

**AUDIT REPORT
TO THE MEMBERS OF
VETERINARY PROFESSIONAL INSURANCE SOCIETY INCORPORATED**

We have audited the financial statements on pages 1 to 8. The financial statements provide information about the past financial performance of Veterinary Professional Insurance Society Incorporated and its financial position as at 30 September 2010. This information is stated in accordance with the accounting policies set out on page 4 of the financial statements.

This report is made solely to the members of Veterinary Professional Insurance Society Incorporated, as a body, in accordance with the requirements of Veterinary Professional Insurance Society Incorporated's trust deed. Our audit has been undertaken so that we might state to the Veterinary Professional Insurance Society Incorporated's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Veterinary Professional Insurance Society Incorporated and the Veterinary Professional Insurance Society Incorporated's members as a body, for our audit work, for this report, or for the opinion we have formed.

Board of Management's Responsibilities

The Board of Management is responsible for the preparation of the financial statements which fairly reflect the financial position of Veterinary Professional Insurance Society Incorporated as at 30 September 2010 and the results of its operations for the 30 September 2010 ended on that date.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Board of Management.

Basis of Opinion

An audit includes examining on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Board of Management in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Veterinary Professional Insurance Society Incorporated's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors we have no other relationship with, or interests in Veterinary Professional Insurance Society Incorporated

Unqualified Opinion

In our opinion the financial statements on pages 1 to 8 fairly reflect the financial position of Veterinary Professional Insurance Society Incorporated as at 30 September 2010 and the results of its operations for the 30 September 2010 ended on that date.

Our audit was completed on 24 February 2011 and our opinion is expressed as at that date.


BDO Wellington
Wellington

**VETERINARY PROFESSIONAL
INSURANCE SOCIETY (INC)**

Statement of Financial Performance

For the Year ended 30 September 2010

2009	INCOME	2010
688,176	Subscriptions Premiums	866,119
438	Foreign Exchange Gain	-
19,400	Rental Income	19,327
1,421	Miscellaneous Income	700
<u>7,111</u>	Special Projects	<u>8,711</u>
716,546		894,857
	LESS EXPENSES	
1,910	Accommodation & meals	985
7,390	Accountancy & Audit Fees	8,336
39,806	Attendance & Directors Fees (Note 11)	36,250
1,318	Bank charges	1,188
-	Board Meeting Expenses	2,520
50,000	Brokers fee	47,000
133,188	Claims, fees & expenses	152,041
13,752	Depreciation (Note 7)	8,424
2,796	Computer maintenance. & software	-
-	Foreign Exchange Loss	75
900	General expenses	2,179
125,874	Executive service fee - NZVA (Note 10)	137,220
11,000	Honorarium President	11,000
322,803	Insurance premiums	340,028
6,509	Investment management fees	8,783
9,392	Legal expenses	14,665
73	Loss on Disposal of Assets	-
1,417	Printing, postage, stationery & photocopy	-
2,800	QBE Assn liability insurance	3,768
4,444	Sponsorship	-
552	Toll & faxes	-
20,380	Training & Workshops Expenses	12,682
<u>8,853</u>	Travel expenses - Board	<u>9,493</u>
765,158	Total Expenses	796,637
(48,612)	NET OPERATING SURPLUS/(DEFICIT)	98,220
	INVESTMENT ACTIVITIES	
50,444	Investment income/(Expense) (Note 5)	53,069
<u>1,832</u>	NET SURPLUS/(DEFICIT)	<u>151,289</u>

This statement should be read in conjunction with the Notes to the Financial Statements



**VETERINARY PROFESSIONAL
INSURANCE SOCIETY (INC)**

Statement of Movements in Equity

For the Year ended 30 September 2010

<i>2009</i>		<i>2010</i>
1,217,221	Opening Balance	1,219,053
1,832	Net Surplus/(Deficit) for the year	151,289
<u>1,219,053</u>	Balance as at 30 September 2010	<u>1,370,342</u>

This statement should be read in conjunction with the Notes to the Financial Statements



