



UNION MEDICAL BENEFITS SOCIETY LIMITED

Annual Report 2009

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 2009

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

PKF Goldsmith Fox Audit
250 Oxford Terrace
Christchurch

Solicitors

Lane Neave
119 Armagh Street
Christchurch

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

Actuary

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 Wednesday 28 October 2009 at 6.00pm.

Business

1. Apologies.
2. To confirm the Minutes of the 2008 Annual General Meeting.
3. To receive and consider the annual financial statements and Auditor's report for the year ended 30 June 2009.
4. To elect up to three Board members. In accordance with the Society's Rules, David O'Connell (Christchurch), John Smith (Eltham), and Brian Wooller (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 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

26 September 2009

Chairman's report

Robert John Todd



It is a pleasure to present my annual report for the 2008/2009 financial year.

As can be gleaned from the annual accounts, the Society has not been immune from the effects and impact of the global recession which has resulted in a reduction of our return on investments and a decrease in membership due to increased unemployment.

Although always a difficult decision to make and particularly in the current economic environment, due to the increase in medical treatment costs, the Board reluctantly had no option but to increase premiums which was the first increase for two years.

The culture of the Society to provide first class quality service and benefits to members at the lowest possible premiums, which has been a consistent ideal from its infancy thirty years ago, is still as much a priority today as it was then.

Rest Homes

The two Rest Homes Kowhai Manor and Granger House continue to provide excellent care and facilities for those in need of rest home accommodation on the West Coast. On behalf of the Board I thank the managers and staff for their dedication, compassion and attention they provide for the comfort of residents and patients whose families are able to be secure in the knowledge that their loved ones are receiving the first class care of which they are so deserving.

General

Following their retirement by rotation, it was a pleasure to welcome back on the Board David Eastlake and Dennis Emery after their successful re-election at the 2008 Annual General Meeting. Both are experienced Board members who make significant and valuable contributions in their governance roles to the benefit of the Society.

The role of a Board member is one of considerable responsibility as good governance is the strategic task of setting the organisation's goals, direction, limitations and accountability frameworks. Effective governance will improve the organisation's results both financial and social and make sure the assets are protected and funds are used appropriately.

Future

The Society will be entering into a new era next year whereby it will have to formally report capital adequacy and solvency ratios to the Reserve Bank of New Zealand on a regular basis and, further, will be required to have a full financial rating from a rating agency. This will result in an additional onus being placed on the Board to certify the financial strength and ongoing viability of the Society both to the Reserve Bank and the rating agency.

Acknowledgements

On behalf of the Board may 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. Each has a critical role and their commitment and dedication is appreciated. May I also thank our professional advisors for their guidance and advice.

Finally I wish to thank the Board for their support, commitment and contributions throughout the year and the confidence they have placed in me as Chairman.

A handwritten signature in black ink, appearing to read 'R. J. Todd'.

Bob Todd
Chairman

Chief Executive's report

Dermot Martin



I am pleased to be able to report to members that despite the most difficult conditions for many years now, your Society has completed another very solid year.

Some points of interest are:

- Total operating income from all sources was up 1.6% with premium contributions from members being the largest proportion of that, increasing 3.2%.
- Total claims paid and provided for increased 11.3%.
- Net earnings were a healthy \$4.2M; however, this was approximately a third down on recent years' results.
- Administration expenses for the Society's health insurance operations were maintained at a similar percentage of premiums received and earned to the prior year.
- Total members' funds stood at \$53.8M at the end of the financial year, which maintains the Society's strong Balance sheet.

Health Insurance

As mentioned above there was a substantial increase in the value of members' claims paid and settled, which clearly demonstrates the value of Society membership. While the value of claims paid was up 11.3% over the year under review, the reasons behind it are twofold. Firstly, the average cost of all private hospital admissions for surgery have been subject to cost increases from the hospitals and from the specialists involved with our members' care. Also, the 'incident rate' has sharply increased - that is, the number of members from a given membership segment who have needed to access private surgical treatment during the year.

An increase in claims paid costs of this magnitude is of concern and will require close monitoring. We are, however, also acutely aware that any counter-balancing increase to premium levels – thereby making Society membership that much more difficult for many, particularly in these tight economic times - has to be borne in mind.

Our members have obviously not been immune to the tougher economic conditions, with a number having been made redundant or having had their incomes reduced due to other related issues. This, in turn, prompted us during the year to introduce a membership 'hibernation' category allowing affected members to greatly reduce their premium commitments. This category enables members to have their membership benefits ticking over and while not enjoying coverage of treatment costs, allows them to fully reinstate their coverage with the resumption of normal premium payments when they obtain new employment or their income stabilises.

