Southern Cross
Health Society

The Southern Cross Medical Care Society 2015 Annual Report

Apricots are a great source of dietary fibre and also contain vitamin A, which helps promote good vision.

Contents

Overview

FOR THE YEAR ENDED 30 JUNE 2015

- The Society continues to provide excellent value to members, paying 90.2 cents in claims for every dollar of premium received.
- The Society's financial position remains strong and stable, with reserves of $400 million, equivalent to around seven months of claims.
- For the 13th consecutive year the Society received an A+ (stable) financial strength rating from Standard and Poor's.
- The Society recorded premium income of $818 million, a 6.4% increase from the previous year. This mirrored claims incurred, up 6.2% to $738 million.
- In the 2015 financial year your not-for-profit Society made a small surplus of $5.8 million.
- Southern Cross' 811,462 members make up 61% of all New Zealanders with health insurance but account for 73% of the country's health insurance claims.

Chairman's report

I have pleasure in presenting this, my first report as Chairman of the Society. At the centre of everything we do is care and this year we again maintained very strong service levels to ensure we are delivering what you, our members, need.

Financially the year was also a successful one. Unless we have a need for additional capital, our financial goal is maintaining our solvency ratio. The small surplus of $5.8 million was in line with both that and our not-for-profit status. We maintained our Standard and Poor's credit rating of A+.

We recorded premium income of $818 million, a 6.4% increase from the previous year. This mirrored claims incurred, up 6.2% to $738 million during the same period. Claims included over 170,000 surgical procedures, 405,000 specialist consultations, 781,000 GP visits and 687,000 prescriptions.

For every dollar members paid to the Society in premiums we paid out 90.2 cents in claims. Based on Health Funds Association of New Zealand data, the average for the rest of the industry is 65 cents. So Southern Cross members are receiving excellent value for money.

As a not-for-profit organisation, any premium income not used to fund healthcare services is used for the benefit of members – either expanding the benefits available in our policies, improving services available to members, strengthening reserves or in running the Society itself.

To conduct business while maintaining financial soundness requires prudent management of a strong capital base. This is of paramount importance given we are a friendly society and therefore do not have access to external capital. We currently have investments of $492 million. In the past year we generated approximately $23 million in investment income, an increase of 24% from the previous financial year that is largely attributable to higher yields and gains from the revaluation of our investments.

Our overheads for the year were under budget at $98 million. These continue to decrease as a percentage of premiums year on year. Technology makes up a significant proportion of this cost as we continue to streamline the business to move more into the digital space, making it easier for members to interact with us when and where they want to.

Over the financial year, our membership decreased slightly by 0.5% to 811,462. Southern Cross members make up 61% of all New Zealanders with health insurance but account for 73% of the country's health insurance claims. This further highlights the outstanding value Southern Cross members receive.

THE RISING COST OF HEALTHCARE

Our single largest issue is claims inflation which continues to run well ahead of the general inflation rate. For the year under review claims inflation was 6.2%. The underlying causes are the increasing number of claims, the increasing costs of those procedures, an ageing population and a greater range of procedures and technologies available. This issue is not unique to New Zealand - in fact all of the developed world is grappling with these same trends.

Despite this, we are working hard to mitigate rising costs, using the Affiliated Provider programme as the main vehicle. The programme - where surgeons, specialists and facilities are contracted to provide our members with certain procedures at agreed prices - continues to expand. Given Southern Cross was established in 1961 by surgeons who wanted a sustainable private sector, it's pleasing to see this sentiment remains through the growth in providers participating in the programme. CEO Peter Tynan will discuss the Affiliated Provider programme further on page 4.

GREG GENT
CHAIRMAN OF THE BOARD

Funding the healthcare of so many New Zealanders gives us a real understanding of issues facing the sector. For that reason we maintain dialogue with Government and ensure politicians have an awareness and understanding of our key issues. We are looking to work more collaboratively with Government because, ultimately, both the public and private sectors have the same cost pressures and goal to provide better value and more affordable quality healthcare. We all need to work together to find sustainable solutions.

ACKNOWLEDGEMENTS

I wish to thank my fellow directors for their counsel and support during the year. This year will be Carole Durbin's last as a director. Carole retires after nine years of service in line with our retirement policy. She has been a very active director and always looked at issues with a very strong member perspective. She will be missed.

To conclude I wish to acknowledge the stellar work done by CEO Peter Tynan, his management team and all staff for their ongoing commitment to our organisation.

Greg Gent
Chairman

2015 at a a glance

811,462 members
61% of the health insurance market; that's **nearly 1 in 5** New Zealanders.

For every dollar you paid to us in premiums we paid out an **industry leading 90.2 cents** in claims.

90.2¢

We pay **73%** of the country's health insurance claims.

$738 million claims incurred, **up 6.2%** from 2014, including:

170,000 surgical procedures

405,000 specialist consultations

687,000 prescriptions

781,000 GP visits

Premium income of **$818 million** up **6.4%** from 2014.

Investments of $492 million generated approximately $23 million investment income.

Reserves currently stand at **$400 million**, equivalent to around seven months of claims.

A small surplus of **$5.8 million**.

Chief Executive Officer's report

Our members have given us a clear mandate to get them better value healthcare. It's an area we are particularly focused on, as the cost of medical treatment, and therefore health insurance premiums, continues to rise. While there's no easy solution, the 2015 financial year saw us further our work on a number of strategies that together will provide our members with greater value.

VALUE FOR MEMBERS

Affiliated Provider (AP) programme:
The Affiliated Provider programme continues to grow. With the agreement and support of 1,266 healthcare providers across 20 specialties, the programme now accounts for around 45% of all claims costs.

By joining the programme, these providers have voted for a sustainable private healthcare sector that remains accessible and affordable for New Zealanders. It also means they are able to better service their patients and receive payment for their services faster than through traditional claiming and payment processes.

We are focusing on strategies that will provide our members with greater value.

This partnership between the Society and providers has seen claims inflation decrease in the specialties covered by the AP programme. As just one example, when the AP programme was introduced for colonoscopies in 2011, claims inflation fell from historic levels of around 7% to 1.7% in the last financial year.

We are seeing this cost moderation replicated across other AP contracted specialities, which solidifies our resolve to grow the programme. Our aim is to have 60% of all Southern Cross claims through Affiliated Providers by the end of next year. The result in the long run will be quality care for premiums that are lower than they otherwise would have been.

Medical technology:
New medical technology is another area where we strive to strike a balance between member access to the latest and most effective treatments, and premium affordability for the membership as a whole. Advances are constant, but before offering cover for new technology or procedures we go through a rigorous process to ensure firstly that the technology is proven to have better outcomes than the existing treatment options, and secondly that any extra cost of treatment has a direct quantifiable correlation to patient benefits. While we choose not to fund some treatments, the list of procedures we cover will continue to grow.

Product development:
Another way we provide value for members is by making sure they're on the most appropriate plan. In 2015 we finished a review of our broad range of health insurance plans which identified a number of plans that we believe no longer offer the best value to our members. Those plans either have too few members or are very similar to other plans we offer. For these reasons we will be making some changes to our range of plans.

Reviewing our products also means introducing new ones in response to market demands. Two examples in recent years include:

- **Health Essentials** – targeted at the 20's and 30's age group, it is used as either an entry level product covering day-to-day health needs or alongside surgical-only plans. It was designed for New Zealanders who want to take more responsibility for their health but struggle to relate to the need for full health insurance.
- **Critical Illness** – a plan that complements our members' health insurance, it provides a lump sum payment if a policyholder is diagnosed with a critical illness such as cancer or stroke. This money can then be spent as a member sees fit on things such as mortgage repayments, home modifications or care costs.

PETER TYNAN
CHIEF EXECUTIVE OFFICER

ENHANCING YOUR EXPERIENCE WITH US

As a not-for-profit friendly society, Southern Cross' focus is to serve members. We know that when members are dealing with us, often they are going through a difficult time so we are focused on providing an empathetic, reliable and timely service. In the 2015 financial year our contact centre had 753,000 interactions with members, either on the phone or through emails, and the business processed 3.1 million claims.

With these volumes, Southern Cross needs to continue to streamline services and also provide ease and efficiencies for our members. That is why digital capability remains a major focus.

Growing digital services:
Our digital strategy has seen the number of members joining Southern Cross, paying premiums, claiming and changing details through our digital channels increase significantly in the last five years. The graph to the right shows the steady growth in the number of policy holders joining and claiming through digital channels since 2011.

