

# Education Benevolent Society Incorporated

Annual Report including

Financial Statements and Governance

Year ended 30th June 2018



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**Education Benevolent Society Incorporated**  
**Annual Report for the year ended 30 June 2018**

**Society Directory**

<b>Nature of Business:</b>	Providing primary health insurance to eligible union members in the education and the public service sectors.
<b>Board Members:</b>	Ross Wilson – Chair Independent Member Margaret Kinsey - Deputy Chair representing PPTA Richard Kittelty –Representing PSA (retired October 2017) Alison O’Connell - Independent Member Erin Polaczuk - Representing PSA (appointed October 2017) Samantha Stephen - Representing TEU Darrell Ward - Representing NZEI
<b>Incorporation:</b>	Incorporated Societies Act 1908
<b>Registered Office:</b>	Level 5 Education House, West Block 178 Willis Street Wellington
<b>Appointed Actuary:</b>	Peter Davies B.Bus Sc FIA Davies Financial and Actuarial Limited
<b>Auditor:</b>	KPMG
<b>Bankers:</b>	Bank of New Zealand
<b>Solicitor:</b>	Rainey Collins Lawyers
<b>Rating Agency:</b>	A.M. Best Asia-Pacific (Singapore) Pte Ltd

## Education Benevolent Society Incorporated

### Purpose and Operating Model

#### Purpose

The Education Benevolent Society Incorporated (Society) exists to enhance Union membership and align with the collective principles of Unionism. It is run by education and public services Union members, for education and PSA members, their families and whānau. The Society trades as HealthCarePlus.

#### Target Operating Model

The Society is a financially sustainable organisation, dedicated to the ongoing health of members their families and whānau.

<b>Products:</b>	The Society underwrites primary health insurance products, including: Primary Care, Primary Care Extra, #care4U and provides access to hospital cover.
<b>Distribution:</b>	The Society distributes products using a multi-channel approach that includes; agents, online, and union representatives.
<b>Relationships:</b>	The Society exists to maximise benefits to union members, their families and or their whānau. Strong, reciprocal and accountable relationships exist at governance and operational levels between the Society and the member Unions.
<b>Members:</b>	The Society's, differentiated products, improved access to health care services, and responsive service is valued by members, their families and whānau, all of whom have a strong and clear awareness of the relationship between Education Benevolent Society Incorporated and member Unions. There is an intention to increase the Society's policies for the 20 - 40 year old age group.
<b>Governance:</b>	The Society's governance is a point of difference, with clear roles and skills that match insurance market requirements. The member Unions are confident that the Society complies with Reserve Bank requirements, that key performance indicators are being measured and managed, that risks are being managed, and that key relationships are being maintained.

## Statement of Corporate Governance

The Constitution is the foundation of the Society, which is registered under the Incorporated Societies Act 1908. The Society adheres to frameworks, processes and policies designed to ensure good governance in all of its operations, including, but not limited to, the provisions and requirements under the Insurance (Prudential Supervision) Act 2010, and the specific Reserve Bank of New Zealand Guidelines for licensed insurers under the Act.

## The Board - Appointment and Tenure

The Society is governed by a Board of six Directors all appointed by the owner Member Unions. The Board consists of four members appointed to represent the four largest Member Unions and two Independent Board Members. Board Members are appointed for a maximum term of three years. At the 2017 AGM the Member Unions took the opportunity to appoint some Board members for a shorter term to reduce key person risk. The role of the Board as stated in the Constitution is “governance and management of the Society.”

## Governance Framework

### External

The Society is regulated by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010. In addition, the Society operates in a complex regulatory environment and is subject to a range of regulatory acts, government bodies and industry codes. These include the Incorporated Societies Act 1908, the Financial Reporting Act 2013, the Financial Markets Authority, the Privacy Act 1993 and other regulations specific to our industry.

### Internal

The Society operationalises its governance via the “Risk Management Framework, Processes and Policies.” The policies are reviewed on a scheduled basis to ensure that they are fit for purpose and, where required, are amended and updated via the appropriate governance processes.

## Board Meetings

The Board meets monthly subject to requirements. The Board holds an annual planning meeting to agree on the strategic priorities and identify significant opportunities and threats in the short to medium term.

The Board met with the Union owners in January 2018 prior to the annual planning meeting to consult with the union owners regarding strategic options for the Society. At the January meeting the union owners authorised the Board to undertake a more fundamental review of the current business model and to “consider all options whereby union members can gain access to a high quality and affordable primary care insurance.”

At the February 2018 annual planning meeting the Board presented the strategic options to the Union owners. The Board elected to further explore three of these strategic options and to undertake a comprehensive and contestable RFP process. The outcome of the process was that EBS entered into a Heads of Agreement with UniMed on the 2<sup>nd</sup> July 2018 for the transfer of the insurance portfolio to UniMed. This means that with effect from 1<sup>st</sup> January 2019 EBS no longer will operate as a licenced insurer, and will transform into an Insurance Marketing and a Charitable Funds Distribution business. The Board would like to acknowledge and thank those that attended these and follow-up sessions and for their contribution to the process.

## Sub Committees of Board

The Board runs 2 Sub- Committees namely the Audit Risk and Investment Sub-Committee and the Remuneration Sub-Committee.

### Audit Risk and Investment Sub-Committee (ARIC)

The objectives of ARIC are to provide assistance and advise to the Board on financial accounting and reporting, internal and external audit, the Society's risk control and compliance framework and developing, monitoring and reporting on the investment policy.

### Remuneration Sub-Committee (Rem Committee)

The objectives of the Rem Sub-Committee are to assist the Board in fulfilling its responsibilities relating to employment conditions and remuneration issues; to establish and overview the Society's employment and industrial relations policy and direction, to ensure that the Society's policies related to salary or wage negotiations, including the Collective Employment Agreement with First Union are appropriate, and to ensure that the Society's organisational structure supports the provision of effective and efficient business outcomes.

