



UNION MEDICAL BENEFITS SOCIETY LIMITED

**ANNUAL
REPORT
2007**

IT'S THE SECURITY OF KNOWING **WE'RE THERE.**

CONTENTS

PAGE ONE	MISSION STATEMENT
PAGE TWO	COMPANY DIRECTORY
PAGE THREE	NOTICE OF ANNUAL GENERAL MEETING
PAGE FOUR	CHAIRMAN'S REPORT
PAGE FIVE	CHIEF EXECUTIVE'S REPORT
PAGE SEVEN	GRAPHICAL HIGHLIGHTS
PAGE EIGHT	AUDIT REPORT
PAGE NINE	STATEMENT OF FINANCIAL PERFORMANCE
PAGE TEN	STATEMENT OF FINANCIAL POSITION
PAGE ELEVEN	STATEMENT OF MOVEMENTS IN EQUITY & STATEMENT OF CASH FLOWS
PAGE TWELVE	NOTES TO THE FINANCIAL STATEMENTS

1

OUR VISION

To enhance our standing as a high quality medical insurer with innovative and responsive management maintaining a close focus on the ever changing needs of the membership.

MISSION STATEMENT

5

OUR VALUES

We conduct our business in a caring and professional manner and will act with the highest degree of ethics and integrity at all times. We strive for excellence and will seek out new opportunities to ensure we remain financially strong and grow.

2

OUR MEMBERS AND HOW WE WILL TREAT THEM

Our members will receive consistent quality, caring personal service. We shall maintain personal convenient practices to ensure our Plans are characterised by their ease of understanding with no hidden associated costs.

We aim to achieve satisfactory returns from realistic premiums so that funds are reinvested back into UniMed providing members with improved benefits and a financially strong Society.

3

OUR PEOPLE ARE ESSENTIAL TO OUR SUCCESS

We employ responsible, dedicated and caring people who understand the importance of their role. We offer them challenging tasks/careers, equal opportunities, satisfying work and competitive rewards.

We expect their loyalty and support. We value all those who contribute to UniMed's success.

4

THE COMMUNITY

We will be a responsible Society playing our part as a member of the communities we serve.

COMPANY DIRECTORY

AS AT 30 JUNE 2007

NATURE OF BUSINESS

Medical Health Insurers
Rest Home Owners
Property Owners

REGISTERED OFFICE

UniMed House
163 Gloucester Street
Christchurch

INCORPORATION

Industrial and Provident Society Act 1908

MANAGEMENT COMMITTEE

Robert John Todd (Chairman)
Brian James Dorgan
David William Eastlake
Brian James Edgeler
Dennis Bruce Emery
David Bernard O'Connell
Leonard Ray Potroz
John Murphy Smith
Brian Anthony Wooller

BANKERS

Bank of New Zealand
Armagh Street
Christchurch

AUDITOR

Goldsmith Fox PKF
250 Oxford Terrace
Christchurch

SOLICITORS

Lane Neave
119 Armagh Street
Christchurch

Duncan Cotterill
Level 9, Clarendon Tower
Cnr Worcester Blvd & Oxford Tce
Christchurch

ACTUARIES

Davies Financial and Actuarial Limited
PO Box 35-258
Browns Bay
Auckland 10

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Members of the Union Medical Benefits Society Limited will be held at the Latimer Function Centre, Latimer Hotel, 30 Latimer Square, Christchurch on Wednesday 24 October 2007 at 6.00pm.

BUSINESS

- 1) Apologies.
- 2) To confirm the Minutes of the 2006 Annual General Meeting.
- 3) To receive and consider the annual financial statements and Auditor's report for the year ended 30 June 2007.
- 4) To elect up to three committee members. In accordance with the Society's Rules, Brian Dorgan (Timaru), Brian Edgeler (Christchurch) and L Ray Potroz (Tairua) retire by rotation and being eligible; offer themselves for re-election to the Management Committee.

Nominations for members to serve on the committee are called for and should be made to the Administration Secretary within ten days of this notice. A nomination form is available from the Head Office of the Society and must be signed by the nominee member, the nominating member, and the seconding member.