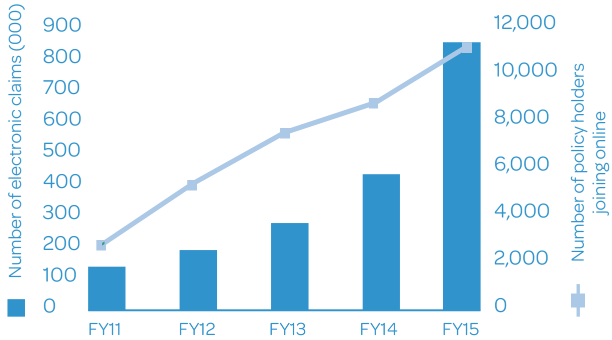
Use of our secure, online service 'My Southern Cross' has more than doubled in the last year and currently has 93,000 registered users. Through personal accounts, members are able to view and update their contact details, apply for prior approval, claim, track the progress of claims and choose to receive certain policy information online rather than by post. Providing a digital platform - necessitated by the increasingly electronic world we live in - gives our members more choices about how they interact with us and allows them to get personalised information quickly and easily.

> We are focused on providing a reliable and timely service.

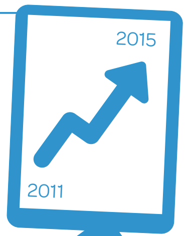
Easy Claim is an electronic claiming service exclusively for Southern Cross members. It allows claiming for eligible items and services when paying over the counter, without having to put in a claim form, and has also experienced strong expansion over the year. The 2015 financial year saw a 51% increase in provider numbers, which means we now have more than 1,300 providers in the network, including GPs, pharmacies, physiotherapists, optometrists, audiologists and dentists. These providers have facilitated over 233,000 claims. We will continue to develop this service in response to member demand for easier and faster ways to claim.

Digital services

Growing digital services



Number	FY11	FY12	FY13	FY14	FY15
Electronic claims	130,898	181,202	259,869	407,917	801,320
Policy holders joining online	2,590	5,058	7,076	8,292	10,538

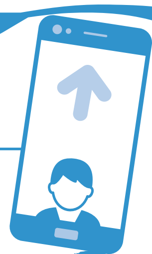


My Southern Cross

93,000 registered users of our online My Southern Cross service - an increase of over **100%** in the last year.

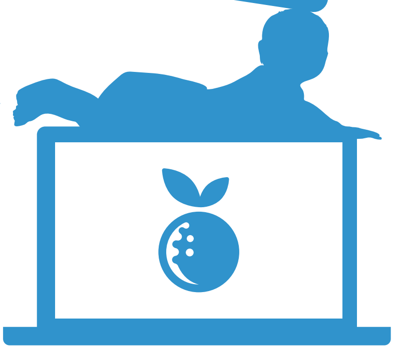
Easy Claim

1,300 providers - up **51%** - facilitated over **233,000** claims at point of purchase.



101 years oldest claiming member

2 days old youngest claiming member.

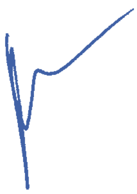


ACC reviews:
Finally, one service that we provide that sets us apart from other health insurers is an in-house ACC support team, which, since 2011, has provided guidance for members who have had treatment declined by ACC. Last year, we helped 294 people with their application to have their case reviewed, and also supported a small number of members who initiated their own reviews. This resulted in $4,844,330 reimbursed back to the Society for both treatment injury and accident related surgeries. A lot of members have found this service invaluable. It not only ensures the cost of treatment is met by the right organisation, but that members receive any additional entitlements from ACC, such as earnings compensation, rehabilitation and home help.

Steady progress has been made in mitigating rising costs for members.

I'm proud to say we have made steady progress in the last year on mitigating rising costs for our members. At the centre of what we always do is people. We will continue to improve our services and grow the initiatives that are working, ensuring members have access to high quality healthcare when they need it most.

To close, I would like to thank members for their continued support and the Society team for their ongoing dedication to our vision.



Peter Tynan
Chief Executive Officer

Value for members

Affiliated Providers

1,266 healthcare providers across **20** specialties accounting for around **45%** of all claims costs.

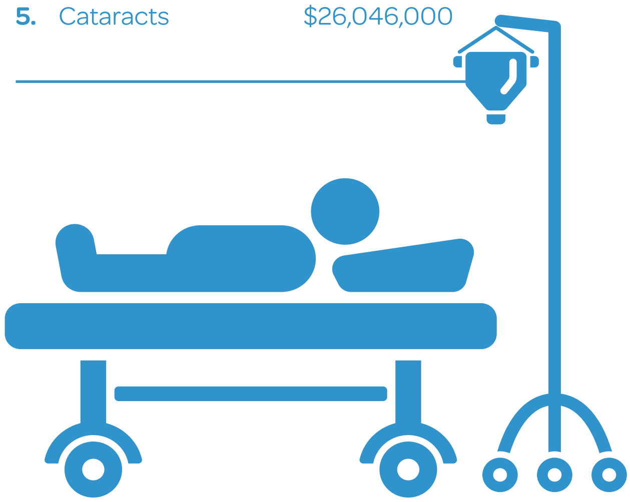
753,000
interactions with members
3.1 million claims processed

Southern Cross' ACC review service

Financial year	Members assisted	Amount recovered
2010/2011	355	$3.7m
2011/2012	438	$4.5m
2012/2013	394	$3.8m
2013/2014	319	$4.5m
2014/2015	294	$4.8m

Top 5 procedures members claimed for (by cost)

1. **Hip replacement** **$38,505,600**
2. Knee replacement $36,870,600
3. Colonoscopy $31,137,300
4. Skin procedure $28,399,200
5. Cataracts $26,046,000



Statement of corporate governance

The Southern Cross Medical Care Society adheres to principles designed to ensure sound corporate governance of its affairs, including Reserve Bank of New Zealand Governance Guidelines for licensed insurers issued under the Insurance (Prudential Supervision) Act 2010.

BOARD OF DIRECTORS

The Southern Cross Medical Care Society is governed by a Board of Directors who are elected by members of the Society. The administration, management and control of the Society is vested in the Board.

The Directors in office as at 30 June 2015 are:
Gregory W Gent (Chairman)
Dr Douglas D Baird
Catherine M Drayton
Carole B Durbin
G Roger W France
Elizabeth M Hickey
Keith B Taylor

All current directors have been assessed by the Board in accordance with the Society's Fit and Proper Policy and have been certified as meeting the Reserve Bank of New Zealand's Fit and Proper Standard for directors of Licensed Insurers.

All current Directors are considered to be independent, in that they are independent of management and free from any associations that could materially interfere with the exercise of independent judgement. Profiles of these Directors, including their relevant qualifications and experience are contained on pages 9 and 10 of this Annual Report.

TRUSTEES

The Rules of The Southern Cross Medical Care Society provide for the appointment of three Trustees. All property belonging to the Society vests in the Trustees who hold it in trust for the members. As set out in the Investment Charter of Trustees, the Trustees are responsible for formulating overall investment policy (subject to approval by the Board), establishing investment guidelines, and monitoring the management of the investment portfolios. Trustees are nominated from among the Directors and elected by members of the Society.

The Trustees in office as at 30 June 2015 are: Carole Durbin, Greg Gent and Keith Taylor.

BOARD ROLE AND CHARTER

The Board operates in accordance with the Friendly Societies and Credit Unions Act 1982, the Society's Rules and the Board Charter. The Board Charter describes the Board's role, procedures and relationship with management.

The role of the Board is to effectively represent, and promote the interests of, members. Means by which this is achieved include:

- ensuring the Society's goals are clearly established, and that strategies and business plans are in place for achieving them
- establishing policies for enhancing the performance of the Society
- monitoring the performance of management
- appointing the CEO
- identifying steps necessary to protect the Society's financial position
- ensuring the Society's financial statements are true and fair and otherwise conform with law
- ensuring the Board and management adhere to high ethical standards
- ensuring the Society has appropriate risk management and regulatory compliance policies and procedures in place.

The Board will regularly evaluate economic, political, social and legal issues and any other relevant external matters that may influence or affect the development of the business or the interests of members and/or stakeholders and, if thought appropriate, will take outside expert advice on these matters.

The Society's Rules and Board Charter, are available to view at www.southerncross.co.nz/board. The Board endorses the principles set out in the Code of Practice for Directors as adopted and approved by the Institute of Directors in New Zealand Inc.

All Directors disclose any actual or potential conflicts of interest. Should a conflict of interest arise during the course of Board business the affected Director is expected to excuse him or herself from the discussion and does not vote on those matters.

The Board meets formally on a regular scheduled basis and holds additional meetings as the occasion requires. At each normal meeting the agenda will include a report from management covering operational and financial performance, capital expenditure proposals, and major issues and opportunities. At intervals of not greater than one year the Board will review the Society's goals and strategies, approve budgets and financial statements, and undertake other activities listed in the Board Charter.

Separate strategic planning meetings are held in conjunction with the senior management team on a scheduled basis.

The Board reviews its own performance annually.

DELEGATION FRAMEWORK

Responsibility for the day-to-day operation and administration of the Society is delegated by the Board to the Chief Executive Officer and senior management. The CEO is authorised to make decisions in accordance with the strategy, plans, budgets and the specific delegation framework approved by the Board.

