POLICE HEALTH PLAN LIMITED
FINANCIAL STATEMENTS
30 June 2016

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DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2016

In respect of the financial year ended 30 June 2016 the Directors of Police Health Plan Limited submit the following report

With the unanimous agreement of all shareholders, the Company has taken advantage of the reporting concessions available to it under section 211(3) of the Companies Act 1993.

DIRECTORS

Name	*Date of Appointment*	*Name*	*Date of Appointment*
Maurice Cummings	20/09/2011	Anthony Price	16/09/2014
Emmet Lynch	13/07/2011	Luke Shadbolt	16/04/2011
Michael McRandle	16/09/2014	Ralph Stewart	01/09/2014
Gregory O'Conner	18/01/1996		

PRINCIPAL ACTIVITIES OF THE COMPANY

The principal activity of Police Health Plan Limited is a provider of health insurance

RESULTS FOR THE YEAR

The surplus for the year was $6,258,626 (2014: 3,408,925)

DIRECTORS INTERESTS IN CONTRACTS

Ralph Stewart (director of Police Health Plan) is also a director/shareholder of Stewart Capital Limited to which $21,994 was paid during the year for a membership analysis (2014: nil).

AUDITORS

BDO Wellington has indicated their willingness to continue as auditor for the next financial year

DIRECTORS' INSURANCE

Police Health Plan have arranged policies of director's liability insurance, which together with a deed of indemnity, ensure that directors will incur no monetary loss as a result of actions undertaken by them as directors provided they operate within the law

DIRECTORS BENEFITS

Name	*Total remuneration and other benefits*
Maurice Cummings	nil
Emmet Lynch	nil
Michael McRandle	nil
Gregory O'Conner	$28,514
Anthony Price	nil
Luke Shadbolt	nil
Ralph Stewart	$22,158

For and on behalf of the Board

Director: ....

Director: ....

20 September 2016

POLICE HEALTH PLAN LIMITED
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
UNDERWRITING ACTIVITIES (EXCHANGE TRANSACTIONS)		$	$
Premium Revenue		31,705,299	31,474,087
Net Claims Expense	2	30,310,059	25,636,112
UNDERWRITING SURPLUS		1,395,240	5,837,975
REVENUE FROM EXCHANGE TRANSACTIONS			
Investment Income	3	1,087,182	1,884,891
TOTAL REVENUE		2,482,422	7,722,866
EXPENDITURE			
Depreciation and Amortisation		51,318	41,435
Administration - Other		56,639	27,395
Administration - IT		74,256	79,426
Audit Fees	11	39,945	30,404
Professional Fees		199,328	132,684
Property & Premise Expenses		456,301	48,000
Staff Costs	12	602,741	591,617
Communications Expenses		201,804	251,963
District, Regional & Board Expenses		19,195	6,000
Finance Expenses		37,475	38,667
Members Services		31,705	21,701
TOTAL EXPENDITURE		1,770,707	1,269,292
SURPLUS/(DEFICIT) BEFORE INCOME TAX		$711,715	$6,453,574
Income Tax Expense			-
SURPLUS/(DEFICIT) FOR THE YEAR		$711,715	$6,453,574
OTHER COMPREHENSIVE REVENUE AND EXPENSE			
Fair Value Movement in Investment Share Reserve		-	(306,952)
Fair Value Movement in Investment Reserve		85,645	112,004
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		$797,360	$6,258,626

POLICE HEALTH PLAN LIMITED
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEAR ENDED 30 JUNE 2016

	Accumulated Revenue and Expense	Share Capital	Shares FV Reserve	Investment Reserve	Total Equity
2016					
Opening balance at 1 July 2015	29,568,789	1,000	-	195,983	29,765,772
Total Comprehensive Revenue and Expense	711,715	-	-	85,645	797,360
Closing balance 30 June 2016	30,280,504	1,000	-	281,628	30,563,132
2015					
Opening balance at 1 July 2014	23,115,215	1,000	306,952	83,979	23,507,146
Total Comprehensive Revenue and Expense	6,453,574	-	(306,952)	112,004	6,258,626
Closing balance 30 June 2015	29,568,789	1,000	-	195,983	29,765,772

POLICE HEALTH PLAN LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016

	Note	2016	2015
CURRENT ASSETS			
Trade & Other Receivables from exchange transactions	9	272,844	145,389
Cash and Cash Equivalents	9, 10	19,301,278	31,421,161
Current Investments	4, 9	16,393,789	2,751,266
		35,967,911	34,317,816
NON-CURRENT ASSETS			
Non-current Investments	4, 9	766,325	1,243,465
Property Plant & Equipment	5	23,245	605
Intangibles	5	381,817	394,999
		1,171,387	1,639,069
TOTAL ASSETS		$ 37,139,298	$ 35,956,885
CURRENT LIABILITIES			
Trade & Other Payables under exchange transactions	9	69,278	24,855
Employee Benefits		57,885	59,258
Provision for Claims	6	5,179,000	4,875,000
Unexpired Premiums Received	6	1,049,003	1,115,214
Provision for Unexpired Risk	6	221,000	116,786
		6,576,166	6,191,113
NET ASSETS/EQUITY			
Accumulated Revenue and Expense		30,280,504	29,568,789
Share Capital	8	1,000	1,000
Investment Shares Fair Value Reserve	8	-	-
Investment Reserve	8	281,628	195,983
TOTAL NET ASSETS/EQUITY		30,563,132	29,765,772
TOTAL NET ASSETS/EQUITY AND LIABILITIES		$ 37,139,298	$ 35,956,885

