INTRODUCTION

This report covers ACC's performance for the year against the objectives set out in the 2004-05 Statement of Intent, Service Agreement and Business Plan. ACC's performance framework is summarised below.

ACC is a Crown entity existing under the provisions of the Injury Prevention, Rehabilitation, and Compensation Act 2001 ('the Act') to provide comprehensive, 24-hour, no-fault personal injury cover for all New Zealand residents (and visitors to New Zealand). Cover is managed under seven Accounts:

- the Employers' Account for personal injuries in the workplace affecting employees
- the Residual Claims Account for personal injuries in the workplace before 1 July 1999, or involving earners outside the workplace before 1 July 1992
- the Self-Employed Work Account for personal injuries in the workplace affecting the self-employed
- the Motor Vehicle Account for personal injuries involving motor vehicles
- the Earners' Account for personal injuries outside the workplace for those in paid work
- the Non-Earners' Account for personal injuries outside the workplace for those not in paid work
- the Medical Misadventure Account for injuries from rare medical mishaps or medical error.

The Act specifies ACC's role and functions to include:

- promoting measures to reduce the incidence and severity of personal injury
- determining cover
- providing statutory and other entitlements
- collecting levies
- managing the Accounts
- administering a disputes' resolution process.

ACC's vision/mission statement is:

'PREVENTION – CARE – RECOVERY'

ACC'S REASON FOR BEING IS FIRST TO PREVENT INJURIES, SECONDLY TO ENSURE THAT THOSE WHO ARE INJURED ARE PROMPTLY REHABILITATED AND THIRDLY TO ENSURE THAT THOSE WHO ARE INJURED ARE PROVIDED WITH THEIR CORRECT ENTITLEMENTS.

This statement reflects the principles of the Royal Commission of Inquiry into Compensation for Personal Injuries in New Zealand, 1967 (the 'Woodhouse Report'). These principles have stood the test of time and still apply today.

To achieve this mission via the operation of a successful scheme, ACC's 2004-05 strategic direction for the medium term is set in The 5 Drivers:

- injury prevention – Reduce the rate of injuries and consequential claims by at least 10% by 2009
- rehabilitation – Provide early, effective rehabilitation as measured by a decrease in the median duration of weekly compensation claims of one day per year for each of the next three years to 2007
- claimant and other stakeholder satisfaction – Maintain overall claimant and other stakeholder satisfaction at (or above) 80-85% to 2007
- staff satisfaction – Increase staff satisfaction to 80-85% by 2007
- fair levies – Maintain fair levy rates to 2007 (eg maintaining employer levies around 90 cents per $100 of payroll).

The 5 Drivers and associated objectives formed the basis of ACC's service performance plans for 2004-05.

INJURY PREVENTION

ACC's desired long-term injury prevention outcomes are:

- to achieve a safer New Zealand by reducing the incidence and severity of injury in New Zealand
- to develop sustainable working relationships with all injury prevention stakeholders.

ACC has identified the following goals to support the achievement of those outcomes:

- reduced entitlement claim incidence and reduced claim severity
- increased coverage and effectiveness of ACC's injury prevention activities
- a ThinkSafe safety culture in New Zealand communities
- a systematic investment and monitoring framework for ACC's injury prevention activities.

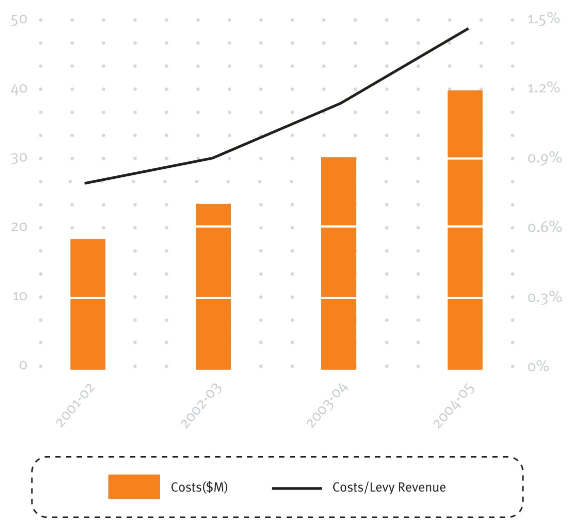
ACC's injury prevention activity during 2004-05 is detailed on pages 30-37.

Although new claim rates were generally higher than for 2003-04, they did not increase to the extent forecast.

INJURY PREVENTION EXPENDITURE

ACC's injury prevention costs have increased from $18 million in 2001-02 to nearly $40 million in 2004-05. Although expenditure in 2004-05 was slightly less than the budget of $40.7 million, ACC's commitment to a greater investment in prevention is shown by the more than 75% increase in injury prevention costs relative to levy revenue since 2001-02.

INJURY PREVENTION COSTS



NEW CLAIMS NUMBERS

New claims are monitored in three main categories: new claims registered, new 'weekly compensation' claims, and new 'other entitlement' claims (claims receiving entitlements other than medical fees payment but not weekly compensation).

ACC monitors claim rates relative to appropriate exposure bases (population and motor vehicle numbers). It was forecast that the trend of an increased proportion of the population being in employment would continue – that proportion increased to a greater extent than forecast.

Target claim rates for 2004-05 reflected historic trends, injury prevention programmes and ACC's activities promoting awareness of the scheme and addressing barriers to scheme access for at-risk claimant groups.

NEW CLAIMS REGISTERED

The following tables show the number of new claims registered in 2004-05, and claim rates, in total and by Account. The charts show a 12-month moving average of the number of new claims registered by month since 2000, in total and by Account.

Overall new claim numbers and claim rates increased slightly, but generally less than forecast.

Claim numbers increased slightly in the Employers' Account and were steady in the Self-Employed Work and Earners' Accounts. There was a significant increase in the number of earners, and claim rates therefore decreased significantly in these three Accounts.

Claim numbers increased to a greater extent in the Non-Earners' and Motor Vehicle Accounts. Given the decrease in the number of non-earners, the Non-Earners' Account claim rate increased significantly. However this might reflect ACC's activities in respect of scheme awareness and access.

There has been an increase in the vehicle kilometres travelled, and the Motor Vehicle Account claim rate increased slightly, but to a lesser extent than forecast.

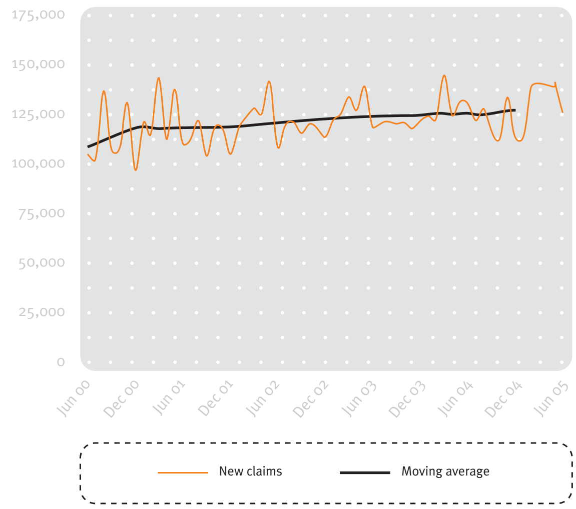
NEW CLAIMS REGISTERED

	2004-05 ACTUAL	2003-04 ACTUAL
ACC Total	1,523,946	1,504,732
Employers' Account	170,546	168,266
Self-Employed Work Account	45,007	45,129
Residual Claims Account	882	1,671
Motor Vehicle Account	41,015	39,583
Non-Earners' Account	735,085	718,758
Earners' Account	529,977	530,075
Medical Misadventure Account	1,434	1,250

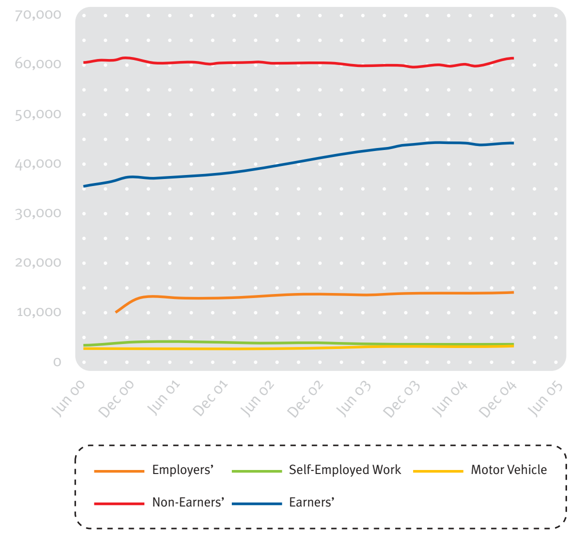
NEW CLAIMS REGISTERED PER 100 POPULATION

	2004-05 ACTUAL	2004-05 TARGET	2003-04 ACTUAL
ACC Total	37.10	37.66	36.98
Employers' Account	9.88	10.81	10.53
Self-Employed Work Account	11.33	12.32	12.37
Non-Earners' Account	37.05	34.32	34.13
Earners' Account	24.96	27.91	27.00
Medical Misadventure Account	0.03	0.02	0.03
Motor Vehicle Account (per 100 million km)	110.89	112.95	108.09

NEW CLAIMS REGISTERED PER MONTH ACC TOTAL



NEW CLAIMS REGISTERED PER MONTH 12-MONTH MOVING AVERAGE BY ACCOUNT



NEW WEEKLY COMPENSATION CLAIMS

The following tables show new weekly compensation claims in 2004-05, and claim rates, in total and by Account. The charts show a 12-month moving average of the number of new weekly compensation claims by month since 2000, in total and by Account.

Total new weekly compensation claims in 2004-05 were very similar to 2003-04, with little change in the rate per 100 population.

Claim rates in the Employers', Self-Employed Work and Earners' Accounts decreased from 2003-04 and were less than the rates forecast. The decreased numbers in the Employers' and Self-Employed Work Accounts reflect slight decreases in the 'escalation' rate relative to the number of new claims registered.

The increased numbers in the Motor Vehicle Account are consistent with the increase in new claims registered. The increase in claim rate was less than forecast.

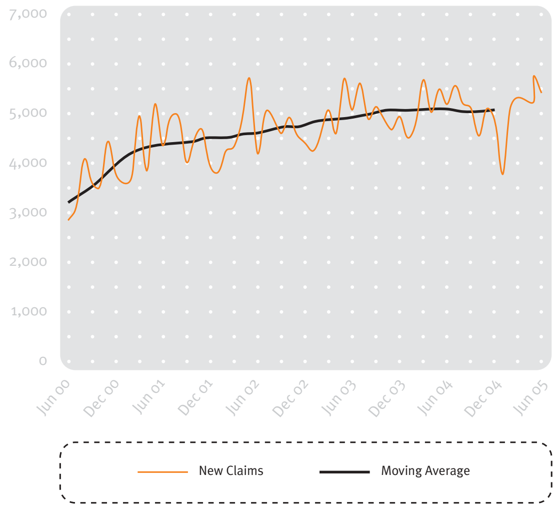
NEW WEEKLY COMPENSATION CLAIMS

	2004-05 ACTUAL	2003-04 ACTUAL
ACC Total	60,934	60,828
Employers' Account	18,518	18,688
Self-Employed Work Account	3,871	3,943
Residual Claims Account	465	541
Motor Vehicle Account	3,711	3,548
Non-Earners' Account	397	481
Earners' Account	33,754	33,456
Medical Misadventure Account	218	171

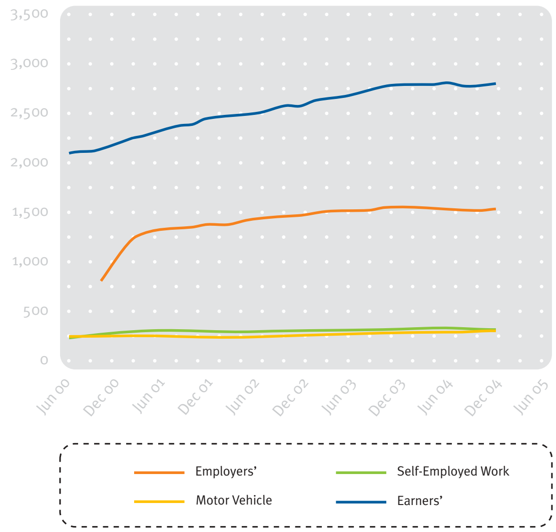
NEW WEEKLY COMPENSATION CLAIMS PER 100 POPULATION

	2004-05 ACTUAL	2004-05 TARGET	2003-04 ACTUAL
ACC Total	1.48	1.53	1.49
Employers' Account	1.07	1.17	1.17
Self-Employed Work Account	0.97	1.03	1.08
Earners' Account	1.59	1.73	1.70
Medical Misadventure Account	0.005	0.004	0.004
Motor Vehicle Account (per 100 million km)	10.03	10.62	9.69

NEW WEEKLY COMPENSATION CLAIMS PER MONTH ACC TOTAL



NEW WEEKLY COMPENSATION CLAIMS PER MONTH 12-MONTH MOVING AVERAGE BY ACCOUNT



NEW OTHER ENTITLEMENT CLAIMS

The following tables show the number of new 'other entitlement' claims (claims receiving entitlements other than medical fees payment but not weekly compensation) in 2004-05, and claim rates, in total and by Account. The charts show a 12-month moving average of the number of new other entitlement claims by month since 2000, in total and by Account.

