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NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED

Financial Reports

For the year ended 31 March 2013

<u>Contents</u>	<u>Page</u>
Company Directory	1
Annual Report	2
Statement of Comprehensive Income	3
Statement of Movements in Equity	4
Statement of Financial Position	5
Notes to the Accounts	6
Auditors Report	31



NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED

Company Directory

As at 31 March 2013

Issued Capital	1 A Ordinary share 1 B Ordinary share
Registered Office	Hall & Parsons CA Limited 145 Kitchener Road Milford, Auckland
Directors	Dr D J Parkins Dr E M Collins Dr C E Meade Dr J D Hale
Company Number	AK 115383
Auditors	Crowe Horwath New Zealand Audit Partnership
Accountants	Hall & Parsons CA Limited
Banker	ASB Bank
Date of Formation	August 1982
Nature of Business	Provision of insurance and finance to members
Shareholders	The New Zealand Guardian Trust Company Ltd <u>2</u> ordinary shares

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED

Annual Report

For the year ended 31 March 2013

The Directors present here their Annual report including Financial Statements of the company for the year ended 31st March 2013.

Section 211 of the Companies Act 1993 requires the following disclosures:

The business of the company is provision of insurance and finance to members.

The nature of the company's business has not changed during the year.

Auditors

The company's auditors were Crowe Horwath New Zealand Audit Partnership, audit fees payable for the year were \$19,766. Crowe Horwath New Zealand Audit Partnership are willing to continue as the

Fees payable to Crowe Horwath New Zealand Audit Partnership for other than audit work were nil.

Directors' Disclosures

There was one entry recorded in the Register of Director Interests:

- 1 Erin Collins has a loan with NZDIS (disclosed in Note 23 b).

No Director acquired or disposed of any interest in shares in the company.

The following Directors held office:

Dr D J Parkins

Dr E M Collins

Dr C E Meade

Dr J D Hale

No other person was a Director at any time.

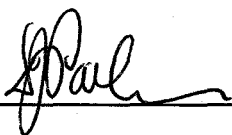
The Board of Directors received no notices from Directors wishing to use company information received in their capacity as Directors which would not have ordinarily been available.

Donations

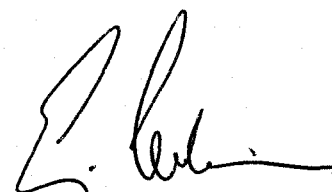
No donations were made by the company during the year.

For and on behalf of the Board of Directors,

Director



Director



Dated this

8th

day of

July

2013

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED

Statement of Comprehensive Income

For the year ended 31 March 2013

	Note	2013	2012
Premium revenue	3	899,842	912,070
Less Reinsurance expense	3	<u>(472,037)</u>	<u>(437,577)</u>
Net premium revenue	3	427,806	474,492
Net claims incurred	4	<u>236,694</u>	<u>267,527</u>
Underwriting surplus		191,111	206,965
Operating expenses	5	467,826	410,581
Operating (deficit)		(276,715)	(203,616)
Finance income	6	89,581	110,614
Finance expenses	6	<u>(1,189)</u>	<u>(755)</u>
Net finance income	6	88,392	109,859
Other Income	3	<u>69,789</u>	<u>70,524</u>
Surplus (Deficit) before taxation		(118,533)	(23,233)
Taxation	7	<u>-</u>	<u>29,259</u>
Surplus (Deficit) after taxation		(118,533)	(52,491)
Other comprehensive income		-	-
Total comprehensive surplus (deficit) for the year		<u><u>(118,533)</u></u>	<u><u>(52,491)</u></u>

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED

Statement of Changes in Equity

For the year ended 31 March 2013

	Note	Contributed equity	Retained Earnings	Reserves	Total
Year ended 31 March 2012					
At the beginning of the year		750,000	654,895	148,827	1,553,722
Comprehensive Income					
Profit for the year		-	(52,491)	-	(52,491)
Total comprehensive Income			(52,491)		(52,491)
At the end of the year	17,18,19	750,000	602,404	148,827	1,501,231

	Note	Contributed equity	Retained Earnings	Reserves	Total
Year ended 31 March 2013					
At the beginning of the year		750,000	602,404	148,827	1,501,231
Comprehensive Income					
Profit for the year		-	(118,533)	-	(118,533)
Total comprehensive Income		-	(118,533)	-	(118,533)
At the end of the year	17,18,19	750,000	483,870	148,827	1,382,697