COMMITTEES

The Board has established a number of committees to assist in relation to specific business aspects. Each Board committee has a charter approved by the Board summarising the role, rights, responsibilities and membership requirements for that committee. The charters are available to view at www.southerncross.co.nz/board

Audit Committee

The Audit Committee's objectives are to assist the Board in discharging its responsibilities in relation to oversight of financial functions including internal and external audit and risk management.

Specific responsibilities include reviewing the content and disclosure of the Annual Report's financial statements; ensuring the Board makes informed decisions regarding accounting policies, practices and disclosures; recommending the appointment of external and internal auditors; reviewing the annual external and internal audit plans; ensuring that adequate internal control systems are in place; and ensuring management has established a risk management framework to effectively identify, treat, monitor and report key business risks. The Audit Committee comprises Liz Hickey (Chair), Catherine Drayton, Greg Gent and Keith Taylor.

Remuneration Committee

The Remuneration Committee's objectives include providing advice to the Board in relation to the remuneration, employment conditions, development and performance management of the organisation's Chief Executive Officer and senior executives, and other employment-related matters. The Remuneration Committee comprises Carole Durbin (Chair), Doug Baird, Roger France and Greg Gent.

Nomination Committee

The Nomination Committee's objectives are to assist the Board in planning the Board's structure, size and composition. The committee also assists the Board with succession planning, Director remuneration and "fit and proper" assessment of Directors and Officers. The Committee will consult with external advisors including executive search consultants and other independent sources of information and advice as it considers necessary for carrying out its responsibilities. The Nomination Committee currently comprises Greg Gent (Chair), Doug Baird, Carole Durbin and Liz Hickey.

Investment Committee

The Investment Committee's role is to act in an advisory capacity to the Board and Trustees in fulfilling their oversight responsibility for the investment assets of the Society. The Committee monitors, and provides advice in relation to, the management of the Society's investment portfolios. The Investment Committee comprises the Trustees – Keith Taylor (Chair), Carole Durbin and Greg Gent – and Roger France.

External audit independence

The Board is committed to auditor independence. The Audit Committee is responsible for making recommendations to the Board concerning the appointment of external auditors and their terms of engagement. KPMG have been appointed as external auditors under Rule 11.1 for the year ending 30 June 2015.

LOANS TO DIRECTORS

The Southern Cross Medical Care Society does not make loans to Directors.

Board of Directors

GREG GENT

(ONZM)

Chairman

Greg Gent joined the Southern Cross Board in 2011 and was elected Chairman in 2014. He is also a Trustee of the Society. Mr Gent is a Northland dairy farmer with a wealth of governance experience. From 2001 to 2011 he was a director of New Zealand's largest co-operative business, Fonterra. Prior to Fonterra's formation he was chairman of Northland Dairy and Kiwi Co-op Dairies. He is chairman of Farmers Mutual Group and Pengxin New Zealand Farm Management Limited; a director of New Zealand Institute for Plant and Food Research; and was a member of the Northland District Health Board from 2010 to mid-2015. Mr Gent is also Chairman of Southern Cross Health Trust.

DR DOUGLAS BAIRD

(BSc, MB, ChB, DipObst)

Dr Doug Baird was appointed to the Southern Cross Board in 2007. He is a practicing GP and has held a broad range of clinical roles with primary care organisations. Dr Baird is a past chairman of the Independent Practitioners Association Council (IPAC), was a founding director of ProCARE Health (which represents more than 500 GPs in Auckland) and of BPACnz (an organisation dedicated to effective use of resources by health providers). He has served in elected and advisory roles with the Auckland District Health Board, the ACC Medical Misadventure Unit and the Office of the Health and Disability Commissioner. Dr Baird is also a Trustee of Southern Cross Health Trust.

CATHERINE DRAYTON

(BCom, LLB, FCA)

Catherine Drayton was elected to the Southern Cross Board in 2013. She is a professional, non-executive director on a variety of boards including engineering consultancy BECA Group Limited, Christchurch International Airport and Ngai Tahu Holdings Corporation Limited. Past board appointments include Meridian Energy. Born, bred and resident in Christchurch, she is a member of the University of Canterbury Council and chair of the audit and risk committee for the Christchurch Earthquake Recovery Authority (CERA). Ms Drayton is a former partner in charge of assurance and advisory services for Pricewaterhouse Coopers in Central and Eastern Europe, and is a member of Chartered Accountants Australia and New Zealand. Ms Drayton is also a Trustee of Southern Cross Health Trust.

CAROLE DURBIN

(BCom, LLB(Hons), FInstD)

Carole Durbin was appointed to the Southern Cross Board in 2006 and has been a Society Trustee since 2007. Ms Durbin is also a director of New Zealand-owned Fidelity Life. A part-time consultant to Simpson Grierson, one of New Zealand's leading legal firms, Ms Durbin has also held a number of previous board appointments including DamWatch Services Ltd, Simpson Grierson, Transpower NZ, software developer Synergy International (now Fronde), and was an Earthquake Commissioner. Until October 2009 she was chair of Mighty River Power, having been on that board since 1998. She is a Fellow of the Institute of Directors. Ms Durbin is also a Trustee of Southern Cross Health Trust.

Board of Directors (L to R)

Catherine Drayton, Greg Gent, Liz Hickey, Doug Baird, Carole Durbin, Keith Taylor. Inset: Roger France

ROGER FRANCE

(BCom, FInstD, FCA)

Roger France is a chartered accountant who was elected to the Southern Cross Board in 2014. He is a professional, non-executive Director with some of New Zealand's most successful businesses including Fisher and Paykel Healthcare, Air New Zealand and Orion Health. He is a Fellow of Chartered Accountants Australia and New Zealand and the Institute of Directors; a trustee of the Dilworth Trust Board and University of Auckland Foundation; a former chancellor of The University of Auckland (2009-2012); and a former director of Fonterra (2003-2008), Blue Star Group (2007-2012) and Team New Zealand (1992-2000). He is also a member of Treasury's Commercial Operations Advisory Board, which provides advice in relation to the Government's portfolio of commercial enterprises.

ELIZABETH HICKEY

(MCom(Hons), FCA, MInstD, MNZM)

Liz Hickey is a chartered accountant and member of the Institute of Directors who joined the Southern Cross Board in 2009. Ms Hickey is a trustee of the University of Auckland Foundation, and a director of Diabetes New Zealand Inc. Her past governance experience includes being a director of Radio New Zealand, Genesis Power and Environmental Science and Research. She has served on both the New Zealand and international boards of the World Association of Girl Guides and Girl Scouts, and is a Fellow and past-President of Chartered Accountants Australia and New Zealand. Ms Hickey is also a Trustee of Southern Cross Health Trust.

KEITH TAYLOR

(BSc, BCA, FIA, FInstD)

Keith Taylor was elected to the Southern Cross Board in 2010 and was appointed a Society Trustee in 2013.
Mr Taylor has over 30 years' experience in the insurance and financial services industries as a chief executive, chief financial officer and actuary. He is chair of the Government Superannuation Fund and Gough Holdings, and deputy chair of the Reserve Bank of New Zealand and the Earthquake Commission. He is a director of Port Marlborough and Butland Holdings, and a member of the Carey Baptist College Board. He has previously been a director of property, insurance, trustee and investment companies in both New Zealand and Australia. Mr Taylor is also a Trustee of Southern Cross Health Trust.

Director meeting attendance for the year ended 30 June 2015

	Society Board	AGM	Trustees	Strategic Workshops	Audit Committee	Remuneration Committee	Nomination Committee	Investment Committee
Dr DD Baird	8	1		1		3	4	
CM Drayton	9	1		1	7			
CB Durbin	8	1	4	1		3	2	4
GRW France	4			1		1		2
GW Gent	8	1	2	1	3	3	4	1
GS Hawkins	4	1	2		3	2	1	2
EM Hickey	9	1		1	7		4	
KB Taylor	9	1	4	1	6			4

GRW France appointed as a Director on 4 December 2014, and to the Investment and Remuneration Committees on 11 February 2015

GS Hawkins retired as a Director and Trustee on 4 December 2014

GW Gent appointed as a Trustee on 4 December 2014 and to the Audit and Investment Committees on 4 December 2014

Financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2015

	NOTE	2015 $000	2014 $000
Premium revenue		817,823	768,410
Net claims expense	4	737,654	694,484
Underwriting surplus		80,169	73,926
Operating expenses	5	97,801	92,965
Operating deficit		(17,632)	(19,039)
Net investment and other income	6	23,397	18,649
Surplus/(deficit) before taxation		5,765	(390)
Taxation	7	–	–
Surplus/(deficit) after taxation		5,765	(390)
Other comprehensive income		–	–
Total comprehensive surplus/(deficit) for the year		5,765	(390)

The accompanying notes form part of these financial statements

The Southern Cross Medical Care Society

CONSOLIDATED STATEMENT OF CHANGES IN RESERVES
for the year ended 30 June 2015

2015	Retained Surpluses $000	Total Reserves $000
Opening balance	394,343	394,343
Total comprehensive surplus:		
Surplus after taxation	5,765	5,765
Other comprehensive income	–	–
Total comprehensive surplus	5,765	5,765
Closing balance	400,108	400,108