I would like to be able to assure members that there will not be premium increases in the next year to offset increasing claims' costs, but obviously I cannot as the premium pool from which claims are paid must be self-sustaining in the medium to long term. I can, however, assure members that any premium increases introduced will be as modest as possible.

Members will be aware from the general media that the Accident Compensation Corporation (ACC) are themselves experiencing considerable claims' costs escalation pressures and have indicated that they will be looking to reduce if not the actual total claims costs, then at least the rate of increase. I have no doubt this will have a marked effect on many of our members who unfortunately experience an injury over the coming years. This, in turn, will undoubtedly mean upward pressure on the Society's contribution to treatment costs following injury. On behalf of members, and with their support and co-operation, we take the ACC to task if we believe that proposed treatment should rightly fall under the ACC's scope of cover and not a member's private health insurance, which is principally designed to cover non-injury treatment costs. If we do not take this stance on behalf of members, claims costs will undoubtedly increase which, in turn, raises the need to further increase premiums than would otherwise have been needed.

It will come as no surprise to members that, as we age, it becomes increasingly likely that we will need to access the benefits of our UniMed membership. Put simply, "more things go wrong," and this has meant that over the past year nearly one third of all members over the age of 65 have needed to claim for either the costs associated with a private hospital admission or other expensive high-tech outpatient procedures and / or diagnostic scans. The intervention rates for members aged under 65 is considerably lower.

Chief Executive's report cont.

Dermot Martin

While touching on the issue of high-tech medical interventions, the past year has seen a number of new technologies and procedures become available in the private medical sector with a corresponding increasing level of enquiry from members for coverage of these new treatments. While it is very easy to understand why a member would wish to access the latest technology, it has to be made clear that the Society's stance is that until such time as that technology is well-established and has proven benefits, both from a health improvement perspective and a financial one, we will continue to be cautious about extending cover to include such new innovations.

During April 2009 we took the opportunity to introduce new benefits in some plans to provide coverage for cancer treatment in the private sector via a new radiotherapy benefit. We also commenced covering a limited range of anti-cancer drugs as these were becoming more available in the private sector. Obviously these treatment regimes and technology have been well-established over an extended period in the public sector. At the same time as these enhancements to members' various plan options were introduced, we also modestly increased premiums. Increases ranged from between 5% and 9.5% dependent on the plan coverage selected and were the first such general premium increase for over two years.

Aged Care Facilities

The staff at our two facilities continue to provide dedicated care to the elderly residents and patients.

Like everyone else in the Aged Care Sector we continue to struggle with ensuring that we are fully staffed with the requisite number of Registered Nurses. The scarcity of nurses is not just an issue in New Zealand, but a worldwide phenomenon. I believe that the Government will need to seriously consider training greater numbers of nurses in the future as with a population ageing sharply over the next 20 years, their services will be in even greater demand than they are today.

Both our facilities have a very dedicated and caring complement of staff – the UniMed Board and I are very appreciative of all their efforts and commitment.

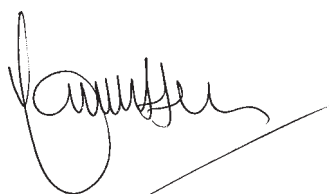
The Year Ahead

As already mentioned, the escalation in claims costs will require close monitoring and the possible re-weighting of premiums in some age bands and in some plans to ensure a long term and realistic balance is maintained between premiums and claims.

Now that the new Government has settled in, we do not expect that there will be any large shift in either the direction or emphasis within the public health arena, not least because the Government is under tight fiscal constraints regarding any new spending.

The Society faces a number of other opportunities and challenges which will be addressed by UniMed's Board and the senior management team, always starting from the basic tenet, "what is in the best interest of UniMed's members?".

My thanks to Bob Todd in his role as Chairman of UniMed's Board, who has again led from the front and provided me with support and wise counsel during the year. I would also take the opportunity of thanking the Board members for their support and encouragement. UniMed's senior management team is not large but all are very experienced and capable people who greatly assist me in ensuring that the Society is proactive to challenges and opportunities as they arise – thanks to them, too. Lastly my thanks to the members of UniMed for their ongoing loyalty and support of their Society – we look forward to continuing to provide industry-leading service levels to you.



