

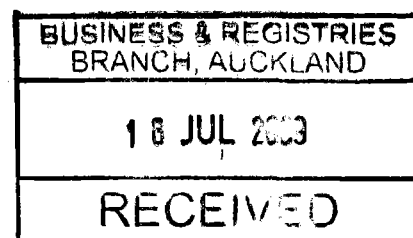


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**HEALTH SERVICE WELFARE SOCIETY LIMITED
TRADING AS ACCURO HEALTH INSURANCE**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2009



NPC# 27

16 JUL 2009

Health Service Welfare Society Limited
Trading as Accuro Health Insurance

Annual Report
for the Year Ended 31 March 2009

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Statement of Financial Performance For the Year ended 31 March 2009

	Note	2009 \$	2008 \$
INCOME			
Subscriptions		11,044,323	10,603,001
Other Income		241,100	245,273
Investment Income		661,451	365,470
TOTAL INCOME		11,946,874	11,213,744
EXPENDITURE			
Claims paid and accrued		9,740,393	7,998,244
Accounting fees		17,684	23,510
Audit fees		21,127	16,218
Bad and doubtful debts		(19,545)	160,024
Depreciation	5	37,008	33,491
Directors fees and expenses	10	101,922	91,542
Legal fees		43,685	11,565
Operating Expenses		1,997,580	1,456,361
Rent		78,218	55,738
TOTAL EXPENDITURE		12,018,072	9,846,693
SURPLUS / (DEFICIT) FOR THE YEAR		(71,198)	1,367,051

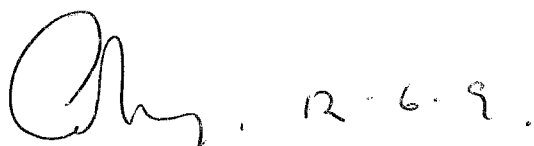
Statement of Movements in Equity For the Year ended 31 March 2009

	Note	2009 \$	2008 \$
Equity at the beginning of the year		5,818,571	4,451,520
Surplus / (deficit) for the year		(71,198)	1,367,051
Equity at the end of the year		5,747,373	5,818,571

Statement of Financial Position

At 31 March 2009

	Note	2009 \$	2008 \$
MEMBERS' FUNDS			
Balance per Statement of Equity		5,747,373	5,818,571
TOTAL MEMBERS' FUNDS		5,747,373	5,818,571
Represented by			
CURRENT ASSETS			
Bank - call accounts		834,638	1,144,351
Debtors		521,350	497,898
Prepayments		55,371	59,179
TOTAL CURRENT ASSETS		1,411,359	1,701,428
NON CURRENT ASSETS			
Investments	3	7,068,684	6,607,795
Fixed assets	4	130,248	58,913
TOTAL NON CURRENT ASSETS		7,198,932	6,666,708
TOTAL ASSETS		8,610,291	8,368,136
LIABILITIES			
CURRENT LIABILITIES			
Bank overdraft		252,722	157,739
Creditors		354,598	261,191
Income in advance		749,634	720,423
Provision for claims	6	1,654,101	1,306,698
GST payable/ (refundable)		(148,137)	103,514
TOTAL CURRENT LIABILITES		2,862,918	2,549,565
NET ASSETS		5,747,373	5,818,571



Chairperson

Statement of Cash Flows

For the year ended 31 March 2009

	Note	2009 \$	2008 \$
Cash Flow from Operating Activities			
<i>Cash was provided from:</i>			
Subscriptions from Accuro Members		11,220,624	10,886,112
Subscriptions from Tower Hospital Members	9	1,585,665	1,440,517
		12,806,289	12,326,629
Other Income		241,100	245,273
Investment Income		564,274	474,517
		13,611,664	13,046,419
<i>Cash was applied to:</i>			
Claims Paid		9,561,321	7,892,583
Operating Expenses		2,390,790	1,909,763
Tower Hospital	9	1,592,191	1,417,498
		13,544,301	11,219,844
Net Cash Inflow from Operating Activities		67,362	1,826,575
Cash Flow from Investing Activities			
<i>Cash was applied to:</i>			
Transfers to Investments		363,717	2,513,572
Net Purchase of Fixed Assets		108,341	59,808
		472,058	2,573,380
Net Cash (Outflow) from Investing Activities		(472,058)	(2,573,380)
Net Cash (Decrease)/ Increase in cash held		(404,696)	(746,805)
Add: opening cash brought forward		986,612	1,733,417
CASH BALANCE AT END OF THE YEAR		581,916	986,612
<i>Described as:</i>			
Bank - Call accounts		834,638	1,144,351
Bank overdraft		(252,722)	(157,739)
		581,916	986,612

Notes to the Financial Statements For the year ended 31 March 2009

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Health Service Welfare Society Limited (the "Society") trading as "Accuro Health Insurance" is a company registered under the Industrial and Provident Societies Act 1908.

The financial statements of the Society have been prepared according to the Financial Reporting Act 1993.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis, except for the valuation of investments in shares, are followed by the Society.

