

Independent Auditor's Report

Audit**Grant Thornton New Zealand Audit Partnership**

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To the Members of the Veterinary Professional Insurance Society Incorporated**Report on the financial statements**

We have audited the financial statements of the Veterinary Professional Insurance Society Incorporated on pages 1 to 7, which comprise the statement of financial position as at 30 September 2012, and the statement of financial performance, statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board Members responsibilities

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

Auditor's responsibilities

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that present fairly the matters to which they relate 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 entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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

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

Opinion

In our opinion, the financial statements on pages 1 to 7 present fairly, in all material respects, the financial position of the Veterinary Professional Insurance Society Incorporated as at 30 September 2012, and its financial performance, for the year then ended in accordance with generally accepted accounting practice in New Zealand.



Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
7 December 2012

**VETERINARY PROFESSIONAL
INSURANCE SOCIETY (INC)**

Statement of Financial Performance

For the Year ended 30 September 2012

<i>2011</i>	INCOME	<i>2012</i>
781,089	Subscriptions Premiums	900,748
19,327	Rental Income	19,327
-	Training and Workshop Income	7,426
3,139	Special Projects	-
<u>803,555</u>		<u>927,501</u>
	LESS EXPENSES	
1,181	Accommodation & meals	1,709
6,458	Accountancy Fees	1,448
-	Actuarial Fees	13,000
5,888	Audit Fees	5,222
40,000	Directors Fees	42,500
1,462	Bank charges	1,361
2,022	Board Meeting Expenses	938
47,000	Brokers fee	50,000
162,858	Claims, fees & expenses (Note 6)	165,883
6,151	Depreciation (Note 7)	5,131
4,418	Foreign Exchange Loss	1,557
1,525	General expenses	1,759
137,220	Executive service fee - NZVA (Note 10)	137,220
11,000	Honorarium President	11,000
257,703	Insurance premiums	320,551
8,247	Investment management fees	12,309
2,797	Legal expenses	204
5,600	QBE Assn liability insurance	6,383
4,348	Sponsorship	360
-	Subscriptions	1,500
4,615	Training & Workshops Expenses	4,689
11,560	Travel expenses - Board	12,886
<u>722,053</u>	Total Expenses	<u>797,610</u>
81,502	NET OPERATING SURPLUS	129,891
	INVESTMENT ACTIVITIES	
31,701	Investment income (Note 5)	101,093
<u><u>113,203</u></u>	NET SURPLUS FOR THE YEAR	<u><u>230,984</u></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 2012

<i>2011</i>		<i>2012</i>
1,370,342	Opening Balance	1,483,545
113,203	Net Surplus for the year	230,984
<u>1,483,545</u>	Balance as at 30 September	<u>1,714,529</u>

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



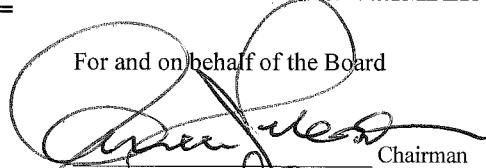
**VETERINARY PROFESSIONAL
INSURANCE SOCIETY (INC)**

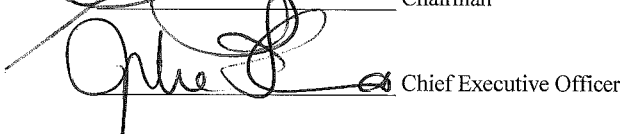
Statement of Financial Position

As at 30 September 2012

<i>2011</i>	CURRENT ASSETS	<i>2012</i>
158,912	Bank Account	45,692
208,426	MDS Account	188,552
787,016	Accounts Receivable	563,698
7,850	Payments in Advance	-
225	Interest Accrued	271
3,430	Tax Refund Due	-
<u>1,165,859</u>		798,213
228,242	Fixed Assets (Note 7)	223,111
	Investments	
10,043	NZ Government Stock (Note 3)	10,863
1,198,053	Investment Portfolio (Note 4)	1,476,222
<u>1,208,096</u>		1,487,085
2,602,197	TOTAL ASSETS	<u>2,508,409</u>
	CURRENT LIABILITIES	
51,109	Accounts Payable	26,920
96,243	GST Payable	48,433
797,238	Subscriptions Received in Advance	476,258
118,062	Sundry Creditors	152,520
56,000	Provision for Claims (Note 6)	89,749
<u>1,118,652</u>		793,880
<u>1,118,652</u>	TOTAL LIABILITIES	<u>793,880</u>
<u>1,483,545</u>	NET ASSETS	<u>1,714,529</u>
	Represented by:	
	ACCUMULATED FUNDS	
1,370,342	Balance at 1 October	1,483,545
113,203	Net Surplus for the year	230,984
<u>1,483,545</u>	BALANCE AS AT 30 SEPTEMBER	<u>1,714,529</u>

For and on behalf of the Board


Chairman


Chief Executive Officer

7/12/12

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 2012

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 under the framework issued by the NZ Institute of Chartered Accountants.