## Board Member names, duties, representing and attendance

### Financial Year Ended 30<sup>th</sup> June 2018

Name of Board Member	Title/ Duties	Representing	Board Meetings	AGM	Board Planning Day	ARIC	Rem Committee
Ross Wilson	Board Chair	Independent	11	1	1	5	6
Margaret Kinsey	Board Deputy Chair	PPTA	11	1	1	5	5
Alison O'Connell	Chair ARIC	Independent	10	0	1	5	n/a
Darrell Ward	Chair Rem Committee	NZEI	12	1	1	5	6
Richard Kittelty (retired October 2017)	Board Member	PSA	2	0	n/a	n/a	n/a
Erin Polaczuk (appointed October 2017)	Board Member	PSA	3	1	1	n/a	n/a
Samantha Stephen	Board Member	TEU	8		1	n/a	1



## Board Member Profiles

### Ross Wilson – Board Chair – Independent Board Member



Ross Wilson is a former President of the NZ Council of Trades Unions. He has governance experience which includes Chair of the ACC and Worksafe NZ, and director of Port of Wellington, KiwiRail, NZ Railways Corporation,

and the Cooperative Bank of New Zealand. He is a lawyer with a strong interest in employment and workplace health and safety law and practice.

Ross is also Chair of the Unions Aotearoa International Development Trust (UnionAID) and spends a lot of voluntary time on international development work in the Asia Pacific Region.

Ross is of Scottish and Ngāi Tahu descent.

### Margaret Kinsey – Deputy Chair and member of Audit, Risk and Investment Committee and Remuneration Committee – Representing PPTA



Margaret Kinsey has a Bachelor of Commerce and Administration from Victoria University and is a Chartered Accountant and a member of the Chartered Accountants Australia and New Zealand. Margaret is currently working

as the Financial Services Manager at New Zealand Post Primary Teachers' Association. Prior to joining New Zealand Post Primary Teachers' Association, Margaret was an Audit Manager at BDO, where she specialised in the Not-For-Profit Sector.

Margaret uses her qualifications and past working experience to represent the members of New Zealand Post Primary Teachers' Association on the Board

**Alison O’Connell – Board member and Chair Audit, Risk and Investment Committee - Independent Board Member**



Dr Alison O’Connell is an independent director and a Chartered Member of the New Zealand Institute of Directors. She is an Earthquake Commissioner and Director at the Government Superannuation Fund Authority.

Alison is an actuary with interests in longevity and retirement income policy. She was founding Director of the Pensions Policy Institute in London and has held senior positions in the financial services industry including at Swiss Re, Mercer, and McKinsey & Co.

Alison’s PhD is from Victoria University, Wellington and she is a Fellow of the Institute of Actuaries in the UK and the New Zealand Society of Actuaries.

**Darrell Ward – Board member and Chair Remuneration Committee and Member of Audit Risk and Investment Committee - Representing NZEI**



Darrell worked as a teacher and principal in various Southland schools from 1971 until 2002. He became an EBS subscriber as a trainee teacher in 1968. Darrell was an elected member of NZEI’s National Executive

from 1990 until 2002. This included the role of National President and director of Education House Ltd. From 2002 until his retirement in 2012 he was employed by NZEI Te Riu Roa as Assistant Secretary at the National Office. In 2015 he was awarded Life Membership of NZEI Te Riu Roa.

Darrell has been a member of the Board since 2011. He brings to the board significant education union knowledge, leadership experience and a broad union network.



**Samantha Stephen – Board Member – and member of the Remuneration Committee  
Representing TEU**



Samantha Stephen oversees the support operations of the Tertiary Education Union Te Hautu Kahurangi o Aotearoa, managing a team essential to the smooth running of the organisation.

After graduating with a Bachelor of Social Sciences from the University of Waikato, Samantha spent several years working in a

community-based role for a non-profit organisation that offered preventative and rehabilitative support to offenders and their whanāu.

Samantha went on to work in events management where for nine years she was part of a team responsible for organising an annual event attended by over 45,000 New Zealanders.

Samantha is an accomplished people manager and brings to the board a detail-oriented, problem-solving approach.

**Erin Polaczuk - Board Member, and member of Audit, Risk and Investment Committee  
Representing New Zealand Public Service Association Te Pūkenga Here Tikanga Mahi (appointed October 2017)**



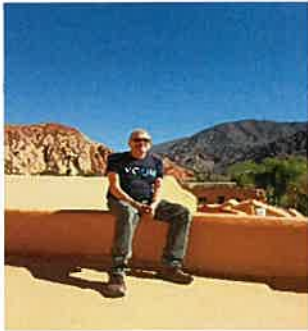
Erin joined the PSA's secretariat in 2014 after working at the Post Primary Teachers' Association as Deputy General Secretary and she has held roles in organising and advocacy, policy, education, governance and management within the union movement. Erin believes unions are the most effective

vehicle for progressive change and social justice in society.

Erin is currently involved in progressing the PSA's strategic goals, including its campaign on pay and employment equity- 'Worth 100%' and her union has a particular focus on the health, community and public sectors. The PSA now has over 67,000 members and 40% of recent recruits to the union are under the age of 35.

Erin brings an experienced leader and brings to the Society a wealth of experience in using digital marketing and social media to attract new members.

### Richard Kittelty – Board Member – Representing PSA (retired October 2017)



Richard Kittelty has been involved in unions throughout his working life. He trained as a secondary school teacher after obtaining an MA in English from Victoria University. Richard has been a member of PPTA, AUS and the PSA. He is currently the PSA

representative on the board. Richard taught for 20 years in Auckland schools before moving to Auckland University as a careers adviser. He then moved to Victoria University to establish an office specifically to cater for postgraduate students. He then worked in the Education Review Office for 11 years before moving to the Ministry of Education.

Richard is the longest serving member joining the board in 1996. Richard was the Board Chair at a time when it was determined that a change of direction was needed for EBS.