Total new other entitlement claims increased by 6% with the rate per 100 population similarly higher. Hearing loss and dental claims were the main drivers of the increase. Except for the Earners' Account, claim rates were higher than last year and the rates forecast for 2004-05.

The increased claim numbers in the Employers', Non-Earners' and Earners' Accounts reflected an increased escalation rate relative to new claims registered, particularly in the Employers' Account.

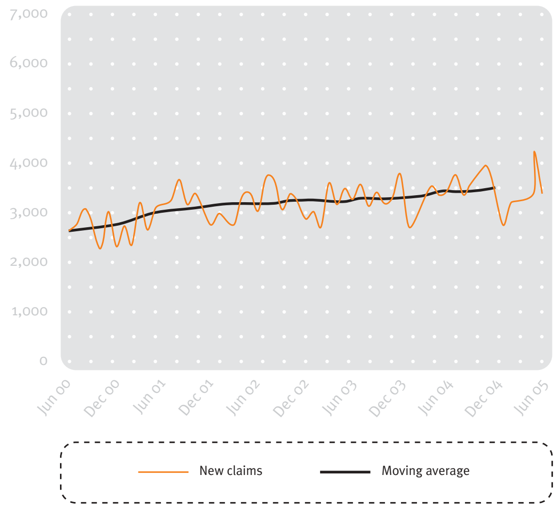
NEW OTHER ENTITLEMENT CLAIMS

	2004-05 ACTUAL	2003-04 ACTUAL
ACC Total	42,018	39,571
Employers' Account	5,063	4,245
Self-Employed Work Account	1,486	1,368
Residual Claims Account	1,537	1,532
Motor Vehicle Account	1,497	1,420
Non-Earners' Account	22,221	21,237
Earners' Account	9,902	9,569
Medical Misadventure Account	312	200

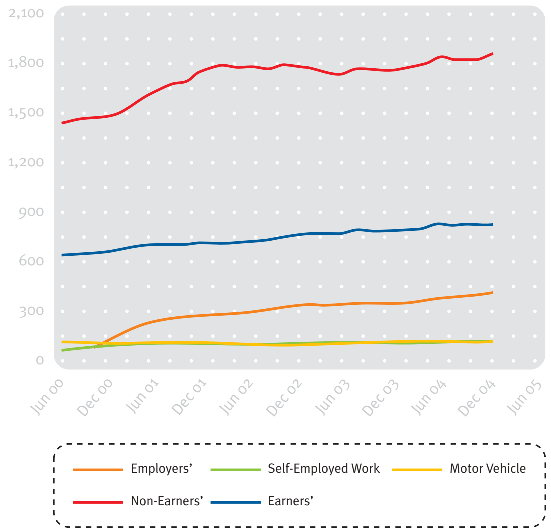
NEW OTHER ENTITLEMENT CLAIMS PER 100 POPULATION

	2004-05 ACTUAL	2004-05 TARGET	2003-04 ACTUAL
ACC Total	1.02	0.97	0.97
Employers' Account	0.29	0.27	0.27
Self-Employed Work Account	0.37	0.36	0.37
Non-Earners' Account	1.12	1.01	1.01
Earners' Account	0.47	0.50	0.49
Medical Misadventure Account	0.008	0.004	0.005
Motor Vehicle Account (per 100 million km)	4.05	3.87	3.88

NEW OTHER ENTITLEMENT CLAIMS PER MONTH
ACC TOTAL



NEW OTHER ENTITLEMENT CLAIMS PER MONTH
12-MONTH MOVING AVERAGE BY ACCOUNT



NET COST ANALYSIS

ACC has developed a net cost analysis model for evaluating the benefits of injury prevention expenditure. Analysis of various programmes indicated that most were generating well in excess of the target minimum of $2 return for each $1 invested.

Net cost returns were estimated to range from $1 to $3 for home safety programmes, ($1) to $6 for road safety programmes, $1 to $4 for sport-related programmes and $2 to $22 for workplace safety programmes.

An international peer review of the model found it to be a sound and useful tool to guide ACC business decisions. A number of refinements to the model have been implemented to improve future evaluations and assist decision making.

MĀORI AND PACIFIC ENTITIES' INVOLVEMENT

ACC has established a team of Safer Rohe consultants in four areas with a high Māori claimant representation. The consultants are responsible for establishing and maintaining relationships with Māori groups to build community capacity and support targeted interventions.

The engagement of Māori community leadership to support the promotion of ACC's safety messages is occurring at ongoing community engagement hui.

MĀORI AND PACIFIC PEOPLES INJURY RATES

Detailed analysis of hospitalisation and claim data, alongside targeted home safety checklist surveys, highlighted major injury areas and informed the development of injury prevention priorities for these two groups.

A significant area of disparity continues to be serious injury for Māori (involving, for example, traumatic brain injury or severed spinal cord), where the injury rates for Māori continue to exceed that of the wider population. Motor vehicle accidents are the biggest contributor.

ACC has a number of injury prevention research contracts underway that include all ethnic groups and will allow analysis by ethnicity.

REHABILITATION

ACC's desired long-term rehabilitation outcomes are:

- for claimants to return quickly to work or independence through optimised ACC case management practices and processes
- for ACC and providers working in partnership to maximise efficiency and outcome.

ACC has identified the following goals to support the achievement of those outcomes:

- the engagement of only competent service providers
- early and effective rehabilitation by eliminating delays
- improved vocational rehabilitation outcomes by working more closely with employers
- an evidence-based and robust policy and service strategy for addressing the key barriers to injury prevention, rehabilitation, treatment and compensation.

ACC's activity during 2004-05 in respect of those goals is detailed on pages 38-43.

ACC's rehabilitation rates in 2004-05 did not improve to the extent predicted in the targets, especially at the shorter durations. However, there was a greater than expected reduction in the number of claimants receiving weekly compensation more than 12 months after commencement.

EARLY AND APPROPRIATE INTERVENTION

The faster receipt of new claims through increased electronic lodgement and ACC-funded 'FastPost', and same-day registration of most claims on receipt, enable ACC to provide services to claimants earlier. The median time-span between an injured person visiting their provider and ACC's receipt of the claim reduced from four days in 2000-01 to two days in 2003-04, and was maintained at that level in 2004-05.

Technology is being used to speed up transactions between ACC and providers, reduce paper-based transactions and promote best practice. The percentage of claims lodged electronically increased from 47% in 2003-04 to 59% in 2004-05. Similarly, electronic lodgement of treatment fees schedules increased from 50% in 2003-04 to 54% in 2004-05.

TIMELY INDIVIDUAL REHABILITATION PLANS

An Individual Rehabilitation Plan (IRP) documents the steps that ACC, the claimant and treatment providers will take to achieve effective rehabilitation. ACC is consistently achieving a signed IRP for more than 93% (albeit reduced from 95% in 2003-04) of the claims at 13 weeks' duration, when an IRP is required.

REHABILITATION RATES

Rehabilitation rates show the percentages of claimants who return to work or independence within three-month, six-month and 12-month periods from date of injury, for the major weekly compensation accounts. The 12-month rate is particularly important, as it determines the number of claims that become long-term.

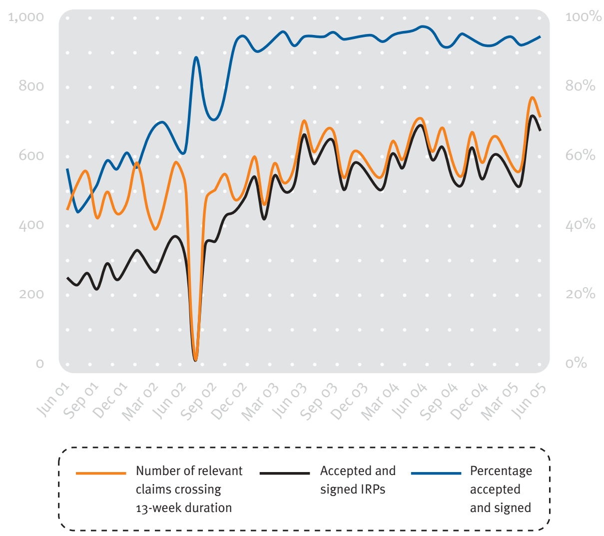
Rehabilitation rates at three months deteriorated slightly, reversing the improvements observed in 2003-04. Rates at six months were reasonably stable. There was some improvement in 12-month rates.

3-MONTH REHABILITATION RATES			
	2004-05 RESULT	2004-05 TARGET	2003-04 RESULT
ACC Total	68%	71%	69%
Employers' Account	70%	72%	71%
Self-Employed Work Account	59%	62%	59%
Motor Vehicle Account	59%	61%	60%
Earners' Account	69%	72%	70%

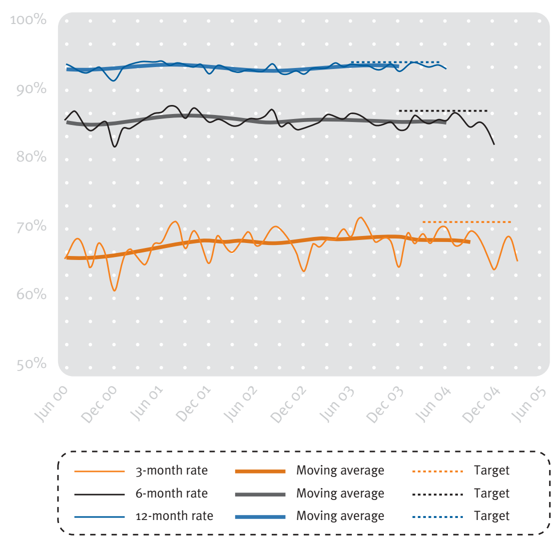
6-MONTH REHABILITATION RATES			
	2004-05 RESULT	2004-05 TARGET	2003-04 RESULT
ACC Total	85%	87%	86%
Employers' Account	85%	87%	86%
Self-Employed Work Account	79%	82%	80%
Motor Vehicle Account	80%	81%	80%
Earners' Account	87%	88%	87%

12-MONTH REHABILITATION RATES			
	2004-05 RESULT	2004-05 TARGET	2003-04 RESULT
ACC Total	93%	94%	93%
Employers' Account	93%	93%	92%
Self-Employed Work Account	90%	92%	90%
Motor Vehicle Account	89%	90%	89%
Earners' Account	95%	95%	94%

