



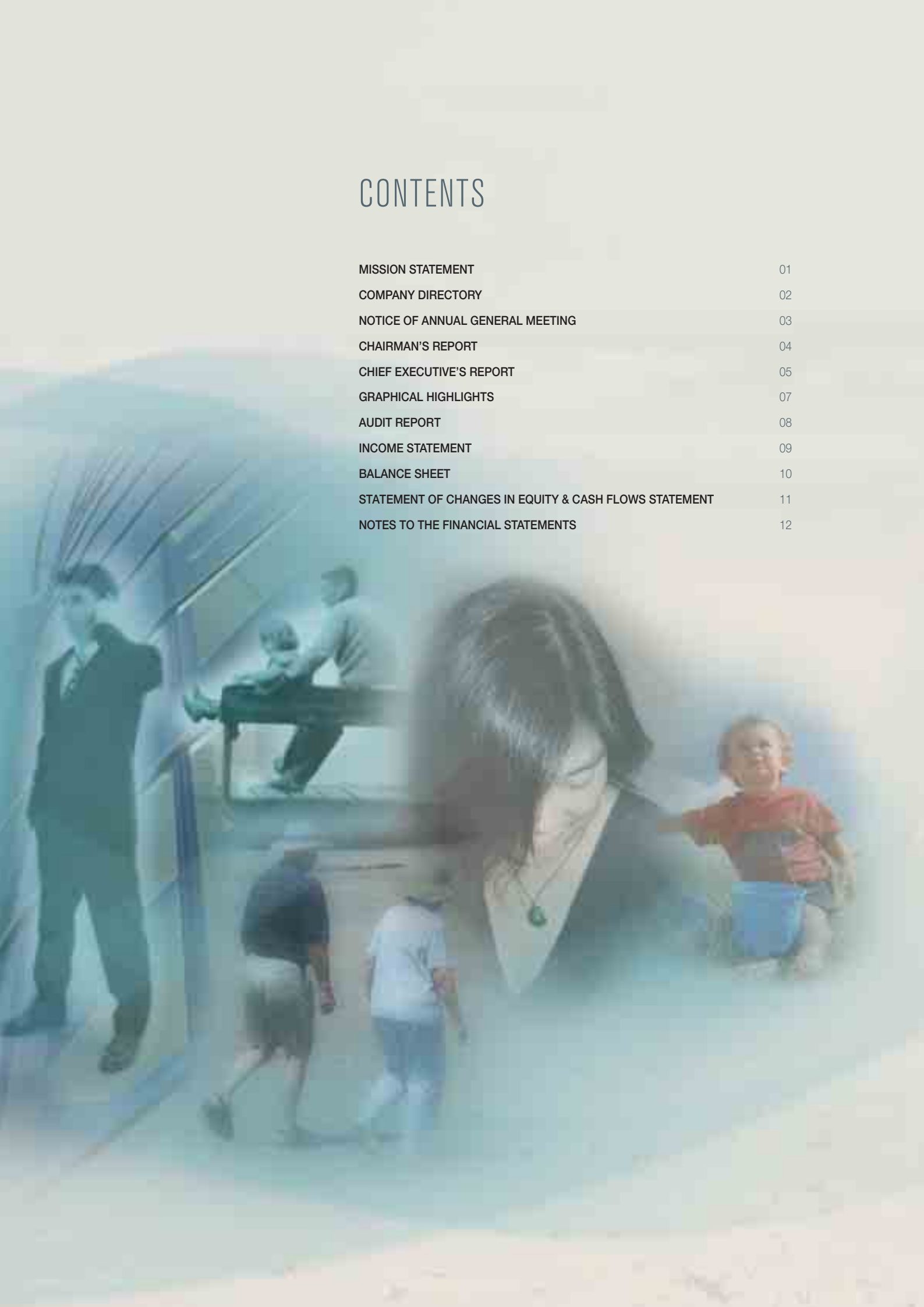
UNION MEDICAL BENEFITS SOCIETY LIMITED

# ANNUAL REPORT 2008

It's the security of knowing we're there.

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# MISSION STATEMENT

## 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.

## 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.

## 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.

## The Community

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

## 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.





## COMPANY DIRECTORY

AS AT 30 JUNE 2008

### **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

### **BOARD**

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 Audit  
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 35258  
Browns Bay  
North Shore City 0753

# 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 Thursday 30 October 2008 at 6.00pm.

## **BUSINESS**

- 1) Apologies.
- 2) To confirm the Minutes of the 2007 Annual General Meeting.
- 3) To receive and consider the annual financial statements and Auditor's report for the year ended 30 June 2008.
- 4) To elect up to three Board members. In accordance with the Society's Rules, David Eastlake (Christchurch), Dennis Emery (Palmerston North), and Robert Todd (Christchurch) retire by rotation and being eligible; offer themselves for re-election to the Board.

