need for us to focus on delivering effective injury prevention programmes to minimise the impacts of injury on our country.

For those injured, we seek to ensure that the rehabilitation provided will help to return people to an everyday life. This year we have met a number of our targets for timely rehabilitation of our claimants. However, we are conscious that we need a new approach to make a real difference in this area. To this end, we have developed a new framework for improving rehabilitation for long-term claimants. Implementation of a number of initiatives stemming from the framework will be rolled out over the next 18 months.

ACC also remains focused on being an efficient, sustainable and flexible organisation. In this field we are pleased to report that administration costs were well under budget and costs per claim within target.

Levy revenue was $338 million in excess of budget, due to higher than forecast earnings, and investment returns exceeded budget by $228 million. Against this income, claim costs exceeded budget by $118 million due to higher social rehabilitation and weekly compensation costs associated with increased claim volumes. Over the next year, ACC will manage its administrative cost per claim at target levels lower than those for the year under review.

The year's excellent results have been achieved in partnership with others – with fellow government agencies and with claimant, treatment provider, caregiver, employer, employee and community groups. I wish to thank everybody who has worked with us so constructively, and supported us so positively, to assist us in delivering on our responsibilities in this way.

I also wish to thank all ACC Board members and the previous Chair, Dr David Collins QC, for their expertise and support. We have sought, as a Board, to lead positive change for ACC and to lift our effectiveness in governance to meet the challenges that ACC faces. I consider we have achieved a fundamental change in approach, and this is reflected in the 2006–2007 results recorded in this report.

My last word is for Chief Executive Dr Jan White, the ACC Executive Leadership Team, and all the staff of ACC. Your professionalism and your contribution to ACC ultimately deliver the results for this organisation. I salute you in your dedication to meeting the needs of all those New Zealanders that ACC touches in its work.

B L Tahi

Brenda Tahi
Interim Chair
ACC Board

From the Chief Executive Dr Jan White

The 2006–2007 year provides ACC with our first opportunity to report in full against the priorities of the strategic plan developed during the previous year.

This year has been one of intense effort, rewarded, as the Interim Chair has noted, by considerable achievement.

Operationally, ACC has made major strides in becoming both more efficient and more agile to better meet the needs of all our stakeholders.

During the year, we successfully completed two major improvements designed to enhance our customer service delivery: one, the virtual claim folder system that has digitised all claimant information; and two, the related Eos system – a major software-based claims management system.

We have made a considerable investment in our staff; our most important resource. Demands on our staff have been growing steadily with an increase in the volume of active claims each year. We expect the rise in both claim numbers and consumer expectations to continue.

We have responded to this challenge by committing to building a culture of success. As a first step, values and behaviour that will foster top performance have been shared with all staff.

Recruitment of extra staff to work at the frontline has been accompanied by ongoing training for staff members who have contact with customers. We have also empowered staff to make immediate decisions that can speed up a customer's recovery – a move that is improving our ability to get things right for people from the start. For those declining number of cases when individuals are dissatisfied with our service, we have introduced new processes to deal with customer issues. Under this service recovery initiative, the majority of complaints are now resolved within four working days, and the number going forward for further investigation and resolution has fallen 44% in the past year.

Following the progress we have made in delivering better service to customers across the board, we have also paid particular attention to the way we can better support seriously injured people.

At any time, ACC assists 3,000 seriously injured people whose injuries are likely to have a life-long impact.

Over the next 18 months, as part of the Rehabilitation Framework, ACC will roll out a new model of serious injury service. This initiative will ensure that seriously injured people throughout New Zealand receive a service that meets a consistent standard, no matter where they live. Specially qualified, dedicated staff will be employed to manage the rehabilitation of those people from within the seriously injured group, for whom a return to work (whether partial or complete) is sustainable and beneficial.

I welcome the willingness of staff to contribute to the development of our organisation and the accomplishment of our strategic goals. I would like to thank staff for their commitment and their dedication to the wellbeing of everyone in New Zealand.

Both the Minister and the Interim Chair have paid tribute to the partnership approach ACC has adopted in undertaking our responsibilities. Similarly, I would like to thank all our partners for their support throughout the year. Your ongoing contribution is essential if we are to achieve the bold vision of keeping New Zealanders free from injury and its consequences. I look forward to working with you throughout 2007–2008.

Dr Jan White
Chief Executive
Accident Compensation Corporation

Performance Reporting

This annual report marks a departure from those of previous years. It has been designed to place greater emphasis on the purpose behind the report, which is accountability for performance during 2006–2007. As a result, we have presented our Statement of Service Performance both in a convenient summary table on page 13, and in more detailed narratives related to performance measures under each of ACC's strategic priorities.

The report also covers a number of key areas which provide background information for our performance: we explain the nature of our levies, our investment philosophy and approach to investment management, and our claims liability, all of which provide essential context for the financial statements which follow. In addition, we cover corporate governance matters, including sustainability, equal employment policies, our work with other government agencies and an outline of the business of our subsidiary companies.

Part Two

Statement of Service Performance

Introduction

This report covers ACC's service performance for the year ended 30 June 2007, against the objectives set out in the 2006–2007 Statement of Intent. ACC's performance framework is summarised below.

ACC is a Crown entity existing under the provisions of the Injury Prevention, Rehabilitation, and Compensation Act 2001 ('the Act') to provide comprehensive, 24-hour, no-fault personal injury cover for all New Zealand residents (and visitors to New Zealand). Cover is managed under six (previously seven) Accounts:

- Work Account – for personal injuries in the workplace. The Work Account was created on 1 April 2007 and incorporates the former Self-Employed Work and Employers' Accounts[1]
- Residual Claims Account – for personal injuries in the workplace before 1 July 1999, or involving earners outside the workplace before 1 July 1992
- Motor Vehicle Account – for personal injuries involving motor vehicles
- Earners' Account – for personal injuries outside the workplace to those in paid work
- Non-Earners' Account – for personal injuries outside the workplace to those not in paid work
- Treatment Injury Account (formerly the Medical Misadventure Account, renamed on 1 April 2007) – for personal injuries from medical treatment.

The Act specifies ACC's role and functions to include:

- promoting measures to reduce the incidence and severity of personal injury
- determining cover
- providing statutory and other entitlements
- collecting levies
- managing the Accounts
- administering a disputes resolution process.

1. Account-level service performance information relating to the Work Account is reported under the former Self-Employed Work and Employers' Accounts in this year's Statement for ease of comparison with prior years.

ACC's vision – Freedom from injury and its consequences, for everyone in New Zealand – is the ultimate outcome to which ACC aspires.

This statement conveys ACC's vision of a nation where everyone is free from injury. ACC intends to work towards this ultimate outcome by preventing injury, and ensuring prompt rehabilitation for anyone who is injured. In this way, adverse impacts of injury on the individual, on the family, and on the wider community and economy will be minimised.

ACC's vision is supported by seven strategic priorities, which set the direction for ACC's work for the next five years:

Strategic Priority 1:	**E**nsuring New Zealanders have confidence in ACC
Strategic Priority 2:	**M**aintaining fair and stable levies
Strategic Priority 3:	**P**eople-focused with good outcomes
Strategic Priority 4:	**O**pen and fair access for all New Zealanders
Strategic Priority 5:	**W**orking to reduce injuries and occupational diseases
Strategic Priority 6:	**E**fficient, sustainable and flexible organisation
Strategic Priority 7:	**R**ehabilitation focused on returning to productive life.

ACC's strategic priorities operate as an interconnected series of focus areas for the organisation.

The levy rate, as measured under the strategic priority 'Maintaining fair and stable levies' is the financial focal point for the other strategic priorities. Although influenced by external factors, ACC can apply downward pressure on the levy rates by:

- reducing injury rates (through 'Working to reduce injuries and occupational diseases')
- helping people recover quickly (through 'Rehabilitation focused on returning to productive life')
- operating efficiently (through 'Efficient, sustainable and flexible organisation').

The strategic priority 'Ensuring New Zealanders have confidence in ACC' provides the societal focal point for the other strategic priorities. ACC can improve the public's trust and confidence by:

- being customer-centric (through 'People-focused with good outcomes')
- reducing injury rates (through 'Working to reduce injuries and occupational diseases')
- helping people recover quickly (through 'Rehabilitation focused on returning to productive life')
- ensuring people can access the Scheme when they need it (through 'Open and fair access for all New Zealanders'). However, improving access places upward pressure on levy rates as it increases claim volumes.

In the short term, some of the priorities may create opposing tensions (eg working to reduce injury rates versus making it easier to access the Scheme, both of which impact new claim volumes). However, in the longer term, ACC's focus is to balance the financial and social drivers of the Scheme.

ACC's seven strategic priorities and associated objectives formed the basis of ACC's service performance plans for 2006–2007.

Summary of performance

Primary performance measures by strategic priority	Comment
Ensuring New Zealanders have confidence in ACC – target achieved	
Public trust and confidence	Survey results shows a steady rise in trust and confidence, from 44% at June 2006 to 53% at June 2007 – a significant improvement on the target of 46% for 2007
Maintaining fair and stable levies – targets largely achieved	
Levy payer satisfaction	Large employer and tax agent satisfaction rates improved on 2007 targets; small- and medium-sized employers reduced marginally (the reduction being within the statistical margin for error)
Levy payer perceived value for money	A survey was completed into the value ACC provides for levy payers, and an action plan is being developed into ways of communicating the value delivered to levy payers through ACC cover
Stable levies	Average levy rates remained steady and predictable for employers and earners; rates for self-employed people reduced substantially; rates for motorists rose beyond target (reflecting increased costs to the account)
People-focused with good outcomes – targets largely achieved	
Claimant satisfaction	All surveyed satisfaction levels increased, on average from 77% to 82%; a significant improvement in long-term claimant satisfaction from 73% to 79%; Māori claimant satisfaction improved, but marginally less than target
Provider satisfaction	General practitioner satisfaction up to a healthy 78%; physiotherapist satisfaction reduced
Open and fair access for all New Zealanders – target achieved	
Claim rates for Māori and Pacific peoples	Claim rates for target populations increased although this was consistent with the general population and for younger groups; there was no increase in claim disparity between target groups
Working to reduce injuries and occupational diseases – targets partially achieved	
Entitlement claim frequency	Claim rates increased, particularly in homes, but reduced in workplaces and in selected areas such as rugby, which were down 5.5%
Awareness and reporting of occupational diseases	Survey completed and action plan to increase awareness being developed
Efficient, sustainable and flexible organisation – targets partially achieved	
Staff satisfaction	Surveyed satisfaction decreased slightly from 72.2% to 70.4% in the context of ongoing business re-structuring and significant business system change
Staff attrition	Attrition during 2006–2007 consistent with 2005–2006
Cost of administering claims	Operating costs were well within budget
Rehabilitation focused on returning to productive life – targets partially achieved	
Rehabilitation rates	Rates decreased due to higher claim volumes and implementation of new system but met targets
Rehabilitation index	Performance deteriorated due to higher claim volumes and implementation of new system

Strategic priority 1: Ensuring New Zealanders have confidence in ACC

ACC's ability to reduce injury and achieve prompt and lasting rehabilitation for every injured person in New Zealand depends on widespread public and provider understanding of the ACC Scheme and confidence in its delivery. Only then will everyone fully engage with the Scheme and realise the benefits it offers them.

ACC intends to develop and improve trust and confidence in ACC through the following outcomes:

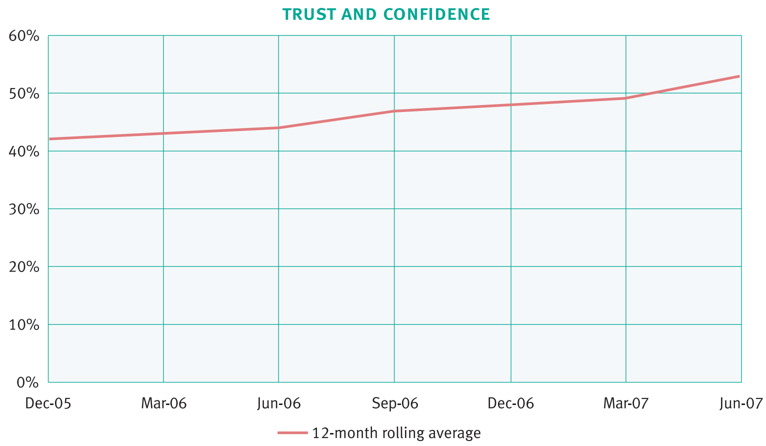
- a better understanding by the public of the ACC Scheme
- widespread belief that ACC's service is fair and equitable
- general acceptance that ACC looks after injured people in a helpful and positive way
- ACC earns respect as a leader in the community.

Public trust and confidence

The level of public trust and confidence is surveyed quarterly. The surveyed level of trust and confidence increased steadily during the year and the 2006-2007 result was 53% (from a sample of 1,826 with a margin of error of +/-2.3%). This result exceeded the target of 46% and the equivalent 2005–2006 figure of 44%.

ACC's strategy to improve trust and confidence included:

- a public information campaign to increase knowledge of the Scheme and how it operates (the 'Covered' campaign)
- active engagement with all stakeholders
- more responsive service delivery – emphasising greater fairness and common sense, and at the same time reducing duplication and delay and facilitating faster issue resolution
- improved customer communication that is more customer-friendly
- stronger alignment of ACC's internal culture with external service expectations.



Knowledge and awareness of ACC

ACC commissioned a survey, carried out during June and July 2006, of the general public to measure knowledge about specific aspects of the Scheme and ACC, to set a benchmark against which to evaluate the impact of the 'Covered' campaign. The survey showed that 17% of the public felt 'not at all informed' about ACC, and that 80% of the public believe 'everyone/all New Zealanders' are entitled to help from ACC when they are injured.

The impact of the 'Covered' campaign will be measured early in 2007–2008 with a follow-up survey after the completion of the first phase of the campaign. The campaign aims to reduce the percentage of the public who feel 'not at all informed' about ACC, and will seek to increase the percentage of the public who feel 'everyone/all New Zealanders' are entitled to help from ACC.

Complaints

In September 2006, ACC implemented its Service Recovery approach, which placed responsibility for the resolution of complaints directly with business units.

This reduced the number of complaints formally escalated to the Office of the Complaints Investigator, enabling faster resolution of such complaints. During 2006–2007, 77% of complaints dealt with by the Office were resolved within 15 days (target 50%) and 95% were resolved within 30 days (target 95%).

The number of complaints lodged with the Privacy Commissioner and Ombudsman reduced by 10% and 18% respectively (targets 5%).

Strategic priority 2:
Maintaining fair and stable levies

The sustainability of the fully funded Scheme depends on effective and efficient Scheme cost forecasting, and collection of levies from everyone in New Zealand.

Key ACC activities in respect of this strategic priority are in areas such as:

- working relationships with levy payers
- pursuing levy stability
- increasing the uptake of existing and new products
- managing the large investment reserve
- achieving administrative efficiency.

Such activities will support the desired outcome that ACC levies are fair and stable.

Levy rates

The 2007–2008 levies for employers, self-employed, earners and motor vehicles were announced in December 2006. The average levies (excluding GST) are set out below.

	2007–2008	2006–2007
Employers	\$1.21 per \$100 of liable earnings	\$1.21 per \$100 of liable earnings
Self-employed	\$3.36 per \$100 of liable earnings	\$3.54 per \$100 of liable earnings
Earners	\$1.16 per \$100 of liable earnings	\$1.16 per \$100 of liable earnings
Motorists	\$204.78 per motor vehicle	\$190.00 per motor vehicle

The changes were within the target of no more than +/- 5%, with the exception of that for motorists.

The average motorist's levy increased by 8% (reversing the 8% decrease from 2005–2006 to 2006–2007). This increase has been driven by an increase in costs to the Motor Vehicle Account of weekly compensation, social rehabilitation and medical treatment associated with serious injuries on the road. This is in part offset by the forecast increase in motor vehicle registrations and better-than-expected investment returns during 2005–2006.

Levy payer satisfaction

ACC measures the level of levy payer satisfaction by survey.

Satisfaction levels among the largest 500 employer levy payers and the next largest 2,000 increased slightly from 2005–2006 and exceeded the targets.

Satisfaction levels decreased for small- and medium-sized employers. There was a significant increase in contact with small- and medium-sized employers in the latter part of 2006–2007, involving increased levies, referrals to debt collection agencies and updating of records, which is likely to have had an impact on recorded satisfaction levels. ACC has implemented the following initiatives that form part of a longer-term approach to improving the way ACC interacts with levy payers:

- extra resources in the Business Service Centre to improve service delivery
- simplified levy invoices
- an outbound calling team to focus on proactive customer contacts to ensure data quality and the removal of barriers to payment.

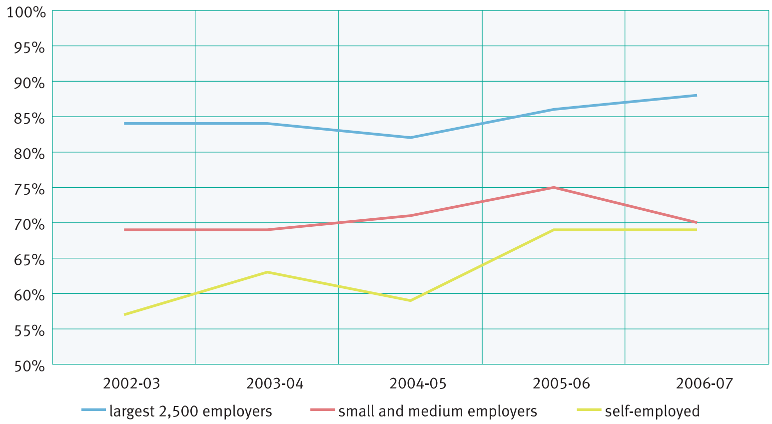
In early 2007, small- and medium-sized employers were surveyed, and 32% agreed that ACC provides good value for money. ACC also completed research to understand what business customers mean by good value for money, and what ACC can do to improve its value for money rating. The research results indicate that business customers do not value an organisation they know little about and, consequently, tend to undervalue the benefits that ACC offers. ACC is developing appropriate responses to the issues raised, which will become a focus for activity throughout 2007–2008.

Customer satisfaction levels for self-employed remained at the higher level reported in 2005–2006.

2006–2007 satisfaction levels among tax agents increased and met the target.

Levy payer group	2006–2007 Result	2006–2007 Target	2005–2006 Result	Sample size	Margin of error (+/-)
Top 2,500 employers	88%	N/A	86%	644	2.7%
Top 500 employers	85%	80%	84%	298	3.3%
Next 2,000 employers	89%	85%	88%	346	4.0%
Small- and medium-sized employers	70%	73%	75%	980	3.1%
Self-employed	69%	N/A	69%	1,073	3.0%
Tax agents	75%	70%	70%	467	4.7%

ACC LEVY PAYER SATISFACTION



Investment management

The greater the return that ACC achieves on managing its investments, the less it will need to put aside to cover future claim costs, thus reducing the amount of levies charged.

ACC was managing reserves of $7.9 billion at 30 June 2006 and aimed to achieve investment returns which exceed market benchmarks by 0.5%. Investment returns during 2006–2007 for ACC's total reserves exceeded the benchmarks by 0.4% (compared with 2.7% in 2005–2006 and 1.2% per annum over the last three years). Detailed comment on investment performance is included in the Investments section of the report.

Investment income for 2006–2007 was $819 million – $228 million in excess of the $591 million budget (which was set based on an average of government bond yields and swap rates).

Administration costs

Achieving effective expenditure on administering the Scheme will reduce the amount of levies to be charged.

Costs ratio	2006–2007 Result	2006–2007 Target	2005–2006 Result
Injury prevention costs/claim costs	1.6%	‹1.9%	1.9%
Investment costs/investment assets	0.19%	‹0.25%	0.16%
Levy collection costs/levy revenue	1.6%	‹1.8%	1.6%
Operating costs/claim costs	11.8%	‹13.6%	12.5%

Injury prevention costs relative to claim costs decreased from 1.9% to 1.6%. Injury prevention costs were 8% below budget due to delays to several programmes but remained close to the $40 million of the previous two years. Claim costs were 5% higher than budget, mainly due to higher social rehabilitation and weekly compensation costs associated with increased claim volumes.

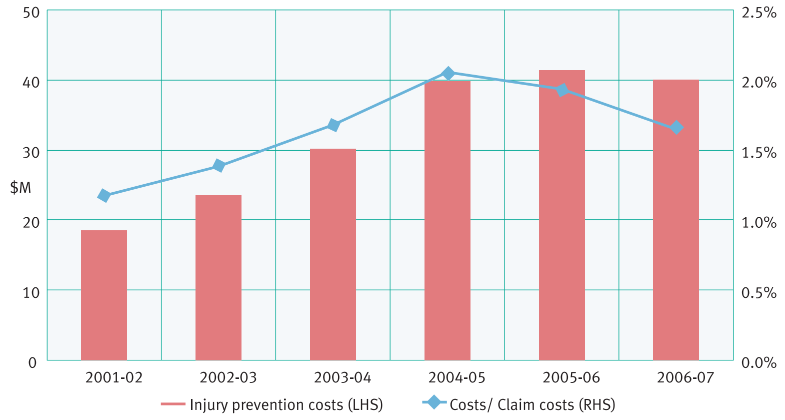
Investment costs were 18% below budget due to reduced fees payable to external managers, reflecting lower performance relative to the market and lower levels of investment placed with overseas managers.

Collection costs as a percentage of levy revenue have decreased from 2.5% in 2001–2002 to 1.6% in 2006–2007. Levy collection costs were less than budget due to lower-than-expected payments to external collection agencies; levy revenue was higher than expected due to higher-than-forecast earnings from employment in 2006–2007 and increased revenue in respect of prior years.

Operating costs (the majority of which relate to the management of claims) have remained relatively constant at approximately 12% of claim costs. Operating costs were 9% below budget due to:

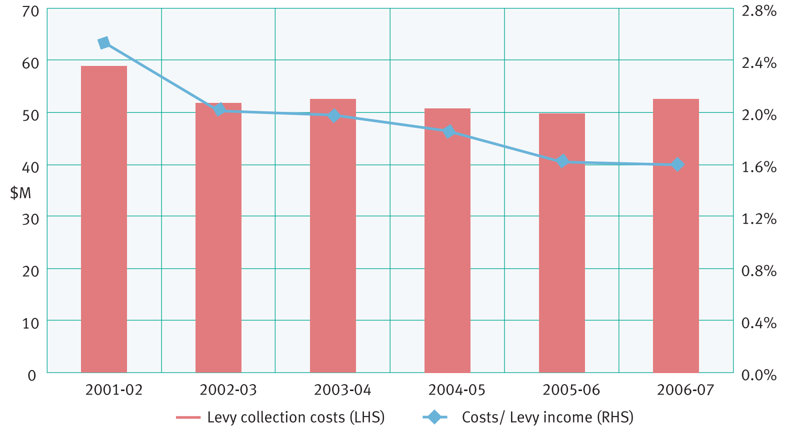
- lower-than-expected staff numbers
- rescheduling of the public information campaign
- deferred expenditure associated with operating cost projects
- lower depreciation through rescheduling of the capital expenditure programme and implementation of ACC's new claims management system ('Eos').

INJURY PREVENTION COSTS

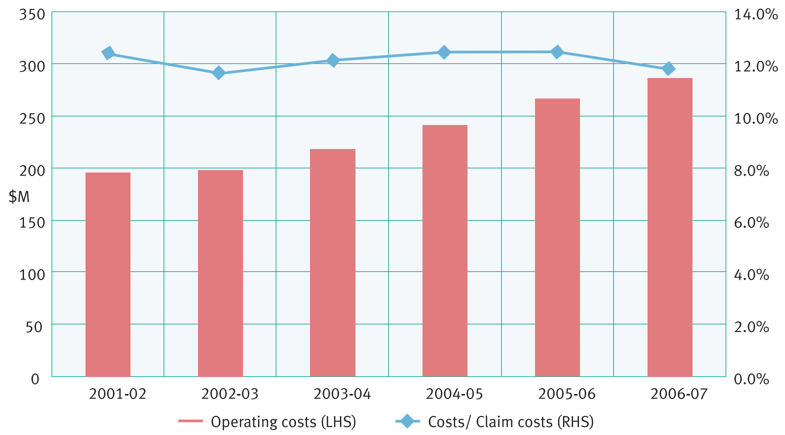


INVESTMENT COSTS

LEVY COLLECTION COSTS



OPERATING COSTS



Strategic priority 3: People-focused with good outcomes

ACC is focused on people – that is, on injured people, levy payers, providers and other stakeholders.

ACC is working to:

- empower staff to deliver customer-focused service
- move to a more integrated service for customers so that an individual needs only one point of contact when seeking assistance on any ACC matter
- help staff make the transition from a culture of compliance to a culture of flexibility to better meet the need of customers
- ensure that services and entitlements are delivered in a way that is appropriate for Māori and minority groups.

Activity in these areas will support the achievement of the following outcomes:

- improved access to the Scheme
- improved rehabilitation outcomes, particularly for long-term claimants
- fewer escalated disputes.

Levy payer satisfaction has been reported under Strategic Priority 2.

Claimant satisfaction

ACC surveys the level of claimant satisfaction monthly. All claimant satisfaction levels improved over those reported for 2005–2006. Target levels were achieved except those for Māori claimants.

Overall ACC claimant satisfaction increased from 77% to 82%. In particular, the satisfaction levels of long-term claimants increased from 73% to 79% – a 10% increase over the result when first surveyed in 2002–2003.

Also of particular note is the improvement in satisfaction for Māori, Pacific and Asian claimants. ACC is implementing three key initiatives to further improve the service provided to Māori claimants:

- the development of new Kaiawhina roles, which are designed to provide support and to help improve relationships between Māori claimants and ACC, as well as offering advice on ACC matters to whanau and communities
- a new training course for ACC's frontline staff, entitled 'Cultural Conversations', which focuses on improving the way frontline staff communicate with claimants
- recruiting to reflect the communities ACC serves.

The satisfaction rate for seriously injured claimants increased further from 74% in 2005–2006 to 78%, compared with 66% when first surveyed in 2002–2003.

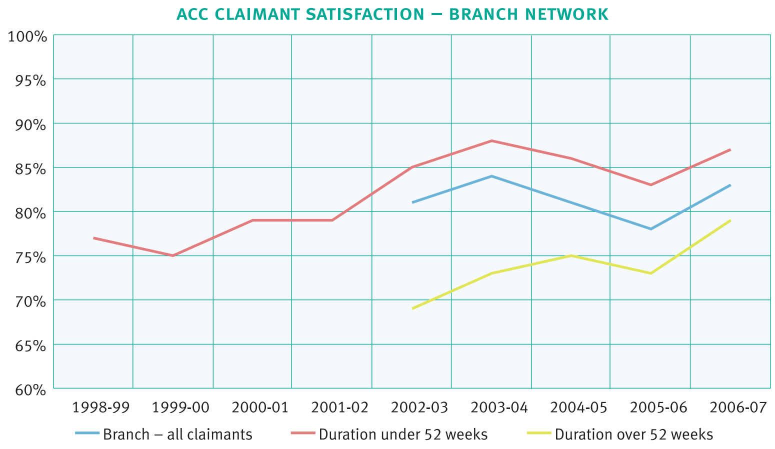
The percentage of claimants surveyed who reported as being either dissatisfied or very dissatisfied decreased from 20% in the final quarter of 2005–2006 to 13% in the final quarter of 2006–2007. Quarterly results in 2006–2007 ranged from 16% to 13% (target 10–13%). The top three reasons for claimant dissatisfaction were identified as:

- poor communication or contact
- service delays
- poor service from ACC staff.

The initiatives undertaken to address those issues included:

- tracking inbound and outbound calls to claimants and promoting proactive rehabilitation and communication with claimants (addressing communication and timeliness)
- reviewing ACC's forms, letters and fact sheets (addressing communication)
- implementing the Service Recovery framework (addressing interactions with staff and communication)
- developing a staff capability strategy (addressing all three areas of concern).

