Veterinary Professional Insurance Society Incorporated
Statement of Comprehensive Income
For the year ended 30 September 2013

2012	INCOME	Note	2013
$			$
900,748	Insurance income		945,059
19,327	Rental income		19,327
7,426	Miscellaneous income		4,387
927,501	**Total operating income**		**968,773**
	LESS EXPENSES		
370,551	Insurance fees and premiums		423,000
165,883	Insurance claims		159,031
158,049	Administration		181,530
5,222	Audit Fees	**20**	10,513
75,416	Board		91,440
5,131	Depreciation	**13**	4,009
12,309	Investment		12,269
5,049	Special projects		16,216
797,610	**Total Expenses**		**898,008**
129,891	**NET OPERATING SURPLUS**		**70,765**
	INVESTMENT ACTIVITIES		
69,264	Investment income	**11**	84,407
(47)	Gain/(Loss) on realised investments	**11**	5,418
31,876	Unrealised investment income	**11**	65,035
101,093	**Total Investment Income**	**11**	**154,860**
230,984	**NET SURPLUS FOR THE YEAR**		**225,625**
-	Other comprehensive income		-
230,984	**TOTAL COMPREHENSIVE INCOME FOR THE YEAR**		**225,625**

These financial statements should be read in conjunction with the accounting policies and notes that follow

Veterinary Professional Insurance Society Incorporated
Statement of Movements in Equity
For the year ended 30 September 2013

2012 $		2013 $
1,483,545	**Opening Balance**	1,714,529
230,984	**Net Surplus for the year**	225,625
1,714,529	**Balance as at 30 September**	**1,940,154**

These financial statements should be read in conjunction with the accounting policies and notes that follow

Veterinary Professional Insurance Society Incorporated
Statement of Financial Position
As at 30 September 2013

2011	2012	CURRENT ASSETS	Note	2013
$	$			$
367,338	234,244	Cash and cash equivalents	8	417,001
787,016	563,698	Accounts receivable	9	203,911
11,280	-	Sundry debtors		-
225	271	Interest accrued		271
1,165,859	798,213	Total Current Assets		621,183
228,242	223,111	**Fixed Assets**	13	219,101
		Investments		
1,208,096	1,487,085	Financial assets	6,7	1,603,258
1,208,096	1,487,085	Total Investments		1,613,704
2,602,197	**2,508,409**	**TOTAL ASSETS**		**2,453,988**
		CURRENT LIABILITIES		
51,109	26,920	Accounts payable	10	22,534
96,243	48,433	GST payable		26,079
797,238	476,258	Subscriptions received in advance		221,149
118,062	152,520	Sundry payables		90,791
56,000	89,749	Provision for claims	12	153,281
1,118,652	**793,880**	**TOTAL LIABILITIES**		**513,834**
1,483,545	**1,714,529**	**NET ASSETS / EQUITY**		**1,940,154**

For and on behalf of the Board on 17 December 2013

Julie Hood
NZVA Chief Executive Officer

Vince Peterson
VPIS Chairman

These financial statements should be read in conjunction with the accounting policies and notes that follow

Veterinary Professional Insurance Society Incorporated
Statement of Cashflows
For the year ended 30 September 2013

2012		Note	2013
$	**Cash flow from operating activities**		$
	Cash was provided from/ (applied to):		
835,524	Insurance receipts		1,049,738
9,748	Interest received		15,972
34,605	Other income		23,714
(812,970)	Payments to suppliers		(906,667)
66,907	Net cash from continuing activities		182,757
66,907	**Net cash flows from/ (used in) operating activities**	23	**182,757**
	Cash flow from investing activities		
36,642	Proceeds from interest		41,138
22,828	Proceeds from dividends		27,297
(47)	Proceeds from gain on sale of investments		5,418
31,876	Unrealised gains		65,035
(278,990)	Payments to acquire financial assets		(126,619)
(12,309)	Payments to Management Fees		(12,269)
(200,000)	**Net cash flow from/ (used in) investing activities**		-
(133,093)	Net change in cash and cash equivalents		182,757
367,337	Cash and cash equivalents, beginning of year		234,244
234,244	**Cash and cash equivalents at end of year**	8	**417,001**

These financial statements should be read in conjunction with the accounting policies and notes that follow

1. REPORTING ENTITY

The Veterinary Professional Insurance Society (Inc.) ("VPIS") is an Incorporated Society registered under the Incorporated Societies Act 1908 and is domiciled in New Zealand. Under the Insurance (Prudential Supervision) Act 2010 insurers are issuers as defined by the Financial Reporting Act 1993.