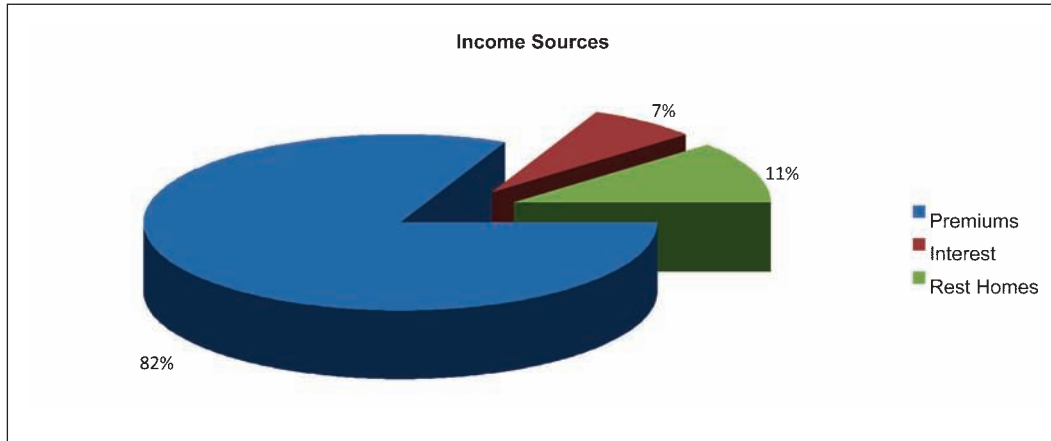
Dermot H Martin
Chief Executive Officer

Graphical highlights

for the year ended 30 June 2009

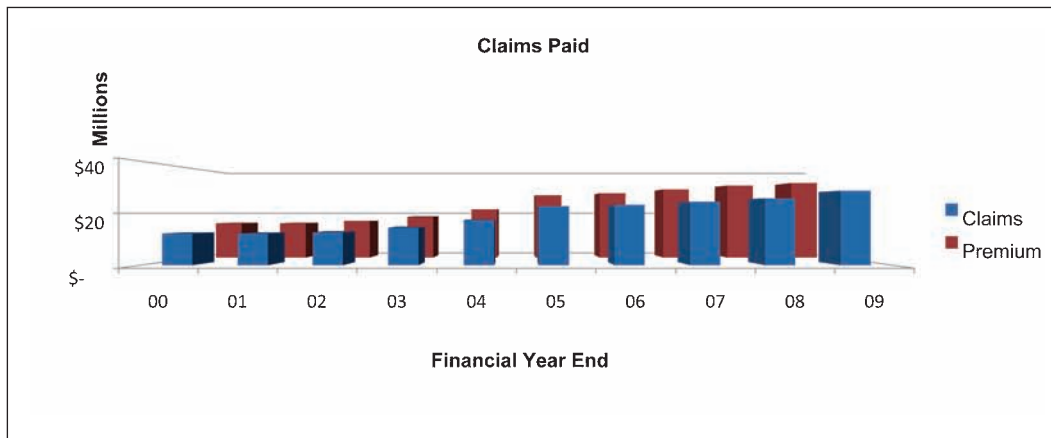
Income sources

The steady financial performance of the Society is a result of all of its activities. Providing quality, affordable health insurance remains its core activity but is well supported by contributions from its other business interests.



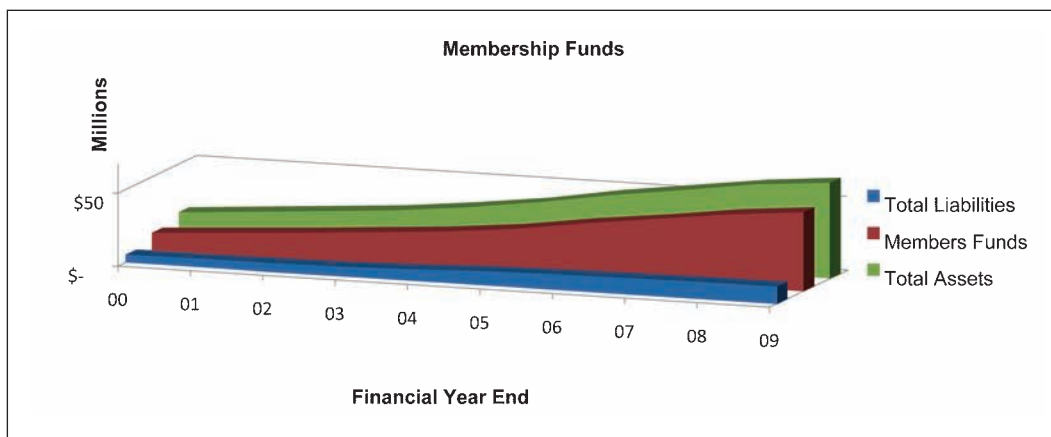
Claims paid

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



Members' funds

The Members' Funds is the equity in the business. Important measures of financial health are the ratios of debt to equity and total assets. This chart shows 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

PKF Goldsmith Fox Audit

Chartered Accountants



We have audited the financial statements on pages 9 to 20. The financial statements provide information about the past financial performance and financial position of Union Medical Benefits Society Limited as at 30 June 2009. This information is stated in accordance with the accounting policies set out in the notes to the financial statements.