Nominations for members to serve on the Board 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 Board.
- 7) 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 Board



E Richardson  
Administration Secretary  
PO Box 1721  
Christchurch 8140

20 September 2008

# CHAIRMAN'S REPORT

ROBERT JOHN TODD

It is again my pleasure to present my annual report for the 2007/2008 financial year.

The underwriting and rest home divisions both recorded satisfactory surpluses and for a second successive year members have not been subjected to an increase in premium. The result illustrates the Board and management's commitment to provide first class quality service and benefits at the lowest possible premiums. This was the culture adopted by the Society at its inception 29 years ago, and continued ever since.

## FINANCIAL REPORT

The summary of financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZGAAP) and for the first time New Zealand International Financial Reporting Standards (NZIFRS) have been applied. Although our return on investments was positive, the result was disappointing but not unexpected, given the very difficult economic and investment conditions. It has been a tumultuous and volatile period as the global crisis deepened in the United States of America and spread around the world.

## REST HOMES

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. I thank the Managers and staff for the dedication, compassion and attention they provide for the comfort of residents and patients whose families are secure in the knowledge that their loved ones are in such deserved and exemplary care.

## GENERAL

Following their retirement by rotation, it was a pleasure to welcome back on the Board Brian Dorgan, Brian Edgeler and

Ray Potroz after their successful re-election at the 2007 AGM. All are experienced Board members who make significant and valuable contributions in their governance roles.

## FUTURE

Next year marks the 30th anniversary of the formation of the Society - an opportune time to commence the discussion on our future and to formulate a strategic plan for the next ten years. The idea for such a Society had its origins in the Trade Union movement and the culture that was prescribed at that time continues to be successful. However, as prudent Trustees, we need to ensure that we are strategically placed in the industry in the years ahead.

## ACKNOWLEDGEMENTS

On behalf of the Board I thank our Chief Executive, Dermot Martin, the management team 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 wish to thank the Board for their support, commitment and contributions during the year and the confidence they have in me as Chairman.



Bob Todd  
Chairman

# CHIEF EXECUTIVE'S REPORT

DERMOT MARTIN



It is again pleasing to be able to report to members that UniMed has enjoyed another very solid year from all perspectives.

The financial year being reported on is that finishing on 30 June 2008, the highlights being:

- An increase in the total number of members entrusting their health insurance needs to the Society.
- Claim payments to members maintained at very similar levels to the 2007 year, being 79.23 cents (2007 – 79.75 cents) in every premium dollar earned.
- Continuing firm control of operating expenses in a tight labour market with the Society's health insurance operating expenses running at some 13% of members' premium contributions.
- Net earnings from all Society activities for the year at \$6.593M (2007 - \$6.032M).
- Total members' funds now standing at \$49.620M (2007 - \$43.026M).

A conscious decision was made by the Board to target a ratio of claims' payments to members as a percentage of premiums received, to 80%. While this ratio is higher than previously targeted by the Society over many years, it is pleasing to be able to report that for both the 2007 and 2008 financial years, a ratio of 79% was achieved.

It is with a considerable sense of achievement that we have been able to go a further full year without a general premium increase. The last general increase was in April 2006.

UniMed, on behalf of its members, is not immune from increasing medical treatment costs which traditionally outstrip general inflation by a factor of two. The balance between premiums

paid by members and the value of the membership's claims is under constant review. I strongly suspect that if an 80% claims ratio is to be maintained, a modest premium increase will be inevitable over the coming months.

In these times of turbulent global credit and investment markets, I can report that the Society's total investment income increased by some \$870,000 to \$3.28M. The Society adopts a 'conservative' investment profile. Even so, it has not been totally immune from some reduction in value of some investments (we adopt 'mark to market') but is as well placed as is prudently possible to weather continuing volatility in investment markets, which looks set to continue for some time yet.

## HEALTH INSURANCE

We have spent considerable time and effort over the past year reviewing and then improving our levels of service to our members. We continue to be proud of the fact that members' routine claims are, in most instances, processed and completed within four days – the resulting payment either direct credited into the member's account or a cheque dispatched. Likewise, most members make contact with us before admission to a private hospital for a required procedure, with an increasing percentage of these approaches now resulting in 'prior approval' status being provided to the member over the telephone.

During the year good progress was made on a substantial software upgrade with associated faster and more powerful computer hardware, all designed to assist front line staff in providing an ever increased level of service to our members. This IT project was approximately half completed by balance date with the remainder scheduled to be in place and running prior to Christmas 2008. The project required a sizeable financial commitment but will

benefit our members both in the prompt and efficient payment of claims and also in the timely and efficient payment of premiums.