On 15 July 2013 VPIS was issued a licence to carry on insurance business in New Zealand under the Insurance (Prudential Supervision) Act 2010, and is eligible to use the small insurance exemptions under this act. The exemptions for on-going requirements are:

- Licensed insurer must have current financial strength rating;
- And Being an issuer.

VPIS principal activities is to establish such schemes or arrangements for insurance on behalf of members of the society against professional liability or fidelity guarantee insurance, and to promote administer and operate, on behalf of Members of the Society, any scheme of insurance so arranged.

VPIS operates a professional liability insurance scheme for veterinary practices and was licensed by the Reserve Bank in August 2013. VPIS takes advantage of all of the small insurer exemptions.These financial statements were approved for issue by the Board of VPIS on 17 December 2013.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These financial statements have been prepared using Generally Accepted Accounting Practice in New Zealand and the requirements of the Financial Reporting Act 1993. They comply with New Zealand equivalents to International reporting standards. (NZIFRS) and other applicable financial reporting standards, as appropriate for a not for profit Incorporated Society, These financial statements comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

VPIS is an entity qualifying for differential reporting exemptions as it has no public accountability and is not large in terms of the criteria set out in the Differential Reporting Framework. All available differential reporting exemptions allowed under the framework for differential reporting have been adopted, except for NZ IAS 7 *Statement of Cash Flows.*

(b) Basis of measurement

The measurement system adopted is standard historical cost. The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(c) Presentation and Functional Currency

The financial statements are presented in New Zealand dollars ($), which is VPIS's functional currency.

3. SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

(a) Goods and Service 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. Sundry payables are stated excluding GST.

(b) Fixed Assets

Fixed assets are included at cost less accumulated depreciation to date and any impairment.

(c) Depreciation

Depreciation has been provided on a straight line basis using estimated useful life of the assets. The Board consider the following rates are appropriate:

Land	Not depreciated
Buildings	50 years
Software	4 years

(d) Receivables

Receivables are stated at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the period in which they are identified.

(e) Taxation

VPIS is exempt from income tax under the Veterinary Services Bodies provisions of Section CW50 of the Income Tax Act 2007.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

(g) Provisions

A provision is recognised for a liability when the settlement amount or timing is uncertain; when there is a present legal or constructive obligation as a result of a past event; it is probable that expenditures will be required to settle the obligation; and a reliable estimate of the potential settlement can be made. Provisions are not recognised for future operating losses.

Provisions continued;
Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Provisions are discounted to their present values, where the time value of money is material

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

(h) Impairment
At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication of impairment If any such indication exists for an asset, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). An impairment loss is recognised whenever the carrying amount of an asset exceeds is recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

(i) Financial Instruments
Financial instruments are comprised of accounts receivable, cash and cash equivalents, the investment portfolio, accounts payable and other payables, other financial liabilities.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for those carried at fair value through profit or loss, which are measured at fair value. The investment portfolio is carried at fair value through profit or loss. VPIS do not have any off-balance sheet financial instruments. Financial instruments purchased with the intention of being held for longer than one year or until maturity are recorded at market value which is adjusted through the profit and loss statement.

Recognition and de-recognition of financial assets and liabilities
Financial assets and financial liabilities are recognised when VPIS becomes a party to the contractual provisions of the financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Subsequent measurement of financial assets
The subsequent measurement of financial assets depends on their classification based on the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition into one of the three categories defined below, and re-evaluates this designation at each reporting date.