Board 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 2009 and of the results of operations and cash flows for the year ended 30 June 2009.

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;
 - gives a true and fair view of the financial position of the Society as at 30 June 2009 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 30 September 2009 and our unqualified opinion is expressed as at that date.

PKF Goldsmith Fox Audit

CHRISTCHURCH

Union Medical Benefits Society Limited
Income statement
For the year ended 30 June 2009

	Note	2009 \$	2008 \$
Income			
Members' contributions		33,551,379	32,496,360
Rest home residents fees		4,648,013	4,623,677
Investment Income	2	2,842,418	3,280,189
Total operating income		41,041,810	40,400,226
Other income		21,913	33,877
Total income		41,063,723	40,434,103
Operating expenses			
Claims paid and provided for		28,657,977	25,746,078
Employee benefit expenses		4,735,898	4,334,025
Contributions to defined benefit pension plan		22,978	6,324
Auditor remuneration			
- audit fees		16,900	15,900
- IFRS transition assistance		0	1,500
Directors' fees		233,000	236,044
Depreciation expense	6	252,896	236,602
Amortisation of intangible assets	7	17,710	10,536
Impairment on intangible assets	7	265,988	265,988
Rent		63,083	64,520
Other expenses		2,581,028	2,923,183
Total expenditure		36,847,458	33,840,700
Surplus for the year		4,216,265	6,593,403

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

Union Medical Benefits Society Limited
Balance sheet
As At 30 June 2009

	Note	2009 \$	2008 \$
Current assets			
Cash and cash equivalents	3	6,966,826	5,575,339
Trade and other receivables	4	4,276,536	4,152,831
Investments	5	20,212,950	31,404,268
Total current assets		31,456,312	41,132,438
Non-current assets			
Property, plant and equipment	6	5,228,732	5,398,243
Investments	5	28,435,229	14,070,558
Goodwill	7	322,804	588,792
Other intangible assets	7	31,119	20,012
Total non-current assets		34,017,884	20,077,605
Total assets		65,474,196	61,210,043
Current liabilities			
Trade and other payables	8	1,366,692	1,658,445
Employee benefits	9	502,326	383,534
Unearned premium provision		3,970,943	3,747,182
Unreported claims provision	10	5,800,000	5,800,000
Total current liabilities		11,639,961	11,589,161
Net assets		53,834,235	49,620,882
Members' funds			
Members' capital	11	73,064	75,976
General reserves	12	2,752,000	2,752,000
Accumulated funds	13	51,009,171	46,792,906
Total members funds		53,834,235	49,620,882



RJ Todd
 Chairman



BJ Dorgan
 Vice Chairman

30th September 2009

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

Union Medical Benefits Society Limited
Statement of changes in equity
For the year ended 30 June 2009

		2009	2008
		\$	\$
Opening equity		49,620,882	43,026,075
Total recognised revenues and expenses		4,216,265	6,593,403
Change in members' reserves	11	-2,912	1,404
Closing equity		<u>53,834,235</u>	<u>49,620,882</u>
Represented by:			
Members' capital	11	73,064	75,976
General reserves	12	2,752,000	2,752,000
Accumulated funds	13	51,009,171	46,792,906
Total equity		<u>53,834,235</u>	<u>49,620,882</u>

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

Union Medical Benefits Society Limited
Cash flows statement
For the year ended 30 June 2009