For and on behalf of the Board

Director

Director

20 September 2016
Date

POLICE HEALTH PLAN LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016

	Note	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Was Provided From:			
- Premiums From Customers		31,752,456	32,419,910
- Interest Received		874,841	1,107,886
		32,627,297	33,527,796
Cash Was Applied To:			
- Payments of Claims		30,006,059	27,088,702
- Payments to Suppliers and Employees		1,676,219	1,201,393
		31,682,278	28,290,095
NET CASH FLOWS FROM OPERATING ACTIVITIES	17	945,019	5,237,701
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Was Provided From:			
- Proceeds from disposal of Shares		-	1,251,031
- Proceeds from Government Stock Maturing		-	500,000
		-	1,751,031
Cash Was Applied To:			
-Purchase of PPE and Intangibles		64,902	126,603
-Purchase of Investments		13,000,000	-
		13,064,902	126,603
NET CASH FLOWS FROM INVESTING ACTIVITIES		(13,064,902)	1,624,428
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(12,119,883)	6,862,129
Opening Cash and Cash Equivalents		31,421,161	24,559,032
CLOSING CASH AND CASH EQUIVALENTS		19,301,278	31,421,161

REPORTING ENTITY

Police Health Plan Limited (the "Company") is a Company incorporated and domiciled in New Zealand, registered under the Companies Act 1993.
The Company provides health insurance to members of the New Zealand Police and their families.
The financial statements are those of the Company for the year ended 30 June 2016. The financial statements were authorised for issue by the directors on 20 September 2016.
The registered office is level 11 Willbank House, 57 Willis Street, Wellington.
The Company is a public benefit entity as its primary objective is to provide health insurance to members of the New Zealand Police.
The Company is a subsidiary of Police Welfare Fund Limited and is part of New Zealand Police Association Group. Its equity has been provided in order to serve this primary objective rather than for a financial return to equity holders.
The Company is an FMC Reporting Entity for the purposes of the Financial Markets Conduct Act 2013.
The financial report is a general purpose financial report which has been prepared in accordance with the Financial Reporting Act 2013.
The Company is required to be fully licensed under section 19 of the Insurance (Prudential Supervision) Act 2010. The Company was licensed by the Reserve Bank of New Zealand on the 7th of May 2013

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with the Public Benefit Entity Accounting Standards ("PBE Standards"), as appropriate for Tier 1 not-for-profit public benefit entities.

This is the Company's first set of financial statements presented in accordance with PBE Standards. There has been no impact on the numbers presented for the 2015 year as a result of the change in framework.

BASIS OF MEASUREMENT

The financial statements are prepared on both historical cost and fair value basis, as disclosed in the accounting policies below.

FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in New Zealand Dollars, rounded to the nearest dollar.

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:

- **Note 6: Insurance contract liabilities**
- **Note 7: Actuarial information**

The accounting policies set out below have been applied consistently by the Company to all periods presented in these financial statments.

NOTE 1. STATEMENT OF ACCOUNTING POLICIES

(i) REVENUE RECOGNITION

Revenue is recognised on an accruals basis only when the amount thereof can be determined accurately and when the significant risks and rewards have passed to the members.

Revenue from exchange transactions

Premiums

Health Plan premiums are recognised from the attachment date being the date on which the insurer accept the risk of the insured and is spread over the period of the insurance cover. Premiums are paid in advance and accordingly at reporting date, the advance portion is recorded in the statement of financial position as an Unearned Premium Liability.

Investment income

Investment income is interest accrued on bonds and short-term deposits held. It is recognised at the coupon record date, which is when the entity's right to receive payment is established.

(ii) PROPERTY, PLANT & EQUIPMENT

Property, Plant & Equipment are recognised at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are added to the carrying amount of an item of Property, Plant & Equipment when that cost is incurred if it is probable that the future economic benefits will flow to the Company and the cost can be reliably measured.
Depreciation is calculated using the straight line method to allocate the assets cost or revalued amounts, net of any residual amounts, over their useful lives. The assets' useful lives, residual values and depreciation methods are reviewed and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if it is considered that the carrying amount is greater than its recoverable amount. Depreciation rates are consistent with the previous period

Category	Useful Economic Life	Valuation Method
Furniture and Fittings	5-10 Years	Cost
Computer Hardware	2-3 Years	Cost

(iii) EXTERNALLY ACQUIRED INTANGIBLES

Externally acquired intangible assets are initially recognised at cost and subsequently amortised on a straight-line basis over their useful economic lives less any impairment. The assets useful lives residual values and depreciaiton methods are reviewed and adjusted if appropriate at each reporting date. The significant intangibles recognised by the Group, their useful economic lives and the methods used to determine the cost of intangibles acquired in a business combination are as follows:

Intangible Asset	Useful Economic Life	Valuation Method
Blueline 360 CRM System	10 Years	Cost
Other Computer Software	2-4 Years	Cost

(iv) INCOME TAX

The Company is a Sickness, Accident & Death Benefit Fund and is exempt from income tax under section CZ18 of the Income Tax Act 2007.