Claimant satisfaction by claimant group	2006–2007 Result	2006–2007 Target	2005–2006 Result	Sample size	Margin of error (+/-)
Overall claimant satisfaction	**82%**	**N/A**	**77%**	**9,692**	**1.1%**
Overall branch claimant satisfaction	83%	N/A	78%	5,430	1.3%
Branch claimants – duration under 52 weeks	87%	85%	83%	3,186	1.7%
Branch claimants – duration over 52 weeks (long term)	79%	73%	73%	2,244	2.1%
Māori claimants	84%	85%	77%	690	3.8%
Pacific claimants	87%	85%	82%	145	8.3%
Asian claimants	85%	82%	78%	123	9.0%
Seriously injured claimants	78%	70%	74%	91	10.4%



Provider satisfaction

ACC surveys the level of provider satisfaction annually. The 2006 ACC Provider Feedback Survey (carried out in November and December 2006) reported that overall provider satisfaction with ACC had remained steady at 70%.

Satisfaction amongst the two key provider groups was relatively high at 78% for those working in general practice and 70% for those in physiotherapy (targets 75%).

The increase in satisfaction for general practitioners from 73% in 2005–2006 was offset by a decrease from 75% for physiotherapists. That decrease is consistent with dissatisfaction expressed in relation to the levels of payment by ACC for physiotherapy services and process delays that existed at the time of the survey.

Issues resolution

The rate of complaints (relative to the number of active claims) escalated to the Office of the Complaints Investigator during 2006–2007 decreased by 44% (target 5%) compared with 2005–2006. This is consistent with the new Service Recovery framework reported earlier.

The Claimant Support Service was established to handle concerns referred to them from the ACC complaints telephone line. Some of these can be resolved by providing people with general information about ACC, while others are referred to the appropriate business unit for resolution.

The Claimant Support Service resolved 76% of complaints (target 50%) within four working days.

ACC has undertaken a pilot to increase its focus on mediation (rather than review) as a means of resolving disputes with claimants. The percentage of claim-related reviews lodged during the period July 2006 to April 2007 that were subsequently settled by mediation was 2.3%, compared with a target of 5%. ACC expects this to improve as the lessons learned from the evaluation of pilot processes, and successful outcomes from mediation to date, are rolled out nationally.

Strategic priority 4:
Open and fair access for all New Zealanders

ACC will continue to identify and understand barriers to Scheme access, with particular focus on populations with a demonstrable need. Māori, Pacific and Asian peoples have a clear claiming disparity, as do people with English as a second language and people with impairments.

Key ACC activities in respect of this strategic priority are in areas such as:

- educating people on entitlements and injury prevention
- implementing ACC's Māori Access Strategy
- developing Pacific and Asian Access Strategies.

Such activities will support the desired outcome that everyone in New Zealand will be able to access ACC services and entitlements with equal ease.

The primary measure for this strategic priority is an increase in claim rates within groups, particularly for groups with an identified claiming disparity.

New claims registered per 1,000 population	2006–2007 Actual	2005–2006 Actual	Increase	Target
Māori – under 20 years	286.0	274.1	4.3%	2.0%
Māori – over 60	191.1	171.2	11.7%	3.5%
Pacific peoples – aged 5–24	310.4	300.6	3.3%	1.5%
Pacific peoples – over 40	191.3	172.3	11.0%	1.5%

However, as the overall claim rates for all groups increased by 4%, there has been no significant reduction in disparity for Māori aged under 20 and Pacific peoples aged 5–24. Research is being developed to:

- ensure ACC understands the barriers to access for Māori, Pacific and Asian groups
- ensure ACC understands the groups it is targeting.

Disparity information will be used to support access initiatives including the Māori, Pacific and Asian Access strategies.

An increase in new claim numbers by ethnic groups with a clear claiming disparity was also sought. New claims registered in the Earners' and Non-Earners' Accounts (with ethnicity identified) increased significantly for the groups, and to a greater extent than the 6.7% increase recorded for the reference group (European claimants).

New claims registered	2006–2007 Actual	2005–2006 Actual	Increase	Target
Māori	144,358	134,914	7.0%	2.5%
Pacific peoples	74,150	68,708	7.9%	1.5%
Asian	57,088	49,893	14.4%	1.0%

A key element of ACC's Access strategies involves ensuring Māori and Pacific peoples have the best possible services and choices in treatment and rehabilitation. A target 1.5% increase in the utilisation of specialist services by Māori and Pacific peoples was set – however, no results are available yet.

Strategic priority 5: Working to reduce injuries and occupational diseases

ACC continues to strengthen its leadership role in the field of injury prevention, with implementation of the New Zealand Injury Prevention Strategy (NZIPS) remaining a priority. ACC's injury prevention activity is aligned to meet the strategic goals of the NZIPS and the strategies led by other agencies.

Particular areas of focus in 2006–2007 included:

- supporting the Department of Labour in the implementation of the New Zealand Workplace Health and Safety Strategy
- strengthening community injury prevention capability
- undertaking research to gain a better understanding of occupational diseases.

Such activities will support the desired outcome of reductions in personal injuries, including workplace gradual processes, diseases and infections.

New claims numbers

New claims are monitored in three main categories: new claims registered, new 'weekly compensation' claims, and new 'other entitlement' claims (claims receiving entitlements other than medical fees payments but not weekly compensation).

ACC monitors claim rates relative to appropriate population exposure bases. It was forecast that the population would increase slightly, and that ACC's activities promoting awareness of the Scheme and addressing barriers to Scheme access for at-risk claimant groups would increase new claim volumes. Motor vehicle claim rates are now reported relative to total population rather than the vehicle usage (kilometres travelled) used in previous reports.

New claims registered

The following tables show the number of new claims registered in 2006–2007, and claim rates, in total and by Account. The charts show a 12-month moving average of the number of new claims registered by month since 2002, in total and by Account.

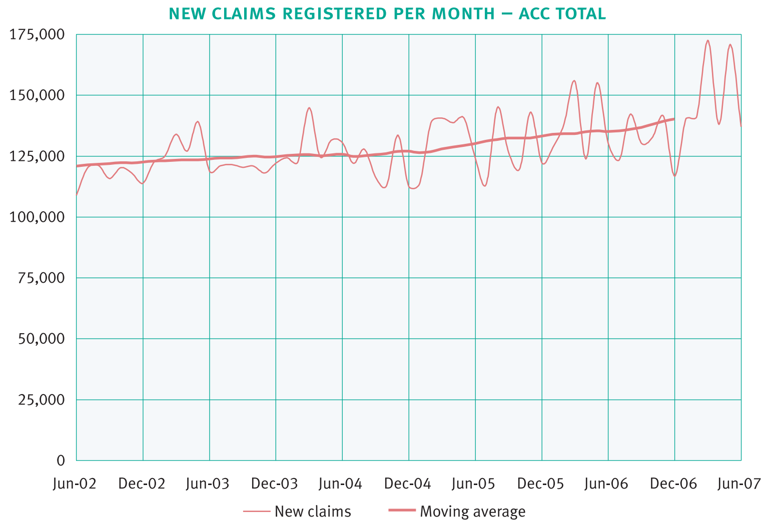
Overall, new claims registered increased by more than 5% from 2005–2006, which continued the rate of increase reported in 2005–2006, and is significantly more than the increase in population.

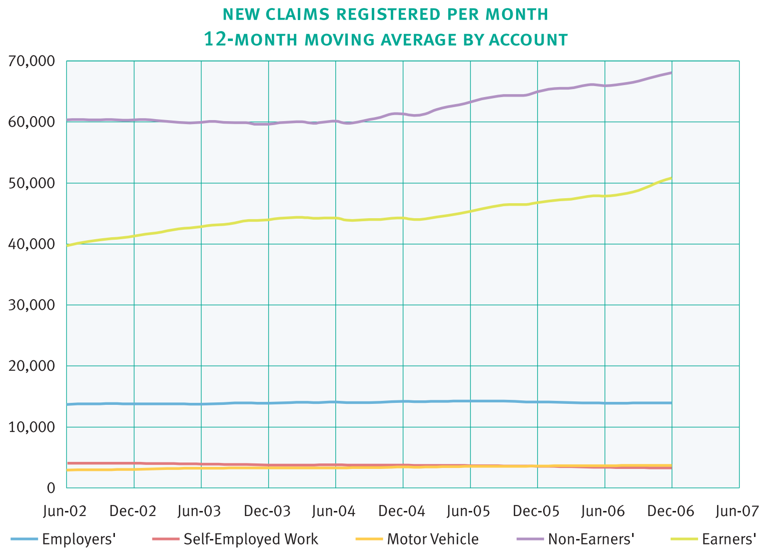
Compared with 2005–2006, claim numbers reduced in the Employers' Account and the claim rate decreased accordingly. The decrease in Self-Employed Work Account claim numbers was matched by a decrease in the numbers of self-employed, resulting in little change to the claim rate.

The increased claim numbers in the Motor Vehicle, Non-Earners' and Earners' Accounts were reflected in increased claim rates. The increases are consistent with ACC's Scheme access improvement initiatives.

New claims registered	2006–2007 Actual	2005–2006 Actual	Increase
ACC total	**1,685,995**	**1,604,359**	**5%**
Employers' Account	167,222	170,108	-2%
Self-Employed Work Account	39,162	42,585	-8%
Residual Claims Account	2,225	857	160%
Motor Vehicle Account	44,130	43,161	2%
Non-Earners' Account	817,198	782,561	4%
Earners' Account	612,094	562,241	9%
Treatment Injury Account	3,964	2,846	39%

New claims registered per 100 population	2006–2007 Actual	2005–2006 Actual
ACC total	**40.26**	**38.71**
Employers' Account	9.36	9.80
Self-Employed Work Account	11.54	11.63
Motor Vehicle Account	1.05	1.04
Non-Earners' Account	39.61	38.33
Earners' Account	28.79	26.74
Treatment Injury Account	0.09	0.07





New weekly compensation claims

The following tables show new weekly compensation claims in 2006–2007, and claim rates, in total and by Account. The charts show a 12-month moving average of the number of new weekly compensation claims by month since 2002, in total and by Account.

Total new weekly compensation claims in 2006–2007 increased by more than 5% from 2005–2006 – a similar increase to that reported in 2005–2006. The 2006–2007 claim rate of 1.627 per 100 population increased from 1.561 in 2005–2006 and was in excess of the 1.594 target.

The major growth in injuries is occurring around the home and while undertaking a sporting or recreational activity.

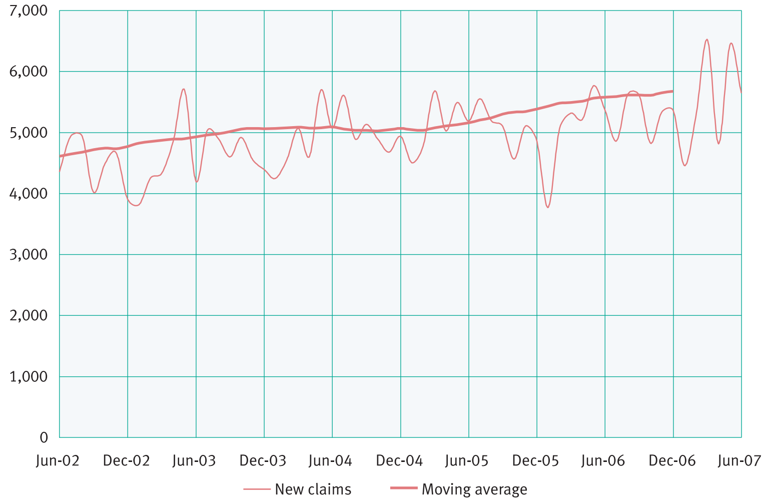
The increased new claim numbers in the Motor Vehicle and Earners' Accounts reflect increases both in the new claims registered and, in respect of the Motor Vehicle Account, in the 'escalation rate' (ie the proportion of new weekly compensation claims relative to the number of new claims registered).

The number of new weekly compensation claims resulting from injuries in the workplace (Employers' and Self-Employed Work Accounts) decreased slightly.

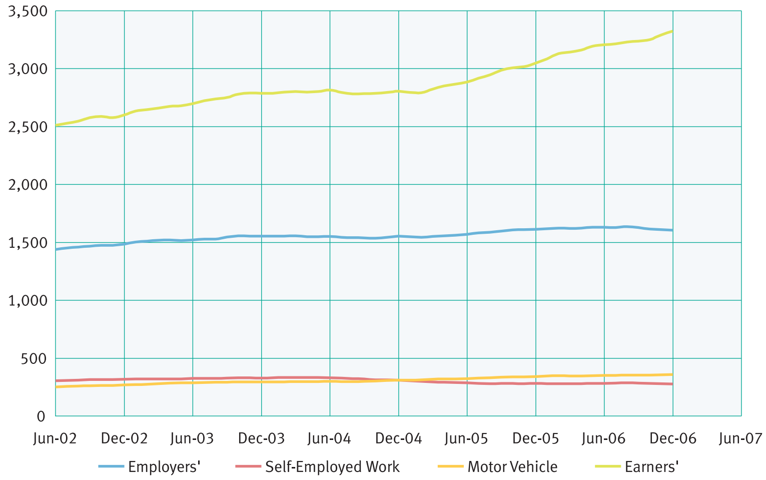
New weekly compensation claims	2006–2007 Actual	2005–2006 Actual	Increase
ACC total	**68,149**	**64,709**	**5%**
Employers' Account	19,202	19,333	-1%
Self-Employed Work Account	3,273	3,376	-3%
Residual Claims Account	467	459	2%
Motor Vehicle Account	4,288	4,112	4%
Non-Earners' Account	563	355	59%
Earners' Account	39,987	36,681	9%
Treatment Injury Account	369	393	-6%

New weekly compensation claims per 100 population	2006–2007 Actual	2005–2006 Actual
ACC total	**1.627**	**1.561**
Employers' Account	1.075	1.113
Self-Employed Work Account	0.965	0.922
Motor Vehicle Account	0.102	0.099
Earners' Account	1.881	1.744
Treatment Injury Account	0.009	0.009

NEW WEEKLY COMPENSATION CLAIMS PER MONTH – ACC TOTAL



NEW WEEKLY COMPENSATION CLAIMS PER MONTH
12-MONTH MOVING AVERAGE BY ACCOUNT



New other entitlement claims

The following tables show the number of new other entitlement claims in 2006–2007, and claim rates, in total and by Account. The charts show a 12-month moving average of the number of new other entitlement claims by month since 2002, in total and by Account.

Total new other entitlement claims in 2006–2007 increased by more than 12% from 2005–2006. The claim rate of 1.136 per 100 population increased from 1.022 in 2005–2006 and was in excess of the 1.068 target.

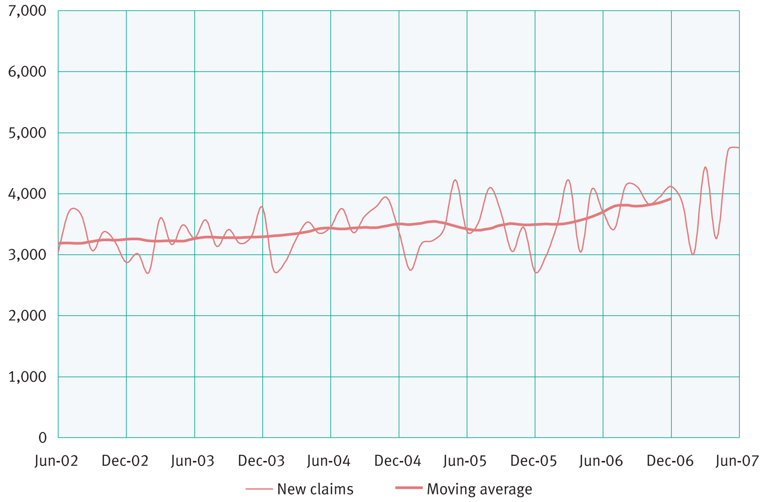
The major growth in injuries is occurring around the home (both earners and non-earners) and while undertaking a sporting or recreational activity.

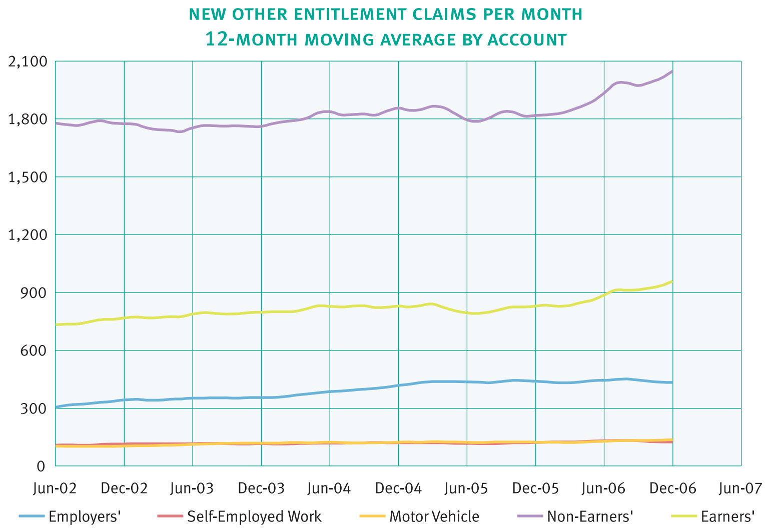
The increased new claim numbers in the Earners' and Non-Earners' Accounts reflect increases both in the new claims registered and in the 'escalation rates' (ie the proportion of new other entitlement claims relative to the number of new claims registered).

New other entitlement claims	2006–2007 Actual	2005–2006 Actual	Increase
ACC total	**47,556**	**42,373**	**12%**
Employers' Account	5,207	5,350	-3%
Self-Employed Work Account	1,497	1,530	-2%
Residual Claims Account	1,916	1,555	23%
Motor Vehicle Account	1,654	1,443	15%
Non-Earners' Account	24,860	21,998	13%
Earners' Account	11,668	10,172	15%
Treatment Injury Account	754	325	132%

New other entitlement claims per 100 population	2006–2007 Actual	2005–2006 Actual
ACC total	**1.136**	**1.022**
Employers' Account	0.291	0.308
Self-Employed Work Account	0.441	0.418
Motor Vehicle Account	0.039	0.035
Non-Earners' Account	1.205	1.077
Earners' Account	0.549	0.484
Treatment Injury Account	0.018	0.008

NEW OTHER ENTITLEMENT CLAIMS PER MONTH – ACC TOTAL





Injury prevention programmes

ACC placed particular focus on achieving reductions in the number of injuries in four areas:

- Safer industries – the rate of workplace entitlement claims reduced by 8.3% (target 0.5% reduction) in the six priority industry sectors (agriculture, construction, health, forestry, meat and road freight).
- Road – nationally, the rate of road injuries increased by 0.2% (target 0.5% reduction). However, in six target geographic areas where ACC focused its road injury prevention programmes, there was an 8% reduction in new motor vehicle entitlement claims. The national road toll results are decreasing, but serious road injuries are increasing and, as a result, road crashes remain a key issue for ACC and New Zealand. The National Road Safety Committee has undertaken a review of the priority areas. The objectives of the review are to:
  - achieve better collaboration between key agencies
  - reprioritise to ensure that serious injuries from road crashes are a key focus
  - ensure that, collectively, the agencies play a stronger role in the road sector throughout 2007–2008.
- Recreation – rugby had a 5.5% decrease in the rate of entitlement claims and soccer had a 2.5% decrease in the rate of entitlement claims (targets 4% decrease). During the year there was a higher-than-expected number of new soccer claims arising from prior periods.
- Falls – the rate of injuries to adults aged 80 and over resulting from falls decreased by 0.3% (result to May 2007, target 0.4% decrease). ACC has not yet achieved the desired geographical reach for its older adult falls prevention programmes, but this is expected to be achieved early in the 2007–2008 year.

Awareness and reporting of occupational diseases

ACC surveyed the general public and treatment providers to establish current levels of awareness of occupational diseases and ACC's role in providing cover and entitlements.

Treatment providers were also surveyed as to their levels of knowledge in respect of the top five occupational diseases (hearing loss, dermatitis, asbestosis, occupational asthma and leptospirosis). The results highlight the need to provide better information on occupational diseases to practitioners.

As a result, ACC is developing a communications strategy to raise awareness of occupational diseases and other work-related conditions by targeting employer and employee representatives, medical professionals and claimants. The communications will also concentrate on preventing, identifying, diagnosing and treating occupational diseases and work-related conditions.

The results of the surveys will provide baseline data to establish performance targets for increasing awareness and reducing the incidence of occupational diseases in 2007–2008.

National Safety Culture Survey

New Zealand Injury Prevention Strategy (NZIPS) commissioned research in late 2006 to undertake a national, population-based safety culture survey. The National Safety Culture survey was conducted in May 2007 and involved a population base of 1,000 with over-representation for groups such as young males, Māori, Pacific Island and Asian populations.

The Strategy's 2005–2008 implementation plan includes an impact measure of seeking a 10% increase in awareness of the three key measures:

- everyone is at the risk of injury and harm (baseline measure 29%)
- consequences of injury and harm are far reaching (baseline measure 80%)
- accidents and injuries are preventable (baseline measure 53%).

Further surveys will be conducted bi-annually to measure changes from the baseline. The initial findings indicate that people are underestimating their risk in the home, workplace, and sport and recreation areas while overestimating their risk on the road.

Strategic priority 6: Efficient, sustainable and flexible organisation

ACC is positioning itself for the future by moving towards a more customer-focused, innovative and staff-empowered environment.

It is keen to attract and retain highly skilled staff who will enhance the organisation's capacity to adapt rapidly to change and deliver consistently excellent service.

ACC aims to be recognised as a top-performing agency achieving the highest standards of efficiency and customer service.

Staff satisfaction

ACC measures staff satisfaction by an annual staff census survey.

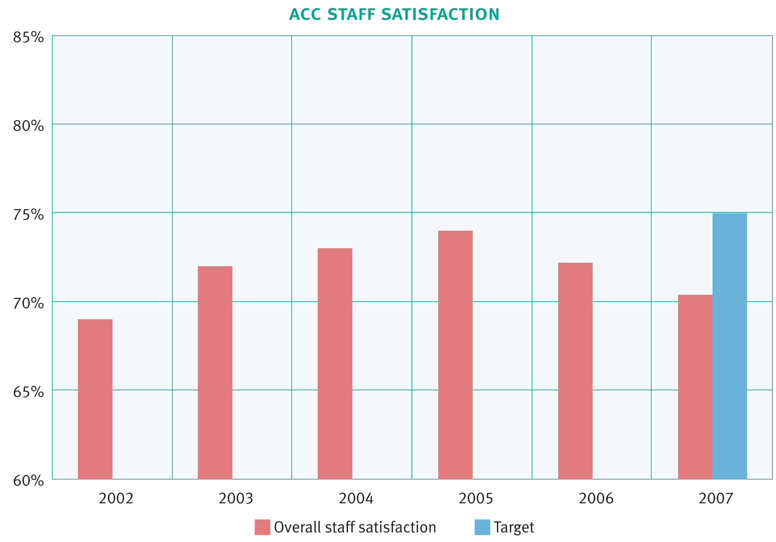
ACC's 70.4% overall staff satisfaction rating at June 2007 compares with 72.2% in 2006 and is below the 75% target. The satisfaction of ACC staff with their managers is 73.8% – also less than the 2006 result of 75.2% and the target of 77.5%.

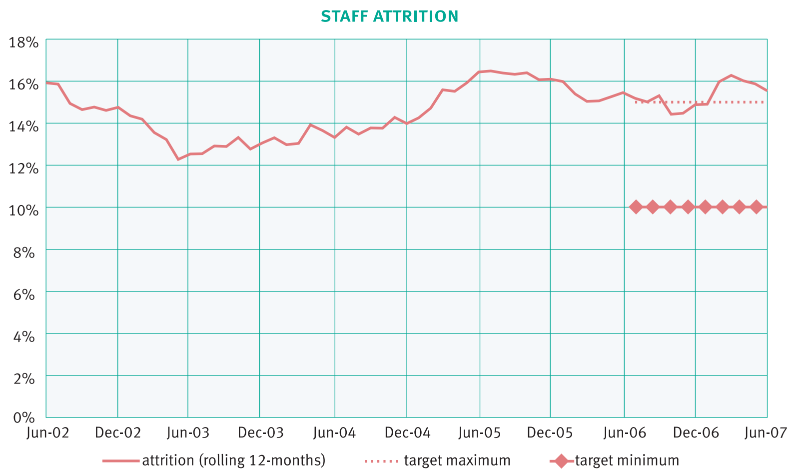
The decreases are thought to reflect, in part, the significant organisational and business systems changes undertaken during the year.

New leadership programmes focusing on developing managers and the leadership in ACC are commencing in the first quarter of 2007–2008.

Key results from the 2007 census are:

Census factor	2007 Result	2007 Target	2006 Result
Satisfaction with job	68.9%	N/A	70.4%
Satisfaction with manager	73.8%	77.5%	75.2%
Being part of the future of ACC	69.7%	N/A	71.3%
Satisfaction with ACC	69.8%	N/A	71.9%
Staff satisfaction index	**70.4%**	**75.0%**	**72.2%**





Staff attrition

Turnover through voluntary termination for all ACC staff during the 12 months to June 2007 was 15.5%. This is slightly in excess of the target range of 10–15% and compares with turnover during 2005–2006 of 15.5% (recalculated from the reported 14.8%).

ACC is undertaking a review of its recruitment strategy, enhancing induction and introducing a leadership and management development programme. It is anticipated that these initiatives will help increase staff retention in 2007-2008.

Efficiency

Administration costs per claim are determined from analysis of ACC's operating costs (the majority of which relate to claims management activity). Targets were based on budget operating costs and forecast claim numbers.

Costs per claim were within target as operating costs were 9% less than budget and entitlement claim numbers were higher than forecast. Claims management costs per entitlement claim are increasing. Costs are increasing (due to more staff managing claims and the commencement of Eos depreciation) at a faster rate than claim numbers.

Administration costs per claim	2006–2007 Actual	2006–2007 Target	2005–2006 Actual
Entitlement claims	$1,270	$1,440	$1,258
Medical fees only claims	$24.5	$28.3	$25.0

Budget control

	Actual ($m)	Budget ($m)	Variance
Levy revenue	3,290.3	2,952.2	11%
Investment income	819.3	591.1	39%
Claim costs	2,428.1	2,310.5	-5%
Administration costs	396.5	431.9	8%
Claims liability	13,735.4	13,388.5	-3%

ACC's target was for the above financial results to be within +/- 2% of budgets.

Levy revenue was $338 million in excess of budget due to higher-than-forecast earnings from employment in 2006–2007 and higher-than-expected revenue from final invoices in respect of prior years for the Employers', Residual Claims and Earners' Accounts.

Investment income exceeded budget by $228 million due to strong returns in all equity markets.

Claim costs (treatment, social and vocational rehabilitation, and compensation entitlements prescribed by the Act for claimants) paid during 2006-2007, exceeded budget by $118 million due to higher social rehabilitation and weekly compensation costs associated with increased claim volumes.

ACC's administration costs were less than budget for 2006–2007, primarily as a result of:

- deferred commencement of injury prevention programmes
- lower depreciation through rescheduling of the capital expenditure programme and implementation of Eos
- reduced fees payable to external investment managers, reflecting lower performance relative to the market and lower levels of investment placed with overseas managers.

ACC's claims liability increased by $1.020 billion from $12.715 billion at 30 June 2006 to $13.735 billion at 30 June 2007. This is 3% higher than the forecast liability of $13.389 billion.

The increase in the discount rate from 5.83% at 30 June 2006 to 6.61% at 30 June 2007 reduced the liability by approximately $1.1 billion. This reduction was more than offset by the liability increasing significantly as a consequence of providing for higher future medical, social rehabilitation and weekly compensation costs.