	<u>2009</u>	<u>2008</u>
	\$	\$
Cash flows from operating activities		
Cash was provided from:		
Members' contributions	33,571,537	32,580,754
Rest home residents' fees	4,630,921	4,311,887
Rent received	19,031	22,090
Sundry income	2,882	33,877
Investment income	2,423,894	3,317,824
	<u>40,648,265</u>	<u>40,266,432</u>
Cash was applied to:		
Payment of claims	28,321,302	24,776,795
Payments to suppliers for goods and services	3,009,832	3,037,155
Payments to employees	4,640,084	4,156,107
	<u>35,965,394</u>	<u>31,970,057</u>
Net cash flows from operating activities	<u>4,677,047</u>	<u>7,259,211</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	114,215	248,658
Purchase of computer software	28,822	10,150
Purchase of investments	3,173,359	6,584,661
	<u>3,316,396</u>	<u>6,843,469</u>
Cash was provided from:		
Sale of property plant & equipment	25,012	7,912
Net cash flows from investing activities	<u>3,291,384</u>	<u>6,835,557</u>
Net increase/(decrease) in cash held	1,385,663	423,654
Plus opening cash brought forward	5,575,339	5,151,685
Closing cash brought forward	<u>6,961,002</u>	<u>5,575,339</u>

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

Union Medical Benefits Society Limited
Notes to the financial statements for the year ended 30 June 2009

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 not for profit oriented society 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 for non profit orientated entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

1 (c) Basis of measurement

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

- certain financial instruments that are carried at fair value
- inventory which is carried at the lower of cost or net realisable value.
- actuarial quantification of insurance liabilities

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2009, the comparative information presented in these financial statements for the year ended 30 June 2008.

1 (e) Foreign currency

All foreign currency transactions during the year are brought into account using the exchange rate ruling at the date of the transaction. Monetary assets denominated in foreign currencies are retranslated at the rate of exchange ruling at balance sheet date.

1 (f) 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.

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

- Note 10: Unreported claims provision
- Note 20. Financial instruments

1 (g) 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	1 July 2009
NZ IAS 1 Presentation of financial statements - revised standard	1 Jan 2009	1 July 2009
Amendments to NZ IFRS 4 insurance contracts	1 Jan 2009	1 July 2009

Initial application of these standards and interpretations is not expected to have any material impact to the financial statements of the Society other than in relation to disclosure in the notes to the accounts. The main areas effect are:

- NZ IAS 1 (Revised) "Presentation of financial statements" which will change the presentation of the primary financial statements.
- NZ IFRS 8 (Operating segments) which is a disclosure standard. The amendment may have an impact on the segment disclosures as segment information included in internal management reports is more detailed than is currently reported under NZ IAS 14 Segment reporting.

1 (h) Specific accounting policies

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

i). Members' contributions

Premium revenue represents those members' contributions relating to the year under review. At balance date, an adjustment has been made for that portion of premium revenue received and receivable which has not been earned. That is, recognising that in general, the term of the policy will extend into the following financial year. This premium which will be earned in subsequent reporting periods, is recognised in the balance sheet as a provision for unearned premium. A significant number of our members pay on a weekly to monthly basis.

Union Medical Benefits Society Limited
Notes to the financial statements for the year ended 30 June 2009

ii). Rest home residents fees

Rest home residents' fees are recognised on an accruals basis.

iii). Investment income

Interest income is recognised in the income statement as it accrues, using the effective interest rate method. Dividends and distributions are recognised in the income statement when the Society's right to receive payment is established.

1 (j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and on demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

1 (k) Trade and other receivables

Trade and other receivables which generally have a 30 - 60 day term, are recognised initially at fair value less any allowance for impairment. Given the short term nature of most receivables, the recoverable amount approximates the fair value. All outstanding balances are reviewed for collectability and immediately written off where deemed to be uncollectible.

1 (l) 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 initially are valued at fair value. Financial assets held by the Society are classified into the following specified categories: financial assets 'at fair value through profit or loss', 'profit or loss', and 'trade 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 ("FVTPL")

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.

Investment funds, which are managed for the Society by fund managers are initially recorded at fair value. They are classified as FVTPL and any movements in fair value are taken immediately to the Income Statement. The assets are valued at each reporting date based on the current bid price where one is available. In the absence of a bid price, valuation is based on recent arms length transactions.

Interest and dividend income, fund distributions and fair value movements are recorded in the Investment Income section of 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. Gains or losses on financial assets held for trading are recognised in the income statement and the related assets are classified as current assets in the balance sheet.

1 (m) Property Plant & Equipment, and Depreciation

Property plant and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation rates vary, according to the nature of the asset and its economic life and are as follows:

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

The assets useful life and amortisation methods are reviewed, and adjusted if appropriate at each financial year end. An item of property plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gains or losses on disposal are determined by comparing proceeds with the carrying amount. These are then taken to the income statement.

1 (n) 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 combination. Goodwill is assessed annually for impairment and to the extent that it is no longer probable that it will be recovered from future economic benefits of the investment it is recognised immediately as an expense.