- 5) To appoint an auditor for the ensuing year.
- 6) To fix the remuneration for the Committee and consider and discuss the introduction of fully subsidised premium benefit scheme for long serving Committee members and, if considered appropriate, adopt a resolution to allow the scheme to be implemented.
- 7) To consider and discuss proposed changes to the Rules of the Society in order that the Management Committee and its members are referred to using the more contemporary phraseology of "the Board" and "Board Members" respectively, and to adopt the Rule changes necessary to reflect this.
- 8) To transact any other business that may be brought before the Meeting in accordance with the Rules of the Society.

Any members intending to bring forward a subject for discussion or to move a motion must give notice in writing to the Administration Secretary at least seven clear days before the date fixed for the Annual General Meeting and such notice shall specify the subject or set out the motion to be moved.

Proxy – Any member who is entitled to attend and vote at a meeting is entitled to appoint a proxy to attend and vote instead of him/her. The proxy appointed must also be a member of the Society. Proxy forms are available from the Society's Head Office and must be lodged with the Administration Secretary not later than 24 hours before the Annual General Meeting.

By order of the Committee



E Richardson
Administration Secretary
PO Box 1721
Christchurch

29 September 2007



CHAIRMAN'S REPORT

ROBERT JOHN TODD

It is a pleasure to present my first annual report as Chairman of the Society.

It has been a busy, interesting year for the Management Committee, which is responsible for the governance of our organisation. Former chairman John Chirnside, a member of the Management Committee for 20 years, decided not to seek re-election and I want to thank him for his tremendous contribution over two decades. In his place, we welcomed John Smith from Taranaki. Both David O'Connell and Brian Wooller were re-elected.

FINANCIAL REPORT

The Society's financial position is sound, with income once again exceeding expenditure but market volatility meant return on investments was lower than last year.

While the Society offers high quality service and benefits at the lowest possible premiums, these periodically need adjustment to take account of escalating costs.

During the year the Management Committee took the step of developing an investment policy statement defining key responsibilities and operating parameters for our fund managers.

KOWHAI MANOR REST HOME AND HOSPITAL AND GRANGER HOUSE REST HOME AND RICHARD SEDDON HOSPITAL

The two rest homes, Kowhai Manor and Granger House, have continued to operate efficiently and to be financially sustainable. They provide excellent care and facilities for older people on the West

Coast and I thank the managers and dedicated staff for their care and attention to the residents and patients. More people may be attracted to this type of lifestyle since the Government has increased the asset levels by which older people may qualify for subsidised rest home care.

THE FUTURE

I look forward with confidence to the future of the Society. We need to continue to grow and to attract younger members and it may be timely for the Government to consider some form of tax relief for those with health insurance.

Irrespective of continuing increases to the health budget and the establishment of a Charity Hospital in Christchurch, waiting lists for elective surgery are likely to continue because of New Zealand's ageing population.

ACKNOWLEDGEMENTS

On behalf of the Management Committee, I thank our Chief Executive Dermot Martin, management and staff for the valuable contribution they make to the Society's success in providing a first-class service to members. I also thank the professional advisors for their guidance and advice.

Finally, I want to thank the Management Committee for their support, commitment and contributions during the year, and most importantly, for their confidence in me.



Bob Todd
Chairman



CHIEF EXECUTIVE'S REPORT

DERMOT MARTIN



I am pleased to be able to report to members that UniMed has enjoyed another very solid year from all perspectives.

The financial year finished on 30 June 2007, the highlights of the year being:

- Members' earned premiums increased by 5.7% despite no general premium increase during the year.
- Contribution to the consolidated financial result from the Rest Homes further improved.
- Claim payments to members increased to 79.7 cents in every dollar received.
- Tight control of operating expenses with these being maintained for the Society's health insurance operation at under 12% of members' premium contributions.
- Health insurance division underwriting surplus increased to \$2.64M.

As the reserves of the Society (members' funds) have been steadily added to over the years, a conscious decision was taken to realign the ratio of claims payments to members to premiums received, to 80%. This is the highest targeted reimbursement ratio in UniMed's history and it is obviously pleasing to be able to report that the actual return was 79.7 cents from every premium dollar received.

As well as retargeting the level of refunds to members versus premiums received, we did not need to ask our members for

a general premium increase during the 2006-2007 financial year, a somewhat unique position within the wider health insurance sector.

