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HEALTH SERVICE WELFARE SOCIETY LIMITED
TRADING AS ACCURO HEALTH INSURANCE
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2011



Health Service Welfare Society Limited
Trading as Accuro Health Insurance

Annual Report
for the Year Ended 31 March 2011

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Statement of Financial Performance For the Year ended 31 March 2011

	Note	2011 \$	2010 \$
INCOME			
Subscriptions		13,277,728	11,570,415
Other Income		238,922	216,843
Investment Income		494,967	647,285
TOTAL INCOME		14,011,617	12,434,543
EXPENDITURE			
Claims paid and accrued		10,871,982	9,652,610
Audit fees	19	25,184	14,571
Write downs and write offs	3	655,306	6,222
Depreciation	6	59,343	58,120
Directors fees and expenses	11	94,049	103,334
Legal fees		151,203	20,645
Operating Expenses		2,932,893	2,342,304
Rent		156,633	152,560
TOTAL EXPENDITURE		14,946,593	12,350,365
SURPLUS / (DEFICIT) FOR THE YEAR		(934,976)	84,178

Statement of Movements in Equity For the Year ended 31 March 2011

	Note	2011 \$	2010 \$
Equity at the beginning of the year		5,831,551	5,747,373
Surplus / (deficit) for the year		(934,976)	84,178
Equity at the end of the year		4,896,575	5,831,551

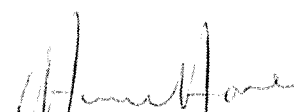
Statement of Financial Position At 31 March 2011

	Note	2011 \$	2010 \$
MEMBERS' FUNDS			
Balance per Statement of Equity		4,896,575	5,831,551
TOTAL MEMBERS' FUNDS		4,896,575	5,831,551
Represented by			
CURRENT ASSETS			
Bank - call accounts		391,387	426,735
Debtors	3	249,137	839,924
Prepayments		33,814	70,815
TOTAL CURRENT ASSETS		674,338	1,337,473
NON CURRENT ASSETS			
Investments	4	7,343,924	7,757,741
Fixed assets	5	117,475	112,875
TOTAL NON CURRENT ASSETS		7,461,399	7,870,616
TOTAL ASSETS		8,135,737	9,208,089
LIABILITIES			
CURRENT LIABILITIES			
Creditors		271,852	578,066
Staff entitlements		62,927	55,093
Income in advance		952,591	855,973
Provision for claims	7	1,708,153	1,580,198
Tower Creditors		110,252	126,089
GST payable/ (refundable)		133,387	181,120
TOTAL CURRENT LIABILITIES		3,239,162	3,376,539
NET ASSETS		4,896,575	5,831,551



Geoff Annals
Chair

13 June 2011



Anne Hare
Deputy Chair

13 June 2011

Statement of Cash Flows

For the year ended 31 March 2011

	Note	2011 \$	2010 \$
Cash Flow from Operating Activities			
<i>Cash was provided from:</i>			
Accuro members subscriptions received		13,392,525	11,698,788
Tower members subscriptions received	10	1,438,512	1,675,736
		14,831,037	13,374,525
Other Income		238,922	228,271
Investment Income		455,932	458,053
		15,525,891	14,060,848
<i>Cash was applied to:</i>			
Claims Paid		(10,744,027)	(9,820,520)
Operating Expenses		(3,751,771)	(2,432,996)
Tower members subscriptions paid	10	(1,454,349)	(1,678,322)
		(15,950,147)	(13,931,837)
Net Cash Inflow/(Outflow) from Operating Activities	8	(424,256)	129,011
Net Cash inflow/(Outflow) from Investing Activities			
<i>Cash was applied to:</i>			
Transfers to/(from) Investments		452,851	(499,824)
Net Purchase of Fixed Assets		(63,943)	(40,746)
Net Cash (Outflow) from Investing Activities		388,908	(540,571)
 Net Cash (Decrease)/ Increase in cash held		 (35,348)	 (411,560)
 Add: opening cash brought forward		 426,735	 838,295
 CASH BALANCE AT END OF THE YEAR		 391,387	 426,735
 <i>Described as:</i>			
Bank - Call accounts		391,387	426,735
		391,387	426,735