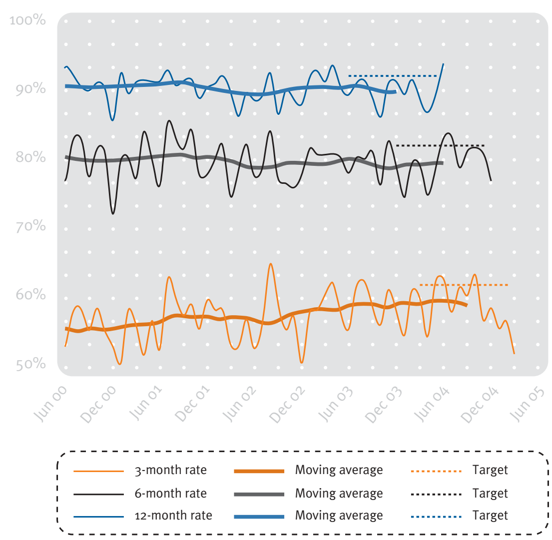
INDIVIDUAL REHABILITATION PLANS
FOR CLAIMS AT 13 WEEKS' DURATION



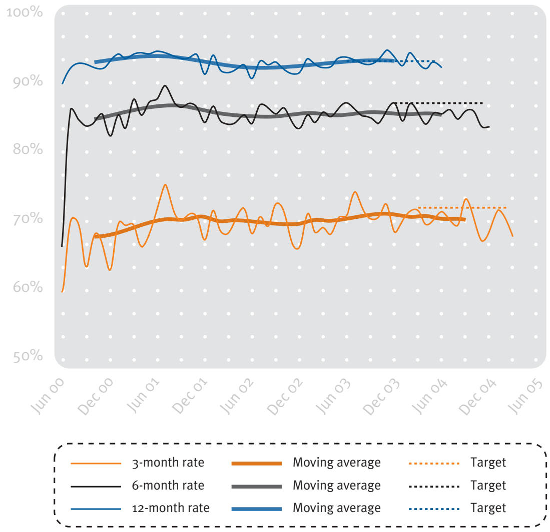
REHABILITATION RATES
ACC TOTAL



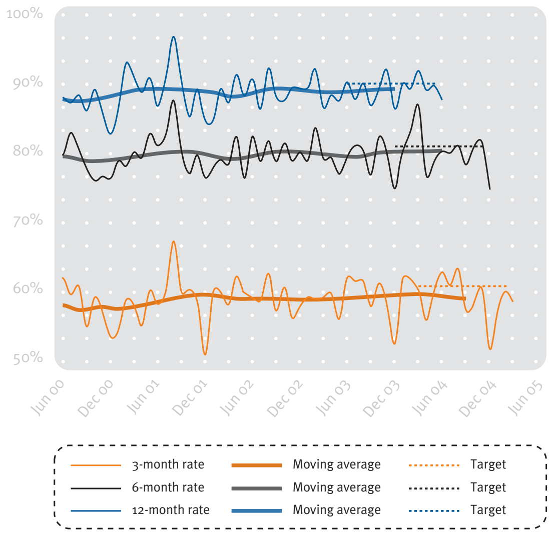
REHABILITATION RATES
SELF-EMPLOYED WORK ACCOUNT



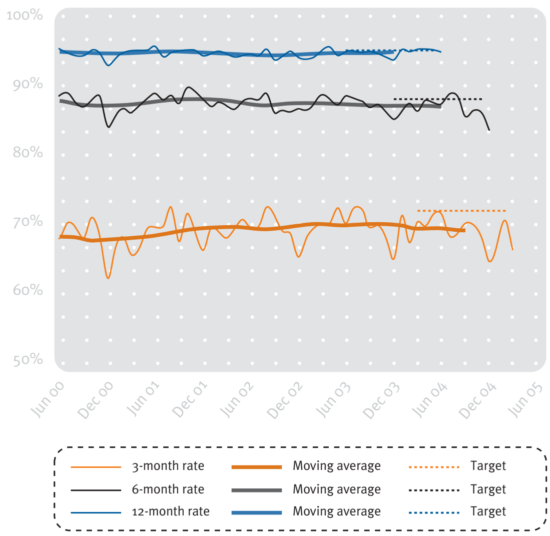
REHABILITATION RATES
EMPLOYERS' ACCOUNT



REHABILITATION RATES
MOTOR VEHICLE ACCOUNT



REHABILITATION RATES
EARNERS' ACCOUNT

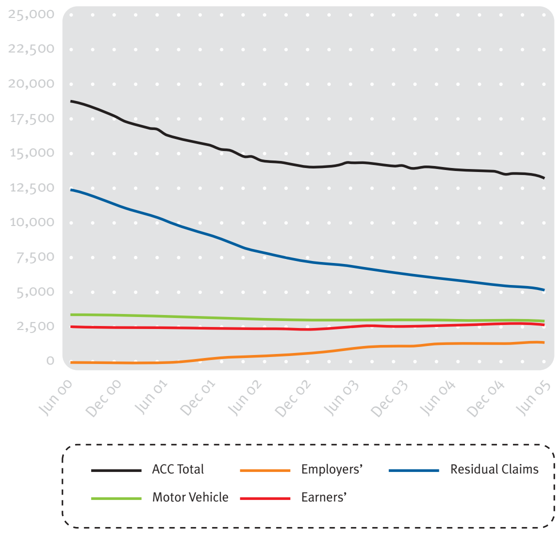


NUMBER OF LONG-TERM CLAIMS

ACC forecast that the number of long-term weekly compensation claims would reduce by 350 during 2004-05. The reduction for the year to 30 June 2005 was 669 (380 for the year to 30 June 2004).

The higher than forecast reduction reflects a reduction in the number of weekly compensation claimants reaching 12 months' duration on the scheme compared with recent years. This result is consistent with the improvement in 12-month rehabilitation rates mentioned above. The number of long-term claimants ceasing to receive weekly compensation during 2004-05 was similar to 2003-04.

NUMBER OF LONG-TERM WEEKLY COMPENSATION CLAIMS



LONG-TERM WEEKLY COMPENSATION CLAIMS

	NUMBER OF LONG-TERM CLAIMS AT 30 JUNE 2005	NUMBER OF LONG-TERM CLAIMS AT 30 JUNE 2004	DECREASE/ (INCREASE)
ACC Total	13,221	13,890	669
Employers' Account	1,427	1,325	(102)
Self-Employed Work Account	369	326	(43)
Residual Claims Account	5,186	5,958	772
Motor Vehicle Account	2,974	3,036	62
Non-Earners' Account	299	243	(56)
Earners' Account	2,695	2,741	46
Medical Misadventure Account	271	261	(10)

MĀORI AND PACIFIC PEOPLES' REHABILITATION STRATEGIES

ACC's health purchasing model has been enhanced to improve the monitoring and timeliness of, and access to, services, and addresses provider access disparities for ethnic and disadvantaged groups.

Planning for access pilots to make treatment services more affordable was completed, and pilots in respect of GP and radiology services implemented. Contracts are in place for traditional healing services, and claimant referrals continue to be made and monitored.

The promotion of ACC services and entitlements is occurring at ongoing community engagement meetings throughout the country.

RESEARCHING REHABILITATION BARRIERS

ACC has several pieces of research underway identifying barriers to treatment and rehabilitation for Māori, Pacific and Asian peoples. The issues can be divided into financial and non-financial elements.

The results of these research projects (which include co-payment impact on healthcare utilisation, Māori consumer expectations of health and treatment services, Pacific community barriers and models to improve treatment uptake, and Asian community engagement models) are due in the 2005-06 year and will inform the further development of rehabilitation processes and policy development within ACC.

CLAIMANT AND OTHER STAKEHOLDER SATISFACTION

In the long-term ACC aims for:

- satisfied stakeholders (claimants, levy payers and providers) by improving services to stakeholders (especially claimants)
- improved service delivery to, and outcomes for, groups who are currently disadvantaged by access issues.

ACC has identified the following goals to support the achievement of those outcomes:

- claimants are aware of their entitlements and rights
- claimants receive their entitlements in a timely manner
- claimants are satisfied with the complaint resolution process
- barriers to scheme access for at-risk groups are identified by research
- improved access to appropriately qualified providers for Māori, Pacific peoples and Asian claimants
- improved access to core ACC processes for Māori, Pacific peoples and Asian claimants, and that such processes are responsive to and reflect the claimants' language, culture and background
- improved monitoring of outcomes from health providers.

ACC's activity during 2004-05 in respect of those goals is detailed on pages 44-49.

Stakeholder satisfaction levels for 2004-05 were generally similar to 2003-04, although the decrease in the level of satisfaction among self-employed levy payers means this has become a focus area for ACC.

CLAIMANT SATISFACTION

ACC surveys the level of claimant satisfaction monthly.

The scope of the survey was expanded in 2004-05 to include claims managed by branches, Contact Centres and long-term claims units in order to provide an overall measure of ACC claimant satisfaction. The result for 2004-05 of 80% met the target of 80%.

The 2004-05 result of 81% for overall claimant satisfaction in respect of claims managed by ACC's branch network was slightly down from the 2003-04 level of 84%. The surveyed satisfaction level for 'new' claimants decreased by 2%, with a corresponding improvement in satisfaction for long-term claimants. However, as a higher proportion of the claimants surveyed were in the long-term group relative to 2003-04, the overall branch result reduced by 3%.

Māori and Pacific peoples' claimant satisfaction rates were lower than for 2003-04 (although the reductions are within the margins of error), but above the target levels.

The satisfaction rate for claimants with serious injuries increased from 2003-04 (although within the margin of error), but did not meet the target level.

Baseline satisfaction levels were established for Asian claimants (88%), claimants with sensitive claims (51%) and those with claims arising from medical misadventure (72%).

CLAIMANT SATISFACTION BY CLAIMANT GROUP					
	2004-05 RESULT	TARGET	2003-04 RESULT	SAMPLE SIZE	MARGIN OF ERROR (+/-)
Overall claimant satisfaction	80%	80%	N/A	10,535	1.1%
Overall Branch claimant satisfaction	81%	N/A	84%	6,119	1.4%
Branch claimants – duration under 52 weeks	86%	80%	88%	3,632	1.7%
Branch claimants – duration over 52 weeks	75%	75%	73%	2,487	2.1%
Māori	81%	80%	83%	770	3.7%
Pacific peoples	82%	80%	89%	183	7.6%
Seriously injured	68%	74%	61%	75	11.3%

TIMELY AND ACCURATE PAYMENT OF ENTITLEMENTS

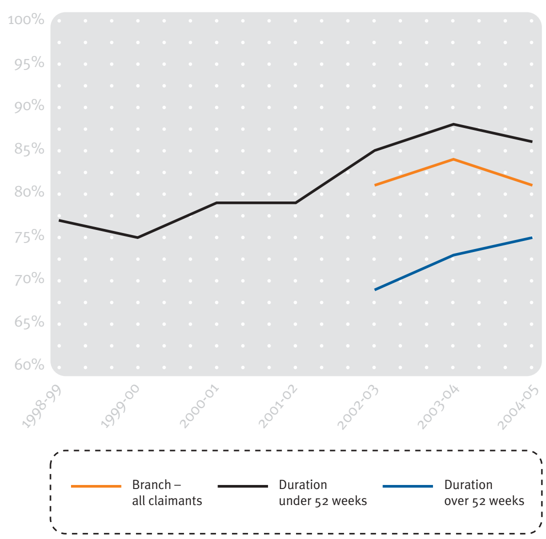
ACC is committed to continually improving the timeliness and accuracy of entitlement payments to claimants.

PAYMENT TIMELINESS

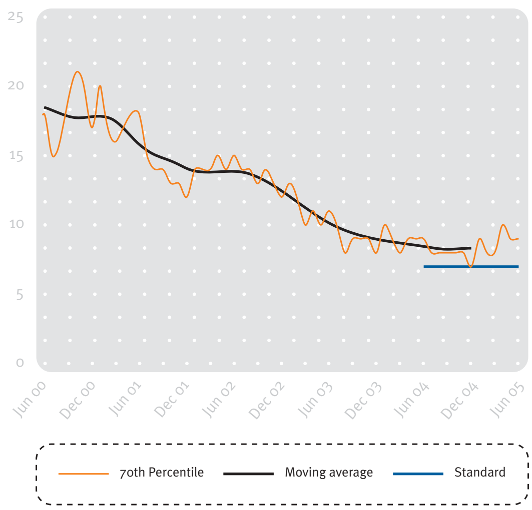
Payment timeliness is measured using the time taken to make the initial payment of weekly compensation. Payment timeliness during 2004-05 to both employee and self-employed claimants, although not reaching the targets, maintained the level achieved in 2003-04 which was significantly improved over previous years.

PAYMENT TIMELINESS (% WITHIN STANDARD TIME)				
	STANDARD TIME (CALENDAR DAYS)	2004-05 RESULT	2004-05 TARGET	2003-04 RESULT
Employees	7 days	67%	70%	67%
Self-employed	10 days	68%	70%	68%

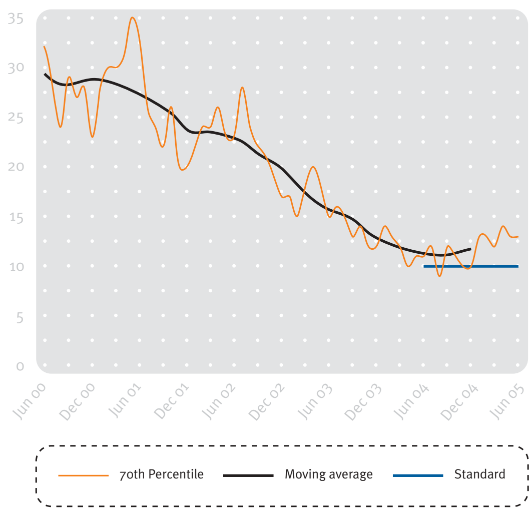
CLAIMANT SATISFACTION – BRANCH NETWORK



PAYMENT TIMELINESS EMPLOYEE CLAIMANTS (DAYS)



PAYMENT TIMELINESS SELF-EMPLOYED CLAIMANTS (DAYS)



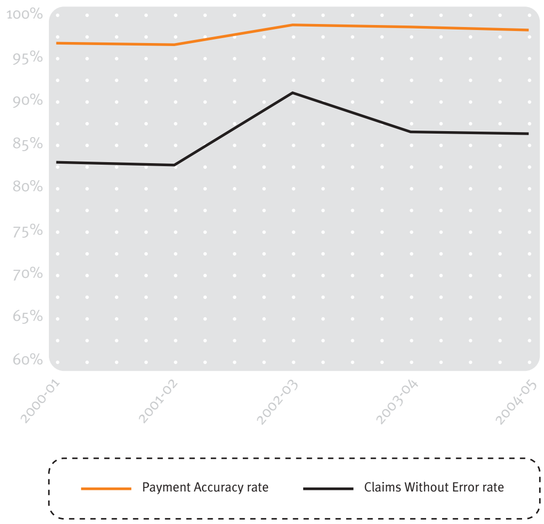
PAYMENT ACCURACY

The accuracy of payments to claimants in 2004–05 is determined from monthly samples of claims. For 2004-05 the number of claims reviewed was reduced, leading to a slight increase in the margin of error. Otherwise the basis for measurement was the same as for 2003-04.