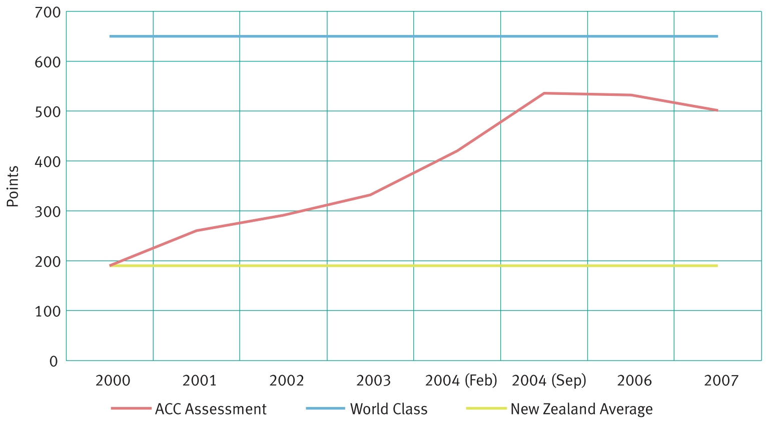
Continuous improvement

Since 2000, ACC has operated an organisation-wide business excellence programme based on the international Baldrige best business practice framework.

An internal assessment was conducted against the Baldrige framework in February 2007. As a consequence, ACC has been assessed at 501 points (within its target range of 500–550 points). This represents a small slippage from the 2006 assessment of 532 points, less than was anticipated given the organisation's restructure. The review indicates that ACC has maintained a similar level of business maturity over the past two years.

Many of the opportunities for improvement identified within this self-assessment were already being addressed by ACC. Other opportunities for improvement, not currently being addressed but aligned to current business direction, have been accepted and are now being integrated into the 2007–2008 business planning as a reflection of ACC's focus on continuously improving services.

ACC BALDRIGE EVALUATIONS



A safe workplace

ACC's commitment to managing workplace health and safety is reflected in its attainment of tertiary-level accreditation for the ACC Partnership Programme in 2006–2007.

ACC's WorkSafe health and safety programme is in place in all workplaces to support the physical, psychological and emotional safety of staff.

ACC continues to provide an Employee Assistance Programme, which has enabled support to be available to all ACC staff members to assist them to balance work and personal lives and to enable provision of support to assist with the resolution of any issues that might be impacting on performance at work.

As part of ACC's WorkSafe programme, all staff who work closely with claimants have professional supervision to provide support and ensure that case management and other work practices are safe, effective and ethical.

ACC provides an effective staff claims management function, ensuring staff members suffering injury are able to return to a productive life as soon as possible using the case management approach.

Best Places to Work

In the Best Places to Work Survey 2006, ACC ranked ninth-equal out of 14 organisations in the large employers category (400+ employees).

ACC recorded lower than average results compared to other organisations participating in the Best Places to Work Survey 2006 in the areas of Culture and Values, Communication and Co-operation, My Job, and Performance and Recognition. ACC will address these issues in 2007–2008 by:

- implementing a capability development strategy to improve the competencies and culture of its staff
- reviewing the system by which staff performance is reviewed
- tailoring staff development plans to individual needs.

Strategic priority 7: Rehabilitation focused on returning to productive life

ACC is committed to improving sustainable rehabilitation outcomes for all claimants, particularly for long-term claimants where their health, independence and participation need to be restored to the maximum extent practicable. To this end, ACC aims to become involved in a claimant's rehabilitation as early as possible and to work in partnership with claimants and their families. ACC will work to ensure prompt delivery of treatment or other entitlements to improve an injured person's recovery.

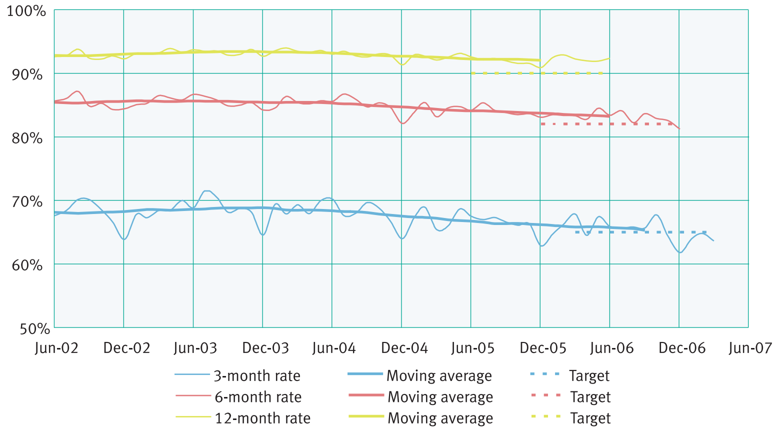
Rehabilitation rates

Rehabilitation rates show the percentages of claimants who return to work or independence within three-month, six-month and 12-month periods from date of injury, for the major weekly compensation accounts. The 12-month rate is particularly important, as it determines the number of claims that become classified as long-term.

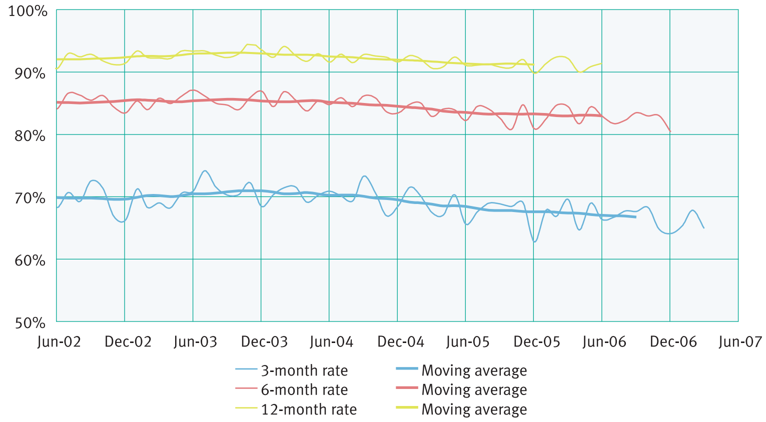
Rehabilitation rates deteriorated from 2005–2006, particularly at three and six months. However, the target rates (82% at six months and 90% at 12 months for ACC in total) were met – the targets having taken into account the expected impact of the system change process on rehabilitation performance. Performance was also affected by the increase in the volume of new claims.

Three-month rehabilitation rates	2006–2007 Result	2005–2006 Result
ACC total	**65%**	**66%**
Employers' Account	67%	68%
Self-Employed Work Account	56%	56%
Motor Vehicle Account	58%	58%
Earners' Account	66%	68%
Six-month rehabilitation rates		
ACC total	**83%**	**84%**
Employers' Account	83%	83%
Self-Employed Work Account	76%	77%
Motor Vehicle Account	79%	79%
Earners' Account	85%	86%
12-month rehabilitation rates		
ACC total	**92%**	**93%**
Employers' Account	91%	92%
Self-Employed Work Account	88%	90%
Motor Vehicle Account	89%	88%
Earners' Account	94%	94%

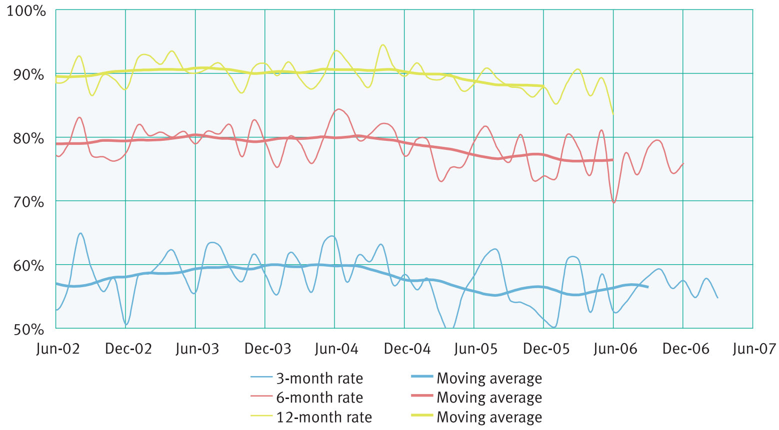
REHABILITATION RATES – ACC TOTAL



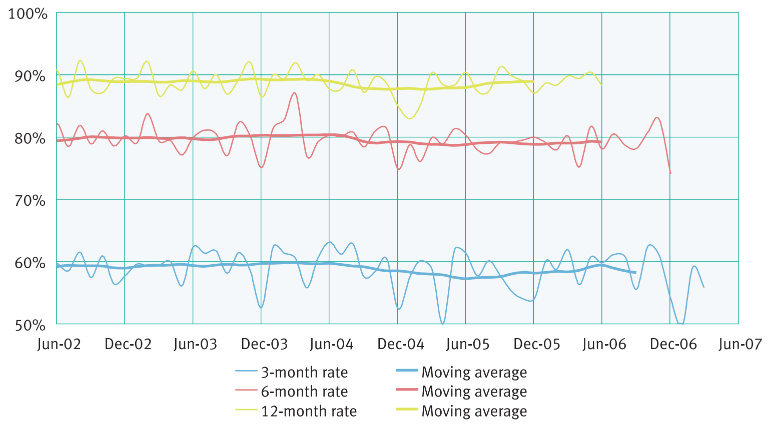
REHABILITATION RATES – EMPLOYERS' ACCOUNT



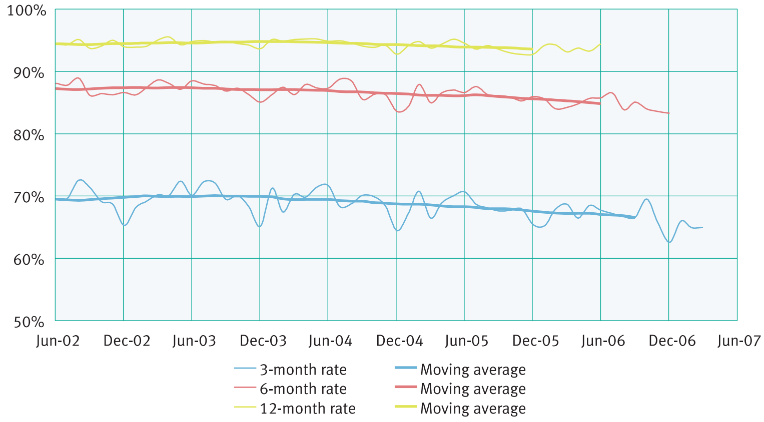
REHABILITATION RATES – SELF-EMPLOYED WORK ACCOUNT



REHABILITATION RATES – MOTOR VEHICLE ACCOUNT



REHABILITATION RATES – EARNERS' ACCOUNT



Rehabilitation index

ACC trialled the use of a rehabilitation index. This is a matrix measure designed to track how ACC's service delivery components work together to achieve rehabilitation outcomes. The index consists of eight components, with the 2006–2007 target of 100 reflecting the performance target for each of the components.

The result for 2006–2007 of 88 can be mainly attributed to the following components of the index:

- an increase in the number of active long-term other entitlement claims
- a decrease in the percentage of claims that are rehabilitated within the maximum duration benchmark of the Medical Disability Advisor (MDA). The MDA provides guidelines for the timeframe to rehabilitate a person's injury
- a decrease in the proportion of claims rehabilitated within 28 weekly compensation days paid.

The increased workload for claims management staff resulting from increased new claims volumes coupled with the transition to the new Eos claims management system contributed to the decline in results.

The trial of the rehabilitation index highlighted that it was an overly complex performance measurement mechanism. Staff found the index difficult to understand and consequently, it did not achieve the desired impact as a performance driver. ACC will in future report against the key elements of the matrix as separate performance measures.

Number of long-term claims

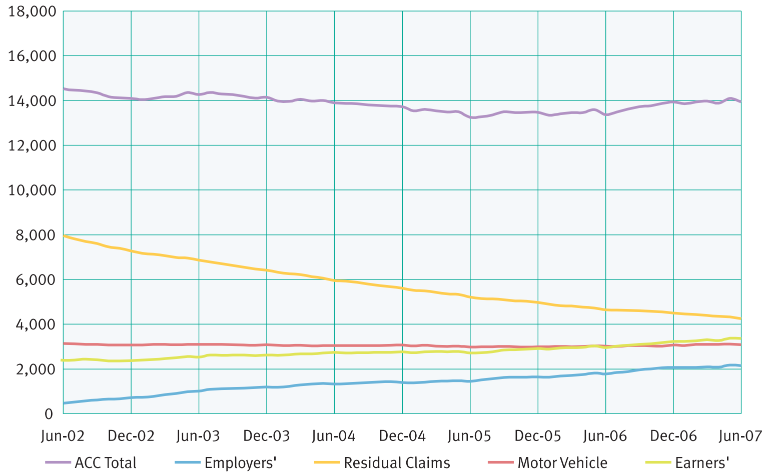
ACC forecast that the number of long-term weekly compensation claims (ie claims in receipt of weekly compensation for more than 12 months) would increase by 425 during 2006–2007. The number of claims increased by 580 during the year to 30 June 2007.

The increase reflects increases in:

- the number of new weekly compensation claims during 2005–2006
- the proportion of such claims reaching 12 months' duration on the Scheme compared with recent years (consistent with the deterioration in 12-month rehabilitation rates).

Account	Number of long-term claims at 30 June 2007	Number of long-term claims at 30 June 2006	Increase/ (Decrease)
ACC total	**13,928**	**13,348**	**580**
Employers' Account	2,140	1,741	399
Self-Employed Work Account	454	384	70
Residual Claims Account	4,248	4,655	(407)
Motor Vehicle Account	3,085	3,007	78
Non-Earners' Account	339	313	26
Earners' Account	3,352	2,945	407
Treatment Injury Account	310	303	7

NUMBER OF LONG-TERM WEEKLY COMPENSATION CLAIMS



Return-to-work outcomes survey

ACC uses a survey to measure the return-to-work outcomes for a sample of former claimants (approximately 400) who had a claim with ACC and were off work for at least three months as a result of their injury. From this sample, approximately 200 claimants who indicated they had returned to work are re-interviewed in 12 months to examine whether their return to work was sustainable.

When surveyed in late 2006, the proportion of former claimants surveyed who had returned to employment was 85% (84% in 2005), which is above the target set for this measure of 75%–80%. Ninety-one per cent of those surveyed in 2006, who had reported in 2005 that they had returned to work, reported that they were still working 12 months later (the equivalent result in 2005 was 85%).

Analysis of revenue and expense by activity

ACC's principal business activities are:

- Claim management
  - lodgement of new claims and cover decisions
  - determination, processing, payment and monitoring of fees payable to treatment and service providers and claimants
  - returning claimants to independence
- Injury prevention
  - development and delivery of programmes to reduce the incidence of accidents and injury.
- Investment management
  - management of ACC's investment assets
- Levy collection
  - invoicing and collection of levies.

The combination of those business activities and associated support activity produce the outputs and achievements detailed above in relation to the seven strategic priorities.

2006–2007 revenue and expenses by activity were as follows ($million):

	Revenue		Administration costs		Claim costs	
	Actual	Budget	Actual	Budget	Actual	Budget
Claim management			122.4	119.5	2,106.0	1,967.9
Injury prevention			40.0	43.3		
Investment management	819.3	591.1	17.6	21.4		
Levy collection	2,516.4	2,224.7	52.6	54.0		
ACC business activity	**3,335.7**	**2,815.8**	**232.6**	**238.2**	**2,106.0**	**1,967.9**
ACC support activity	1.3	0.9	163.8	194.6	322.1	342.6
Catalyst, DRSL services to non-ACC customers	3.3	3.8	1.4	2.6		
Non-earners' appropriation	773.8	727.6				
ACC Group Total	**4,114.1**	**3,548.1**	**397.8**	**435.4**	**2,428.1**	**2,310.5**

Part Three

Levies, Investments and Claims Liability

Levies

Levy setting

The Scheme Accounts are funded by the collection of levies. Levy rates are set annually to meet the funding policies of each Account. The Residual Claims Account and the residual portions of the Motor Vehicle and Earners' Accounts are required by governing legislation to be fully funded by 30 June 2014. The Work, Motor Vehicle and Earners' Accounts are required to be fully funded on an ongoing basis, with levy rates adjusted over a three-year period to account for any over- or under-funding.

All claims incurred from 1 July 2001 in the Non-Earners' Account are fully funded by appropriation from Government and all pre-1 July 2001 claims are funded on a pay-as-you-go basis by appropriation from Government.

The Treatment Injury Account is funded from the Earners' and Non-Earners' Accounts according to the mix of earner and non-earner claimants.

Full funding means sufficient reserves are available to meet the life-time costs, including management, of all registered claims as well as the life-time costs of all claims that have been incurred but not yet reported to ACC.

Levies for the Residual Claims, Work and Earners' Accounts are paid at the applicable rate applied to the liable earnings of the levy payer.

Motor Vehicle levies are paid by vehicle owners with their annual licence fee and with a portion of the revenue included in the cost of petrol.

Levy collection

Levies required to fund the Residual Claims and Work Accounts are invoiced directly to the employer or self-employed person based on their respective liable earnings at the applicable levy rate. Earner levies of shareholder-employees and self-employed are also invoiced directly. Earner levies of employee earners are collected within the PAYE taxation system and are paid to ACC by the Inland Revenue Department.

Motor vehicle levies are included within vehicle licence fees and, for petrol-powered vehicles, a levy component is included within the cost of petrol. These are collected and paid over by Land Transport New Zealand and Customs.

2006–2007 levy

The Employers' and Self-Employed Work Accounts were merged with effect from 1 April 2007 to form the Work Account. The comments below for the Employers' and Self-Employed Accounts are for the nine months to 31 March, and for the Work Account are for the three months to 30 June.

Levy revenue exceeded budget in the Residual Claims, Employers', Self-Employed Work and Earners' Accounts due to:

- liable earnings exceeding expectation
- positive adjustments to prior years' revenue as final invoices issued for those years exceeded expectations.

Levy revenue was lower than budget in the Work Account, reflecting the lower levy rates that were set with effect from 1 April 2007, compared with the rates that were in effect when the budget was prepared.

Levy revenue for the Motor Vehicle Account exceeded revenue budget from both vehicle licence fees and petrol levy due to more vehicle licences and higher demand for petrol than anticipated in the budget.

Non-Earners' appropriation

Appropriation from Government exceeded budget by $45.6 million (6.8%) mainly due to:

- a $37.3 million increase reflecting
  - an increase in lump-sum costs following a Court of Appeal decision in the Estate of Priddle and Others v ACC case relating to work-related gradual process, disease and infection claims
  - a Crown Law opinion stating that costs associated with gradual process hearing loss claims incurred before 1 July 2005 are to be reimbursed from the Non-Earners' Account, as these claimants were non-earners on their deemed date of injury. The costs of these claims were transferred from the Employers' and Self-Employed Work Accounts.
- a funding adjustment reflecting actual costs incurred and a change in the claims liability valuation.

The appropriation allocated to the Treatment Injury Account exceeded budget by $0.7 million (1.3%).

Investments

Why ACC invests

There can be a significant time gap between the collection of levies and the payment of all costs that those levies are intended to cover. Many injuries require ongoing rehabilitation, medical care or earnings replacement for several years or decades after the injury is incurred. Accordingly, the funds set aside to cover the future costs of injuries that have already occurred will be invested for an average of about 10 years before they are needed. In the meantime, ACC invests those funds with an expectation that it will earn a return on its investments which is significantly better than inflation. This reduces the amount of money that ACC needs to put aside to cover future costs and thus the amount of levies charged.

Risks

By assuming that it will earn a return on its investments, ACC is left exposed to the risks that long-term returns could be lower than expected or that higher-than-expected inflation in claim costs could mean that the budgeted return may prove to be insufficient to fund existing claims.

The investment portfolios are managed in a way which maximises the probability that ACC will be able to meet its long-term obligations without having to make unplanned increases in levy rates. In addition to managing the risks that can impact short-term investment returns (such as declines in equity markets), ACC must also protect itself against the risk that prospective long-term real returns may decline (due to declines in interest rates or rises in inflation). ACC also needs to balance the objective of reducing its exposure to these risks against the equally important objective of enhancing portfolio returns.

While ACC's conceptual focus is on long-term risks, it is also important to quantify and measure risk over a shorter time period. In the near term, ACC's long-term risks can be linked to two shorter term measures:

- risk that ACC might fail to earn the assumed investment return in a given year. This would be most likely to occur in years when equity markets are weak
- risk that ACC may need to increase the amount of money that needs to be put aside to meet the future costs of existing claims. This could occur due to declines in bond yields, deterioration in the inflation outlook, or other factors which are more specific to ACC.

Either of these events could create a shortfall that ACC would have to cover by charging higher levies in the future. Conversely, ACC would benefit – and might therefore be able to reduce levy rates in the future – if it earns a higher-than-expected investment return, if it is able to realistically increase its assumption about future investment returns or if the inflation outlook improves.

Allocation of funds

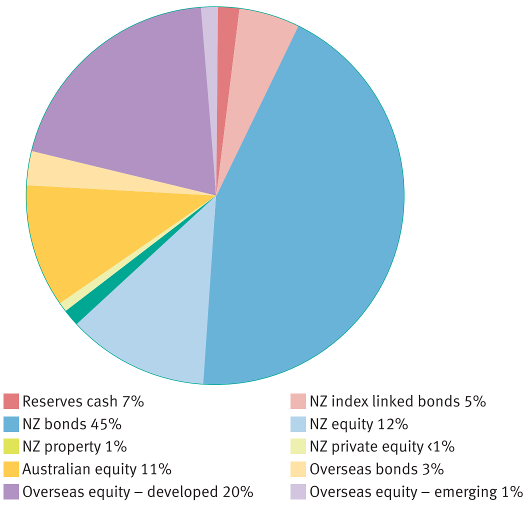
ACC's allocation of funds among different investment markets aims to balance the often competing objectives of enhancing returns and reducing the funding accounts' exposure to the various risks discussed in the preceding section.

While it is not possible to fully offset the various long-term risks, ACC allocates funds among investment markets and sets investment policy with an aim of keeping each of these risks at a manageable level.

Compared to other funds, ACC tends to invest a relatively large percentage of its funds in New Zealand investment markets, particularly fixed interest instruments with a long time to maturity. There are two main reasons for this: firstly, New Zealand investment markets match ACC's claims liabilities better than offshore markets, as ACC's claims liabilities are sensitive to real New Zealand bond yields; secondly, the internal management costs of ACC's New Zealand investments are much lower than the external management costs for offshore investments.

Each of ACC's funding accounts splits its investment funds between an investment in ACC's short-term 'cash portfolio' which is used to meet near-term expenditure requirements, and its own longer-term 'reserves portfolio', which is set aside to meet the future costs of existing claims. The investment allocations of the reserves portfolios differ by funding account, reflecting different funding positions, different projected growth rates, and different claims liability characteristics of the various funding accounts. Generally, rapidly growing funding accounts have higher equity weights than funding accounts which are not expected to record rapid growth in investment assets.

COMPOSITION OF AGGREGATE RESERVES



An overview of the past year

The most notable features of investment markets over the past year have been the strength of the New Zealand dollar, the rise in New Zealand interest rates and continued strong returns from equity markets.

During 2006–2007, the New Zealand dollar rose by 37% against the Japanese yen, 27% against the US dollar, 20% against the Euro and by more than 10% against all other currencies in which

ACC had a significant investment. This had the effect of significantly diminishing returns from unhedged foreign investments.

New Zealand long-term interest rates rose by about 1% during 2006–2007. This severely diminished the returns from fixed interest investments, but enhances the prospective return that can be anticipated from these investments in the future.

Most equity markets have been very strong over the past year. However, New Zealand dollar returns from the three largest offshore equity markets (US, UK and Japan) were all flat or negative, as the strength of the New Zealand dollar more than offset the local currency returns from those markets.

Growth in ACC's investment portfolios

ACC's reserves portfolios increased in value by 16% – from $7.9 billion last year to $9.2 billion at the end of June 2007. Most of this growth was due to retained investment income, but ACC also added extra funds from the surplus of levy income over Scheme expenditure.

The reason ACC is running an operating surplus is to grow the investment portfolio until it has sufficient funds to cover the claims liability, which represents the estimated future costs of injuries that have already been incurred. Once this has been achieved, ACC will be 'fully funded'.

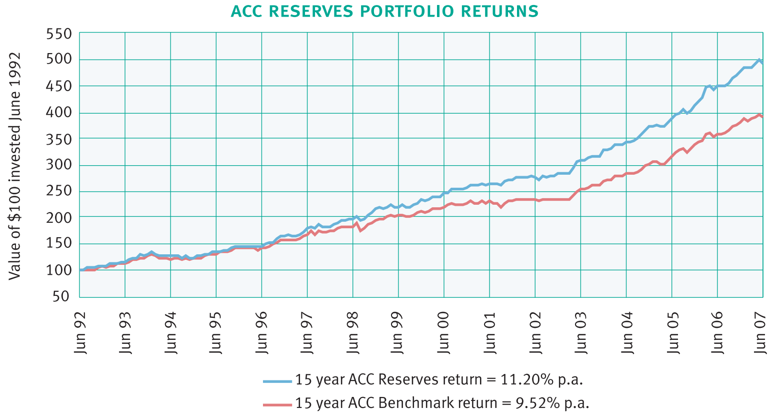
By continuing to re-invest investment income and maintaining a surplus of levy income over Scheme expenditure, ACC will grow its long-term investment portfolios to meet our obligation to be fully funded in seven years (by 2014). At the same time, the claims liability is projected to grow roughly in line with growth in the size of the New Zealand economy. As a result, it is expected that ACC's long-term investment funds will roughly double by 2014.

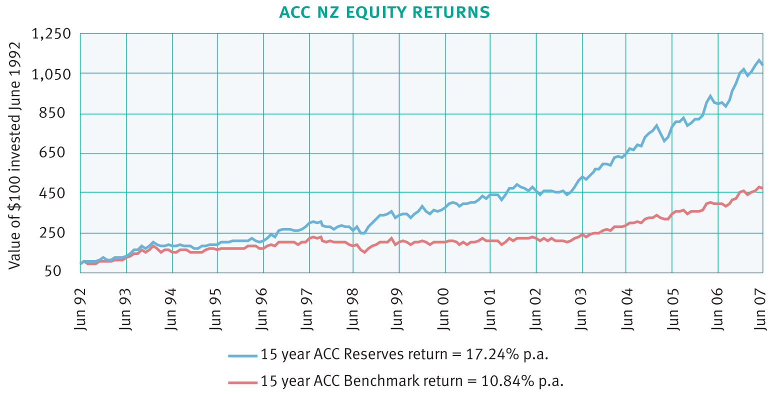
How our investment portfolios are managed

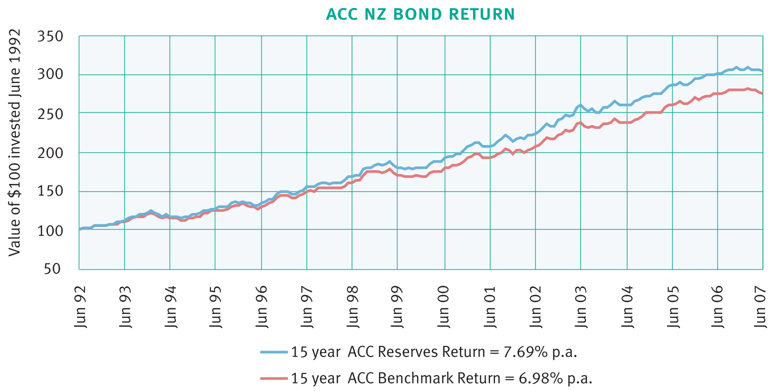
ACC's internal investment unit directly manages almost all of ACC's investment in New Zealand investment markets, and slightly over half of ACC's investments in Australia.

Management of most foreign assets is outsourced to external fund-management companies. The reason for this is that ACC has not had the resources to successfully monitor the thousands of companies and markets that make up the global investment opportunity.