**Education Benevolent Society Incorporated**

**Annual Financial Statements**

**For the Year Ended 30 June 2018**

**Education Benevolent Society Incorporated**  
**Annual Financial Statements**  
**For the Year Ended 30 June 2018**

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# Education Benevolent Society Incorporated

## Directory For the Year Ended 30 June 2018

<b>Nature of Business</b>	Providing primary health insurance to the eligible Union members in the education sector and the public service association.
<b>Board Members</b>	Ross Wilson - Chair Margaret Kinsey - Deputy Chair Richard Kittelty (resigned October 2017) Alison O'Connell Erin Polaczuk (appointed October 2017) Samantha Stephen Darrell Ward
<b>Incorporation</b>	Incorporated Societies Act 1908
<b>Registered Office:</b>	Level 5 Education House, West Block 178 Willis Street Wellington
<b>Auditor</b>	KPMG
<b>Bankers</b>	Bank of New Zealand
<b>Solicitor</b>	Rainey Collins
<b>Rating Agency</b>	A M Best, Asia-Pacific (Singapore) Pte Ltd

# Education Benevolent Society Incorporated

## Statement of Comprehensive Revenue and Expense For the Year Ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Revenue</b>			
Contributions		4,657,932	4,248,668
Commission on Hospital cover		715,838	715,182
Investment income	8	486,857	346,882
Other income		5,338	6,213
<b>Total revenue</b>		<b>5,865,965</b>	<b>5,316,945</b>
<b>Expenses</b>			
<b>Benefits</b>			
Benefits paid	4	3,951,386	3,724,255
<b>Investment Expenses</b>			
Portfolio monitoring fee		30,080	27,489
		<b>30,080</b>	<b>27,489</b>
<b>Professional Expenses</b>			
Accounting fees		59,919	34,213
Audit fees		29,500	28,000
Actuarial and Legal Services		43,509	57,679
Consultants		-	60,249
Health Funds Association New Zealand Membership		11,075	10,625
Insurance ombudsman		-	3,713
Strategic review and implementation		92,716	-
Ratings agency		34,235	42,615
		<b>270,954</b>	<b>237,094</b>
<b>Other Administration and overhead expenses</b>			
Staff salaries & related expenses		806,892	726,198
Rent & related occupancy		54,213	49,672
Depreciation and amortisation		89,868	133,832
Movement in IBNP provision	15	127,697	44,056
Business Transition Expense		480,000	-
Bank charges		4,005	4,510
Computer expenses		97,756	66,075
Office administration		97,715	110,457
Printing, stationery, advertising		73,194	60,984
		<b>1,831,340</b>	<b>1,195,783</b>
<b>Total expenditure</b>		<b>6,083,760</b>	<b>5,184,620</b>
<b>Surplus for the year</b>		<b>(217,795)</b>	<b>132,325</b>
Other Comprehensive Revenue and Expense		-	-
<b>Total Comprehensive Revenue and Expense for the year</b>		<b>(217,795)</b>	<b>132,325</b>


These financial statements should be read in conjunction with the notes to the financial statements.



# Education Benevolent Society Incorporated

## Statement of Financial Position As at 30 June 2018

	Notes	2018 \$	2017 \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents	5	1,289,522	1,326,926
Trade debtors and other receivables		62,377	91,602
Prepayments		54,694	24,461
Accrued interest		67,423	59,103
Current investments	7	5,251,503	5,273,700
Total current assets		6,725,519	6,775,792
<b>Non-Current</b>			
Non-current investments	7	4,843,878	4,314,364
Software	11	40,593	121,788
Property, plant and equipment	6	9,539	18,211
Total non-current assets		4,894,010	4,454,363
<b>Total assets</b>		<b>11,619,529</b>	<b>11,230,154</b>
<b>LIABILITIES</b>			
<b>Current</b>			
IBNP Claims Provision	15	1,544,273	1,416,576
Trade creditors and other payables		71,740	82,458
Employee entitlements		94,311	69,723
Provision for Business Transition	18	480,000	-
Contributions received in advance		163,621	178,019
Total current liabilities		2,353,945	1,746,776
<b>Total liabilities</b>		<b>2,353,945</b>	<b>1,746,776</b>
<b>Net assets</b>		<b>9,265,584</b>	<b>9,483,379</b>
<b>EQUITY</b>			
Accumulated funds		9,265,584	9,483,379
<b>Total equity</b>		<b>9,265,584</b>	<b>9,483,379</b>

  
Chairperson on  
behalf of the Board

19/9/18 Date

  
Chief Executive

19/9/18 Date

These financial statements should be read in conjunction with the notes to the financial statements.

# Education Benevolent Society Incorporated

## Statement of Changes in Equity For the Year Ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Accumulated Funds</b>			
Opening balance		9,483,379	9,351,054
Surplus for the year		(217,795)	132,325
<b>Closing balance of accumulated funds</b>		<b>9,265,584</b>	<b>9,483,379</b>
<b>Total equity</b>		<b>9,265,584</b>	<b>9,483,379</b>

*These financial statements should be read in conjunction with the notes to the financial statements.*

# Education Benevolent Society Incorporated

## Statement of Cash Flows For the Year Ended 30 June 2018

	Notes	2018 \$	2017 \$
<b>Cash flows from operating activities</b>			
<i>Cash was provided from/(applied to):</i>			
Contributions received		4,643,534	4,266,587
Commission on Hospital cover & Life cover		721,451	709,034
Other income		5,338	6,213
Benefits paid		(4,079,083)	(3,768,310)
Other expenses		(1,299,863)	(1,406,726)
<b>Net cash flows from/(used in) operating activities</b>	<b>9</b>	<b>(8,623)</b>	<b>(193,203)</b>
<b>Cash flows from investing activities</b>			
<i>Cash was provided from/(applied to):</i>			
Investment income		199,023	215,027
Sale/(purchase) of investments		(227,804)	826,829
Purchase of property, plant and equipment		-	(46,752)
<b>Net cash flows from/(used in) investing activities</b>		<b>(28,781)</b>	<b>995,104</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(37,404)</b>	<b>801,901</b>
Cash and cash equivalents at the beginning of the year		1,326,926	525,024
<b>Cash and cash equivalents at the end of the year</b>		<b>1,289,522</b>	<b>1,326,926</b>

These financial statements should be read in conjunction with the notes to the financial statements.

# Education Benevolent Society Incorporated

## Notes to the financial statements

### 1 Reporting entity

Education Benevolent Society Incorporated is a society incorporated under the Incorporated Societies Act 1908. Its registered office is Level 5, Education House, West Block, Te Aro, Wellington. The financial statements comprise the financial statements of Education Benevolent Society Incorporated (the "Society") For the Year Ended 30 June 2018.

The Society operates solely in New Zealand and its main activity consists of providing partial reimbursement of health care costs to its subscribers. Bereavement, birth and sick leave without pay grants are also provided. The Society was issued a full Insurance Licence by the Reserve Bank of New Zealand in April 2013.

The Society has designated itself as a public benefit entity (PBE) for financial reporting purposes.

The financial statements were authorised for issue by the Board of Directors on 19 September 2018.