It will come as no surprise that there is an ever-increasing need for our members to call upon the benefits available to them under their various plan options. This is due in the main, to ever-increasing costs of care and also to ever-increasing utilisation rates which in turn, partially reflect the considerable waits for required medical care in the public sector. We at UniMed have no expectation that this trend will not continue into the years ahead.

NEW CHEMOTHERAPY BENEFIT

A new extension of cover is to be announced to the membership in October 2007 which will assist some members, at least in part, to access medical care in a timely manner within the private sector. The Management Committee and Management believe that New Zealanders diagnosed with some form of cancer, requiring chemotherapy treatment, have a right to expect to receive it promptly within the public health system, and this still remains the 'front line' option for our members.

Sometimes this cannot occur and therefore in certain circumstances and subject to UniMed criteria, financial assistance will be available from 01 December 2007 onwards to members where appropriate, for treatment in the private sector.

The new benefit does not necessarily provide full coverage of all costs associated with chemotherapy treatment in the private sector and members will be encouraged to consult with our Claims Staff before embarking on chemotherapy treatment outside the public hospital system.

THE SHIFTING OF COSTS FROM THE PUBLIC SECTOR TO THE PRIVATE

There was a worrying initiative during the year from Capital and Coast and Hutt Valley District Health Boards in the Wellington area to introduce charging for laboratory tests for privately referred patients. Some of the lab test costs were quite considerable, running into hundreds of dollars per patient. We are of the strong view that this is unreasonable because our members have already paid by general taxation for the funding of the various District Health Boards throughout the country. To be asked to pay again for required lab tests, just because they have accessed the necessary testing via a specialist in private practice, does not seem logical or fair. While those two DHBs, and perhaps others in the future, will improve their own financial positions, it certainly seems unreasonable to us to charge for a service that is available via a public hospital, funded from general taxation, and to have to meet the additional administration costs that will be levied in charging for the required lab tests. Nor does it follow that any gains will be achieved for the health sector or that there will be any overall benefit to the general health and wellbeing of New Zealanders.

Along with other insurers within the sector, we lobbied hard but were unsuccessful in stopping the introduction of lab test charging in the Wellington area. However we will be continuing our efforts to endeavour to ensure that this practice is not rolled out through the other DHBs.

CONDITIONS OF MEMBERSHIP

These are the 'rules' under which all members' benefit entitlements are

CHIEF EXECUTIVE'S REPORT cont **DERMOT MARTIN**

assessed, irrespective of their plan. The inclusion of the new chemotherapy benefit has led to a full review of the rules, and the revised Conditions of Membership, effective from 1 December 2007, are being posted to all members during October.

The rules were previously reviewed in 1999 and since then a number of other new benefits have been introduced and new medical technologies have become available in the private sector. All have now been accommodated in the revised Conditions of Membership and we have also taken the opportunity to include a glossary of terms which we are sure members will find helpful.

THE YEAR AHEAD

Over the latter part of the period under review UniMed has experienced strong membership growth. We expect the situation to continue into 2008. This growth is a reflection of the fact that New Zealanders are becoming increasingly aware of the benefits of health insurance. Certainly not a day seems to go past without the media highlighting the many and varied difficulties that the public health system, despite large funding increases, is still continuing to experience.

We are closely watching each of the political party's stance on funding health care in the run up to the 2008 election and we are continuing to lobby on our members' behalf (especially those members over the age of 65 years) for recognition from any incoming government that would help maintain the affordability of their UniMed membership.

Our members' commitment to paying a premium to provide the protection that the various Society plans offer, relieves

the Government of considerable financial responsibility for the non acute healthcare needs of our members and like-minded New Zealanders who subscribe to other health insurers. It is past time that this was recognised in a practical manner by any Government of the day. We will continue to work vigorously on this matter on your behalf.

Finally, my thanks to the Chairman and Management Committee for their support during the year. I would also like to thank my senior management team. They are all very capable people and greatly assist in driving the Society in our strategic goal of providing a level of service to our members that is second-to-none. In closing, my thanks to all our members who are our 'reason for being.' We are looking forward to continuing to provide you with high levels of service should the need arise in the years ahead.