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED

Statement of Financial Position

As at 31 March 2013

ASSETS	Note	2013	2012
Current assets			
Cash and cash equivalents	8	507,183	493,221
Premium and other receivables	9	900,704	873,760
Income tax receivable	7	18,273	-
Loans	10	587,770	615,535
Total current assets		2,013,930	1,982,517
Non current assets			
Property, plant and equipment	11	5,834	7,769
Loans	10	342,236	387,468
Investments	12	12,000	12,000
Total non-current assets		360,070	407,237
Total assets		2,373,999	2,389,754
LIABILITIES			
Current liabilities			
Income tax payable	7	-	23,314
Trade and other payables	13	29,866	85,698
Employee entitlements	14	27,887	16,915
Insurance contract liabilities	15	933,549	762,596
Total current liabilities		991,302	888,523
Total Liabilities		991,302	888,523
Net Assets		1,382,697	1,501,231
Equity			
Share Capital	17	750,000	750,000
Reserves	18	148,827	148,827
Accumulated profits	19	483,870	602,404
Total Equity		1,382,697	1,501,231

The financial statements were approved for issue by the Board on

8 July 2013

Director

Director

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

New Zealand Insurance Society Limited (the Company) is a profit-oriented entity incorporated and domiciled in New Zealand.

The Company's principal services are the provision of insurance and finance to its members. The Company is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The financial statements of the company are for the year ended 31 March 2013.

The financial statements were authorised by the company's Board of Directors on the date as specified on page 5.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(A) BASIS OF PREPARATION

The company is a reporting entity for the purposes of the Financial Reporting Act 1993 and the Companies Act 1993, and its financial statements comply with these Acts.

Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for assets and liabilities that have been measured at fair value: assets classified as at fair value through profit or loss.

Functional and Presentation Currency

The functional and presentation currency is New Zealand Dollars (NZD).

(B) STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZ GAAP"). They comply with the New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for the profit oriented companies that qualify for and apply differential reporting concessions.

Differential Reporting

The Company qualifies for differential reporting exemptions as it is not publicly accountable and not large. The Company has taken advantage of all available differential reporting exemptions.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

(C) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes and stated below:

Note 15: Insurance contract liabilities

Note 16: Risk management

Note 26: Actuarial Information

Credit Provisioning

The accounting policy relating to measuring the impairment of loans and advances requires the Company to assess impairment at least at each reporting date. The credit provisions raised (collective and individual) represent management's best estimate of the losses incurred in the loan portfolio at balance date based on their experienced judgement.

The use of such judgements and reasonable estimates is considered by management to be an essential part of the process and does not impact on reliability.

Individual provisioning is applied when the full collectability of one of the Company's loans is identified as being doubtful. Individual and collective provisioning is calculated using discounted expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are revised regularly to reduce any differences between loss estimates and actual loss experience.

Refer to Note 10 for details of credit provisions.

Management regularly reviews and adjusts the estimates and methodologies as improved analysis becomes available. Changes in these assumptions and methodologies could have a direct impact on the level of provision and impairment charge recorded in these financial statements.

(D) CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year.

(E) STANDARDS AND INTERPRETATIONS

Standards and interpretations effective in the current period

The company has adopted all new and amended New Zealand Equivalents to International Financial Reporting Standards as they have become mandatory and this has not resulted in any material accounting and/or disclosure changes from the previous financial year.

Early adoption of standards

No standards have been early adopted during the year. It is not practical to provide any reasonable estimate of the effect of any standards issued not yet effective until a detailed review has been completed.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

(F) REVENUE RECOGNITION

Premium Revenue

Gross earned premiums from insurance contracts are recognised evenly over the current billing period of the contract. Revenue is recognised on the date from which the policy is effective. Premiums billed but unearned are recorded as an unearned premium liability in the statement of financial position.

Policy administration recovery

Policy administration recovery income is a 10% administration fee added to the insurance premiums for monthly payers.

Interest - Loans

Interest income on loans are calculated on a "rule of 78" method whereby interest is recognised over a period related to the outstanding principal of the loan. Rule of 78 methodology is considered appropriate with short term advances. Loan advances are normally of a term of 3 years or less..

Investment Income

Interest income is recognised in determining the surplus or deficit before tax in the statements of comprehensive income as it accrues, and is calculated by using the effective interest rate method.

(G) CLAIMS

Net Claims Incurred

The net claims incurred represents gross payments made on claims less claim amounts recovered and expected to be recovered from the reinsurer and the movement in the unexpired risk provision.

Claims

Claims incurred are recognised when claims are notified to the Company.

Outstanding Claims Provision

The liability for outstanding claims comprises claims incurred but not settled at the reporting date and reported to the company. In addition a risk margin of 10% (2012: 10%) of the net claims outstanding is added to reflect the inherent uncertainty in the estimate of claims as well as 20% (2012:15%) allowance for expenses.