The payment accuracy rate measures the percentage of the total amounts paid on claims reviewed that were correct. The result for 2004-05 of 98.2% represents a slight reduction from the 2003-04 result of 98.5%. This change is within the margin of error.

The claims without error rate measures the percentage of claims reviewed that had no error and decreased marginally from 86.5% in 2003-04 to 86.3% in 2004-05.

PAYMENT ACCURACY RESULTS



CLAIMANT REVIEWS AND APPEALS

ACC targets 70% of reviews and appeals to be favourable to ACC, or for the application to be withdrawn. That target was exceeded, with the 2004-05 results similar to those of recent years.

OUTCOMES OF CLAIMANT REVIEWS FOR 2004-05	
Review dismissed	2,432
Decision modified	83
Decision quashed	956
Review withdrawn	1,228
Total	4,699
Percentage favourable to ACC or withdrawn – 2004-05	78%
Target	70%
Percentage favourable to ACC or withdrawn – 2003-04	77%

DISTRICT COURT CLAIMANT APPEAL OUTCOMES FOR 2004-05	
Appeal dismissed	283
Appeal allowed	110
Interim order made	8
Appeal withdrawn	270
Total	671
Percentage favourable to ACC or withdrawn – 2004-05	82%
Target	70%
Percentage favourable to ACC or withdrawn – 2003-04	85%

THE CODE OF ACC CLAIMANTS' RIGHTS

ACC is committed to meeting the obligations of the Code of ACC Claimants' Rights introduced on 1 February 2003.

During the year to 30 June 2005, ACC received complaints alleging 1,960 breaches of the Code. This compares with 1,651 alleged breaches received during the year to 30 June 2004. There was an average 1.9 issues per complainant.

As with the period to 30 June 2004, most complaints (24%) were in respect of Right 5 (the right to effective communication).

At 30 June 2005, decisions had been issued for 1,801 of the 1,960 alleged breaches. 1,233 of the alleged breaches (68% as for 2003-04) were found not breached and 568 (32%) found breached. Of the rights breached, 36% relate to Right 5 and 30% to Right 6 (the right to be fully informed).

Written apologies were provided in respect of 94% of the breaches.

ACC completed an evaluation covering the first 12 months' operation of the Code in May 2004. The review showed that introducing the Code has been a positive step and well received by claimants and ACC staff.

CODE RIGHTS	ALLEGED BREACHES	DECISIONS ISSUED	BREACHES FOUND	% FOUND BREACHED
Right 1 – the right to be treated with dignity and respect	367	339	74	22%
Right 2 – the right to be treated fairly and to have views considered	383	353	81	23%
Right 3 – the right to have culture, values, and beliefs respected	51	47	1	2%
Right 4 – the right to a support person or persons	49	47	3	6%
Right 5 – the right to effective communication	474	429	202	47%
Right 6 – the right to be fully informed	405	377	170	45%
Right 7 – the right to have privacy respected	115	103	13	13%
Right 8 – the right to complain	116	106	24	23%
Total 2004-05	1,960	1,801	568	32%
Total 1/2/03-30/6/04	2,186	2,039	659	32%

LEVY PAYER SATISFACTION

ACC measures the level of levy payer satisfaction by survey.

Satisfaction levels among the largest 2,500 employer levy payers reduced slightly from 2003-04 but exceeded the target of 80%.

The target increases in small and medium-sized employer and self-employed satisfaction were not achieved. Satisfaction levels for small and medium-sized employers increased slightly but reduced for the self-employed.

2004-05 satisfaction levels among tax agents and customers of ACC's Business Service Centre were similar to those in 2003-04.

ThinkSmall is a group of projects, launched in June 2004, to improve service delivery to, and increase the satisfaction of, small-medium employers and self-employed levy payers. A second set of programmes was launched in March 2005 comprising information, tools and customer feedback for ACC staff to improve service delivery, and levy payment and incentive options for these customer groups. Satisfaction levels significantly increased for self-employed in the last quarter of 2004-05 to 65% – much higher than the levels measured in earlier quarters.

SATISFACTION BY LEVY PAYER GROUP	2004-05 RESULT	TARGET	2003-04 RESULT	SAMPLE SIZE	MARGIN OF ERROR (+/-)
Top 2,500 employers	82%	80%	84%	702	3.7%
Top 500 employers	78%	80%	81%	259	6.1%
Next 2,000 employers	84%	80%	87%	443	4.7%
Small and medium-sized employers	71%	74%	69%	1,576	2.5%
Self-employed	59%	68%	63%	1,663	2.4%
Tax agents	71%	80%	72%	497	4.6%
Business Service Centre – phone customers	85%	80%	84%	385	5.3%
Business Service Centre – correspondence customers	67%	80%	64%	401	4.9%

PROVIDER SATISFACTION

ACC's Provider Relationship Team was set up in late 2002 to promote better interaction between ACC and health providers. The Team visited New Zealand's top 1,000 GPs and 500 physiotherapists at least twice during 2004-05.

The 2004 ACC Provider Feedback Survey showed an increase in the GP satisfaction rate from 59% in 2003 to 72% in 2004 (target 65%). The satisfaction level with the service received from ACC for 'all treatment providers' was 70% – up from 60% in 2003.

The initial survey of rehabilitation providers indicated an overall satisfaction rate of 67%.

STAFF SATISFACTION

ACC aims to be an 'employer of choice' with satisfied staff working in a supportive environment.

ACC has identified the following goals to support the achievement of that outcome:

- staff who are committed to ACC's corporate objectives and feel valued and satisfied working for ACC
- an active continuous improvement programme across the Corporation based upon the international best practice Baldrige framework
- frontline staff with the appropriate skills to respond to the needs of Māori and Pacific peoples claimants
- Māori and Pacific peoples staff fully supported in using their cultural expertise to deliver benefit to ACC and its stakeholders
- support mechanisms enabling staff to cope with the demands of their work and, as appropriate, personal lives (work/life balance).

ACC's activity during 2004-05 in respect of those goals is detailed on pages 50-55.

Increased staff satisfaction levels for 2004-05 continued the trend recorded in prior years. However, the increased staff turnover levels present a challenge to ACC in a tight labour market.

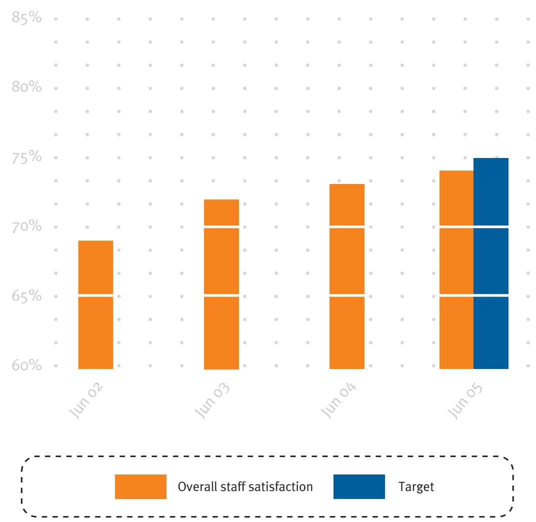
STAFF SATISFACTION

ACC is committed to improving staff satisfaction as it strives to be an 'employer of choice'. Since June 2002, there has been a steady increase in overall staff satisfaction as measured by the annual staff census.

ACC's 74% overall staff satisfaction rating at June 2005 compares with 73% at June 2004 and is close to the 75% target. Key results from the June 2005 census are:

CENSUS FACTOR	JUNE 2005 RESULT	JUNE 2004 RESULT
Satisfaction with job	73%	72%
Satisfaction with manager	77%	75%
Being part of the future of ACC	71%	74%
Satisfaction with ACC	74%	72%
Staff satisfaction index (target 75%)	74%	73%

STAFF SATISFACTION



STAFF TURNOVER

Annualised staff turnover for all ACC staff at June 2005 was 15.9%. This is slightly in excess of the target range of 10-15% and compares with turnover of 13.3% at June 2004.

The increasing turnover rate is consistent with the tight labour market that prevailed, especially during the later months of 2004-05. This tight market still prevails and ACC has initiated action in a number of areas aimed at the retention of staff:

- recruitment processes including a graduate programme
- remuneration policy and performance recognition
- professional and personal support programmes and promotion of work/life balance
- training and development opportunities for staff including people managers.

MĀORI STAFF

Māori staff satisfaction was 77% in June 2005 compared with 76% in June 2004 and the target of 75%.

Annualised staff turnover for Māori staff increased from 13.6% at June 2004 to 16.5% at June 2005. While this level exceeds the target range of 10-15%, it is consistent with the overall staff rate.

The number of ACC staff identifying as Māori at 30 June 2005 was 225 (205 at 30 June 2004).

PACIFIC PEOPLES STAFF

Pacific peoples staff satisfaction was 79% in June 2005 compared with 77% in June 2004 and the target of 75%.

Annualised staff turnover for Pacific peoples staff increased from 15% at June 2004 to 20.1% at June 2005. While this level exceeds the target range of 10-15%, it is consistent with the overall staff rate.

The number of ACC staff identifying as Pacific peoples at 30 June 2005 was 105 (114 at 30 June 2004).

STAFF TRAINING AND DEVELOPMENT

ACC is committed to the training and development of its staff in order to meet its business needs.

Weekly training sessions take place in all claims management units. These sessions are complemented by online learning modules.

All people managers attended one of the four 'Amazing Journey' ACC management conferences. People managers have also had the opportunity to participate in the Situational Leadership Programme.

WORKFORCE PLANNING

A new tool (InfoHRM) was implemented in 2005 that will enable managers to benchmark their human resources data against other business units, both internally and externally, and allow them to identify trends and the make-up of their current workforce so that they can plan better for the future.

Work on the workforce planning model for branch resources has been delayed and integrated into the requirements around workforce needs relating to the introduction of the new Claims Management System.

A SAFE WORKPLACE

ACC continues to be a leader in managing workplace health and safety, reflected in its attainment of tertiary-level criteria of the ACC Partnership Programme again this year.

ACC's WorkSafe health and safety programme is fully implemented in all workplaces to support the physical, psychological and emotional safety of staff.

As part of ACC's WorkSafe programme, all staff who work closely with claimants have professional supervision to provide support and ensure that case management and other work practices are safe, effective and ethical.

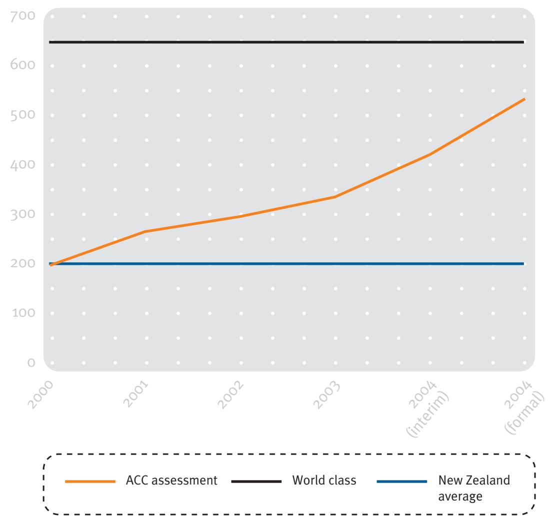
BUSINESS EXCELLENCE

ACC operates a business excellence programme based on the international Baldrige best business practice framework.

In September 2004, ACC was assessed by authorised evaluators aligned to the New Zealand Business Excellence Foundation (NZBEF) at 536 points (the target was 450 points) against the Baldrige framework. This resulted in a Silver level Achievement Award from the NZBEF – a level achieved by only six other New Zealand businesses in the 12-year history of the Awards.