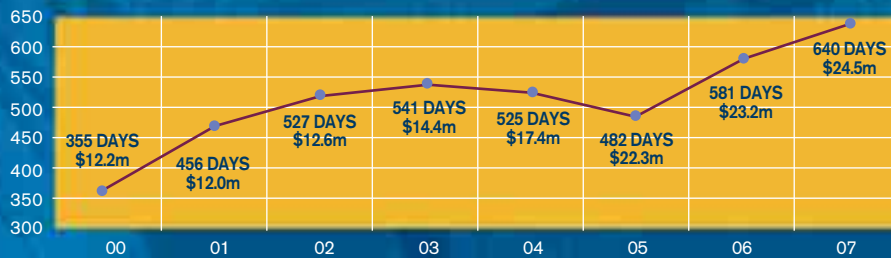
Dermot H Martin
Chief Executive Officer

GRAPHICAL HIGHLIGHTS

FOR THE YEAR ENDED 30 JUNE 2007

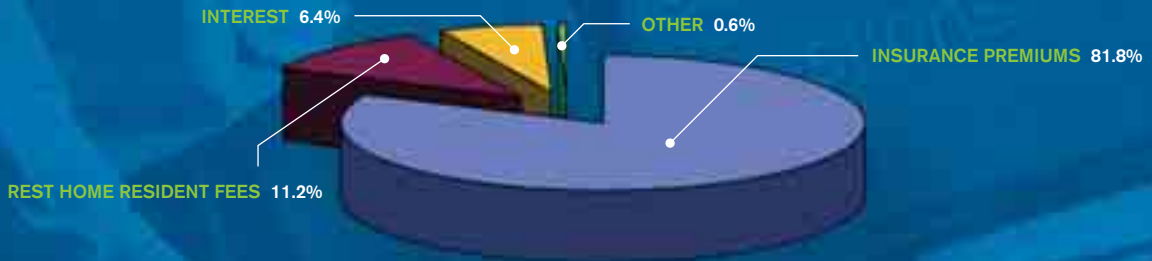
CLAIM DAYS TO MEMBER FUNDS

UniMed exists to pay claims for its members and we constantly strive to maximise this within sound and secure fiscal boundaries. The following graph depicted in a Number of Days / \$ Claims Paid fashion, illustrates how many days UniMed could maintain its then current claim payment levels from Total Member Funds. We take much pride in the fact that we pay more and more claims every year and we still maintain an Industry leading Number of Claim Days to Member Funds ratio.



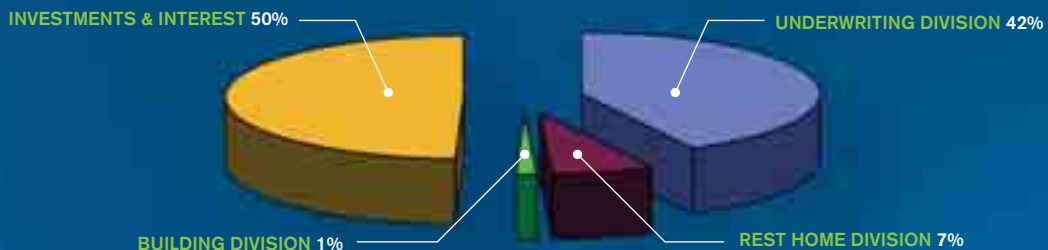
UNIMED'S INCOME SOURCES

The strong Financial Position illustrated above is the result of all the Society's activities. Providing quality, affordable Health Insurance remains our core activity and our ability to do this is well supported by contributions from UniMed's other business interests.



UNIMED'S OVERALL RESULT

Depicted below is how each of UniMed's four primary business interests contribute towards the Society's overall result. Our primary function remains one of medical insurance and the premium we set for this product is done so with an eye firmly on the Society's overall result. One of the reasons our product remains strong and very competitive is due to strong returns from all of our business interests.



AUDIT REPORT

TO THE MEMBERS OF THE UNION MEDICAL BENEFITS SOCIETY LIMITED

Goldsmith Fox PKF
Chartered Accountants



We have audited the financial statements on pages 9 to 16. The financial statements provide information about the past financial performance and financial position of Union Medical Benefits Society Limited as at 30 June 2007. This information is stated in accordance with the accounting policies set out in the notes to the financial statements.