The schedules of benefits under the various plans have remained unchanged during the year, other than for the inclusion of a new chemotherapy benefit in late 2007. As the treatment options available to members in the area of 'private' oncology increases, this area of our coverage is under review. An announcement of further enhancement to the benefit schedules is expected shortly.

The Society has continued to be active in the wider health insurance sector via its membership of the Health Funds Association of New Zealand (HFANZ), which has represented our own and other health insurers' areas of common interest where and when these align with our own members' interests. For example, in addition to our own direct efforts, HFANZ has advocated against the move by a number of District Health Boards to introduce charges for laboratory tests undergone by our members at the request of a Specialist, usually prior to planned surgery. We do not think this is a fair impost on our members who, after all, are tax payers. Some DHBs (with others watching on closely) have now imposed laboratory charges, simply on the basis that those people who are 'going private' must either be able to afford these new and extra costs, or are insured. Put bluntly, it is a shift in cost from the public health system (as funded by all tax payers) to the people who choose not to have required treatment in the public hospital for any number of reasons. We will continue to oppose this cost shifting by DHBs on behalf of our members.

UniMed will be celebrating its 30th birthday in 2009. The ideals behind its formation back in 1979 are very much the same as they are today - that is to provide its members with access to a range of health insurance plans at the

# CHIEF EXECUTIVE'S REPORT cont.

DERMOT MARTIN

least possible cost. This basis has stood us in good stead for nearly 30 years and will no doubt remain an underlying tenet well into the future.

## AGED CARE FACILITIES

The Society has continued to own and operate Granger House Rest Home & Richard Seddon Hospital and Kowhai Manor Rest Home and Hospital in Greymouth over the past year. There are many and considerable pressures on the aged care sector particularly regarding funding levels received from the District Health Boards not keeping pace with increasing operating costs, including wage rates for the very skilled and dedicated staff employed within the sector.

There continues to be a severe shortage of qualified staff, particularly Registered Nurses and it is difficult to see this improving in the short term. New Zealand has to train more nurses as the demand for their skills will only increase in the light of a rapidly ageing population.

We have dedicated staff in our two facilities who regularly 'go the extra mile' for the elderly in their care and I would like to take this opportunity to publicly acknowledge their commitment.

## THE YEAR AHEAD

The Society is well placed to continue to provide excellence in service to its members from the basis of a strong financial footing. But I do not believe it will be immune to a downturn in the business cycle currently being experienced in New Zealand.

The outcome of the 2008 General Election will have some bearing on the environment in which the Society will operate, as the various political parties have a range of stances on the provision of health care in the private sector. Whilst the various parties' position is

known, the composition of any coalition following the General Election will in part shape the environment in which we will operate for the next three years at least.

Finally, my thanks to the Chairman and Board 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 to be the success that it is for those who matter – our members. Thank you too to our members for their continuing loyalty. We are always very aware that there are other options available and we will always strive to provide a fair level of coverage for a fair premium, coupled with a 'second to none' level of service.



Dermot H Martin  
Chief Executive Officer

# GRAPHICAL HIGHLIGHTS

FOR THE YEAR ENDED 30 JUNE 2008

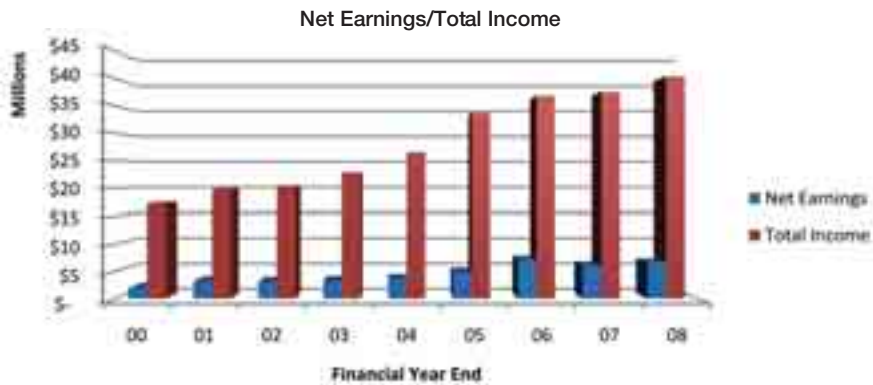
## UNIMED'S CLAIMS PAID

The number and dollar value of members claims paid continues to grow year on year. It is important that the ratio between claims paid and premiums earned is maintained in balance, which it has been.