2014	Retained Surpluses $000	Total Reserves $000
Opening balance	394,733	394,733
Total comprehensive deficit:		
Deficit after taxation	(390)	(390)
Other comprehensive income	–	–
Total comprehensive deficit	(390)	(390)
Closing balance	394,343	394,343

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2015

	NOTE	2015 $000	2014 $000
Assets			
Cash and cash equivalents		3,619	1,966
Premium and other receivables	8	74,708	69,941
Investments	9	492,200	489,604
Property and equipment	10	12,469	12,744
Intangible assets	11	19,137	15,917
Total assets		602,133	590,172
Liabilities			
Payables	12	21,418	22,017
Employee benefits	13	8,088	7,746
Insurance contract liabilities	14	172,519	166,066
Total liabilities		202,025	195,829
Net assets		400,108	394,343
Reserves		400,108	394,343

For and on behalf of the Board

G W Gent, **Chairman** ______________________ Date: 1 September 2015

E M Hickey, **Director** ______________________ Date: 1 September 2015

The accompanying notes form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June 2015

	NOTE	2015 $000	2014 $000
Cash flows from/(to) operating activities			
Premium revenue		817,369	769,424
Interest received		21,127	20,875
Other income		526	173
Payment of claims		(735,170)	(691,948)
Payments to employees		(46,390)	(43,232)
Payments to suppliers		(41,930)	(43,309)
Net cash flows from operating activities	18	15,532	11,983
Cash flows from/(to) investing activities			
Proceeds from sale of property and equipment		229	265
Payments for property and equipment		(3,087)	(5,699)
Payments for intangible assets		(9,057)	(7,589)
Net (payments)/receipts for investments		(1,964)	748
Net cash flows to investing activities		(13,879)	(12,275)
Net increase/(decrease) in cash and cash equivalents		1,653	(292)
Opening cash and cash equivalents		1,966	2,258
Closing cash and cash equivalents		3,619	1,966

The accompanying notes form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June 2015

1. STATEMENT OF ACCOUNTING POLICIES

REPORTING ENTITY

The Southern Cross Medical Care Society (the "Society") is a friendly society domiciled in New Zealand, registered under the Friendly Societies and Credit Unions Act 1982 ("FSCU Act").

The Society's registered office is Level 1, Ernst & Young Building, 2 Takutai Square, Auckland.

The Society was granted a licence by the Reserve Bank of New Zealand ("RBNZ") on 21 February 2013 to operate as an insurer subject to the Insurance (Prudential Supervision) Act 2010 ("IPS Act"). As a consequence of being a licensed insurer, the Society is deemed to be a financial markets conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013 ("FMC Act").

The statutory base for the preparation of the consolidated financial statements is the FSCU Act, the FMC Act and the IPS Act.

The financial statements for the Group are presented as at, and for the year ended 30 June 2015. The consolidated financial statements are for the Group comprising the Society and its subsidiaries: Southern Cross Health Services Limited, Southern Cross Healthcare Limited (non-trading) and Activa Health Limited, together referred to as the "Group".

In accordance with the FMC Act, if group financial statements are prepared and presented for Southern Cross Medical Care Society and its subsidiaries, separate financial statements for Southern Cross Medical Care Society (the parent entity) are not required to be prepared and presented.

The Society's primary activity is the provision of health insurance.

BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP") and the requirements of the IPS Act.

Under the specific criteria and definitions of the financial reporting standards, the Directors have classified the Society as a profit-oriented entity for financial reporting purposes.

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and International Financial Reporting Standards ("IFRS").

The consolidated statement of financial position has been presented in the order of decreasing liquidity.

The consolidated financial statements were approved by the Board of Directors on 1 September 2015.

BASIS OF MEASUREMENT

The consolidated financial statements are prepared on the historical cost basis except that the following are stated at their fair value: cash and cash equivalents, investments and insurance contract liabilities.

FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in New Zealand dollars ($), which is the Group's functional and presentation currency. All financial information presented in New Zealand dollars has been rounded to the nearest thousand, unless otherwise stated.

USE OF ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

A change in an accounting estimate that gives rise to a change in an asset or liability is recognised by adjusting the carrying amount of the related asset or liability item in the period of the change. Other changes in accounting estimates are recognised prospectively in the consolidated statement of comprehensive income in the period of the change and future periods, as applicable.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

- Note 14: Insurance contract liabilities
- Note 15: Actuarial information
- Note 16: Risk management
- Note 20: Solvency and capital adequacy

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

BASIS OF CONSOLIDATION

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Group consolidated financial statements from the date that control commences until the date that control ceases.

All intra-group balances and transactions are eliminated in preparing the Group consolidated financial statements.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and current account balances in bank accounts. Cash and cash equivalents are classified as "financial assets at fair value through profit or loss".

PREMIUM AND OTHER RECEIVABLES

Premium and other receivables are stated at their cost less any impairment losses. Impairment losses for uncollectible premiums are written off against premium revenue in the year in which they are incurred. Under the NZ IFRS definition of financial assets, premium and other receivables are classified as "loans and receivables".

INVESTMENTS

All purchases of investments are recognised on the date at which they are originated. Transaction costs are recognised as an expense in determining the surplus or deficit before tax in the consolidated statement of comprehensive income on transaction date. Investments are de-recognised on the date of maturity or sale of an investment.

The Group designates its investments as "financial assets at fair value through profit or loss" at inception. That is, changes in fair value are recognised in determining the surplus or deficit before tax in the consolidated statement of comprehensive income.

Fair value is determined using a three-level fair value hierarchy that reflects the significance of the inputs used in measuring fair values of financial assets and liabilities. The hierarchy is described in Note 16: Risk management.

As the intention is for investments to be held to maturity, and then reinvested, only the net purchased or matured amounts are disclosed in the consolidated statement of cash flows.

PROPERTY AND EQUIPMENT

Items of property and equipment are measured at cost, less accumulated depreciation and impairment losses.

Where material components of an item of property or equipment have different useful lives, they are accounted for as separate items.

Subsequent expenditure that replaces a component, or enhances the item of property or equipment, is added to the carrying amount of an item of property or equipment when that cost is incurred, if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised as an expense in determining the surplus or deficit before tax in the consolidated statement of comprehensive income.

Capital expenditure on major projects is initially recorded as work in progress. On completion of the project the asset is transferred to the appropriate asset category. Work in progress is not depreciated.

Depreciation is recognised in determining the surplus or deficit before tax in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each component of property or equipment as follows:

- Computer equipment 25% - 33% per annum
- Other fixed assets 15% - 20% per annum
- Leasehold improvements 10% - 33% per annum

The estimated useful life of assets is reassessed annually.

INTANGIBLE ASSETS

Computer software is recognised as an intangible asset when it is not an integral part of the computer hardware. Software development expenditure that meets the criteria for recognition as an intangible asset is capitalised and amortised over its expected useful life, subject to impairment testing. Costs incurred in researching and evaluating a project up to the point of formal commitment to a project are treated as research costs and are expensed as incurred. All capitalised costs are deemed to have an expected useful life of five years unless it can be clearly demonstrated that the net benefits are to be generated over either a longer or shorter period. The capitalised costs are amortised on a straight line basis over the period following completion of a project or implementation of part of a project.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

The recoverability of the carrying amount of the asset is reviewed at each reporting date by determining whether there is an indication that the carrying value may be impaired. If any such indication exists, the item is tested for impairment by comparing the recoverable amount of the asset to its carrying value.

An impairment loss is recognised whenever the carrying value exceeds the recoverable amount. Impairment losses are recognised in determining the surplus or deficit before tax in the consolidated statement of comprehensive income and may be reversed where there has been a change in the estimates used to determine the recoverable amount.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies that are settled in the reporting period are translated at the settlement rate. Transactions in foreign currency that are not settled in the reporting period, resulting in monetary assets and liabilities denominated in foreign currencies at the end of the reporting period, are translated to New Zealand dollars at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on their translation are recognised in determining the surplus or deficit before tax in the consolidated statement of comprehensive income.

IMPAIRMENT

The carrying amounts of assets are reviewed at the end of each reporting period to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The estimated recoverable amount of an asset is the greater of: fair value less costs to sell, and value in use.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the asset and are recognised in determining the surplus or deficit before tax in the consolidated statement of comprehensive income.

INSURANCE CONTRACTS

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

The Society has determined that all health insurance policies provided to members are insurance contracts.

INCOME RECOGNITION

Premiums

Gross earned premiums from insurance contracts are recognised evenly over the current billing period of the contract. Revenue is recognised on the date from which the policy is effective. Premiums billed but unearned are recorded as an unearned premium liability in the consolidated statement of financial position.

Fee and other income

Fees and other income are recognised as income evenly over the period in which the related services are performed.