MANAGEMENT COMMITTEE RESPONSIBILITIES

The Management Committee is responsible for the preparation of the financial statements which gives a true and fair view of the financial position of the Society as at 30 June 2007 and of the results of operations and cash flows for the year ended 30 June 2007.

AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Management Committee and report our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Management Committee in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Society's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

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

UNQUALIFIED OPINION

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

In our opinion:

- proper accounting records have been kept by the Society as far as appears from our examination of those records; and
- the attached financial statements
 - complies with generally accepted accounting practice in New Zealand;
 - gives a true and fair view of the financial position of the Society as at 30 June 2007 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 29 September 2007 and our unqualified opinion is expressed as at that date.

Goldsmith Fox PKF

CHRISTCHURCH

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
INCOME			
Members Contributions		\$30,765,806	\$29,089,472
Rest Home Residents Fees		\$4,200,433	\$4,107,385
Interest		\$2,409,424	\$2,644,592
Other Income		\$221,215	\$1,025,210
TOTAL INCOME		\$37,596,878	\$36,866,659
EXPENDITURE			
Claims Paid and Provided For		\$24,534,986	\$23,229,543
Audit		\$16,500	\$14,088
Committee Member Fees		\$233,201	\$207,800
Depreciation Charges	(1)	\$250,803	\$257,545
Loss on Sale of Fixed Assets		\$213	\$5,205
Goodwill Amortised	(1)	\$265,988	\$265,988
Rent		\$62,830	\$58,443
Other Expenses		\$6,199,633	\$5,698,707
TOTAL EXPENDITURE		\$31,564,154	\$29,737,319
NET EARNINGS FOR THE YEAR		\$6,032,724	\$7,129,340
Accumulated Funds Start Of Year		\$34,166,779	\$27,037,439
Accumulated Funds End Of Year		\$40,199,503	\$34,166,779

These financial statements are to be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2007

	Note	2007 \$	2006 \$
ASSETS			
CURRENT ASSETS			
Cash on Hand and at Bank		\$27,600,620	\$21,397,414
Sundry Debtors	(1)	\$3,979,256	\$3,801,192
TOTAL CURRENT ASSETS		\$31,579,876	\$25,198,606
NON-CURRENT ASSETS			
Fixed Assets	(2)	\$5,412,640	\$5,579,747
Investments	(3)	\$16,441,230	\$15,686,476
Goodwill	(4)	\$854,781	\$1,120,769
TOTAL NON-CURRENT ASSETS		\$22,708,651	\$22,386,992
TOTAL ASSETS		\$54,288,527	\$47,585,598
LIABILITIES			
CURRENT LIABILITIES			
Sundry Creditors		\$1,462,722	\$1,297,442
Employee Entitlements		\$327,730	\$265,199
Unearned Premium Provision	(1)	\$3,672,000	\$3,330,000
Unreported Claims Provision	(1)	\$5,800,000	\$5,700,000
TOTAL CURRENT LIABILITIES		\$11,262,452	\$10,592,641
NET ASSETS		\$43,026,075	\$36,992,957
REPRESENTED BY: MEMBERS FUNDS			
Members Capital	(5)	\$74,572	\$74,178
General Reserves	(5)	\$2,752,000	\$2,752,000
Accumulated Funds		\$40,199,503	\$34,166,779
TOTAL MEMBERS FUNDS		\$43,026,075	\$36,992,957



RJ TODD
CHAIRMAN



B J Dorgan
VICE CHAIRMAN

29 September 2007

These financial statements are to be read in conjunction with the Notes to the Financial Statements.

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
EQUITY AT START OF YEAR	\$36,992,957	\$29,863,879
Total Recognised Revenues and Expenses For Period	\$6,032,724	\$7,129,340
Additions To Members Reserves During Period	\$394	(\$262)
EQUITY AT END OF YEAR	\$43,026,075	\$36,992,957