Risk Margin

A risk margin of 10% (2012: 10%) has been added to the net outstanding claim provision, achieving a sufficiency level of 75%. The risk margins are set taking account of the size of the claim provisions and the liability for future claims, and the underlying variability of income protection claims.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

(H) POLICY ACQUISITION COSTS

The commission costs incurred in acquiring and recording insurance contracts may give rise to future benefits from premiums. Acquisition costs are initially recorded in determining the surplus or deficit before tax in the statements of comprehensive income. Any amounts that give rise to premiums in subsequent reporting periods are deferred as an asset and amortised over the period covered by the premium paid.

(I) PROVISIONS

A provision is recognised when the company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the obligation.

(J) UNEXPIRED RISK PROVISION AND LIABILITY ADEQUACY TEST

A liability adequacy test is performed to assess whether there is any deficiency in the unearned premium liability arising from expected claims and administration costs during the period covered by the unearned premium. The test is performed on all the policies as a whole as risks are broadly similar and are managed together as a single portfolio. The central estimate of claims and administration expenses is calculated. In addition, a risk margin is added to reflect the inherent uncertainty in estimating the claims. The total is compared with the unearned premium liability. Any deficiency is recognised as an expense in determining the surplus or deficit before tax in the statements of comprehensive income after first writing down any deferred acquisition costs. The deficiency in excess of unearned premium is recognised in the statements of financial position as an unexpired risk provision.

The unexpired risk provision has been calculated at 3% (2012: 4%) of unearned premium. This percentage is based upon a number of factors which are further outlined in Note 26.

(K) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. Under the NZ IFRS definition of financial assets, cash and cash equivalents are classified as "financial assets at fair value through profit or loss".

(L) PREMIUM AND OTHER RECEIVABLES

Premium and other receivables are stated at their cost less any impairment losses. Impairment losses for uncollectible premiums are written off against premium revenue in the year in which they are incurred. Under the NZ IFRS definition of financial assets, premium and other receivables are classified as "loans and receivables".

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

(M) LOAN RECEIVABLES

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money to a member with no intention of trading the loans and advances. The loans and advances are initially recognised at fair value plus transaction costs that are directly attributable to the issue of the loan or advance. They are subsequently measured at amortised cost using the effective interest method less any impairment loss.

Impaired assets include individually impaired assets and restructured loans. Individually impaired assets include loans where there is doubt as to full recovery. An individual provision is raised to cover the expected loss where full recovery of principal is doubtful.

Restructured loans are impaired assets for which the terms have been changed to grant the counterparty a concession that would not otherwise be past due or impaired had their terms not been renegotiated.

Past due assets are any loans where the counterparty has failed to make a payment when contractually due, and which is not an individually impaired asset. A 90 days past due asset is any past due asset which has not been operated within the loans' key terms for at least 90 days.

(N) INVESTMENTS

Investments are purchased with the intention of being held until maturity.

All purchases of investments are recognised on the date of the trade. Transaction costs are recognised as an expense in determining the surplus or deficit before tax in the statements of comprehensive income on transaction date. Investments are de-recognised on the date of maturity or sale of an investment.

The company designates its investments as "financial assets at fair value through profit or loss" at inception. That is, changes in fair value are recognised in determining the surplus or deficit before tax in the statements of comprehensive income.

(O) PROPERTY PLANT AND EQUIPMENT

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition. Subsequent costs are capitalised if it is probable that future economic benefits will flow to the company and the costs can be measured reliably. All other maintenance costs are recognised as an expense as incurred.

Depreciation is charged at the same rate as allowed by the Income Tax Act 2007. Depreciation is charged to profit or loss in the statement of comprehensive income. The following rates have been used:

Office furniture and fittings	9-25% DV
Plant and equipment	25-48% DV

The estimated useful life of assets is reassessed annually.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

(P) IMPAIRMENT

The carrying amounts of assets are reviewed at the end of each reporting period to determine whether there is any objective evidence of impairment. If any such indication exists, the assets' recoverable amount is estimated.

The estimated recoverable amount of an asset is the greater of: fair value less costs to sell, and value in use.

Any impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of the asset and are recognised in determining the surplus or deficit before tax in the statements of comprehensive income.

(Q) INSURANCE CONTRACTS

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period.

The Company has determined that all accident and sickness (disability income protection) insurance policies provided to members are insurance contracts.

(R) LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Payments made under operating leases are recognised in determining the surplus or deficit before tax in the statements of comprehensive income on a straight-line basis over the term of the lease.