ACC has been measuring the performance of its investment portfolios on a market-value basis for 15 years and, in 14 of those financial years, ACC out-performed its benchmark indices in both New Zealand bonds and New Zealand equities.







Investment returns for the 2006–2007 year

ACC's reserves portfolios returned an average of 9.5% over the year.

This return was in excess of budget, which should not be surprising given the strength of equity markets during the year. The return was an average of 0.4% higher than the return from the composite benchmark indices used to measure the performance of each funding account's reserves portfolio.

Due to the way in which investment portfolios are managed against a defined claims liability, ACC typically has a higher allocation to long-term New Zealand-dollar fixed interest markets and a lower allocation to offshore equity markets compared with portfolios that are not being managed with the objective of covering a defined claims liability.

Other fund managers typically invest the majority of their funds in equity markets, whereas ACC typically invests the majority of its funds in fixed interest markets. This means ACC's overall reserves portfolios will struggle to match the returns of other fund managers when equity markets are strong and New Zealand bond yields have increased, as has been the case over the past year. For this reason, ACC's 9.5% return was lower than the average return achieved by other fund managers during 2006–2007.

The positive performance of the reserves portfolios compared with ACC's benchmarks was due to the better-than-benchmark performance achieved within most of ACC's various equity and bond portfolios, offset in large part by the negative effect of ACC's decision to maintain a higher-than-normal level of exposure to unhedged foreign currency.

ACC's New Zealand equity portfolio out-performed its benchmark index by 2.1%. A large shareholding in Air New Zealand significantly aided performance, accounting for more than half of the portfolio's out-performance.

ACC's $4.1 billion New Zealand bond portfolio out-performed its benchmark index by 0.6%. The yields on highly rated non-government bonds have exceeded the yields on government bonds by an unusually high margin over the past two years, and ACC has responded to this by moving an increasing proportion of its bond portfolio into non-government bonds. Although the spread between these two yields has remained high, the relative performance of ACC's bond portfolio benefited from the higher yield that it earned on the non-government investments. ACC's New Zealand fixed interest portfolios have never incurred losses due to credit defaults in the last 15 years.

Other key asset classes are Australian equities and global developed market equities. The table (page 50) shows under-performance in each of these asset classes. However, ACC's decision to maintain a higher-than-normal level of unhedged foreign currency exposure has detracted from the returns shown in the table, and the performance of the underlying portfolios was generally ahead of benchmark. For the second year in a row, Independent Asset Management (of Sydney) achieved a spectacular out-performance in a portfolio of resource sector equities that it manages for ACC, achieving a return of 72% compared to a benchmark return of 25%.

		Annual Portfolio Returns			
		This Year		Average Last 3 Years	
	$ million	Portfolio	Benchmark	Portfolio	Benchmark
By Asset Class:					
Cash Portfolio	443	7.8%	7.9%	7.4%	7.4%
Reserves:					
Reserves Cash	179	7.8%	7.9%	7.3%	7.4%
NZ Index Linked Bonds	448	2.5%	2.5%	6.7%	6.7%
NZ Bonds	4,089	0.7%	0.1%	5.3%	4.9%
NZ Equity	1,132	21.2%	19.0%	19.0%	17.7%
NZ Property	113	22.5%	21.7%	21.7%	20.7%
NZ Private Equity	57	4.4%		-5.6%	
Australian Equity	982	38.2%	33.8%	34.0%	29.7%
Overseas Bonds	266	8.0%	7.3%	8.6%	8.0%
Overseas Equity – Developed	1,817	7.4%	11.3%	16.3%	13.7%
Overseas Equity – Emerging	98	21.2%	14.9%	33.1%	29.9%
Total Reserves	**9,181**	**9.5%**	**9.1%**	**12.8%**	**11.6%**
By Funding Account:					
Earners'	2,786	8.0%	7.5%	11.6%	10.5%
Residual Claims	649	9.0%	8.5%	12.0%	10.9%
Motor Vehicle	2,384	10.9%	10.5%	13.6%	12.4%
Employers'	1,684	8.9%	8.6%	13.4%	11.9%
Self-Employed Work	294	10.3%	9.5%	14.6%	12.8%
Non-Earners'	879	11.1%	10.9%	13.7%	12.5%
Treatment Injury	505	11.3%	10.9%	13.8%	12.5%
Total Reserves	**9,181**	**9.5%**	**9.1%**	**12.8%**	**11.6%**

ACC prefers to hold an exposure to unhedged foreign currency which is lower than the value of its investments in offshore markets. Accordingly, it uses foreign exchange hedges to offset a portion of the foreign exchange exposures inherent in its offshore investments. The investment committee of ACC's Board agrees a neutral level of foreign exchange exposure, but ACC may vary the actual level of foreign exposure in a range around this neutral level. For the past two years, ACC has chosen to maintain a significantly higher-than-neutral level of exposure to unhedged foreign currency, reflecting a view that the New Zealand dollar is over-valued and would ultimately correct to more normal levels. This foreign exchange positioning benefited ACC's returns in 2005–2006, but has significantly detracted from returns in 2006–2007. The net cost to ACC from the rise in the New Zealand dollar over 2006-2007 has been approximately $262 million, comprised of $489 million of foreign exchange losses on ACC's offshore investments minus gains of $227 million on foreign exchange hedging contracts.

ACC has a policy of conducting investment activities in an ethical manner, which avoids prejudice to New Zealand's reputation as a responsible member of the world community. In particular, ACC aims to ensure its purchase and sale of investments are transacted in an ethical manner, its funds are not invested in activities repugnant to the laws of New Zealand or regarded as unethical by a vast majority of the New Zealand public, and ensure it does not cast proxy votes in favour of such activities. ACC has also resolved to avoid investing in companies whose primary business is to produce, sell or distribute tobacco products.

Although ACC has consistently managed to achieve positive returns in each financial year, despite a wide range of market conditions, it is important that stakeholders understand that there is always a risk that negative returns could be reported over a single financial year. We calculate that there is about a one-in-five chance that ACC will record negative reserves portfolio returns in any single financial year.

Two primary factors contribute to the risk of negative returns:

- a rise in bond yields of about 1% could result in ACC recording negative investment returns. However, ACC's overall funding position would improve as a result of a decline in bond yields, as our claims liability would decrease by an even greater amount than the decline in investment income
- based on current policy, ACC's funding accounts will typically have an average of 44% of their reserves funds invested in equity markets. This means that a generalised decline in foreign and domestic equity markets of around 10% or more would tend to result in ACC recording negative overall investment returns.

Generally, ACC's investments in individual companies or securities are too small to significantly endanger total investment returns in a single financial year. ACC holds only two equity investments of more than $100 million (see table).

The only credit exposures of more than $200 million are to the New Zealand Government and some major New Zealand banks.

50 Largest equity investments as at 30 June 2007

Company	$ Million
Telecom	156.01
Fletcher Building	126.30
Contact Energy	62.49
Air New Zealand	58.12
Guinness Peat	57.75
BHP Billiton	50.60
Mainfreight	46.29
Sky City Entertainment	46.05
Fisher & Paykel Healthcare	44.55
ANZ Banking Group	42.28
Templeton Emerging Markets Investment Trust	41.85
Sky Network TV	41.63
Kiwi Income Property Trust	40.06
National Australia Bank	36.39
Commonwealth Bank of Australia	34.75
AMP NZ Office Trust	29.17
Nuplex	29.09
Westpac Banking Corporation	28.80
Infratil	24.20
Woolworths	23.26
Auckland International Airport	23.05
QBE Insurance	22.98
Fisher & Paykel Appliances	22.33
CSL	21.44
Total S.A.	20.98
E.ON	20.54
Telstra	20.06
Vodafone Group	19.71
Goodman Property Trust	19.59
BG Group	18.12
Murchison Metals	17.93
Westfield Group	17.78
Lihir Gold	17.62
Banco Santander Central Hispano	17.24
Toyota Motor Corporation	16.92
AMP	16.77
Sally Malay Mining	16.69
New Zealand Oil and Gas	15.88
Beach Petroleum	15.41
Riversdale Mining	14.90
JP Morgan Emerging Markets Investment Trust	14.82
Sunshine Gas	14.69
Nestlé	14.61
Millennium and Copthorne Hotels NZ	14.48
Suncorp-Metway	14.40
Australian Worldwide Exploration	14.01
Pyne Gould Corporation	13.99
Exxon Mobil Corporation	13.98
Royal Dutch Shell	13.86
The Royal Bank Of Scotland	13.41

Claims liability

ACC claims liability

ACC has a responsibility to provide for the rehabilitation and compensation of people in New Zealand who have injuries. To do this ACC needs to hold assets at least equal to the expected future cost of providing these benefits.

Each year an estimate is made of the expected total discounted amount of the future claims payments in respect of injuries occurring before the end of the financial year. This is the ACC claims liability. The claims payments are discounted to reflect the present value of future payments.

The claims liability is subject to uncertainty both in the amounts of future claim payments and their timing. This makes the claims liability different from the liabilities found in other (non-insurance) company balance sheets. Despite the uncertainty, the claims liability estimate shown in these accounts does not contain margins and it is not based on conservative or optimistic assumptions.

Estimate

The claims liability is based on future events whose outcomes cannot be known with certainty. The key sources of this uncertainty are as follows:

- the total number of injuries that have arisen before the end of the financial year. It may take months, or even years, for an injury to manifest. If the injured party is not aware that they can receive support from ACC there may be further delays in claims being reported to ACC. Therefore, the number of claims likely to be reported in the future in respect of injuries that occurred in the past need to be estimated
- the outstanding costs of claims that have already been reported. For claims that are still open the expected future costs of rehabilitating and compensating the individuals involved needs to be estimated. As no one recovers from an injury the same way these estimates may vary. Closed claims may re-open and the costs of these eventualities need to be estimated
- the types and costs of treatments may change in the future. Advances in medicine and treatment processes may result in increased costs in the short term. However, this may also lead to shorter rehabilitation times, thus reducing costs in the longer term
- economic conditions affect future claim payments. Inflation has an impact on the estimated costs of future claim payments. Economic growth and unemployment levels can influence the propensity to lodge claims with ACC and the attitudes of injured people towards rehabilitation
- ACC legislation is always under review and court cases can result in entitlements that were not anticipated being paid. A recent example of this is the court cases with regards to the payment of lump sum compensation to people with asbestos-related injuries.

Calculation

The claims liability is calculated based on standard actuarial techniques. These techniques involve looking at trends in historic claims data and projecting these trends into the future.

Where possible, both the numbers of claims receiving payments and the average amounts of these payments are analysed separately. When claim numbers are too unstable for this method to be reliable an analysis of aggregate payments is undertaken.

The claims liability consists of:

- outstanding payments in respect of reported but unsettled claims
- claims that have been incurred but not yet reported (IBNR) to ACC
- future payments for claims that are currently closed but may re-open in the future
- the costs of managing reported but unsettled, re-opened and IBNR claims.

Some elements of the claims liability are subject to more uncertainty than others. For past injury years, a higher proportion of the ultimate number of claims for that year will have been reported. These reported claims will have a longer history of payments and a smaller outstanding amount than claims reported in more recent injury years. IBNR claims have no payment history and must be estimated in their entirety. Hence the claims liability estimate for more recent injury years will be subject to more uncertainty.

Claim payments are analysed separately for each class of benefit. These include weekly compensation, medical treatments (split into four subgroups), rehabilitation benefits (split by the type of rehabilitation), independence allowance, lump sums and death benefits. This is done so that the unique characteristics of each benefit type can be reflected in the analysis. Conducting the analysis in this way should reduce uncertainty in the results.

Estimated future claim payments are adjusted in line with expectations of future inflation. These inflated cash flows are then discounted into present-day dollar amounts. The discount rate used is based on government bond yields. This is in accordance with accounting standards and makes an approximate allowance for the investment returns expected to be received in the future. The longer the expected outstanding duration of a claim is, the greater the impact of discounting will be on the present value of the cash flows associated with that claim.

The liability can be thought of as the lump sum needed to be invested now in order to meet the expected future payments for injuries that occurred before the liability valuation date as they fall due. The estimated claims liability is on a 'best estimate' basis. This means there is no deliberate over- or under-statement of any component of the liability; there are no margins built into any of the assumptions used to set the claims liability. Due to the uncertainty in the claims liability estimate and the number of assumptions required in its determination, it is likely that actual experience will differ from the stated estimate.

The assumptions and methodology used to estimate the claims liability are set with reference to relevant accounting and actuarial professional standards and guidance from New Zealand-based general insurers.

Estimating the present-day value of all future costs for injuries occurring before the liability valuation date gives an idea of the true cost of providing injury cover. This differs from considering just the claim payments expected in the next financial year. Current legislation requires ACC to 'fully fund' the cost of injuries in most accounts. ACC must therefore hold assets which are expected to be at least as large as the expected claims liability. This necessitates the estimation of present values of all future costs.

External advice on liability valuation

PricewaterhouseCoopers (PwC) Sydney provides independent actuarial advice to ACC. This service includes production of the annual claims liability valuation. This is the fourth year that PwC has been involved in the valuation of ACC's claims liability. PwC provides a number of other consulting services to ACC and, as such, has a good understanding of the ACC Scheme.

The claims liability valuation is produced and reported in accordance with Financial Reporting Standards (FRS-35).

Change

When the claims liability is estimated each year it uses as much claims payment history as is available. This means that each year more data is used. This allows recent Scheme experience to be incorporated into the claims liability valuation. Where recent experience differs from the past the inclusion of this new data may result in changes to the assumptions used to estimate the claims liability.

In addition to changes in Scheme experience, changes in economic conditions and societal attitudes will also affect the claims liability estimate. For example, increases in assumed future inflation will increase expected future claims costs. However, if interest rates increase, so should future investment returns, which will mean that ACC can hold lower levels of assets to meet future claims payments.

Changes in the methodology used to estimate the claims liability will also affect the estimated amount. Where a more stable or appropriate method for estimating a component of the liability is identified, the result of applying this method can be a change in the liability. This should only occur when the original estimate is considered to be inappropriate in light of new information or better estimation techniques.

There were four main, non-economic drivers of the increase in the claims liability between 30 June 2006 and 30 June 2007. These were as follows:

- recent growth in the costs associated with the social rehabilitation support provided to seriously injured claimants is driven by the costs of providing home-based rehabilitation and residential support. This increase in payments is compounded by the length of time seriously injured claimants are expected to receive these services from ACC
- the valuation assumptions for weekly compensation paid to claimants who have survived their injuries have been increased. On average, claimants are receiving weekly compensation payments for longer and there have been more new claims than expected receiving payments

- changes to the way other rehabilitation costs have been modelled have led to a better understanding of the likely future payments in respect of backdated attendant care costs, which were not explicitly provided for in previous claims liability valuations
- changes in experience for payment of the independence allowance resulted in higher numbers of claims assumed to receive this type of payment in the future.

Offsetting the increases mentioned above, the interest rate used to discount future cash flows has increased significantly since 30 June 2006, from 5.83% to 6.61%.

Changes in the claims liability will affect the levy rates ACC sets annually. The expected fully funded costs of each levy year come from the claims liability valuation and form the basis of the levy rates for the year. The levy rates are also affected by:

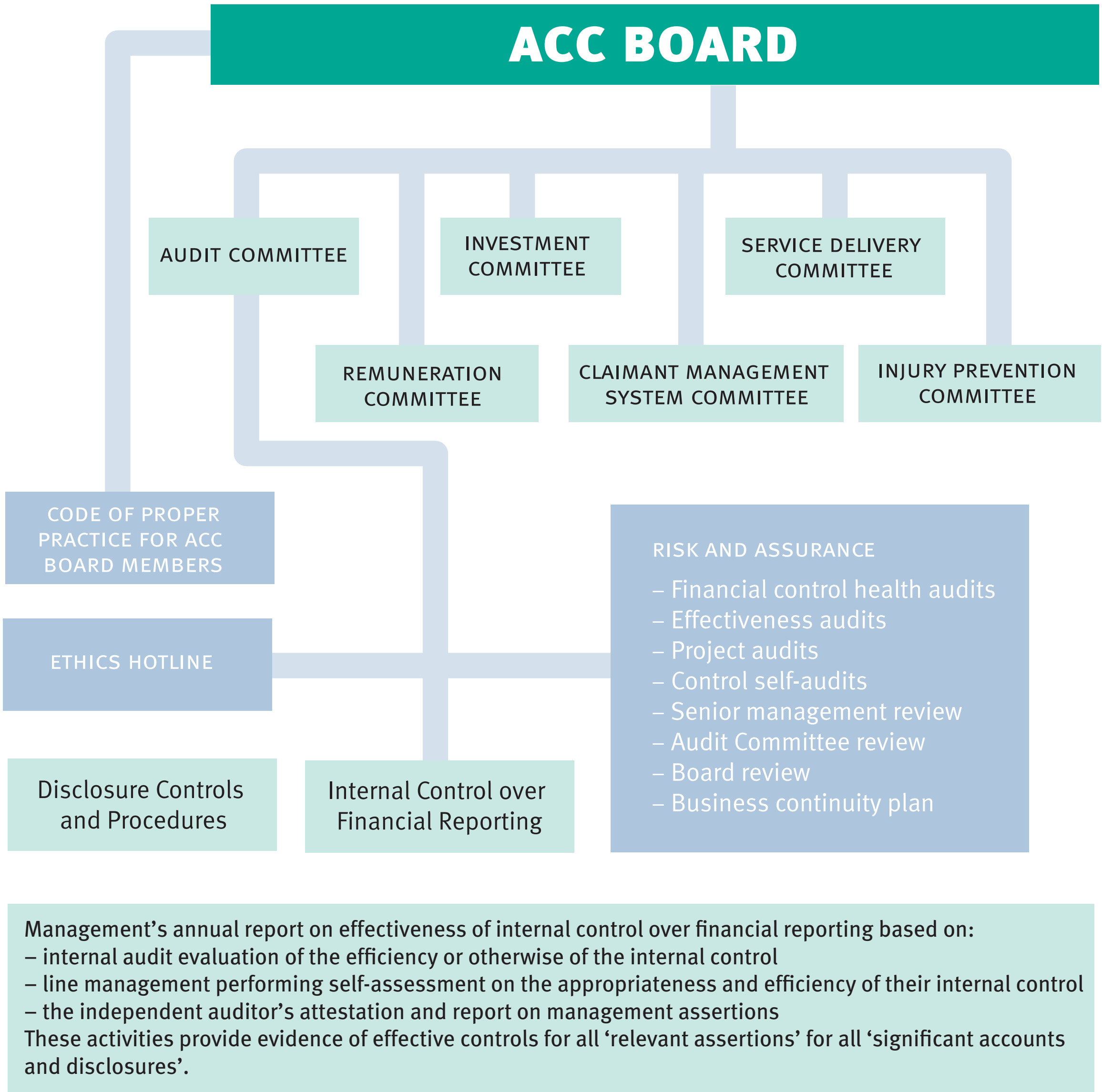
- the expected earnings, or number of motor vehicles, over which the claim costs must be spread
- the levels of the reserves (funds held to cover the costs of claims which have already occurred) in each of the accounts
- the method used to fund any reserves shortfall at the start of the levy year (for example, if the shortfall is funded over the next five years there will be less impact on levy rates than if it was funded over only one year).

Part Four

Corporate Governance

The Accident Compensation Corporation (ACC) operates under the Injury Prevention, Rehabilitation, and Compensation Act 2001. It is a Crown entity for the purposes of the Crown Entities Act 2004. ACC is exempt from income tax, although profits earned by subsidiary companies are subject to tax. ACC is governed by a Board appointed by the Minister for ACC.

The Board's philosophy on corporate governance is to attain the highest levels of transparency, accountability, integrity, efficiency and sustainability. Effective management and sound fiscal controls are regarded as fundamental.



The ACC Board

There are eight non-executive members of the ACC Board. They are appointed for three years, with the option of reappointment for a further three-year term. At 30 June 2007, there were seven members, with one vacancy.

Board responsibilities

A Statement of Intent is prepared annually which includes ACC's:

- roles and governance structure
- functions in relation to the management of each Scheme Account
- relationship with its subsidiary companies
- investment statement
- financial statements
- all matters relating to the provision of services by ACC, its subsidiaries and the use of other service providers.

The Board is responsible for ensuring that ACC carries out its statutory requirements under the Injury Prevention, Rehabilitation, and Compensation Act 2001 of:

- promoting measures to reduce the incidence and severity of personal injury (including occupational disease and treatment injury)
- providing compensation entitlements
- managing the assets, liabilities and risks for the various Scheme Accounts.

The Board is responsible for the governance of ACC and has a formal schedule of matters reserved for its decision. This includes:

- establishing the strategic direction of ACC
- ensuring the appropriate standards are in place
- financial reporting and approval of annual budgets
- approving major acquisitions, disposals and significant capital expenditure
- approving significant changes in accounting policies
- selecting and appointing the Chief Executive and annually reviewing the Chief Executive's performance
- ensuring ACC is managed within a framework of prudent and effective controls and agreeing changes to the organisation structure
- ensuring compliance with all relevant statutes, regulations and ministerial directives.

Delegation

The Board sets and monitors clear policies that define the individual and collective responsibilities of management, the operating structure and lines of responsibility and delegated authority.

The Board delegates day-to-day management of ACC to the Chief Executive, who is responsible for ensuring ACC achieves its business objectives, including risk management and ethical behaviour, and for ensuring that its system of internal control is functioning effectively and efficiently.

The Chief Executive and Board operate under procedures based on the Committee of Sponsoring Organisations of the Treadway Commission (COSO) framework of internal controls.

Advice

Board members have direct access to the advice and services of external, independent professional advisors.

Remuneration

Remuneration for Board members is set in accordance with the rates established by Government.

Induction and development

A Code of Proper Practice for ACC Board members covers ethical issues. A full induction programme is available for new members.

Disclosure of interests

The Crown Entities Act 2004 provides a mechanism for the disclosure of interest, and the process has been followed. The relevant interests of Board members are reviewed monthly.

Board and committee structure

The Board appoints a number of committees in specialised areas of activity. The committees have limited delegation, manage detail, and are able to take independent advice. During the year, six committees met and reported regularly to the Board.

Audit Committee

The Audit Committee meets quarterly to monitor and review processes, systems and results to ensure the Board fulfils its audit responsibilities.

The committee:

- monitors ACC's reporting processes and internal control systems

- reviews financial information and the ACC Annual Report
- reviews and appraises external and internal audits and auditors
- meets with ACC's external auditor, Ernst & Young, independent of ACC's senior management, to ensure there are no unresolved issues
- reviews the scope and activities of ACC's Risk and Assurance Business Unit
- monitors the relationship with external auditors
- monitors compliance with relevant legislation.

Claimant Management System Committee

This special purpose committee was established to ensure the effective implementation of the Claimant Management System project 'Eos'.

The committee:

- ensured the project remained aligned to ACC's strategic directions and priorities
- managed risks relating to costs and timeliness of delivery.

The committee was dis-established in June 2007 when Phase 1 of the Eos project was successfully completed.

Injury Prevention Committee

This committee oversees and monitors ACC's injury prevention strategy and activities, ensuring they are evaluated for their effectiveness in meeting strategic objectives.

Investment Committee

This Board committee meets monthly to set risk-tolerance guidelines and benchmarks, and to review the investment activity of ACC's investment portfolios. The committee controls the policy and procedural operational frameworks for the investment of funds. These frameworks are reviewed and updated when required.

Remuneration Committee

This committee reviews the performance and remuneration of the Chief Executive. The committee also considers any proposed remuneration policies for senior executives.

Service Delivery Committee

Initially, this committee's role was to oversee ACC's rehabilitation and compensation functions. The committee was responsible for overseeing and monitoring the ACC Scheme and relevant operational expenditure, and ensuring alignment of service delivery with ACC's strategic objectives. The role of this standing committee was refocused during the year to concentrate on the detailed information on ACC's performance provided in the quarterly reports to the Minister, which forms an important aspect of ACC accountability. The committee now meets quarterly.

Chart of ACC Board and Committee Meetings[1]

Committee	ACC Board	Audit	Investment	Injury Prevention	Remuneration	Claimant Management System	Service Delivery	Fees $000
Meetings held	13	4	11	6	5	7	4	
Dr David Collins (B)	Chair Last meeting 17/08/06		Last meeting 06/08/06		Chair Last meeting 17/08/06			
Attendance	2	n/a	1	n/a	1	n/a	n/a	10
Brenda Tahi (B)	Deputy Chair 3 Interim Chair from 21/09/06 9	Chair to 16/02/07			Chair from 21/09/06			
Attendance	12	4	11	6	5	n/a	n/a	61
Dr Don Turkington (B)			Chair					
Attendance	12	3	10	n/a	n/a	n/a	n/a	32.5
Gregory Fortuin (B)				Last meeting 15/02/07				
Attendance	12	n/a	11	4	n/a	n/a	n/a	32.5
Peter Neilson (B)	Deputy Chair from 12/02/07	Chair from 16/05/07			First meeting 16/03/07	Chair	Chair from 7/05/07	
Attendance	13	1	n/a	n/a	3	7	4	36
Tord Kjellstrom (B)	Last meeting 18/05/07			Chair Last meeting 18/04/07				
Attendance	10	n/a	n/a	3	n/a	n/a	2	29.5
Dr Janice Wright (B)	Deputy Chair 17/8/06 to 11/2/07 Last meeting 16/2/07					Last meeting 15/02/07	Chair Last meeting 14/12/06	
Attendance	8	n/a	n/a	n/a	1	6	3	25.5
Philippa Dunphy (B)	First meeting 14/12/06		First meeting 15/03/07		First meeting 16/03/07			
Attendance	6	n/a	3	n/a	3	n/a	n/a	18.5
Wayne Butson (B)	First meeting 14/12/06			First meeting 19/04/07				
Attendance	5	n/a	n/a	2	n/a	n/a	n/a	19
Dr Marie Bismark (B)	First meeting 16/03/07	First meeting 17/05/07		First meeting 19/04/07			First meeting 7/05/07	
Attendance	4	1	n/a	2	n/a	n/a	1	11
Ray Potroz (B)	Last meeting 17/08/06				Last meeting 17/08/06			
Attendance	2	n/a	n/a	n/a	1	n/a	n/a	6
Tom Davies (S)								
Attendance	n/a	4	n/a	n/a	n/a	n/a	n/a	15
Pat Duignan (S)								
Attendance	n/a	n/a	10	n/a	n/a	n/a	n/a	25.5
Trevor Janes (S)								
Attendance	n/a	n/a	11	n/a	n/a	n/a	n/a	30
Marcel van den Assum (S)								
Attendance	n/a	n/a	n/a	n/a	n/a	7	n/a	28

B = Board Member S = Specialist Member n/a – not applicable

1. All ACC Board members are entitled to attend Board committee meetings, whether or not they have been formally appointed to the committee. This table shows only the attendance of formally appointed committee members and the Board Chair as an ex officio member. It does not show voluntary attendance by other Board members.

Indemnity and insurance

Members and staff have statutory indemnity under the Crown Entities Act 2004. There is also a comprehensive insurance programme in place. Insurance needs and coverage are managed progressively to ensure ACC's risk profile and exposure are at appropriate levels.

ACC's status of compliance

ACC conducts an annual self-assessment of its compliance with legislation. This year's assessment indicates there is only one Act, the Public Records Act 2005, with which ACC is not yet fully compliant. A framework is being developed to attain compliance with this Act.

Auditor independence

The Controller and Auditor-General is, by statute, the auditor of ACC. Ernst & Young has been contracted to undertake the audit in accordance with the Auditor-General's auditing standards.

International financial reporting standards

ACC established a steering committee to oversee the conversion to New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). This committee completed its work in May 2007 and the new financial reporting system was ready for implementation on 1 July 2007.

