

## AUDIT REPORT

### To the Members of The Education Benevolent Society Incorporated

We have audited the attached financial statements. The financial statements provide information about the past financial performance and financial position of the Society as at 30 June 2010. This information is stated in accordance with the accounting policies described in the notes to the financial statements.

#### Board of Management Responsibilities

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

#### Auditors' Responsibilities

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

#### 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 in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the New Zealand Institute of Chartered Accountants. 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.

Our firm carries out other assignment on behalf of the Society in the area of providing accounting assistance. Other than in this capacity and in our capacity as auditors, we have no relationship with, or interest in, the Society.

#### Unqualified Opinion

In our opinion the financial statements fairly reflect the financial position of the Society as at 30 June 2010 and the results of its operations for the year ended on that date.

Our audit was completed on 27 October 2010 and our unqualified opinion is expressed as at that date.

A handwritten signature in blue ink, appearing to read 'LWHK'.



**THE EDUCATION BENEVOLENT SOCIETY INCORPORATED**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

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# THE EDUCATION BENEVOLENT SOCIETY INCORPORATED

## STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
<b>Revenue</b>			
Contributions		3,697,319	3,839,317
Hospital Cover Commission		675,681	659,543
Interest Income		211,753	244,432
<b>Total Revenue</b>		<u>4,584,753</u>	<u>4,743,292</u>
<b>Expenses</b>			
Accounting fees		8,628	8,897
Audit Fees		12,000	12,096
Bank Charges		7,800	8,389
Benefits	[ 2 ]	3,214,239	3,021,892
Computer Expenses		18,966	23,904
Consulting Fees		14,813	15,218
Depreciation		9,325	8,846
Expense Provision IBNR		7,105	547
Lease Expense		64,783	59,144
Office Administration		63,631	79,342
Payroll Commission		45,512	48,510
Portfolio Monitoring Fee		9,498	9,053
Printing, Stationery, Advertising		22,894	19,378
Staff Costs		490,390	459,220
<b>Total Expenses</b>		<u>3,989,584</u>	<u>3,774,436</u>
<b>Operating Surplus</b>		595,169	968,856
<b>Investment Income</b>			
Unrealised gain/(loss) in Investments		104,529	( 266,926)
<b>Net Surplus</b>		<u>699,698</u>	<u>701,930</u>

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



**THE EDUCATION BENEVOLENT SOCIETY INCORPORATED**  
**STATEMENT OF MOVEMENTS IN EQUITY**  
**FOR YEAR ENDED 30 JUNE 2010**

	Notes	2010 \$	2009 \$
Equity at 1 July		5,456,259	4,754,329
Net Surplus		699,698	701,930
Equity at 30 June		<u>6,155,957</u>	<u>5,456,259</u>

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



**THE EDUCATION BENEVOLENT SOCIETY INCORPORATED**

**STATEMENT OF FINANCIAL POSITION**

**AS AT 30 JUNE 2010**

	Notes	2010 \$	2009 \$
<b>Equity</b>		<u>6,155,957</u>	<u>5,456,259</u>
This is represented by:			
<b>Current Assets</b>			
Cash in Bank Accounts		718,840	596,352
Accounts Receivable		48,930	47,151
Prepayments		12,247	11,975
Interest accrued		57,397	18,431
Investments		<u>3,694,826</u>	<u>3,194,826</u>
<b>Total Current Assets</b>		4,532,240	3,868,735
<b>Non-Current Assets</b>			
Investments		2,650,083	2,504,992
Fixed Assets	[ 3 ]	<u>13,291</u>	<u>11,729</u>
<b>Total Non-Current Assets</b>		2,663,374	2,516,721
<b>Total Assets</b>		<u>7,195,614</u>	<u>6,385,456</u>
<b>Current Liabilities</b>			
GST Payable		25,778	10,762
Provision -Claims IBNR	[ 4 ]	849,163	753,241
Creditors		76,988	105,115
Contributions received in advance		<u>87,728</u>	<u>60,079</u>
<b>Total Current Liabilities</b>		1,039,657	929,197
<b>Total Liabilities</b>		<u>1,039,657</u>	<u>929,197</u>
<b>Net Assets</b>		<u>6,155,957</u>	<u>5,456,259</u>

*Richard M Kittelty*  
RICHARD KITTELTY (Chairperson)

Date: 27/10/10

*Russell Foley*  
RUSSELL FOLEY (General Manager)

Date: 27/10/10

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

*Russell Foley*



**THE EDUCATION BENEVOLENT SOCIETY INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**1 Statement of Accounting Policies**

The following accounting policies have been applied in the preparation of these financial statements.