(v) FINANCIAL INSTRUMENTS

Financial Assets

The Group classifies its financial assets in the following categories: loans and receivables, held to maturity, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans & Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents. Loans and Receivables are initially measured at cost plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method less any impairment losses.

(b) Held to Maturity

The Group have term deposits which are to be held until maturity. Held to maturity investments are initially measured at cost plus directly attributable transaction cost and subsequently measured at amortised cost using the effective interest method less any impairment losses.

(c) Available for Sale

Financial assets classified as available for sale comprise of financial assets that are either not classified in any other category or designated on initial recognition as available for sale. A financial asset is classified in this category if acquired principally for the purpose of investment. Assets classified as available for sale are measured at initial recognition at fair value plus directly attributable transaction costs. Subsequently they are measured at fair value with gains or losses recognised in other comprehensive revenue and expense and presented in the AFS fair value reserve within net assets/equity, less impairment.

(d) Impairment

Financial assets, are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that the estimated future cash flows of the asset have been impacted as a result of one or more events that occurred after the initial recognition of the financial asset.

(d) Impairment (continued)

For financial assets carried at amortised cost, the amount of the impairment is the difference between the assets' carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate.
For all financial assets, other than trade receivables, the carrying amount is reduced by the impairment loss directly. For trade receivables the carrying amount is reduced via an allowance account, against which an uncollectible trade receivable is written off.
A trade receivable is deemed to be uncollectible upon notification of insolvency of the debtor or upon receipt of similar evidence that the Group will be unable to collect the amount. Changes in the carrying amount of the allowance account are recognised in the Statement of Comprehensive Revenue and Expense. A previously recognised impairment loss is reversed when, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was initially recognised. In respect of financial assets carried at amortised cost, with the exception of trade receivables, the impairment loss is reversed through the Statement of Comprehensive Revenue and Expense to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised. Subsequent recoveries of trade receivables previously written off are credited against the allowance account.

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in net assets/equity to surplus or deficit. The cumulative loss that is reclassified from net assets/equity to surplus or deficit is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in surplus or deficit.
Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-forsale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive revenue and expense.

Financial Liabilities

Trade payables and other short-term monetary liabilities, which are initially recognised at fair value plus directly attributable transaction costs and subsequently carried at amortised cost using the effective interest method.

(vi) EMPLOYEE BENEFITS

Defined contribution pension plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in statement of comprehensive revenue and expense as incurred.

Short Term Employee Benefits Liability

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 in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled on an undiscounted basis.

Long service and Retirement leave

The Company's net obligation in respect of long service and retirement leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The long service leave obligation is made up of actual untaken service leave at balance date plus 50% of future entitlements for staff who will become entitled to long service leave within the next 12 months.

Sick leave

Sick leave is expensed as incurred unless accumulated sick leave likely to be taken exceeds current entitlements. To the extent that sick leave likely to be taken exceeds current entitlements a liability is recognised.

(vii) GOODS & SERVICES TAX (GST)

The Statement of Comprehensive Revenue and Expense has been prepared so that all components are stated exclusive of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

(viii) IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment tests on non-financial assets with indefinite useful economic lives are undertaken annually at the financial year end. Other \non-financial assets are subject to impairment tests whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount (i.e. the higher of value in use and fair value less costs to sell), the asset is written down accordingly.
Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets to which it belongs for which there are separately identifiable cash flows; its cash generating units ('CGUs'). Impairment charges are included in the surplus or deficit, except to the extent they reverse gains previously recognised in other comprehensive revenue and expense.

(ix) 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 health insurance policies provided to members are insurance contracts.

(x) NET CLAIMS EXPENSE
The net claims expense represents payments made net of ACC recoveries on claims and the movements in the outstanding claims and unexpired risk provisions (as described below).

(xi) PROVISION FOR CLAIMS
The liability for outstanding claims comprises claims incurred but not settled at the reporting date, whether reported or not. A central estimate is made of claims reported but not paid, claims incurred but not reported and claims incurred but not adequately reported. The claims provision includes expected claim payments plus associated claims handling costs. In addition a risk margin is added to reflect the inherent uncertainty in the estimates of claims.

(xii) ACQUISITION COSTS
Acquisition costs are those incurred in acquiring and recording insurance contracts that will give rise to future benefits from premiums. The Company's acquisition costs do not directly relate to future premium revenue and so are immediately expensed.

(xiii) 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 expense 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 Statement of Comprehensive Revenue and Expense after first writing down any deferred acquisition costs. The deficiency in excess of deferred acquisition costs is recognised in the Statement of Financial Position as an unexpired risk provision.

(xiv) CHANGES IN ACCOUNTING POLICIES
There have been no changes in accounting policy that materially effect the financial statements. All accounting policies have been applied on a consistent basis with the prior year.