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.

Property, Plant & Equipment

Property, Plant & Equipment are included at cost less accumulated depreciation to date and any impairment.

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

Veterinary Professional Insurance Society (INC) is exempt from income tax under the Veterinary Services Bodies provisions of section CW50 of the Income Tax Act 2007.

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 based upon Management's estimate of expected loss after adjusting for the provision for claims received and settled as specified under Note 6.

These claims are recognised net of excess.



VETERINARY PROFESSIONAL INSURANCE SOCIETY (INC)

Notes forming part of the Financial Statements For the Year ended 30 September 2012

(d) Changes in Accounting Policies

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

2 CONTINGENT LIABILITIES

The Society reinsured its liability for claims during the year in excess of \$150,000 (2011 \$150,000) 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 May 2012 and has a face value of \$10,000 with a maturity date of 15 April 2015 and an interest rate of 6% per annum.

The stock has been valued at 30 September 2012 at market value at \$10,863 (2011: 10,043).

4 INVESTMENT PORTFOLIO

Investments have been recorded at market value as at 30 September 2012.

5 INVESTMENT INCOME	2011	2012
Interest Received		
Term Deposit and Call Account	9,622	7,289
Government Stock	600	600
Inland Revenue Department	66	-
	<u>10,288</u>	<u>7,889</u>
Investment Portfolio		
Interest Received	42,438	38,547
Dividends Received	19,275	22,828
	<u>61,713</u>	<u>61,375</u>
Gain from sale of investments		
Gains	3,326	-
Losses	-	(47)
	<u>3,326</u>	<u>(47)</u>
Loss from changes in the market value of investments		
Gains	-	31,876
Losses	(43,625)	-
	<u>(43,625)</u>	<u>31,876</u>
Investment Income	<u>31,702</u>	<u>101,093</u>



**VETERINARY PROFESSIONAL
INSURANCE SOCIETY (INC)**

**Notes forming part of the Financial Statements
For the Year ended 30 September 2012**

6 CLAIMS

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

	2011	2012
Provision for Claims		
Opening Balance	97,000	56,000
Actual paid (prior year events)	(121,283)	(68,525)
	<u>(24,283)</u>	<u>(12,525)</u>
Additional Provision for the year	162,858	165,883
Actual Paid (current insurance year's events)	(82,575)	(63,609)
Closing Balance	<u>56,000</u>	<u>89,749</u>

Management estimate current claims incurred not paid exceed the excess under the reinsurance policy and therefore an accrual has been made for claims up to the excess. Provisions are treated as a current liability due to the uncertainty in measuring the portion of claims that are likely to be paid over a term exceeding one year.

Claims, fees & expenses

Paid Current Year	203,858	132,134
Less: Paid 30 September 2011 (prior year events)	(121,283)	(68,525)
	<u>82,575</u>	<u>63,609</u>
Additional Provision for the year (net of current insurance year's payments)	80,283	102,274
Closing Balance	<u>162,858</u>	<u>165,883</u>

7 FIXED ASSETS

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

The Society has a 25% ownership in the land and building situated at 44 Victoria Street, the principal place of operation. Ownership is shared with related parties NZ Veterinary Association and VetLearn under an agreement & purchase date August 2006."

2012	Cost	Depreciation for the year	Accumulated Depreciation	Carrying amount
Share of Premises	176,226	4,491	31,032	145,194
Land	77,432	-	-	77,432
Software	49,056	641	48,571	485
	<u>302,714</u>	<u>5,131</u>	<u>79,603</u>	<u>223,111</u>

2011	Cost	Depreciation for the year	Accumulated Depreciation	Carrying amount
Share of Premises	176,226	4,629	26,541	149,684
Land	77,432	-	-	77,432
Software	49,056	1,521	47,930	1,126
	<u>302,714</u>	<u>6,150</u>	<u>74,471</u>	<u>228,242</u>



INSURANCE SOCIETY (INC)

Notes forming part of the Financial Statements For the Year ended 30 September 2012

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 (2011 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 EVENTS SUBSEQUENT TO BALANCE DATE

There are no events subsequent to Balance date.