Notes to the Financial Statements For the year ended 31 March 2011

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Health Service Welfare Society Limited (the "Society") trading as "Accuro Health Insurance" is 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 2011

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 during this period. 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 2011

3. WRITE DOWN AND WRITE OFFS

Previously surgical costs that were being recovered from ACC were treated as an asset. In line with industry practice, changes in ACC practice and recent court decisions the Society has reduced this receivable to \$0 being a write down of \$498,176. (\$0 : 2010). In addition the Society has provided and additional \$157,130 for subscriptions that are in arrears by 90 days or more in that by non-payment the policies have lapsed. (\$6,222 : 2010).

4. INVESTMENTS

International Shares
Australian Shares
Total Investment in shares
Fixed Interest
Total Investments

	2011	2010
	\$	\$
	-	354,604
	-	306,256
	-	660,860
	7,343,924	7,096,881
	7,343,924	7,757,741

Within the Fixed Interest Investments is \$1,362,567 held in term deposits that matures in the next 12 months (2010: \$1,785,355).

5. FIXED ASSETS

Computer Hardware
Computer Software
Furniture
Equipment

	2011				2010		
	Cost	Accm Depn	Net Book Value		Cost	Accm Depn	Net Book Value
	\$	\$	\$		\$	\$	\$
	66,733	45,733	21,000		48,602	30,785	17,817
	157,232	113,872	43,360		129,271	84,349	44,922
	77,359	44,895	32,464		77,359	32,826	44,533
	73,684	53,033	20,651		55,834	50,231	5,603
	375,008	257,533	117,475		311,066	198,191	112,875

6. DEPRECIATION EXPENSE

Computer Hardware
Computer Software
Furniture
Equipment
Total Depreciation

	2011	2010
	\$	\$
	14,948	13,285
	29,523	30,470
	12,069	11,599
	2,803	2,766
	59,343	58,120

Notes to the Financial Statements For the year ended 31 March 2011

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 2011.
- 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:

HOSPITAL PLANS

	2011 \$	2010 \$
Opening Balance	1,041,337	1,133,859
Deduct previous year provision	(1,041,337)	(1,133,859)
Add current year provision	1,070,397	1,041,337
Movement for the year	29,060	(92,522)
Closing Balance	1,070,397	1,041,337

The Provision for Hospital Claims at 31 March 2010 was \$1,041,337 (2009 : \$1,133,859). This compares to the actual claims subsequently incurred of \$964,735 (2009 : \$673,062).

Notes to the Financial Statements For the year ended 31 March 2011

PROVISION FOR CLAIMS

PRIMARY PLANS

	2011 \$	2010 \$
Opening Balance	538,861	520,242
Deduct previous year provision	(538,861)	(520,242)
Add current year provision	637,786	538,861
Movement for the year	98,895	18,619
Closing Balance	637,756	538,861

The Claims Provision for Primary at 31 March 2010 was \$538,861 (2009 - \$520,242). This compares to the actual claims subsequently incurred of \$646,764 (2009 - \$596,867).

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

	2011 \$	2010 \$
Reported Surplus/ Deficit	(934,976)	84,178
Add/(Deduct) non cash items		
(Increase)/Decrease in Accrued Interest	8,740	(8,407)
Write downs and write offs	655,306	(5,043)
Unrealised Capital Loss/(Growth)	(47,775)	(180,826)
Depreciation	59,342	58,120
	675,613	(136,156)
Movements in Working Capital		
(Decrease)/Increase in Creditors	(314,215)	72,302
Increase in Income in Advance	96,618	106,338
Increase in Provisions for Claims	127,955	(73,903)
Decrease/(Increase) in Debtors	(64,520)	(237,562)
Decrease in Prepayments	37,002	(15,444)
(Decrease)/Increase in Net GST	(47,733)	329,257
	(164,893)	180,989
Net Cash Inflow from Operating Activities	(424,256)	129,011

Notes to the Financial Statements For the year ended 31 March 2011

9. OPERATING LEASE OBLIGATIONS

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

	2011	2010
	\$	\$
Due within one year	116,821	107,002
Due one to two years	64,038	98,796
Due in two plus years	30,349	49,398
	211,208	255,196

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 2011 \$1,438,511 (2010 : \$1,675,736) premiums were collected from Tower Hospital members and \$1,454,349 (2010 : \$1,678,322) premiums were paid to Tower Hospital.