Investment income

Interest income is recognised in determining the surplus or deficit before tax in the consolidated statement of comprehensive income as it accrues, and is calculated by using the effective interest rate method. Premiums and discounts that are an integral part of the effective yield of the investment are recognised as an adjustment to the effective interest rate of the instrument.

Realised and unrealised gains and losses on investments, recorded in determining the surplus or deficit before tax in the consolidated statement of comprehensive income, include gains and losses on financial assets classified as financial assets at fair value through profit or loss.

LEASES

Leases are defined as an operating lease where they do not transfer substantially all the risks and rewards incidental to ownership.

Payments made under operating leases are recognised in determining the surplus or deficit before tax in the consolidated statement of comprehensive income on a straight-line basis over the term of the lease.

Any inducement payments received as part of an operating lease agreement are deferred and recognised on a straight-line basis over the term of the lease.

POLICY ACQUISITION COSTS

The costs incurred in acquiring and recording insurance contracts may give rise to future benefits from premiums. Acquisition costs are initially recorded in determining the surplus or deficit before tax in the consolidated statement of comprehensive income. Any amounts that give rise to premiums in subsequent reporting periods are deferred as an asset and amortised over the period covered by the premium paid.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

PAYABLES

Payables are stated at cost. Under the NZ IFRS definition of financial liabilities, payables are classified as "other liabilities at amortised cost".

NET CLAIMS EXPENSE

The net claims expense represents payments made on claims and the movements in the outstanding claims and unexpired risk provisions (as described below).

PROVISIONS

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the obligation.

OUTSTANDING CLAIMS PROVISION

The liability for outstanding claims comprises claims incurred but not settled at the reporting date, whether reported or not. A central estimate is made of claims reported but not paid, claims incurred but not reported and claims incurred but not adequately reported. The central estimate includes expected claim payments plus associated claims handling costs. In addition a risk margin is added to reflect the inherent uncertainty in the estimate of claims.

UNEXPIRED RISK PROVISION AND LIABILITY ADEQUACY TEST

A liability adequacy test is performed to assess whether there is any deficiency in the unearned premium liability arising from expected claims and administration costs during the period covered by the unearned premium. The test is performed on all the policies as a whole as risks are broadly similar and are managed together as a single portfolio. The central estimate of claims and administration expenses is calculated. In addition, a risk margin is added to reflect the inherent uncertainty in estimating the claims. The total is compared with the unearned premium liability. Any deficiency is recognised as an expense in determining the surplus or deficit before tax in the consolidated statement of comprehensive income after first writing down any deferred acquisition costs. The deficiency in excess of deferred acquisition costs is recognised in the consolidated statement of financial position as an unexpired risk provision.

EMPLOYEE BENEFITS

Employee entitlements

Employee entitlements represents the current obligation to employees in respect of outstanding salaries, leave entitlements and other short term benefits.

Employee benefits

The Group's net obligation in respect of long service leave is the amount of future benefits that employees have earned in return for their service in current and prior periods. The financial value of the obligation is calculated based on estimated future cash flows and is discounted to its present value.

In determining future cash flows, consideration is given to historical data with respect to employee departures, periods of service and estimated future increases in wage and salary rates. The discount rate is the market yield rate on relevant New Zealand Government stock at the end of the reporting period.

Post employment benefits

The Group's obligation for post employment entitlements comprises post retirement health insurance benefits. The financial value of the obligation is calculated as the present value of estimated future cash flows. In determining future cash flows, consideration is given to future increases in health insurance premiums and historical data with respect to employee departures, periods of service and mortality rates. The discount rate is the market yield rate on relevant New Zealand Government stock at the end of the reporting period.

INCOME TAX EXPENSE

The Society is exempt from income tax due to its status as a friendly society. However, the subsidiaries are subject to income tax.

For subsidiary companies the income tax expense comprises current and deferred tax and is recognised in the consolidated statement of comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax reflects the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

1. STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

GOODS AND SERVICES TAX (GST)

The consolidated statement of comprehensive income and consolidated statement of cash flows have been prepared so that all components are stated exclusive of GST. All items in the consolidated statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

2. NEW OR AMENDED FINANCIAL REPORTING STANDARDS ADOPTED DURING THE PERIOD

New reporting standards, amendments to standards and interpretations that became effective in the current financial year were not applicable to the Group or had no material impact on these consolidated financial statements.

3. NEW FINANCIAL REPORTING STANDARDS APPROVED BUT NOT YET EFFECTIVE

The following new and amended reporting standard, which is applicable to the Group, is not yet effective for the year ended 30 June 2015, and has not been applied in preparing these consolidated financial statements.

NZ IFRS 9 Financial Instruments

NZ IFRS 9, issued in September 2014, replaces the existing guidance in NZ IAS 39 Financial Instruments: Recognition and Measurement. NZ IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward guidance on recognition and derecognition of financial instruments from NZ IAS 39.

The above revisions to NZ IFRS 9 are effective for annual reporting periods beginning on or after 1 January 2018. The International Accounting Standards Board has deferred the mandatory effective date from the previous deadline of 1 January 2013. The impact of the requirements of this standard on the Group is still to be determined.

4. NET CLAIMS EXPENSE

	2015 $000	2014 $000
Claims incurred relating to risks borne in current financial year	735,285	692,417
Claims incurred relating to risks borne in previous financial years	2,528	1,236
Movement in provision for claims handling costs	139	55
Movement in risk margin	181	72
Net claims incurred	738,133	693,780
Movement in provision for unexpired risk	(479)	704
	737,654	694,484

5A. OPERATING EXPENSES

Operating expenses include	2015 $000	2014 $000
Auditor's remuneration:		
– Audit and review of consolidated financial statements	210	210
– Other services	44	45
Depreciation	2,958	3,205
Amortisation of intangible assets	4,746	3,487
Impairment loss on intangible assets	730	–
Directors' fees	395	359
Employee benefits expense	47,331	41,616
Contributions to defined contribution plan	58	56
Rental of premises	5,488	4,525
Losses on disposal of property and equipment	10	806

Auditor's remuneration for other services disclosed above consists of reviewing solvency returns.

5B. OPERATING EXPENSES

Operating expenses consist of	2015 $000	2014 $000
Policy acquisition	9,159	10,918
Policy administration	34,671	30,875
Claims handling	11,014	10,685
Other operating expenses	42,957	40,487
	97,801	92,965

Other operating expenses consist of information technology, human resources, occupancy, governance, finance, actuarial, management expenses and depreciation.

6. NET INVESTMENT AND OTHER INCOME

	2015 $000	2014 $000
Interest income	22,240	20,160
Net gains/(losses) on investments at fair value through profit or loss	632	(1,683)
Fee and other income	525	172
	23,397	18,649

7. TAXATION

Reconciliation of effective tax rate	2015 $000	2014 $000
Net surplus/(deficit) before tax	5,765	(390)
Income tax payable at the domestic tax rate of 28%	1,614	(109)
Effect of exempt (surplus)/deficit	(1,660)	135
Tax effect of change in unrecognised temporary differences	(7)	(56)
Tax on current year deficit for which no deferred tax asset was recognised	53	30
	–	–

The aggregate amount of temporary differences arising in the subsidiaries for which a deferred tax asset has not been recognised is $119,000 at 30 June 2015 (30 June 2014: $144,000).

The Group has unrecognised tax losses carried forward of $32,297,000 at 30 June 2015 (30 June 2014: $32,107,000).

8. PREMIUM AND OTHER RECEIVABLES

	2015 $000	2014 $000
Premium accounts receivable	61,616	58,028
Interest receivable	4,547	3,434
Other accounts receivable	8,412	7,739
Amounts owed by related parties	133	738
Asset disposal proceeds receivable	–	2
	74,708	69,941

The fair value of premium and other receivables approximates the carrying amount.

Premium and other receivables is a current asset.

9. INVESTMENTS

	2015 $000	2014 $000
At fair value through profit or loss		
New Zealand Government stock	–	509
State owned enterprise bonds	7,190	7,106
Local authority stock	17,475	18,577
Other bonds	42,194	49,672
Bank deposits, commercial paper and floating rate notes	425,341	413,740
	492,200	489,604
Current assets	256,765	334,250
Non-current assets	235,435	155,354
	492,200	489,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2015

10. PROPERTY AND EQUIPMENT

	Computer equipment $000	Other fixed assets $000	Leasehold improvements $000	Work in progress $000	Total $000
At 30 June 2015					
Cost	22,948	3,809	10,679	394	37,830
Accumulated depreciation	(19,997)	(1,856)	(3,508)	–	(25,361)
Closing balance	2,951	1,953	7,171	394	12,469
Reconciliation of movement in property and equipment					
Opening balance	2,662	2,190	7,739	153	12,744
Additions	1,579	579	370	394	2,922
Transfers from work in progress	153	–	–	(153)	–
Disposals	–	(239)	–	–	(239)
Depreciation	(1,443)	(577)	(938)	–	(2,958)
Closing balance	2,951	1,953	7,171	394	12,469

	Computer equipment $000	Other fixed assets $000	Leasehold improvements $000	Work in progress $000	Total $000
At 30 June 2014					
Cost	21,216	3,522	10,309	153	35,200
Accumulated depreciation	(18,554)	(1,332)	(2,570)	–	(22,456)
Closing balance	2,662	2,190	7,739	153	12,744
Reconciliation of movement in property and equipment					
Opening cost	23,932	2,834	8,333	581	35,680
Opening accumulated depreciation	(21,194)	(949)	(2,085)	–	(24,228)
Opening balance	2,738	1,885	6,248	581	11,452
Additions	1,305	1,036	3,076	153	5,570
Transfers from work in progress	278	–	303	(581)	–
Disposals	–	(215)	(858)	–	(1,073)
Depreciation	(1,659)	(516)	(1,030)	–	(3,205)
Closing balance	2,662	2,190	7,739	153	12,744

Other fixed assets include motor vehicles and office equipment.

