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HEALTH SERVICE WELFARE SOCIETY LIMITED
TRADING AS ACCURO HEALTH INSURANCE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2010

Health Service Welfare Society Limited
Trading as Accuro Health Insurance

Annual Report
for the Year Ended 31 March 2010

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Statement of Financial Performance For the Year ended 31 March 2010

	Note	2010 \$	2009 \$
INCOME			
Subscriptions		11,570,415	11,044,323
Other Income		216,843	241,100
Investment Income		647,285	661,451
TOTAL INCOME		12,434,543	11,946,874
EXPENDITURE			
Claims paid and accrued		9,652,610	9,740,393
Accounting fees			17,684
Audit fees		14,571	21,127
Bad and doubtful debts		6,222	(19,545)
Depreciation	5	58,120	37,008
Directors fees and expenses	11	103,334	101,922
Legal fees		20,645	43,685
Operating Expenses		2,342,304	1,997,580
Rent		152,560	78,218
TOTAL EXPENDITURE		12,350,365	12,018,072
SURPLUS / (DEFICIT) FOR THE YEAR		84,178	(71,198)

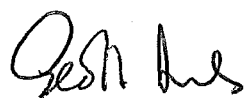
Statement of Movements in Equity For the Year ended 31 March 2010

	Note	2010 \$	2009 \$
Equity at the beginning of the year		5,747,373	5,818,571
Surplus / (deficit) for the year		84,178	(71,198)
Equity at the end of the year		5,831,551	5,747,373

Statement of Financial Position

At 31 March 2010

	Note	2010 \$	2009 \$
MEMBERS' FUNDS			
Balance per Statement of Equity		5,831,551	5,747,373
TOTAL MEMBERS' FUNDS		5,831,551	5,747,373
Represented by			
CURRENT ASSETS			
Bank - call accounts	6	426,735	838,295
Debtors		839,924	521,350
Prepayments		70,815	55,371
TOTAL CURRENT ASSETS		1,337,473	1,415,016
NON CURRENT ASSETS			
Investments	3	7,757,741	7,068,684
Fixed assets	4	112,875	130,248
TOTAL NON CURRENT ASSETS		7,870,616	7,198,932
TOTAL ASSETS		9,208,089	8,613,948
LIABILITIES			
CURRENT LIABILITIES			
Creditors	6	759,248	610,977
Income in advance		855,973	749,634
Provision for claims	7	1,580,198	1,654,101
GST payable/ (refundable)		181,120	(148,137)
TOTAL CURRENT LIABILITIES		3,376,539	2,866,575
NET ASSETS		5,831,551	5,747,373



Chairperson

16 June 2010

Date

Statement of Cash Flows

For the year ended 31 March 2010

	Note	2010 \$	2009 \$
Cash Flow from Operating Activities			
<i>Cash was provided from:</i>			
Accuro members subscriptions received		11,698,788	11,220,624
Tower members subscriptions received	10	1,675,736	1,585,665
		13,374,525	12,806,289
Other Income		228,271	241,100
Investment Income		458,053	564,274
		14,060,848	13,611,664
<i>Cash was applied to:</i>			
Claims Paid		9,820,520	9,475,995
Operating Expenses		2,432,996	2,390,790
Tower members subscriptions paid	10	1,678,322	1,592,191
		13,931,837	13,458,975
Net Cash Inflow from Operating Activities		129,011	152,688
Cash Flow from Investing Activities			
<i>Cash was applied to:</i>			
Transfers to/(from) Investments		499,824	363,717
Net Purchase of Fixed Assets		40,746	108,341
		540,571	472,058
Net Cash (Outflow) from Investing Activities		(540,571)	(472,058)
Net Cash (Decrease)/ Increase in cash held		(411,560)	(319,370)
Add: opening cash brought forward		838,295	1,157,665
CASH BALANCE AT END OF THE YEAR		426,735	838,295
<i>Described as:</i>			
Bank - Call accounts		426,735	838,295
		426,735	838,295

Notes to the Financial Statements For the year ended 31 March 2010

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 2010

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 incurred but not paid claims as specified under Note 7 – 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 2010

3. INVESTMENTS

	2010	2009
	\$	\$
International Shares	354,604	234,256
Australasian Shares	306,256	146,137
Total investment in shares	660,860	380,393
Fixed Interest	7,096,881	6,688,291
Total Investments	7,757,741	7,068,684

Within the Fixed Interest Investments is \$1,785,355 held in term deposits that matures in the next 12 months (2009: \$1,656,733).

4. FIXED ASSETS

	2010			2009		
	Cost	Accm Depn	Net Book Value	Cost	Accm Depn	Net Book Value
	\$	\$	\$	\$	\$	\$
Computer Hardware	48,602	30,785	17,817	48,009	17,500	30,509
Computer Software	129,271	84,349	44,922	99,941	53,879	46,062
Furniture	77,359	32,826	44,533	67,350	21,227	46,123
Equipment	55,834	50,281	5,603	55,020	47,466	7,554
	311,066	198,191	112,875	270,319	140,071	130,248

5. DEPRECIATION EXPENSE

	2010	2009
	\$	\$
Computer Hardware	13,285	9,437
Computer Software	30,470	14,117
Furniture	11,599	5,994
Equipment	2,766	7,460
Total	58,120	37,008
Loss on Disposal of Fixed Assets		-
Total Depreciation	58,120	37,008

6. PRIOR YEAR ADJUSTMENT

	As previously reported	Adjustment	Restated
CURRENT ASSETS			
Bank - call accounts	834,638	3,657	838,295
CURRENT LIABILITIES			
Bank overdraft	252,722	(252,722)	-
Creditors	354,598	256,379	610,977

Adjustments have been made to the above accounts for comparative purposes.