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Was Provided From:		
Members Contributions	\$31,040,534	\$28,812,099
Rest Home Residents Fees	\$4,221,226	\$3,864,527
Rent Received	\$20,347	\$19,689
Sundry Income	\$4,695	\$6,455
Interest Received	\$2,422,731	\$3,458,583
	\$37,709,533	\$36,161,353
Cash Was Applied To:		
Payments for Claims and Expenses	\$30,331,495	\$29,434,180
Goods and Services Tax Paid (Net)	\$1,090,922	\$909,902
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$6,287,116	\$5,817,271
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Fixed Assets	(\$89,473)	(\$50,608)
Cash Was Provided From:		
Sale of Fixed Assets	\$5,563	\$1,466
NET CASH FLOWS FROM INVESTING ACTIVITIES	(\$83,910)	(\$49,142)
Net Increase/(Decrease) in Cash Held	\$6,203,206	\$5,768,129
Plus Opening Cash Brought Forward	\$21,397,414	\$15,629,285
ENDING CASH CARRIED FORWARD	\$27,600,620	\$21,397,414

These financial statements are to be read in conjunction with the Notes to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

AS AT 30 JUNE 2007

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Union Medical Benefits Society Limited is an Incorporated Society registered under the Industrial and Provident Society Act 1908. The financial statements of the Union Medical Benefits Society Limited have been prepared in accordance with generally accepted accounting practice in New Zealand as defined in the Financial Reporting Act 1993.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis, modified by the revaluation of certain assets where stated, have been followed.

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of financial performance and the financial position have been applied:

DEBTORS

Sundry Debtors are stated at their estimated realisable value.

FIXED ASSETS

Fixed Assets are stated at cost less accumulated depreciation.

DEPRECIATION

Depreciation is provided at rates calculated to allocate the cost of fixed assets over their estimated useful lives.

The principal rates in use are:

Buildings and Chattels	2.0% - 13.0% SL and 2.0% - 31.2% DV
Motor Vehicles	25.0% - 31.2% DV
Fixtures and Fittings	7.5% - 60.0% DV
Office Furniture and Equipment	14.4% - 50.0% DV
Computer Equipment	14.4% - 48.0% DV

IMPAIRMENT

The carrying value of each asset is assessed annually. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the Statement of Financial Performance.

INCOME RECOGNITION

Premium Revenue represents those members' contributions relating to the year under review. The premiums billed but relating to the following financial year are not included in revenue.

STATEMENT OF CASH FLOWS

The following are the definitions of the terms used in the Statement of Cash Flows:

Operating activities include all transactions and other events that are not investing or financing activities. Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and investments. Investments can include securities not falling within the definition of cash.

Cash is considered to be cash on hand and current accounts in Banks and Building Societies.

As investments are held until maturity, and then reinvested, only the net purchase is disclosed in the Statement of Cash Flows.

TAXATION

No taxation has been provided as the Society has a tax-free status as confirmed by Inland Revenue.

INVESTMENTS

The Portfolio which consists of Government Stock, funds managed by the Bank of New Zealand Private Banking and Tower Financial Advisory Services are valued at market value at balance date. The surplus on original cost has been taken into income. The unrealised gain on investments for the year ended 30 June 2007 was \$125,208 (2006 - gain of \$1,000,486). Shares in quoted companies are valued at cost.

NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2007

GOODS AND SERVICES TAX

These accounts have been prepared on a GST exclusive basis with the exception of Sundry Debtors and Creditors which include GST invoiced.

LIABILITIES

Current Liabilities and Provisions are stated at the expected amounts payable and include the following provisions:

Provision for Unreported Claims

This provision represents the estimated amount of benefits unclaimed as at balance date for accounts incurred by members before balance date. The time lag in the lodging of claims after members incur expenses varies.

Provision for Unearned Premiums

This provision represents the estimated amount of premiums paid by members covering periods that extend beyond the balance date. A significant number of our members pay on a weekly to monthly basis.

FINANCIAL INSTRUMENTS

The Society has its cash invested with the Bank of New Zealand Limited, The ANZ National Bank of New Zealand Limited, Westpac New Zealand Limited and The Southland Building Society held on short-term, in the form of Government Stock and in Managed Funds. The purpose of having its funds in Financial Institutions is for providing liquidity to meet unexpected fluctuations in operating cash flows. Financial Instruments which potentially subject the Society to concentrations of credit risk consist principally of cash and short-term investments in high quality financial institutions.

Concentration of credit risk with respect to accounts receivable are limited due to the large number of clients included in the Society's client base. The Society does not require collateral or other security to support financial instruments with credit risk. The Society considers that transaction value plus accruals is indicative of fair value for all classes of financial instruments.