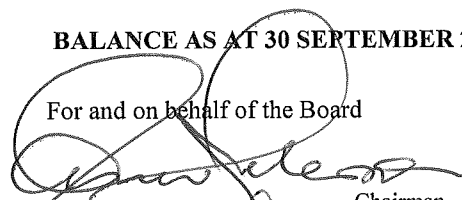
**VETERINARY PROFESSIONAL
INSURANCE SOCIETY (INC)**

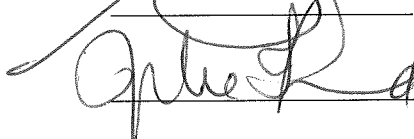
Statement of Financial Position

As at 30 September 2010

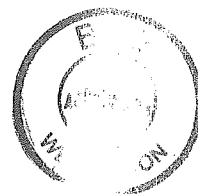
<i>2009</i>	CURRENT ASSETS	<i>2010</i>
79,628	Bank Account	163,043
366,833	MDS Account	404,301
711,854	Accounts Receivable	414,966
-	GST Receivable	-
4,793	Interest Accrued	225
-	Tax Refund Due	3,343
<u>1,163,109</u>		985,878
242,817	Fixed Assets (Note 7)	234,393
	Investments	
10,373	NZ Government Stock (Note 3)	10,279
857,899	Investment Portfolio (Note 4)	<u>1,192,822</u>
<u>868,272</u>		1,203,100
2,274,198	TOTAL ASSETS	<u>2,423,372</u>
	CURRENT LIABILITIES	
41,556	Accounts Payable	58,578
71,293	GST Payable	78,238
796,193	Subscriptions Received in Advance	697,587
126,103	Sundry Creditors	121,627
20,000	Provision for Claims (Note 6)	<u>97,000</u>
<u>1,055,145</u>		1,053,030
1,055,145	TOTAL LIABILITIES	<u>1,053,030</u>
<u>1,219,053</u>	NET ASSETS	<u>1,370,342</u>
	Represented by:	
	ACCUMULATED FUNDS	
1,217,221	Balance at 1 October 2009	1,219,053
1,832	Net Surplus/(Deficit) for the year	151,289
<u>1,219,053</u>	BALANCE AS AT 30 SEPTEMBER 2010	<u>1,370,342</u>

For and on behalf of the Board


Chairman *24.2.2011*


Chief Executive Officer *24.2.2011*

This statement should be read in conjunction with the Notes to the Financial Statements



VETERINARY PROFESSIONAL INSURANCE SOCIETY (INC)

Notes forming part of the Financial Statements For the Year ended 30 September 2010

1 STATEMENT OF ACCOUNTING POLICES

(a) ENTITY

The Veterinary Professional Insurance Society (INC) is an Incorporated Society registered under the Incorporated Societies Act 1908 and is entitled to use Differential Reporting exemptions as it is not publicly accountable and does not qualify as large.

These financial statements have been prepared using Generally Accepted Accounting Principles and advantage has been taken of all appropriate differential reporting exemptions.

(b) MEASUREMENT SYSTEM

The measurement system adopted is standard historical cost and accrual accounting.

(c) PARTICULAR ACCOUNTING POLICIES -

Goods & Services Tax

These financial statements have been prepared on a GST exclusive basis, except for Accounts Receivable and Accounts Payable which are stated inclusive of GST.

Depreciation

Depreciation has been provided on a diminishing value basis at the maximum rates provided by the Inland Revenue Department. The Trustees consider the rates used allocate fairly as practicable depreciation to the periods expected to benefit from the use of the assets.

Receivables

All known bad debts have been written off and no further provisions for doubtful debts is considered necessary.

Taxation

No Provision has been made for income tax as the Society is exempt from income tax.

Revenue Recognition

Subscription Income

Subscriptions which are attributable to the current financial year are recognised as revenue. Where subscriptions are paid in advance, the unearned portion has been shown in income in advance. Where subscriptions are payable in arrears, those subscriptions that have not been received are shown as receivables.

