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INDEPENDENT AUDITOR'S REPORT

To the Members of The Education Benevolent Society Incorporated ("Society")

Report on the Financial Statements

We have audited the financial statements of the Society on pages 1 to 8, which comprise the statement of financial position as at 30 June 2011, the statement of financial performance, and statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Management Responsibility for the Financial Statements

The Board of Management is responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand; and for such internal control as the Board of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm provides other assignments on behalf of the Society in the area of providing accounting assistance and advice; we have no other relationship with, or interests in, the Society.

Opinion

In our opinion, the financial statements on pages 1 to 8 present fairly, in all material respects, the financial position of the Society as at 30 June 2011, its financial performance, and movements in equity, for the year then ended in accordance with generally accepted accounting practice in New Zealand.

WJHK

WHK Wellington Partnership
CHARTERED ACCOUNTANTS
23 November 2011



THE EDUCATION BENEVOLENT SOCIETY INCORPORATED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

5 Provision for Claims Incurred But Not Reported (IBNR)

A provision is made for unreported claims based on past history of claims paid together with an assessment of the time taken to receive and settle claims not reported, and to settle claims in progress at balance date. The present value of unreported claims is not considered to be significantly different from the gross value of the claims provision.

Claims Administration Costs - A provision is made for claims administration costs based on an assessment of the cost of processing the unreported claims

	2011	2010
	\$	\$
3 months of total benefits paid in period	786,107	786,262
Charged to benefits:		
8% of above sum as a processing expense	62,889	62,901
Charged to expenses:		
Total Provision for IBNR	<u>848,995</u>	<u>849,163</u>

6 Operating Lease Commitments

As at 30 June commitments under operating lease in respect of rentals due to be made in the following years were:

	2011	2010
	\$	\$
Current	46,971	62,627
Non-Current	<u>-</u>	<u>46,971</u>
	<u>46,971</u>	<u>109,598</u>



THE EDUCATION BENEVOLENT SOCIETY INCORPORATED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

3 Investments

The Society places its cash and short term investments with high credit quality financial institutions and sovereign bodies and limits the amount of credit exposure to any one financial institution.

The fair value of investments can be influenced by changes in interest rates and to a certain extent by changes in currency values.

	2011	2010
	\$	\$
Investments- Current		
BNZ Term Deposit	2,700,000	3,694,826
Rabo Bank Term Deposit	<u>1,000,000</u>	<u>-</u>
	3,700,000	3,694,826
Investments- Non-Current		
Public Trust Insurance Deposit	500,000	500,000
Monitored Portfolio with Spicers	<u>2,357,546</u>	<u>2,150,083</u>
	2,857,546	2,650,083

4 Fixed Assets

	2011		2010	
	Cost	Accum Depn	Cost	Accum Depn
	Net Book Value			
Fixed Assets				
Computer equipment	309,806	307,212	305,806	300,596
Office equipment	30,266	27,822	29,766	25,077
Furniture and fittings	11,919	9,175	11,315	7,923
Total	<u>351,991</u>	<u>344,208</u>	<u>346,887</u>	<u>333,596</u>



THE EDUCATION BENEVOLENT SOCIETY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

2 Benefits expense incurred during the Year Ended 30 June 2011

The table shows the number of paid applications.

Type	2011		2010	
	Number	\$	Number	\$
Bereavement	67	58,570	63	59,556
Birth	221	37,871	231	40,587
Complementary	4,388	366,379	3,838	303,938
Hospital	602	206,484	721	262,876
Hospital Excess	697	248,934	743	268,104
Major Diagnostic	351	93,417	309	80,364
Medical	14,063	1,646,489	14,072	1,678,120
Medical Appliance	238	30,136	314	24,364
Optical	3,203	393,843	2,951	364,938
Orthodontic	215	49,251	245	53,608
Sick Leave Without Pay	111	18,769	116	21,694
Benefits Paid	24,156	3,150,143	23,603	3,158,149

Adjust for:

Increase (decrease) in provision for Claims – IBNR	(168)	88,817
Net change in Benefits not yet processed	-	(32,727)
Adjustments for claims returned and benefits refunded	-	-
Total Benefit Expense	3,149,975	3,214,239

The actuarial calculation determining the outstanding claims liability has been reviewed on an annual basis.

The reviewing actuary was satisfied with the nature and accuracy of the data, and used that data to determine the liability in accordance with the standards of the New Zealand Society of Actuaries.

THE EDUCATION BENEVOLENT SOCIETY INCORPORATED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**



b) Medical Services Claims -

Provision for outstanding claims (IBNR):

A provision is made for unreported claims incurred but not reported (IBNR) at 30 June 2011. The provision is based on the actuary's recommendation of 3 months of actual benefits paid in the current year.

c) Goods & Services Tax -

Accounts are shown net of Goods and Services Tax, except Accounts Payable and Accounts Receivable which are stated GST inclusive.

d) Investments -

i) Investments held by Fund Managers

Investments are valued at net market value by reference to unit and/or share prices as at balance date.

ii) Short Term Deposits

Short Term deposits are valued at cost

e) Taxation -

No taxation has been provided for on the basis that the Society is exempt under sections CZ18 of the Income Tax Act 2007 because of its recognition as a sickness, accident and death benefit fund.

f) Contributions -

All contributions and hospital cover commission income are recorded on a cash basis with the exception that at year end an apportionment is made for contributions and commissions received prior to balance date and relating to the next financial year as income in advance, and received after balance date that relate to the current financial year and recorded as accrued income.

g) Changes in accounting policies

There have been no changes in accounting policies. All policies have been applied on a consistent basis with those used in previous years.