Any inducement payments received as part of an operating lease agreement are deferred and recognised on a straight-line basis over the term of the lease.

(S) PAYABLES

Payables are stated at cost. Under the NZ IFRS definition of financial liabilities, payables are classified as "other liabilities at amortised cost".

(T) TAXATION

Income tax for the period is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

(U) GOODS AND SERVICES TAX

All balances are presented net of goods and services tax (GST), except for premium receivables and accounts payable which are presented inclusive of GST.

(V) EMPLOYEE ENTITLEMENTS

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised when the leave is taken and measured at the rates paid or payable.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

(W) BORROWING COSTS

Borrowing costs are recognised as an expense using the effective interest method.

(X) REINSURANCE

Premiums paid to reinsurers under contracts held by the Company are recognised as an outwards reinsurance expense in the Statement of Comprehensive Income.

Reinsurance received or receivable on paid claims and on outstanding claims are recognised as income in net claims incurred.

(Y) FINANCIAL ASSETS

The Company classifies its financial assets in the following categories: at fair value through the profit and loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The company classifies its investments as financial assets at fair value through profit and loss. All other financial assets are classified as loans and receivables.

(i) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted on an active market. The Company's loans and receivables comprise trade and other receivables, loans, and cash and cash equivalents in the balance sheet. Loans and receivables are measured initially at fair value and subsequently at amortised cost using the effective interest method less any impairment.

(ii) Financial assets at fair value through profit and loss

Financial assets at fair value through the profit or loss comprise of financial assets that are either held for trading or designated on initial recognition at fair value through profit or loss. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Designation by management takes place when it is necessary to eliminate or significantly reduce measurement or recognition inconsistencies or if related financial assets or liabilities are managed and evaluated on a fair value basis.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement includes any dividend or interest earned on the financial assets.

(iii) Fair Value

The fair value of the Company's financial assets and liabilities that are measured at fair value is determined based on available market prices or using appropriate valuation methods if these are not traded in an active market.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reporting in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

(v) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

(vi) Financial assets backing insurance liabilities

All financial assets, other than investments, are deemed to back insurance contract liabilities. Financial assets backing insurance liabilities consist of loans to members, cash and cash equivalents and insurance receivables. These assets are determined by management.

3 PREMIUM REVENUE AND OTHER INCOME

Premium Revenue	2013	2012
Premiums Received	1,019,976	1,030,786
Movement in unearned premium	26,043	(3,027)
Gross written premium	1,046,018	1,027,759
Less no claim rebate	(153,008)	(116,012)
Movement in unexpired risk liability	6,831	323
Gross earned premium revenue	899,842	912,070
Outward reinsurance premium expense	(472,037)	(437,577)
Total	427,806	474,492
Other income	2013	2012
Policy administration recovery	69,789	70,524
	69,789	70,524

4 NET CLAIMS INCURRED

	2013	2012
Gross claims expense		
Gross claims incurred - undiscounted (current year)	428,325	727,121
	428,325	727,121
Reinsurance and other recoveries received		
Reinsurance and other recoveries revenue - undiscounted (current year)	208,183	448,013
	208,183	448,013
Net claims incurred	220,142	279,108
Movement in provision for claims handling costs	10,522	(4,632)
Movement in risk margin	6,031	(6,949)
	236,694	267,527

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

5 OTHER EXPENSES

	2013	2012
Profit before income tax includes the following specific expenses:		
Auditors' remuneration:		
- Audit fees	19,766	12,817
Commissions Paid	120,335	124,353
Depreciation		
Furniture, Fittings & Office Equipment	1,936	3,197
Directors' fees	44,998	42,855
Employee benefit expense:		
Salaries and wages	136,510	119,918
Operating lease expense	30,652	28,320

6 FINANCE INCOME AND EXPENSES

	2013	2012
Interest income		
Interest received - IRD	-	2
Interest received - other	525	-
Interest received - finance debtors	71,435	98,746
Interest received - deposits	17,621	11,866
Total interest income	<u>89,581</u>	<u>110,614</u>
Total finance income	89,581	110,614
Interest expense		
Bank loans	-	755
IRD Use of money interest	1,189	-
Total finance costs	<u>1,189</u>	<u>755</u>
Net finance income	<u>88,392</u>	<u>109,859</u>