GOODWILL

Goodwill represents the excess of the purchase consideration over the fair value of tangible assets acquired at the time of acquisition. The Goodwill on the purchase of Kowhai Manor Rest Home and Granger House and Richard Seddon Hospital is amortised by the straight line method over a ten year period. The Goodwill on the PSIS Ltd Healthcare members acquisition is amortised by the straight line method over a five year period. The amortisation rates have been determined by considering the useful lives that a benefit is expected to accrue. The finite periods determined will be reviewed on an annual basis.

CHANGES IN ACCOUNTING POLICIES

Accounting Policies have been applied on a basis consistent with those used in previous years.

2 FIXED ASSETS

	Cost	2007 Accum Depn	2007 Closing Book Value	Cost	2006 Accum Depn	2006 Closing Book Value
Land	\$913,891	-	\$913,891	\$913,891	-	\$913,891
Buildings	\$5,466,605	\$1,306,226	\$4,160,379	\$5,466,605	\$1,162,952	\$4,303,653
Fixtures, Fittings & Equipment	\$1,523,725	\$1,243,908	\$279,817	\$1,466,254	\$1,152,262	\$313,992
Motor Vehicles	\$117,621	\$59,068	\$58,553	\$105,355	\$57,144	\$48,211
	\$8,021,842	\$2,609,202	\$5,412,640	\$7,952,105	\$2,372,358	\$5,579,747

The latest independent valuation of the Society's remaining land and buildings in Christchurch at net current value by Simes Limited Registered Valuers dated 30 June 2007 is \$1,770,000 (2006 - \$1,520,000). The latest independent valuation of the Society's land and buildings of Kowhai Manor Rest Home in Greymouth at net current value by Ford Baker Valuation Limited Registered Valuers is \$2,180,000 (2006 - \$2,100,000).

The latest independent valuation of the Society's land and buildings of Granger House and Richard Seddon Hospital in Greymouth at net current value by Ford Baker Valuation Limited Registered Valuers is \$4,000,000 (2006 - \$3,890,000).

In the Committee's opinion the valuations obtained represent fair value. There are no restrictions on legal titles of assets.

NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2007

3 INVESTMENTS

	2007	2006
	\$	\$
Stocks and Bonds	\$8,009,361	\$7,966,624
Listed Shares	\$10,773	\$10,773
Managed Funds at Valuation	\$8,421,096	\$7,709,079
	\$16,441,230	\$15,686,476

4 GOODWILL

	2007	2006
	\$	\$
Cost	\$1,821,370	\$1,821,370
Accumulated Amortisation	(\$966,589)	(\$700,601)
	\$854,781	\$1,120,769

5 MEMBERS FUNDS

	2007	2006
	\$	\$
Members Capital		
This represents the capital paid up by current members of the Society		
Balance at 01 July 2006	\$74,178	\$74,440
add additions (repayments) during the year	\$394	(\$262)
Balance at 30 June 2007	\$74,572	\$74,178

General Reserves

This Reserve represents a Claim Fluctuation Reserve which has been created to provide for major claims arising from unusual or abnormal events. There are no restrictions on transfers within these reserves.

Balance at 30 June 2007	\$2,752,000	\$2,752,000
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6 SEGMENT INFORMATION

The Society operates in two divisions conducted within New Zealand.

	2007	2006
	\$	\$
Medical Insurance Segment		
Segment Assets	\$34,725,258	\$29,996,635
Revenue	\$32,769,207	\$32,326,261
Expenses	\$28,121,338	\$26,546,487

NET EARNINGS	\$4,647,869	\$5,779,774
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Investment Property Segment

(includes rental properties & rest homes)

Segment Assets	\$19,563,271	\$17,588,964
Revenue	\$5,227,250	\$4,939,977
Expenses	\$3,842,395	\$3,590,411

NET EARNINGS	\$1,384,855	\$1,349,566
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Total		
Assets	\$54,288,529	\$47,585,599
Revenue	\$37,996,457	\$37,266,238
Expenses	\$31,963,733	\$30,136,898

NET EARNINGS	\$6,032,724	\$7,129,340
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NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2007

7 CAPITAL COMMITMENTS

Capital commitments or contingent liabilities at balance date total \$nil. (2006 - \$nil).

