



New Zealand Medical Professionals Limited

Financial report

For the year ended 31 March 2021

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NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

COMPANY DIRECTORY

Company number:	1003859	
Nature of business:	Provides medical malpractice indemnity insurance to medical practitioners and health professionals	
Registered office:	Unit E, Building 3 195 Main Highway, Ellerslie Auckland, 1051 New Zealand	
Address for service:	Unit E, Building 3 195 Main Highway, Ellerslie Auckland, 1051 New Zealand	
Directors:	Anthony Gerard Driscoll Deborah Margaret Powell Tanya Shirley Washer David John Francis Leather John Harvey Blair Dennis Neil Michael Dixon-Mclver Resigned 27 May 2020	
Shareholders:	Terrence Rex Powell	375 ordinary shares
	Deborah Margaret Powell	375 ordinary shares
	New Zealand Resident Doctors Association	150 ordinary shares
	Dennis Neil Michael Dixon-Mclver	100 ordinary shares
Auditors:	Baker Tilly Staples Rodway Auckland	
Bankers:	ASB Bank Limited Auckland	
Legal counsel:	Bill Manning Level 3, Victoria House, 23 Victoria Street East Auckland Mark Kelly Level 3, Victoria House, 23 Victoria Street East Auckland Parker Cowan Studio E. Shotover Ridge Business Park Glenda Drive, Frankton Health Professional Legal Services Limited PO Box 4122 Highfield, Timaru	

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

DIRECTORS' REPORT

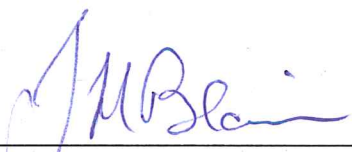
In accordance with Section 211 (3) of the Companies Act 1993, the shareholders unanimously agree not to make the disclosures set out in Section 211 (1)(a) and Section 211 (1)(e) to (g) in the annual report.

The business of the Company is to provide medical malpractice indemnity insurance to medical practitioners and health professionals.

The nature of the Company's business has not changed during the period.

Signed on behalf of the Board of Directors dated 27 July 2021.

Director:



John Blair

Director:



David Leather

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2021

	Note	12 months to 31 March 2021 \$	12 months to 31 March 2020 \$
Revenue and other income			
Premium income	5	2,362,475	2,159,344
Investment income	5	460,200	1,868
Other income	5	29,684	92,696
Total revenue		<u>2,852,359</u>	<u>2,253,908</u>
Less: expenses			
Claims expense	17	(743,237)	(913,285)
Claims management expense	15	(83,847)	(95,217)
Reinsurance expense		(92,500)	(87,500)
Administrative expenses	6	(384,433)	(356,717)
Management fees		(176,263)	(163,763)
Total expenses		<u>(1,480,280)</u>	<u>(1,616,482)</u>
Net movement in insurance contract liabilities	12	<u>(132,000)</u>	<u>(302,000)</u>
Net profit before income tax		<u>1,240,079</u>	<u>335,426</u>
Income tax expense	7	<u>(333,343)</u>	<u>(136,701)</u>
Net profit after income tax		<u>906,736</u>	<u>198,725</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income		<u>906,736</u>	<u>198,725</u>

The accompanying notes form part of these financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2021**

	Contributed equity \$	Retained earnings \$	Total
Balance as at 1 April 2019	1,000	4,061,508	4,062,508
Profit for the period	-	198,725	198,725
Total comprehensive income for the period	<u>-</u>	<u>198,725</u>	<u>198,725</u>
Transactions with owners in their capacity as owners:			
Dividends	<u>-</u>	<u>(531,365)</u>	<u>(531,365)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>(531,365)</u>	<u>(531,365)</u>
Balance as at 31 March 2020	<u>1,000</u>	<u>3,728,868</u>	<u>3,729,868</u>
Balance as at 1 April 2020	1,000	3,728,868	3,729,868
Profit for the period	-	906,736	906,736
Total comprehensive income for the period	<u>-</u>	<u>906,736</u>	<u>906,736</u>
Transactions with owners in their capacity as owners:			
Dividends	<u>-</u>	<u>(212,546)</u>	<u>(212,546)</u>
Total transactions with owners in their capacity as owners	<u>-</u>	<u>(212,546)</u>	<u>(212,546)</u>
Balance as at 31 March 2021	<u>1,000</u>	<u>4,423,058</u>	<u>4,424,058</u>

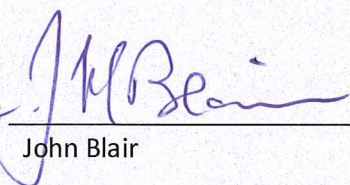
The accompanying notes form part of these financial statements.


NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2021

	Note	31 March 2021 \$	31 March 2020 \$
Current assets			
Cash and cash equivalents		747,934	565,999
Receivables	9	1,232,997	1,395,348
Other financial assets	10	6,323,737	5,046,366
Current tax assets		-	56,362
Total current assets		<u>8,304,668</u>	<u>7,064,075</u>
Noncurrent assets			
Receivables	9	44,530	71,982
Deferred tax assets	7	32,504	26,867
Total noncurrent assets		<u>77,034</u>	<u>98,849</u>
Total assets		<u>8,381,702</u>	<u>7,162,924</u>
Current liabilities			
Payables	11	214,686	293,812
Insurance contract liabilities	12	3,507,795	3,139,244
Current tax liabilities		235,163	-
Total current liabilities		<u>3,957,644</u>	<u>3,433,056</u>
Total liabilities		<u>3,957,644</u>	<u>3,433,056</u>
Net assets		<u>4,424,058</u>	<u>3,729,868</u>
Equity			
Share capital	13	1,000	1,000
Retained earnings	14	4,423,058	3,728,868
Total equity		<u>4,424,058</u>	<u>3,729,868</u>

Signed on behalf of the Board of Directors dated 27 July 2021.