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

7 TAXATION

(a) Numerical reconciliation of income tax expense to prime facie tax payable

	2013	2012
Profit before tax	(118,533)	(23,233)
Income tax at 28%	(33,189)	(6,505)
Effect of tax loss to carry forward	26,360	-
Effect of permanent differences	-	52,159
Effect of temporary differences	6,830	(16,395)
Tax expense	<u>-</u>	<u>29,259</u>
Tax to pay / (refund) brought forward	23,314	2,833
Provisional Tax Paid	(16,462)	(5,554)
Terminal Tax Paid	(20,518)	2
RWT Paid	(4,607)	(3,226)
Tax Payable /(Receivable)	<u>(18,273)</u>	<u>23,314</u>

At 31 March 2013, the company had \$94,142 of tax losses available to carry forward subject to IRD confirmation (2012: nil)

(b) Imputation credit account

Balances:	2013	2012
Imputation credit account	111,147	69,560
Movements:		
Balance at 1 April	69,560	60,780
Provisional tax payments	16,462	5,552
Terminal tax	20,518	2
RWT Paid	4,607	3,226
Balance at 31 March	<u>111,147</u>	<u>69,560</u>

8 CASH AND CASH EQUIVALENTS

	2013	2012
ASB Bank	72,069	20,956
ASB Bank - Business Saver Account - on call	435,113	472,265
Cash and cash equivalents	<u>507,183</u>	<u>493,221</u>

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

9 PREMIUM AND OTHER RECEIVABLES

	2013	2012
Current		
Premium accounts receivable	458,328	468,048
Deferred Acquisition Costs	67,674	65,611
Reinsurance outstanding claims	155,050	141,521
Prepaid Reinsurance Premiums	211,481	197,623
Interest Receivable	1,166	-
Accrued Commissions	7,006	958
	<u>900,704</u>	<u>873,760</u>
Total Premium and other receivables	<u><u>900,704</u></u>	<u><u>873,760</u></u>

The fair value of premium and other receivables approximates the carrying amount.

Outstanding premiums and other receivables above are presented net of allowance for credit losses and impairment. There are no credit losses or impairment losses during the reporting period.

10 LOANS

	2013	2012
Loan contracts	994,046	1,090,013
Less interest not yet due	<u>(64,040)</u>	<u>(87,010)</u>
	930,006	1,003,003
Less not due in 12 months	<u>(342,236)</u>	<u>(387,468)</u>
Total current loans	<u><u>587,770</u></u>	<u><u>615,535</u></u>
Analysed as:		
Current	587,770	615,535
Non current	<u>342,236</u>	<u>387,468</u>
	<u><u>930,006</u></u>	<u><u>1,003,003</u></u>
Past Due Loans		
Balance at the beginning of the year	463	-
Net transfers to/(from) past due assets from/(to) productive assets	<u>1,104</u>	<u>463</u>
Balance at the end of the year	<u><u>1,567</u></u>	<u><u>463</u></u>

The past due loans and advances for the Company represent 0.17% of gross loans outstanding (31 March 2012: 0.05%). Past due loans and advances are considered to be temporarily overdue, but still collectible, and are therefore not impaired.

There is no provision for credit impairment as it is considered not required.

No loans have been written off during the year.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

11 PROPERTY, PLANT AND EQUIPMENT

	Cost	Depreciation Claimed	Accumulated Depreciation	Net Book Value
2013				
Furniture, fittings & office equipment	100,761	1,936	94,927	5,834
2012				
Furniture, fittings & office equipment	100,760	3,197	92,991	7,769

12 INVESTMENTS

At fair value through profit or loss

	2013	2012
Held to maturity investments:		
NZ Government Stock	12,000	12,000
	<u>12,000</u>	<u>12,000</u>

The New Zealand Government stock is held by the Public Trustee. This is a deposit required under the Insurance Companies' Deposits Act 1953 (repealed 7 March 2012). The deposit represents Kiwi bonds which mature on 17 July 2013 and have a current interest rate of 3%.

13 TRADE AND OTHER PAYABLES

	2013	2012
Current		
Other payables	8,634	17,671
GST payable	21,232	68,028
Total Trade and Other Payables	<u>29,866</u>	<u>85,698</u>

Trade and other payables are at fair value.

14 EMPLOYEE ENTITLEMENTS

	2013	2012
Current		
PAYE Payable	17,516	16,915
Provision for Annual Leave	10,371	-
	<u>27,887</u>	<u>16,915</u>

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

15 INSURANCE CONTRACT LIABILITIES

	2013	2012
Provision for outstanding claims (refer note 15a)	252,450	176,819
Provision for unearned premium (refer note 15c)	563,950	546,762
Provision for unexpired risk (refer note 15d)	15,039	21,870
Other	102,110	17,145
	<u>933,549</u>	<u>762,596</u>

Liability arising from claims made under insurance contracts

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the reporting date.