Union Medical Benefits Society Limited
Notes to the financial statements for the year ended 30 June 2009

1 (o) Intangible assets

Intangible assets represent software. Additions are initially measured at cost, and thereafter are carried at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised over their estimated useful life as follows:

Software 40.0% - 60.0% DV

1 (p) 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). Any impairment loss is recognised in the income statement immediately.

1 (q) Liabilities and provisions

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

Trade and other payables

Trade and other payables are recognised when the Society becomes obliged to make future payments resulting from the purchase of goods and services. Given their short term nature balances are not discounted as cost approximates amortised costs.

Employee benefits

A liability for benefits accruing to employees in respect of wages and salaries, annual leave, and sick leave is accrued and recognised in the balance sheet when it is probable that settlement will be required and they can be 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. Contributions to defined superannuation plans are expensed when incurred.

Provision for unreported claims

This provision represents the estimated amount of benefits unclaimed as at balance date for accounts incurred but not settled. The time lag in the lodging of claims after members incur expenses varies.

1 (r) 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 (s) Leased assets

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

1 (t) Taxation

The Society is exempt from income tax.

1 (u) Changes in accounting policies

There were no changes in accounting policy in the year ended 30 June 2009.

Comparatives

Presentation of certain comparatives have been changed to allow for consistency and comparison with the current financial year.

2. Investment income

	2009	2008
	\$	\$
Investment income	3,580,237	3,093,052
Realised gains (losses) on fair value investment	45,234	230,075
Unrealised gains/ (losses) on investments fair value through the income statement	(783,053)	(42,938)
Total investment income	<u>2,842,418</u>	<u>3,280,189</u>

3. Cash and cash equivalents

	2009	2008
	\$	\$
Cash at bank and on hand	994,758	647,571
Cash on call	5,041,027	4,090,394
International cash on hand	931,041	837,374
Total cash and cash equivalents	<u>6,966,826</u>	<u>5,575,339</u>

Cash at bank earns interest at floating rates based on daily deposit rates.

The carrying amounts of cash and cash equivalents represent fair value. There are no restrictions on cash and cash equivalents

Union Medical Benefits Society Limited
Notes to the financial statements for the year ended 30 June 2009

4. Trade and other receivables	2009	2008
	\$	\$
Premiums receivable	2,758,631	3,025,994
Rest home fees receivable	269,369	252,277
Interest receivable	1,164,014	745,490
Prepayments	44,245	81,020
Other	40,277	48,050
Total trade and other receivables	4,276,536	4,152,831

5. Investments at fair value	2009	2008
	\$	\$
Fixed interest	35,082,579	32,022,374
International fixed interest	233,620	195,439
Bonds & notes (a)	9,782,952	8,774,548
NZ equities	887,169	1,079,477
Australian equities	1,307,209	1,732,439
International equities	1,354,649	1,670,549
Total investments	48,648,179	45,474,826
Current portion	20,212,950	31,404,268
Non-current portion	28,435,229	14,070,558

Funds are managed primarily by the BNZ, with the addition of \$7.2 million invested in a fixed interest fund managed by Tyndall Investment Management NZ Ltd. The Society's investment securities are all financial assets classified as fair value through the Income statement. Any changes in the fair value are recognised immediately.

(a) As required by the Insurance Companies' Deposits Act 1953, \$510,000 of New Zealand Government stock is held by the Public Trustee.

6. Property plant & equipment

Property plant and equipment is stated at cost less accumulated depreciation.

2008/09	Freehold land at cost	Buildings at cost	Fixtures fittings & equipment At cost	Motor vehicles at cost	Total
Gross carrying amount					
Balance 1 July 2008	913,891	5,577,652	1,472,230	129,487	8,093,260
Additions	5,671	-	75,557	32,987	114,215
Disposals at cost	-	(22,050)	-	(23,244)	(45,294)
Balance 30 June 2009	919,562	5,555,602	1,547,787	139,230	8,162,181
Accumulated depreciation					
Balance 1 July 2008	-	1,450,575	1,179,903	64,539	2,695,017
Current year depreciation	-	145,743	85,860	21,293	252,896
Depreciation on disposals	-	-	-	(14,464)	(14,464)
Balance 30 June 2009	-	1,596,318	1,265,763	71,368	2,933,449
Total book value	919,562	3,959,284	282,024	67,862	5,228,732

2007/08	Freehold land at cost	Buildings at cost	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)
Balance 30 June 2008	913,891	5,577,652	1,472,230	129,487	8,093,260
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

Union Medical Benefits Society Limited
Notes to the financial statements for the year ended 30 June 2009

Depreciation on disposals	-	-	-	(15,588)	(15,588)
Balance 30 June 2008	-	1,450,575	1,179,903	64,539	2,695,017
Total book value	913,891	4,127,077	292,327	64,948	5,398,243

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 20 August 2009 is \$1,910,000 (2008 - \$1,815,000).