**Statutory Basis**

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

**Reporting Entity**

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

**Measurement Basis**

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

Accrual accounting is used to match revenue and expenses. All contributions and hospital cover commission income are recorded on a cash basis with the exception that at year end an apportionment is made for contributions and commissions received after balance date that relate to the year ended 30 June.

**Particular Accounting Policies**

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

**Differential Reporting**

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

**a) Fixed Assets -**

All Fixed Assets are stated at cost less accumulated depreciation.

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

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



**THE EDUCATION BENEVOLENT SOCIETY INCORPORATED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010**

**b) Medical Services Claims –**

Provision for outstanding claims (IBNR):

A provision is made for unreported claims incurred but not reported (IBNR) at 30 June 2010. The provision is based on the actuary's recommendation of 3 months of actual benefits paid in the current year.

**c) Goods & Services Tax –**

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

**d) Investments –**

**i) Investments held by Fund Managers**

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

In accordance with FRS-35, Financial Reporting of Insurance Activities, changes in the market value have been taken directly to the statement of financial performance.

**ii) Short Term Deposits**

Short Term deposits are valued at cost

**e) Taxation -**

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

**f) Financial Instruments –**

Financial instruments carried on the statements of financial position include cash and bank balances, investments and receivables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Non-current Investments are stated at market value at balance date.

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

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

**g) Changes in accounting policies**

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

**h) Comparative Figures**

Comparative figures have been adjusted to conform to the current year's presentation.



THE EDUCATION BENEVOLENT SOCIETY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

2 Benefits expense incurred during the Year Ended 30 June 2010

The table shows the number of paid applications.

Type	2010		2009	
	Number	\$	Number	\$
Bereavement	63	59,556	55	48,889
Birth	231	40,587	240	41,956
Complementary	3,838	303,938	3,560	284,282
Hospital	721	262,876	747	240,374
Hospital Excess	743	268,104	732	260,610
Major Diagnostic	309	80,364	267	67,737
Medical	14,072	1,678,120	13,987	1,614,424
Medical Appliance	314	24,364	392	29,837
Optical	2,951	364,938	3,058	362,895
Orthodontic	245	53,608	255	55,392
Sick Leave Without Pay	116	21,694	119	17,933
<b>Benefits Paid</b>	<b>23,603</b>	<b>3,158,149</b>	<b>23,412</b>	<b>3,024,330</b>
<b>Adjust for:</b>				
Increase (decrease) in provision for Claims – IBNR		88,817		6,838
Net change in Benefits not yet processed		( 32,727)		( 8,634)
Adjustments for claims returned and benefits refunded		-		( 641)
<b>Total Benefit Expense</b>		<b>3,214,239</b>		<b>3,021,892</b>

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

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





THE EDUCATION BENEVOLENT SOCIETY INCORPORATED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2010

3 Fixed Assets

Fixed Assets	2010			2009	
	Cost	Accum Depn	Net Book Value	Cost	Accum Depn
Computer equipment	305,806	300,596	5,210	301,251	295,116
Office equipment	29,766	25,077	4,689	23,434	22,363
Furniture and fittings	11,315	7,923	3,392	11,315	6,792
Total	<u>346,887</u>	<u>333,596</u>	<u>13,291</u>	<u>336,000</u>	<u>324,271</u>

4 Provision for Claims Incurred But Not Reported (IBNR)

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

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

	2010	2009
	\$	\$
3 months of total benefits paid in period		
Charged to benefits:	786,262	697,445
8% of above sum as a processing expense		
Charged to expenses:	62,901	55,796
Total Provision for IBNR	<u>849,163</u>	<u>753,241</u>

5 Operating Lease Commitments

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

	2010	2009
	\$	\$
Current	62,627	62,627
Non-Current	46,971	109,598
	<u>109,598</u>	<u>172,225</u>

*R. M. A.*