Business continuity planning

During the year, ACC has updated and reviewed all its network business continuity plans, testing them, posting them on the internal website, and communicating them through follow-up workshops. With a global influenza pandemic one of the most significant threats facing New Zealand, ACC has developed a plan closely aligned with the Ministry of Health's National Pandemic Plan. Much of the work carried out in this area is not only applicable to pandemic flu but also to other crises that may have a long-term effect on the organisation.

Sustainability

In keeping with the direction set by the Government for sustainability practices across the public sector, ACC is committed to minimising waste and conserving consumption of energy and resources.

Current initiatives include:

- recycling or donating used computers and furniture
- recycling of plastic, paper, glass, aluminium and tin
- using obsolete medical consumable stock for training
- implementing an internal Sustainable Workplace Action Plan (SWAP)

- purchasing seven fuel-saving, hybrid cars for the ACC fleet
- encouraging a reduction of staff air-travel by using video-conferencing
- adding sustainability requirements to contracts and tender evaluations
- active membership of the New Zealand Business Council for Sustainable Development and the Sustainable Business Network
- employing a staff member dedicated to managing ACC's sustainability programme.

ACC is now developing baseline measures and performance targets to measure progress in waste/recycling, carbon reduction and energy saving. At the same time, more comprehensive action plans for the next three years are under development. Under these plans ACC will:

- measure the carbon footprint and then reduce it and move toward a carbon-neutral position by 2012
- increase the use of video-conferencing and other electronic means to reduce staff air travel by 25% in 2007–2008
- expand sustainable procurement policies and practices for internal supply
- conduct further waste audits to understand the waste-mix better and identify areas for improvement
- incorporate sustainable elements into the design of any new and upgraded premises (eg solar energy)
- identify and influence sustainable best practice across ACC's partners and contractors.

These actions will ensure ACC meets its commitment to run a sustainable business and contribute positively to society and the environment as well as meeting the service expectations of the Minister for ACC.

Equal employment opportunities

ACC's approach to staff recruitment and retention must reflect the changing labour market. During the year, ACC carried out a full review of its workforce, using the information to develop an Equal Employment Opportunity work programme for the next three years. ACC's goals for 2010 are to:

- increase its median workforce age to at least 40, especially in key frontline positions
- match the public sector norms for employing people with a disability or impairment
- increase staff competence in working with those with disabilities
- increase ethnic diversity of staff in target regions to better reflect New Zealand's population
- increase staff cultural competence to better service Māori, Pacific and Asian peoples in Auckland and elsewhere.

During the next 12 months, ACC will review its recruitment strategy, implement an age-management strategy, develop an initiative to encourage people with disability or impairment to apply for positions at ACC, and design competencies for staff engaging with people with a disability or of different ethnicity.

ACC's workforce profile	
Age profile	• younger workforce than national and public service workforce (which is now 38.4 compared with 40.8 nationally)
Ethnic profile	• ethnic diversity has increased but numbers of Pacific and Māori staff remain lower than public service rates
Disability profile	• at 2.71%, rate of employees with disability significantly lower than the estimated national workforce rate of 15%
Gender profile	• majority of workforce are women, significantly higher than the public service and national labour forces with 72% female compared to 28% male

ACC's key activities against the seven key elements of the 'good employer' in 2006–2007 are summarised below:

Element	ACC activity
Leadership, accountability and culture	• new strategic direction, culture and values • implementation of organisational development programmes • consultative approach and methodology applied as standard practice • workforce planning function established to develop and implement strategy supporting the management of workforce diversity
Recruitment, selection and induction	• robust recruitment and selection processes • active monitoring of candidates and workforce demographics according to age, ethnicity, gender and disability • mixed advertising channels to reach candidates from all demographics • interviews to which candidates may bring a support person • organisational induction programme for all staff • Operations Recruitment Project (95 FTE) to pilot recruitment initiatives targeting older workers
Employee development, promotion and exit	• development and implementation of the Capability Development Strategy • core competencies identified and communicated for all staff • training and development opportunities for all employees • promotion based on merit • all jobs advertised internally (unless exception rules apply)
Flexibility and work design	• flexible working arrangements considered in line with job attributes and employee needs • 12 month flexible working arrangement pilot completed with positive results and recommendations
Remuneration, recognition and conditions	• transparent, equitable and gender neutral job evaluation practices • inclusive remuneration and reward practice • terms and conditions of employment free-from-bias

Element	ACC activity
Harassment and bullying prevention	• managers and staff trained on their rights and responsibilities • employee code of conduct and relevant policies available at all times • clear guidance provided for staff and managers regarding the management of harassment complaints
Safe and healthy environment	• strong focus on employee health, safety and wellbeing through provision of a range of support services including: – employee assistance programme (EAP) – professional supervision support programme – staff claims unit with dedicated case managers – staff health and wellbeing initiatives • health and safety/WorkSafe policy and training • audit completed on all ACC sites evaluating access for people with disability in 2006

Wider government initiatives

The Statement of Service Performance details ACC's contribution to the Government's overall policy through its wider government initiatives. A number of government agencies and community organisations work in the injury prevention, workplace, and health and disability sectors. ACC is committed to working with such agencies to overcome gaps and duplication in delivery and to make the best use of resources to achieve common goals.

ACC subsidiary companies

Catalyst Risk Management Limited

Catalyst Risk Management Ltd (Catalyst) is a wholly-owned subsidiary of ACC established in 1999 to provide a channel for services offered commercially by ACC.

Catalyst's services include:

- injury rehabilitation management – case and claims management for ACC and self-insuring ACC Partnership Programme employers
- injury prevention – as part of an integrated health and safety consultancy and/or development of injury prevention-focused workplace programmes
- illness management – rehabilitation management to organisations with liability arising from causes other than personal injury
- information systems for the case management of claims.

Catalyst's injury management services are supplied direct to employers on the ACC Partnership Programme or provided to large employers predominantly through arrangements with their respective industry groups and commercial contracts with ACC for long-term claim management. During the year, Catalyst has continued to provide injury management services to existing and new clients and grown steadily with the development of services such as WorkCare and Wellness Management Services.

Catalyst board meetings 2006–2007

Catalyst Board of Directors		Meetings held: 12	
Members	**Status**	**Meetings attended**	**Fees $000**
Gregory Fortuin (Chair)	B	12	N/A
Linda Robertson	ID	12	15
Anthony Ractliffe	ID	12	15
Dr Jan White	E	8	N/A
B = Board Member E = ACC Executive ID = Independent Director			

Dispute Resolution Services Limited

Dispute Resolution Services Ltd (DRSL) is a wholly-owned subsidiary company established in 1999 to manage an independent dispute resolution service. The contract between ACC and DRSL governs their respective administrative and financial rights and obligations.

The company engages reviewers to review ACC decisions disputed by claimants and levy payers. Reviewers are required by law to act independently in conducting reviews. There are legislated timeframes to adhere to, and there is a right of appeal to the District Court by any of the parties to the process.

DRSL is focused on providing impartial, prompt and professional service to all parties. It has introduced options to improve the convenience and suitability of hearings. It also provides the dispute resolution options of mediation and facilitation, which offer the parties the potential for mutually acceptable solutions.

These options are in addition to the review services and using them does not remove the right to review a decision.

During the year, DRSL's introduction of earlier intervention services, particularly mediation, progressed. Claimant use of mediation doubled. DRSL also trialled a range of new services to complement the review process. It is anticipated that the adoption of these new services will result in fewer escalated disputes and lift claimant perceptions of fairness and helpfulness. DRSL continued to focus on improvements to lift standards of efficiency and customer service. Its efforts were publicly recognised when DRSL was a winner in the Vero Excellence in Business Support Awards 2007 and also the 2007 Computerworld Award for Excellence in the Use of ICT for Customer Service.

DRSL board meetings 2006–2007

DRSL Board of Directors		Meetings held: 11	
Members	**Status**	**Meetings attended**	**Fees $000**
Ray Potroz (Chair until 31 August 2006)	B Last meeting 16/08/06	1	N/A
Gavin Adlam (Acting Chair from September 2006)	ID First meeting as Acting Chair 20/09/06	10	15
Wendy Davis	ID	9	15
Brent Kennerley	ID	10	18
Dr Janice Wright	B Last meeting 14/02/07	3	N/A
Wayne Butson	B	3	N/A
ID = Independent Director B = ACC Board Member			

ACC Board Members

Brenda Tahi – Interim Chair

Appointed to the Board in November 2002, as Deputy Chair on 14 October 2003 and Interim Chair from 1 September 2006.

Brenda Tahi is a business consultant and company director. She has held senior management and advisory positions in the public service and has worked in iwi enterprise. She has also been a Director of the Institute of Geological and Nuclear Sciences and the Hutt Valley District Health Board.

Currently Brenda serves on boards for entities in the tertiary education, research and Māori sectors and for Huia NZ Ltd.

Brenda is Te Whanau a Ruataupare, of Ngati Porou, and also has links to Tuhoe.

Peter Neilson – Deputy Chair

Appointed to the Board on 22 November 2004 and appointed as Deputy Chair on 12 February 2007.

Peter Neilson is Chief Executive of New Zealand Business Council for Sustainable Development. He is a member of the Stakeholder Council of the Waikato Management School. Peter has experience as a consultant in both the public and private sectors where he worked on a number of projects including strategic and business planning.

Formerly a Member of Parliament and Minister, including Minister of Revenue and Associate Minister of Finance and State-Owned Enterprises, Peter has extensive knowledge of the public sector, investment and general management.

Dr Marie Bismark

Appointed to the Board on 1 March 2007.

Dr Bismark is a specialist in health law and patients' rights. As a Senior Solicitor with Buddle Findlay, she provides legal advice to a range of health providers, registration authorities, and Crown entities.

In 2004–2005, Marie was a Harkness Fellow at the Harvard School of Public Health. She has published a number of papers and book-chapters on topics including treatment injury and healthcare dispute resolution. Marie is a member of the Wellington Law Society Ethics Committee and the Bioethics Council.

Wayne Butson

Appointed to the Board on 6 December 2006.

Wayne Butson is an industrial relations specialist. As General Secretary of the Rail and Maritime Transport Union, Wayne has had significant experience in developing and implementing injury prevention and rehabilitation programmes in workplaces. Wayne has recently been appointed Chair of ACC subsidiary company, Dispute Resolution Services Limited.

Pip Dunphy

Appointed to the Board on 12 December 2006.

Pip Dunphy has worked in the financial sector for over 20 years specialising in banking, finance and investment management. She is a member of the Nominating Committee for the Guardians of New Zealand Superannuation and was a member of the Earthquake Commission Board. She is a director of Shamrock Superannuation Limited.

Gregory Fortuin

Appointed to the Board on 18 October 2002.

Gregory Fortuin is a company director with significant experience in the insurance industry. He held the position of Race Relations Conciliator, and is a Director of New Zealand Post and Kiwibank and the Honorary Consul of the Republic of South Africa. Gregory is also the Chairman of the Youth Suicide Awareness Trust and a Director of the New Zealand Prison Fellowship National Board.

Dr Don Turkington

Appointed to the Board on 12 December 2005.

Dr Don Turkington is a company director from Auckland with a PhD in Economics. He is Chair of Walker Capital Management and has worked as Executive Director of Forsyth Barr and as Managing Director of Cavill White and of Morgan Grenfell. He has expertise in financial services and investment management and has governance experience in commercial, cultural, educational and community organisations.

Board members who resigned during 2006–2007:

Dr David Collins

Resigned as Chair and Board member with effect from September 2006 to take up the appointment of Solicitor-General.

Dr Tord Kjellstrom

Completed his term and resigned as a Board member with effect from June 2007.

Ray Potroz

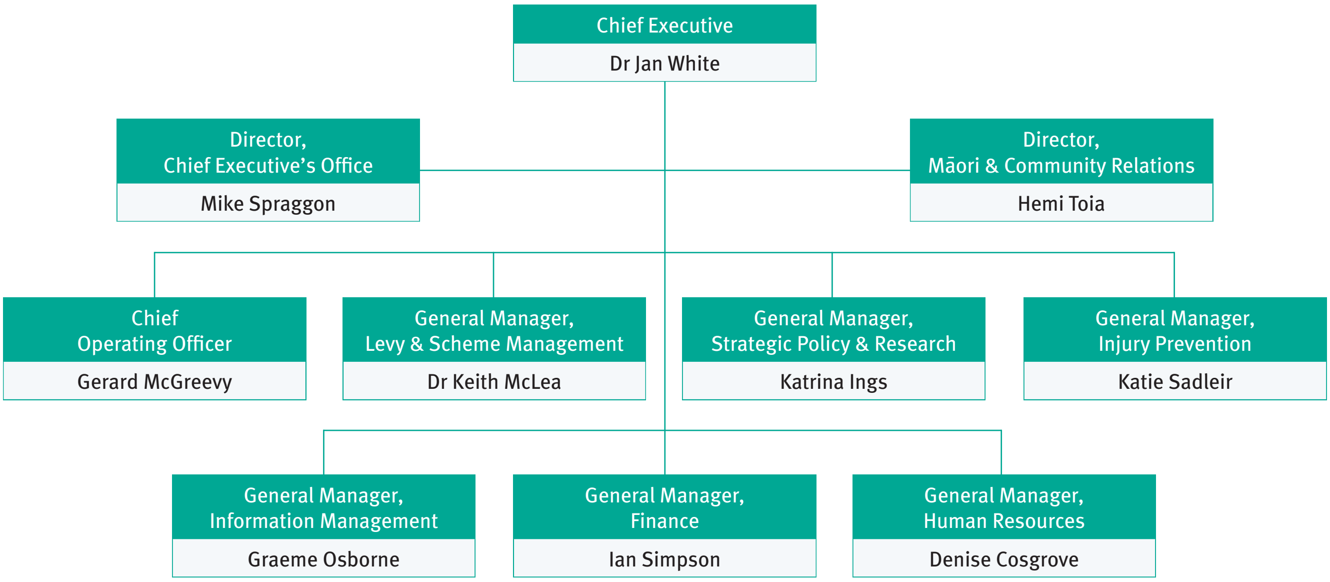
Completed his term and resigned as a Board member with effect from September 2006.

Dr Janice Wright

Resigned as a Board member with effect from March 2007 to take up the appointment of Parliamentary Commissioner for the Environment.

Executive leadership team

The ACC Executive Leadership Team, led by the Chief Executive, is responsible for the leadership and management of the organisation, and is accountable for the achievement of ACC's outcomes.



Part Five

Financial Statements

Contents

Statement of accounting policies

For the year ended 30 June 2007

a) Reporting entity

The financial statements are those of the Accident Compensation Corporation (ACC) which is designated as a Crown Agent under the Crown Entities Act 2004.

ACC and its subsidiaries comprise the ACC Group.

The financial statements have been prepared in accordance with:

- the Crown Entities Act 2004;
- the Financial Reporting Act 1993; and
- the Injury Prevention, Rehabilitation and Compensation Act 2001 (referred to hereafter as 'the Act').

b) Measurement base

The financial statements are prepared on the basis of historical cost except where modified by the revaluation of investments, freehold land and buildings, and the actuarial quantification of claim liabilities.

c) Levy and residual levy

During 1998 and 1999 the basis of setting levies and residual levies moved from a 'pay as you go' basis to a fully funded basis for all levy and residual levy payers other than the Government in respect of the Non-Earners' Account.

Levies are now set on a full-funding basis for the Earners', Work, and Motor Vehicle Accounts. The Non-Earners' and Treatment Injury Accounts have been fully funded by the Government from 1 July 2001 in respect of claims incurred from that date. Claims before that date continue to be funded on a 'pay as you go' basis.

In addition to the above, residual levies are set to fund, by 2014, claims incurred prior to 1 July 1999 in respect of the Residual Claims, Earners' and Motor Vehicle Accounts.

d) Source and application of levy and residual levy income

The Act requires ACC to record levy and residual levy income by individual Accounts. The source and application of levy and residual levy income for each Account are as follows:

(i) Residual Claims Account

The Residual Claims Account derives its funds from:

- residual levies from employers on the earnings of their employees; and
- residual levies from earners who are self-employed.

These funds are applied in accordance with the Act in respect of accidents, prior to 1 July 1999, that are:

- non-work injury (other than motor vehicle injury) suffered by an earner on or after 1 April 1974 and before 1 July 1992, and
- work injury, other than motor vehicle, suffered on or after 1 April 1974.

Note: The Residual Claims Account was named the Employers' Account prior to 1 July 1999.

(ii) Motor Vehicle Account

The Motor Vehicle Account derives its funds from:

- levies and residual levies on motor vehicle ownership; and
- the levies portion of the excise duty on petrol.

These funds are applied in accordance with the Act in respect of motor vehicle injury suffered on or after 1 April 1974.

(iii) Non-Earners' Account

The Non-Earners' Account derives its funds from appropriations by Parliament.

These funds are applied in accordance with the Act in respect of personal injury (other than motor vehicle injury) to non-earners suffered on or after 1 April 1974.

(iv) Earners' Account

The Earners' Account derives its funds from levies and residual levies payable by earners on their earnings.

These funds are applied in accordance with the Act in respect of personal injury to earners (other than work injury or motor vehicle injury) suffered on or after 1 July 1992.

(v) Self-Employed Work Account

The Self-Employed Work Account derives its funds from earners who are self-employed up to 31 March 2007.

These funds are applied in accordance with the Act in respect of work injury suffered on or after 1 July 1999 by self-employed who are insured by ACC, and for all self-employed work injuries incurred on and after 1 July 2000.

The Account reserve in the Self-Employed Work Account at 31 March 2007 was transferred to the Work Account on 1 April 2007.

(vi) Employers' Account

The Employers' Account was created on 1 April 2000. This Account derives its funds from employers up to 31 March 2007.

These funds are applied in accordance with the Act in respect of work injury suffered on or after 1 April 2000 by employees of employers who are insured by ACC, and for all employees' work injuries incurred on and after 1 July 2000.

The Account reserve in the Employers' Account at 31 March 2007 was transferred to the Work Account on 1 April 2007.

(vii) Work Account

The Work Account was created on 1 April 2007 and incorporates the former Self-Employed Work and Employers' Accounts.

The Work Account derives its funds from employers and earners who are self-employed from 1 April 2007.

These funds are applied from 1 April 2007 in accordance with the Act in respect of work injury suffered:

- on or after 1 April 2000 by employees of employers who are insured by ACC, and for all employees' work injuries incurred on and after 1 July 2000, and
- on or after 1 July 1999 and before 1 July 2000 by self-employed persons who were insured by ACC, and for all self-employed work injuries incurred on and after 1 July 2000.

(viii) Treatment Injury Account

The Medical Misadventure Account was renamed the Treatment Injury Account on 1 April 2007.

The Treatment Injury Account derives its funds from allocations from the Earners' Account (in the case of an earner) or the Non-Earners' Account (in the case of a non-earner).

These funds are applied in accordance with the Act in respect of personal injury arising from medical misadventure suffered on or after 1 July 1992 or arising from treatment on or after 1 July 2005.

e) Allocation of indirect income and expenditure

Indirect income and expenditure are allocated to each Account as follows:

(i) Investment income

Investment income by investment portfolio is allocated based on the investment balances of the respective Accounts.

(ii) Administration costs

Allocation of administration costs is based on the administration activities undertaken and associated volumes for each Account.

f) Levy and residual levy income

All levy and residual levy income is recognised in the period to which it relates.

The proportion of levies not earned at the reporting date is recognised in the Statement of Financial Position as levy received in advance.

g) Claims liability

The claims liability was first recognised in the financial statements in the 1999 financial year. In accordance with financial reporting standards this is revalued annually based on the latest actuarial information.

Adjustments to the liability are reflected in the Statement of Financial Performance with the overall liability being reflected in the Statement of Financial Position.

Future expenditure commitments exist in respect of:

- Claims notified and accepted in the current and previous years, but which will not be met until future years; and
- Claims incurred but not notified to, or accepted by, ACC at balance date.

h) Subsidiaries

The consolidated financial statements incorporate the financial statements of ACC and its subsidiaries, which have been consolidated using the purchase method. All intercompany transactions, balances and unrealised surpluses are eliminated on consolidation.

The trading subsidiary companies are detailed in Note 11. Subsidiaries are held at cost.

i) Associate companies

Associates are investees (but not subsidiaries or joint ventures) in which the ACC Group has the capacity to affect substantially, but not unilaterally determine, the operating and/or financial policy decisions. Associates have been reflected in the consolidated financial statements on an equity accounting basis, which recognises the ACC Group's share of retained surpluses in the Consolidated Statement of Financial Performance and its share of post acquisition increases or decreases in net assets, in the Consolidated Statement of Financial Position.

j) Investments

Investments are recorded at market value. Where ACC owns more than 5% of the issued capital of a company, the market value of the equity investments is discounted to reflect the impact of selling large holdings. Market value for publicly listed investments has been determined by reference to market values at balance date. For non-listed investments, market rates have been determined based on the cost and adjusted for performance of the business since that date. Changes in market value are credited or charged to the Statement of Financial Performance by Account in accordance with the basis used for allocating investment income.

Interest income is recognised in the Statement of Financial Performance as it accrues. Dividend income is recognised in the Statement of Financial Performance on the date that the dividend is declared or, where more appropriate, on the last date to register for the dividend.

k) Financial instruments

ACC has various derivative financial instruments which are used to reduce ACC's exposure to fluctuations in foreign currency exchange rates, interest rates and equity markets. Derivatives may also be used temporarily in lieu of purchasing bonds, equities or currency. The use of financial instruments is covered by investment policies which control the risks associated with such instruments.

All financial instruments are recorded on the Statement of Financial Position at market value, and the gains or losses from these financial instruments are recognised in the Statement of Financial Performance as revenue or expense items as they arise.

l) Foreign currencies

Transactions in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at the date of the transaction. Short-term transactions covered by foreign currency forward contracts are measured and reported at the forward rate of exchange specified in those contracts.

At balance date, foreign currency monetary assets and foreign currency forward contracts, designated as economic hedges, are converted at the rate ruling at balance date with exchange variations arising from the translation process being credited or charged to the Statement of Financial Performance by Account based on the investment balances of the respective Accounts.

m) Investment properties

Investment properties have been valued at net market value. Depreciation is not charged on investment properties. Revaluation gains on such properties have been recognised in the Statement of Financial Performance.

n) Intangible assets

Intangible assets are stated at cost less accumulated amortisation.

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets, acquired at the time of the purchase of a business, or an equity interest in a subsidiary or associate.

Intangible assets are amortised using the straight-line method over the period during which benefits are expected to be received. This is a maximum of 10 years.

o) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation except for freehold land, which is shown at valuation, and buildings, which are shown at valuation less accumulated depreciation.

Revaluations are transferred to the asset revaluation reserve for that class of assets. If any revaluation reserve has a deficit, that deficit is recognised in the Statement of Financial Performance in the period it arises. In subsequent periods any revaluation surplus that reverses previous revaluation deficits is recognised as revenue in the Statement of Financial Performance.

Costs of development projects are accumulated as work in progress until the project is completed. At that stage the costs are transferred to the appropriate fixed asset category and are depreciated accordingly. Capitalised project costs comprise direct project cost only.

p) Depreciation

Depreciation of property, plant and equipment, other than freehold land, is charged on a straight-line basis so as to allocate the cost of assets, less any estimated residual value, over their expected lives.

Leasehold improvements are depreciated over the lower of the remaining life of the lease or 10 years.

The estimated useful lives are as follows:

Buildings	50 years
Freehold improvements	10 years
Leasehold improvements	up to 10 years
Furniture, fittings and equipment	4 years
Mainframe computer and network equipment including software	5 years
Personal computer equipment	3 years
Motor vehicles	5 years

q) Impairment

If the recoverable amount of an asset is less than its carrying amount, the item is written down to its recoverable amount less any selling costs to be incurred. The write down of an asset recorded at historical cost is recognised as an expense in the Statement of Financial Performance. When a revalued asset is written down to recoverable amount the write down is recognised as a downward revaluation to the extent that the revaluation reserve of the class of asset concerned is in credit.

The carrying amount of an asset that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a reversal of the impairment loss. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred. For assets that are not revalued, the reversal is recognised in the Statement of Financial Performance. For revalued assets, the reversal is recognised as revenue to the extent that the impairment was recognised as an expense, and the balance is treated as an upward revaluation.

r) Statement of cash flows

The following are the definitions of the terms used in the Statement of Cash Flows:

i) Cash is considered to be cash on hand and current accounts with banks, net of bank overdrafts. Cash does not include short-term deposits which are included in investments.

ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments, excluding securities falling within the definition of cash. Realised gains and losses on the disposal of investments are classified as investing activities. Interest income and dividend income received from investing activities are classified as operating activities.

iii) Financing activities are those activities that result in changes in the size and composition of the capital structure of ACC.

iv) Operating activities include all transactions and other events that are not investing or financing activities.

s) Income tax

ACC is exempt from payment of income tax under section 259(5) of the Act. The subsidiary companies are, however, liable for income tax.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is a virtual certainty of realisation.

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method.

t) Employee entitlements

A liability for annual leave, long service leave and retirement leave is accrued and recognised in the Statement of Financial Position. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

u) Leases

Where most of the risks and rewards of ownership are retained by the lessor, leases are classified as operating leases and costs are expensed in the period in which they are incurred.

Commitments under lease agreements are disclosed in the Statement of Commitments.

v) Receivables

Receivables are stated at their estimated realisable value.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

w) Budget figures

The budget figures for the Statement of Financial Performance are those approved by the Board at the beginning of the financial year. The Statement of Financial Position and Statement of Cash Flows have been restated from the budget using actual 2006 figures as the opening position.

The budget figures have been prepared in accordance with generally accepted accounting practice in New Zealand and are consistent with the accounting policies adopted in preparing the financial statements.

The budget figures are unaudited.

x) Changes to accounting policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with the previous year.

y) Comparatives

To ensure consistency with the current period, comparative figures have been restated where appropriate.