Investment Income

Investment income includes net proceeds from dividends, interest received and investments sold during the year, adjusted for any gains or losses resulting from changes in the market value of shares.

Claims recognition

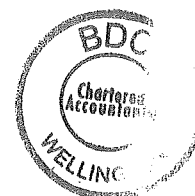
Claims, fees and expenses are recognised in the financial statements when incurred and paid.

In addition, claims accrued are recognised after adjusting for the provision for claims received and not yet settled as specified under Note 6.

These claims are recognised net of excess.

(d) Changes in Accounting Policies

There have been no changes in accounting policies since the date of the last financial report.



VETERINARY PROFESSIONAL INSURANCE SOCIETY (INC)

Notes forming part of the Financial Statements For the Year ended 30 September 2010

2 CONTINGENT LIABILITIES

The Society reinsured its liability for claims during the year in excess of \$150,000 (2009 \$100,000) and the provision for claims shown in the Current Liabilities is net of this recovery. The Society has a contingent liability for this excess if for any reason it is not recoverable from the Underwriters.

3 NZ GOVERNMENT STOCK DEPOSIT UNDER INSURANCE COMPANIES ACT 1953

The investment was purchased in November 2006 and has a face value of \$10,000 with a maturity date of 15 November 2011.

The stock has been valued at 30 September 2010 on a yield to maturity basis at \$10,274

4 INVESTMENT PORTFOLIO

Investments have been recorded at market value as at 30 September 2010.

5 INVESTMENT INCOME	2009	2010
Interest Received		
Term Deposit and Call Account	10,906	8,039
Government Stock	225	225
Inland Revenue Department	-	3
	<u>11,131</u>	<u>8,267</u>
Investment Portfolio		
Interest Received	39,162	32,621
Dividends Received	12,076	15,307
	<u>51,238</u>	<u>47,928</u>
Gains or losses resulting from sale of investments		
Gains	-	1,101
Losses	32,476	-
	<u>32,476</u>	<u>1,101</u>
Gains or losses resulting from changes in the market value of investments		
Gains	20,551	-
Losses	-	4,226
	<u>20,551</u>	<u>4,226</u>
Investment Income	<u><u>50,444</u></u>	<u><u>53,069</u></u>



VETERINARY PROFESSIONAL INSURANCE SOCIETY (INC)

Notes forming part of the Financial Statements For the Year ended 30 September 2010

6 CLAIMS

Each year the Society makes a provision for claims received and not yet settled.

	2009	2010
Provision for Claims		
Opening Balance	16,000	20,000
Actual paid (prior year events)	(35,241)	(33,791)
	<u>(19,241)</u>	<u>(13,791)</u>
Additional Provision for the year	133,189	152,041
Actual Paid (current insurance year's events)	(93,948)	(41,250)
Closing Balance	<u>20,000</u>	<u>97,000</u>
Claims, fees & expenses		
Paid Current Year	129,189	75,041
Less: Paid 30 September 2010 (prior year events)	(35,241)	(33,791)
	<u>93,948</u>	<u>41,250</u>
Additional Provision for the year (net of current insurance year's payments)	39,241	110,791
Closing Balance	<u>133,189</u>	<u>152,041</u>

7 FIXED ASSETS

Fixed assets are stated at cost less accumulated depreciation as detailed in the attached schedule.

8 ACTIVITY

The Society operates a professional liability insurance scheme for veterinary practices.

9 COMMITMENTS

There were no known commitments for capital expenditure as at balance date (2009 Nil).

10 RELATED PARTY TRANSACTIONS

Veterinary Professional Insurance Society (Inc) receives rental income from New Zealand Veterinary Association Incorporated (NZVA). The society is charged an executive service fee by NZVA for management services. All transactions occurred at arms length.