Director: 
John Blair

Director: 
David Leather

The accompanying notes form part of these financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2021**

	12 months to 31 March 2021 \$	12 months to 31 March 2020 \$
Cash flow from operating activities		
Receipts from customers	2,583,408	1,712,474
Claim recoveries	135,939	129,939
Payments to reinsurers	-	(180,000)
Claims paid	(729,735)	(872,128)
Payments to suppliers	(600,204)	(823,590)
Tax paid	(190,762)	(62,355)
Net cash provided by / (used in) operating activities	1,198,646	(95,660)
Cash flow from investing activities		
Investment and interest income	83,288	92,429
Repayment of term deposits	5,100,001	2,910,000
Sale of Investment Fund	1,500,000	700,000
Purchase of Investment Fund	(500,000)	(200,000)
Purchase of term deposits	(7,000,000)	(3,710,000)
Net cash provided by investing activities	(816,711)	(207,571)
Cash flow from financing activities		
Dividends paid	(200,000)	(500,000)
Net cash provided by / (used in) financing activities	(200,000)	(500,000)
Reconciliation of cash		
Cash and cash equivalents at beginning of the financial period	565,999	1,369,230
Net increase / (decrease) in cash held	181,935	(803,231)
Cash and cash equivalents at end of financial period	747,934	565,999

The accompanying notes form part of these financial statements.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

New Zealand Medical Professionals Limited ('the Company') is incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993. The Company is a licensed insurer under the Insurance (Prudential Supervision) Act 2010, and is a FMC reporting entity in terms of the Financial Markets Conduct Act 2013. The Company is a reporting entity for the purposes of the Financial Reporting Act 2013. The financial statements of the Company have been prepared in accordance with the Companies Act 1993, the Financial Reporting Act 2013 and the Insurance (Prudential Supervision) Act 2010.

The Company is a for profit entity.

The principal activity of the Company is to provide medical malpractice indemnity insurance to medical practitioners and health professionals.

The financial statements were authorised for issue by the Board of Directors on 27 July 2021.

The following is a summary of the material accounting policies adopted by the Company in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report

Compliance with NZ IFRS

Statement of Compliance

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with NZ IFRS and other applicable Financial Reporting Standards, as appropriate for profit oriented entities. These financial statements also comply with International Financial Reporting Standards ('IFRS').

Historical Cost Basis

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Functional and presentation currency

The financial statements are presented in New Zealand dollars (NZD), which is the Company's functional and presentation currency. All financial information has been rounded to the nearest dollar.

(c) Principles of general insurance

An insurance contract is defined as a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The insurance activities of the Company consist of all transactions arising from writing general insurance contracts.

(d) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured and the right to receive the revenue has been established. The following specific recognition criteria must also be met before revenue is recognised:

Premium income

Premium income comprises amounts charged to policyholders and excludes taxes and duties collected on behalf of statutory parties.

The earned portion of premium received and receivable is recognised as revenue. Premium revenue is recognised as earned from the date of attachment of risk, over the period related to the insurance contract in accordance with the pattern of the risk expected under the contract.

The unearned portion of premiums not earned at the reporting date is recognised in the statement of financial position as unearned premium liabilities.

Interest income

Interest income is recognised in profit or loss as it accrues, using the effective interest method.

The effective interest method calculates the amortised cost of a financial asset and allocates the interest income, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial asset. The application of the method has the effect of recognising income on the financial asset evenly in proportion to the amount outstanding over the period to maturity or repayment.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue (continued)

Reinsurance and other recoveries

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, incurred but not reported (IBNR), and incurred but not enough reported (IBNER) are recognised as revenue. Amounts recoverable are assessed in accordance with the terms of the reinsurance contracts, which is in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the provision for outstanding claims. Reinsurance does not relieve the originating insurer of its liabilities to policyholders.

(e) Expenses

Expenses are recognised as incurred in profit or loss on an accrual basis. The following specific recognition criteria must also be met before expenses are recognised:

Claims expense

Claims incurred that relate to the underwriting of insurance contracts and bearing of risks are recognised as an expense through profit and loss when the liability to the policyholder has been established or upon notification of the insured event with the exception of claims incurred but not reported for which a provision is estimated and expense recognised. Outstanding claims are recognised as outstanding claims liability in the statement of financial position to provide for the estimated costs of all claims notified, but not settled at reporting date and the estimated cost of claims incurred but not reported until after year end.

Further information about outstanding claims is included in accounting policy (j) 'outstanding claims liability'.

Reinsurance Expense

Reinsurance expense comprises premium ceded to reinsurers.

The incurred portion of reinsurance premium paid or payable is recognised as an expense. Reinsurance expense is recognised as incurred from the date of attachment of risk, over the period related to the reinsurance contract in accordance with the pattern of the risk expected under the contract.

The unearned portion of reinsurance premium not incurred at the reporting date is recognised in the statement of financial position as deferred reinsurance premiums.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interest expense

Interest expense is recognised in profit or loss as it accrues, using the effective interest method.

The effective interest method calculates the amortised cost of a financial liability and allocates the interest income expense, including any fees and directly related transaction costs that are an integral part of the effective interest rate, over the expected life of the financial liability. The application of the method has the effect of recognising expense on the financial liability evenly in proportion to the amount outstanding over the period to maturity or repayment.

(f) Goods and services tax (GST)

All revenues, expenses and certain assets are recognised net of goods and services taxes ('GST') except where the GST is not recoverable. In these circumstances the GST is included in the related asset or expense. Receivables and payables are reported inclusive of GST. The net GST payable to or recoverable from the tax authorities as at balance date is included as a receivable or payable in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis to the extent that the GST is not recoverable and has been included in the expense or asset.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Income tax

Income tax on net profit for the period comprises current and deferred tax. Income tax is recognised in profit or loss except when it relates to items recognised outside profit or loss (equity or other comprehensive income), in which case it is also recognised outside profit or loss.

Current income tax is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is provided, using the liability method, on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities are recognised when tax deductions have exceeded accounting expenditure for temporary differences and depreciation.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at reporting date.

(h) Cash and cash equivalents

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand and at banks, short-term deposits with an original maturity of three months or less held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments

(a) Classification of financial assets

The Company classifies its financial assets into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL'),
- those to be measured subsequently at fair value through other comprehensive income ('FVTOCI'), and
- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A financial asset that meets the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Despite the above, the Company may make the following irrevocable election / designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

The Company has no financial assets classified at FVTOCI.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(i) Financial assets measured at amortised cost

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

The Company's financial assets measured at amortised cost consists of receivables disclosed in note 9.

(ii) Financial assets at FVTPL

At initial recognition financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Subsequent fair value gains or losses recognised in profit or loss.