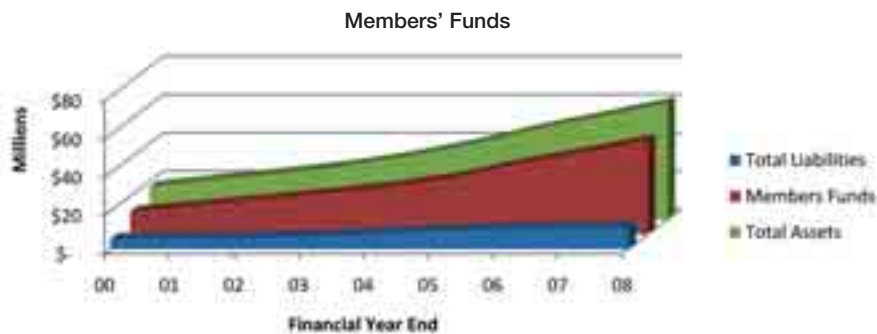
## UNIMED'S NET EARNINGS

The net earnings to total income ratio is a measure of a business's use of its assets and control of its expenses to generate an acceptable rate of return. UniMed strives to maintain a prudent rate of earnings after its payment of members' claims to underpin its insurance commitments and liabilities. This year its net earnings as a percentage of total income was 16.3%, last year 16.1%. This chart shows the consistency of the Society's performance over the last nine years.



## UNIMED'S MEMBERS' FUNDS

The Members' Funds is the equity of the business. Important measures of financial health are the ratios of debt to equity and total assets. This chart illustrates the growing strength of Members' Funds relative to the total liabilities of the Society.



# AUDIT REPORT

TO THE MEMBERS OF UNION MEDICAL BENEFITS SOCIETY LIMITED

## Goldsmith Fox PKF Audit 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 2008. This information is stated in accordance with the accounting policies set out in the notes to the financial statements.

### BOARD RESPONSIBILITIES

The Board 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 2008 and of the results of operations and cash flows for the year ended 30 June 2008.

### AUDITORS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Board 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 Board 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;
  - complies with New Zealand Equivalents to International Financial Reporting Standards;
  - give a true and fair view of the financial position of the Society as at 30 June 2008 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 23 September 2008 and our unqualified opinion is expressed as at that date.

*Goldsmith Fox PKF Audit.*

CHRISTCHURCH

# INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	NOTE	2008 \$	2007 \$
<b>INCOME</b>			
Members' contributions	1 (H)	32,496,360	30,765,806
Rest home residents fees	1 (I)	4,623,677	4,200,433
Interest	1 (J)	3,280,189	2,409,424
<b>TOTAL OPERATING INCOME</b>		<b>40,400,226</b>	<b>37,375,663</b>
Other income		33,877	221,215
<b>TOTAL INCOME</b>		<b>40,434,103</b>	<b>37,596,878</b>
Expenditure			
Claims paid and provided for		25,746,078	24,534,986
Employee benefit expenses		4,334,025	3,872,376
Audit		17,400	16,500
Board fees		236,044	233,201
Depreciation charges	1 (L)	236,602	250,806
Goodwill impairment	1 (R)	265,988	265,988
Rent		64,520	62,830
Other expenses		2,940,043	2,327,467
<b>TOTAL EXPENDITURE</b>		<b>33,840,700</b>	<b>31,564,154</b>
<b>NET EARNINGS</b>		<b>6,593,403</b>	<b>6,032,724</b>

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

# BALANCE SHEET

AS AT 30 JUNE 2008

	NOTE	2008 \$	2007 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1 (P)	34,074,800	27,600,620
Accounts receivable	1 (Q)	4,152,831	3,979,256
<b>TOTAL CURRENT ASSETS</b>		<b>38,227,631</b>	<b>31,579,876</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	2	5,398,243	5,392,244
Investments	3	16,975,365	16,441,230
Goodwill	4	588,792	854,781
Other intangible assets	1 (S)	20,012	20,396
<b>TOTAL NON-CURRENT ASSETS</b>		<b>22,982,412</b>	<b>22,708,651</b>
<b>TOTAL ASSETS</b>		<b>61,210,043</b>	<b>54,288,527</b>
<b>CURRENT LIABILITIES</b>			
Sundry creditors	1 (T)	1,820,451	1,462,722
Employee benefits	1 (T)	221,528	327,730
Unearned premium provision	1 (T)	3,747,182	3,672,000
Unreported claims provision	1 (T)	5,800,000	5,800,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>11,589,161</b>	<b>11,262,452</b>
<b>NET ASSETS</b>		<b>49,620,882</b>	<b>43,026,075</b>
<b>MEMBERS' FUNDS</b>			
Members' capital	5	75,976	74,572
General reserves	5	2,752,000	2,752,000
Accumulated funds	5	46,792,906	40,199,503
<b>TOTAL MEMBERS FUNDS</b>		<b>49,620,882</b>	<b>43,026,075</b>