### 2 Basis of Preparation

#### (a) Statement of compliance

The financial statements have been prepared on a going concern basis, in accordance with New Zealand Generally Accepted Accounting Practices ("NZ GAAP") and the Financial Markets Conduct (FMC) Act 2013. They comply with Public Benefit Entity Standards ("PBE Standards") as appropriate for Tier 1 Not-For-Profit entities. The financial statements have been prepared in accordance with Tier 1 PBE Standards.

#### (b) Basis of measurement

The financial statements have been prepared on a historical costs basis, except for assets and liabilities that have been measured at fair value.

#### (c) Presentation currency

The financial statements are presented in New Zealand dollars.

#### (d) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

#### (e) Use of estimates and judgements

In preparing these financial statements, the Society has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

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

Note 11 Assessment of useful life of intangibles

Note 15 IBNP Claims Provision

#### (f) Standards issued and not yet effective and not early adopted

PBE IFRS 9 (Financial Instruments) gives PBEs an opportunity to adopt a PBE standard based on NZ IFRS 9 Financial Instruments earlier than the adoption date. The standard is effective for annual periods beginning on or after 1 January 2021. The Society has not assessed the impact of early adoption, nor has it made a decision on whether to apply the standard early.

# Education Benevolent Society Incorporated

## Notes to the financial statements

### 3 Summary of significant accounting policies

The significant accounting policies used in the preparation of these financial statements are summarised below:

#### (a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, other short-term highly liquid investments with original maturities of three months or less.

#### (b) Property, plant and equipment

All property, plant and equipment is measured at cost, less accumulated depreciation and any impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

The following straight-line depreciation rates have been applied at each class of property, plant and equipment:

Computer equipment	40%
Furniture and fittings	20%

The residual value and useful life of property, plant and equipment is reassessed annually.

#### (c) Income recognition

Income is recognised in the Statement of Comprehensive Revenue and Expense to the extent that it is probable that the economic benefits will flow to the Society and income can be reliably measured.

##### *Contributions & Hospital Cover Commission*

All contributions and hospital cover commission income is recorded in the period to which the cover relates. At year end an apportionment is made for contributions and commissions:

- received prior to balance date and relating to the next financial year as income in advance, and
- received after balance date that relate to the current financial year and recorded as accrued income.

##### *Interest Income*

Interest income is recognised using the effective interest method.

#### (d) Valuation and treatment of liabilities to subscribers

A provision is made for unreported claims based on past claims history of claims paid together with an assessment of the time taken to receive and settle claims not reported, and to settle claims in progress at each reporting date.

PBE IFRS 4 *Insurance Contracts* sets out the methodology for measuring policy liabilities. An Actuarial valuation of the Society's outstanding liabilities at balance date and pertaining to the year then ended is carried out every year. An incurred but not paid ("IBNP") provision is included as a current liability in the Society's Statement of Financial Position, with any movements against prior year being recorded in surplus or deficit via the Statement of Comprehensive Revenue and Expense.

Actuarial valuations as at 30 June 2018 and 30 June 2017 have been carried out by the appointed actuary Peter Davies (of Davies Financial and Actuarial Limited).

The IBNP provision has been determined in accordance with PBE IFRS 4 and the New Zealand Society of Actuaries Professional Standard No. 30 - Valuation of General Insurance Claims. The IBNP liability is determined using a conventional chain ladder calculation to derive claim payment patterns, in conjunction with the benefits paid expense for the 12 months ended 30 June 2018.

A provision, known as a "processing expense", is made for claims administration costs and charged at a rate of 7.5% (2017: 7.5%) on top of the base IBNP provision. Movements against prior year are recognised in surplus or deficit via the Statement of Comprehensive Revenue and Expense.

# Education Benevolent Society Incorporated

## Notes to the financial statements

### Valuation and treatment of liabilities to subscribers (continued)

The calculation of the IBNP Claims Provision includes the following additional charges:

- (i) Allowance for claim handling costs - Direct and indirect claim handling costs are to be included in claim provisions. This is assessed on top of the base IBNP provision. Movements against prior year for this provision are recognised in surplus or deficit via the Statement of Comprehensive Revenue and Expense.
- (ii) Risk margin - A risk margin is to be included in claim provisions. This is charged on top of the base IBNP provision. Movements against prior year for this provision are recognised in surplus or deficit via the Statement of Comprehensive Revenue and Expense.
- (iii) The assumptions used in the calculation of the IBNP provision are reviewed at each reporting date. A summary of the significant actuarial methods and assumptions used is set out in Note 15.

### (e) Foreign currency translation

Transactions in foreign currencies are converted at the New Zealand rate of exchange at the date of the transaction. At balance sheet date any foreign monetary assets and liabilities are translated at the closing rate and variations arising from these transactions are included in the investment income as either realised or unrealised movement.

### (f) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument in another entity.

Financial instruments are comprised of trade debtors and other receivables, cash and cash equivalents, other financial assets and trade creditors and other payables.

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised initially at fair value plus transaction costs attributable to the acquisition, except for those carried at fair value through surplus or deficit, which are measured at fair value.

Financial assets and financial liabilities are recognised when the Society becomes a party to the contractual provisions of the financial instrument.

#### Derecognition of financial instruments

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Society transfers the financial asset to another party without retaining control of substantial all risks and rewards of the asset.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.



# Education Benevolent Society Incorporated

## Notes to the financial statements

### Subsequent measurement

The subsequent measurement of financial assets depends on their classification, which is primarily determined by the purpose for which the financial assets were acquired. Management determines the classification of financial assets at initial recognition into one of four categories, and re-evaluates this designation at each reporting date.

All financial assets are subject to review for impairment at least at each reporting date. Different criteria to determine impairment are applied to each category of financial assets, which are described below.

The classification of financial instruments into one of the categories below determines the basis for subsequent measurement and whether any resulting movements in value are recognised in the reported surplus / deficit or other comprehensive revenue and expense.

The Society has categorised its financial instruments into two categories for financial reporting purposes:

#### (i) Loans and receivables

Loans and receivables have fixed or determinable payments. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. The Society's cash and cash equivalents, term deposits, trade and most other receivables fall into this category of financial instruments.

Receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

#### (ii) Financial assets at fair value through surplus or deficit

The investments held in managed funds is part of a portfolio of identified financial instruments that are managed together to generate returns for the Society. It was deemed appropriate that these investments be classified as "financial assets at fair value through surplus or deficit".

Financial assets classified as "financial assets at fair value through surplus or deficit" are, subsequent to initial recognition, measured at fair value with gains or losses recognised in the surplus or deficit for the year.

### (g) Goods & Services Tax

Accounts are shown net of Goods and Services Tax, except Accounts Payable and Accounts Receivable which are stated GST inclusive.

### (h) Taxation

No taxation has been provided for on the basis that the Society is exempt under sections CZ18 of the Income Tax Act 2007 because of its recognition as a sickness, accident and death benefit fund.

### (i) Employee entitlements

#### Current entitlements

Employee benefits, previously earned from past services, that the Society expect to be settled within 12 months of reporting date are measured based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to the reporting date and annual leave earned, but not yet taken at the reporting date.

### (j) Intangible assets

Intangible assets consist of computer software acquired to assist in the administration of subscriber services. Intangible assets are measured at cost less accumulated amortisation and impairment losses.

Amortisation is recognised based on the estimated useful life of the asset. The amortisation rate has changed to 67% this year due to a reassessment of the remaining useful life of the asset to 31 December 2018.

The following amortisation rate has been applied:

Computer software

67% (2017: 50%)

# Education Benevolent Society Incorporated

## Notes to the financial statements

### 4 Benefits expense

The table below shows the number and monetary value of paid applications.

Type	2018		2017	
	Number	\$	Number	\$
Bereavement	73	63,479	73	63,478
Birth	93	16,348	89	15,478
Complementary	5653	545,957	5,250	503,072
Hospital	556	234,049	506	216,511
Hospital Excess	640	224,418	692	253,807
Major Diagnostic	349	105,572	293	85,716
Medical	14691	1,991,631	13,934	1,915,140
Medical Appliance	324	54,389	310	52,559
Optical	3175	445,171	3,157	468,102
Orthodontic	181	44,002	146	42,925
Sick Leave Without Pay	76	10,278	100	12,042
Dental	1954	205,308	1,097	108,510
Vaccinations	193	10,785	155	9,093
<b>Benefits Paid</b>	<b>27,958</b>	<b>3,951,386</b>	<b>25,802</b>	<b>3,746,432</b>
Decrease in year end accruals		-		(22,178)
<b>Total benefit expense</b>		<b>3,951,386</b>		<b>3,724,255</b>

### 5 Cash and cash equivalents

	2018	2017
	\$	\$
Cash at Bank	64,399	78,689
Call Deposits	1,225,124	1,248,236
<b>Total</b>	<b>1,289,522</b>	<b>1,326,926</b>

The carrying amount of cash and cash equivalents approximates their fair value.

Cash at bank earn interest at 0.10% (2017: 0.10%).

Call deposits earn interest at 0.10% - 2.00% (2017: 0.10% - 2.05%).

### 6 Property, plant and equipment

	2018	2017
	\$	\$
<b>Computer equipment</b>		
<u>Cost</u>		
Opening	32,683	57,461
Additions	-	6,439
Disposal	(9,391)	(31,217)
Closing cost	23,292	32,683
<u>Accumulated depreciation</u>		
Opening	(25,534)	(47,519)
Depreciation	(5,861)	(9,232)
Depreciation written back on disposal	9,391	31,217
Closing accumulated depreciation	(22,004)	(25,534)
<b>Carrying value</b>	<b>1,288</b>	<b>7,149</b>

# Education Benevolent Society Incorporated

## Notes to the financial statements

	2018	2017
	\$	\$
<b>Furniture and fittings</b>		
<u>Cost</u>		
Opening	39,101	25,500
Additions	-	13,601
Disposals	(25,047)	-
Closing cost	14,054	39,101
<u>Accumulated depreciation</u>		
Opening	(28,039)	(25,228)
Depreciation	(2,811)	(2,811)
Depreciation written back on disposal	25,047	-
Closing accumulated depreciation	(5,803)	(28,039)
Carrying value	8,251	11,062
<b>Total property, plant and equipment</b>	<b>9,539</b>	<b>18,211</b>

### 7 Investments

	2018	2017
	\$	\$
<b>Current</b>		
BNZ Term Deposits	5,251,503	5,273,700
Total current	5,251,503	5,273,700
<b>Non Current</b>		
Mint Asset Management - Managed Fund	4,843,878	4,314,364
Total non-current	4,843,878	4,314,364
<b>Total investments</b>	<b>10,095,381</b>	<b>9,588,064</b>

# Education Benevolent Society Incorporated

## Notes to the financial statements

### 8 Investment income

	2018	2017
	\$	\$
Unrealised fair value gain on managed fund portfolio	279,514	139,888
Interest on term deposits	206,079	205,330
Interest on at call funds within cash and cash equivalents	1,264	1,664
<b>Total investment income</b>	<b>486,857</b>	<b>346,882</b>

### 9 Reconciliation of net operating cash flow to surplus for the year

	2018	2017
	\$	\$
(Deficit) / Surplus for the year	(217,795)	132,325
<i>Less investment income classified as a financing activity</i>	(199,023)	(215,027)
<i>Non cash movements</i>		
Unrealised fair value (gain) on managed fund portfolio	(279,514)	(139,888)
Provisions for claims	127,697	44,056
Depreciation and amortisation	89,868	133,832
<i>Movements in working capital</i>		
(Increase)/decrease in trade debtors and other receivables	20,905	(21,727)
(Increase)/decrease in prepayments	(30,233)	19,130
Increase/(decrease) in trade creditors and other payables	493,870	(163,824)
Increase/(decrease) in contributions received in advance	(14,398)	17,919
<b>Net Cash Flow from Operating Activities</b>	<b>(8,623)</b>	<b>(193,204)</b>

### 10 Lease Commitments

The Society has the following lease commitments:

	2018	2017
	\$	\$
Not later than one year	-	42,635
Two to five years	-	-
More than five years	-	-
<b>Total operating lease commitments</b>	<b>-</b>	<b>42,635</b>

The Society's lease for rental of premises expired in May 2018. The building has been sold to new owners and no lease has been signed whilst the Society reviews its options. Currently paying rent on a periodic, month by month basis, pending the final outcome of the Society's business transition.