The Company's financial assets at FVTPL consists of term deposits and investments in unit funds as disclosed in note 10.

(b) Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses ('ECL') is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial assets.

The Company always recognises lifetime ECL for premium receivables, amounts due from reinsurers and other receivables. The expected credit losses on these financial assets are estimated based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12 months ECL.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (continued)

(b) Impairment of financial assets (continued)

The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12 months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(c) Classification of financial liabilities

The Company classifies its financial liabilities into one of the following measurement categories:

- those to be measured subsequently at fair value through profit or loss ('FVTPL'); and
- those to be measured at amortised cost.

The Company has no financial liabilities measured at FVTPL.

(i) Financial liabilities measured at amortised cost

At initial recognition financial liabilities are measured at fair value plus transaction costs that are directly attributable to the issue of the financial liabilities. The amortised cost of a financial liability is the amount at which the financial liability is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount.

The Company's financial liabilities measured at amortised cost consists of trade and other payables disclosed in note 11.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Outstanding claims liability

The outstanding claims liability is measured as the present value of expected future payments relating to claims incurred at the reporting date ('the central estimate'), with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include amounts in respect of unpaid reported claims, claims incurred but not reported and costs expected to be incurred in settling these claims such as claims related legal, processing and settlement costs. The expected future payments are discounted to present value using a risk free rate.

The estimation of the outstanding claims liability involves a number of key assumptions and is the most critical accounting estimate. The Company engages an independent Actuary to calculate the outstanding claims liability. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing the liability, it is likely that the final outcome will be different from the original liability established. Changes in claims estimates impact profit and loss in the year in which the estimates are changed.

The claims expense represents claim payments adjusted for the movement in the outstanding claims liability.

Refer to note 17 for more detail on the valuation of the outstanding claims liability, judgments, estimates and assumptions applied.

(k) Liability adequacy test

The liability adequacy test is an assessment of whether the carrying amount of the unearned premium liability is adequate and is conducted at each reporting date. If current estimates of the expected future cash flows relating to future claims arising from the rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability then the unearned premium liability is deemed to be deficient. The test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio. Any deficiency arising from the test is recognised in profit or loss, with the corresponding impact on the statement of financial position.

No deficiency was identified in the 2021 and 2020 reporting periods.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Assets backing insurance contract liabilities

Financial assets backing insurance liabilities consist of liquid and high quality investments such as cash and cash equivalents, fixed interest securities and units in funds held by the Company.

The financial assets that provide backing for the insurance liabilities are closely monitored to ensure that investments are appropriate given the expected pattern of future cash flows arising from insurance liabilities.

Financial assets backing insurance liabilities are managed on a fair value basis and are reported to the Board on this basis, they have been measured at fair value through profit or loss wherever the applicable standard allows.

Fair value is determined as follows:

- cash assets are carried at face value which approximates fair value;
- fixed interest securities and units in funds are valued at the quoted bid price of the instrument at reporting date; and
- receivables are carried at amortised cost less any impairment, which is the best estimate of fair value as they are settled within a short period.

(m) Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Share capital

Share capital is classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(o) Distributions

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved.

(q) Adoption of new and amended accounting standards that are first operative

No new standards and amendments and interpretations to existing standards came into effect during the current accounting period beginning on 1 April 2020 that materially impacted the Company's financial statements and require retrospective adjustment.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 MARCH 2021

NZ IFRS 17 Insurance contracts

IFRS 17 is an International Financial Reporting Standard that was issued by the International Accounting Standards Board in May 2017. IFRS 17 will replace IFRS 4 Insurance Contracts on accounting for insurance contracts and is effective from 1 January 2023.

Under the IFRS 17, insurance contract liabilities will be calculated at the present value of future insurance cash flows with a provision for risk. The discount rate applied will reflect current interest rates. If the present value of future cash flows would produce a gain at the time an insurance contract is issued, the model would also require a "contractual service margin" to offset the day 1 gain. The contractual service margin would be amortized over the life of the insurance contract. There would also be a new income statement presentation for insurance contracts, including a revised definition of revenue and additional disclosure requirements.

IFRS 17 will also have accommodations for certain specific types of insurance contracts. Short duration insurance contracts will be permitted to use a simplified unearned premium liability model until a claim is incurred. For some contracts, in which the cash flows are linked to underlying items, the liability value will reflect that linkage.

The Company is yet to assess IFRS 17's full effect and impact on the Company's financial statements and intends to adopt IFRS 17 no later than the accounting period beginning on or after 1 April 2023.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the application of NZ IFRS, the Board of Directors and Management are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from the estimates, judgments and assumptions made by the Board of Directors and Management.

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 and in any future periods affected.

Judgments made by management in the application of NZ IFRS that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

In particular, information about significant areas of estimation uncertainty that have the most significant effect on the amount recognised in the financial statements is outlined below:

(a) Insurance contract liabilities

Refer to note 17 for more detail on the valuation of the insurance contract liabilities judgments, estimates and assumptions applied.

(b) Current and deferred income taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Company recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made. Refer also note 7.

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest forecasts of future earnings of the Company. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits. Refer also to note 7.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 4: FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks comprising:

- (a) Credit risk
- (b) Liquidity risk
- (c) Interest rate risk
- (d) Market price risk
- (e) Fair values compared with carrying amounts

The Board of Directors have overall responsibility for identifying and managing operational and financial risks.

The Company holds the following financial instruments:

	31 March 2021 \$	31 March 2020 \$
Financial Assets		
Cash and cash equivalents	747,934	565,999
Receivables	1,237,967	1,330,104
Financial assets at fair value through profit and loss	6,323,737	5,046,366
	8,309,638	6,942,469
Financial Liabilities		
Payables	214,686	293,812
	214,686	293,812

(a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

The Company's exposure to credit risk, or the risk of counterparties defaulting arises mainly from cash at bank, receivables, and investments in term deposits and unitised funds.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date of recognised financial assets is the carrying amount of those assets, net of any provisions for impairment of those assets, as disclosed in statement of financial position and notes to financial statements.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (continued)

The Company has material credit risk exposures under financial instruments entered into by the Company, these include cash at bank, receivables (refer note 9), term deposits (refer note 10) and investments in unitised funds (refer note 10). The following describes how the Company manages the credit risk associated with these exposures:

(i) Cash deposits

Credit risk for cash at bank and terms deposits is managed by holding all cash deposits with high credit rating financial institutions (i.e. major registered New Zealand bank ASB Bank Limited with a Standard and Poor's rating of 'AA-').