Financial instruments continued:
Subsequent measurement of financial assets continued;
All financial assets except for those classified as fair value through profit or loss are subject to review for impairment at least at each reporting date. Different criteria to determine impairment are applied to each category of financial assets, which are described below;

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

Receivables
Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Financial assets at fair value
Financial assets at fair value through profit or loss include financial assets that are either classified as held for trading or that meet certain conditions and are designated at fair value through profit or loss upon initial recognition.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. All investments of the Society are held in this category.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Society does not have any financial assets designated in this category.

When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive. Any associated interest income or dividends are recognised in profit or loss.

Subsequent measurement of financial liabilities

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are subsequently measured at fair value with gains or losses recognised in profit or loss.

(j) Revenue Recognition
Revenue is recognised to the extent that it is probable that the economic benefit will flow to VPIS and revenue can be reliably measured. Revenue is measured at the fair value of consideration received, excluding goods and service tax, and insurance recoveries.

The following specific recognition criteria must be met before revenue is recognised:

Revenue recognition continued;
Insurance Income
Insurance premiums and society membership income which are attributable to the current financial year are recognised as revenue in that year. Where these are paid in advance, the unearned portion has been shown as income in advance. Where these are payable in arrears, and income that has not been received is shown as receivable.

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.

Other Income
Other income is recognised in the period that it is earned.

(k) Changes in Accounting Policy
The accounting policies adopted are consistent with those of the previous financial year, except that because VPIS was granted an Insurance Licence during the year, it is now classed as an issuer and has adopted all of the New Zealand equivalents to IFRS and IFRIC interpretations as at 1 October 2012. This is the first set of financial statements using full NZIFRS. No restatement of any balances has been required.

Change in Accounting Estimate
As at 1 October 2012, the method of depreciating assets has changed from diminishing value to straight line. The impact has been an increase to the surplus for the current year by $619.

(l) Comparatives
Certain prior year figures have been re-classified to conform to the presentation adopted for the current year. There is no net effect on operating surplus or accumulated funds for the previous year.

(m) Foreign Currency

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in the surplus or deficit.

(n) Expenditure

Claims Recognition

Claims Fees and Expenses

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 11. These claims are recognised net of excess.

Expenditure continued;

Other Operating Expenses

All other expenses are recognised in the profit and loss upon utilisation of the service or at the date of their origin.

(o) Segment Reporting

VPIS operates in one segment only being insurance and operates only in New Zealand.

(p) Cashflows

a) The statement of cash flows is prepared exclusive of GST, which is consistent with the method used in the statement of comprehensive income.

The following are the definitions of the terms used in the cash flow statement:

(i) Operating Activities

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

(ii) Investing Activities

Investing activities are those activities relating to the acquisition and disposal of current and non-current investments and any other non-current assets.

(iii) Cash and Cash Equivalents

Cash includes coins and notes, demand deposits and other highly liquid investments readily convertible into cash and includes at call borrowings such as bank overdrafts, used by VPIS as part of their day-to-day cash management.

(q) NZ IFRS Standards issued but not yet effective

The following new standard is considered relevant to the financial statements has been issued but is not yet effective and which the Society has not early adopted.

NZ IFRS 9 Financial Instruments: Classification and Measurement

In relation to this standard, which is effective from 1 January 2015, management has yet to assess the impact that it is likely to have on the financial statements of the Society.

IFRS 9 will change the classification of financial assets. The standard is not expected to have significant impact on the measurement basis of the financial assets since the Society's financial assets are measured at fair value through profit or loss.

4. SIGNIFICANT MANAGEMENT JUDGEMENTS AND ESTIMATES IN APPLYING ACCOUNTING POLICIES

When preparing the financial statements management undertakes a number of judgments, estimates and assumption that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Where material, information on significant assumptions and estimates is provided below or in the relevant accounting policy with additional analysis in the relevant note.

Provision
A provision is made to cover the amount that VPIS has not paid in any year against the claims made. When the claims reach $150,000 in any year, VERO as the underwriters pay the amounts over the aggregate. Claims are offset by the excess applicable and only when the net of these exceeds $150,000 is the underwriter liable. Provisions are carried forward as a claim can be made for any year where aggregates have not been reached.

5. CONTINGENT LIABILITIES

The Society reinsured its liability for claims during the year in excess of $150,000 (2012 $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.