Consolidated statement of financial performance

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Net levy income				
Residual Claims Account		315,235	249,887	291,407
Motor Vehicle Account		589,968	561,381	591,826
Non-Earners' Account		719,222	673,660	659,774
Earners' Account		905,483	765,175	790,691
Self-Employed Work Account		101,449	117,313	115,273
Employers' Account		387,182	464,907	510,995
Work Account		150,367	–	–
Treatment Injury Account		121,389	119,849	115,532
Total net levy income	**1&4**	**3,290,295**	**2,952,172**	**3,075,498**
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		46,658	46,069	38,638
Social rehabilitation		396,164	346,127	314,408
Medical treatment		458,484	453,994	402,441
Hospital treatment		175,593	163,158	154,564
Public health acute services		322,088	342,575	303,138
Dental treatment		27,375	24,576	24,277
Conveyance for treatment		54,062	51,681	50,864
Backdated attendant care	8	(2,498)	–	5,334
Miscellaneous claim costs		6,627	6,279	11,267
		1,484,553	**1,434,459**	**1,304,931**
Compensation expenditure				
Income maintenance		775,647	727,956	701,198
Independence allowances		35,259	33,059	37,154
Lump sums		49,066	36,909	18,147
Death benefits		83,538	78,091	76,205
		943,510	**876,015**	**832,704**
Operating costs	**5**	**287,654**	**316,467**	**270,321**
Injury prevention costs		**40,007**	**43,284**	**41,365**
Collection costs		**52,566**	**53,974**	**49,775**
Total expenditure		**2,808,290**	**2,724,199**	**2,499,096**
Operating surplus before adjustment to claims liability		**482,005**	**227,973**	**576,402**
Adjustment to claims liability	**23**	**1,020,498**	**673,613**	**1,321,069**
(Deficit) from underwriting activities after adjustment to claims liability		**(538,493)**	**(445,640)**	**(744,667)**
Net investment income	**2&4**	**801,708**	**569,703**	**1,070,087**
Other income	**3&4**	**4,688**	**4,684**	**4,744**
Surplus before tax		**267,903**	**128,747**	**330,164**
Income tax expense/(credit)	**6**	**392**	**191**	**(52)**
Net surplus after tax		**267,511**	**128,556**	**330,216**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Parent statement of financial performance

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Net levy income				
Residual Claims Account		315,235	249,887	291,407
Motor Vehicle Account		589,968	561,381	591,826
Non-Earners' Account		719,222	673,660	659,774
Earners' Account		905,483	765,175	790,691
Self-Employed Work Account		101,449	117,313	115,273
Employers' Account		387,182	464,907	510,995
Work Account		150,367	–	–
Treatment Injury Account		121,389	119,849	115,532
Total net levy income	**1&4**	**3,290,295**	**2,952,172**	**3,075,498**
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		46,658	46,069	38,638
Social rehabilitation		396,164	346,127	314,408
Medical treatment		458,484	453,994	402,441
Hospital treatment		175,593	163,158	154,564
Public health acute services		322,088	342,575	303,138
Dental treatment		27,375	24,576	24,277
Conveyance for treatment		54,062	51,681	50,864
Backdated attendant care	8	(2,498)	–	5,334
Miscellaneous claim costs		6,627	6,279	11,267
		1,484,553	**1,434,459**	**1,304,931**
Compensation expenditure				
Income maintenance		775,647	727,956	701,198
Independence allowances		35,259	33,059	37,154
Lump sums		49,066	36,909	18,147
Death benefits		83,538	78,091	76,205
		943,510	**876,015**	**832,704**
Operating costs	**5**	**286,293**	**314,102**	**266,377**
Injury prevention costs		**40,007**	**43,284**	**41,365**
Collection costs		**52,566**	**53,974**	**49,775**
Total expenditure		**2,806,929**	**2,721,834**	**2,495,152**
Operating surplus before adjustment to claims liability		**483,366**	**230,338**	**580,346**
Adjustment to claims liability	**23**	**1,020,498**	**673,613**	**1,321,069**
(Deficit) from underwriting activities after adjustment to claims liability		**(537,132)**	**(443,275)**	**(740,723)**
Net investment income	**2&4**	**801,708**	**569,703**	**1,070,087**
Other income	**3&4**	**2,170**	**1,740**	**875**
Net surplus		**266,746**	**128,168**	**330,239**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Consolidated statement of movements in account reserves (equity)

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Account reserves – opening balance (deficit)		**(3,835,128)**	**(3,835,128)**	**(4,167,252)**
Recognised revenues and expenses for the year				
Net surplus after tax		267,511	128,556	330,216
Increase in asset revaluation reserves	21	3,715	–	1,908
Total recognised revenues and expenses for the year		**271,226**	**128,556**	**332,124**
Account reserves – closing balance (deficit)		**(3,563,902)**	**(3,706,572)**	**(3,835,128)**

Parent statement of movements in account reserves (equity)

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Account reserves – opening balance (deficit)		**(3,833,585)**	**(3,833,585)**	**(4,165,732)**
Recognised revenues and expenses for the year				
Net surplus		266,746	128,168	330,239
Increase in asset revaluation reserves	21	3,715	–	1,908
Total recognised revenues and expenses for the year		**270,461**	**128,168**	**332,147**
Account reserves – closing balance (deficit)		**(3,563,124)**	**(3,705,417)**	**(3,833,585)**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of financial performance and movements in account reserves (equity)

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Residual Claims Account				
Net levy income				
Residual levy		315,235	249,887	291,407
Total net levy income		**315,235**	**249,887**	**291,407**
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		2,703	3,792	3,257
Social rehabilitation	24	22,455	54,931	132,651
Medical treatment		15,748	20,857	15,169
Hospital treatment		9,076	8,639	9,008
Public health acute services		17	–	–
Dental treatment		2,579	2,267	2,256
Conveyance for treatment		656	643	649
Backdated attendant care	8	259	–	760
Miscellaneous claim costs		2,606	2,247	3,648
		56,099	**93,376**	**167,398**
Compensation expenditure				
Income maintenance		147,803	146,988	157,465
Independence allowances		3,853	4,184	6,544
Lump sums	24	15,923	516	1,952
Death benefits		13,169	12,168	14,752
		180,748	**163,856**	**180,713**
Operating costs	5	**24,049**	**25,756**	**25,572**
Collection costs		**5,993**	**6,153**	**5,191**
Total expenditure		**266,889**	**289,141**	**378,874**
Operating surplus/(deficit) before adjustment to claims liability		**48,346**	**(39,254)**	**(87,467)**
Adjustment to claims liability	23	**(81,390)**	**(111,231)**	**303,867**
Surplus/(deficit) from underwriting activities after adjustment to claims liability		**129,736**	**71,977**	**(391,334)**
Net investment income		**57,022**	**49,626**	**98,182**
Other income		**209**	**135**	**96**
Net surplus/(deficit)		**186,967**	**121,738**	**(293,056)**
Account reserve – opening balance (deficit)		**(1,881,551)**	**(1,881,551)**	**(1,588,495)**
Net surplus/(deficit)		**186,967**	**121,738**	**(293,056)**
Account reserve – closing balance (deficit)		**(1,694,584)**	**(1,759,813)**	**(1,881,551)**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of financial performance and movements in account reserves (equity)

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Motor Vehicle Account				
Net levy income				
Levy income from motor licensing		50,575	85,635	128,135
Levy income from petrol levy		187,574	173,238	177,160
Residual levy		351,819	302,508	286,531
Total net levy income		**589,968**	**561,381**	**591,826**
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		5,158	5,706	4,687
Social rehabilitation		110,689	96,814	87,325
Medical treatment		20,672	22,280	19,207
Hospital treatment		10,677	10,923	10,256
Public health acute services		46,969	51,044	44,856
Dental treatment		1,620	1,438	1,460
Conveyance for treatment		10,635	10,648	10,278
Backdated attendant care	8	520	–	1,214
Miscellaneous claim costs		(1,531)	731	1,131
		205,409	**199,584**	**180,414**
Compensation expenditure				
Income maintenance		115,754	123,248	111,370
Independence allowances		4,893	4,856	5,118
Lump sums		5,947	9,686	5,187
Death benefits		33,727	37,452	35,971
		160,321	**175,242**	**157,646**
Operating costs	5	**30,939**	**36,122**	**30,900**
Injury prevention costs		**6,572**	**8,137**	**8,161**
Collection costs		**11,806**	**11,820**	**11,293**
Total expenditure		**415,047**	**430,905**	**388,414**
Operating surplus before adjustment to claims liability		**174,921**	**130,476**	**203,412**
Adjustment to claims liability	23	**410,471**	**160,980**	**316,119**
(Deficit) from underwriting activities after adjustment to claims liability		**(235,550)**	**(30,504)**	**(112,707)**
Net investment income		**222,096**	**141,735**	**262,176**
Other income		**350**	**237**	**188**
Net (deficit)/surplus		**(13,104)**	**111,468**	**149,657**
Account reserve – opening balance (deficit)		**(1,660,122)**	**(1,660,122)**	**(1,809,779)**
Net (deficit)/surplus		**(13,104)**	**111,468**	**149,657**
Account reserve – closing balance (deficit)		**(1,673,226)**	**(1,548,654)**	**(1,660,122)**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of financial performance and movements in account reserves (equity)

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Non-Earners' Account				
Net levy income				
Levy income appropriated by Parliament		773,847	727,592	711,763
Less funding of Treatment Injury Account		(54,625)	(53,932)	(51,989)
Total net levy income		**719,222**	**673,660**	**659,774**
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		1,047	1,246	893
Social rehabilitation	24	120,818	108,484	97,879
Medical treatment		172,431	164,647	150,393
Hospital treatment		42,066	40,428	37,168
Public health acute services		188,180	200,749	176,817
Dental treatment		13,245	12,404	12,110
Conveyance for treatment		25,587	24,075	24,015
Backdated attendant care	8	(2,897)	–	2,980
Miscellaneous claim costs		2,487	510	3,175
		562,964	**552,543**	**505,430**
Compensation expenditure				
Income maintenance		13,515	13,145	9,648
Independence allowances		17,148	14,415	17,757
Lump sums	24	16,838	7,318	3,612
Death benefits		4,916	3,016	3,738
		52,417	**37,894**	**34,755**
Operating costs	5	**40,933**	**44,917**	**37,826**
Injury prevention costs		**9,049**	**9,393**	**9,376**
Total expenditure		**665,363**	**644,747**	**587,387**
Operating surplus before adjustment to claims liability		**53,859**	**28,913**	**72,387**
Adjustment to claims liability	23	**324,687**	**115,577**	**207,265**
(Deficit) from underwriting activities after adjustment to claims liability		**(270,828)**	**(86,664)**	**(134,878)**
Net investment income		**95,281**	**50,962**	**103,239**
Other income		**181**	**230**	**1**
Net (deficit)		**(175,366)**	**(35,472)**	**(31,638)**
Account reserve – opening balance (deficit)		**(1,309,256)**	**(1,309,256)**	**(1,277,618)**
Net (deficit)		**(175,366)**	**(35,472)**	**(31,638)**
Account reserve – closing balance (deficit)		**(1,484,622)**	**(1,344,728)**	**(1,309,256)**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of financial performance and movements in account reserves (equity)

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Earners' Account				
Net levy income				
Levy income		972,247	831,092	854,234
Less funding of Treatment Injury Account		(66,764)	(65,917)	(63,543)
Total net levy income		**905,483**	**765,175**	**790,691**
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		21,567	19,035	16,093
Social rehabilitation		46,911	35,369	34,944
Medical treatment		176,701	168,204	150,474
Hospital treatment		79,109	72,349	68,788
Public health acute services		60,156	61,321	57,644
Dental treatment		8,241	7,062	6,983
Conveyance for treatment		12,031	11,210	11,075
Miscellaneous claim costs		1,166	945	1,112
		405,882	**375,495**	**347,113**
Compensation expenditure				
Income maintenance		282,503	248,289	236,979
Independence allowances		6,279	5,504	5,974
Lump sums		5,214	6,561	3,224
Death benefits		21,291	17,395	17,273
		315,287	**277,749**	**263,450**
Operating costs	5	**110,484**	**114,647**	**97,494**
Injury prevention costs		**7,182**	**6,839**	**6,337**
Collection costs		**18,238**	**18,783**	**18,003**
Total expenditure		**857,073**	**793,513**	**732,397**
Operating surplus/(deficit) before adjustment to claims liability		**48,410**	**(28,338)**	**58,294**
Adjustment to claims liability	23	**231,838**	**222,654**	**267,411**
(Deficit) from underwriting activities after adjustment to claims liability		**(183,428)**	**(250,992)**	**(209,117)**
Net investment income		**208,433**	**175,830**	**308,894**
Other income		**784**	**593**	**306**
Net surplus/(deficit)		**25,789**	**(74,569)**	**100,083**
Account reserve – opening balance		**532,469**	**532,469**	**432,386**
Net surplus/(deficit)		**25,789**	**(74,569)**	**100,083**
Account reserve – closing balance		**558,258**	**457,900**	**532,469**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of financial performance and movements in account reserves (equity)

For the nine months to 31 March 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Self-Employed Work Account				
Net levy income				
Levy income		101,449	117,313	115,273
Total net levy income		**101,449**	**117,313**	**115,273**
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		1,690	2,370	2,023
Social rehabilitation	24	15,361	5,598	(12,472)
Medical treatment		9,950	16,020	13,555
Hospital treatment		5,784	7,050	7,034
Public health acute services		3,050	5,824	3,737
Dental treatment		386	475	461
Conveyance for treatment		719	1,092	963
Miscellaneous claim costs		52	131	109
		36,992	**38,560**	**15,410**
Compensation expenditure				
Income maintenance		26,593	33,051	27,440
Independence allowances		94	309	70
Lump sums	24	129	958	1
Death benefits		1,153	1,104	460
		27,969	**35,422**	**27,971**
Operating costs	**5**	**10,195**	**15,705**	**12,520**
Injury prevention costs		**1,645**	**2,640**	**2,448**
Collection costs		**4,911**	**7,179**	**6,111**
Total expenditure		**81,712**	**99,506**	**64,460**
Operating surplus before adjustment to claims liability		**19,737**	**17,807**	**50,813**
Adjustment to claims liability	**23**	**(2,235)**	**48,191**	**10,661**
Surplus/(deficit) from underwriting activities after adjustment to claims liability		**21,972**	**(30,384)**	**40,152**
Net investment income		**21,310**	**17,324**	**35,433**
Other income		**115**	**108**	**114**
Net surplus/(deficit)		**43,397**	**(12,952)**	**75,699**
Account reserve – opening balance		**75,821**	**75,821**	**122**
Net surplus/(deficit)		**43,397**	**(12,952)**	**75,699**
Transferred to Work Account on 1 April 2007		**(119,218)**	**–**	**–**
Account reserve – closing balance		**–**	**62,869**	**75,821**

Note:
There were payments of $6.9 million relating to work-related injuries to persons who have purchased weekly compensation under CoverPlus Extra policies from the Self-Employed Work Account and Work Account during the year.
Non-work injuries payment of $6.8 million was paid from the Earners' and Motor Vehicle Accounts.
31,587 CoverPlus Extra policies were purchased during the year.
Figures for Budget 2007 and Actual 2006 are for the full year.

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of financial performance and movements in account reserves (equity)

For the nine months to 31 March 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Employers' Account				
Net levy income				
Levy income		387,182	464,907	510,995
Total net levy income		**387,182**	**464,907**	**510,995**
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		10,047	13,399	11,310
Social rehabilitation	24	55,391	22,242	(43,714)
Medical treatment		38,908	59,093	51,260
Hospital treatment		17,714	22,206	20,262
Public health acute services		16,159	21,582	18,062
Dental treatment		786	879	938
Conveyance for treatment		2,951	3,739	3,552
Miscellaneous claim costs		336	484	448
		142,292	**143,624**	**62,118**
Compensation expenditure				
Income maintenance		122,843	147,403	142,059
Independence allowances		487	2,085	(62)
Lump sums	24	658	5,796	1,379
Death benefits		5,378	5,527	2,582
		129,366	**160,811**	**145,958**
Operating costs	**5**	**44,657**	**68,788**	**55,406**
Injury prevention costs		**10,596**	**15,669**	**14,429**
Collection costs		**6,895**	**10,039**	**9,177**
Total expenditure		**333,806**	**398,931**	**287,088**
Operating surplus before adjustment to claims liability		**53,376**	**65,976**	**223,907**
Adjustment to claims liability	**23**	**69,632**	**172,852**	**86,174**
(Deficit)/surplus from underwriting activities after adjustment to claims liability		**(16,256)**	**(106,876)**	**137,733**
Net investment income		**131,796**	**103,491**	**211,217**
Other Income		**254**	**400**	**170**
Net surplus/(deficit)		**115,794**	**(2,985)**	**349,120**
Account reserve – opening balance		**756,670**	**756,670**	**407,550**
Net surplus/(deficit)		**115,794**	**(2,985)**	**349,120**
Transferred to Work Account on 1 April 2007		**(872,464)**	**–**	**–**
Account reserve – closing balance		**–**	**753,685**	**756,670**

Note:
Figures for Budget 2007 and Actual 2006 are for the full year.

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of financial performance and movements in account reserves (equity)

For the three months to 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Work Account				
Net levy income				
Levy income		150,367	–	–
Total net levy income		**150,367**	–	–
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		3,946	–	–
Social rehabilitation	24	(312)	–	–
Medical treatment		21,060	–	–
Hospital treatment		6,922	–	–
Public health acute services		5,065	–	–
Dental treatment		372	–	–
Conveyance for treatment		1,028	–	–
Miscellaneous claim costs		135	–	–
		38,216	–	–
Compensation expenditure				
Income maintenance		50,717	–	–
Independence allowances		530	–	–
Lump sums	24	(28)	–	–
Death benefits		1,972	–	–
		53,191	–	–
Operating costs	5	**17,309**	–	–
Injury prevention costs		**4,414**	–	–
Collection costs		**4,723**	–	–
Total expenditure		**117,853**	–	–
Operating surplus before adjustment to claims liability		**32,514**	–	–
Adjustment to claims liability	23	**(44,975)**	–	–
Surplus from underwriting activities after adjustment to claims liability		**77,489**	–	–
Net investment income		**18,349**	–	–
Other Income		**244**	–	–
Net surplus		**96,082**	–	–
Account reserve – opening balance		–	–	–
Transferred from Employers' Account on 1 April 2007		**872,464**	–	–
Transferred from Self-Employed Work Account on 1 April 2007		**119,218**	–	–
Net surplus		**96,082**	–	–
Account reserve – closing balance		**1,087,764**	–	–

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of financial performance and movements in account reserves (equity)

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Treatment Injury Account				
Net levy income				
Levy income funded by:				
Non-Earners' Account		54,625	53,932	51,989
Earners' Account		66,764	65,917	63,543
Total net levy income		**121,389**	**119,849**	**115,532**
Expenditure				
Rehabilitation expenditure				
Vocational rehabilitation		500	521	375
Social rehabilitation		24,851	22,689	17,795
Medical treatment		3,014	2,893	2,383
Hospital treatment		4,245	1,563	2,048
Public health acute services		2,492	2,055	2,022
Dental treatment		146	51	69
Conveyance for treatment		455	274	332
Backdated attendant care	8	(380)	–	380
Miscellaneous claim costs		1,376	1,231	1,644
		36,699	**31,277**	**27,048**
Compensation expenditure				
Income maintenance		15,919	15,832	16,237
Independence allowances		1,975	1,706	1,753
Lump sums		4,385	6,074	2,792
Death benefits		1,932	1,429	1,429
		24,211	**25,041**	**22,211**
Operating costs	**5**	**7,727**	**8,167**	**6,659**
Injury prevention costs		**549**	**606**	**614**
Total expenditure		**69,186**	**65,091**	**56,532**
Operating surplus before adjustment to claims liability		**52,203**	**54,758**	**59,000**
Adjustment to claims liability	**23**	**112,470**	**64,590**	**129,572**
(Deficit) from underwriting activities after adjustment to claims liability		**(60,267)**	**(9,832)**	**(70,572)**
Net investment income		**47,421**	**30,735**	**50,946**
Other Income		**33**	**37**	**–**
Net (deficit)/surplus		**(12,813)**	**20,940**	**(19,626)**
Account reserve – opening balance (deficit)		**(352,145)**	**(352,145)**	**(332,519)**
Net (deficit)/surplus		**(12,813)**	**20,940**	**(19,626)**
Account reserve – closing balance (deficit)		**(364,958)**	**(331,205)**	**(352,145)**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Consolidated statement of financial position

As at 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Account reserves				
Residual Claims Account		(1,694,584)	(1,759,813)	(1,881,551)
Motor Vehicle Account		(1,673,226)	(1,548,654)	(1,660,122)
Non-Earners' Account		(1,484,622)	(1,344,728)	(1,309,256)
Earners' Account		558,258	457,900	532,469
Self-Employed Work Account		–	62,869	75,821
Employers' Account		–	753,685	756,670
Work Account		1,087,764	–	–
Treatment Injury Account		(364,958)	(331,205)	(352,145)
Total Account reserves		**(3,571,368)**	**(3,709,946)**	**(3,838,114)**
Subsidiaries reserves		(778)	(1,155)	(1,543)
Revaluation reserve	15&21	8,244	4,529	4,529
Total reserves (deficit)		**(3,563,902)**	**(3,706,572)**	**(3,835,128)**
Represented by:				
Assets				
Bank balances		29,566	16,346	17,649
Receivables	16	631,332	608,420	752,368
Accrued levy income	9	404,230	259,738	326,023
Deferred tax	7	–	271	423
Investments	10	9,726,617	9,061,609	9,033,170
Investment in associate	12	80	38	86
Intangible assets	14	18	17	20
Property, plant and equipment	15	195,640	202,621	182,896
Total assets		**10,987,483**	**10,149,060**	**10,312,635**
Less liabilities				
Levy received in advance	13	279,302	328,728	382,706
Payables and accrued liabilities	8&17	536,496	138,380	1,050,146
Deferred tax	7	178	–	–
Claims liability	23	13,735,409	13,388,524	12,714,911
Total liabilities		**14,551,385**	**13,855,632**	**14,147,763**
Net liabilities		**(3,563,902)**	**(3,706,572)**	**(3,835,128)**

For and on behalf of the Board, which authorised the issue of these Financial Statements on 17 August 2007:

B Tahi

Brenda Tahi
Board member
17 August 2007

Peter Neilson

Peter Neilson
Board member
17 August 2007

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Parent statement of financial position

As at 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Account reserves				
Residual Claims Account		(1,694,584)	(1,759,813)	(1,881,551)
Motor Vehicle Account		(1,673,226)	(1,548,654)	(1,660,122)
Non-Earners’ Account		(1,484,622)	(1,344,728)	(1,309,256)
Earners’ Account		558,258	457,900	532,469
Self-Employed Work Account		–	62,869	75,821
Employers’ Account		–	753,685	756,670
Work Account		1,087,764	–	–
Treatment Injury Account		(364,958)	(331,205)	(352,145)
Total Account reserves		**(3,571,368)**	**(3,709,946)**	**(3,838,114)**
Revaluation reserve	15&21	8,244	4,529	4,529
Total reserves (deficit)		**(3,563,124)**	**(3,705,417)**	**(3,833,585)**
Represented by:				
Assets				
Bank balances		28,413	15,625	16,960
Receivables	16	631,053	608,365	752,470
Accrued levy income	9	404,230	259,738	326,023
Investments	10	9,726,617	9,060,875	9,033,170
Investment in subsidiaries	11	3,450	3,450	3,450
Property, plant and equipment	15	194,530	200,577	181,498
Total assets		**10,988,293**	**10,148,630**	**10,313,571**
Less liabilities				
Levy received in advance	13	279,302	328,728	382,706
Payables and accrued liabilities	8&17	536,706	136,795	1,049,539
Claims liability	23	13,735,409	13,388,524	12,714,911
Total liabilities		**14,551,417**	**13,854,047**	**14,147,156**
Net liabilities		**(3,563,124)**	**(3,705,417)**	**(3,833,585)**

For and on behalf of the Board, which authorised the issue of these Financial Statements on 17 August 2007:

Brenda Tahi
Board member
17 August 2007

Peter Neilson
Board member
17 August 2007

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Consolidated statement of cash flows

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Cash flows from operating activities				
Cash was provided from:				
Levy income		3,247,848	2,987,328	3,023,317
Interest		322,372	265,162	287,327
Dividends		121,935	52,875	111,987
Taxation received		–	392	–
Goods and services tax (net)		–	–	18,949
Other income		4,694	4,732	4,696
		3,696,849	**3,310,489**	**3,446,276**
Cash was applied to:				
Payments to injured persons, suppliers and employees		2,716,950	2,740,862	2,542,396
Goods and services tax (net)		10,756	47,889	–
Taxation paid		1	–	–
		2,727,707	**2,788,751**	**2,542,396**
Net cash movement from operating activities	**25**	**969,142**	**521,738**	**903,880**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		11,655,429	10,415,540	9,039,965
Proceeds from sale of property, plant and equipment		430	–	1,904
		11,655,859	**10,415,540**	**9,041,869**
Cash was applied to:				
Purchase of investments		12,562,566	10,866,870	9,875,279
Purchase of property, plant and equipment		50,518	71,711	66,710
		12,613,084	**10,938,581**	**9,941,989**
Net cash movement from investing activities		**(957,225)**	**(523,041)**	**(900,120)**
Cash flows from financing activities				
Net cash movement from financing activities		–	–	–
Net increase/(decrease) in cash held		**11,917**	**(1,303)**	**3,760**
Bank balance – opening balance		**17,649**	**17,649**	**13,889**
Bank balance – closing balance		**29,566**	**16,346**	**17,649**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Parent statement of cash flows

For the year ended 30 June 2007 $000	Notes	Actual 2007	Budget 2007	Actual 2006
Cash flows from operating activities				
Cash was provided from:				
Levy income		3,247,848	2,987,328	3,023,317
Interest		322,372	265,162	287,327
Dividends		121,935	52,875	111,987
Goods and services tax (net)		–	–	12,727
Other income		2,170	1,740	875
		3,694,325	**3,307,105**	**3,436,233**
Cash was applied to:				
Payments to injured persons, suppliers and employees		2,715,068	2,739,512	2,532,517
Goods and services tax (net)		10,768	47,845	–
		2,725,836	**2,787,357**	**2,532,517**
Net cash movement from operating activities	**25**	**968,489**	**519,748**	**903,716**
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		11,655,429	10,416,274	9,039,965
Proceeds from sale of property, plant and equipment		430	–	1,860
		11,655,859	**10,416,274**	**9,041,825**
Cash was applied to:				
Purchase of investments		12,562,566	10,866,870	9,875,279
Purchase of property, plant and equipment		50,329	70,487	66,471
		12,612,895	**10,937,357**	**9,941,750**
Net cash movement from investing activities		**(957,036)**	**(521,083)**	**(899,925)**
Cash flows from financing activities				
Net cash movement from financing activities		–	–	–
Net increase/(decrease) in cash held		**11,453**	**(1,335)**	**3,791**
Bank balance – opening balance		**16,960**	**16,960**	**13,169**
Bank balance – closing balance		**28,413**	**15,625**	**16,960**

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of commitments

As at 30 June 2007 $000	Consolidated Actual 2007	 Actual 2006	Parent Actual 2007	 Actual 2006
Capital commitments approved and contracted	**39,831**	**33,010**	**39,831**	**32,975**
Non-cancellable operating lease commitments payable:				
Not later than one year	11,035	10,116	10,307	9,666
Later than one year but not greater than two years	10,460	9,982	9,775	9,554
Later than two years but not greater than five years	21,910	23,896	20,558	22,795
Later than five years	25,409	27,072	23,485	25,670
Total non-cancellable operating lease commitments payable	**68,814**	**71,066**	**64,125**	**67,685**
Total commitments	**108,645**	**104,076**	**103,956**	**100,660**

The ACC Group leases premises for its branch network and some of its corporate offices. The annual lease payments are subject to varying terms of review. The amounts disclosed above as future commitments are based on current rental rates.

At balance date, ACC has made conditional agreement to commit to invest $33.0 million (2006 – $23.9 million) in private equity arrangements.

The Private Equity portfolio includes investments in several venture capital/private equity funds. ACC has committed to invest up to a total of $65.8 million (2006 – $43.0 million) in these funds. Investors do not invest upfront. Instead, these funds make calls on investors when additional money is required for investments and/or management fees over a period of up to ten years. As at 30 June 2007, ACC had undrawn commitments to these funds totalling $33.0 million.

Prior to 30 June 2007, ACC entered an agreement to buy IBA Health Limited shares in a placement amounted to NZ$4.0 million (A$3.7 million). The placement was subject to shareholder approval in July 2007.

As at 30 June 2007, ACC had a capital commitment of $1.66 million in respect of an additional investment in the Fashion Island Papamoa property.

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Statement of contingent liabilities and assets

There are several legal actions against ACC in existence, arising in the main from challenges to operational decisions made by ACC. No accrual has been made for these contingent liabilities as ACC will be vigorously defending these claims.

The estimated contingent liabilities of these actions are as follows:

As at 30 June 2007	Consolidated		Parent	
$000	Actual 2007	Actual 2006	Actual 2007	Actual 2006
Legal proceedings	47	330	47	330
Other contingent liabilities	–	7,000	–	7,000
Total contingent liabilities	**47**	**7,330**	**47**	**7,330**

In addition to the above litigation and claims, there is appeal litigation in progress as a consequence of ACC claimants appealing a review officer's decision to the District Court. While an estimate of the financial effect of outstanding appeals cannot be made, management believes the resolution of outstanding appeals will not have a materially adverse effect on the financial statements of ACC.

The estimated contingent assets are as follows:

As at 30 June 2007	Consolidated		Parent	
$000	Actual 2007	Actual 2006	Actual 2007	Actual 2006
Legal proceedings	400	387	400	387
Total contingent assets	**400**	**387**	**400**	**387**

There is a statutory demand related to a claim for the reimbursement of overpayments made by ACC.