(ii) Receivables

Credit risk for premium receivables is small with a minimal amount of insureds opting to pay via a monthly payment option. In the event of non payment insurance policies are cancelled from the effective date.

The aging analysis of premium and other receivables is provided in Note 9. As the Company undertakes transactions with a large number of customers and regularly monitors payment in accordance with credit terms, the financial assets that are neither past due nor impaired, are expected to be received in accordance with the credit risk. With the exception of the credit risk exposures to the New Zealand regional health boards the Company minimises concentrations of credit risk in relation to premium receivables by undertaking transactions with a large number of customers throughout the New Zealand.

The Board has considered the impact of COVID-19 to premium and other receivables and determined it to be minimal.

(iii) Other financial instruments

Credit risk for term deposits is managed for other financial instruments by dealing exclusively with 'A' rated or above (Standard & Poor's) counterparties. The ASB Bank Limited term deposits have a Standard and Poor's ratings of AA-.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Company monitors its liquidity position on a continuous basis and plans its operating activities to ensure a balanced liquidity position. The Company practices prudent risk management by maintaining sufficient cash balances. If necessary the Company will build up cash reserves to meet longer term liabilities.

Maturity analysis

The table below represents the undiscounted contractual settlement terms for financial instruments and managements expectation for settlement of undiscounted maturities.

	< 6 months	6-12 months	1-5 years	Total Contractual Cash Flows	Carrying Amount
	\$	\$	\$	\$	\$
Year Ended 31 March 2021					
Payables	214,686	-	-	214,686	214,686
	214,686	-	-	214,686	214,686
Year Ended 31 March 2020					
Payables	293,812	-	-	293,812	293,812
	293,812	-	-	293,812	293,812

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)**(c) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The Company's exposure to interest rate risk arises mainly from its interest earning cash and term deposits. The Company's exposure to interest rate risk is to the extent that it invests for a fixed term at fixed rates. The Company's policy is to obtain the most favourable term and interest rate available.

The Company's exposure to interest rate risk in relation to future cashflows and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Interest bearing	Non-interest bearing	Total Carrying Amount	Weighted average effective interest rate
31 March 2021				
<i>Financial Assets</i>				
Cash	475,858	272,076	747,934	0.05%
Financial assets at fair value through profit & loss	4,000,000	-	4,000,000	1.21%
	4,475,858	272,076	4,747,934	
31 March 2020				
<i>Financial Assets</i>				
Cash	38,832	527,167	565,999	0.01%
Financial assets at fair value through profit & loss	2,100,000	-	2,100,000	2.76%
	2,138,832	527,167	2,665,999	

No other financial assets or financial liabilities are expected to be exposed to interest rate risk.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (continued)

Sensitivity

If interest rates were to increase/decrease by 100 basis points from rates used to determine fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	31 March 2021 \$	31 March 2020 \$
+ / - 100 basis points		
Impact on profit before tax	44,759	21,388
Impact on equity	32,226	15,400

(d) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

One component of market risk has been identified for the Company: unit price risk.

This risk is managed by ensuring that all investment activities are undertaken in accordance with the investment guidelines and approved limits.

The Company invests primarily in investment funds which invest into diversified portfolios of domestic and international securities. This reduces the impact of a particular security underperforming.

(i) Unit price risk

Unit price risk is the risk that the Company's profit or loss will fluctuate as a result of changes in unit price.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)**(d) Market price risk (continued)****Sensitivity**

Investments in unitised funds at fair value through profit and loss are measured at fair value at reporting date based on current bid prices. If security prices were to increase/decrease by 5% from fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and equity is as follows:

	31 March 2021	31 March 2020
Listed Securities		
+ / - 5% price variation	\$	\$
Impact on profit before tax	116,187	147,318
Impact on equity	83,655	106,069

(e) Fair values compared with carrying amounts

The carrying value of all financial assets and liabilities not measured at fair value approximates their fair values as they are either short term in nature or rate insensitive.

Cash and cash equivalents

These assets are short term in nature and the carrying value is equivalent to their fair value.

Premium and other receivables

These assets are short term in nature and are reviewed for impairment; the carrying value approximates their fair value.

Trade and other payables

These liabilities are short term in nature; the carrying value approximates their fair value.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value hierarchy

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

Level 1:	Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2:	Input other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3	Inputs for the asset or liability that are not based on observable market data

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 March 2021				
Recurring fair value measurements				
Financial assets				
<i>Financial assets at fair value through profit and loss</i>				
Term Deposits ASB Bank New Zealand	-	4,000,000	-	4,000,000
Units in Fisher Premium Property & Infrastructure Fund	-	55,622	-	55,622
Units in Fisher Premium Income Fund	-	221,526	-	221,526
Units in Fisher Premium New Zealand Fund	-	106,242	-	106,242
Units in Fisher Premium Australia Fund	-	110,174	-	110,174
Units in Fisher Premium International Fund	-	217,902	-	217,902
Units in ANZ International Share Fund	-	65,696	-	65,696
Units in Milford Balanced Growth Portfolio	-	1,546,575	-	1,546,575
Total financial assets	-	6,323,737	-	6,323,737

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 March 2020				
Recurring fair value measurements				
Financial assets				
<i>Financial assets at fair value through profit and loss</i>				
Term Deposits ASB Bank New Zealand	-	2,100,000	-	2,100,000
Units in Milford Diversified Income Fund	-	2,086,597	-	2,086,597
Units in Fisher Property & Infrastructure Fund	-	332,707	-	332,707
Units in ANZ Investments	-	143,194	-	143,194
Units in Milford Active Growth Fund	-	184,659	-	184,659
Units in Milford Trans-Tasman Bond	-	199,210	-	199,210
Total financial assets	-	5,046,367	-	5,046,367

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 4: FINANCIAL RISK MANAGEMENT (CONTINUED)**(f) Fair value hierarchy (continued)****Term deposits**

The fair value of term deposits are recognised are determined by reference to the interest rate set at inception of the term deposit.