The estimated ultimate cost of claims includes direct expenses to be incurred in settling claims. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The estimation of claims incurred but not yet reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Company, where more information about the claim event is generally available. As claims are generally settled quickly (within 12 months), there are generally minimal claims incurred but not reported to the Company.

(a) Provision for outstanding claims

		2013		2012
Claims Reported to the company at 31 March		228,838		169,759
Claims handling costs	20%	14,758	15%	4,236
Risk margin	10%	8,855	10%	2,824
Closing balance		<u>252,450</u>		<u>176,819</u>

The Provision for outstanding claims consist of claims that have been incurred and reported to the Company. Claims are predominantly short-term in nature and are generally settled within twelve months of being incurred. Accordingly, amounts are not discounted.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

(b) Reconciliation of movement in provision for outstanding claims

	2013	2012
Opening Balance	176,819	301,797
Reversal of prior year claims	(169,759)	(283,156)
Amounts provided during the year	228,838	169,759
Movement in claims handling costs	10,522	(6,949)
Movement in risk margin	6,031	(4,633)
Closing balance	<u>252,450</u>	<u>176,819</u>

(c) Reconciliation of movement in provision for unearned premium

	2013	2012
Opening Balance	546,762	554,837
Insurance Renewals in the year	1,037,163	1,022,710
Premiums earned during the year	(1,019,976)	(1,030,785)
Closing balance	<u>563,950</u>	<u>546,762</u>

(d) Provision for unexpired risk

	2013	2012
Provision required for unexpired risk	15,039	21,870
Closing balance	<u>15,039</u>	<u>21,870</u>

(e) Movement in provision for unexpired risk

	2013	2012
Opening Balance	21,870	22,193
Net movement for unexpired risk recognised during the year	(6,831)	(323)
Closing balance	<u>15,039</u>	<u>21,870</u>

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

16 RISK MANAGEMENT - INSURANCE CONTRACTS

The company is exposed to a number of risks in the normal course of business. Primarily there are the risks associated with underwriting an insurance business (insurance risk). Other risks include financial risks (credit risk and liquidity risk), market risks (interest rate risk) and non financial risks (operational and compliance risk). The Directors and management recognise the importance of having an effective risk management policy in place. The new Insurance Prudential Supervision regime requires insurers to maintain a risk management policy, which the Reserve Bank of New Zealand will assess for appropriateness. The risks and any objectives, policies and processes to manage these insurance and financial risks are described below.

I INSURANCE RISKS

a. Insurance risk

The company assumes insurance risk through its short term income protection insurance activities. The key risk arises in respect of claims costs and, in particular, those costs varying from what was assumed in the setting of premium rates.

I. Risk management objectives, policies and processes for mitigating risk

The primary objective in managing risk is, as far as possible, to reduce the magnitude and volatility of claims costs. A secondary objective is to ensure funds are available to pay claims and maintain the solvency of the business if there is adverse deviation in experience. Key policies and methods for mitigating risk include:

- Underwriting policies and processes which evaluate new risks and offer terms that do not endanger the portfolio.
- Strict claims management procedures to ensure that payment of claims is in accordance with policy conditions.
- A long-term pricing strategy adopted by the Board which supports pricing based on underlying risk.
- Maintaining a relatively conservative reinsurance policy
- Premiums are reviewable for the insurance portfolio so increased costs could result in premiums being increased.
- Main line of business is a short term (52 week benefit) disability income protection policy which is guaranteed renewable.
- Regular monitoring of financial and operating results.
- Maintaining a strong solvency ratio.
- Ensuring loans to dentists are well spread and diverse.
- Obtaining reinsurance from a company with a strong financial strength rating.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

II. Sensitivity to insurance risk

The financial results of the company are primarily affected by the level of claims incurred relative to that implicit in the premiums. The assumptions used in the valuation of the outstanding claims provision and the liability adequacy test directly affect the level of estimated claims incurred. The key assumptions used are detailed in the accounting policies.

The scope of insurance risk is managed by the terms and conditions of the policy. The main insurance benefit replaces loss of earnings as a result of accident or sickness.

The level of benefits specified in the contract is a key determinant of the amount of future claims, although the exact level of claims is uncertain. Claim provisions are based largely on individual claim estimates, and with claims generally being recorded within a month of the event occurring, and with most claims being of short duration, the level of uncertainty in the outstanding claim provision and the IBNR is considerably reduced. However there remain some open claims, and their actual duration may vary from estimates.