8 CASH FLOW RECONCILIATION

	2007	2006
	\$	\$
Reported Net Surplus / (Deficit)	\$6,032,724	\$7,129,340
Plus: Loss on Sale of Fixed Assets	\$213	\$5,205
Increase in Unreported Claims Provision	\$100,000	\$400,000
Increase in Unearned Premium Provision	\$342,000	\$180,000
Increase / (Decrease) in Employee Entitlements	\$62,531	(\$16,198)
Less: Increase In Value of Govt Stock / Bonds	(\$754,754)	(\$2,162,197)
Increase in Debtors	(\$178,063)	(\$539,816)
Increase in Sundry Creditors	\$165,280	\$383,916
(Decrease) in Committee Members Creditor	\$0	(\$86,250)
Decrease / (Increase) in General Reserves	\$394	(\$262)
	\$5,770,325	\$5,293,738
Plus: Depreciation Charged	\$250,803	\$257,545
Goodwill Amortised	\$265,988	\$265,988
Net Cash Flow from Operating Activities as per Statement of Cash Flows	\$6,287,116	\$5,817,271

9 ANALYSIS OF OPERATING LEASE COMMITMENTS

Lease commitments on non cancellable operating leases at balance date amounted to:

	2007	2006
	\$	\$
Payable no later than one year	\$3,337	\$3,250
Payable later than one year, not later than two	\$0	\$0
Payable later than two years, not later than three	\$0	\$0
	\$3,337	\$3,250

10 ACTUARIAL REPORT

Estimates of the outstanding claims as at 30 June 2007 have been carried out by Peter Davies B.Bus.Sc., a Fellow of the New Zealand Society of Actuaries. The calculation of the provision for outstanding claims complies with FRS 35: Financial Reporting of Insurance Activities and Professional Standard No. 4 of the New Zealand Society Of Actuaries. The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine these provisions. The provisions were determined based on past patterns of claim payments using a chain-ladder method, and include a volatility allowance and a provision for future claim processing. The Provision for Outstanding Claims has not been discounted due to the short-term nature of the claims experienced by the Society.

11 PRINCIPAL ACTIVITY

The principal activity of the Society is Health Insurance Underwriting and Rest Home / Commercial Building ownership.

12 CREDIT RATING

The Society has elected not to have a rating in accordance with the Insurance Companies (Rating and Inspections) Act 1994, and is not required to have a rating.

13 SIGNIFICANT EVENTS AFTER BALANCE DATE

There are no events subsequent to balance date that would have or may have an effect on the operations of the Society, the results of the Society's operations or state of the affairs of the Society.

NOTES TO THE FINANCIAL STATEMENTS cont.

FOR THE YEAR ENDED 30 JUNE 2007

14 INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002 the New Zealand Accounting Review Board announced that International Financial Reporting Standards (IRFS) will apply to all New Zealand entities for periods commencing on or after 1 January 2007.

Since this date New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) have been issued. In complying with these, New Zealand entities will be in compliance with IFRS.

Analysis of the potential impacts from conversion to NZ IFRS has commenced. The Society considered the impacts of NZ IFRS implementation, both from a reporting and operational perspective. The objective of the Society is to ensure the conversion to NZ IFRS occurs within agreed and required timelines (under the Financial Reporting Act 1993), ensuring:

- Minimal operational impact on the Society; and
- All relevant parties are consulted.

The Society intends to adopt NZ IFRS and report for the first time under these standards for the year ending 30 June 2008 or earlier. Upon adoption of NZ IFRS, comparative information presented in the financial statements will be restated to conform to the requirements of the new standards, and the financial impact of that adoption will be disclosed.

One key difference in accounting policies has been identified to date as follows:

Accounting for goodwill

- Under NZ IFRS 3 goodwill will no longer be amortised. However, it will be subject to regular reviews for impairment.
- Currently the Society records goodwill at cost less amortisation over periods not exceeding 10 years.

Known or reliably estimable information about impacts on the financial report, had it been prepared using NZ IFRS, have not yet been determined.

The actual impact of adopting NZ IFRS may vary from the information presented, and the variation may be material.



**HEALTH FUNDS ASSOCIATION
OF NEW ZEALAND INC.**

UniMed is proud to be a participant of the Insurance & Savings Ombudsman scheme and a founding member of the Health Funds Association of New Zealand Inc.

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