6. 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 2013 at market value at $10,446 (2012: 10,863).

7. INVESTMENT PORTFOLIO

Investments have been recorded at market value as at 30 September 2013 and the majority of the funds are managed by the Bank of New Zealand Investment advisors.

8. CASH AND CASH EQUIVALENTS

The carrying value of cash and cash equivalents approximates their fair value.
Cash at bank earns interest at floating rates on daily deposit balances.

9. ACCOUNTS RECEIVABLE

Accounts receivable are non-interest bearing and receipt is normally for re-insurance 7 days and other receivables 30 days. Therefore the carrying value of receivables approximates its fair value.

As at 30 September 2013 and 2012, all overdue balances have been assessed for impairment and no allowance was necessary. All receivables are subject to credit risk exposure.

Accounts receivable continued:

The aging of the receivables balances at 30 September are as follows;

2013	$	2012	$
0-30 Days	199,676	0-30 Days	561,758
31-60 Days	2,797	31-60 Days	832
60 days and over	1,438	60 days and over	1,108
Total	**203,911**	**Total**	**563,698**

10. ACCOUNTS PAYABLE

Accounts payable and other payables are non-interest bearing and normally settled within 30 days, therefore the carrying amount approximates its fair value.

11. INVESTMENT INCOME

	2012	2013
Interest Received	$	$
On call accounts	7,289	12,473
Government stock	600	600
	7,889	13,073
Investment Portfolio		
Interest received	38,547	44,037
Dividends received	22,828	27,297
	61,375	71,334
Total interest and dividends	**69,264**	**84,407**
Gain from sale of investments		
Gains	-	5,418
Losses	(47)	-
	(47)	5,418
Gain from changes in the market value of investments		
Unrealised gains	31,876	65,035
Investment Income	**101,093**	**154,860**

Veterinary Professional Insurance Society Incorporated
Notes to the financial statements
For the year ended 30 September 2013

12. CLAIMS

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

	2012	2013
Provision for Claims	$	$
Opening Provision	56,000	89,749
Actual paid (prior year events)	(68,525)	(23,196)
Remaining provision	(12,525)	66,553
Additional Provision for the current year	165,883	85,447
Additional Provision for other years	-	73,584
Actual Paid (current insurance year's events)	(63,609)	(72,303)
Closing Provision	**89,749**	**153,281**

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 where the aggregates have not been breached.

Claims, fees & expenses	$	$
Expenses Paid Current Year	132,134	95,499
Less: Paid 30 September (prior year events)	(68,525)	(23,196)
Plus Additional For 2012	-	73,584
	63,609	145,887
Additional Provision for the two years (net of current insurance year's payments)	102,274	13,144
Total expenses incurred for the year	**165,883**	**159,031**

13. 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 New Zealand Veterinary Association (NZVA) and VetLearn under an agreement & purchase date August 2006.

2013	**Original Cost**	**Depreciation for the year**	**Accumulated Depreciation**	**Carrying amount**
Share of Premises	176,226	3,524	34,557	141,669
Land	77,432	-	-	77,432
Software	49,056	485	49,056	-
	302,714	**4,009**	**83,613**	**219,101**

2012	**Original 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
	302,714	**5,131**	**79,603**	**223,111**

14. FINANCIAL INSTRUMENTS RISK

VPIS is exposed to various risks in relation to financial instruments. VPIS's financial assets and liabilities by category are summarised below:

2012 $	**Financial assets**	**2013** $
234,244	Cash and cash equivalents	417,001
563,698	Accounts receivable	203,911
1,476,222	Investment portfolio	1,603,258
10,863	Government Stock	10,446
2,285,027		2,234,616

Financial instruments risk continued;

	Financial liabilities	
26,920	Accounts payable	22,534
152,520	Sundry payables	90,791
179,440		113,325

15. RISK MANAGEMENT OBJECTIVES AND POLICIES

VPIS is exposed to various risks in relation to financial instruments which are summarised by category in Note 13. The main types of risk are market risk, credit risk and liquidity risk.

VPIS risk management is co-ordinated by NZVA in close cooperation with the VPIS board and focuses on actively securing the short to medium term cash flows by minimising the exposure to financial markets. Longer term financial investments are managed by BNZ to generate longer lasting returns to the Society and its members.