The continuing improvements in ACC's business processes and performance are reflected in the increases in its assessed business maturity since 2000.

ACC BALDRIGE EVALUATIONS



FAIR LEVIES

ACC's long-term aim is to achieve strong financial performance, and effective and efficient scheme administration.

ACC has identified the following goals to support the achievement of that outcome:

- revenue collection processes that operate in an efficient and effective manner
- reliable attribution of claims to, and within, Accounts
- levy consultation activities that are undertaken in a professional and inclusive manner.

LEVY RATES

The 2005-06 levies for employers, self-employed, earners and motor vehicles were announced in December 2004. The average levies are set out below.

LEVY RATES PER ACCOUNT		
ACCOUNT	2005-06	2004-05
Employers'	88c per $100 of liable earnings	91c per $100 of liable earnings
Self-Employed Work	$1.82 per $100 of liable earnings	$1.73 per $100 of liable earnings
Earners'	$1.20 per $100 of liable earnings (including GST)	$1.20 per $100 of liable earnings (including GST)
Motor Vehicle	$126.01 per annual petrol-driven motor car licence; plus 5.78 cents per litre petrol excise	$126.01 per annual petrol-driven motor car licence; plus 5.08 cents per litre petrol excise
Residual Claims	33c per $100 of liable earnings	30c per $100 of liable earnings

Levies remained relatively stable, with increases of the order of 5% in the average Self-Employed Work Account levy and in the Motor Vehicle Account (via the petrol levy).

The increases in levies reflect higher than expected injury claim costs and a forecast decrease in self-employed liable earnings.

EFFECTIVE AND EFFICIENT COLLECTION OF LEVIES

LEVY REVENUE

Levy revenue for 2004-05 totalled $2,735 million, $54 million in excess of the budget of $2,681 million. The additional revenue includes increased revenue in respect of prior years to the Earners' Account, and higher than forecast earnings bases and motor vehicle numbers, offset by a reduction in the Non-Earners' appropriation as a result of better than forecast experience in 2003-04.

ACC's levy collection costs for 2004-05 were $50.8 million and within the $53.8 million budget. Collection costs as a percentage of levy revenue have decreased from 2.5% in 2001-02 to 1.9% in 2004-05.

DEBT MANAGEMENT

ACC's debt management function focuses on revenue optimisation and improvements to the collection of levy and claimant debt. As well as in-house collection activity, ACC has continued to work closely with its levy collection agencies (Inland Revenue, Land Transport New Zealand) and debt collection agency partners.

A benchmarking trial showed that a debt management strategy of increased internal ACC management prior to referral to a debt collection agency resulted in an increased collection rate. The relatively lower internal debt management costs saved in excess of $1 million. This and other strategies were incorporated in the new collections system to be implemented in the second half of 2005.

INVESTMENT MANAGEMENT

ACC was managing $6.2 billion of investments at 30 June 2004 and aims to achieve investment returns at least equal to market benchmarks plus 1%. Investment returns during 2004-05 for ACC's total reserves exceeded the benchmarks by 0.9%. Detailed comment on investment performance is included in the Investments section of the Report.

Investment income for 2004-05 was $786 million, $454 million in excess of the $332 million budget.

CONTROL OF EXPENDITURE

CLAIM COSTS

Claim costs (treatment, social and vocational rehabilitation, and compensation entitlements prescribed by the Act for claimants) paid during 2004-05 totalled $1,937 million compared with a budget of $1,952 million. Higher than forecast expenditure on social rehabilitation due to increased volumes was offset by lower than expected death benefits. Further details of claim costs are provided within the Statements of Financial Performance.

FRAUD MANAGEMENT

The total estimated savings from ACC's fraud management activity in 2004-05 was $35.6 million, representing a $20.75 return for each $1 of cost – in excess of the target $6 return.

ADMINISTRATION COSTS

ACC's administration costs were less than budget for 2004-05, primarily as a result of delays in the commencement of projects, and lower depreciation due to lower than budgeted capital expenditure.

ADMINISTRATION COSTS 2004-05 ($M)

	ACTUAL	BUDGET	VARIANCE
Injury prevention costs	39.8	40.7	2.2%
Investment costs	9.4	12.5	25.1%
Levy collection costs	50.8	53.8	5.6%
Operating costs	241.1	257.4	6.3%
Total administration costs	341.1	364.4	6.4%

Although operating costs (the majority of which relate to the management of claims) have increased in recent years, they have remained relatively constant at approximately 12% of claim costs.

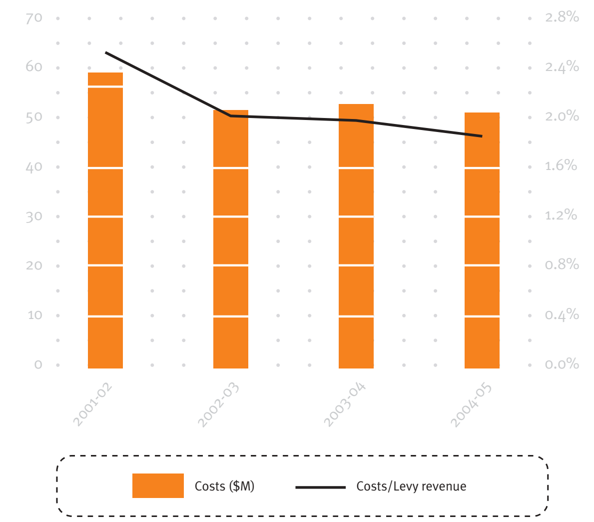
CLAIMS LIABILITY

ACC's claims liability increased by $2,037 million from $9,347 million at 30 June 2004 to $11,384 million at 30 June 2005. This significantly exceeds the forecast liability of $9,946 million.

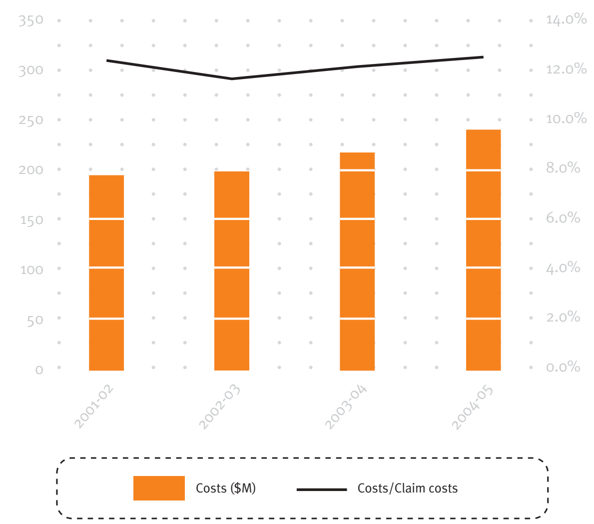
Of the increase, $799 million resulted from the decrease in the discount rate from 6.5% at 30 June 2004 to 5.75% at 30 June 2005. A further $236 million of the increase reflected ACC's decision to change the manner in which it provided for future administration costs of managing the claims.

Excluding these two items, the claims liability at 30 June 2005 was 4.1% higher than forecast (target of 5% maximum variance) – primarily as a consequence of providing for higher future medical and support costs.

LEVY COLLECTION COSTS



OPERATING COSTS



WHY DOES ACC INVEST?

There can be a significant time gap between when ACC collects levies and when it pays out all of the costs that those levies are intended to cover. Many injuries require ongoing rehabilitation, medical care or earnings replacement for several years or decades after the injury is incurred. In the meantime, ACC invests those funds with an expectation that ACC will earn a return on its investments. This reduces the amount of money that ACC needs to put aside to cover future costs.

WHAT ARE THE RISKS?

By assuming that it will earn a return on its investments, ACC is left exposed to the risk that long-term returns will be lower than expected. In the near term this can broken down into two risks:

1. The risk that ACC might fail to earn the assumed investment return in a given year. This would be most likely to occur in years when equity markets are weak.
2. The risk that ACC may need to lower its assumption about future investment returns. This would happen when long-term bond yields decline.

Either of these events could create a shortfall which ACC would have to cover by charging higher levies in the future. Conversely, ACC would benefit – and might therefore be able to reduce levy rates in the future – if it earns a higher than expected investment return, or if it is able realistically to increase its assumption about future investment returns.

ACC is also exposed to inflation. The future costs of ACC's commitments to rehabilitation, medical care and earnings replacement are tied to wage rates, so these costs will grow faster if wage inflation proves to be higher than expected. This creates a reason for ACC to hold investments which protect it against inflation. In essence, ACC's true risk relates to potential downside in real investment returns (that is, returns adjusted for inflation) rather than nominal investment returns.

AN OVERVIEW OF THE PAST YEAR

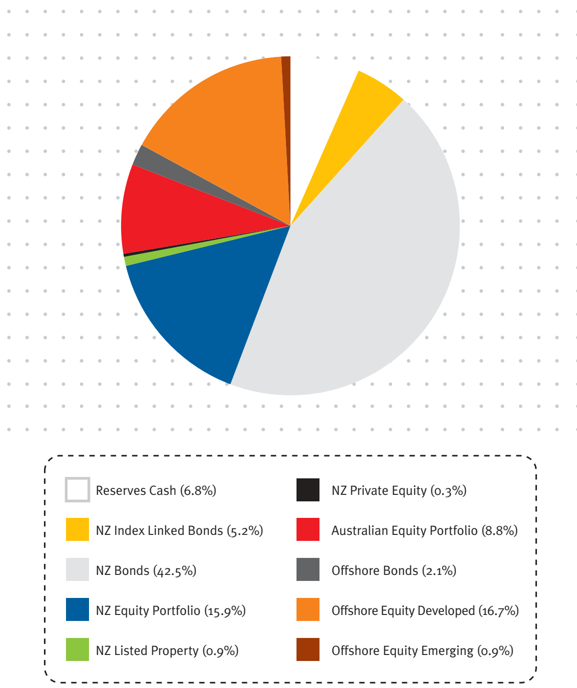
Investment markets were strong over the 2004-05 year:

- equity markets rose strongly, particularly in New Zealand, Australia and emerging economies; and
- a decline in bond yields resulted in strong returns from bond markets; but
- the New Zealand dollar rose sharply, adversely affecting the New Zealand dollar performance of foreign currency assets.

Although the decline in bond yields had the effect of improving ACC's investment income, the lower bond yields also caused an increase in ACC's claims liabilities. ACC would have been better off overall if bond yields had not declined.

Overall, investment income was ahead of budget, as the strength in equity and bond markets more than offset the adverse effect from the strength of the New Zealand dollar. Investment returns were also boosted by ACC achieving better-than-market returns in most of the markets in which we invested.

AGGREGATE RESERVES PORTFOLIO BREAKDOWN



FUTURE INVESTMENT RETURNS

With the long-term government bond yield currently at a historically low level of 5.7%, it might be argued that projecting investment returns on the basis of bond yields could be overly conservative. However, we note that Australian and New Zealand equity markets are also being priced at historically high multiples to historically high earnings. This suggests that they may also deliver lower than average returns in the future. With over 70% of ACC's funds typically invested in historically expensive markets (Australasian equities or bonds) we believe that it is unlikely that ACC's returns over the next few years will be as strong as those that ACC has enjoyed over the past decade.

GROWTH IN ACC'S INVESTMENT PORTFOLIOS

ACC's reserves portfolios increased in value by 22% from $5.3 billion last year to almost $6.5 billion at the end of June 2005. More than half of this growth was due to reinvested investment income, but ACC also added extra funds from the surplus of levy income over scheme expenditure.

The reason why we are running an operating surplus is to grow the investment portfolio until we have sufficient funds to cover our claims liability, which represents the estimated future costs of injuries which have already been incurred. Once this has been achieved, ACC will be 'fully funded'. Prior to 1999, ACC had been run on a 'pay as you go basis' whereby ACC only raised about enough levy income to pay current costs in each year, and no attempt was made to set aside funds for the future costs of existing claims – this was being left up to 'future generations' of levy payers.

By continuing to re-invest investment income and maintaining a surplus of levy income over scheme expenditure, ACC will grow its long-term investment portfolios until they slightly exceed the size of the claims liability in nine years' time (by 2014). At the same time, the claims liablity is projected to grow roughly in line with growth in the size of the New Zealand economy. As a result, we expect that ACC will have about $17 billion of long-term investment funds by 2014.

Last year we said that we were about half way towards full funding, and despite the growth in investment assets over the past year, we are still only slightly past half way. This is because revisions to the claims liability meant that it grew faster than the investment portfolio in dollar terms over the 2005 year.