The unexpired risk liability is based on historic claim loss ratios, with a risk margin, and compared to the unearned premium net of deferred acquisition costs. Loss ratios can be quite variable, and if the loss ratio increases then this will have a direct impact on the unexpired risk liability. A 10% increase in the loss ratio would increase the unexpired risk liability by approximately \$20,000.

III. Concentration of insurance risk

The Company transacts disability income protection insurance business in New Zealand. The Insurance risks are diversified within the insurance portfolio with lives insured spread across the country and across age bands. There is no significant exposure to individual large claims.

IV. Claim Development

Claim provisions at 31 March 2013:

Claim provisions at 31 March 2012 (net of reinsurance, administration and risk margins)	28,238
Additional amount incurred over the year in respect of prior year events	7,557
Cost of claims incurred on latest year's events (excluding administration and risk margins)	212,585
Less claims paid over the year net of insurance	<u>(174,592)</u>
Claim provisions at 31 March 2013 (net of reinsurance, administration and risk margins)	73,788

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

b. Financial risks

I. Credit risk

In the normal course of its business the Company incurs credit risk from its insurance operations and from investment in financial assets. There are no significant concentrations of credit risk.

II. Liquidity risk

The Company is exposed to daily calls on its available cash resources from claims and administration expenses. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. Management closely monitor the timing mismatch of cash flows and the related liquidity risk. The Company manages liquidity risk by ensuring loans are repaid on a timely basis and keeping significant funds on call to meet these requirements. Currently demands for funds are usually met through ongoing normal operations, premiums received and loan repayments in order for the Company to meet its solvency requirements.

c. Market risks

I. Interest risk

None of the assets or liabilities arising from insurance contracts entered into the Company are directly exposed to interest rate risk.

II FINANCIAL INSTRUMENTS BY CATEGORY

The analysis of financial assets and liabilities into their categories and classes is set out in the following tables.

Financial Assets	Loans and Receivables	Assets at fair value through the profit and loss	Total
As at 31 March 2013			
Cash and cash equivalents	507,183	-	507,183
Premium and other receivables	900,704	-	900,704
Other Receivables	18,273	-	18,273
Loans	930,006	-	930,006
Investments	-	12,000	12,000
	<u>2,356,166</u>	<u>12,000</u>	<u>2,368,166</u>
As at 31 March 2012			
Cash and cash equivalents	493,221	-	493,221
Premium and other receivables	873,760	-	873,760
Loans	1,003,003	-	1,003,003
Investments	-	12,000	12,000
	<u>2,369,984</u>	<u>12,000</u>	<u>2,381,984</u>

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

Financial Liabilities	Financial liabilities at amortised cost	Total
As at 31 March 2013		
Liabilities		
Trade and other payables	29,866	29,866
Employee Entitlements	27,887	27,887
Total financial liabilities	<u>57,753</u>	<u>57,753</u>
As at 31 March 2012		
Liabilities		
Trade and other payables	85,698	85,698
Employee Entitlements	16,915	16,915
Other payables	23,314	23,314
Total financial liabilities	<u>125,927</u>	<u>125,927</u>

17 SHARE CAPITAL

	2013	2012
Opening balance of ordinary shares issued	2	2
Movement	-	-
Closing balance of ordinary shares issued	<u>2</u>	<u>2</u>
Comprising:		
A Ordinary Shares	1	1
B Ordinary Shares	<u>1</u>	<u>1</u>
	<u>2</u>	<u>2</u>

Share Capital is 1 A Share with paid up capital of \$650,000 and 1 B Share with paid up capital of \$100,000, a total of \$750,000 paid up capital.

Unpaid shares are eligible to vote at a meeting of an interest group and not a meeting of members. Paid up shares are entitled to 1 vote at any meeting of members. No shares are eligible to receive dividends or distributions upon liquidation of the company.

18 RESERVES

	2013	2012
Capital Reserve		
Capital Reserve (Mutual Insurance Company)	148,400	148,400
Capital distribution received	427	427
	<u>148,827</u>	<u>148,827</u>

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

Nature and purpose of reserves

(i) Capital Reserve (Mutual Insurance Company)

The capital reserve relates to the excess of assets over liabilities taken over from the Mutual Insurance Company during the year to 30 June 1993.

(ii) Capital Distribution

The capital distribution relates to the distribution of trust capital by the Auckland Energy Consumer Trust in March 2001.

19 RETAINED EARNINGS

	2013	2012
Balance at 1 April	602,404	654,895
Net profit for the year	(118,533)	(52,491)
Balance at 31 March	<u>483,870</u>	<u>602,404</u>

20 CAPITAL MANAGEMENT

The Company's capital includes share capital and retained earnings.