VPIS does not actively engage in the trading of financial assets. The most significant of the financial risks to which VPIS is exposed are described below.

Market risk analysis

VPIS is exposed to market risk through its used of financial instruments and specifically to currency risk, interest rate risk and other certain price risks which result from both its operating and investing activities.

Foreign currency sensitivity

VPIS transactions are denominated in NZD. Exposures to currency exchange rates arise from an investment in TR Properties Trust, (British Pounds) and any overseas investments managed by the BNZ on behalf of VPIS. The exposure to foreign currency is minimal and no mitigation is considered necessary. All fluctuations in the investments are shown in the profit and loss as unrealised gains or losses on investments until they are sold.

The impact of the sensitive nature of these investments is deemed to be nil on the surpluses derived in 2012 and 2013 given the total funds invested.

Interest rate sensitivity

VPIS is exposed to interest rate risk through cash and cash equivalents and its managed funds. The exposure is considered minimal. There is no effect on the payables.

Risk management objectives and policies continued;

Market risk analysis continued;
The following table illustrates the sensitivity of surplus and equity to a reasonably possible change in interest rates of +/-1%; (2012:+/-1%). These changes are considered to be reasonably possible based on observations of current market conditions. The calculations are based on a change in the average market interest rate and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are constant.

	Profit		Equity	
	1%	-1%	1%	-1%
30 September 2013	20,405	((20,001)	20,405	(20,001)
30 September 2012	17,276	(16,934)	17,276	(16,934)

Credit risk analysis
Credit risk is the risk that counterparty fails to discharge an obligation to VPIS. The exposure to this risk is for various financial instruments, for example receivables from members and other entities, placing deposits and investments. The maximum exposure is limited to the carrying amount of the financial assets at 30 September 2013. Carrying amounts of financial assets are listed below;

2012	Financial assets	2013
$		$
234,244	Cash and cash equivalents	417,001
563,698	Accounts receivable	203,911
1,476,222	Investment portfolio	1,603,258
10,863	Government Stock	10,446
2,285,027		2,234,616

VPIS continuously monitors defaults of members and other counterparties and incorporates this into its credit risk controls. VPIS's policy is to deal with only creditworthy counterparties.

VPIS is not exposed to any significant credit risk from any single counterparty. Based on historical information the default rates are negligible.

Liquidity risk analysis
Liquidity risk is that risk that VPIS might be unable to meets its obligations. VPIS's objective is to maintain cash and on call deposits to meet its liquidity requirements. This objective was met for the both 2012 and 2013 reporting periods. The financial assets currently held exceed the current cash outflow requirements. Cash flows from receivables are all contractually due within 30 days.

Net cash flows from insurance liabilities
It is estimated that all of the provision for claims provided for the year ended 30 September 2013 will be paid out within 6 months from this date.
The provision held for the year ended 30 September 2012 is not likely to be called upon in full in the next 12 months.

16. INSURANCE RISK

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that VPIS faces under its insurance contracts is that the actual claims exceed the carrying amount of the insurance provisions for any year and there are several single claims that exceed $50,000 which the reinsurer will not accept. This risk is mitigated by the reinsures involvement in every claim from the outset. All policies are underwritten so the maximum exposure to VPIS in any one year is the aggregate of $50,000 per claim or $150,000 in any year. Insurance events are unpredictable, and the actual number and amount of claims will vary from year to year but VPIS is exposed in each year to a maximum of $150,000 plus any costs it accepts as part of the process.

VPIS has developed its insurance underwriting strategy to mitigate the insurance risks. Refer to note 11 for the movement in the provisions between the last two years.

Short-term insurance liabilities are not directly sensitive to the level of market interest rates, as they are undiscounted and contractually non-interest bearing.

Insurance Credit risk
VPIS has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the entity is exposed to credit risk are:

- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of claims already paid;
- Amounts due from insurance contract holders;
- Amounts due from money market and cash positions.