### 11 Intangibles

Health Care Administration System	2018	2017
	\$	\$
<u>Cost</u>		
Opening	324,326	297,615
Additions	-	26,711
Closing cost	324,326	324,326
<u>Accumulated depreciation</u>		
Opening	(202,538)	(80,750)
Depreciation	(81,195)	(121,788)
Closing accumulated depreciation	(283,733)	(202,538)
<b>Total intangible assets</b>	<b>40,593</b>	<b>121,788</b>

#### Impairment

The Society assessed all Intangibles for impairment in the previous year. The Society concluded in 2017 that the remaining useful life of the current HCA system be reassessed to 2 years as the current system was due to be replaced by 30 June 2018. A reassessment has been made due to the decision to extend the use of the system to 31 December 2018 and the depreciation rate has been adjusted accordingly.

# Education Benevolent Society Incorporated

## Notes to the financial statements

### 12 Related party transactions

#### (i) Employees

During the 2018 year, employees of the Society were also subscribers. The employees' subscription fees were fully subsidised by the Society. Apart from this the Society deals with the employees on the same terms and conditions applied to all subscribers.

#### (ii) Board Members

During the financial year, the following Board Members of the Society were also subscribers:

Margaret Kinsey  
Richard Kittelty (resigned from Board October 2017)  
Samantha Stephen  
Darrell Ward

The following benefits were paid to key management personnel during the year.

Board fees in relation to Margaret Kinsey were paid to the New Zealand Post Primary Teachers' Association / Te Wehengarua (PPTA), and those for Samantha Stephen to the Tertiary Education Union Te Hautū Kahurangi o Aotearoa (TEU) and those for Erin Polaczuk to the The New Zealand Public Service Association - Te Pūkenga Here Tikanga Mahi (PSA) as reimbursement for their time.

#### Salaries & other short term benefits

Total remuneration

Number of persons (FTEs) recognised  
as key management personnel

Key Personnel	
2018	2017
\$	\$
283,786	194,435
283,786	194,435
2.15	2.1

The Society deals with the Board on the same terms and conditions applied to all subscribers.

The Society has a related party relationship with its key management personnel. Key management personnel include the Board and the Chief Executive.

#### Approved director remuneration in the year ended 30th June 2018

##### Up to October 2017

Governance Body	Position	Fees
Board	Chair	\$25,000 per annum retainer
	Deputy Chair	\$350 per meeting
	Members	\$350 per meeting
	Independent Board Member	\$2,400 per annum retainer
Audit, Investment & Risk Committee	Chair	\$700 per meeting
	Members	\$350 per meeting
Remuneration Committee	Chair	\$700 per meeting
	Members	\$350 per meeting

##### From November 2017 onwards

Governance Body	Position	Fees
Board	Chair	\$28,125 per annum
	Deputy Chair	\$22,500 per annum
	Members	\$18,750 per annum
Committee	Chair/Member	\$22,500 per annum

#### Director remuneration received in the year ended 30th June 2018

Name of Board Member	Total Remuneration
Ross Wilson	\$27,083
Margaret Kinsey	\$19,550
Alison O'Connell	\$18,950
Darrell Ward	\$20,950
Richard Kittelty	\$700
Samantha Stephen	\$14,175
Erin Polaczuk	\$13,125
<b>Total</b>	<b>\$114,533</b>

# Education Benevolent Society Incorporated

## Notes to the financial statements

### 13 Financial Instruments

#### (a) Carrying value of financial instruments

The carrying amount of all material financial position assets and liabilities are considered to be equivalent to fair value.

Fair value is the amount for which an item could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

#### (b) Classification of financial instruments

All financial assets held by the Society are classified as "loans and receivables" are carried at cost less accumulated impairment losses, except for investments portfolio held with Mint (refer to note 7).

The Mint Investment Portfolio is classified as "financial assets at fair value through surplus or deficit" with fair value movements recognised in the surplus or deficit for the year.

All financial liabilities held by the Society are carried at amortised cost using the effective interest rate method.

#### (c) Financial instrument risk management

The Society has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Society has a series of policies to manage the risk associated with financial instruments. Policies have been established which do not allow transactions that are speculative in nature to be entered into and the Society is not actively engaged in the trading of financial instruments. As part of this policy, limits of exposure have been set and are monitored on a regular basis.

#### (i) Credit Risk

Credit risk is the risk that the other party to a financial transaction will fail to discharge their obligation resulting in the Society incurring a financial loss. The policy is that subscribers are not entitled to claim payouts unless their subscriptions paid are up-to-date (subscriptions are paid in advance). Therefore, credit risk is not considered significant.

The Society places its cash and short term investments with high credit quality financial institutions with a minimum financial strength rating of AA- as outlined in the Risk Management Framework.

The maximum exposure to credit risk at the end of the reporting year is the amount of financial assets stated in the statement of financial position.

#### (ii) Liquidity risk

Liquidity risk is the risk that the Society may encounter difficulties meeting its financial obligations as they fall due.

The Society's liquidity policy is based upon ensuring significant liquid assets are held so as to meet benefit entitlements of the subscribers. Risks are managed by continuous reviewing of financial performance, maturity profiles of financial assets, and maintaining adequate reserves and liquidity support facilities.

All financial assets held can be converted into cash on a short-term basis.

The Society has no long-term liabilities or funding commitments.



# Education Benevolent Society Incorporated

## Notes to the financial statements

### (iii) Market risk

Market risk is the risk that the carrying amount (and the ultimate amount realised upon sale) of the Managed Fund's financial instruments will fluctuate because of changes in market value of investments. The market value of investments carried by the Society are subject to the following variables:

- interest rates;
- market prices

### Interest rate risk

Interest rate risk is the risk that cash flows from a financial instrument will fluctuate because of changes in market interest rates. The Society is exposed to interest rate risk on fixed interest investments.

The Society is exposed to interest rate risk in that rate movements will affect the market value of its fixed interest investments. Risk management activities are undertaken in respect of financial assets. There is no interest risk in respect to liabilities of the Society as it has no borrowings and does not pay interest to subscribers.

The Society holds the following fixed interest investments (as disclosed in Note 7):

		2018	2017
		\$	\$
Term Deposits	Classified as loans and receivables and carried at amortised cost	5,251,503	5,273,700
<b>Total Fixed Interest Investments</b>		<b>5,251,503</b>	<b>5,273,700</b>

The Society's fixed interest investments pay interest at fixed rates and therefore the interest risk on cash flow fluctuation is not considered to be significant.