RJ Todd  
Chairman



BJ Dorgan  
Vice Chairman

23 September 2008

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
<b>OPENING EQUITY</b>	43,026,075	36,992,957
Total recognised revenues and expenses	6,593,403	6,032,724
Additions to Members' reserves	1,404	394
<b>CLOSING EQUITY</b>	49,620,882	43,026,075
Represented by:		
Members' capital	75,976	74,572
General reserves	2,752,000	2,752,000
Accumulated funds	46,792,906	40,199,503
<b>TOTAL EQUITY</b>	49,620,882	43,026,075

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

# CASH FLOWS STATEMENT

FOR THE YEAR ENDED 30 JUNE 2008

	2008 \$	2007 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<i>Cash was provided from:</i>		
Members' contributions	32,580,754	31,040,533
Rest home residents fees	4,311,887	4,221,226
Rent received	22,090	20,347
Sundry income	33,877	4,695
Interest received	3,317,824	2,422,731
	40,266,432	37,709,533
<i>Cash was applied to:</i>		
Payments for claims and expenses	31,970,057	30,331,495
Goods and Services Tax Paid (Net)	1,037,164	1,090,922
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	7,259,211	6,287,116
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-248,658	-89,473
Purchase of computer software	-10,150	-
Purchase of investments	-534,135	-
<i>Cash was provided from:</i>		
Sale of property plant & equipment	7,912	5,563
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	-785,031	-83,910
Net increase/(decrease) in cash held	6,474,180	6,203,206
Plus opening cash brought forward	27,600,620	21,397,414
<b>CLOSING CASH BROUGHT FORWARD</b>	34,074,800	27,600,620
<i>Represented by:</i>		
Bank of New Zealand - Current accounts	1,825,070	2,060,191
- Term deposit accounts	23,885,283	24,021,257
PSIS - Term deposit accounts	241,428	223,085
Kiwibank - Term deposit accounts	603,825	557,466
Guardian Trust - Term deposit accounts	6,720,635	
Westpac Trust - Term deposit accounts	95,666	88,951
National Bank of New Zealand - Term deposit accounts	94,511	88,328
Southland Building Society - Term deposit accounts	608,382	561,342
<b>TOTAL CASH AND CASH EQUIVALENTS</b>	34,074,800	27,600,620

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 2008

## 1 STATEMENT OF ACCOUNTING POLICIES

### 1 (A) REPORTING ENTITY

Union Medical Benefits Society Limited (the Society) is an Incorporated Society registered under the Industrial and Provident Society Act 1908. Its principal products and services are health insurance, residential aged care and commercial building ownership. It is a for profit company domiciled and incorporated in New Zealand. The Society is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

### 1 (B) BASIS OF PREPARATION

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards ('NZ IFRS') and other applicable Financial Reporting standards as appropriate.

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

The financial statements were authorised for issue on 23 September 2008.

### 1 (C) STATEMENT OF COMPLIANCE

The Society changed its accounting policies on 1 July 2007 to comply with NZ IFRS. The transition to NZ IFRS is accounted for in accordance with NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards, with 1 July 2006 as the date of transition.

### 1 (D) MEASUREMENT BASE

The financial statements have been prepared on the basis of historical cost, except for:

- certain financial instruments that are carried at fair value.

- inventory which is carried at the lower of cost or net realisable value.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported. The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2008, the comparative information presented in these financial statements for the year ended 30 June 2007.

### 1 (E) CRITICAL ESTIMATES AND ACCOUNTING

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

### 1 (F) STANDARDS APPROVED BUT NOT YET EFFECTIVE

At the date of the approval of the financial statements the following standards have been approved but are not yet effective:

	Effective Date	Application Date
NZ IFRS 8 Operating Segments	1 Jan 2009	31 Jan 2010
NZ IAS 1 Presentation of Financial Statements - Revised standard	1 Jan 2009	31 Jan 2010
Amendments to NZ IFRS 4 Insurance Contracts	1 Jan 2009	31 Jan 2010
NZ IFRIC 11 Group and Treasury Share Transactions	1 Jan 2009	31 Jan 2009
NZ IFRIC 14 NZ IAS 19 Limit on a Defined Benefit Asset	1 Jan 2009	31 Jan 2009
Amendments to IAS 32 and IAS	1 Jan 2009	31 Jan 2010

Initial application of these standards and interpretations is not expected to have any material impact to the financial statements of the Society with the exception of the revised NZ IAS 1 Presentation of Financial Statements which will change the presentation of the primary financial statements.