Unitised Funds

The fair value of investments in unitised funds are determined by reference to published exit prices, being the redemption price based on the market price quoted by the fund manager.

NOTE 5: REVENUE AND OTHER INCOME

	31 March 2021 \$	31 March 2020 \$
Premium income	2,362,475	2,159,344
Investment income:		
- Interest income:		
- Bank - current accounts	310	716
- Bank - term deposit accounts	82,520	82,741
- Changes in financial assets at fair value through profit and loss		
- Milford Diversified Income Fund	124,157	(37,318)
- Fisher Funds	78,759	(39,890)
- ANZ International Share Fund	22,502	2,574
- Milford Balanced Growth Portfolio	122,258	-
- Milford Active Growth Fund	23,731	(6,165)
- Milford Trans-Tasman Bond Fund	5,963	(790)
Total investment income	<u>460,200</u>	<u>1,868</u>
Other income		
Claim recovery	-	67,440
Interest Income	26,714	22,190
AP Management fees	2,970	3,066
Total other income	<u>29,684</u>	<u>92,696</u>
Total revenue	<u>2,852,359</u>	<u>2,253,908</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 6: EXPENSES

Bad debts		
- other		-
Disclosure items included within administration		
- Directors fees	101,020	101,000
Remuneration of auditors for:		
<i>Baker Tilly Staples Rodway Auckland</i>		
Audit and assurance services		
- Audit of financial statements	23,000	22,000
- Audit of solvency return	4,500	4,500
Other non-audit services		
- Taxation compliance services	9,070	10,330
	<u>36,570</u>	<u>36,830</u>
Other Administrative expenses	246,843	218,887
Total Administrative expenses	<u>384,433</u>	<u>356,717</u>

NOTE 7: INCOME TAX

	31 March 2021 \$	31 March 2020 \$
(a) Components of tax expense		
Current tax	337,777	137,221
Deferred tax	(5,637)	(20,007)
Under/(Over) provision in prior years	1,203	19,487
	<u>333,343</u>	<u>136,701</u>
(b) Prima facie tax payable		

The prima facie tax payable on profit before income tax is reconciled to the income tax expense as follows:

Income tax payable on profit before income tax at 28.0%	347,222	93,919
- non-assessable income	(13,879)	(7,459)
- taxable income adjustments	-	44,873
- under/(over) provision in prior years	1,203	19,487
- movement in temporary differences	(1,203)	(14,119)
Income tax expense attributable to profit	<u>333,343</u>	<u>136,701</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 7: INCOME TAX (CONTINUED)

(c) Deferred tax

	31 March 2021 \$	31 March 2020 \$
Deferred tax relates to the following:		
Deferred tax assets		
The balance comprises:		
Other provisions	32,504	26,867
Net deferred tax assets / (liabilities)	<u>32,504</u>	<u>26,867</u>

(d) Deferred income tax (revenue)/expense included in income tax expense comprises

Decrease / (increase) in deferred tax assets	(5,637)	(20,007)
	<u>(5,637)</u>	<u>(20,007)</u>

NOTE 8: IMPUTATION CREDIT ACCOUNT

	31 March 2021 \$	31 March 2020 \$
Opening balance	1,625,937	1,476,719
New Zealand tax payments paid	-	295,000
Resident Withholding Tax paid	23,251	25,035
Other credits	25,871	4,828
New Zealand tax refunds received	-	-
Imputation credits attached to dividends paid	(113,653)	(175,646)
At reporting date	<u>1,561,406</u>	<u>1,625,937</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 9: RECEIVABLES

CURRENT

Premium receivable	1,156,384	1,138,838
Prepayments	39,560	137,226
Claim recovery receivables	33,413	115,186
Other receivables	3,640	4,098
	<u>1,232,997</u>	<u>1,395,348</u>

NON-CURRENT

Claim recovery receivables	44,530	71,982
	<u>44,530</u>	<u>71,982</u>

NOTE 10: OTHER FINANCIAL ASSETS

CURRENT

Financial assets at fair value through profit and loss

Term Deposits - ASB Bank New Zealand	(i)	4,000,000	2,100,000
Units in Milford Asset Management	(ii)	1,546,575	2,470,465
Units in Fisher Funds	(iii)	711,466	332,707
Units in ANZ Investments	(iv)	65,696	143,194
Total financial assets at fair value through profit and loss		<u>6,323,737</u>	<u>5,046,366</u>

(i) Bank Term Deposits

Bank Deposits represent term deposits with ASB Bank Limited.

(ii) Units in Milford Asset Management

Units in Milford Asset Management represent investments in Milford Balanced Growth Portfolio (2020: various Milford Funds which primarily consisted of cash, bonds, and equity).

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 10: OTHER FINANCIAL ASSETS (CONTINUED)**(iii) Units in Fisher Funds**

Units in Fisher Funds represent investments in various Fisher Funds, which primarily consist of cash, bonds, and equity (2020: Fisher Premium Property & Infrastructure Fund).

(iv) Units in ANZ Investments

Units in ANZ Investments represent investments in the ANZ International Share Fund.

NOTE 11: PAYABLES

	31 March 2021 \$	31 March 2020 \$
CURRENT		
Unsecured liabilities		
Trade creditors	133,546	112,345
GST payable	12,527	144,027
Other creditors	68,613	37,440
	<u>214,686</u>	<u>293,812</u>

NOTE 12: INSURANCE CONTRACT LIABILITIES

CURRENT		
Unearned premium income	1,758,795	1,522,244
Outstanding claims liability	1,749,000	1,617,000
	<u>3,507,795</u>	<u>3,139,244</u>

(a) Reconciliations

Reconciliation of the carrying amounts of provisions at the beginning and end of the current financial period

Unearned premium income (current)

Opening balance	1,522,244	1,374,412
Deferral of premiums on contracts written during the current period	1,758,795	1,522,244
Earning of premiums deferred during the prior period	(1,522,244)	(1,374,412)
Closing balance	<u>1,758,795</u>	<u>1,522,244</u>

Outstanding claims liability (current)

Opening balance	1,617,000	1,315,000
Additional amounts recognised	132,000	302,000
Closing balance	<u>1,749,000</u>	<u>1,617,000</u>

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

NOTE 13: SHARE CAPITAL

	31 March 2021 \$	31 March 2020 \$
Issued and paid-up capital		
1,000 (2020: 1,000) Ordinary shares	1,000	1,000

Rights of each type of share

These ordinary shares are fully paid and have no par value. The holder of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, and rank equally with regards to the Company's residual assets.