### Sensitivity analysis on fixed interest investments

The following analysis illustrates the sensitivity on the Society's surplus or deficit as a result of a +/- 1% movement in interest rates.

Fixed interest investment carried at fair value	2018		
	Carrying amount of fixed interest investments	Impact on surplus/deficit	
		+1%	-1%
	\$	\$	\$
Fixed Interest Investments	5,251,503	52,515	(52,515)
<b>Total</b>	<b>5,251,503</b>	<b>52,515</b>	<b>(52,515)</b>

Fixed interest investment carried at fair value	2017		
	Carrying amount of fixed interest investments	Impact on surplus/deficit	
		+1%	-1%
	\$	\$	\$
Fixed interest Investments	5,273,700	52,737	(52,737)
<b>Total</b>	<b>5,273,700</b>	<b>52,737</b>	<b>(52,737)</b>

# Education Benevolent Society Incorporated

## Notes to the financial statements

### Market price risk

The Society is exposed to market price risk arising from uncertainties about future prices of the financial instruments.

The Society's market price risk is affected by actual changes in market prices. As the Society invests in units in a managed fund, any change to the fund's unit price will result in a corresponding change in the assets held at fair value through profit or loss.

The Society holds the following unit investments (as disclosed in Note 7):

		2018	2017
		\$	\$
Managed Fund	Classified as financial assets at fair value through surplus or deficit and carried at fair value	4,843,878	4,314,364
<b>Total Unit Investments</b>		<b>4,843,878</b>	<b>4,314,364</b>

### Sensitivity analysis

The following analysis illustrates the sensitivity on surplus or deficit in regards to the Society's exposure to unit investments held in the Managed Fund. It assumes a +/- 10% change in the fair value of a unit holding in the fund.

	2018		
	Carrying amount of investments	Fair value movement impact	
		+10%	-10%
	\$	\$	\$
Unit investments	4,843,878	484,388	(484,388)

	2017		
	Carrying amount of investments	Fair value movement impact	
		+10%	-10%
	\$	\$	\$
Unit investments	4,314,364	431,436	(431,436)

### (d) Fair Value

Included in the financial assets of the Society is an investment in a Managed Fund managed by Mint Asset Management. The source of fair value inputs as defined by PBE IPSAS 30 *Financial Instruments: Disclosures* is based upon unit prices calculated by the investment manager (Level 2).

The fair value of investments can be influenced by changes in interest rates, currency values and market demand.

### (e) Maturity Analysis

Asset and liability maturities are matched to ensure there is always sufficient liquidity available to meet obligations as they fall due. The net liquidity and maturity matching is as follows:

	2018		2017	
	\$		\$	
	<12 Months	1 to 2 years	<12 Months	1 to 2 years
The contractual maturities of investments are:				
Term Deposits	5,251,503	-	5,273,700	-
Mint Asset Management Portfolio	4,843,878	-	4,314,364	-
In addition to the above investments, the society has on call funds	1,289,522	-	1,326,926	-
The contractual maturity of financial liabilities are as follows:				
Trade creditors and other payables	71,740	-	152,181	-
IBNP Claims Provision	1,544,273	-	1,416,576	-
Contribution received in advance	163,621	-	178,018	-
<b>Net Liquidity</b>	<b>9,605,269</b>	<b>-</b>	<b>9,168,215</b>	<b>-</b>

# Education Benevolent Society Incorporated

## Notes to the financial statements

### 14 Solvency Statement and Reserve Bank Conditions for License

The Insurance (Prudential Supervision) Act 2010 ("the Act") was enacted in September 2010. The Society was granted a full license under the Act in April 2013.

The Society is subject to solvency margin requirements detailed in the Solvency Standard for Non-Life Insurance Business issued by the RBNZ. This standard requires the Society to retain a solvency margin of greater than zero meaning that the actual solvency capital position exceeds the minimum required under the solvency standard. During the year ended 30 June 2018 the Society complied with all externally imposed capital requirements.

The Board's policy for managing capital is to have a strong capital base consistent with regulatory requirements, the Society's risks, and the Board's risk appetite. The Board has a low appetite for risk in respect of Capital management. Capital Management is regularly reviewed by the Board in line with the Risk Management Framework and Policies.

Capital funding requirements as reported to the Reserve Bank

	2018	2017
Actual Solvency Capital	9,219,991	9,359,174
Minimum Solvency Capital	3,000,000	3,000,000
<b>Solvency Margin</b>	<b>6,219,991</b>	<b>6,359,174</b>
<b>Solvency Ratio</b>	<b>307%</b>	<b>312%</b>

### 15 IBNP Claims Provision

The effective date of the actuarial report on the IBNP provision is 30 June 2018. The actuarial report was prepared by Peter Davies, a Fellow of the New Zealand Society of Actuaries (of Davies Financial and Actuarial Limited), appointed actuary to the Society. The IBNP provision has been determined in accordance with the methods and assumptions disclosed in these financial statements and with the standards established by the New Zealand Society of Actuaries and the Reserve Bank of New Zealand.

The actuary is satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claim liability. The actuarial report contained no qualifications.

The IBNP provision for insurance claims incurred but not yet paid as at 30 June 2018 has been estimated by the actuary as \$1,544,273 (2017: \$1,416,576). This includes an estimate from the actuary for additional claims (including administration costs and risk margin) due to the removal of the 12 month claim limitation.

	2018 \$	2017 \$
IBNP Opening balance	1,416,576	1,372,520
Movement in IBNP provision	127,697	44,056
<b>Closing balance</b>	<b>1,544,273</b>	<b>1,416,576</b>

IBNP Claims Provision	2018 \$	2017 \$
Central estimate	1,381,281	1,267,063
Expense margin	103,596	95,030
Risk margin	59,396	54,484
<b>Closing balance</b>	<b>1,544,273</b>	<b>1,416,576</b>

# Education Benevolent Society Incorporated

## Notes to the financial statements

A hindsight analysis of the IBNP Provision shows:

	Previous Year's Estimate (June 2017)	Prior year's estimate (June 2016)
	\$	\$
Central Estimate determined at the time	1,267,063	1,227,656
Outstanding as assessed a year later	1,207,784	1,074,057
Surplus difference between actual claims and estimated provision	59,279	153,599

### Provision assumptions:

(i) IBNP provision has been determined in accordance with Professional Standard No. 30 - Valuation of General Insurance Claims - issued by the New Zealand Society of Actuaries for reporting under PBE IFRS with effect from 30 September 2014.