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 dated 31 August 2009 is \$2,945,000 (2008 - \$3,100,000). 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 at 31 August 2009 is \$4,680,000 (2008 - \$5,200,000). In the Board's opinion the valuations obtained represent fair value. There are no restrictions on legal titles of assets.

7. Intangible Assets	Computer software	Goodwill Rest Home	Goodwill Underwriting	Total goodwill
Balance at 1 July 2008				
Cost	165,749	982,880	838,490	1,821,370
Additions	28,822	-	-	-
Opening Accumulated amortisation & impairment	(145,741)	(589,728)	(642,850)	(1,232,578)
Impairment loss recognised in income statement	-	(98,288)	(167,700)	(265,988)
Amortisation for the year	(17,710)	-	-	-
Closing carrying amount at 30 June 2009	31,119	294,864	27,940	322,804
Balance at 1 July 2007				
Cost	155,603	982,880	838,490	1,821,370
Additions	10,150	-	-	-
Opening accumulated amortisation & impairment	(135,206)	(491,440)	(475,150)	(966,590)
Impairment loss recognised in income statement	-	(98,288)	(167,700)	(265,988)
Amortisation for the year	(10,536)	-	-	-
Closing carrying amount at 30 June 2008	20,012	393,152	195,640	588,792

There are no restrictions over the title of the Society's intangible assets, nor are any intangible assets pledged as security for liabilities. Software is assessed as having a finite life and is amortised using diminishing value rates over the useful life of the asset.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis.

8. Trade and other payables	2009	2008
	\$	\$
Claims payable	1,009,524	1,122,438
GST	153,065	132,686
Other	204,103	403,321
Total trade and other payables	1,366,692	1,658,445

9. Employee benefits	2009	2008
	\$	\$
Wages accrual	218,355	141,219
Provision for annual leave	283,971	242,315
	502,326	383,534

10. Unreported claims provision	2009	2008
	\$	\$
Provision for unreported claims	5,800,000	5,800,000

Estimates of the outstanding claims as at 30 June 2009 have been carried out by Peter Davies B.Bus.Sc., a Fellow of the NZ 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 NZ 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.

Union Medical Benefits Society Limited
Notes to the financial statements for the year ended 30 June 2009

11. Members capital	2009	2008
This represents the capital paid up by current members of the Society	\$	\$
Opening balance 1 July	75,976	74,572
Add additions (repayments) during the year	(2,912)	1,404
Closing balance 30 June	<u>73,064</u>	<u>75,976</u>

12. 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.

	2009	2008
	\$	\$
Balance at 30 June	<u>2,752,000</u>	<u>2,752,000</u>

13. Accumulated funds	2009	2008
	\$	\$
Opening balance 1 July	46,792,906	40,199,503
Net earnings	4,216,265	6,593,403
Closing balance 30 June	<u>51,009,171</u>	<u>46,792,906</u>

14. Cash flow reconciliation	2009	2008
	\$	\$
Net earnings	4,216,265	6,593,403
Plus (less) non cash items:		
Depreciation	252,896	245,342
Amortisation & impairment of intangibles	283,698	265,989
	<u>4,752,859</u>	<u>7,104,734</u>
Plus (less) movements in working capital:		
Increase (decrease) in Accounts payable	(291,748)	357,729
Accounts receivable	(123,705)	(173,575)
Increase in employee entitlements	118,792	(106,202)
Increase in unearned premium provision	223,761	75,182
		(61)
Increase (decrease) in members' capital	(2,912)	1,404
	<u>4,677,047</u>	<u>7,259,211</u>

15. Segment information

The Society operates in two divisions conducted within New Zealand.