## SPECIFIC ACCOUNTING POLICIES

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

### 1 (G) GOODS AND SERVICES TAX

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

### 1 (H) MEMBERS' CONTRIBUTIONS

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.

### 1 (I) REST HOME RESIDENTS' FEES

Rest home residents fees are recognised on an accrual basis.

### 1 (J) INTEREST

Interest income is recognised on an accrual basis.

### 1 (K) FOREIGN CURRENCY

All foreign currency transactions during the year are brought into account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Non-monetary assets and liabilities carried at fair values that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

### 1 (L) DEPRECIATION ON PROPERTY PLANT & EQUIPMENT

Depreciation is provided at rates calculated to allocate the cost of fixed assets over their estimated useful lives. Depreciation is charged to the income statement. The following rates have been used.

# NOTES TO THE FINANCIAL STATEMENTS cont.

AS AT 30 JUNE 2008

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

## 1 (M) IMPAIRMENT OF ASSETS

At each reporting date, the Society reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

An impairment loss is recognised in the income statement immediately.

## 1 (N) LEASED ASSETS

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

## 1 (O) TAXATION

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

## 1 (P) CASH AND CASH EQUIVALENTS

Cash is considered to be cash on hand, current accounts and term deposits in banks.

## 1 (Q) FINANCIAL ASSETS

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned. Investments are initially measured at fair value plus transaction costs except for those financial assets classified as fair value through profit or loss which are initially valued at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'held-to-maturity' investments, 'available-for-sale' financial assets and 'account receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

### *Financial Assets At Fair Value Through Profit Or Loss*

Financial assets in this category are either financial assets held for trading or financial assets designated as at fair value through profit or loss in the income statement.

A financial asset is classified as held for trading if:

- (i) it has been acquired principally for the purpose of selling in the near future; or
- (ii) it is a part of an identified portfolio of financial instruments that the Society manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) it is a derivative that is not designated and effective as a hedging instrument.

All derivatives entered into by the Society are classified as held for trading as the Society does not apply hedge accounting.

Financial assets at fair value through the income statement are stated at fair value, with any resultant gain or loss recognised in the income statement. The net gain or loss recognised in the income statement includes any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 13.

### *Held-To-Maturity Investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Society's management has the positive intention and ability to hold to maturity. These investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective interest basis.

### *Available-For-Sale Financial Assets*

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as loans or receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Certain shares held by the Society are classified as being available-for-sale and are stated at fair value. Fair value is determined in the manner described in note 13. Gains and losses arising from changes in fair value are recognised directly in the income statement.

Dividends on available-for-sale equity instruments are recognised in the income statement when the Society's right to receive payment is established.

### *Accounts Receivable*

Accounts Receivable are stated at their net realisable value less impairment losses.

## 1 (R) GOODWILL

Goodwill represents the excess of the purchase price of acquisition over the fair value of net assets, acquired at the time of acquisition of a business. Goodwill is assessed annually for impairment and to the extent that it is no longer probable that it is recognised immediately as an expense.

## 1 (S) INTANGIBLE ASSETS

Intangible assets are recognised if it is probable that expected future benefits relating to intangible assets will accrue to the Society and the use is able to be reliably measured.

## 1 (T) LIABILITIES AND PROVISIONS

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

### *Accounts Payable*

Accounts payable are recognised when the Society becomes obliged to make future payments resulting from the purchase of goods and services.

# NOTES TO THE FINANCIAL STATEMENTS cont.

AS AT 30 JUNE 2008

## Employee Benefits

A liability for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave is accrued and recognised in the balance sheet when it is probable that settlement will be required and they are capable of being measured reliably.

Accruals made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Accruals made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash flows to be made by the Society in respect of services provided by employees up to reporting date.

Contributions to defined superannuation plans are expensed when incurred.

## 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.

## 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.

## 1 (U) CHANGES IN ACCOUNTING POLICIES

The Company has implemented NZ IFRS for the first time. The only change to accounting policy has been computer software which is now classified as an intangible asset. Previously it was classified as an item of property plant and equipment.

As a result of the implementation of NZ IFRS there have been changes to the way financial information is presented, namely the previous statement of financial performance, statement of financial position, movements in equity and statement of cash flows are now referred to as income statement, balance sheet, statement of changes in equity and cash flow statement.

## 2 PROPERTY PLANT & EQUIPMENT

Property Plant and Equipment is stated at cost less accumulated depreciation.