Once ACC is fully funded, it is anticipated that a portion of investment income will typically be taken out of the investment portfolios each year to reduce the amount of scheme expenditure that needs to be funded from ACC levies. Some investment income would continue to be reinvested into the investment portfolios, as these portfolios will need to grow in line with growth in the costs of providing accident compensation and rehabilitation to New Zealanders.

The increasing size of ACC's reserves portfolios has implications for the way that ACC manages its investment portfolios, as our allocation to New Zealand investment markets is becoming quite large relative to the size of those markets. ACC has got to a size from which it is difficult to achieve a better-than-market return on every incremental dollar that we invest in New Zealand equity markets. As our New Zealand portfolios grow we anticipate that future returns from New Zealand portfolios will not exceed market returns by the extent that ACC has achieved in the past.

HOW WE MANAGE OUR INVESTMENT PORTFOLIOS

ACC's internal Investment Unit directly manages almost all of ACC's investment in New Zealand investment markets, and slightly over half of ACC's investments in Australia. There are several reasons for this:

1. ACC has sufficient economies of scale to achieve a much lower internal management cost than would be charged by external fund managers
2. Internal management ensures that the investment process is closely aligned with ACC's investment objectives rather than the business objectives of an external fund manager
3. ACC's internal Investment Unit has achieved better returns in New Zealand asset classes with a higher degree of consistency than other fund managers.

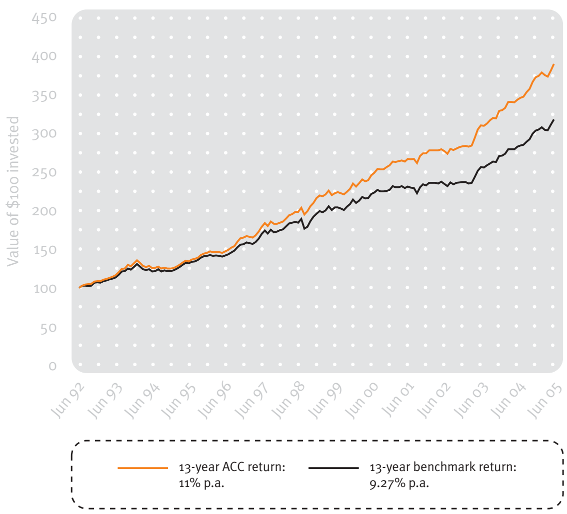
ACC has now been measuring the performance of its investment portfolios on a market value basis for 13 years, and in each of these financial years ACC has outperformed its benchmark indices in both New Zealand Bonds and New Zealand Equities. We believe that this consistency of investment performance is unique among New Zealand fund managers.

ACC thanks and farewells Stephen Montgomery, who retired from our Investments Team shortly after the end of the financial year. The New Zealand equity portfolios managed by Stephen have returned an average 17.4% per annum over the past 13 years, which compares very favourably to the 10.1% per annum benchmark return for these portfolios. This difference has been worth several hundred million dollars to ACC.

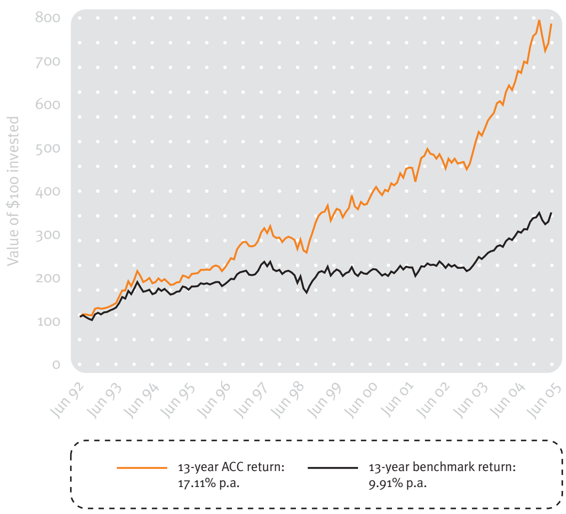
ACC outsources the management of most of its foreign assets to external fund management companies. The reason for this is that ACC does not have the resources to successfully monitor the thousands of companies and markets which make up the global investment universe.

Compared to other fund managers, ACC tends to invest a relatively large percentage of its funds in New Zealand investment markets. There are two main reasons for this. Firstly, New Zealand investment markets match ACC's claims liabilities better than offshore markets, as ACC's claims liabilities are sensitive to real New Zealand bond yields. Secondly, the internal management costs of ACC's New Zealand investments are much lower than the external management costs for offshore investments.

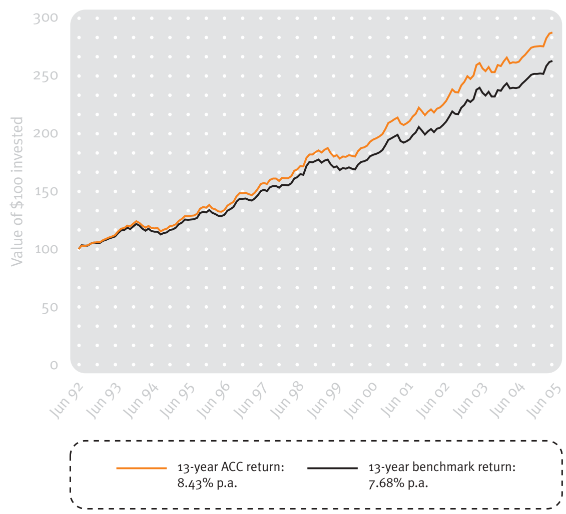
**ACC 13-YEAR
RESERVES PORTFOLIO RETURNS**



**ACC 13-YEAR
NZ EQUITY RETURNS**



**ACC 13-YEAR
NZ BOND RETURNS**



In previous years we had also favoured New Zealand investment markets because we believed that ACC had more reason to feel confident about outperfoming market benchmarks in New Zealand than offshore, and because we expected New Zealand markets to perform better than offshore markets. We no longer expect our New Zealand portfolios to achieve greater outperformance than our offshore portfolios due to the growth in ACC's investment portfolios relative to the size of New Zealand investment markets. And we no longer expect the New Zealand equity market to perform any better than offshore markets, as the relative strength of the New Zealand equity market over recent years means that it now seems expensive relative to many offshore markets.

So while ACC will continue to be a major investor in the New Zealand equity market, it is likely that most of the incremental funds that we invest in equity markets over the next few years may be invested in offshore markets rather than the New Zealand equity market. In fact, during 2005 ACC actually took money out of the New Zealand sharemarket, although the total value of our New Zealand equity portfolios still grew due to the strength of the market.

Each of ACC's funding accounts splits its investment funds between an investment in ACC's short-term 'cash portfolio' which is used to meet near-term expenditure requirements, and its own longer-term 'reserves portfolio' which is set aside to meet the future costs of existing claims.

The investment allocations of the reserves portfolios differ by funding account, reflecting different funding positions, different projected growth rates, and the different claims liability characteristics of ACC's various funding accounts. Generally, rapidly growing funding accounts have higher equity weights than funding accounts which are not expected to record rapid growth in investment assets.

The Investment Committee of ACC's Board sets long-term 'benchmark' investment allocations for each funding account's reserves portfolio, based on the advice of ACC's Investment Unit. ACC's investment staff may make short- or medium-term decisions to vary from these benchmark allocations, within risk control parameters set by the Investment Committee.

INVESTMENT RETURNS FOR THE 2004-05 YEAR

ACC's Reserves Portfolios returned an average of 13.4% over the year.

This return was significantly in excess of budget, which should not be surprising given the strength of most financial markets during the year. The return was also better than the average return achieved by other fund managers.

ACC's reserves portfolios all outperformed the market benchmarks against which we measure our portfolios.

The positive relative performance of ACC's reserves portfolios was due to strong relative performance within most investment markets, particularly in equities. However, our allocation between investment markets subtracted from relative performance during the year – as ACC held a lower weighting in New Zealand and Australian equities than the weightings provided for in ACC's portfolio benchmarks. However, ACC's Australasian equity weighting was still significantly higher than the Australasian equity weighting held by most other fund managers, a fact which has benefited ACC's performance compared to its peers.

ACC enjoyed its strongest relative performance in various overseas equity markets – Australia, global developed markets and global emerging markets. The strong Australian performance was due to strong performance in ACC's internally managed large cap industrial portfolio as well as good performances in more specialist Australian equity portfolios managed by external fund managers.

The good performance of ACC's global equity portfolios was due mainly to strong performances by external fund managers, but was also helped by a modification that ACC had made to the benchmarks given to the external fund management companies managing global equities for ACC. We had reduced the allocation to North America included in the portfolio benchmarks, and the external fund managers have correspondingly held a lower percentage of the portfolios that they manage in North America. During the year, European equities performed significantly better than North American equities.

The key New Zealand equity and New Zealand bond portfolios outperformed their benchmark indices, although by a lesser margin than ACC has enjoyed in previous years. The relative performance of the New Zealand bond portfolio was constrained by a widening in the yield spread between government bonds and corporate bonds – however, the wider yield spread creates an opportunity for better relative performance in future years. The performance of the New Zealand equity portfolio benefited from large positions held in strong performing companies such as Fletcher Building and Mainfreight, but this was partly offset by losses arising from an investment in Feltex.

ANNUAL PORTFOLIO RETURNS TO JUNE 05

		THIS YEAR		AVERAGE LAST 3 YEARS	
BY ASSET CLASS	$ MILLION	PORTFOLIO	BENCHMARK	PORTFOLIO	BENCHMARK
Cash Portfolio	323	6.80%	6.82%	6.13%	6.10%
RESERVES					
Reserves Cash	443	6.82%	6.83%	6.04%	6.10%
New Zealand Index Linked Bonds	335	11.45%	11.49%	10.82%	10.88%
New Zealand Bonds	2,758	9.98%	9.77%	8.50%	8.20%
New Zealand Equity	1,032	20.97%	19.03%	19.01%	15.46%
New Zealand Property & Real Assets	56	22.17%	20.25%	18.37%	15.01%
New Zealand Private Equity	19	(18.88%)	na	(18.70%)	na
Australian Equity	570	31.17%	28.02%	18.36%	16.98%
Overseas Bonds	139	15.02%	13.91%	14.71%	11.68%
Overseas Equity – Developed	1,083	7.24%	3.50%	5.18%	3.30%
Overseas Equity – Emerging	58	26.95%	23.11%	12.74%	10.37%
Total Reserves	6,494	13.44%	12.51%	12.08%	10.69%

ANNUAL PORTFOLIO RETURNS BY ACCOUNT TO JUNE 05					
		THIS YEAR		AVERAGE LAST 3 YEARS	
	$ MILLION	PORTFOLIO	BENCHMARK	PORTFOLIO	BENCHMARK
Earners'	2,198	12.84%	12.08%	11.68%	10.41%
Residual Claims	675	12.88%	12.13%	11.35%	10.06%
Motor Vehicle	1,509	13.52%	12.60%	12.41%	10.94%
Employers'	1,040	13.89%	12.69%	12.00%	10.39%
Self-Employed Work	193	14.77%	13.07%	12.59%	10.83%
Non-Earners'	575	14.65%	13.56%	12.74%	11.10%
Medical Misadventure	304	14.04%	13.10%	12.12%	10.81%
Total Reserves	6,494	13.44%	12.51%	12.08%	10.69%

CURRENCY HEDGING

Over the past year, ACC again avoided significant potential losses by hedging the currency risks associated with a portion of its foreign currency assets. ACC has a long-term policy of normally hedging a significant portion of its foreign currency assets and the hedging gains arise as a result of this policy.

We increased the reserves portfolios' net exposures to unhedged foreign currency during the year, by putting more funds in offshore markets and reducing our foreign exchange cover. Currency hedges now only cover about a third of the value of ACC's overseas investments. To a large extent, the reduction in hedging is a 'tactical' decision reflecting our view that the New Zealand dollar is likely to decline over the next few years. This tactical shift from our longer-term benchmark slightly reduced ACC's profits from hedging during the 2004-05 year.

Although ACC frequently reviews its hedging policies, it is anticipated that ACC will always maintain some foreign exchange hedging. There will inevitably be some years in which the New Zealand dollar shows significant declines, and ACC is likely to lose money on its currency hedging when this occurs.

PRIVATE EQUITY

ACC holds a small investment in private (unlisted) equity, including both direct investments by ACC and investments in the five venture capital funds that are participating in the scheme operated by the New Zealand Venture Investment Fund. These investments represent a very small proportion of ACC's investment portfolios, partly because private equity investing is relatively new to ACC and we want to limit our exposure until we become more familiar with private equity investing. As there is generally no market price for unlisted equity investments, it is difficult to value and calculate short-term returns for investments in this asset class.