The Society applies accrual accounting to match expenses and revenue.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and financial position have been applied:

a) 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 under Income in Advance as Current Liabilities in the Statement of Financial Position. Where subscriptions are payable in arrears, those subscriptions that have not been received are shown as Debtors in the Statement of Financial Position.

- *Other Income*

Other income includes claim service fees and management fees. The Society recognises other income when it is received.

- *Investment Income*

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

b) Receivables

- Receivables have been valued at net realisable value.

c) Investments

- Fixed Interest Investments are valued at cost plus accrued interest.
- Shares are valued at market value as at Balance Date.

d) Fixed Assets

- Fixed Assets are shown at cost less accumulated depreciation and have been depreciated on a straight line basis at rates calculated to allocate the assets' cost over their estimated useful lives.

Notes to the Financial Statements For the year ended 31 March 2009

The estimated useful lives are:

- | | |
|--------------------------|---------|
| • Computer Hardware | 3 years |
| • Computer Software | 3 years |
| • Furniture | 5 years |
| • Plant and equipment | 5 years |
| • Leasehold Improvements | 5 years |

e) Income Tax

- The Society is registered under the Industrial and Provident Societies Act 1908 with Rules approved and an Acknowledgement of Registration dated 26 March 1991. The Society is recognised by the Inland Revenue Department as being exempt from all income tax.

f) Shares

- The Rules of the Society provide that an application fee of \$1 shall be paid by each Member, as determined by the Directors and that such fee shall be applied in payment for Shares in the Society. The Shares in the Society shall be unlimited in number and shall not be transferable. At this stage the Directors have not called for payment of any of the fees involved.

g) Claims Recognition

- Claims paid and accrued are recognised in the financial statements when approved after adjusting for the provision for claims not received as specified under Note 6 – Claims.

h) GST

- The Society is registered for GST and these financial statements are prepared on a GST exclusive basis, with the exception of debtors and creditors.

i) Financial Instruments

- Financial instruments primarily comprise cash at bank, accounts receivable, accounts payable and investments. Financial instruments are recognised in the statement of financial position at their estimated fair values.

Changes in Accounting Policies

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

2. NATURE OF THE BUSINESS

The principal activity of the Society is to provide sickness, accident, hospital, surgical, specialists and medical benefits and bereavement grants to members and their dependants.

Notes to the Financial Statements

For the year ended 31 March 2009

3. INVESTMENTS

	2009	2008
	\$	\$
International Shares	234,256	402,310
Australasian Shares	146,137	197,904
Total investment in shares	380,393	600,214
Fixed Interest	6,688,291	6,007,581
Total Investments	7,068,684	6,607,795

Within the Fixed Interest Investments is \$1,842,529 held in term deposits that matures in the next 12 months (2008: \$5,865,450).

4. FIXED ASSETS

	2009			2008		
	Cost	Accm Depn	Net Book Value	Cost	Accm Depn	Net Book Value
	\$	\$	\$	\$	\$	\$
Computer Hardware	48,009	17,500	30,509	41,727	38,762	2,965
Computer Software	99,941	53,879	46,062	229,250	185,859	43,391
Furniture	67,350	21,227	46,123	30,116	26,048	4,068
Equipment	55,020	47,466	7,554	49,159	40,670	8,489
	270,319	140,071	130,248	350,252	291,339	58,913

5. DEPRECIATION EXPENSE

	2009	2008
	\$	\$
Computer Hardware	9,437	4,473
Computer Software	14,117	16,163
Furniture	5,994	2,732
Equipment	7,460	9,991
Total	37,008	33,359
Loss on Disposal of Fixed Assets	-	132
Total Depreciation	37,008	33,491

Notes to the Financial Statements

For the year ended 31 March 2009

6. PROVISIONS FOR CLAIMS

An actuarial report has been obtained to assess the Provisions for Claims incurred but not paid (which includes claims not yet notified) at year end:

- a) The effective date of the assessment in the actuarial report was 31 March 2009.
- b) The name and qualifications of the actuary is Peter Davies of Davies Financial and Actuarial Limited, Fellow of the Society of Actuaries of New Zealand.
- c) The standards of the New Zealand Society of Actuaries were used to determine the amount of the outstanding claims liability.
- d) The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability.
- e) With respect to the key assumptions used by the actuary in determining the outstanding claims liability, the actuary has assumed that the notification of claims by members of the Society will follow past patterns for the majority of claims, except where some claims for relatively small amounts may be held back for a longer period than would have been the case had a claims service fee not been applied.
- f) The actuarial report contained no qualifications.

The following provisions have been included in the total of claims paid and accrued in the Statement of Financial Performance:

	2009 \$	2008 \$
HOSPITAL PLANS		
Opening Balance	779,987	556,894
Deduct previous year provision	(779,987)	(556,894)
Add current year provision	1,133,859	779,987
Movement for the year	353,872	223,093
Closing Balance	1,133,859	779,987

The Claims Provision for Major Medical Plan, NZNO and SmartCare 1 at 31 March 2008 was \$779,987 (2007 - \$556,894). This compares to the actual claims subsequently incurred of \$901,462 (2007 - \$545,814).