(xv) FINANCIAL REPORTING STANDARDS APPROVED BUT NOT YET EFFECTIVE
The following new or amended standards and interpretations, which are applicable to the Group, are not yet effective for the year ended 30 June 2016 and have not been applied in preparing these financial statements: Disclosure initiative amendments to PBE IPSAS 1.

NOTE 2. CLAIMS EXPENSE	2016	2015
Claims incurred relating to risks borne in current financial year	30,179,721	26,171,987
Claims previously recognised relating to risks borne in current financial year	207,338	(330,875)
Movement in provision for claims handling costs	11,000	(36,000)
Movement in provision for ACC recoveries	(116,000)	(130,000)
Movement in risk margin	28,000	(139,000)
Net Claims incurred	30,310,059	25,536,112
Movement in Provision for Unexpired Risk	-	100,000
	30,310,059	25,636,112

NOTE 3. INVESTMENT INCOME	2016	2015
Available for Sale Financial Assets		
Interest Income from Investment Bonds	95,058	17,860
Dividend Income	-	23,576
Realised Gains	-	652,037
Held to Maturity Financial Assets		
Interest Income from Term Deposits	992,124	1,191,418
Total Investment Income	1,087,182	1,884,891

POLICE HEALTH PLAN LIMITED
NOTES FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

NOTE 4. INVESTMENTS

	2016	2015
Available-for-sale		
Investment Bonds	**4,160,114**	**3,994,731**
	4,160,114	3,994,731
Held to Maturity Financial Assets		
Term deposits	13,000,000	-
	13,000,000	-
	17,160,114	3,994,731
Current assets	16,393,789	2,751,266
Non-current assets	766,325	1,243,465
	17,160,114	3,994,731

NOTE 5. PROPERTY, PLANT & EQUIPMENT & INTANGIBLES

	Property, Plant and Equipment			**Intangibles**
2016	*Furniture & Fittings*	*Computer Hardware*	*Total*	*Computer Software*
Cost:				
Opening	6,624	13,327	19,951	470,391
Purchases	20,448	5,075	25,523	35,300
Disposals	3,627	3,399	7,026	-
Closing	23,445	15,003	38,448	505,691
Accumulated Depreciation and Impairment:				
Opening	6,018	13,327	19,345	75,393
Depreciation/Amortisation Expense	1,146	1,692	2,838	48,481
Disposals	3,581	3,399	6,980	-
Closing	3,583	11,620	15,203	123,874
Book Value				
Opening	606	-	606	394,998
Closing	19,862	3,383	23,245	381,817

	Property, Plant and Equipment			**Intangibles**
2015	*Furniture & Fittings*	*Computer Hardware*	*Total*	*Computer Software*
Cost:				
Opening	6,624	13,327	19,951	343,788
Purchases	-	-	-	126,603
Disposals	-	-	-	-
Closing	6,624	13,327	19,951	470,391
Accumulated Depreciation and Impairment:				
Opening	5,680	13,327	19,007	34,296
Depreciation/Amortisation Expense	338	-	338	41,097
Disposals	-	-	-	-
Closing	6,018	13,327	19,345	75,393
Book Value				
Opening	944	-	944	309,492
Closing	606	-	606	394,998

NOTE 6. INSURANCE CONTRACT LIABILITIES

	2016	2015
Provision for claims (refer note 6a)	5,179,000	4,875,000
Unearned premium liability (refer note 6c)	1,049,003	1,115,000
Provision for unexpired risk (refer note 6d)	221,000	117,000
	6,449,003	6,107,000
Assets backing insurance contract liabilites	29,900,000	28,200,000

Police Health Plan hold a number of short term bank deposits as security over their insurance liabilities.
The carrying value of investments that back general insurance liabilities approximates the fair value of these assets.
Assets backing insurance liabilities have been determined as term deposits due to the similar nature of their contractual terms.

Note 6a Provision for outstanding claims	2016	2015
Central estimate of outstanding claims liability	5,170,000	4,789,000
Claims handling costs	155,000	144,000
ACC Recoveries	(616,000)	(500,000)
Risk margin	470,000	442,000
Closing balance	5,179,000	4,875,000

Note 6b Reconciliation of movement in provision for claims	2016	2015
Opening balance	4,875,000	6,388,000
Amounts utitlised during the year	(4,996,338)	(5,666,125)
Movement in ACC Recoveries	(116,000)	(130,000)
Movement in Risk margin	28,000	(139,000)
Movement in Claims Handling Costs	11,000	(36,000)
Amounts provided during the year	5,377,338	4,458,125
Closing balance	5,179,000	4,875,000

Note 6c Reconciliation of movement in unearned premiums liability	2016	2015
Opening balance	1,115,000	159,000
Premiums written during year	31,639,302	(30,518,088)
Premiums earned during year	(31,705,299)	31,474,088
Closing balance	1,049,003	1,115,000

Note 6d Provision for unexpired risk

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 Statement of Comprehensive Revenue and Expense. The deficiency is recognised in the statements of financial position as an unexpired risk provision.