Notes to the Financial Statements

For the year ended 31 March 2010

7. 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 2010.
- 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:

	2010 \$	2009 \$
HOSPITAL PLANS		
Opening Balance	1,133,859	779,987
Deduct previous year provision	(1,133,859)	(779,987)
Add current year provision	1,041,337	1,133,859
Movement for the year	(92,522)	353,872
Closing Balance	1,041,337	1,133,859

The Provision for Hospital Claims at 31 March 2009 was \$1,133,859 (2008 - \$779,987). This compares to the actual claims subsequently incurred of \$673,062 (2008 - \$896,573) exclusive of claims processing charges.

Notes to the Financial Statements

For the year ended 31 March 2010

	2010 \$	2009 \$
PRIMARY PLANS		
Opening Balance	520,242	526,711
Deduct previous year provision	(520,242)	(526,711)
Add current year provision	538,861	520,242
Movement for the year	18,619	(6,469)
Closing Balance	538,861	520,242

The Claims Provision for Primary at 31 March 2009 was \$520,242 (2008 - \$526,711). This compares to the actual claims subsequently incurred of \$596,867 (2008 - \$629,589).

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

	2010 \$	2009 \$
Reported Surplus/ Deficit	84,178	(71,198)
Add/(Deduct) non cash items		
(Increase)/Decrease in Accrued Interest	(8,407)	(33,289)
Movement in Provision for doubtful debts	(5,043)	(65,147)
Unrealised Capital Loss/(Growth)	(180,826)	(63,888)
Depreciation	58,120	37,008
	(136,156)	(125,315)
Movements in Working Capital		
(Decrease)/Increase in Creditors	72,302	178,738
Increase in Income in Advance	106,338	29,211
Increase in Provisions for Claims	(73,903)	347,404
Decrease/(Increase) in Debtors	(237,562)	41,694
Decrease in Prepayments	(15,444)	3,809
(Decrease)/Increase in Net GST	329,257	(251,655)
	180,989	349,202
Net Cash Inflow from Operating Activities	129,011	152,688

Notes to the Financial Statements

For the year ended 31 March 2010

9. OPERATING LEASE OBLIGATIONS

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

	2010	2009
	\$	\$
Due within one year	107,002	151,252
Due one to two years	98,796	99,881
Due in two plus years	49,398	137,888
	255,196	389,022

10. 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 2010 \$1,675,736 (2009 : \$1,585,665) premiums were collected from Tower Hospital members and \$1,678,322 (2009 : \$1,592,191) premiums were paid to Tower Hospital.

11. DIRECTORS FEES AND EXPENSES

	2010	2009
	\$	\$
Geoff Annals	23,500	20,350
Robin Wakelin	6,500	18,250
Wayne McLachlan	10,500	10,500
Bernie Wood	11,125	13,000
Martin Stokes	13,000	13,000
Anne Hare	17,200	11,225
Bridgit Vivian	10,500	10,500
Naomi Ballantyne	6,500	-
Directors fees	98,825	96,825
Directors expenses	4,509	5,097
	103,334	101,922

12. 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 2010 should be \$6,005,310, (2009 : \$4,604,820).

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 \$3,376,508. However, the total assets of the Society as at 31 March 2010 amount to \$9,208,089, which exceeds the calculated Minimum Solvency Provision by \$3,202,799 which is a significant margin.

Notes to the Financial Statements For the year ended 31 March 2010

13. CONTINGENT LIABILITIES

There were no contingent liabilities at year end (2009 - nil).

14. CAPITAL COMMITMENTS

There were no known capital commitments at year end (2009 - nil).

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

In September 2008, 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 2008, 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.

16. 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.

17. FAIR VALUES

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

18. RATING

Insurers offering policies in New Zealand are required to have a current rating from an approved agency. An insurer which is not party to any contract of disaster or general insurance may elect not to obtain a rating by registering a notice of election not to be rated. HSWS has registered a notice of election not to be rated under the Insurance Companies (Ratings and Inspections) Act and is therefore exempt from the ratings regime.

AUDIT REPORT

To the Members of the Health Service Welfare Society Limited (Trading as Accuro Health Insurance).

We have audited the attached financial report of Health Service Welfare Society Limited. The financial report provides information about the past financial performance and financial position of the Health Service Welfare Society Limited as at 31 March 2010. This information is stated in accordance with the accounting policies as attached.

DIRECTORS' RESPONSIBILITIES

The Director's are responsible for the preparation of a financial report which gives a true and fair view of the financial position of the Health Service Welfare Society Limited as at 31 March 2010, and of the results of their operations and cash flow for the year ended 31 March 2010.

AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial report presented by the Director's 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 report. It also includes assessing:

- the significant estimates and judgements made by the Director's in the preparation of the financial report, and
- whether the accounting policies are appropriate to the Health Service Welfare Society Limited's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial report is 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 report.

Other than our capacity as auditors our firm has no relationships with or interests in Health Service Welfare Society Limited.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Health Service Welfare Society Limited as far as it appears from our examination of those records; and
- the attached financial report:
 - ◊ complies with generally accepted accounting practice in New Zealand;
 - ◊ gives a true and fair view of the financial position of the Health Service Welfare Society Limited as at 31 March 2010, and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 16 June 2010 and our unqualified opinion is expressed as at that date.