Property and equipment is a non-current asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2015

11. INTANGIBLE ASSETS

	Computer software $000	Work in progress $000	Total $000
At 30 June 2015			
Cost	54,444	2,768	57,212
Accumulated amortisation	(38,075)	–	(38,075)
Closing balance	16,369	2,768	19,137
Reconciliation of movement in intangible assets			
Opening balance	13,606	2,311	15,917
Additions	7,000	1,696	8,696
Transfers from work in progress	1,239	(1,239)	–
Amortisation	(4,746)	–	(4,746)
Impairment	(730)	–	(730)
Closing balance	16,369	2,768	19,137

	Computer software $000	Work in progress $000	Total $000
At 30 June 2014			
Cost	46,936	2,311	49,247
Accumulated amortisation	(33,330)	–	(33,330)
Closing balance	13,606	2,311	15,917
Reconciliation of movement in intangible assets			
Opening cost	38,355	2,855	41,210
Opening accumulated amortisation	(29,951)	–	(29,951)
Opening balance	8,404	2,855	11,259
Additions	6,208	1,937	8,145
Transfers from work in progress	2,481	(2,481)	–
Amortisation	(3,487)	–	(3,487)
Closing balance	13,606	2,311	15,917

Intangible assets is a non-current asset.

The majority of the computer software and work in progress are internally generated.

Impairment losses arise from software development projects that do not have a positive quantifiable financial benefit. Where indicators of impairment exist, the future financial benefit is recalculated using a net present value analysis. Where the net present value is not positive, impairment is recognised in determining the surplus or deficit before tax in the consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
for the year ended 30 June 2015

12. PAYABLES

	2015 $000	2014 $000
Accounts payable	18,211	18,546
Amounts owed to related parties	143	–
Deferred income – lease inducement	3,064	3,471
	21,418	22,017
Current	18,753	18,945
Non-current	2,665	3,072
	21,418	22,017

13. EMPLOYEE BENEFITS

	2015 $000	2014 $000
Employee entitlements	4,248	4,266
Employee benefits	1,220	1,180
Post-employment benefits	2,620	2,300
	8,088	7,746
Current	4,512	4,586
Non-current	3,576	3,160
	8,088	7,746

14. INSURANCE CONTRACT LIABILITIES

	2015 $000	2014 $000
Provision for outstanding claims (refer note 14a)	80,631	76,833
Provision for unearned premium (refer note 14c)	82,545	79,381
Provision for unexpired risk (refer note 14d)	8,693	9,172
Other insurance provisions	650	680
	172,519	166,066

14. INSURANCE CONTRACT LIABILITIES (CONTINUED)

a. Provision for outstanding claims

	2015 $000	2014 $000
Central estimate of outstanding claims liability	73,809	70,331
Claims handling costs	2,982	2,843
Risk margin	3,840	3,659
Closing balance	80,631	76,833

Claims are predominantly short-term in nature and are generally settled within twelve months of being incurred. Accordingly, amounts are not discounted.

b. Reconciliation of movement in provision for outstanding claims

	2015 $000	2014 $000
Opening balance	76,833	75,321
Amounts utilised during the year	(71,816)	(68,226)
Additional provision for prior periods	2,528	1,236
Amounts provided during the year	72,766	68,375
Movement in claims handling costs	139	55
Movement in risk margin	181	72
Closing balance	80,631	76,833

c. Reconciliation of movement in provision for unearned premium

	2015 $000	2014 $000
Opening balance	79,381	74,915
Premiums written in the year	820,987	772,876
Premiums earned during the year	(817,823)	(768,410)
Closing balance	82,545	79,381

14. INSURANCE CONTRACT LIABILITIES (CONTINUED)

d. Provision for unexpired risk

	2015 $000	2014 $000
Present value of expected future cash flows for claims and expenses	88,084	85,528
Risk margin	3,523	3,421
Unearned premiums	(82,545)	(79,381)
Write-down of deferred acquisition costs	(369)	(396)
Closing balance	8,693	9,172

e. Reconciliation of movement in provision for unexpired risk

	2015 $000	2014 $000
Opening balance	9,172	8,468
Reversal of opening balance	(9,172)	(8,468)
Net liability for unexpired risk recognised during the year	5,539	6,147
Risk margin	3,523	3,421
Write-down of deferred acquisition costs	(369)	(396)
Closing balance	8,693	9,172

15. ACTUARIAL INFORMATION

Estimates of the outstanding claims and unexpired risk as at 30 June 2015 have been determined by John Smeed, a Fellow of the New Zealand Society of Actuaries. These were presented to the Directors of the Society in a report dated 14 August 2015. There were no qualifications to the report. The calculations of the provisions for outstanding claims and unexpired risk each comply with both NZ IFRS 4: Insurance Contracts, and Professional Standard No. 30: General Insurance Business, of the New Zealand Society of Actuaries.

The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine these provisions.

a. **Outstanding claims provision**

Outstanding claims liabilities are assessed as the central estimate of the present value of expected future payments for claims incurred but not settled at 30 June 2015, whether reported or not, together with related claims handling costs and an additional risk margin to allow for the inherent uncertainty in the central claims estimate. The central estimate of the outstanding claims has been calculated using historical experience to determine the pattern of claims development.

A projected payment per member method has been adopted for estimating outstanding claims payments. Calculations are based on recent claims experience. Payment per member factors are selected to achieve a sensible progression of past incurred claims.

Estimation of outstanding claims liabilities includes an allowance for claims incurred but not reported, claims incurred but not adequately reported, unpaid reported claims and future claims handling costs associated with paying claims. An explicit allowance of $0.75m has been made for expected ACC recoveries as at 30 June 2015 (30 June 2014: $0.75m).

A risk margin has been added to reflect the inherent uncertainty in the central estimate. An analysis of the volatility of the historical experience has been used in determining the risk margin. Future volatility is assumed to be consistent with historical volatility. A risk margin of 5% of the central estimate was established at 30 June 2015 (30 June 2014: 5%). The risk margin was determined with the objective of achieving at least 75% probability of sufficiency of the outstanding claims provision.

15. ACTUARIAL INFORMATION (CONTINUED)

Key assumptions:

1. Future patterns of claims development will be similar to historical patterns depending on the type of policy, type of claim and development month.
2. Monthly seasonality factors used for claims incurred. These were calculated from the 5 years' previous claims experience, and range from 68% to 115% (30 June 2014: 69% to 115%) of the monthly average.
3. Historical claims inflation 7.5% p.a. (30 June 2014: 7.5%), based on previous claims experience.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. Claims handling costs were determined to be 4% (30 June 2014: 4%) of the underlying claims amounts based on an analysis of administration expenses.

The average weighted term from 30 June 2015 to the expected settlement date for claims included in the liability for outstanding claims is 69 days (30 June 2014: 73 days). Accordingly, expected future payments are not discounted due to the short tail nature of the liabilities.

b. Unexpired risk provision and liability adequacy test

A liability adequacy test was performed to determine whether the unearned premium liability is adequate to cover the present value of the expected future cash flows arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The future cash flows are future claims, associated claims handling costs and other administration costs relating to the business.

If the present value of the expected future cash flows plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient.

The unexpired risk liability has been calculated as the projected premium deficiency for current in-force business until the next policy billing date on or after 1 July 2015.

The calculation of the risk margin has been based on an analysis of the volatility of historical claims experience within the time period covered by the unearned premiums. A risk margin of 4% of the present value of expected future cash flows has been applied at 30 June 2015 (30 June 2014: 4%). The risk margin was determined with the objective of achieving at least 75% probability of sufficiency of the unexpired risk liability.

Key assumptions:

1. Future patterns of claims development will be similar to historical patterns depending on the type of policy, type of claim and development month.
2. Monthly seasonality factors used for claims incurred. These were calculated from the 5 years' previous claims experience, and range from 73% to 112% (30 June 2014: 73% to 112%) of the monthly average.
3. Expenses based on the business plan for 2015/16, including allowance for amortisation of deferred acquisition costs.

No explicit allowance has been made for cancellations or transfers. These are allowed for implicitly in the inflation assumption.