Capital management

The Company's capital management objectives are to:

- maintain an 'actual solvency capital' that exceeds the 'minimum solvency capital' requirements per the 'Solvency Standard for Non-life Insurance Business' issued by the Reserve Bank of New Zealand ('RBNZ') per the on-going licensing requirements of the Company's licence to carry on insurance business in New Zealand issued by the RBNZ 28 June 2013 under section 19 of the Insurance (Prudential Supervision) Act 2010 (IPSA);
- maintain a strong capital base to protect insurance contract policyholders; and
- ensure equity holder objectives are met, the primary of which is to ensure the Company's continued ability to provide a consistent return to its equity shareholders through a combination of capital growth and distributions.

The Company manages its capital by considering the return on capital reported under the New Zealand Financial Reporting Standards and projections of the solvency capital margin. In order to achieve these objectives the Company seeks to maintain gearing and solvency ratios that balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Company to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, or new share issue, the Company takes into consideration not only its short term position but also its long term operational and strategic objectives.

During the year ended 31 March 2021 and 31 March 2020, the Company has maintained compliance with all externally imposed capital and licensing requirements.

Refer to note 17 for the Company's solvency capital disclosures required by the Insurance (Prudential Supervision) Act 2010 ('IPSA').

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 14: RETAINED EARNINGS

	31 March 2021	31 March 2020
	\$	\$
Retained earnings at the beginning of the year	3,728,868	4,061,508
Net profit for the year	906,736	198,725
Dividend payable / paid during the year	(212,546)	(531,365)
Retained earnings at the end of the year	<u>4,423,058</u>	<u>3,728,868</u>

NOTE 15: RELATED PARTY TRANSACTIONS

The Company had related party dealings with the following related parties:

Related party	Relationship
Contract Negotiation Services Limited	Common owners/key management personnel

(a) Transactions

	12 months to 31 March 2021	12 months to 31 March 2020
	\$	\$
Directors fees	101,020	101,000
Claims management - Contract Negotiation Services Limited	<u>83,847</u>	<u>95,217</u>

(b) Payables

	31 March 2021	31 March 2020
	\$	\$
Contract Negotiation Services Limited	<u>7,302</u>	<u>11,531</u>
	<u>7,302</u>	<u>11,531</u>

The Contract Negotiation Services Limited balance is non-interest bearing and payable upon normal trade credit terms ranging from 30 - 90 days.

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 16: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation received by key management personnel of the company	31 March 2021 \$	31 March 2020 \$
	-	-
	-	-

The names of directors who have held office during the year are:

Name	Appointment / resignation details
Dennis Dixon-McIver	Appointed 24 May 2010 / Resigned 27 May 2020
Anthony Driscoll	Appointed 14 November 2012
Deborah Powell	Appointed 09 December 1999
Tanya Washer	Appointed 13 December 2016
David Leather	Appointed 13 December 2016
John Harvey Blair	Appointed 5 December 2017

NOTE 17: INSURANCE CONTRACTS

	12 months to 31 March 2021 \$	12 months to 31 March 2020 \$
(a) Underwriting result		
Direct premium income	2,362,475	2,159,344
Outward reinsurance expense	(92,500)	(87,500)
Net premium income	2,269,975	2,071,844
Claims expense	743,237	913,285
Reinsurance recoveries	-	-
Net claims incurred	743,237	913,285
Net movement in insurance contract liabilities	132,000	302,000
Other underwriting expenses	83,847	95,217
Underwriting result	1,310,891	761,342
Investment and other income	489,884	94,564
Other expenses	(560,696)	(520,480)
Operating profit before taxation	1,240,079	335,426
Income tax expense	(333,343)	(136,701)
Operating profit after taxation	906,736	198,725
(b) Net claims incurred		
Gross claims incurred	743,237	913,285
Net claims incurred	743,237	913,285

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(i) Gross incurred claims

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

	Prior	Current	Total
31 March 2021			
Gross claims incurred			
Direct claims - undiscounted	(724,772)	1,607,021	882,248
Movement in discount	(2,041)	(4,971)	(7,012)
Gross claims expense	<u>(726,813)</u>	<u>1,602,050</u>	<u>875,237</u>
31 March 2020			
Gross claims incurred			
Direct claims - undiscounted	190,038	1,007,385	1,197,423
Movement in discount	7,337	10,525	17,862
Gross claims expense	<u>197,375</u>	<u>1,017,910</u>	<u>1,215,285</u>

(ii) Reinsurance and other recoveries

Current year recoveries relate to risks borne in the current financial year. Prior year recoveries relate to a reassessment of the risks borne in all previous financial years.

For the year ended 31 March 2021, there were no reinsurance or other recoveries (31 March 2020: \$67,440). Refer to note 17(g).

NEW ZEALAND MEDICAL PROFESSIONALS LIMITED

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

	31 March 2021 \$	31 March 2020 \$
(c) Outstanding claims liability		
Central estimate of expected present value of future payments for claims incurred	1,342,359	1,237,325
Risk margin	268,472	244,748
Claims handling costs	161,083	146,849
	<u>1,771,915</u>	<u>1,628,922</u>
Discount	(22,915)	(11,922)
Outstanding claims liability	<u>1,749,000</u>	<u>1,617,000</u>

The Company's Actuary, Peter Davies, B.Bus.Sc, FNZSA, FI, has calculated the estimate of the outstanding claims liability as at reporting date for the Company by review of historical claims data and the estimated cost of settling claims on the basis of past performance and trends.

The outstanding claims liability has been determined in accordance with NZ IFRS 4, Insurance Contracts issued by the New Zealand External Reporting Board, and Professional Standard No. 30 of the New Zealand Society of Actuaries – Valuation of General Insurance Claims.

The Company's Actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. The outstanding claims liability is set at a level that is appropriate and sustainable to cover the Company's claims obligations after having regard to the prevailing market environment and prudent industry practice.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(c) Outstanding claims liability (continued)

The key assumptions adopted by the Company's Actuary in calculation of the outstanding claims liability are set out below.