INVESTMENT BENCHMARKS

Like most other fund managers, ACC uses market-based benchmark indices to serve as a point of comparison when considering the make-up and the performance of its investment portfolios. These benchmarks indicate how ACC might invest its funds if it did not have any views on the likely relative performance of different securities within a market. Accordingly, it is important that the benchmarks represent sensible starting points for the construction of portfolios which meet ACC's needs. In many cases, a recognised market benchmark is appropriate for ACC, but in other cases we manage ACC's portfolios against a different benchmark which better suits our needs. For example, the high interest sensitivity of ACC's claims liabilities means that ACC has a need for a highly interest-rate-sensitive bond portfolio, so we manage the New Zealand bond portfolio against a customised benchmark index which is heavily skewed towards bonds with more than five years remaining to maturity.

As well as indicating a neutral starting point for the management of our portfolios, benchmark indices are useful for assessing portfolio performance, as they allow us to differentiate the elements of a portfolio's returns which are due to generalised market conditions from the relative value that has been added or subtracted in the management of that portfolio. For these purposes, it is important that we measure the performance of benchmark indices in a manner which is consistent with how the performance of our portfolios is measured. For example, ACC does not get any benefit from imputation tax credits, and (unlike most fund managers) we do not include them in our reported investment returns, so we also need to exclude the grossed up value of imputation tax credits from the performance of the benchmark index when we are using it as a point of comparison for the returns we have achieved in the New Zealand equity portfolio.

PROBABILITY OF NEGATIVE RETURNS

Although ACC has consistently managed to achieve positive returns in each financial year despite a wide range of market conditions, it is important that stakeholders understand that there is always a risk that ACC could report negative returns over a single financial year. We calculate that there is about a one in five chance that ACC will record negative reserves portfolio returns in any single financial year.

Statistical analysis would suggest that in any given year there is about a 1.5% probability that ACC will record returns of -10% or worse. However, as this analysis relies upon the critical assumption that we can make inferences about the probability of extreme future events based on a statistical analysis of recent history, it is wise to assume that the probability of negative returns of this magnitude could be higher than suggested by this analysis.

There are two primary factors that contribute to the risk of negative returns:

1. A rise in bond yields of about one percentage point could result in ACC recording negative investment returns. However, ACC's overall funding position would improve as a result of a decline in bond yields, as our claims liability would decrease by an even greater amount than the decline in investment income.
2. Based on our current policy, ACC's funding accounts will typically have an average of 44% of their reserves funds invested in equity markets. This means that a generalised decline in foreign and domestic equity markets of around 10% or more would tend to result in ACC recording negative overall investment returns.

Generally, ACC's investments in individual companies or securities are too small to endanger total investment returns significantly in a single financial year. ACC only holds two equity investments of more than $100 million (see table). The only credit exposures of more than $100 million are to the New Zealand Government, Transpower and some major New Zealand banks.

50 LARGEST EQUITY INVESTMENTS AS AT 30 JUNE 2005

	$ MILLION
Telecom	198.5
Fletcher Building	104.7
Fisher & Paykel Healthcare	57.0
Guinness Peat Group	45.4
Sky Network TV	42.7
Westpac Banking Group	41.1
ANZ Banking Group	38.7
Kiwi Income Property	37.7
Contact Energy	36.8
BHP Billiton	33.2
Air New Zealand	32.0
Carter Holt Harvey	31.8
Commonwealth Bank of Australia	28.2
National Australia Bank	25.7
Auckland International Airport	24.4
AMP NZ Office Trust	23.2
Sky City Entertainment	22.7
Waste Management NZ	22.3
Nuplex	21.0
Infratil	20.9
Westfield Group	19.9
Freightways	19.1
Mainfreight	19.0
Telstra Corporation	17.4
Woolworths (Australia)	16.7
Rinker Group	16.6
Macquarie Bank	16.6
Royal Dutch Petroleum/Shell	16.4
BP	15.0
QBE Insurance Group	12.6
Steel and Tube Holdings	12.1
CDL Hotels	11.7
Fisher & Paykel Appliances	11.2
Suncorp-Metway	11.0
St George Bank	11.0
Ports of Auckland	10.5
HSBC Holdings	10.2
Total SA	9.9
Novartis	9.6
News & Media NZ	9.0
Tenon	8.9
Wesfarmers	8.8
Vodafone	8.8
Trans Tasman Properties	8.5
Rio Tinto	8.5
Toyota Motor Corporation	8.1
News Corporation	8.1
Promina	8.0
Australian Worldwide Exploration	7.8
Roche Holdings	7.5

CLAIMS LIABILITY

WHAT IS THE ACC CLAIMS LIABILITY?

ACC has a responsibility to provide for the rehabilitation and compensation of people in New Zealand who have injuries as a result of accidents. In order to do this ACC needs to hold assets at least equal to the expected future cost of providing these benefits.

Each year ACC estimates the expected total discounted amount of the future claims payments in respect of injuries occurring prior to the end of the financial year. This is the ACC claims liability. The claims payments are discounted to reflect ACC's expected investment earnings.

The claims liability is subject to uncertainty both in the amounts of future claim payments and their timing. This makes the claims liability different from the liabilities found in other (non-insurance) company balance sheets. Despite the uncertainty, the claims liability estimate shown in these accounts does not contain margins and is not based on conservative or optimistic assumptions.

WHY IS THE ACC CLAIMS LIABILITY AN ESTIMATE?

The claims liability is based on future events whose outcomes cannot be known with certainty. The key sources of this uncertainty are as follows:

- the total number of injuries that have arisen prior to the end of the financial year. It may take months, or even years, for an injury to manifest. If the injured person is not aware that they can receive support from ACC, there may be further delays in claims being reported to ACC. Therefore the number of claims that are likely to be reported in the future in respect of injuries that occurred in the past need to be estimated
- the outstanding costs of claims that have already been reported. For claims that are still open, the future costs of rehabilitating and compensating the individuals involved need to be estimated. No one recovers from an injury the same way, so these estimates are subject to variability. Closed claims may reopen and the costs of these eventualities need to be estimated
- the types and costs of treatments may change in the future. Advances in medicine and treatment processes may result in increased costs in the short term. However, this may also lead to shorter rehabilitation times, thus reducing costs
- economic conditions affect future claim payments. Inflation impacts the estimated costs of future claim payments. Economic growth and unemployment levels can influence the propensity to lodge claims with ACC and the attitudes of injured persons towards rehabilitation
- ACC legislation is always under review and court cases can result in unanticipated entitlements being paid. A recent example of this is the court cases with regards to the payment of lump sum compensation to people with asbestos-related injuries.

HOW IS THE ACC CLAIMS LIABILITY CALCULATED?

The claims liability is calculated based on standard actuarial techniques. These techniques involve looking at trends in historic claims data and projecting these trends into the future.

Where possible both the numbers of claims receiving payments and the average amounts of these payments are analysed separately. When claim numbers are too unstable for this method to be reliable, an analysis of aggregate payments is undertaken.

The claims liability consists of:

- outstanding payments in respect of reported but unsettled claims
- claims that have been incurred but not yet reported to ACC (IBNR)
- future payments for claims that are currently closed but may reopen in the future
- the costs of managing reported but unsettled, reopened and IBNR claims.

Some elements of the claims liability are subject to more uncertainty than others. For past injury years a higher proportion of the ultimate number of claims for that year will have been reported. These reported claims will have a longer history of payments and a smaller outstanding amount, all other things being equal, than claims reported in more recent injury years. IBNR claims have no payment history and must be estimated in their entirety. Hence the claims liability estimate for more recent injury years will be subject to more uncertainty.

Claim payments are analysed separately for each class of benefit. These include weekly compensation, medical treatments, rehabilitation benefits, independence allowance, lump sums and death benefits. This is done so that the unique characteristics of each benefit type can be reflected in the analysis. Conducting the analysis in this way should reduce the uncertainty in the results.

Estimated future claim payments are adjusted in line with expectations of future inflation. These inflated cashflows are then discounted into present-day dollar amounts. The discount rate used is based on government bond yields. This is in accordance with accounting standards and makes an approximate allowance for the investment returns expected to be received in the future. The longer the expected outstanding duration of a claim, the greater the impact of discounting will be on the present value of the cashflows associated with that claim.

The liability can be thought of as the lump sum that would need to be invested now in order to meet the expected future payments for injuries that occurred before the liability valuation date as they fall due. The estimated claims liability is on a 'best estimate' basis. This means there is no deliberate over or under statement of any component of the liability. Specifically, there are no margins built into any of the assumptions used to set the claims liability. Due to the uncertainty in the claims liability estimate and the number of assumptions required in its determination, it is highly likely that actual experience will differ from the stated estimate.

The assumptions and methodology used to estimate the claims liability are set with reference to relevant accounting and actuarial professional standards and guidance for New Zealand based general insurers.

Estimating the present-day value of all future costs for injuries occurring prior to the liability valuation date gives an idea of the true cost of providing injury cover. This differs from considering just the claim payments expected in the next financial year. Current legislation requires ACC to 'fully fund' the cost of injuries in most accounts. To fully fund injury costs ACC must hold assets which are expected to be at least as large as the expected claims liability. This therefore necessitates the estimation of present values of all future costs.

DOES ACC TAKE EXTERNAL ADVICE ON THE LIABILITY VALUATION?

PricewaterhouseCoopers (PwC) Sydney provides independent actuarial advice to ACC. This service includes the production of the annual claims liability valuation. This is the second year that PwC has been involved in the valuation of ACC's claims liability. PwC provides a number of other consulting services to ACC and as such has a good understanding of the ACC scheme.

The claims liability valuation is produced and reported in accordance with Financial Reporting Standards (FRS-35).

WHY DOES THE ACC CLAIMS LIABILITY CHANGE?

When the claims liability is estimated each year it uses as much claims payment history as is available. This means that each year more data is used. Doing this allows recent scheme experience to be incorporated into the claims liability valuation. Where recent experience differs from the experience observed in the past, the inclusion of this new data may result in changes to the assumptions used to estimate the claims liability.

In addition to changes in scheme experience, changes in economic conditions and societal attitudes affect the claims liability estimate. For example, increases in assumed future inflation will increase expected future claims costs. However, if interest rates increase, the expectation is that future investment returns will also increase, which will mean that ACC can hold lower levels of assets to meet future claims payments.

Changes in the methodology used to estimate the claims liability will also affect the estimated amount. Where a more stable or more appropriate method for estimating a component of the liability is identified, the result of applying this method can be a change in the liability. This should only occur when the original estimate is considered to be inappropriate in light of new information or better estimation techniques.

There were three main, non-economic, drivers of the change in the claims liability between 30 June 2004 and 30 June 2005. These were as follows:

- increases in the cost of providing care to seriously injured claimants. A number of factors including increased utilisation of care, transition from lower cost care providers to higher cost providers and increases in the contracted rates paid to care providers, have increased the costs of providing care (specifically home-based rehabilitation care) to claimants. The increases observed in historic costs are expected to continue for some time. This has resulted in the claims liability associated with these costs being increased substantially
- the costs of some medical treatments have been increasing in excess of inflation for a number of years. Recent increases in the amounts ACC will pay for various medical treatments have increased the estimates of future costs. These increases are expected to continue at least in the short term. The claims liability for medical treatment costs has been increased to reflect this information
- the component of the claims liability that relates to the costs of managing claims has increased. In the past the claims handling expense (CHE) liability has been estimated as 5% of the liability relating to claims costs only. This assumption has been removed and replaced with an estimate of the CHE liability based on actuarial methods which are more closely aligned with the rest of the claims liability valuation. This change does not represent a change in the cost of managing ACC's claims. Rather, it represents a more appropriate way of estimating the future costs of managing claims and provides a better estimate of the present value of these future costs.

Changes in the claims liability will affect the levy rates ACC sets annually. The expected fully funded costs of each levy year come from the claims liability valuation and form the basis of the levy rates for the year. The levy rates are also affected by:

- the expected earnings or number of motor vehicles over which the claim costs must be spread
- the levels of the reserves (funds held to cover the costs of claims which have already occurred) in each of the accounts
- the method used to fund the expected claims cost in the levy year (for example, if the cost is funded over the next three years then a portion of the reserves and levy income can earn three years worth of interest, which should reduce the total levy required).

CONTENTS

A) REPORTING ENTITY

The financial statements are those of the Accident Compensation Corporation (ACC) which is designated as a Crown Entity under the Public Finance Act 1989.

ACC and its subsidiaries comprise the ACC Group.