Notes to the Financial Statements

For the year ended 31 March 2009

	2009 \$	2008 \$
MEDICAL PLANS		
Opening Balance	526,711	543,541
Deduct previous year provision	(526,711)	(543,541)
Add current year provision	520,242	526,711
Movement for the year	(6,469)	(16,830)
Closing Balance	520,242	526,711

The Claims Provision for Basic, Advanced and Value Plus Plans at 31 March 2008 was \$526,711 (2007 - \$543,541). This compares to the actual claims subsequently incurred of \$629,589 (2007 - \$664,528).

7. RECONCILIATION OF NET SURPLUS WITH CASH INFLOW FROM OPERATING ACTIVITIES

	2009 \$	2008 \$
Reported Surplus/ Deficit	(71,198)	1,367,051
Add/(Deduct) non cash items		
(Increase)/Decrease in Accrued Interest	(33,289)	(31,658)
Movement in Provision for doubtful debts	(65,147)	-
Unrealised Capital Loss/(Growth)	(63,888)	140,705
Depreciation	37,008	33,491
	(125,315)	142,538
Movements in Working Capital		
(Decrease)/Increase in Creditors	93,412	49,346
Increase in Income in Advance	29,211	340,731
Increase in Provisions for Claims	347,404	206,263
Decrease/(Increase) in Debtors	41,694	(306,103)
Decrease in Prepayments	3,809	(6,631)
(Decrease)/Increase in Net GST	(251,655)	33,380
	263,876	316,986
Net Cash Inflow from Operating Activities	67,362	1,826,575

Notes to the Financial Statements For the year ended 31 March 2009

8. OPERATING LEASE OBLIGATIONS

Obligations payable after balance date on non-cancelable operating leases are as follows:

	2009	2008
	\$	\$
Due within one year	151,252	54,069
Due one to two years	99,881	49,563
Due in two plus years	137,888	-
	389,022	103,632

9 TOWER HEALTH PREMIUMS

The Society collects Hospital Cover premiums on behalf of Tower Health Limited and pays these premiums on a monthly basis. During the year ended 31 March 2009 \$1,585,665 (2008 : \$1,440,517) premiums were collected from Tower Hospital members and \$1,592,191 (2008 : \$1,417,498) premiums were paid to Tower Hospital.

10. DIRECTORS FEES AND EXPENSES

	2009	2008
	\$	\$
Geoff Annals	20,350	15,600
Robin Wakelin	18,250	21,750
Brian Holden	-	5,000
Wayne McLachlan	10,500	10,250
Roger Bowie	-	10,250
Bernie Wood	13,000	11,500
Martin Stokes	13,000	9,000
Anne Hare	11,225	-
Bridgit Vivian	10,500	-
Directors fees	96,825	83,350
Directors expenses	5,097	8,192
	101,922	91,542

11. SOLVENCY PROVISION

Based on the information provided to the Consulting Actuary, he has determined that the total Minimum Solvency Provisions for the Society as at 31 March 2009 should be \$4,604,820 (2008 : \$3,668,783).

As expected by its nature, the Minimum Solvency Provision is considerably higher than the Total Liabilities shown in the Society's Statement of Financial Position at \$3,011,055. However, the total assets of the Society as at 31 March 2009 amount to \$8,758,428, which exceeds the calculated Minimum Solvency Provision by \$4,153,608 which is a significant margin.

Notes to the Financial Statements For the year ended 31 March 2009

12. CONTINGENT LIABILITIES

There were no contingent liabilities at year end (2008 - nil).

13. CAPITAL COMMITMENTS

There were no known capital commitments at year end (2008 - nil).

14. DELAY OF THE MANDATORY ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In September 2007, the Accounting Standards Review Board (ASRB) issued Release 9 – Delay of the Mandatory Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRSs) for Certain Small Entities. The ASRB has decided that companies, which satisfy all of the following criteria, are permitted to continue to apply the existing approved New Zealand Financial Reporting Standards (FRSs) and, therefore, are not required to apply NZ IFRSs for periods beginning on or after 1 January 2007, until further notice:

- (a) The company is not an issuer, as defined by the Companies Act 1993, in either the current or preceding accounting period;
- (b) The company is not required by section 19 of the Companies Act 1993 to file its financial statements with the Registrar of Companies; and
- (c) The company is not large, as defined by section 19A4 of the Companies Act 1993.

Companies that are required to prepare financial statements in accordance with GAAP and that meet the above criteria will continue to have a choice between two sets of standards, the existing FRSs or NZ IFRSs.

The Society intends to delay the adoption of NZ IFRSs because it satisfies all criteria as required by ASRB.

15. CREDIT RISK

Financial instruments which potentially subject the Society to credit risk principally consist of bank accounts, debtors and investments. Maximum exposures to credit risk as at balance date are the face value of these financial instruments as stated in the statement of financial position. The Society is not exposed to any concentration of credit risk.

16. FAIR VALUES

The estimated fair values of the financial instruments are considered to be their carrying value.