2007/08	Freehold Land At Cost Or Valuation	Buildings At Cost Or Valuation	Fixtures Fittings & Equipment At Cost	Motor Vehicles At Cost	Total
Gross carrying amount					
Balance 1 July 2007	913,891	5,466,605	1,368,130	117,621	7,866,247
Additions	-	111,047	104,100	33,511	248,658
Transfers at cost	-	-	-	-	-
Disposals at cost	-	-	-	-21,645	-21,645
Revaluation adjustment	-	-	-	-	-
<b>BALANCE 30 JUNE 2008</b>	<b>913,891</b>	<b>5,577,652</b>	<b>1,472,230</b>	<b>129,487</b>	<b>8,093,260</b>
Accumulated depreciation					
Balance 1 July 2007	-	1,306,226	1,108,705	59,072	2,474,003
Current year depreciation	-	144,349	71,198	21,055	236,602
Depreciation on disposals	-	-	-	-15,588	-15,588
Revaluation adjustment	-	-	-	-	-
<b>BALANCE 30 JUNE 2008</b>	<b>-</b>	<b>1,450,575</b>	<b>1,179,903</b>	<b>64,539</b>	<b>2,695,017</b>
<b>TOTAL BOOK VALUE</b>	<b>913,891</b>	<b>4,127,077</b>	<b>292,327</b>	<b>64,948</b>	<b>5,398,243</b>
2006/07	Freehold Land At Cost Or Valuation	Buildings At Cost Or Valuation	Fixtures Fittings & Equipment At Cost	Motor Vehicles At Cost	Total
Gross carrying amount					
Balance 1 July 2006	913,891	5,466,605	1,466,256	105,355	7,952,107
Additions	-	-	57,473	32,000	89,473
Transfers at cost	-	-	-155,599	-	-
Disposals at cost	-	-	-	-19,734	-19,734
Revaluation adjustment	-	-	-	-	-
<b>BALANCE 30 JUNE 2007</b>	<b>913,891</b>	<b>5,466,605</b>	<b>1,368,130</b>	<b>117,621</b>	<b>7,866,247</b>
Accumulated depreciation					
Balance 1 July 2006	-	1,162,952	1,152,269	57,144	2,372,365
Current year depreciation	-	143,274	91,638	15,894	250,806
Depreciation on disposals	-	-	-135,202	-13,966	-149,168
Revaluation adjustment	-	-	-	-	-
<b>BALANCE 30 JUNE 2007</b>	<b>-</b>	<b>1,306,226</b>	<b>1,108,705</b>	<b>59,072</b>	<b>2,474,003</b>
<b>TOTAL BOOK VALUE</b>	<b>913,891</b>	<b>4,160,379</b>	<b>259,425</b>	<b>58,549</b>	<b>5,392,244</b>

The latest independent valuation of the Society's land and buildings in Christchurch at net current value by Ford Baker Valuation Limited, Registered Valuers dated 17 July 2008 is \$1,815,000 (2007 - \$1,770,000).

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 \$3,100,000 (2007 - \$2,180,000).

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 \$5,200,000 (2007 - \$4,000,000).

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

# NOTES TO THE FINANCIAL STATEMENTS cont.

AS AT 30 JUNE 2008

<b>3 INVESTMENTS</b>	<b>2008 \$</b>	<b>2007 \$</b>
Stocks and bonds	510,000	510,000
Listed shares	25,549	10,773
Managed funds at valuation	16,439,816	15,920,457

<b>CLOSING BALANCE 30 JUNE</b>	<b>16,975,365</b>	<b>16,441,230</b>
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<b>4 GOODWILL</b>	<b>2008 \$</b>	<b>2007 \$</b>
Opening balance 01 July	1,821,370	1,821,370
Less impairment	-1,232,578	-966,589

<b>CLOSING BALANCE 30 JUNE</b>	<b>588,792</b>	<b>854,781</b>
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## 5 MEMBERS FUNDS

### Members Capital

This represents the capital paid up by current members of the Society

	<b>2008 \$</b>	<b>2007 \$</b>
Opening balance 01 July	74,572	74,178
Add additions (repayments) during the year	1,404	394

<b>CLOSING BALANCE 30 JUNE</b>	<b>75,976</b>	<b>74,572</b>
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### 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.

<b>BALANCE AT 30 JUNE</b>	<b>2,752,000</b>	<b>2,752,000</b>
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### Accumulated Funds

Opening balance 01 July	40,199,503	34,166,779
Net earnings	6,593,403	6,032,724

<b>CLOSING BALANCE 30 JUNE</b>	<b>46,792,906</b>	<b>40,199,503</b>
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## 6 SEGMENT INFORMATION

The Society operates in two divisions conducted within New Zealand.