At the reporting date, there are no qualifications contained in the Actuarial Report.

(i) Assumptions adopted in calculation of the outstanding claims liability

Key assumptions

The following key assumptions were used by the Actuary:

- claims reporting patterns: in line with past experience;
- risk margin: 20.0% (31 March 2020: 20.0%);
- claims management allowance: 10.0% (31 March 2020: 10.0%); and
- discount rate: 0.97% (31 March 2020: 1.45%).
- large claim smoothing: \$100,000 cap (31 March 2020: \$75,000 cap)

Claims reporting patterns

The claims reporting pattern assumed in the estimate of the outstanding claim liability is in line with the Company's past experience.

Risk margin

The estimate of the outstanding claims liability also includes a risk margin that relates to the inherent uncertainty in the central estimate of the future payments. Risk margins are determined on a basis that reflects the Company's business. Regard is given to the robustness of the valuation models, the reliability and volume of available data, past experience of the insurer and the industry and the characteristics of the classes of business written.

Uncertainty in claims is represented as a volatility measure in relation to the central estimate. The volatility measure is derived after consideration of statistical modelling and benchmarking to industry analysis. The measure of the volatility is referred to as the coefficient of variation, defined as the standard deviation of the distribution of future cash flows divided by the mean.

The risk margins applied to future claims payments are determined with the objective of achieving at least 75% probability of sufficiency for both the outstanding claims liability and the unexpired risk liability.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(c) Outstanding claims liability (continued)

(i) Assumptions adopted in calculation of the outstanding claims liability (continued)

Claims management allowance

The estimate of the outstanding claims liability incorporates an allowance for the future cost of administering the claims. This allowance is determined after analysing historical claim related expenses incurred by the classes of business.

Discount rate

The estimate of the outstanding claim liability is discounted to present value using a risk free rate relevant to the term of the liability.

Large claim smoothing

The estimate of the outstanding claim liability incorporates a cap for large claims, do so as not to distort the reserving calculation patterns. This cap is determined after analysing historical claims with large values.

(ii) Sensitivity analysis

Generally all insurance business entered into is long tail in nature. Key sensitivities relate to the reporting times payment durations and discount rate.

The movement in any of these key variables will impact the performance and equity of the Company. The business written is long tail in nature and therefore it will be more impacted by changes in assumptions over time.

The following table describes how a change in each assumption will affect the outstanding claim liability and shows an analysis of the sensitivity of the profit or loss and equity.

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)**(c) Outstanding claims liability (continued)*****(ii) Sensitivity analysis (continued)***

Variable	Movement	31 March 2021 \$	31 March 2020 \$
Effect on profit and loss			
- Payment durations	10% longer	(689,336)	(632,162)
- Payment durations	10% shorter	447,838	413,471
- Discount rate	1 % higher	22,900	22,814
- Discount rate	1% lower	(23,635)	(23,625)
- Large claim smoothing	20% higher	(164,972)	(165,488)
Effect on equity			
- Payment durations	10% longer	(496,322)	(455,156)
- Payment durations	10% shorter	322,443	297,699
- Discount rate	1 % higher	16,488	16,426
- Discount rate	1% lower	(17,017)	(17,010)
- Large claim smoothing	20% higher	(118,779)	(119,151)

(d) Insurance risk

Insurance risk is the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to the expectations at the time of underwriting. The risks inherent in any single insurance contract are the possibility of the insured event occurring and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, these risks are random and unpredictable. In relation to the pricing of individual insurance contracts and the determination of the level of outstanding claims provision in relation to a portfolio of insurance contracts, the principal risk is that the ultimate claims payment will exceed the carrying amount of the provision established.

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(d) Insurance risk (continued)

(i) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Company manages its insurance risks through regular risk register reviews in which business risks are identified and where possible are mitigated. The Company also uses the services of the appointed Actuary and insurance advisers and brokers to provide advice and assistance on managing insurance risk. In addition, the Company maintains a detailed analysis of historical claims and a detailed knowledge of the current developments in the specific market that the Company operates in. The Company has also maintained a significant reserve of liquid assets to better compensate for the associated risks. With respect to reinsurance, refer to Note 17(g).

(ii) Concentration of insurance risk

The Company is exposed to a single concentration of insurance risk, which is medical malpractice indemnity insurance to medical practitioners and health professionals. The risk is managed through the use of an actuary and internal analysis as described above, and the use of a reinsurance provider.

(iii) Development of claims

The average weighted term to settlement from the event date of claims included in the outstanding claims liability is 1.8 years (31 March 2020: 1.9 years from date reported).

(e) Liability adequacy test

Liability adequacy tests are performed to determine whether the unearned premium income liability is sufficient to cover the present value of the expected 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 unearned premium income liability less related deferred acquisition costs exceeds the present value of the expected future cash flows plus the additional risk margin to reflect the inherent uncertainty in the central estimate then the unearned premium liability is deemed to be sufficient. The risk margins applied to future claims were determined with the objective of achieving at least 75% probability of sufficiency of the unexpired risk liability using the same methodology as described above.

The unearned premium income liability as at reporting date is sufficient (31 March 2020: sufficient).

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)

(f) Insurer financial strength rating

The Company is required to hold a current financial strength rating from an approved rating agency as required by section 60 of the Insurance (Prudential Supervision) Act 2010.

As at 31 March 2021 the Company holds a B+ financial strength rating from A.M. Best Company (31 March 2020: B+).

The financial strength rating scale used by A.M. Best is:

A++, A+ (Superior);
A, A (Excellent);
B++, B+ (Good);
B, B (Fair);
C++, C+ (Marginal);
C, C (Weak);
D (Poor);
E (Under Regulatory Supervision);
F (In Liquidation); and
S (Suspended).

(g) Reinsurance programme

Reinsurance programmes are structured to adequately protect the Company's solvency and capital positions.

Reinsurance is purchased to make the Company's results less volatile by reducing the effect of large individual claims or multiple small claims.

The Company's policy is to only engage with reinsurer's that have a credit rating of 'A-' or above. Currently the Company's reinsurers are QBE, who have a rating of 'A+' (31 March : QBE, A+).