Provision for Unexpired Risk	2016	2015
Expected future cashflows for claims and expenses	1,081,003	1,049,000
Risk margin	189,000	183,000
Less Unearned Premium	(1,049,003)	(1,115,000)
Closing Balance	221,000	117,000

Reconciliation of movement in provision for unexpired risk	2016	2015
Opening Balance	117,000	17,000
Reversal of Opening Balance	(117,000)	(17,000)
Net liability for unexpired risk recognised during the year	32,000	(66,000)
Risk Margin	189,000	183,000
Closing Balance	221,000	117,000

NOTE 7. ACTUARIAL INFORMATION

The estimate of outstanding claims as at 30 June 2016 has been determined by Charles Cahn FIAA, a Fellow of the New Zealand Society of Actuaries and was presented to the directors of the Company in a report dated 5 August 2016. There were no qualifications to the report. The calculation of the provision for outstanding claims complies with both PBE IFRS 4: Insurance Contracts, and the Professional Standard No. 4: General Insurance Business, of the New Zealand Society of Actuaries. The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the provision.

Outstanding claims liability

Outstanding claims liabilities are measured as the central estimate of the present value of expected future payments for claims incurred but not settled at 30 June 2016, whether reported or not, together with related claims handling costs and an additional risk margin to allow for the inherent uncertainty in the central claims estimate. The central estimate of the outstanding claims has been calculated using historical experience to determine the pattern of claims development.

The central estimate used the Adjusted Chain Ladder method with a the Past Actual Outstanding Claims Liabilities method used for a reasonableness check.

Estimation of outstanding claims liabilities includes an allowance for claims incurred but not reported, claims incurred but not adequately reported, unpaid reported claims and future claims handling costs associated with paying claims. An explicit allowance has been made for expected ACC recoveries.

A risk margin has been added to reflect the inherent uncertainty in the central estimate.
A risk margin of 10% of the central estimate was established at 30 June 2016 (30 June 2015: 10%). The risk margin was deemed appropriate by the actuary based on Australian Experience adjusted for New Zealand's slower run off patterns.

Key assumptions:

1. Future patterns of claims development will be similar to historical patterns.
2. ACC recoveries have been assumed to be 54% on claims outstanding. This includes an adjustment for success (81%), recovery (91%) and a management fee of 25%
3. A risk margin of 10% as described above

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. Claims handling costs were determined to be approximately 3% (30 June 2015: 3%) of the underlying claims amounts based on an analysis of administration expenses.
As at 30 June 2016, the expected settlement date for claims included in the liability for outstanding claims is no more than 2 to 3 months for most claims (30 June 2015: no more than 2 to 3 months). Accordingly, expected future payments are not discounted due to the short term nature of the liabilities.

Unexpired risk provision and liability adequacy test

A liability adequacy test was performed to determine whether the unearned premium liability is adequate to cover the present value of the expected future cash flows arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The future cash flows are future claims, associated claims handling costs and other administration costs relating to the business.
If the present value of the expected future cash flows plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs then the unearned premium liability is deemed to be deficient.
The unexpired risk liability has been calculated as the projected premium deficiency for current in-force business until the next policy billing date on or after 12 July 2016.
The calculation of the risk margin has been based on an analysis of the volatility of historical claims experience within the time period covered by the unearned premiums. A risk margin of 17.5% of the present value of expected future cash flows has been applied at 30 June 2016 (30 June 2015: 17.5%). The risk margin was determined with the objective of achieving at least 75% probability of sufficiency of the unexpired risk liability.

Key assumptions:

1. Future patterns of claims development will be similar to historical patterns depending on the type of policy, type of claim and development month.
2. Monthly seasonality factors used for claims incurred. These were calculated from the 5 years' claims experience.
3. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. Claims handling costs were determined to be approximately 3% (30 June 2015: 3%) of the underlying claims amounts based on an analysis of administration expenses. No explicit allowance has been made for cancellations or transfers. These are allowed for implicitly in the inflation assumption. Expected future payments are not discounted due to the short tail nature of the liabilities.

NOTE 8. TOTAL EQUITY

	2016	2015
Share Capital		
Ordinary Shares @$1 Fully Paid	1,000	1,000
No shares have been issued or sold during the year		

Investment shares fair value reserve
This reserve records the movements in the fair value of share investments designated as available for sale financial assets.

Investment reserve
This reserve records the movements in the fair value of bond investments designated as available for sale financial assets.

NOTE 9. FINANCIAL INSTRUMENTS

The categories of financial assets and liabilities
The carrying amount of each of the following categories of financial assets and financial liabilities are as follows:

	2016		2015	
	Carrying Value	*Fair Value*	*Carrying Value*	*Fair Value*
Held to Maturity				
Term Deposits over 90 days	13,000,000	13,000,000	-	-
Short-term Deposits (90 days or less)	16,900,000	16,900,000	28,200,000	28,200,000
	29,900,000	29,900,000	28,200,000	28,200,000
Loans and receivables				
Cash at Bank	2,401,278	2,401,278	3,221,161	3,221,161
Trade receivables	272,844	272,844	145,388	145,388
	2,674,122	2,674,122	3,366,549	3,366,549
Available for Sale				
Investment Bonds	4,160,114	4,160,114	3,994,731	3,994,731
	4,160,114	4,160,114	3,994,731	3,994,731
Total Financial Assets	36,734,236	36,734,236	35,561,280	35,561,280
Financial liabilities at amortised cost				
Cash and cash equivalents	-	-	-	-
Sundry Creditors	69,278	69,278	24,855	24,855
Total Financial Liabilities	69,278	69,278	24,855	24,855