Expected future payments are not discounted due to the short tail nature of the liabilities.

16. RISK MANAGEMENT

The Group is exposed to a number of risks in the normal course of business. Primarily there are the risks associated with underwriting an insurance business (insurance risk). Other risks include financial risks (credit risk and liquidity risk), market risks (interest rate risk and foreign currency risk), and non-financial risks (operational risk and compliance risk). The Directors and management recognise the importance of having an effective risk management policy in place. The Insurance Prudential Supervision regime requires insurers to maintain a risk management policy, which the RBNZ will assess for appropriateness. The risks and any objectives, policies and processes to manage these insurance and financial risks are described below.

a. Insurance risk

The Group assumes insurance risk through its health insurance activities. The key risk arises in respect of claims costs and, in particular, those costs varying from what was assumed in the setting of premium rates.

I. Risk management objectives, policies and processes for mitigating risk

The primary objective in managing risk is, as far as possible, to reduce the magnitude and volatility of claims costs. A secondary objective is to ensure funds are available to pay claims and maintain the solvency of the business if there is adverse deviation in experience. Key policies and methods for mitigating risk include:

- Underwriting policies and processes which evaluate new risks and offer terms that do not endanger the portfolio.
- Claims management procedures to ensure the payment of claims is in accordance with policy conditions.
- A long-term pricing strategy and guidelines adopted by the Board which supports pricing based on underlying risk.
- Regular monitoring of financial and operating results.
- Maintaining a target solvency margin in excess of the minimum required by the standard established by the RBNZ. The solvency margin ensures the Society is able to withstand a period of adverse insurance or investment experience and still maintain a satisfactory financial position (refer to Note 20).

II. Sensitivity to insurance risk

The financial results of the Society are primarily affected by the level of claims incurred relative to that implicit in the premiums. The assumptions used in the valuation of the outstanding claims provision and the liability adequacy test directly affect the level of estimated claims incurred. The key assumptions used are detailed in Note 15.

The scope of insurance risk is managed by the terms and conditions of the policy. The main insurance benefit involves the reimbursement of medical and surgical expenses depending upon the plan option.

The level of benefits specified in the contract is a key determinant of the amount of future claims although the exact level of claims is uncertain.

Other variables affecting the level of claims include the underlying morbidity of the lives insured, the nature of treatment given and the costs of treatment.

III. Concentration of insurance risk

Management defines concentration of risk by type of insurance business and geographic region. The Society transacts health insurance business in New Zealand and, therefore, the concentration of risk by type of insurance and geographic region cannot be avoided. Insurance risks are well diversified within the health insurance portfolio with claims costs spread across many different types of surgery and medical events. There is no significant exposure to individual large claims.

b. Financial risks

I. Credit risk

In the normal course of its business the Group incurs credit risk from its health insurance operations and from investment in financial assets.

The Group maintains a credit policy which is used to manage the exposure to credit risk. Limits on counter-party exposures have been set and are monitored on an ongoing basis. In addition, the RBNZ has issued concentration risk limits, as part of its solvency standards. The credit quality of counter-parties is assessed based on published credit ratings issued by Standard & Poor's or equivalent ratings agencies. Where local authorities do not have a formal credit rating, comfort is obtained from their ability to levy rates. There are no concentrations of credit risk at 30 June 2015 (2014: Nil) in excess of policy.

16. RISK MANAGEMENT (CONTINUED)

The credit quality of investment counter-parties is as follows:

	2015 $000	2014 $000
AA	272,887	312,603
A	108,811	96,190
BBB	63,792	57,993
Non-rated	46,710	22,818
	492,200	489,604

The maximum exposure to credit risk at the end of the reporting period is the amount of financial assets stated in the consolidated statement of financial position.

These exposures are net of any recognised provisions for impairment losses. The Group does not require any collateral or security to support financial assets due to the quality of the counter-party organisations.

The cash and cash equivalents balances are held with a counter-party rated AA- (30 June 2014: AA-).

Premium receivables are due from a very large number of counter-parties, ranging from large corporates to individual members. Analysing these by credit quality would not be feasible, as the majority of counter-parties will be non-rated.

II. Liquidity risk

The Group is exposed to daily calls on its available cash resources from claims and administration expenses. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Directors set limits on the minimum proportion of maturing funds available to meet such calls to cover claims and expenses at unexpected levels of demand.

The contractual maturities of investments are as follows:

	2015 $000	2014 $000
On call	3,058	8,806
0–6 months	138,544	215,818
7–12 months	115,163	109,626
1–2 years	80,506	52,414
2–5 years	148,911	94,765
Beyond 5 years	6,018	8,175
	492,200	489,604

The cash and cash equivalents are available on call. All premium receivables, and substantially all other receivables are due within one month of the end of the reporting period.

Financial liabilities are all short term or payable on demand. Investments could be liquidated at any time to settle liabilities.

16. RISK MANAGEMENT (CONTINUED)

c. Market risks

I. Foreign currency risk

At 30 June 2015, the Group had assets of $291,000 and no liabilities denominated in foreign currencies (30 June 2014: assets of $277,000 and no liabilities). Given that the foreign currency risk exposure is minimal, the Group does not enter into any derivative contracts to manage this risk.

II. Interest rate risk

The Group invests in both fixed and variable rate financial instruments such as bonds, commercial paper and floating rate notes. There is a risk that any movement in interest rates can have an effect on the profitability and cash flows of the Group. The Group maintains a spread of investment types and maturity profiles to mitigate this risk.

(i) Cash flow interest rate risk

The cash flows from the Group's investment in bank deposits, commercial paper and floating rate notes are susceptible to changes in interest rates. The following analysis shows the impact of a change in interest rates on the cash flows:

	2015 $000	2014 $000
Impact of increase in interest rates by 100 basis points on cash flows	2,862	3,028
Impact of decrease in interest rates by 100 basis points on cash flows	(2,862)	(3,028)

(ii) Fair value risk

The fair value of fixed rate investments can fluctuate depending on changes in interest rates. The Group's policy is to hold all investments until maturity. This eliminates any effects of fair value changes to the investments upon realisation, however unrealised fair value changes are recognised in determining the surplus or deficit before tax in the consolidated statement of comprehensive income for each period. The following analysis shows the impact of any changes in interest rates:

	2015 $000	2014 $000
Impact of increase in interest rates by 100 basis points on surplus or deficit before taxation	(2,294)	(2,300)
Impact of decrease in interest rates by 100 basis points on surplus or deficit before taxation	2,326	2,345

(iii) Fair values of financial assets and financial liabilities

All financial assets and financial liabilities included in the consolidated statement of financial position are carried at amounts that approximate fair value.

The table on the next page analyses financial assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Definition of the fair value hierarchy

Level 1: Valuation based on quoted market prices (unadjusted) in an active market.

Level 2: Valuation techniques based on observable market data, either directly (as prices) or indirectly (derived from prices).

Level 3: Valuation techniques not based on observable market data.

16. RISK MANAGEMENT (CONTINUED)

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
30 June 2015				
State owned enterprise bonds	–	7,190	–	7,190
Local authority stock	–	17,475	–	17,475
Other bonds	–	42,194	–	42,194
Bank deposits, commercial paper and floating rate notes	3,058	422,283	–	425,341
Total investments	3,058	489,142	–	492,200

	Level 1 $000	Level 2 $000	Level 3 $000	Total $000
30 June 2014				
New Zealand Government stock	509	–	–	509
State owned enterprise bonds	–	7,106	–	7,106
Local authority stock	–	18,577	–	18,577
Other bonds	–	49,672	–	49,672
Bank deposits, commercial paper and floating rate notes	8,806	404,934	–	413,740
Total investments	9,315	480,289	–	489,604

Investments were independently valued by Bancorp Treasury Services Limited at 30 June 2015 and 30 June 2014. Investments are valued based on closing market prices as reported to wholesale investors. Where closing market prices are not available for certain investments, for example private placements by local authorities in which the Society has participated, the value of these investments are based on observable inputs using quoted prices for similar instruments ensuring that all significant inputs are directly or indirectly observable from market data.

Cash and cash equivalents are valued using a Level 1 basis (30 June 2014: Level 1).

17. RELATED PARTIES

a. Identity and relationship of related parties:

• The Southern Cross Medical Care Society ("Society")	Parent
• Southern Cross Health Services Limited ("Health Services")	100% subsidiary of Society
• Activa Health Limited ("Activa")	100% subsidiary of Society
• Southern Cross Healthcare Limited (non-trading)	100% subsidiary of Society
• Directors of The Southern Cross Medical Care Society	Certain Directors are Trustees of Southern Cross Health Trust
• Southern Cross Health Trust ("Trust")	Related party of Society
• Southern Cross Benefits Limited ("Benefits")	100% subsidiary of Trust
• Southern Cross Hospitals Limited ("Hospitals")	100% subsidiary of Trust
• Southern Cross Primary Care Limited ("Primary Care")	100% subsidiary of Trust

The Society and its subsidiaries, and the Trust and its subsidiaries, have 30 June reporting dates.