<b>MEDICAL INSURANCE SEGMENT</b>	<b>2008 \$</b>	<b>2007 \$</b>
<b>Segment Assets</b>	<b>38,640,685</b>	<b>34,725,258</b>
Revenue	35,071,831	32,769,207
Expenses	30,175,748	28,121,338
<b>Net Earnings</b>	<b>4,896,083</b>	<b>4,647,869</b>

### INVESTMENT PROPERTY SEGMENT (includes rental properties & rest homes)

<b>Segment Assets</b>	<b>10,980,197</b>	<b>19,563,271</b>
Revenue	5,929,551	5,227,250
Expenses	4,232,231	3,842,395
<b>Net Earnings</b>	<b>1,697,320</b>	<b>1,384,855</b>

### TOTAL OF SEGMENTS

<b>Assets</b>	<b>49,620,882</b>	<b>54,288,529</b>
Revenue	41,001,382	37,996,457
Expenses	34,407,979	31,963,733
<b>Net Earnings</b>	<b>6,593,403</b>	<b>6,032,724</b>

## 7 CAPITAL COMMITTEMENTS

There are no capital commitments or contingent liabilities at balance date. (2007 - \$ Nil).

## 8 CASH FLOW RECONCILIATION

	<b>2008 \$</b>	<b>2007 \$</b>
Net earnings	6,593,403	6,032,724
Plus (less) non cash items:		
Depreciation	245,342	250,803
Loss on sale of fixed assets	-	213
Decrease in value of investments	-	-754,754
Impairment	265,989	265,988
Increase in members' capital	1,404	394
	<b>7,106,138</b>	<b>5,795,368</b>

# NOTES TO THE FINANCIAL STATEMENTS cont.

AS AT 30 JUNE 2008

Plus (less) movements in working capital:		
Accounts payable	357,729	165,280
Accounts receivable	-173,575	-178,063
Decrease in employee entitlements	-106,202	62,531
Increase in unearned premium provision	75,182	342,000
Increase in unreported claims provision	-	100,000
Accounts payable classified as investing activities	-61	-
	<b>7,259,211</b>	<b>6,287,116</b>

## 9 ANALYSIS OF OPERATING LEASE COMMITTEMENTS

Lease commitments on non cancellable operating leases at balance date amounted to:		
Payable no later than one year	<b>2008 \$</b> 23,640	<b>2007 \$</b> 3,337
Payable later than one year, not later than two	10,505	-
Payable later than two years, not later than three	-	-
	<b>34,145</b>	<b>3,337</b>

## 10 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.

## 11 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.

## 12 ACTUARIAL REPORT

Estimates of the outstanding claims as at 30 June 2008 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 NZ IFRS 4 Insurance Contracts' 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.

## 13 FINANCIAL INSTRUMENTS

The Society does not enter into any off balance sheet debt financial instruments. All financial instruments are recognised in the financial statements. The Society classifies its financial instruments into the following categories at initial recognition:

### *Credit Risk Management*

Financial assets which potentially subject the Society to credit risk consist of bank balances, accounts receivable, related party advances and balances due from the Inland Revenue Department.

The Society's maximum exposure to credit risk at balance date is the amount stated for these accounts in the Balance Sheet. The Board consider the exposure to any concentration of credit risk to be minimal, given that the largest financial asset is the bank balance, which is placed with a high credit quality financial institution.

### *Foreign Currency Risk Management*

The Society does have within its investment portfolio investments in international companies and is subject to foreign exchange risk.

The Society through its Portfolio Manager has entered into hedging contracts to reduce the impact of changes in foreign currencies. Exchange differences are recognised in the income statement in the period in which they arise.

### *Liquidity Risk Management*

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The Board are responsible for the liquidity risk management and as such have built an appropriate liquidity risk framework for the management of short, medium and long term funding and liquidity management requirements. The Society manages liquidity risk by maintaining adequate reserves and banking facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

### *Fair Values*

The estimated fair values of the Society's financial instruments are considered to be materially the same as their carrying amounts as disclosed in the Balance Sheet.

### *Market Risk*

The Society is primarily exposed to interest rate risk.

### *Capital Risk Management*

Capital includes share capital, reserves and retained earnings. The objective of the company's capital management is to ensure that the Society will be able to continue as a going concern. The capital structure consists of debt, cash, cash equivalents and equity comprising accumulated funds.

The Society does not require collateral or other security to support financial instruments with credit risk.

## 14 KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation	<b>2008 \$</b>	<b>2007 \$</b>
Short term employee benefits	868,548	827,115

Key management employees are classified as any persons, including directors, having the authority and responsibility for planning, directing and controlling activities of the Society.



**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.