NOTE 10. RISK MANAGEMENT

The Company is exposed to a number of risks in the normal course of business. Primarily there are the risks associated with an underwriting insurance business (insurance risk). Other risks include financial risks (credit risk and liquidity risk), market risks (interest rate risk), underwriting and non-financial risks (operational risk and compliance risk). The Directors and management recognise the importance of having an effective risk management policy in place. The risks and any objectives, policies and procedures to manage these insurance and financial risks are described below:

a. Insurance risks
The Company assumes insurance risks through its health 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 Company 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.
- Claims management procedures to ensure the payment of claims is in accordance with policy conditions.
- Pricing strategy adopted by the Board which supports pricing based on underlying risk.
- Regular monitoring of financial and operating results.
- Maintaining a target solvency margin in excess of the minimum required by the draft Reserve Bank of New Zealand Solvency Standard for Non-life Insurance Business. The solvency margin ensures the Company is able to withstand a period of adverse insurance or investment experience and still maintain a satisfactory financial position.

(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 directly affect the level of estimated claims incurred. The key assumptions used are detailed in note 7.

The scope of insurance risk is managed to by the terms and conditions of the policy. The main insurance benefit involves the reimbursement of medical and surgical expenses depending upon the plan option.

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.
Other variables affecting the level of claims include the underlying morbidity of the lives insured, the nature of the treatment given and the costs of treatment.

(iii) Concentration of Insurance Risk

Management defines concentration of risk by type of insurance business and geographic region. The Company transacts health insurance business in New Zealand and, therefore, the concentration of risk by type of insurance and geographic region cannot be avoided. Insurance risks are well diversified within the heath insurance portfolio with claims costs spread across many different types of surgery and medicalevents. There is no significant exposure to individual large claims.

b. Credit risk

Credit risk is the risk of loss that arises from a counterparty failing to meet their contractual commitment in full and on time, or from losses arising from the change in value of a trading financial instrument as a result in changes in credit risk of that instrument.
The Company's exposure to credit risk is limited to deposits and investments held with banks and other financial institutions as well as credit exposure to trade customers or other counterparties. The Company maintains a credit policy which is used to manage the exposure to credit risk. Limits on counter-party exposures have been set and are monitored on an ongoing basis. In addition, the RBNZ has issued concentration risk limits, as part of its solvency standards.
The Company has no significant exposure to credit risk. The credit exposure in respect of the Company's cash balance is AA- and A+.

I. Credit Concentration Risk

Concentration of credit risk exists when the Company enters into contracts or financial instruments with counterparties that are engaged in similar business activities or exposed to similar economic factors that might affect their ability to meet contractual obligations.
The significant concentrations of credit risk are outlined by industry type below.

	2016	2015
Banks	19,301,278	31,421,161
Financial Institutions	17,160,114	3,994,731
Other non-investment related receivable	272,844	145,388
Total Financial Assets with Credit Exposure	36,734,236	35,561,280

II. Maximum Exposure to Credit Risk

The maximum exposure to credit risk at the end of the reporting period is the amount of financial assets stated in the statement of financial position. These exposures are net of any recognised allowance for impairment losses. The Company does not require any collateral or security to support financial assets due to the quality of the counter-party organisations.

III. Credit Quality of Financial Assets

The credit quality of investment counter parties is as follows:	2016	2015
AAA	-	98,365
AA	28,993,505	28,458,883
A	7,296,600	5,818,083
BBB	171,287	1,040,561
BB	-	-
Non-rated	272,844	145,389
	36,734,236	35,561,281

c. Liquidity risk

Financing and liquidity risk is the risk that the Group will not be able to meet its cash outflows, as they fall due, because of lack of liqiud assets or access to funding on acceptable terms. The Directors set limits on the minimum proposition of maturing funds available to meet such calls to cover claims and expenses at unexpected levels of demand.

I. Undiscounted Contractual maturities of Financial Assets and Financial Liabilities

2016	*Carrying Value*	*On Demand*	*Less than one year*	*One to Two Years*	*Two to four years*
Financial Assets					
Cash and cash equivalents	19,301,278	19,301,278	-	-	-
Term deposits over 90 days	13,000,000	-	13,000,000		
Trade receivables	272,844	-	272,844	-	-
Investment Bonds	4,160,114	1,025,959	2,367,830	200,000	566,325
Financial Liabilities					
Trade and Other Payables	69,278	-	69,278	-	-
Provision for Claims	5,179,000	-	5,179,000	-	-
2015					
Financial Assets					
Cash and cash equivalents	31,421,161	31,421,161	-	-	-
Trade receivables	145,389	-	145,389	-	-
Investment Bonds	3,994,731	785,752	1,965,514	476,721	766,744
Financial Liabilities					
Trade and Other Payables	24,855	-	24,855	-	-
Provision for Claims	4,875,000	-	4,875,000	-	-

d. Market risks

I. Foreign currency risks

At 30 June 2016, the Company had no assets or liabilities denominated in foreign currencies. (30 June 2015:nil). The Company does not enter into foreign currency transactions and so is not exposed to foreign currency risk.