The above statement is to be read in conjunction with the accounting policies on pages 75 to 82 and the Notes on pages 100 to 121.

Notes to the financial statements

For the year ended 30 June 2007

1. Net levy income

Net levy income consists of the following:

$000	Consolidated and Parent 2007	2006
Levy income	3,302,264	3,089,412
Less:		
Levy debts written off	(8,573)	(4,913)
Increase in the provision for doubtful debts for levy debtors	(3,396)	(9,001)
Net levy income	**3,290,295**	**3,075,498**

2. Net investment income

Net investment income consists of the following:

$000	Consolidated and Parent 2007	2006
Dividends received	121,546	113,606
Interest received	330,850	288,499
Net realised and unrealised gains	366,930	681,315
Total investment income	**819,326**	**1,083,420**
Less:		
Investment expense	(17,618)	(13,333)
Net investment income	**801,708**	**1,070,087**

Included in net realised and unrealised gains are net foreign exchange losses of $225.8 million (2006 – net foreign exchange losses of $112.0 million).

3. Other income

	Consolidated		Parent	
$000	2007	2006	2007	2006
Sales from rendering of services by subsidiaries	3,333	3,775	–	–
Equity accounted earnings from associate	34	94	–	–
Other income	1,321	875	2,170	875
Other income	**4,688**	**4,744**	**2,170**	**875**

4. Total operating revenue

	Consolidated		Parent	
$000	2007	2006	2007	2006
Levy income	3,302,264	3,089,412	3,302,264	3,089,412
Investment income	819,326	1,083,420	819,326	1,083,420
Other income	4,688	4,744	2,170	875
Total operating revenue	**4,126,278**	**4,177,576**	**4,123,760**	**4,173,707**

5. Operating costs

	Consolidated		Parent	
$000	2007	2006	2007	2006
Operating costs include:				
External audit fees	488	277	500	265
Fees paid to external auditor for other services	68	133	68	133
Directors' fees	368	362	282	274
Rental of office premises	10,981	10,366	10,828	10,280
Depreciation:				
– Buildings	218	202	218	202
– Freehold improvements	460	371	460	371
– Leasehold improvements	2,804	2,521	2,791	2,508
– Furniture, fittings and equipment	2,983	2,353	2,921	2,294
– Computer equipment	29,348	23,965	28,946	23,560
– Motor vehicles	516	520	516	520
Property, plant and equipment write-offs/(reversal):				
– Computer equipment	–	(204)	–	(204)
Amortisation of intangible assets	2	2	–	–
Operating lease equipment rentals	22	37	13	9
Bad debts written off	6	2	6	2
Change in provision for doubtful debts	(10)	13	(10)	13
Personnel expenditure	148,664	140,291	142,604	134,917
Supplies and services	90,420	88,316	95,834	90,439
	287,338	269,527	285,977	265,583
Restructuring costs	316	794	316	794
Operating costs	**287,654**	**270,321**	**286,293**	**266,377**
Operating costs are allocated to:[i]				
Residual Claims Account			24,049	25,572
Motor Vehicle Account			30,939	30,900
Non-Earners' Account			40,933	37,826
Earners' Account			110,484	97,494
Self-Employed Work Account			10,195	12,520
Employers' Account			44,657	55,406
Work Account			17,309	–
Treatment Injury Account			7,727	6,659
Operating costs			**286,293**	**266,377**

Audit fees for the Group are paid for by ACC. Audit fees accrued in 2006 by Catalyst Risk Management Limited was reversed this year as this was paid for by ACC.

Personnel expenditure includes salaries, superannuation, ACC levies paid and accrued holiday pay.

i. Costs were allocated to Accounts for 2007 using a similar activity-based costing methodology as used for 2006.

6. Income tax expense/(credit)

$000	Consolidated 2007	2006
Surplus before tax	**267,903**	**330,164**
Add/(less) permanent differences:		
Parent net surplus	(266,746)	(330,239)
Equity accounted earnings from associate	(34)	(94)
Amortisation of intangible assets	3	2
Non-deductible expenses	4	4
Accounting surplus/(deficit) subject to tax	**1,130**	**(163)**
Income tax at 33%	373	(54)
Under provision prior years	19	2
Income tax expense/(credit)	**392**	**(52)**
The income tax expense/(credit) is represented by:		
Current tax	(209)	(38)
Deferred tax	601	(14)
	392	**(52)**

7. Deferred taxation liability/(asset)

$000	Consolidated 2007	2006
Balance at beginning of the year	(423)	(409)
Transfer from/(to) Statement of Financial Performance	601	(14)
Balance at end of the year	**178**	**(423)**

8. Provisions

a) Backdated attendant care

$000	Consolidated and Parent 2007	2006
Opening balance	7,951	11,015
Paid out during the year	(5,453)	(8,398)
Additional provision made during the year	–	5,334
Reversal of unused provision	(2,498)	–
Closing balance	**–**	**7,951**

A liability for backdated attendant care arose from a decision of the High Court relating to entitlements for periods prior to 1992. The Court found that ACC claimants requiring constant personal attention under the 1972 and 1982 legislation, were entitled to 24 hour attendant care from the date of their discharge from hospital as opposed to a lesser level of benefits actually paid by ACC. Included in this is also a liability for attendant care arrears.

Backdated attendant care payments are now included in the claims liability valuation. A separate provision for backdated attendant care payments is therefore no longer required.

b) Restructuring

$000	Consolidated and Parent 2007	2006
Opening balance	420	–
Provision made during the year	–	794
Paid out during the year	(254)	(374)
Reversal of unused provision	(127)	–
Closing balance	**39**	**420**

There was a review last year of ACC's senior management structure which resulted in the development of one that is more closely aligned with the core functions of ACC and the Board's strategic goals. The new structure has positioned the senior leadership team of ACC to more effectively and efficiently manage the business and its challenges as ACC moves forward. This restructuring was largely completed this year, but has also impacted on other parts of the organisation. Additional redundancies have therefore been provided accordingly this year.

9. Accrued levy income

As stated in the Statement of Accounting Policies, all levy income is recognised in the period to which it relates.

Levy income was therefore accrued to 30 June 2007 in the following Accounts:

$000	Consolidated and Parent 2007	2006
Residual Claims Account	261,073	212,097
Earners' Account	98,412	73,640
Employers' Account	–	14,913
Self-Employed Work Account	–	25,373
Work Account	44,745	–
	404,230	**326,023**

10. Investments

ACC holds investments to meet the liquidity and reserve requirements of each Account as follows:

$000	Consolidated and Parent 2007	2006
New Zealand deposits at call	849,783	1,329,052
New Zealand government securities	1,360,711	1,187,262
New Zealand equities	1,163,371	1,056,212
Australian equities	1,071,890	882,670
Australian deposits at call	46,451	19,441
New Zealand discounted securities	728,378	994,942
Other New Zealand fixed interest securities	2,294,404	1,541,280
Overseas fixed interest securities	263,715	213,553
Other overseas equities	1,871,139	1,783,886
Other overseas deposits at call	28,537	36,917
Direct property	21,880	4,635
Foreign Currency Hedging	26,358	(16,680)
	9,726,617	**9,033,170**

Included within the above investment asset classes are $6.6 million (2006 – $12.5 million) of New Zealand equities and $128.8 million (2006 – $710.0 million) of New Zealand government securities investments which are subject to fully collateralised security lending transactions. Cash collateral received in these transactions is invested, and the liability to repurchase the investments is accrued in unsettled investment transactions.

Direct property comprises of two investment properties that are leased to third parties:

a) Radius St Joan Hospital
The investment property was valued at $5.1 million on 30 June 2007 (2006 – $4.5 million) by Michael Nimot, a member of the New Zealand Institute of Valuers (Inc.), and an independent valuer of the firm Barker & Morse Ltd. The property was valued at market value less the estimated cost of disposal.

b) Fashion Island Papamoa
The investment property was valued at $16.8 million on 30 June 2007 (after an allowance of $1.25 million for one vacant unit) by Glenn Attewell, a member of the New Zealand Institute of Valuers (Inc.), and an independent valuer of the firm Darroch Valuations Waikato. The property was valued under the discounted cash flow approach, which indicates an initial yield of 7.43% on the initial cash flow inclusive of vacancies.

11. Investment in subsidiaries

$000	Parent 2007	2006	Balance Date
Catalyst Risk Management Limited	2,600	2,600	30 June
Dispute Resolution Services Limited	850	850	30 June
	3,450	**3,450**	

Catalyst Risk Management Limited is an injury management company providing recovery and rehabilitation management services.

Dispute Resolution Services Limited is a company providing personal injury review and mediation services.

These companies are wholly owned subsidiaries of ACC.

12. Investment in associate

	Consolidated	
$000	2007	2006
Share of surplus before tax	56	141
Income tax	22	47
Share of surplus after tax	**34**	**94**
Share of dividend paid	(40)	(46)
Share of retained surplus	**(6)**	**48**
Carrying amount at beginning of the year	86	38
Carrying amount at end of the year	**80**	**86**

		Percentage Held		Balance	Consolidated Carrying Amount	
	Acquired	2007	2006	Date	2007 $000	2006 $000
Associate:						
Impac Services Limited	1 July 2004	20%	20%	31 March	80	86

13. Levy received in advance

	Consolidated and Parent	
$000	2007	2006
Motor Vehicle Account	147,696	158,776
Earners' Account	9,850	10,012
Employers' Account	–	191,493
Self-Employed Work Account	–	22,425
Work Account	121,756	–
	279,302	**382,706**

Motor Vehicle Account levy and residual levy from motor vehicle relicensing are for a period of one month to one year in advance.

14. Intangible assets

	Consolidated	
$000	2007	2006
Intellectual Property		
Cost	25	25
Accumulated amortisation	(7)	(5)
	18	**20**

15. Property, plant and equipment

	Consolidated		Parent	
$000	2007	2006	2007	2006
Freehold land at valuation	**5,136**	**3,846**	**5,136**	**3,846**
Buildings at valuation	10,286	8,144	10,286	8,144
Accumulated depreciation	(2,253)	(1,552)	(2,253)	(1,552)
	8,033	**6,592**	**8,033**	**6,592**
Freehold improvements at valuation	7,235	5,216	7,235	5,216
Accumulated depreciation	(4,951)	(3,265)	(4,951)	(3,265)
	2,284	**1,951**	**2,284**	**1,951**
Leasehold improvements at cost	25,253	24,687	24,936	24,359
Accumulated depreciation	(14,521)	(12,011)	(14,245)	(11,747)
	10,732	**12,676**	**10,691**	**12,612**
Furniture, fittings and equipment at cost	26,162	25,852	25,572	25,339
Accumulated depreciation	(23,206)	(21,799)	(22,749)	(21,398)
	2,956	**4,053**	**2,823**	**3,941**
Computer equipment at cost	280,616	191,773	276,760	188,063
Accumulated depreciation	(152,192)	(125,915)	(150,272)	(124,385)
Accumulated impairment	(1,000)	(1,000)	–	–
	127,424	**64,858**	**126,488**	**63,678**
Motor vehicles at cost	5,004	4,668	5,004	4,668
Accumulated depreciation	(2,664)	(2,474)	(2,664)	(2,474)
	2,340	**2,194**	**2,340**	**2,194**
Work in progress at cost				
Leasehold improvements	1,098	–	1,098	–
Computer equipment	35,637	86,726	35,637	86,684
	36,735	**86,726**	**36,735**	**86,684**
	195,640	**182,896**	**194,530**	**181,498**

Note:

ACC owns two freehold properties, Shamrock House valued in June 2007 at a market value of $15.0 million ($12.1 million in June 2006), and Greymouth House revalued for the first time in June 2007 at market value of $395,000. ACC holds its freehold premises as capital assets for long term ownership, not as investment properties. The valuations were completed by CB Richard Ellis Limited and Coast Valuations Limited respectively. Both are independent registered public valuers. The investment value approach was used as the basis of the valuations.

Impairment

The carrying amounts of all property, plant and equipment are reviewed on an ongoing basis. Any impairments in value are recognised immediately. There were no impairment losses recognised (or reversed) in the Statement of Financial Performance for the year nor in the previous year.

16. Receivables

$000	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Residual Claims debtors(i)	423	386	423	386
Provision for doubtful debts	(423)	(386)	(423)	(386)
	–	–	–	–
Self-Employed debtors(i)	124,967	96,736	124,967	96,736
Provision for doubtful debts	(31,577)	(27,811)	(31,577)	(27,811)
	93,390	**68,925**	**93,390**	**68,925**
Employers debtors(i)	462,066	556,122	462,066	556,122
Provision for doubtful debts	(29,612)	(30,020)	(29,612)	(30,020)
	432,454	**526,102**	**432,454**	**526,102**
Claimant debtors(ii)	10,876	12,075	10,876	12,075
Provision for doubtful debts	(10,872)	(12,074)	(10,872)	(12,074)
	4	**1**	**4**	**1**
PAYE receivable(iii)	3,355	3,129	3,355	3,129
Provision for doubtful debts	(465)	(1,096)	(465)	(1,096)
	2,890	**2,033**	**2,890**	**2,033**
Motor Vehicle levy receivable(iv)	21,124	34,011	21,124	34,011
Non-Earners' appropriation	8,856	13,200	8,856	13,200
Levies underpaid by Inland Revenue	–	12,066	–	12,066
Unsettled investment transactions	14,639	39,270	14,639	39,270
Dividends receivable and accrued	4,086	4,475	4,086	4,475
Interest receivable and accrued	43,942	35,464	43,942	35,464
Prepayments	7,270	6,616	7,259	6,606
Tax refund due	641	431	–	–
Intercompany receivables	–	–	165	223
Advances to subsidiaries	–	–	800	1,050
Sundry debtors	2,036	9,774	1,444	9,044
	631,332	**752,368**	**631,053**	**752,470**

Note:

i. The changes in the provisions for doubtful debts for the levy debtors have been charged against levy income. Because of the amount involved, charging against operating costs may result in distortion of this cost. Levy debtors have been invoiced based on liable earnings data provided from Inland Revenue sources.

ii. Claimant debt results when an overpayment has been recognised and is unable to be immediately repaid.

iii. PAYE receivable represents PAYE on claimant payments subsequently reversed. In most cases this amount is collectable from Inland Revenue.

iv. Motor vehicle levy receivable consists of the amount collected by Land Transport NZ from motor licensing and the balance that is due to ACC after month end and the amount collected by NZ Customs for the ACC levy portion of the excise duty on petrol and the balance that is due to ACC in the first week of the following month.

In addition to the above there are levies outstanding from motor vehicle owners. Land Transport NZ, in its capacity as collecting agent for ACC from motor vehicle owners, estimates this to be approximately $13.1 million (2006 – $31.7 million). As ACC is not able to determine the collectability of these levies no accrual has been made.

17. Payables and accrued liabilities

$000	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
Unsettled investment transactions	164,749	770,000	164,749	770,000
PAYE and earnings related deductions	8,604	8,730	8,575	8,729
Claims expenditure accrued and payable	193,439	111,986	193,439	111,986
Occupational safety and health	13,403	14,917	13,403	14,917
Sundry creditors	393	620	393	605
Levies overpaid by Inland Revenue	63,615	22,984	63,615	22,984
Intercompany payables	–	–	1,757	632
Goods and services tax	37,133	47,889	37,077	47,844
Accrued employee entitlements	12,391	11,001	11,841	10,531
Other accrued expenditure	42,730	53,648	41,818	52,940
Provision for backdated attendant care (refer to note 8a)	–	7,951	–	7,951
Provision for restructuring (refer to note 8b)	39	420	39	420
	536,496	**1,050,146**	**536,706**	**1,049,539**

18. Financial instruments

a) Interest rate management

ACC has investment assets totalling $9,623.9 million (2006 – $8,342.9 million) as at 30 June 2007. This comprises $443.0 million (2006 – $409.4 million) operational cash and a total reserves portfolio of $9,180.9 million (2006 – $7,933.5 million). The operational cash is used to meet liquidity requirements. The total reserves portfolio's principal assets are bonds and equities. The interest rate exposures of the total reserves and operational cash portfolios are managed primarily through asset allocation between asset class sub-portfolios and through selection of physical securities within asset class sub-portfolios. Derivative financial instruments may also be used to manage the interest rate exposures of the reserves and cash portfolios.

The Board has delegated the responsibility for the management of interest rate risk to the Investment Committee which has considered this risk relative to the interest rate exposures inherent in the claims liability of each funding Account. The Investment Committee has set out investment guidelines for each of the fixed interest portfolios including the use of derivatives. The exposure of each of the fixed interest portfolios is measured by comparing the duration of each portfolio against the selected benchmark index duration.

The weighted average effective interest rates for all classes of investments are as follows:

	2007 %	2006 %
New Zealand deposits at call	8.05	7.30
New Zealand government securities	6.05	5.30
New Zealand discounted securities	8.22	7.42
Other New Zealand fixed interest securities	8.36	7.28
Overseas fixed interest securities	7.95	9.05

At balance date the principal or contract amounts of interest rate swaps outstanding were:

	Consolidated and Parent	
$000	2007	2006
Interest rate swaps	2,616,050	1,266,850

The estimated cash settlement (outflow)/inflow required for these instruments, based on market valuations at 30 June is:

	Consolidated and Parent	
$000	2007	2006
Interest rate swaps	(91,436)	(2,628)

b) Currency risk management

Part of the reserves portfolio is invested in overseas fixed interest and equity markets, which total $3,218.7 million as at 30 June 2007 (2006 – $2,936.5 million). Forward currency agreements are used to create partial economic hedges for the foreign currency exposure.

The Investment Committee has delegated the responsibility for the currency management to the Investment Unit, which manages foreign currency exposure of each reserves portfolio. The Investment Committee has set out investment guidelines on the management of currency risk. During the year an average of 38% (2006 – 38%) of the overseas currency exposure was hedged to New Zealand dollars.

The contract amounts outstanding at 30 June are as follows:

	Consolidated and Parent	
$000	2007	2006
Forward exchange contracts	1,274,573	1,119,135

The estimated cash settlement (outflow)/inflow required for these instruments, based on market valuations at 30 June is:

	Consolidated and Parent	
$000	2007	2006
Forward exchange contracts	26,358	(16,680)

c) Repricing analysis

The following table identifies the products in which financial instruments that are subject to interest rate risk re-price. The effective interest rate incorporates the effect of the relevant derivative contracts.

2007 Consolidated and Parent $000	Effective Interest Rate	Total	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Investments						
New Zealand government securities	6.05%	1,360,711	–	–	–	1,360,711
New Zealand deposits at call	8.05%	849,783	849,783	–	–	–
New Zealand discounted securities	8.22%	728,378	728,378	–	–	–
Other New Zealand fixed interest securities	8.36%	2,294,404	1,601,296	24,178	124,699	544,231
Overseas fixed interest securities	7.95%	263,715	2,390	603	4,591	256,131
		5,496,991	**3,181,847**	**24,781**	**129,290**	**2,161,073**

2006 Consolidated and Parent $000	Effective Interest Rate	Total	Less than 1 year	Between 1–2 years	Between 2–5 years	Greater than 5 years
Investments						
New Zealand government securities	5.30%	1,187,262	–	–	2,636	1,184,626
New Zealand deposits at call	7.30%	1,329,052	1,329,052	–	–	–
New Zealand discounted securities	7.42%	994,942	994,942	–	–	–
Other New Zealand fixed interest securities	7.28%	1,541,280	558,407	30,796	224,914	727,163
Overseas fixed interest securities	9.05%	213,553	7,703	492	3,691	201,667
		5,266,089	**2,890,104**	**31,288**	**231,241**	**2,113,456**

d) Credit risk

To the extent ACC has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. Financial instruments that potentially subject ACC to credit risk principally consist of bank balances, receivables, investments in government securities, foreign currency forward exchange contracts, swaps, options and forward rate agreements.

The Investment Committee has approved a list of selected counterparties and assigned investment limits based on credit ratings assigned to issuers by Standards and Poors. Credit risk exposure is monitored on a continuous basis and ACC does not anticipate non-performance by the counterparties.

Significant concentrations of credit risk are held in the following:

$000	Consolidated 2007	Consolidated 2006	Parent 2007	Parent 2006
1. Bank balances	29,566	17,649	28,413	16,960
2. Receivables	631,332	752,368	631,053	752,470
3. New Zealand government securities	1,360,711	1,187,262	1,360,711	1,187,262
4. Major New Zealand financial institutions in call deposits, negotiable certificates of deposits and bonds maturing:				
– in less than three months	1,029,438	1,474,655	1,029,438	1,474,655
–in more than three months	31,576	160,553	31,576	160,553

The highest amount with one institution is $395.3 million (2006 – $244.9 million).

All investments are marked to market; fair value is equal to carrying value.

e) Equity market derivatives

Part of the Australian equity portfolio may be invested in Australian equity put options. Australian equity options are used to partially hedge potential declines in the Australian equity market. The put option matured in December 2006 and has zero value as at 30 June 2007 (2006 – $3.8 million).

f) Fair values

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Bank Balances, Receivables, Payables

The carrying value of these items is equivalent to their fair value.

Investments

The fair value of the investments is equivalent to their carrying value.

Derivatives

The fair value of the derivatives is equivalent to their carrying value.

19. Segmental reporting

ACC operates in New Zealand and predominantly in one industry, that of insurance-based accident rehabilitation and compensation.

20. Related party transactions

ACC as a Crown entity enters into a number of transactions with other government departments, Crown agencies and state-owned enterprises on an arm's-length basis where those parties are acting in the course of their normal dealing with ACC. Because these transactions are entered into on an arm's-length basis, they are not considered to be related party transactions.

All transactions between ACC and the companies within the Group are conducted on an arm's-length basis.

During the year ACC purchased services from the Group companies totalling $8.1 million (2006 – $5.3 million). The amount outstanding at balance date was $0.7 million (2006 – $0.6 million). Sales to the Group companies by ACC for its services totalled $0.8 million (2006 – $0.9 million). The amount outstanding at balance date was $0.2 million (2006 – $0.2 million).

ACC provided additional advances to its Group companies during the year. The amount outstanding at balance date was $0.8 million (2006 – $1.1 million).

Trade amounts owing between related parties are payable under normal commercial terms. No related party debts have been written off or forgiven during the year.

21. Asset revaluation reserves

	Consolidated and Parent	
$000	2007	2006
Land Revaluation Reserve		
Balance at the beginning of the year	2,878	2,085
Revaluation increase	1,243	793
Balance at the end of the year	**4,121**	**2,878**
Building Revaluation Reserve		
Balance at the beginning of the year	1,651	536
Revaluation increase	2,472	1,115
Balance at the end of the year	**4,123**	**1,651**
	8,244	**4,529**

22. Reinsurance

ACC has no catastrophe re-insurance as the cost to fully place the cover is assessed as not in line with the risk.

Catastrophe re-insurance will be reconsidered if and when this can be achieved at a reasonable cost.

23. Claims liability

Future expenditure commitments exist in respect of:

1. Claims notified and accepted in the current and previous years, but which will not be fully met until future years; and
2. Claims incurred but not notified to, or accepted by, ACC at balance date.

An independent actuarial estimate by PricewaterhouseCoopers Actuarial Pty Ltd, consulting actuaries of Sydney, led by Noeline Woof, has been made of the future expenditure relating to accidents which occurred prior to balance date, whether or not the claims have been reported to or accepted, by ACC. Noeline Woof is a Fellow of the Institute of Actuaries of Australia and Fellow of the New Zealand Society of Actuaries.

The actuarial estimate has been made based on actual experience to 30 June 2007 for non-fatal income maintenance and actual experience to 31 March 2007 for all other payment types. The calculation of the outstanding claims liability has been made in accordance with the standards of the New Zealand Society of Actuaries and Financial Reporting Standard 35.

In determining the actuarial estimate, the independent actuaries have relied upon information supplied by ACC. As there is overall satisfaction as to the nature, sufficiency and accuracy of the information provided, no independent verification was required. However, a review of reasonableness and consistency of the data was undertaken where possible. This review did not identify any material inconsistencies or deficiencies in the data.

The following table shows the actuarial estimate of the present value of the claims liability that will be payable in future years. The actual outcome is likely to range about this estimate and, like any such forecast, is subject to uncertainty.

The main long term assumptions used in the above estimates for discounting to present values are:

	2007 % p.a.		2006
	Year 1	Years 2+	% p.a.
1. Interest rate for discounting (weighted average rate of government stock)	6.61%	6.61%	5.83%
2. Inflation rates:			
– weekly compensation	3.8%	3.4%	3.3%
– impairment benefits	2.9%	2.3%	2.8%
– rehabilitation and other benefits[i]	3.0%	2.6%	2.5%
– medical costs[ii]	3.0%	2.6%	2.5%
3. Allowance for claims handling expenses (as a proportion of liabilities)[iii]	n/a	n/a	n/a

i. Social rehabilitation for serious injury claims (which represents around 50% of rehabilitation liability) has an allowance for superimposed inflation of 5.0% p.a. over the next five years and 1.0% thereafter. Non-serious injury social rehabilitation also includes an allowance for superimposed inflation which is 12.0% initially and reduces to 4.0% over three years. Hospital rehabilitation costs include an allowance for superimposed inflation of 6.0% p.a. for three years and then 1.0% p.a. long term.

ii. Medical cost inflation includes an explicit allowance for superimposed inflation of approximately 6.0% p.a. for three years, which then reduces to 2.5% p.a. long term.

iii. The claims handling expense allowance is now calculated as an explicit amount rather than as a proportion of the claims liability.

Superimposed inflation is the increase in the cost of claims that is above general inflation. This is due to other influencing factors such as new medical treatment being available.

A key assumption, which has financial significance, is the superimposed inflation for social rehabilitation for serious injury claims. If superimposed inflation is assumed to be 0% after five years instead of 1.0% thereafter, this will decrease the claims liability by $442 million. If it is assumed to be 2.0%, this will increase the claims liability by $481 million.

The claims liability valuation also does not make any specific allowances for increase in regulated and contracted rates paid for treatment and rehabilitation services in excess of standard wage inflation.

Claims liability (discounted)

As at 30 June 2007 $million	30 June 2007 Total	Residual Claims Account	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Self-Employed Work Account	Employers' Account	Work Account	Treatment Injury Account	30 June 2006 Total
Rehabilitation										
Medical treatment	928	156	131	234	247	–	–	124	36	962
Miscellaneous	6,345	1,061	2,144	1,520	808	–	–	247	565	5,550
	7,273	**1,217**	**2,275**	**1,754**	**1,055**	**–**	**–**	**371**	**601**	**6,512**
Compensation										
Income maintenance	4,703	1,206	1,266	174	1,124	–	–	744	189	4,608
Impairment benefits	836	90	133	369	135	–	–	58	51	723
	5,539	**1,296**	**1,399**	**543**	**1,259**	**–**	**–**	**802**	**240**	**5,331**
Present value of the claims liability	**12,812**	**2,513**	**3,674**	**2,297**	**2,314**	**–**	**–**	**1,173**	**841**	**11,843**
Present value of the operating costs of meeting these claims	**904**	**254**	**287**	**90**	**135**	**–**	**–**	**93**	**45**	**854**
Bulk billed costs	**19**	**–**	**3**	**11**	**4**	**–**	**–**	**1**	**–**	**18**
Total present value of the claims liability (as at 30 June 2007)	**13,735**	**2,767**	**3,964**	**2,398**	**2,453**	**–**	**–**	**1,267**	**886**	**12,715**
As at 30 June 2006 (Discounted to 30 June 2006)	**12,715**	**2,848**	**3,554**	**2,074**	**2,222**	**255**	**989**	**-**	**773**	**11,384**
Transferred between Accounts	**–**	**–**	**–**	**–**	**–**	**(253)**	**(1,059)**	**1,312**	**–**	**–**
Transferred from Other Insurers	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**10**
Movement during the year	**1,020**	**(81)**	**410**	**324**	**231**	**(2)**	**70**	**(45)**	**113**	**1,321**

Maturity profile[1]

As at 30 June 2007 $million	30 June 2007 Total	Residual Claims Account	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Self-Employed Work Account	Employers' Account	Work Account	Treatment Injury Account	30 June 2006 Total
Within one year	1,686	313	316	267	461	–	–	266	63	1,505
Later than one year but not later than two years	1,188	261	278	176	258	–	–	157	58	1,048
Later than two years but not later than five years	2,587	616	674	375	489	–	–	295	138	2,419
Later than five years but not later than ten years	2,896	688	840	451	490	–	–	258	169	2,687
Later than ten years	5,378	889	1,856	1,129	755	–	–	291	458	5,056
Total present value of the claims liability	**13,735**	**2,767**	**3,964**	**2,398**	**2,453**	**–**	**–**	**1,267**	**886**	**12,715**

[1] Includes claims handling expenses.