(ii) The claim handling cost rate (as required per PBE IFRS 4) assumed was 7.5% of outstanding claims (2017: 7.5%), which has been determined based on the size of the Society, its overall level of expenses, and the nature of claims incurred. This allowance has been assessed as reasonable based on the size of the Society, its overall level of expenses, the nature of claims incurred, and the experience of other similar entities.

(iii) The risk margin rate (as required per PBE IFRS 4) assumed was 4.00% of outstanding claims, including the claims handling cost rate in (ii) above (2017: 4.0%), which has been determined based on the past level of variability. With a coefficient of variation of 3.60% (2017: 2.80%), and assuming a normal distribution of claim reserves, this produces a result which has a 75% likelihood of sufficiency (75% is the minimum margin prescribed by the RBNZ for its solvency standards).

(iv) Future patterns of claims will be similar to historical patterns depending on the type of policy and type of claim.

(v) The rate of processing of claims will continue to be consistent at the Society.

### Sensitivity analysis

The key assumptions and sensitivities in the calculation of the provision are the risk margin rate and the duration of claim settlement.

Settlement time	30-Jun-18	Sensitivity	
		Settlement time takes 10% longer	Settlement time takes 10% shorter
IBNP Provision	1,544,273	1,991,011	1,184,859

Settlement time	30-Jun-17	Sensitivity	
		Settlement time takes 10% longer	Settlement time takes 10% shorter
IBNP Provision	1,416,576	1,962,907	1,063,092

Risk Margin	30-Jun-18	Sensitivity	
		Risk margin +1%	Risk margin -1%
IBNP Provision	1,544,273	1,559,122	1,529,424

Risk Margin	30-Jun-17	Sensitivity	
		Risk margin +1%	Risk margin -1%
IBNP Provision	1,416,576	1,385,717	1,359,323

# Education Benevolent Society Incorporated

## Notes to the financial statements

### 16 Insurance Risk Management

The Society's insurance risk is from insurance products within the health insurance sector.

The Board has a low to moderate appetite for insurance risk. Insurance risk is managed through the Society's Risk Management Process by:

- writing low risk cover with benefit maxima,
- strong capital management;
- a pricing policy reviewed annually, and
- robust claims management.

The Society further mitigates the risks arising from insurance contracts by structuring its investment portfolio and financial policies to allow for sufficient cash flow during periods of volatility.

Sensitivity analysis in relation to insurance risk variables is provided in Note 15.

#### Unexpired risk provision and liability adequacy test

A liability adequacy test was performed by the Actuary as at 30 June 2018, to determine whether the unearned premium liability is adequate to cover the present value of the expected future cash flows arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The future cash flows are future claims, associated claim-handling costs and other administration costs related to the business.

If the present value of the expected future cash flows plus the additional risk margin to reflect the inherent uncertainty in the central estimates exceeds the unearned premium liability, the unearned premium liability is deemed to be deficient.

The calculation of the risk margin has been based on an analysis of the volatility of historical claims experience within the time period covered by the unearned premiums. A risk margin of 6% of the present value of expected future cash flows has been applied as at 30 June 2018 (2017: 6%).

The resulting future claim liability is 98.3% of unearned premiums. Since this is less than 100%, the provision for premiums in advance (disclosed as contributions received in advance) is sufficient.

#### Key assumptions:

Benefits as % of subscriptions	88.1% (2017: 89.3%)
Risk margin	6% (2017: 6%)
Admin Loading	5% (2017: 5%)

### 17 Credit Rating

The Society credit rating issued by A M Best, Asia-Pacific (Singapore) Pte Ltd is B++ Good as at March 2018 (2017: B++ Good)

### 18 Significant after balance date events

On 2 July 2018 the Education Benevolent Society Incorporated (EBS) signed a Heads of Agreement with Union Medical Benefits Society Incorporated (UniMed) for the transfer of the EBS health insurance business to UniMed. The planned date for the transfer is 1 January 2019. This transfer is subject to Reserve Bank New Zealand approval and this application is intended to be submitted shortly. (2017: None)







# Independent Auditor's Report

To the members of Education Benevolent Society Incorporated

## Report on the financial statements

### Opinion

In our opinion, the accompanying financial statements of Education Benevolent Society Incorporated (the incorporated society) on pages 3 to 20:

- i. present fairly in all material respects the incorporated society's financial position as at 30 June 2018 and its financial performance and cash flows for the year ended on that date; and
- ii. comply with Public Benefit Entity Standards (Not For Profit).

We have audited the accompanying financial statements which comprise:

- the statement of financial position as at 30 June 2018;
- the statements of comprehensive revenue and expense, changes in equity and cash flows for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.



### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the incorporated society in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

Our firm has also provided other services to the incorporated society in relation to an IT application risk assessment and tax services. Subject to certain restrictions, partners and employees of our firm may also deal with the incorporated society on normal terms within the ordinary course of trading activities of the business of the incorporated society. These matters have not impaired our independence as auditor of the incorporated society. The firm has no other relationship with, or interest in, the incorporated society.



### Other information

The Board, on behalf of the incorporated society, are responsible for the other information included in the entity's Financial Statements. Other information includes the entity directory. Our opinion on the financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



### **Other matter**

The financial statements of Education Benevolent Society Incorporated, for the year ended 30 June 2017, was audited by another auditor who expressed an unmodified opinion on those statements on 29 September 2017.



### **Use of this independent auditor's report**

This independent auditor's report is made solely to the members as a body. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.



### **Responsibilities of the Board for the financial statements**

The Board, on behalf of the incorporated society, are responsible for:

- the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));
- implementing necessary internal control to enable the preparation of a set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.



### **Auditor's responsibilities for the audit of the financial statements**

Our objective is:

- to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



A further description of our responsibilities for the audit of these financial statements is located at the External Reporting Board (XRB) website at:

<http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-6/>

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is Graeme Edwards.

For and on behalf of

A handwritten signature in blue ink that reads 'KPMG'.

KPMG  
Wellington

19 September 2018