II. Interest rate risk

The Company invests in both fixed and variable rate financial instruments such as bonds, and bank deposits. There is a risk that any movement in interest rates can have an effect on the profitability and cash flows of the Company. The Company maintains a spread of investment types and maturity profiles to mitigate this risk.

(i) Cash flow interest rate risk

The cash flows from the Company's cash and cash equivalents and short term deposits are susceptible to changes in interest rates. The following analysis shows the impact of a 1% movement in interest rates (2015: 1.75%). This sensitivity is consistent with that used in the companies disclosures to the Reserve Bank.

	2016	**2015**
Impact of increase in interest rates by 100 basis points on cash flows	333,272	493,500
Impact of decrease in interest rates by 100 basis points on cash flows	(333,272)	(493,500)

(ii) Fair value risk

The fair value of fixed rate investment bonds can fluctuate depending on changes in interest rates. Unrealised fair value changes are recognised in determining the total comprehensive revenue and expense in the Statements of Comprehensive Revenue and Expense for each period. The following analysis shows the impact of a 1% change in interest rates on the fair value of fixed rate investments (2015:1.75%).

	2016	**2015**
Impact of increase in interest rates by 100 basis points on investments	(47,226)	(55,362)
Impact of decrease in interest rates by 100 basis points on investments	47,226	49,542

(iii) Fair values of financial assets and financial liabilities

All financial assets and financial liabilities included in the Statement of Financial Position are carried at amounts that approximate fair value. The table below analyses financial assets measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

Definition of fair value hierarchy
Level 1: Valuation based on quoted market prices (unadjusted) in an active market.
Level 2: Valuation techniques based on observable data, either directly (as prices) or indirectly (derived from prices).
Level 3: Valuation techniques not based on observable market data.

2016	Level 1	Level 2	Level 3	Total
Investment Bonds	17,160,114	-	-	17,160,114
	17,160,114	-	-	17,160,114

2015	Level 1	Level 2	Level 3	Total
Investment Bonds	3,994,731	-	-	3,994,731
	3,994,731	-	-	3,994,731

The fair value of financial instruments traded in active markets is based on quoted market prices at the Statement of Financial Position date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in Level 1.

Note 11. AUDIT FEES

	2016	2015
Audit Fees	39,945	25,000
Other Fees Paid to Auditors (disclosed in professional fees)	3,411	5,404

Other fees paid to auditors relate to fees paid for the audit of the Company's solvency return as well as emergency accounting assistance provided in 2015 in respect to completion of 2014 cashflow statements, and assistance with the conversion to the PBE Standards.

Note 12. STAFF COSTS

	2016	2015
Salaries and Wages	571,421	556,671
Contributions to Defined Superannuation Schemes	16,140	21,235
Other Staff Costs	15,180	13,711
	602,741	591,617

NOTE 13. RELATED PARTIES

Members under the Police Services Group "umbrella" include New Zealand Police Association Inc and Subsidiaries (PA Frontline Limited and Blueline Premises Limited), Police Welfare Fund Limited and subsidiaries (including Police Welfare Fund Insurances Limited Police Welfare Fund Mortgages Limited, Police Welfare Fund General Insurances, Police Welfare Fund Nominees, New Zealand Police Centennial Trust. Police Health Plan is a wholly owned subsidiary of Police Welfare Fund Limited.

Police Health Plan Limited paid $456,300 (2015: $48,000) to Blueline Premises Limited during the year for the rental of part of 57 Willis Street.
During the year the New Zealand Police Association on-charged $169,200 (2015: $172,800) associated with Police Health Plan's representation in the Police News Magazine, the member website and social media.
No amounts owed by related parties have been written off or forgiven during the period.
The Company has a related party relationship with its directors and executive officers.

Transactions with Key Management personnel
Remuneration
The Group classifies its key management personnel into one of two classes:
· Members of the governing body
· Senior executive officers, responsible for reporting to the governing body
Members of the governing body are paid an annual fee of $1,500.
Senior executive officers are employed as employees of the Group, on normal employment terms.

The aggregate level of remuneration paid and number of persons (measured in 'people' for Members of the governing body, and 'full-time-equivalents' (FTE's) for Senior executive officers) in each class of key management personnel is presented below:

	2016		2015	
	Remuneration $	Number of individuals	Remuneration $	Number of individuals
Members of the governing body	9,001	6 People	7,349	6 People
Senior executive officers	156,717	0.6 FTE's	137,568	0.6 FTE's
	165,718		144,917	

Transactions with Directors
Ralph Stewart (director of Police Health Plan) is also a director/shareholder of Stewart Capital Limited to which $22,158 was paid during the year for Chairmanship and Professional advice (2015: $21,994).

NOTE 14. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS
There were no contingent liabilities as at reporting date (2015 nil). There were no capital commitments as at reporting date (2015 - nil).

NOTE 15. CREDIT RATING
On 6 May 2016 A.M. Best Co. assigned the Company a financial strength rating of A- (outlook implication Stable) and an issuer credit rating of a- (outlook implication Stable).