Analysis of changes

$million	30 June 2007 Total	Residual Claims Account	Motor Vehicle Account	Non-Earners' Account	Earners' Account	Self-Employed Work Account	Employers' Account	Work Account	Treatment Injury Account	30 June 2006 Total
Opening gross liability	30,528	5,439	9,328	6,312	4,522	455	1,615	–	2,857	26,436
Payments in respect of prior years	(1,655)	(338)	(319)	(258)	(414)	(42)	(166)	(51)	(67)	(1,389)
Change in prior year estimates[(i)]	6,326	362	2,435	2,083	380	(131)	(351)	425	1,123	2,655
Current year claims[(ii)]	3,468	124	780	627	986	74	337	170	370	2,826
Transfer between Accounts	–	–	–	–	–	(356)	(1,435)	1,791	–	–
Closing gross liability	38,667	5,587	12,224	8,764	5,474	–	–	2,335	4,283	30,528
Discounted at 2006 interest rate[(iii)]	14,902	2,949	4,353	2,654	2,618	–	–	1,332	996	12,819
Effect of change in interest rate	(1,167)	(182)	(389)	(256)	(165)	–	–	(65)	(110)	(104)
Closing discounted liability	**13,735**	**2,767**	**3,964**	**2,398**	**2,453**	**–**	**–**	**1,267**	**886**	**12,715**

i. Changes to the estimated value of future payments to reflect the experience of the Scheme in 2006/2007 for accidents incurred prior to July 2006. These estimates have changed due to experience being worse than expected.

ii. Estimated value of future payments for accidents incurred between July 2006 and June 2007.

iii. The actuarial estimate is calculated by discounting the expected future payments to their present value. A 'fully funded' Scheme would hold assets equal to the discounted liability value.

Levy deficiency

Unexpired risk represents any deficiency of levy income in respect of policies in force at balance date through to the next renewal date of such policies. A deficiency exists where future levies are exceeded by expected claims and expenses. Where a levy deficiency exists, any deferred acquisition costs are first written down to zero.

At 30 June 2007, ACC has projected a levy deficiency of $103.9 million (2006 – $nil) for current in-force business until the next levy renewal on 1 April 2008. Under FRS 35: *Financial Reporting of Insurance Activities*, no provision is required to be recognised for this unexpired risk. However, deferred acquisition costs must be fully written down to the extent of any levy deficiency. At 30 June 2007, deferred acquisition costs were valued at $ nil (2006 – $nil). Therefore, no write down has occurred.

24. Claims arising from work-related gradual process, disease or infection (“WRGPDI” claims)

An amendment to the Act, which took effect from 1 July 2005, requires that all WRGPDI claims should be allocated to an Account or Accounts on the basis of the status of the claimant during the period of exposure rather than the date of the claim lodgement.

As a result, claim costs of $18.8 million and $67.4 million were transferred from the Self-Employed Work Account and Employers’ Account respectively to the Residual Claims Account in 2006.

A Crown Law opinion was requested this year to clarify the treatment of WRGPDI claims reported prior to the effective date of the amendment, that is, whether or not the amendment was retrospective. The advice from Crown Law was that payments made up until the effective date of the amendment should be funded according to the original wording of the Act and subsequent payments according to the amendment.

As a result, the following transfers of claims costs between Accounts were made this year which included adjustments to the transfers made last year:

$000	Social rehabilitation	Lump sums
Claims costs transfer in (out) of:		
Residual Claims Account	(32,032)	2,326
Non-Earners’ Account	(317)	9,542
Self-Employed Work Account	8,974	(1,814)
Employers’ Account	29,983	(8,831)
Work Account	(6,608)	(1,223)

25. Cash flows

Reconciliation of net cash inflow from operating activities with the reported net surplus

$000	Consolidated Actual 2007	Consolidated Budget 2007	Consolidated Actual 2006	Parent Actual 2007	Parent Budget 2007	Parent Actual 2006
Net surplus after taxation	**267,511**	**128,556**	**330,216**	**266,746**	**128,168**	**330,239**
Add/(less) items classified as investing activities						
Gain on sale of fixed assets	–	–	(165)	–	–	(164)
Realised gains on sale of investments	(657,621)	(595,000)	(104,699)	(657,621)	(595,000)	(104,699)
Add/(less) non-cash items						
Depreciation	36,329	51,989	29,932	35,852	51,408	29,455
Offshore income re-invested	62,052	62,000	49,583	62,052	62,000	49,583
Provision for restructuring costs	39	–	420	39	–	420
(Decrease)/increase in backdated attendant care provision	(2,498)	–	5,334	(2,498)	–	5,334
Levy debts written off	8,573	–	4,913	8,573	–	4,913
Increase in doubtful debts for levy debtors	3,396	–	9,001	3,396	–	9,001
Property, plant and equipment writeoffs/(reversal)	–	–	(204)	–	–	(204)
Amortisation of intangible assets	2	–	2	–	–	–
Movement in deferred tax	601	152	(14)	–	–	–
Adjustment to claims liability	1,020,498	673,613	1,321,069	1,020,498	673,613	1,321,069
Add/(less) movements in working capital items						
In accounts receivable	6,234	171,509	(113,385)	6,609	171,618	(113,206)
In accounts payable and accrued liabilities	98,791	(141,765)	(17,863)	99,608	(142,743)	(17,765)
In levies received in advance	(103,404)	(53,978)	15,939	(103,404)	(53,978)	15,939
Add/(less) net adjustments to investments for market values and accrued income	228,639	224,662	(626,199)	228,639	224,662	(626,199)
Net cash inflow from operating activities	**969,142**	**521,738**	**903,880**	**968,489**	**519,748**	**903,716**

26. Impact of adopting New Zealand equivalents to International Financial Reporting Standards

Adoption of International Financial Reporting Standards

In December 2002 the New Zealand Accounting Standards Review Board announced that International Financial Reporting Standards ("IFRS") will apply to all New Zealand entities for periods commencing on or after 1 January 2007. Certain adaptations have been made to reflect New Zealand circumstances for issue as New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"); including exemptions for public benefit entities.

ACC considers itself a public benefit entity, however has elected not to apply the public benefit entity exemptions in NZ IFRS. ACC intends to prepare its first Financial Statements in accordance with NZ IFRS for the year ending 30 June 2008. This is in-line with the New Zealand Crown reporting requirements.

Transition management

A conversion project involving finance staff, who engage with professional advisors, is led by the General Manager, Finance has been established. The project team is:

- continually assessing the impact of changes in financial reporting standards on ACC's financial reporting and other related activities;
- designing models and implementing processes designed to deliver financial reporting under NZ IFRS; and
- dealing with any related business impacts.

This project is largely completed and ACC expects to be in a position to comply with all NZ IFRS requirements for the year ending 30 June 2008.

Impact on transition to NZ IFRS

The purpose of this disclosure is to highlight the expected impact to ACC as a result of transition to NZ IFRS.

Most key accounting policy decisions have been agreed upon.

This note only provides a summary of the significant potential impacts resulting from transition to NZ IFRS and should not be taken as an exhaustive list of all differences between existing New Zealand Generally Accepted Accounting Practice (NZ GAAP) and NZ IFRS. The impact analyses were carried out using NZ IFRS, interpretations and application guidance to NZ IFRS, effective at 30 June 2006. It is possible therefore that actual impact of adopting NZ IFRS may vary from the information presented, and the variation may be material. NZ IFRS 1: *First-time Adoption of New Zealand equivalents to International Financial Reporting Standards* also allows a number of exemptions to assist in the transition to reporting under NZ IFRS. The explanatory comments below include details of the NZ IFRS 1 treatments adopted. Also included are the elective exemptions to be applied under NZ IFRS 1.

The table below details the estimated impact on transition to NZ IFRS as at the date of transition.

$000	Notes	Total reported under NZ GAAP	Re-classification	Effect of transition to NZ IFRS	Restated totals under NZ IFRS at 1 July 2006
Claims liability	1	12,714,911	–	1,398,640	14,113,551
Unexpired risk liability	1	–	–	204,223	204,223
Unearned levy liability	1	382,706	–	1,060,276	1,442,982
Investments	2	9,033,170	–	(16,160)	9,017,010
Intangible assets	3	20	117,984	(20)	117,984
Property, plant and equipment	3	182,896	(117,984)	–	64,912
Payables and accrued liabilities	4	1,050,146	–	7,101	1,057,247
Lease reinstatement provision	5	–	–	1,836	1,836
Deferred tax asset	6	423	–	104	527

Changes in accounting policies on transition to NZ IFRS

1. Claims liability – risk margin and liability adequacy test

The international accounting standard on the recognition and measurement of insurance contracts is currently being developed by the International Accounting Standards Board as part of Phase II of its insurance project. A final standard is only expected by 2010. Until such time NZ IFRS 4: *Insurance Contracts* is applicable.

NZ IFRS 4 requires an additional risk margin to be factored into the measurement of the claims liability, to allow for inherent uncertainty in the central estimate. Currently, ACC's claims liability is based on the concept of a "central estimate of liability" which implies no risk margin. The inclusion of a risk margin will increase the claims liability.

At transition, ACC has incorporated a risk margin at 75% probability of sufficiency. This equates to a risk margin of 11% of the claims liability and has therefore increased the claims liability by $1,398.6 million at transition.

In addition to the application of a risk margin, a liability adequacy test must be performed to support the adequacy of the unearned levy liability (that is, levy received in advance and unearned levy liability) to meet estimated future claims. Under current accounting treatment, only the earned portion of the levy income has been recognised in the Financial Statements. Under NZ IFRS, the total (earned and unearned) will be recognised in the Financial Statements with the unearned portion accounted for as unearned levy, which at transition date amounted to $1,060.3 million.

If the unearned levy liability is shown to be deficient, the deficiency must be recognised in the Statement of Financial Performance. The results of the liability adequacy test shows that the unearned levy liability is deficient, resulting in the recognition of an unexpired risk liability of $204.2 million.

2. Valuation of investment assets

All investment assets, including derivative financial instruments entered into for risk management purposes are classed as "held for trading" under the "fair value through profit or loss" category in accordance with NZ IAS 39: *Financial Instruments: Recognition and Measurement*. All of ACC's investment assets back its insurance liabilities. Accounting treatment for assets classed in the "fair value through profit or loss" class is largely consistent with current practice in that the assets are held at fair value on the Statement of Financial Position with any changes in fair value reflected in the Statement of Financial Performance in the period the change occurs.

However, differences arise in determining fair value (for example, the use of bid prices rather the last traded price) and the removal of a liquidity discount. On transition, the fair value of ACC's investment assets will decrease by $16.2 million due to the different basis of determining fair value.

3. Reclassification of software assets to intangible assets

The only NZ IFRS transition adjustment identified for property, plant and equipment is the reclassification of software assets to intangible assets. A review of the software assets has determined that all software assets should be reclassified as intangible assets. The total amount reclassified is $118.0 million.

Intellectual property rights of $20,000 in intangible assets has been written off to retained earnings on transition.

4. Employee benefits – long service leave, retirement leave and sick leave

Under current NZ GAAP, ACC recognises a liability for long service leave and retirement benefits only when certain criteria are met and leave entitlements have actually vested with the employee. NZ IFRS requires all long term employee benefits to be accrued as services are rendered by employees, using an actuarial technique to determine the liability.

An accrual is also required to provide for anticipated sick leave where an entity allows for an employee to accumulate sick leave. ACC and Dispute Resolution Services Ltd do not have accumulating sick leave – a provision for sick leave is not required. However, Catalyst Risk Management Ltd has an accumulating sick leave policy and therefore a provision has been recognised.

The adjustment to these obligations amounted to $7.1 million.

5. Recognition of lease reinstatement provision

Under NZ IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* a provision has been made for the reinstatement of leasehold properties at the end of the lease term as per the conditions of the lease agreement.

A new provision of $1.8 million is recognised accordingly.

6. Deferred tax

The income statement approach has traditionally been used to calculate deferred tax. On transition to NZ IFRS deferred tax is required to be calculated using the balance sheet approach. This method recognises deferred tax balances where there is a difference between the carrying value of an asset or liability, and its tax base.

ACC is exempt from income tax and therefore this will only impact its subsidiaries.

NZ IFRS 1 exemptions

NZ IFRS 1: *First-time Adoption of New Zealand equivalents to International Financial Reporting Standards* allows a number of exemptions to retrospective application when adopting NZ IFRS for the first time. ACC have elected to apply the following:

Business combinations

ACC has elected not to restate business combinations prior to the transition date (1 July 2006) on an NZ IFRS basis. The carrying value of goodwill in Catalyst Risk Management Ltd will remain at $nil.

Use of fair value or revaluation as deemed cost

ACC has elected to continue to use original cost for property, plant and equipment, rather than treat current valuations as deemed cost.

Statement of responsibility

(Pursuant to section 155 of the Crown Entities Act 2004)

We acknowledge responsibility for the preparation of these Financial Statements and for the judgements used therein.

We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of ACC's financial and non-financial reporting.

In our opinion, these Financial Statements fairly reflect the financial position and operations of ACC for the year ended 30 June 2007.

Brenda Tahi
Board member
17 August 2007

Peter Neilson
Board member
17 August 2007

Report of the Office of the Auditor-General

To the readers of Accident Compensation Corporation and Group's financial statements and performance information for the year ended 30 June 2007

The Auditor-General is the auditor of Accident Compensation Corporation (the 'Corporation') and group. The Auditor-General has appointed me, B R Penrose, using the staff and resources of Ernst & Young, to carry out the audit on his behalf. The audit covers the financial statements and statement of service performance included in the annual report of the Corporation and group for the year ended 30 June 2007.

Unqualified Opinion

In our opinion:

- The financial statements of the Corporation and group on pages 75 to 121:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the Corporation and group's financial position as at 30 June 2007; and
    - the results of operations and cash flows for the year ended on that date.
- The statement of service performance of the Corporation and group on pages 11 to 41:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects for each class of outputs:
    - standards of delivery performance achieved, as compared with the forecast standards outlined in the statement of forecast service performance adopted at the start of the financial year; and
    - actual revenue earned and output expenses incurred, as compared with the forecast revenues and output expenses outlined in the statement of forecast service performance adopted at the start of the financial year.

The audit was completed on 17 August 2007, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements and statement of service performance did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements and the statement of service performance. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements and statement of service performance. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement and statement of service performance disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements or statement of service performance.

We evaluated the overall adequacy of the presentation of information in the financial statements and statement of service performance. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Board and the Auditor

The Board is responsible for preparing financial statements and a statement of service performance in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Corporation and group as at 30 June 2007 and the results of operations and cash flows for the year ended on that date. The statement of service performance must fairly reflect, for each class of outputs, the Corporation and group's standards of delivery performance achieved and revenue earned and expenses incurred, as compared with the forecast standards, revenue and expenses adopted at the start of the financial year. The Board's responsibilities arise from the Crown Entities Act 2004 and the Injury Prevention, Rehabilitation and Compensation Act 2001.

We are responsible for expressing an independent opinion on the financial statements and statement of service performance and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and the Crown Entities Act 2004.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit, we have carried out assignments in the areas of compliance with tax legislation and assessing the impact of the introduction of New Zealand equivalents to International Financial Reporting Standards on the financial statements of the Corporation, which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Corporation or any of its subsidiaries.

BRPenrose

B R Penrose
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

Remuneration of employees

The number of employees whose remuneration was within specified bands is as follows:

	Consolidated	
	2007	2006
$100,000 – $110,000	43	36
$110,000 – $120,000	33	30
$120,000 – $130,000	25	23
$130,000 – $140,000	22	18
$140,000 – $150,000	12	11
$150,000 – $160,000	3	4
$160,000 – $170,000	6	3
$170,000 – $180,000	6	7
$180,000 – $190,000	4	3
$190,000 – $200,000	3	5
$200,000 – $210,000	4	1
$210,000 – $220,000	3	4
$220,000 – $230,000	2	1
$230,000 – $240,000	–	–
$240,000 – $250,000	1	1
$250,000 – $260,000	–	–
$260,000 – $270,000	–	–
$270,000 – $280,000	2	2
$280,000 – $290,000	–	–
$290,000 – $300,000	–	–
$300,000 – $310,000	–	–
$310,000 – $320,000	–	1
$330,000 – $340,000	2	–
$350,000 – $360,000*	–	2
$360,000 – $370,000	1	1
$370,000 – $380,000*	–	1
$380,000 – $390,000	–	1
$420,000 – $430,000	–	1
$430,000 – $440,000	1	–
$450,000 – $460,000	–	–
$460,000 – $470,000	–	1
$470,000 – $480,000*	–	1
$480,000 – $490,000	–	–
$490,000 – $500,000	1	–
$500,000 – $510,000*	–	1
	174	**159**
Average remuneration of above employees	**$141,434**	**$151,507**

* The band in 2006 includes redundancy payments made. Redundancy payments are excluded in the above for 2007.

25 staff received a redundancy payment or settlement payment in 2007 totalling $727,489.

Comparative statement of financial performance (Parent)

For the five years ended 30 June 2007

$000	2007	2006	2005	2004	2003
Combined					
Total income	4,094,173	4,146,460	3,512,541	3,144,882	3,012,360
Total expenditure	2,806,929	2,495,152	2,268,492	2,098,904	1,977,120
Adjustment to claims liability	1,020,498	1,321,069	2,036,887	169,903	1,650,519
Surplus/(deficit)	**266,746**	**330,239**	**(792,838)**	**876,075**	**(615,279)**
Opening Account reserves (deficit)	(3,833,585)	(4,165,732)	(3,374,567)	(4,251,546)	(3,636,300)
Amalgamation of the Non-Compliers Fund	–	–	–	–	33
Increase/(decrease) in revaluation reserve	3,715	1,908	1,673	904	–
Closing Account reserves (deficit)	**(3,563,124)**	**(3,833,585)**	**(4,165,732)**	**(3,374,567)**	**(4,251,546)**

$000	2007	2006	2005	2004	2003
Residual Claims Account					
Total income	372,466	389,685	290,606	284,703	298,912
Total expenditure	266,889	378,874	293,146	333,381	350,675
Adjustment to claims liability	(81,390)	303,867	172,705	(78,535)	112,432
Surplus/(deficit)	**186,967**	**(293,056)**	**(175,245)**	**29,857**	**(164,195)**
Opening Account reserve (deficit)	(1,881,551)	(1,588,495)	(1,413,250)	(1,443,107)	(1,278,912)
Closing Account reserve (deficit)	**(1,694,584)**	**(1,881,551)**	**(1,588,495)**	**(1,413,250)**	**(1,443,107)**

$000	2007	2006	2005	2004	2003
Motor Vehicle Account					
Total income	812,414	854,190	755,601	662,950	494,636
Total expenditure	415,047	388,414	359,207	342,694	334,242
Adjustment to claims liability	410,471	316,119	649,239	100,641	500,274
Surplus/(deficit)	**(13,104)**	**149,657**	**(252,845)**	**219,615**	**(339,880)**
Opening Account reserve (deficit)	(1,660,122)	(1,809,779)	(1,556,934)	(1,776,549)	(1,436,669)
Closing Account reserve (deficit)	**(1,673,226)**	**(1,660,122)**	**(1,809,779)**	**(1,556,934)**	**(1,776,549)**

Comparative statement of financial performance (Parent)

For the five years ended 30 June 2007 *(continued)*

$000	2007	2006	2005	2004	2003
Non-Earners' Account					
Total income	814,684	763,014	618,734	620,636	637,456
Total expenditure	665,363	587,387	535,499	470,254	459,975
Adjustment to claims liability	324,687	207,265	402,650	(13,622)	344,692
Surplus/(deficit)	**(175,366)**	**(31,638)**	**(319,415)**	**164,004**	**(167,211)**
Opening Account reserve (deficit)	(1,309,256)	(1,277,618)	(958,203)	(1,122,207)	(954,996)
Closing Account reserve (deficit)	**(1,484,622)**	**(1,309,256)**	**(1,277,618)**	**(958,203)**	**(1,122,207)**

This Account was established, with effect from 1 April 1992, by the Accident Rehabilitation and Compensation Insurance Act 1992.

$000	2007	2006	2005	2004	2003
Earners' Account					
Total income	1,114,700	1,099,891	1,002,976	830,580	870,579
Total expenditure	857,073	732,397	628,686	559,555	501,125
Adjustment to claims liability	231,838	267,411	391,627	2,068	316,824
Surplus/(deficit)	**25,789**	**100,083**	**(17,337)**	**268,957**	**52,630**
Opening Account reserve	532,469	432,386	449,723	180,766	128,136
Closing Account reserve	**558,258**	**532,469**	**432,386**	**449,723**	**180,766**

This Account was established, with effect from 1 April 1992, by the Accident Rehabilitation and Compensation Insurance Act 1992.

$000	2007	2006	2005	2004	2003
Self-Employed Work Account					
Total income	122,874	150,820	117,856	114,524	131,070
Total expenditure	81,712	64,460	86,911	82,218	75,183
Adjustment to claims liability	(2,235)	10,661	45,693	16,299	51,229
Surplus/(deficit)	**43,397**	**75,699**	**(14,748)**	**16,007**	**4,658**
Opening Account reserve (deficit)	75,821	122	14,870	(1,137)	(5,795)
Transferred to Work Account	(119,218)	–	–	–	–
Closing Account reserve (deficit)	**–**	**75,821**	**122**	**14,870**	**(1,137)**

This Account was established, with effect from 1 July 1999, by the Accident Insurance Act 1998.

The Account reserve in the Self-Employed Work Account at 31 March 2007 was transferred to the Work Account on 1 April 2007.

Comparative statement of financial performance (Parent)

For the five years ended 30 June 2007 *(continued)*

$000	2007	2006	2005	2004	2003
Employers' Account					
Total income	519,232	722,382	603,155	540,782	461,302
Total expenditure	333,806	287,088	316,410	271,600	224,575
Adjustment to claims liability	69,632	86,174	196,413	60,343	243,452
Surplus/(deficit)	**115,794**	**349,120**	**90,332**	**208,839**	**(6,725)**
Opening Account reserve	756,670	407,550	317,218	108,379	115,071
Transferred to Work Account	(872,464)	–	–	–	–
Amalgamation of the Non-Compliers Fund	–	–	–	–	33
Closing Account reserve	**–**	**756,670**	**407,550**	**317,218**	**108,379**

This Account was established, with effect from 1 April 2000, by the Accident Insurance Amendment Act 2000.

The Account reserve in the Employers' Account at 31 March 2007 was transferred to the Work Account on 1 April 2007.

$000	2007	2006	2005	2004	2003
Work Account					
Total income	168,960	–	–	–	–
Total expenditure	117,853	–	–	–	–
Adjustment to claims liability	(44,975)	–	–	–	–
Surplus	**96,082**	**–.**	**–.**	**–.**	**–.**
Opening Account reserve	–	–	–	–	–
Transferred from Employers' Account	872,464	–	–	–	–
Transferred from Self-Employed Work Account	119,218	–	–	–	–
Closing Account reserve	**1,087,764**	**–**	**–**	**–**	**–**

This Account was established, with effect from 1 April 2007, and incorporates the former Self-Employed Work and Employers' Accounts, in accordance with the Act.

$000	2007	2006	2005	2004	2003
Treatment Injury Account					
Total income	168,843	166,478	123,613	90,707	118,405
Total expenditure	69,186	56,532	48,633	39,202	31,345
Adjustment to claims liability	112,470	129,572	178,560	82,709	81,616
Surplus/(deficit)	**(12,813)**	**(19,626)**	**(103,580)**	**(31,204)**	**5,444**
Opening Account reserve (deficit)	(352,145)	(332,519)	(228,939)	(197,735)	(203,179)
Closing Account reserve (deficit)	**(364,958)**	**(352,145)**	**(332,519)**	**(228,939)**	**(197,735)**

This Medical Misadventure Account was established, with effect from 1 April 1992, by the Accident Rehabilitation and Compensation Insurance Act 1992 and renamed the Treatment Injury Account on 1 April 2007, in accordance with the Act.

No expenditure was attributed to the Account until the year ended 30 June 1994.

Comparative statement of financial position (Parent)

As at 30 June

$000	2007	2006	2005	2004	2003
Account reserves					
Residual Claims Account	(1,694,584)	(1,881,551)	(1,588,495)	(1,413,250)	(1,443,107)
Motor Vehicle Account	(1,673,226)	(1,660,122)	(1,809,779)	(1,556,934)	(1,776,549)
Non-Earners' Account	(1,484,622)	(1,309,256)	(1,277,618)	(958,203)	(1,122,207)
Earners' Account	558,258	532,469	432,386	449,723	180,766
Self-Employed Work Account	–	75,821	122	14,870	(1,137)
Employers' Account	–	756,670	407,550	317,218	108,379
Work Account	1,087,764	–	–	–	–
Treatment Injury Account	(364,958)	(352,145)	(332,519)	(228,939)	(197,735)
Total Account reserves	**(3,571,368)**	**(3,838,114)**	**(4,168,353)**	**(3,375,515)**	**(4,251,590)**
Revaluation reserve	8,244	4,529	2,621	948	44
Total reserves (deficit)	**(3,563,124)**	**(3,833,585)**	**(4,165,732)**	**(3,374,567)**	**(4,251,546)**
Represented by:					
Assets					
Bank balances	28,413	16,960	13,169	16,051	24,444
Receivables	631,053	752,470	904,782	667,516	627,145
Accrued levy income	404,230	326,023	242,062	266,926	283,525
Investments	9,726,617	9,033,170	8,123,010	6,175,958	4,922,780
Investment in subsidiaries	3,450	3,450	3,450	1,450	1,100
Property, plant and equipment	194,530	181,498	148,868	100,797	87,327
Total assets	**10,988,293**	**10,313,571**	**9,435,341**	**7,228,698**	**5,946,321**
Less liabilities					
Levy received in advance	279,302	382,706	366,767	346,176	313,478
Payables and accrued liabilities	536,706	1,049,539	1,849,949	909,897	729,582
Claims liability	13,735,409	12,714,911	11,384,357	9,347,192	9,154,807
Total liabilities	**14,551,417**	**14,147,156**	**13,601,073**	**10,603,265**	**10,197,867**
Net liabilities	**(3,563,124)**	**(3,833,585)**	**(4,165,732)**	**(3,374,567)**	**(4,251,546)**

Contact Details

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Employer levies
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Self-Employed levies and cover
0508 4COVER (0508 426 837)   business@acc.co.nz   Freefax: 0800 222 003

Agents' and financial advisors' queries
0800 222 991   Freefax: 0800 222 003

Debt management
0800 729 222   Fax: (04) 918 7467

Making a claim and requesting help
0800 101 996   claims@acc.co.nz

Accidental death claims
0800 222 075

Help with sexual abuse or assault claims
0800 735 566   Fax: (04) 918 7577

Treatment injury claims
0800 735 566   Fax: (04) 918 7672

Preventing fraud
0800 372 830

If you have concerns or complaints
0800 650 222   complaints@acc.co.nz   Fax: 0800 750 222

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