The Company's policy is to maintain a strong capital base so as to maintain member confidence, meet regulatory requirements and to sustain future support to members in providing insurance and loan requirements.

The amount of capital and equity that is retained for the purpose of financial soundness is all of the amounts as shown in notes 17,18 and 19. The basis for establishing that amount is related to the nature of the company structure.

The Company's policies in respect of capital management are reviewed regularly by the Board of Directors. There have been no material changes in the Company's management of capital during the period.

The Company was required to deposit \$12,000 with the Public Trustee under the Insurance Companies' Deposits Act 1953 (Note 12). This requirement will no longer be required after balance as the act was repealed effective 7 March 2012).

From 31 December 2012, the Company was required to maintain a solvency margin of \$0 for each statutory fund, i.e. from this date actual solvency capital as determined under the solvency standard should be at or above the minimum solvency capital level.

	2013	2012
Actual solvency capital	1,382,697	1,501,230
Minimum solvency capital	364,926	290,006
Solvency margin	<u>1,017,771</u>	<u>1,211,224</u>

During the year ended 31 March 2013 the Company complied with all externally imposed capital requirements.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

21 CONTINGENT LIABILITIES

The company had no contingent liabilities at balance date (2011: nil).

22 CAPITAL COMMITMENTS

(a) Operating Lease commitments

	2013	2012
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	31,840	30,652
Later than one year but not later than five years	62,888	91,956
	<u>94,728</u>	<u>122,608</u>

The company leases premises and office equipment.

(b) Contractual Commitments

The company has not entered into any contracts for the acquisition of property, plant and equipment.

23 RELATED PARTY TRANSACTIONS

Transactions with Directors

(a) Policy Transactions

All of the directors of the Company have held policies with the Company. These policies have been taken out on normal contractual terms and on an arms length basis.

(b) Loans

Dr E Collins had 2 loans with the company along normal lending terms during the 2013 year. These loans are secured over directors' motor vehicle, boat and personal guarantee. Interest was charged at 6.99% on a \$15,000 loan advanced on 17 March 2011 over 36 months with another loan of \$35,000 taken out on 26 September 2012 for a period of 36 months at 6.85%. The loan of \$15,000 was settled during the 2013 year.

	2013	2012
Loan Balance	29,683	10,824
Interest received on the loans	1,519	918

No related party debts were forgiven or written off during the year.

NEW ZEALAND DENTAL INSURANCE SOCIETY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2013

24 CREDIT RATING

The company is not required to have a credit rating.

25 EVENTS OCCURRING AFTER BALANCE DATE

There have been no events occurring after balance that would have an impact on the financial statements.

26 ACTUARIAL REPORT

The effective date of the actuarial report on the insurance liabilities is at 31 March 2013. The actuarial report was prepared by Peter Davies (a Fellow of the Institute of Actuaries of NZ) of Davies Financial & Actuarial Limited. Davies Financial & Actuarial Limited are satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. In the actuary's opinion the insurance liabilities have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standard (NZ IFRS 4 Insurance Contracts, specifically Appendix D) and the NZ Society of Actuaries Professional Standard No 4: General Insurance Business, of the New Zealand Society of Actuaries. There were no qualifications contained in the actuarial report.

The key assumptions are as follows:

a. Liability adequacy test

- Retained claims: 30% of gross premium
- Reinsurance costs : 46% of gross premium
- Administration and commission: 23% of gross premium
- Risk margin: 17.5% of retained claims

b. Outstanding Claims Provision

- Claim continuance rates: per company experience
- Claim management costs: 20% of gross claim payments

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of New Zealand Dental Insurance Society Limited

Report on the Financial Statements

We have audited the financial statements of New Zealand Dental Insurance Society Limited on pages 3 to 26 which comprise the statement of financial position as at 31 March 2013, the statement of comprehensive income, and statement of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Director's Responsibility for the Financial Statements

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate; this includes the design, implementation and maintenance of internal control relevant to 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 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 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 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, the company.

Opinion

In our opinion, the financial statements on pages 3 to 26:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of New Zealand Dental Insurance Society Limited as at 31 March 2013 and the results of its operations for the year ended on that date.

Report on Other Legal and Regulatory Requirements

Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 require us to comment on whether we have obtained all the information and explanations that we have required from New Zealand Dental Insurance Society Limited, and whether we consider that appropriate accounting records have been kept.

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by the company as far as appears from our examination of those records.

Crowe Horwath

Crowe Horwath New Zealand Partnership
(formerly WHK New Zealand Audit Partnership)
CHARTERED ACCOUNTANTS

8 July 2013