NOTE 16. SOLVENCY AND CAPITAL ADEQUACY
The Company is a not-for-profit organisation. As a consequence of its legal structure the Company has no recourse to external capital and therefore internally generated capital is of paramount importance. The Company's capital of $30.56 million (30 June 2015: $29.37 million) is equal to the reserves as disclosed in the financial statements.
The Directors' policy for managing capital is to have strong capital base to establish security for members and enable the Company to conduct its business whilst maintaining financial soundness.
The Company calculates its capital adequacy requirements using the Capital Adequacy Standard issued by The Reserve Bank of New Zealand for non life business Insurance under the Insurance (Prudential Supervision) Act 2011.
The Reserve Bank Capital Adequacy Standard has been constructed for the purpose of determining a minimum amount of capital required to support business plans and maintain financial soundness. Police Health Plan Limited are required to maintain the prescribed minimum amount of capital in order to retain their licensed insurer status.
A calculation at 30 June 2016 showed the Company had assets in excess of the level specified by the Reserve Bank of New Zealand Standard. Accordingly, the Directors consider the current level of capital is sufficient for the requirement of maintaining financial soundness

	2016	2015
Actual Solvency Capital	30,184,000	29,371,000
Minimum Solvency Capital	4,024,000	3,256,000
Solvency Margin	26,160,000	26,115,000
Solvency Ratio	7.50	9.02

NOTE 17. RECONCILIATION OF CASHFLOWS FROM OPERATING ACTIVITIES WITH NET SURPLUS AFTER TAX

	2016	2015
Net Surplus After Tax	$797,360	$6,258,626
Non Cash Items		
Fair Value Movements in Investments	(82,584)	(112,004)
Income in Investment Bonds	(101,925)	(134,669)
Gain on Sale	-	(345,085)
Effective Interest Rate Adjustment on Govt. Stock	-	12,140
Expense in Investment Bonds	15,321	15,688
Depreciation & Amortisation	51,138	41,435
	(118,050)	(522,495)
Movement in Working Capital Items		
(Increase) Decrease in Debtors	(119,344)	(28,630)
Increase (Decrease) in Employee Benefit Liability	(1,373)	(520)
Increase (Decrease) in Creditors	44,423	(12,280)
Increase (Decrease) in Claims Provision	304,000	(1,513,000)
Increase (Decrease) in Unexpired Premiums	(66,211)	956,000
Increase (Decrease) in Unexpired Risk	104,214	100,000
	265,709	(498,430)
Net Cash Inflow(Outflow) from Operating Activities	$945,019	$5,237,701

BDO WELLINGTON

INDEPENDENT AUDITOR'S REPORT
To the Shareholders of Police Health Plan Limited

Report on the Financial Statements
We have audited the financial statements of Police Health Plan Limited ("the Company") on pages 1 to 16 which comprise the statement of balance sheet as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Company's shareholders, as a body, in accordance with section 207B(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's 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 Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Public Benefit Entity Standards for Not-For-Profit entities 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 of financial statements that give a true and fair view of the matters to which they relate 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.

Other than in our capacity as auditors, we have no other relationship with or interests in the Company.

Opinion
In our opinion, the financial statements present fairly, in all material respects the financial position of the Company as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Public Benefit Entity Standards for Not-For-Profit entities.

BDO Wellington

BDO Wellington
20 September 2016
Wellington
New Zealand

Police Health Plan

Review of Actuarial Information In, or Used In Preparation of, the Financial Statements at 30 June 2016

This report is to provide certain information and certification as required under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010 (the Act). This information is actuarial information in, or used in the preparation of, the financial statements as at 30 June 2016 of the Police Health Plan (the Plan).

I have provided a "Valuation Report" dated 25 August 2016, which contains detailed advice on actuarial information for the financial statements,

The Solvency Standard for Non-life Insurance Business issued under the Act (the Standard) specifies which is actuarial information.

I have reviewed the following actuarial information:

- The Provision for Unexpired Risk (which, together with Unexpired Premiums Received, is referred to in the Standard as Premium Liabilities).
- The Provision for Claims (referred to in the Standard as the Net Outstanding Claims Liability).
- Note 7 to the financial statements containing a description of the method and assumptions used in the calculation of the Provision for Claims and Provision for Unexpired Risk.

The Plan has no reinsurance and no deferred acquisition costs or fee revenue assets.

I can advise as follows:

- There were no limitations or restrictions placed on me in carrying out this work, and I have obtained all the information and explanation that I required.
- My relationship with or interest in the Plan is limited to that of Appointed Actuary.
- It is the Plan's established policy to seek my advice on actuarial information and to adopt my advice in the financial statements.
- The actuarial information provided by me has been prepared in accordance with the New Zealand Equivalent of International Financial Reporting Standard 4, and Professional Standard 30 of the New Zealand Society of Actuaries
- The actuarial information contained in, and used in the preparation of, the financial statements has been appropriately included and used.
- In my opinion, and from an actuarial perspective, the Plan is maintaining, at the balance date, the solvency margin as required under the Act.

Charles Cahn
FIAA FNZSA
Appointed Actuary

28 September 2016