	2009	2008
Medical insurance segment	\$	\$
Segment assets:	<u>42,325,583</u>	<u>39,967,019</u>
Revenue	35,416,454	35,071,831
Expenses	32,669,244	30,175,748
Net earnings	<u>2,747,210</u>	<u>4,896,083</u>
Property segment (includes rental properties & rest homes)		
Segment assets:	<u>23,148,613</u>	<u>21,243,024</u>
Revenue	6,213,831	5,929,551
Expenses	4,744,776	4,232,231
Net earnings	<u>1,469,055</u>	<u>1,697,320</u>
Total		
Assets	<u>65,474,196</u>	<u>61,210,043</u>
Revenue	41,630,285	41,001,382
Expenses	37,414,020	34,407,979
Net earnings	<u>4,216,265</u>	<u>6,593,403</u>

Union Medical Benefits Society Limited
Notes to the financial statements for the year ended 30 June 2009

16. Analysis of operating lease commitments

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

	2009	2008
	\$	\$
Payable no later than one year	-	23,640
Payable later than one year, not later than two	-	10,505
	-	34,145

17. 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.

18. Capital commitments & contingent liabilities

There are no capital commitments or contingent liabilities at balance date. (2008: \$ Nil).

19. 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 operations or state of the affairs of the Society.

20. 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 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 directors consider the exposure to any concentration of credit risk to be minimal, given that the largest financial asset is the cash and cash equivalents and term deposits, which are 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.

A sensitivity analysis has been performed on the impact a 10% appreciation / (depreciation) of the New Zealand Dollar relative foreign currency financial instruments.

	Net Surplus		Equity	
	Increase / (Decrease)		Increase / (Decrease)	
	10%	-10%	10%	-10%
2009	284,016	(284,016)	284,016	(284,016)
2008	345,583	(345,583)	345,583	(345,583)

Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due. The directors 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 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.

The following table details the contractual maturities of financial assets and liabilities at balance date on an undiscounted basis. Actual maturities are expected to the same as contractual maturities.

As at 30 June 2009	0 - 6 months	6 -12 months	1-2 years	Over 2 years
Cash & cash equivalents	6,966,826	-	-	-
Trade and other Receivables	4,276,536	-	-	-
Investments	16,453,582	3,759,368	11,456,026	16,979,203
Total assets	27,710,414	210,341	11,456,026	20,544,177
Financial Liabilities				
Trade and other Payables	1,727,033	141,986	-	-
Total liabilities	1,764,546	141,986	-	-

Union Medical Benefits Society Limited Notes to the financial statements for the year ended 30 June 2009

As at 30 June 2008	0 - 6 months	6 -12 months	1-2 years	Over 2 years
Cash & cash equivalents	5,575,339	-	-	-
Trade and other Receivables	4,152,831	-	-	-
Investments	13,051,872	18,352,396	300,092	13,770,465
Total assets	20,538,810	16,111,164	300,092	18,252,930
Financial Liabilities				
Trade and other Payables	1,920,821	121,158	-	-
Total liabilities	1,920,821	121,158	-	-

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.

Interest rate risk

Interest rate risk is the risk that the value of financial instruments will fluctuate based on changes in interest rates. The Society's revenue from investments in the short term is susceptible to changes in interest rates. However, as the majority of investments are fixed rate term deposits, Bonds and Capital Notes, and these investments are generally held till maturity, this exposure is mitigated.

At reporting date, if interest rates had been 100 basis points higher or lower with all other variables held constant, net surplus and equity would have been effected as follows:

	Net Surplus		Equity	
	Increase / (Decrease)		Increase / (Decrease)	
	1%	-1%	1%	-1%
2009	69,668	(69,668)	69,668	(69,668)
2008	55,753	(55,753)	55,753	(55,753)

The impact on net surplus and equity is due to the higher / lower interest rates on variable and cash balances.

Equity price risk

Equity price risk is the risk that the fair values of equities will decrease as a result of changes in the equity indices and individual value of stocks. The Society holds all of its equities at fair value through the profit and loss. Equity investments are actively managed and monitored by fund managers. At reporting date, if world equity prices had been 10% higher or lower with all other variables held constant, net surplus and equity would have been effected as follows:

	Net Surplus		Equity	
	Increase / (Decrease)		Increase / (Decrease)	
	10%	-10%	10%	-10%
2009	354,903	(354,903)	354,903	(354,903)
2008	224,123	(224,123)	224,123	(224,123)

Capital risk management

Capital includes members 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 cash, cash equivalents, investments and equity comprising accumulated funds. The Society does not require collateral or other security to support financial instruments with credit risk.

21. Key management personnel compensation

	2009	2008
	\$	\$
Compensation		
Short term employee benefits	886,151	868,548

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

Transactions with key management personnel

Transactions between related parties are on normal commercial terms and conditions, there were no loans payable or receivable from related parties at year end (2008: nil). There were no bad debts or provision for bad debts required in 2009 (2008: nil).

INSURANCE
& SAVINGS
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**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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