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 17: INSURANCE CONTRACTS DISCLOSURES (CONTINUED)**(h) Solvency requirements**

Separate to the insurance contract liabilities which include the unearned premium income liability and the outstanding claims liability, insurance companies are required to maintain sufficient capital to meet solvency requirements. These are amounts required to provide protection against the impact of fluctuations and unexpected adverse circumstances on the insurance businesses. The methodology and bases for determining the solvency requirement are in accordance with the requirements of the Insurance (Prudential Supervision) Act 2010.

The minimum equity required to be retained to meet solvency requirements over and above the insurance contract liabilities for the Company is shown below.

	31 March 2021	31 March 2020
	\$	\$
Actual solvency capital	4,391,553	3,646,639
Minimum solvency capital	3,000,000	3,000,000
Solvency margin	<u>1,391,553</u>	<u>646,639</u>
Solvency ratio	<u>146%</u>	<u>122%</u>

NOTE 18: CASH FLOW INFORMATION

	31 March 2021	31 March 2020
	\$	\$
(a) Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	906,736	198,725
Non cash items		
(Gain) / loss in investment funds	(377,370)	145,752
Movement in insurance contract liabilities (IBNR)	132,000	302,000
Other items		
Items included in investing activities	(95,835)	(115,295)
Changes in assets and liabilities		
(Increase) / decrease in receivables	189,803	(450,819)
(Increase) / decrease in fair value of investment	-	(72,657)
Increase / (decrease) in payables	(79,126)	(67,863)
Increase / (decrease) in income tax payable	285,888	(183,335)
Increase / (decrease) in unearned premium liabilities	236,551	147,832
Cash flows from operating activities	<u>1,198,646</u>	<u>(95,660)</u>

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021**

NOTE 19: COMMITMENTS AND CONTINGENCIES

There were no commitments or contingencies at reporting date (31 March 2020: \$Nil).

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

There has been no matter or circumstance, which has arisen since 31 March 2021 that has significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 March 2021, of the Company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 March 2021, of the Company.
- (d) the impact of COVID-19 on the valuation of receivables and investments of the Company.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of New Zealand Medical Professionals Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of New Zealand Medical Professionals Limited ('the Company') on pages 3 to 43, which comprise the statement of financial position as at 31 March 2021, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 March 2021, and its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of the Company. Our audit work has been undertaken so that we might state to the Shareholders of the Company 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 Shareholders of the Company as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with Professional and Ethical Standard 1 (Revised) *International Code of Ethics for Assurance Practitioners (including International Independence Standards)* (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor and provider of other assurance services, our firm carries out other assignments for New Zealand Medical Professionals Limited in the area of taxation compliance services. The provision of these other services has not impaired our independence.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Valuation of Insurance Contract Liabilities</p> <p>As disclosed in Note 12 of the Company's financial statements, the Company has insurance contract liabilities of \$3.51m. The Company's insurance contract liabilities were significant to our audit due to the size of the liabilities and the subjectivity, complexity and uncertainty inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain.</p> <p>Management has engaged an external actuarial expert to estimate the Company's insurance contract liabilities as at 31 March 2021.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> ▪ Understanding and evaluating the Company's internal controls relevant to the accounting estimates used to determine the valuation of the Company's insurance contract liabilities. ▪ Evaluating the design and operating effectiveness of the key controls over initial underwriting, ongoing administration, claims, and integrity of data provided to Management's external actuarial expert used in the estimation process and Management's review of the estimates; ▪ Evaluating the competence, capabilities, objectivity and expertise of Management's external actuarial expert and the appropriateness of the expert's work as audit evidence for the relevant assertions; ▪ Agreeing the data provided to Management's external actuarial expert to the Company's records; ▪ Engaging our own actuarial expert to assist in understanding and evaluating: <ul style="list-style-type: none"> ○ the work and findings of the Company's external actuarial expert engaged by Management; ○ the Company's actuarial methods and assumptions to assist us in challenging the appropriateness of actuarial methods and assumptions used by Management; ▪ Evaluating the selection of methods and assumptions with a view to identify management bias; and ▪ Evaluating the related disclosures (including the accounting policies and accounting estimates) about insurance contract liabilities, and the risks attached to them which are included in Note 12 and 17 in the Company's financial statements.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of the financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible on behalf of the Company for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern

and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent fairly the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

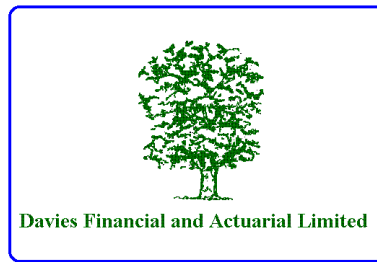
The engagement partner on the audit resulting in this independent auditor's report is N S de Frere.



BAKER TILLY STAPLES RODWAY AUCKLAND

Auckland, New Zealand

27 July 2021



5th July 2021

To: The Directors
New Zealand Medical Professionals Limited

From: Peter Davies
Appointed Actuary

Re: New Zealand Medical Professionals Limited: Report as at 31st March 2021 under Sections 77 and 78 of the Insurance (Prudential Supervision) Act 2010

You have asked me to prepare this report in terms of the above sections of the Act, and I would like to comment further as follows:

1. I have reviewed the actuarial information included in the audited accounts for New Zealand Medical Professionals Limited as at 31st March 2021. “Actuarial information” includes the following:
 - policy liabilities;
 - solvency calculations in terms of the RBNZ Solvency Standard;
 - balance sheet and other information allowed for in the calculation of the company’s solvency position; and
 - disclosures regarding the methodology and assumptions used for calculating policy liabilities, and other disclosures.
2. No limitations have been placed on my work.

3. I am independent with respect to New Zealand Medical Professionals Limited as defined under professional standard ISA (NZ) 620 of the External Reporting Board.
4. I have been provided with all information that I have requested in order to carry out this review.
5. In my view the actuarial information contained in the financial statements has been appropriately included, and the actuarial information used in the preparation of the financial statements has been appropriately used.
6. New Zealand Medical Professionals Limited exceeded the minimum capital required under the RBNZ Solvency Standard for Non-Life Insurance Business 2014, as at 31st March 2021. The company is projected to exceed the minimum requirement at all times over the next four years.

I would be very happy to answer any queries concerning this report.

Yours sincerely



Peter Davies B.Bus.Sc., FIA, FNZSA
Appointed Actuary