The Society and the Trust are separate legal entities operating at "arm's length".

The Society contracts healthcare services on behalf of its members from all providers, including Hospitals, on a contestable and contractual basis.

All Group and related parties provide their normal services to the other Group and related parties on normal commercial terms.

Some goods and services are purchased by the Group and other related parties on a combined basis. These costs are on-charged to the other related parties at cost.

All related party balances are payable on normal trading terms and unsecured. No related party transactions have taken place at nil or nominal value. No related party balances have been written off or forgiven during the year.

The amount of transactions with other related parties are:

	2015 $000	2014 $000
Sale of services	5,813	6,750
Purchase of services	1,208	121

The outstanding balances with other related parties are:

	2015 $000	2014 $000
Receivables	133	761
Payables	143	23

17. RELATED PARTIES (CONTINUED)

b. Remuneration of Directors

Directors' fees paid by the Society for the year ended 30 June 2015 were as follows:

	2015 Amount $	2014 Amount $
Director		
Dr D D Baird	49,625	45,250
C M Drayton	48,000	24,547
C B Durbin	53,750	49,000
G W Gent – appointed Chairman 4 December 2014	75,175	45,250
G R W France – appointed 4 December 2014	29,819	–
G S Hawkins – retired 4 December 2014	34,130	80,000
E M Hickey	52,000	47,000
P J Meyer – retired 5 December 2013	–	20,823
K B Taylor	53,000	47,250
Trustee		
C B Durbin	–	–
G W Gent – appointed 4 December 2014	–	–
G S Hawkins – retired 4 December 2014	–	–
K B Taylor	–	–

Where Directors are directors of subsidiary companies of the Society, they do not receive any fees for these appointments.

The Society provides Trustees and Directors with Directors' and Officers' liability insurance cover for liabilities to other parties that may arise from their positions as Trustees and Directors.

The Society does not provide loans or advances to Directors or Trustees.

c. Remuneration of key management personnel

	2015 $000	2014 $000
Salaries and other short-term benefits	2,983	2,842
Post-employment benefits	87	86

Key management personnel include the Chief Executive and senior executives.

The Society does not provide loans or advances to key management personnel. At each reporting date, there are amounts outstanding to key management personnel comprising salaries, earned leave and short term incentives.

18. RECONCILIATION OF NET SURPLUS/(DEFICIT) WITH NET CASH FLOWS FROM OPERATING ACTIVITIES

	2015 $000	2014 $000
Net surplus/(deficit) after taxation	5,765	(390)
Add/(less) non-cash items:		
Depreciation	2,958	3,205
Amortisation of intangible assets	4,746	3,487
Impairment loss on intangible asset	730	–
Add items classified as investing activities:		
Losses on disposal of property and equipment	10	806
Net (gains)/losses on investments at fair value through profit or loss	(632)	1,683
Movement in receivables and payables relating to investing activities	526	(425)
Add/(less) movements in working capital items:		
Receivables	(4,767)	(5,045)
Payables	(599)	3,764
Other insurance provisions	(30)	(170)
Employee benefits	342	(1,615)
Provision for outstanding claims	3,798	1,512
Provision for unearned premium	3,164	4,467
Provision for unexpired risk	(479)	704
Net cash flows from operating activities	15,532	11,983

19. CREDIT RATING

On 20 February 2014, Standard & Poor's reaffirmed the Society's Insurer Financial Strength Rating at A+, under its global insurance industry rating methodology. On 23 April 2015, Standard & Poor's again reaffirmed the Society's Insurer Financial Strength Rating at A+. This signifies the insurer "has strong financial security characteristics".

20. SOLVENCY AND CAPITAL ADEQUACY

The Society is a registered friendly society. As a consequence of its legal structure the Society has no recourse to external capital and therefore internally generated capital is of paramount importance. The Society's capital of $400.1 million (2014: $394.3 million) represents the retained surpluses of the Society. Capital of the Group of $400.1 million (30 June 2014: $394.3 million) includes the reserves of the Society's non-insurance subsidiaries set out in Note 1.

As a consequence of being a fully licensed insurer, the Solvency Standard for Non-life Insurance Business ("the solvency standard") issued by the RBNZ requires the Society to retain a positive solvency margin, meaning that the actual solvency capital position exceeds the minimum required under the solvency standard.

During the year ended 30 June 2015 the Society complied with all externally imposed capital requirements. At 30 June 2015 the solvency ratio (actual solvency capital, $381.0 million (30 June 2014: $378.4 million) divided by minimum solvency capital, $76.6m (30 June 2014: $72.1 million) required) was 4.97 (30 June 2014: 5.25), and the solvency margin was $304.4 million (30 June 2014: $306.3 million).

The Directors' policy for managing capital is to have a strong capital base to establish security for members and enable the Society to conduct its business whilst maintaining financial soundness. The Society has embedded in its capital management framework the necessary tests to ensure continuous and full compliance with the solvency standard. The key internal benchmark is to maintain the solvency margin at between 35% and 45% of annualised premium income. At 30 June 2015 this margin was 36.2% of annualised premium income. The policy in respect of capital management is regularly reviewed by the Directors in line with the guidelines issued by the RBNZ.

21. LEASE COMMITMENTS

At 30 June 2015 commitments under operating leases in respect of payments due to be made in the following years were:

	2015 $000	2014 $000
Within 1 year	5,551	5,501
Between 1 and 2 years	5,451	5,251
Between 2 and 5 years	15,669	15,322
Greater than 5 years	13,733	18,667
	40,404	44,741

The major components of the lease commitments are the leases on the Auckland and Hamilton office premises.

The Society entered into an agreement to lease the Auckland premises in December 2009 for a lease term of 10 years, commencing 1 April 2011. The Society entered into a variation in relation to the agreement to lease the Auckland premises in April 2014 for a lease term of 9 years, commencing 1 April 2014, thereby extending the term of the original agreement to lease by 2 years. The agreement to lease provides for a rental review every three years. The initial review in 2017 is at an already agreed rate. Subsequent reviews will be based on prevailing market rates at the time of review.

The Society entered into an agreement to lease new premises in Hamilton in March 2013 for a lease term of 9 years, commencing 2 September 2013. The agreement to lease provides for an annual 2.5% rent increase with every third review based on prevailing market rates at the time of review.

22. CAPITAL COMMITMENTS

The Group had capital commitments of $639,000 at 30 June 2015 (2014: $540,000).

23. CONTINGENT LIABILITIES

The Group had no contingent liabilities at 30 June 2015 (2014: Nil).

Independent auditor's report

To the Members of The Southern Cross Medical Care Society

KPMG

We have audited the accompanying consolidated financial statements of The Southern Cross Medical Care Society and its subsidiaries ("the Group") on pages 12 to 37. The financial statements comprise the consolidated statement of financial position as at 30 June 2015, the consolidated statements of comprehensive income, changes in reserves and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The Directors are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group'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 consolidated 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 has also provided other services to the Group in relation to the review of solvency returns and interim financial statements. Subject to certain restrictions, partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditor of the Group. The firm has no other relationship with, or interest in, the Group.

Opinion

In our opinion, the consolidated financial statements on pages 12 to 37 comply with generally accepted accounting practice in New Zealand and present fairly, in all material respects, the consolidated financial position of The Southern Cross Medical Care Society as at 30 June 2015 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

KPMG

1 September 2015
Auckland

Appointed actuary's report

To the Members of The Southern Cross Medical Care Society

finity

Review of Actuarial Information contained in the Consolidated Financial Statements as at 30 June 2015

Finity Consulting Pty Limited (Finity) has been asked by Southern Cross Medical Care Society (Southern Cross) to carry out a review of the 30 June 2015 Actuarial Information contained in the consolidated financial statements and provide an opinion as to its appropriateness. John Smeed is an employee of Finity and is the Appointed Actuary to Southern Cross. Finity has no relationship with Southern Cross apart from being a provider of actuarial services.

Southern Cross' policy is to seek and adopt the advice of the Appointed Actuary in respect of the Actuarial Information contained in its consolidated financial statements. We confirm that the consolidated financial statements as at 30 June 2015 have been prepared in accordance with this policy, and as such this satisfies the requirements of the Insurance (Prudential Supervision) Act 2010.

Having carried out the actuarial review, nothing has come to our attention that would lead us to believe that the Actuarial Information used in the consolidated financial statements or the determination of the solvency position for Southern Cross as at 30 June 2015 are inappropriate. No limitations were placed on us in performing our review, and all data requested was provided.

This report is being provided for the sole use of Southern Cross for the purpose stated above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on the purpose for which it is intended.

Yours sincerely

John Smeed
Appointed Actuary
Fellow of the New Zealand Society of Actuaries

Anita Samu
Fellow of the New Zealand Society of Actuaries

1 September 2015

Notes:

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The Southern Cross Medical Care Society
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Southern Cross
Health Society

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