VPIS structures the levels of credit risk it accepts by placing limits on its exposure by having reinsurer insurance in place to cover amounts that exceed $50,000 in one claim or $150,000 over one insurance year. Reinsurance is used to manage insurance risk. Refer to Note 14 for other risk analysis.

Grant Thornton New Zealand Audit Partnership Marked for Identification Purposes

17. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

VPIS considers its capital to comprise of members equity which includes accumulated surpluses.

In managing its capital VPIS's objectives are to ensure that VPIS is able to continue as a going concern. VPIS assesses each relevant transaction to ensure that risks and returns are at an acceptable level and also to maintain a sufficient funding base to enable VPIS to meet its working capital and strategic management needs.

There have been no significant changes to the Entity's capital management objectives, policies and processes in the year nor has there been any change in what VPIS considers to be its capital. VPIS does not currently have a gearing ratio policy. VPIS does not have any externally imposed capital requirements to meet.

18. COMMITMENTS

There were no known commitments for capital expenditure as at balance date (2012: Nil).

19. RELATED PARTY TRANSACTIONS

Rental
Veterinary Professional Insurance Society (Inc.), (VPIS) receives rental income from New Zealand Veterinary Association Incorporated (NZVA) who occupy the premises.

Rental Income received for the year was $19,327 (2012: $19,327) Owed to VPIS as at 30 September 2013 was $1,852 (2012: $1,852).

Management Fees
VPIS is charged by NZVA for management services provided to VPIS. All transactions occurred at arm's length and are agreed by the VPIS Board.

Management fee paid for the year was $140,650 (2012: $137,220).

Owed to NZVA as at 30.9.2013 $14,574 (2012: $14,821).

Fees paid to Directors
Directors of the VPIS Board are contracted as insurance assessors from time to time on normal business terms at arm's length.

Director's fees paid for the year were $56,250 (2012: $53,500).

Amounts owed to Directors at 30 September 2013 were $nil (2012:$12,155).

Assessors Fees paid to Directors for the year was $10,501 (2012:$17,741).

Amounts owed to Directors as assessor fees at 30 September 2013 $500 (2012:$nil).

20. AUDIT FEES

Fees paid include the audit of the annual financial statements and the audit of the solvency return as at the 30 September.

21. EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to reporting date.

22. SOLVENCY MARGIN

Under Section 4.6 of the Solvency Standard for Non-Life Insurance business, issued by the Reserve Bank of New Zealand under section 55 of the Insurance (Prudential Supervision) Act 2010, VPIS is required to disclose its solvency margin. As at 30 September 2013 the solvency margin of $1.427m in excess of the minimum solvency requirement of $0.513m. (2012: Solvency margin of $1.186m and solvency requirement $0.529m)

23. RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

2012		2013
$		$
230,984	**Net surplus for the year**	**225,625**
	Add non-cash items	
5,131	Depreciation	4,009
	Add/(deduct) items classified as investing activities	
(278,990)	Net change in investment portfolio	(126,619)
	Add/(deduct) movements in working capital	
244,627	Decrease/(increase) in accounts receivable	359,788
7,850	Decrease/(increase) in prepayments	-
(17,924)	Decrease/(increase) in sundry receivables	-
(24,189)	(Decrease)/increase in accounts payable	(4,386)
5,450	(Decrease)/increase in sundry payables	(61,728)
(47,809)	(Decrease)/increase in goods and service tax	(22,355)
(291,972)	(Decrease)/increase in premiums in advance	(255,109)
33,749	(Decrease)/increase in provision for claims	63,532
(133,093)	**Net cash flows from/(used in) operating activities**	**182,757**

Grant Thornton

Independent Auditor's Report

Audit

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To the Members of Veterinary Professional Insurance Society Incorporated

Report on the financial statements

We have audited the financial statements of Veterinary Professional Insurance Society Incorporated on pages 1 to 19, which comprise the statement of financial position as at 30 September 2013, and the statement of comprehensive income, statement of movements in equity and statement of cashflows 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 Board 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 19 present fairly, in all material respects, the financial position of Veterinary Professional Insurance Society Incorporated as at 30 September 2013, and its financial performance, for the year then ended in accordance with generally accepted accounting practice in New Zealand.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
17 December 2013