THE EDUCATION BENEVOLENT SOCIETY INCORPORATED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**

1 Reporting Entity

The Education Benevolent Society (EBS) operates solely in New Zealand and its main activity consists of providing partial reimbursement of health care costs to its contributors. Bereavement, birth and sick leave without pay grants are also provided.

Statutory Basis

The financial statements of The Education Benevolent Society Incorporated, have been prepared in accordance with the requirements of New Zealand Generally Accepted Accounting Practices and the Incorporated Societies Act 1908 and comply with the Society's Constitution.

Measurement Basis

The measurement base adopted is that of historical cost except for Investments which are stated at market value.

Accrual accounting is used to match revenue and expenses.

Particular Accounting Policies

The particular accounting policies that materially affect the measurement and reporting of results, cash flows and financial position have been applied as follows:

Differential Reporting

Differential reporting applies as there is no public accountability and is not considered large. Advantage has been taken of all available differential reporting exemptions.

a) Fixed Assets -

All Fixed Assets are stated at cost less accumulated depreciation.

Fixed Assets have been depreciated on a straight line basis over their estimated economic lives. The annual depreciation rates applied by this policy are:

	Years	Percentage
Computer equipment	2.5 - 3	33.3% - 40%
Office equipment	3	33.3%
Furniture & fittings	5	20%



THE EDUCATION BENEVOLENT SOCIETY INCORPORATED
STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Notes	2011	2010
		\$	\$
Equity		<u>6,969,990</u>	<u>6,155,957</u>

This is represented by:

Current Assets			
Cash in Bank Accounts		1,415,111	718,840
Accounts Receivable		-	48,930
Prepayments		1,610	12,247
Interest accrued		78,062	57,397
Investments	[3]	<u>3,700,000</u>	<u>3,694,826</u>
Total Current Assets		<u>5,194,782</u>	<u>4,532,240</u>
Non-Current Assets			
Investments	[3]	2,857,546	2,650,083
Fixed Assets	[4]	<u>7,783</u>	<u>13,291</u>
Total Non-Current Assets		<u>2,865,329</u>	<u>2,663,374</u>
Total Assets		<u>8,060,111</u>	<u>7,195,614</u>
Current Liabilities			
GST Payable		23,268	25,778
Provision -Claims IBNR	[5]	848,995	849,163
Creditors		113,979	76,988
Contributions received in advance		<u>103,878</u>	<u>87,728</u>
Total Current Liabilities		<u>1,090,121</u>	<u>1,039,657</u>
Total Liabilities		<u>1,090,121</u>	<u>1,039,657</u>
Net Assets		<u>6,969,990</u>	<u>6,155,957</u>

Richard A Kittelty
RICHARD KITTELTY (Chairperson)

Date: 23/11/11

Russell Foley
RUSSELL FOLEY (General Manager)

Date: 23/11/11



THE EDUCATION BENEVOLENT SOCIETY INCORPORATED
STATEMENT OF MOVEMENTS IN EQUITY
FOR YEAR ENDED 30 JUNE 2011

	Notes	2011	2010
		\$	\$
Equity at 1 July		6,155,957	5,456,259
Net Surplus		814,033	699,698
Equity at 30 June		<u>6,969,990</u>	<u>6,155,957</u>



THE EDUCATION BENEVOLENT SOCIETY INCORPORATED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2011

	Notes	2011 \$	2010 \$
Revenue			
Contributions		3,654,011	3,697,319
Hospital Cover Commission		731,501	675,681
Interest Income		228,327	211,753
Total Revenue		<u>4,613,840</u>	<u>4,584,753</u>
Expenses			
Accounting fees		8,765	8,628
Audit Fees		13,000	12,000
Bank Charges		7,884	7,800
Benefits	[2]	3,149,975	3,214,239
Computer Expenses		18,231	18,966
Consulting Fees		13,853	14,813
Depreciation		10,575	9,325
Movement in IBNR provision		(168)	7,105
Lease Expense		65,390	64,783
Office Administration		66,534	63,631
Payroll Commission		43,040	45,512
Portfolio Monitoring Fee		9,939	9,498
Printing, Stationery, Advertising		49,700	22,894
Staff Costs		519,561	490,390
Total Expenses		<u>3,976,280</u>	<u>3,989,584</u>
Operating Surplus		637,560	595,169
Investment Income			
Unrealised gain on Investments		176,473	104,529
Net Surplus		<u><u>814,033</u></u>	<u><u>699,698</u></u>

1

The accompanying notes should be read in conjunction with the Financial Statements.

THE EDUCATION BENEVOLENT SOCIETY INCORPORATED

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011**