11. DIRECTORS FEES AND EXPENSES

	2011	2010
	\$	\$
Geoff Annals	23,500	23,500
Robin Wakelin	-	6,500
Wayne McLachlan	10,500	10,500
Bernie Wood	5,250	11,125
Martin Stokes	13,000	13,000
Anne Hare	17,200	17,200
Bridgit Vivian	10,500	10,500
Naomi Ballantyne	3,250	6,500
Directors fees	83,200	98,825
Directors expenses	10,849	4,509
	94,049	103,334

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 2011 is \$3,000,000 being the minimum required per the latest draft non-life solvency standard released by the Reserve Bank.

The Societies adjusted available capital is \$4,853,215 or 162% of the minimum requirement (2010: \$5,787,529)

Notes to the Financial Statements For the year ended 31 March 2011

13. CONTINGENT LIABILITIES

There were no contingent liabilities at year end (2010 - nil).

14. CAPITAL COMMITMENTS

Capital commitments at year end were \$28,351 (2010 - 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 sections 4 and 19 of the Financial Reporting Act 1993, in either the current or preceding accounting period;
- (b) The company is not required by section 19 of the Financial Reporting Act to file its financial statements with the Registrar of Companies; and
- (c) The company is not large, as defined by section 19A(1)b of the Financial Reporting 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 has not adopted NZ IFRS for the year ended 31 March 2011 because it satisfies all criteria as required by ASRB. However this will change in view of the new Insurance Prudential Supervision Act 2010 as discussed in Note 20.

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 noticed of election not to be rated under the Act and is therefore exempt from the ratings regime.

19. OTHER FEES PAID TO ASSOCIATED FIRM OF THE AUDITORS

Associates of the Auditors provided taxation advisory services at a cost of \$5,000 (2010 : \$0) and advisory services at a cost of \$15,100 (2010 : \$0). These fees have been included in operating expenses.

20. SUBSEQUENT EVENTS

The Society has committed to change its accounting year from a 31 March balance date to a 31 August balance date commencing 1 September 2011 and to adopt NZ IFRS for the first full year of this change.

The implementation of NZIFRS is to coincide with the requirements stipulated in the Insurance (Prudential Supervision) Act 2010. This act requires Insurers to apply for a provisional licence by 7 March 2012. Insurers must have a full license by 7 September 2013. At present the society is taking steps to implement the requirements of the Act.

INDEPENDENT AUDITOR'S REPORT
To the Members of Health Service Welfare Society Limited
(Trading as Accuro Health Insurance)

Report on the Financial Statements

We have audited the financial statements of Health Service Welfare Society Limited on pages 2 to 12, which comprise the statement of financial position as at 31 March 2011, and the statement of movements in equity, statement of financial performance and statement of cash flow's for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Members, as a body, in accordance with the Constitution of Health Service Welfare Society Limited. Our audit has been undertaken so that we might state to the Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Members, as a body, for our audit work, for this report, or for the opinions we have formed.

Director's Responsibility for the Financial Statements

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

Auditor's Responsibility

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 judgment, 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 and fair presentation of the financial statements 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 overall 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.

In addition to audit services, our firm provides other services in the areas of taxation advice and business services. Partners and employees of our firm deal with Health Service Welfare Society Limited on normal terms within the ordinary course of trading activities of their business. We have no other relationship with or interests in the Health Service Welfare Society Limited.

Opinion

In our opinion, the financial statements on pages 2 to 12, present fairly, in all material respects, the financial position of Health Service Welfare Society Limited as at 31 March 2011, its financial performance and its cash flows for the year then ended in accordance with generally accepted accounting practice in New Zealand.



BDO WELLINGTON
13 JUNE 2011
WELLINGTON