11 ATTENDANCE & DIRECTOR FEES

	2009	2010
Attendance Fees	7,757	-
Directors Fees	32,049	36,250
	<u>39,806</u>	<u>36,250</u>



VETERINARY PROFESSIONAL INSURANCE SOCIETY (INC)

Notes forming part of the Financial Statements For the Year ended 30 September 2010

12 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002, New Zealand Government announced that New Zealand International Financial Reporting Standards ("NZ IFRS") will apply to all New Zealand reporting entities for the periods commencing on or after 1 January 2007. In September 2007, the Accounting Standards Review Board announced that small to medium size businesses which satisfy certain criteria would not be required to apply the NZ IFRS until further notice. Veterinary Professional Insurance Society (Inc) satisfies these criteria.

All the financial information in these financial statements has been prepared in accordance with current New Zealand Generally Accepted Accounting Practice, (NZ GAAP).

13 EVENTS SUBSEQUENT TO BALANCE DATE -

Change in Legislation likely to affect Veterinary Professional Insurance Society (Inc)

Veterinary Professional Insurance Society has notified the Reserve Bank (RBNZ) that it wishes to continue operating as an insurer. RBNZ will be meeting with insurers early in 2011 at which stage Veterinary Professional Insurance Society will confirm that it is able to comply with the conditions and also the additional compliance costs. Veterinary Professional Insurance Society will be exempt from a number of provisions because it is regarded as a small insurer and it has been recognised that some requirements would be excessive. Exemptions will apply to those insurers which have an annual gross premium less than \$1.5million and include exemption from maintaining a minimum amount of capital, the financial strength rating and some of the financial reporting requirements. Such requirements as having a fit and proper policy for directors and office bearers and a risk management programme, are currently being discussed between Veterinary Professional Insurance Society and its broker. Veterinary Professional Insurance Society also understands that an actuary will be required plus additional requirement in regard to the preparation of financial statements.

RBNZ has indicated that it will be meeting with insurers early in 2011, at which time a provisional licence will be issued, a timeline to meet the requirements will be agreed and confirmation of what exemptions apply will be notified. A provisional licence can last up to three years but VPIS has been advised by RBNZ that it intends to fully licence insurers before the 3 year period is reached.



VETERINARY PROFESSIONAL INSURANCE SOCIETY (INC)

Schedule of Fixed Assets and Depreciation For the Year ended 30th September 2010

Asset	Purchase Date	Cost Price	Book Value 01/10/2009	Additions Disposals	Mth	Depreciation Rate	\$	Accum Deprec 30/09/2010	Book Value 30/09/2010
Buildings									
42 Victoria Street (25% Share)	11-Jul-06	176,226	159,086		12	3.0%	DV	4,773	21,912
Total Building		176,226	159,086				4,773	21,912	154,313
Furniture & Equipment									
		0	0				0	0	0
		0	0				0	0	0
Total Furniture & Equipment		0	0				0	0	0
Land									
44 Victoria Street (25% Share)	30-Sep-07	77,432	77,432			0.0%	SL	0	0
Total Land		77,432	77,432				0	0	77,432
Software									
Financial Exonet - Omega	31-Mar-03	540	8		12	48.0%	DV	4	536
Financial Exonet SW Omega	30-Sep-03	5,000	95		12	48.0%	DV	45	4,951
Database Exonet SW Omega	31-Oct-03	3,745	74		12	48.0%	DV	35	3,707
Database Exonet SW NZVA	31-Mar-04	1,505	57		12	48.0%	DV	27	1,476
Database Upgrade - Omega	10-Jan-06	1,330	119		12	48.0%	DV	57	1,268
Exonet Report Upgrade	31-May-06	459	51		12	48.0%	DV	25	432
Share of Winforecast	31-Jul-06	1,064	131		12	48.0%	DV	63	996
Exonet Asset Register	28-Dec-07	1,309	284		12	60.0%	DV	171	1,195
Share of IMIS	01-Sep-07	32,678	4,947		12	60.0%	DV	2,968	30,699
Share of IMIS	01-Mar-08	1,426	533		12	48.0%	DV	256	1,149
Total Software		49,056	6,299				3,651	46,408	2,648
Total		302,714	242,817	0			8,424	68,320	234,394