The financial statements have been prepared in accordance with the:

a) Public Finance Act 1989 – Part V.

b) Financial Reporting Act 1993.

c) Injury Prevention, Rehabilitation and Compensation Act 2001 (referred to hereafter as the Act).

B) MEASUREMENT BASE

The financial statements are prepared on the basis of historical cost except where modified by the revaluation of investments and certain property, plant and equipment and the actuarial quantification of claim liabilities.

C) LEVY AND RESIDUAL LEVY

During 1998 and 1999 the basis of setting levies and residual levies moved from a 'pay as you go' basis to a fully funded basis for all levy and residual levy payers other than the Government in respect of the Non-Earners' Account.

Levies are now set on a full funding basis for the Earners', Employers', Self-Employed Work, Motor Vehicle and the Medical Misadventure Accounts. The Non-Earners' Account has been fully funded by the Government from 1 July 2001 in respect of claims incurred from that date. Claims before that date continue to be funded on a 'pay as you go' basis.

In addition to the above, residual levies are set to fund the claims liability at 30 June 1999 in respect of the Residual Claims, Earners' and Motor Vehicle Accounts respectively. It is expected that these residual levies will be charged until these Accounts are fully funded, anticipated to be until 2014. The Medical Misadventure Account is also expected to be fully funded to meet the claims liability at 30 June 1999 by 2014.

D) SOURCE AND APPLICATION OF LEVY AND RESIDUAL LEVY INCOME

The Act requires ACC to record levy and residual levy income by individual Accounts. The source and application of levy and residual levy income for each Account are as follows:

(i) Residual Claims Account

The Residual Claims Account derives its funds from:

a) Residual levies from employers on the earnings of their employees.

b) Residual levies from earners who are self-employed.

These funds are applied in accordance with the Act in respect of accidents prior to 30 June 1999 that are:

a) Non-work injury (other than motor vehicle injury) suffered by an earner on or after 1 April 1974 and before 1 July 1992.

b) Work injury other than motor vehicle suffered on or after 1 April 1974.

Note: The Residual Claims Account was the Employers' Account prior to 1 July 1999.

(ii) Self-Employed Work Account

The Self-Employed Work Account derives its funds from earners who are self-employed. These funds are applied in accordance with the Act in respect of accidents on or after 1 July 1999.

(iii) Motor Vehicle Account

The Motor Vehicle Account derives its funds from:

a) Levies and residual levies on motor vehicle ownership.

b) The levies portion of the excise duty on petrol.

These funds are applied in accordance with the Act in respect of motor vehicle injury suffered on or after 1 April 1974.

(iv) Non-Earners' Account

The Non-Earners' Account derives its funds from appropriations by Parliament.

These funds are applied in accordance with the Act in respect of personal injury (other than motor vehicle injury) to non-earners suffered on or after 1 April 1974.

This Account has previously been managed on a 'pay as you go' basis while the claims liability cost (both current and future) is recognised in the year the injury occurs. From 1 July 2001 this has continued in respect of claims incurred on or before 30 June 2001, while new claims from 1 July 2001 are fully funded.

(v) Earners' Account

The Earners' Account derives its funds from levies and residual levies payable by earners on their earnings.

These funds are applied in accordance with the Act in respect of personal injury to earners (other than work injury or motor vehicle injury) suffered on or after 1 July 1992.

(vi) Medical Misadventure Account

The Medical Misadventure Account derives its funds from allocations from the Earners' Account (in the case of an earner) or the Non-Earners' Account (in the case of a non-earner).

These funds are applied in accordance with the Act in respect of personal injury that derives from medical misadventure suffered on or after 1 July 1992, and on or prior to 30 June 2005.

(vii) Employers' Account

The Employers' Account was created on 1 April 2000. This Account derives its funds from employers who were covered by ACC from 1 April 2000, and from all employers on and after 1 July 2000.

These funds are applied in accordance with the Act in respect to work injury suffered on or after 1 April 2000 by employees of employers who are insured by ACC, and for all employees' work injuries incurred on and after 1 July 2000.

E) ALLOCATION OF INDIRECT INCOME AND EXPENDITURE

Indirect income and expenditure are allocated to each Account as follows:

(i) Investment income

Allocated based on the investment balances of the respective Accounts.

(ii) Indirect operating cost

Allocated based on the operating activities undertaken for each Account.

F) LEVY AND RESIDUAL LEVY INCOME

All levy and residual levy income is recognised in the period to which it relates.

G) CLAIMS LIABILITY

In accordance with financial reporting standards the claims liability is revalued annually based on the latest actuarial information.

Adjustments to the liability are reflected in the Statement of Financial Performance with the overall liability being reflected in the Statement of Financial Position.

Future expenditure commitments exist in respect of:

(i) Claims notified and accepted in the current and previous years, but which will not be met until future years; and

(ii) Claims incurred but not notified to, or accepted by, ACC at balance date.

H) CONSOLIDATION OF SUBSIDIARIES

The group financial statements incorporate the financial statements of ACC and its subsidiaries, which have been consolidated using the purchase method. All intercompany transactions, balances and unrealised surpluses are eliminated on consolidation.

The trading subsidiary companies are detailed in Note 11.

I) ASSOCIATE COMPANIES

Associates are investees (but not subsidiaries or joint ventures) in which the ACC Group has the capacity to affect substantially, but not unilaterally determine, the operating and/or financial policy decisions. Associates have been reflected in the consolidated financial statements on an equity accounting basis which recognises the ACC Group's share of retained surpluses in the Group Statement of Financial Performance and its share of post acquisition increases or decreases in net assets, in the Group Statement of Financial Position.

J) INVESTMENTS

Investments are recorded at market value. Where ACC owns more than 5% of the issued capital of a company, the market value of the equity investments is discounted to reflect the impact of selling large holdings. Market value for publicly listed investments has been determined by reference to market values at balance date. For non-listed investments, market rates have been determined based on the cost and adjusted for performance of the business since that date. Changes in market value are credited or charged to the Statement of Financial Performance by Account in accordance with the basis used for allocating investment income.

Interest income is recognised in the Statement of Financial Performance as it accrues. Dividend income is recognised in the Statement of Financial Performance on the date that the dividend is declared or, where more appropriate, on the last date to register for the dividend.

Investment properties have been valued at net current value. Depreciation is not charged on investment properties. Revaluation gains on such properties have been recognised in the Statement of Financial Performance.

K) FINANCIAL INSTRUMENTS

ACC has various financial instruments with off-balance sheet risk which are used to reduce ACC's exposure to fluctuations in foreign currency exchange rates, interest rates and equity markets. Derivatives may also be used temporarily in lieu of purchasing bonds, equities or currency. The use of financial instruments is covered by investment policies which control the risks associated with such instruments.

The financial instruments are valued at market value, and the gains or losses from financial instruments are recognised in the Statement of Financial Performance as revenue or expense items as they arise.

L) FOREIGN CURRENCIES

Transactions in foreign currencies are converted to New Zealand dollars at the rate of exchange ruling at the date of the transaction. Short-term transactions covered by foreign currency forward contracts are measured and reported at the forward rate of exchange specified in those contracts. At balance date foreign currency monetary assets and foreign currency forward contracts, designated as economic hedges, are converted at the rate ruling at balance date with exchange variations arising from the translation process being credited or charged to the Statement of Financial Performance by Account based on the investment balances of the respective Accounts.

M) INTANGIBLE ASSETS

Intangible assets are stated at cost less accumulated amortisation.

Goodwill represents the excess of the purchase consideration over the fair value of the net tangible and identifiable intangible assets, acquired at the time of the purchase of a business, or an equity interest in a subsidiary or associate.

Intangible assets are amortised using the straight line method over the period during which benefits are expected to be received. This is a maximum of 10 years.

N) PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation except for freehold land which is shown at valuation and buildings which are shown at valuation less accumulated depreciation.

Revaluations are transferred to the asset revaluation reserve for that class of assets. If any revaluation reserve has a deficit, that deficit is recognised in the Statement of Financial Performance in the period it arises. In subsequent periods any revaluation surplus that reverses previous revaluation deficits is recognised as revenue in the Statement of Financial Performance.

Costs of development projects are accumulated as work in progress until the project is completed. At that stage the costs are transferred to the appropriate fixed asset category and are depreciated accordingly. Capitalised project costs comprise direct project cost only.

O) DEPRECIATION

Depreciation of property, plant and equipment, other than freehold land, is charged on a straight line basis so as to allocate the cost of assets, less any estimated residual value, over their expected lives.

Leasehold improvements are depreciated over the lower of the remaining life of the lease or 10 years.

The estimated useful lives are as follows:

Buildings	50 years
Freehold improvements	10 years
Leasehold improvements	Up to 10 years
Furniture, fittings and equipment	4 years
Mainframe computer and network equipment including software	5 years
Personal computer equipment	3 years
Motor vehicles	5 years

P) IMPAIRMENT

If the recoverable amount of an asset is less than its carrying amount, the item is written down to its recoverable amount less any selling costs to be incurred. The write down of an asset recorded at historical cost is recognised as an expense in the Statement of Financial Performance. When a revalued asset is written down to recoverable amount the write down is recognised as a downward revaluation to the extent that the revaluation reserve of the class of asset concerned is in credit.

The carrying amount of an asset that has previously been written down to recoverable amount is increased to its current recoverable amount if there has been a reversal of the impairment loss. The increased carrying amount of the item will not exceed the carrying amount that would have been determined if the write down to recoverable amount had not occurred. On assets that are not revalued the reversal is recognised in the Statement of Financial Performance. On revalued assets the reversal is recognised as revenue to the extent that the impairment was recognised as an expense, and the balance is treated as an upward revaluation.

Q) STATEMENT OF CASH FLOWS

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

(i) Cash is considered to be cash on hand and current accounts with banks, net of bank overdrafts.

(ii) Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and investments. Investments include securities not falling within the definition of cash. Income received in relation to investing activities is included in operating activities.

(iii) Financing activities are activities which result in changes in the size and composition of ACC's capital structure.

(iv) Operating activities include all transactions and other events that are not investing or financing activities. Investment income and realised gains and losses on the disposal of investments are included in operating surplus and as investing activities in the Statement of Cash Flows.

R) INCOME TAX

ACC is exempt from payment of income tax under section 259(5) of the Act. The subsidiary companies are, however, liable for income tax.

Tax effect accounting is applied on a comprehensive basis to all timing differences. A debit balance in the deferred tax account, arising from timing differences or income tax benefits from income tax losses, is only recognised if there is a virtual certainty of realisation.

The income tax expense charged to the Statement of Financial Performance includes both the current year's provision and the income tax effect of timing differences calculated using the liability method.

S) EMPLOYEE ENTITLEMENTS

A liability for annual leave and long service leave is accrued and recognised in the Statement of Financial Position. The liability is equal to the present value of the estimated future cash outflows as a result of employee services provided at balance date.

T) LEASES

Where most of the risks and rewards of ownership are retained by the lessor, leases are classified as operating leases and costs are expensed in the period in which they are incurred.

Commitments under lease agreements are disclosed in the Statement of Commitments.

U) RECEIVABLES

Receivables are stated at their estimated realisable value.

V) BUDGET FIGURES

The budget figures for the Statement of Financial Performance are those approved by the Board at the beginning of the financial year. The Statement of Financial Position and Statement of Cash Flows have been restated from the budget using actual 2004 figures as the opening position.

The budget figures have been prepared in accordance with generally accepted accounting practice in New Zealand and are consistent with the accounting policies adopted in preparing the financial statements. The budget figures are unaudited.

W) CHANGES TO ACCOUNTING POLICIES

There have been no changes in accounting policies. All policies have been applied on a basis consistent with the previous year.

X) COMPARATIVES

To ensure consistency with the current period, comparative figures have been restated where appropriate.

	NOTES	GROUP ACTUAL 2005 $000	GROUP BUDGET 2005 $000	GROUP ACTUAL 2004 $000
Net levy income				
Residual Claims Account		200,905	204,625	215,825
Motor Vehicle Account		582,997	524,642	564,071
Non-Earners' Account		535,348	605,370	574,396
Earners' Account		759,263	680,969	673,895
Self-Employed Work Account		93,834	117,209	96,531
Employers' Account		475,128	457,659	460,202
Medical Misadventure Account		87,423	90,728	69,540
Total net levy income	1&4	2,734,898	2,681,202	2,654,460

Net levy income has increased by 3.0% over last year. This is mainly due to more New Zealanders being in work and earning more.

EXPENDITURE				
Rehabilitation expenditure				
Vocational rehabilitation		40,291	36,129	34,445
Social rehabilitation		276,405	258,236	238,488
Medical treatment		345,225	343,828	278,093
Hospital treatment		128,552	129,945	119,010
Public health acute services		288,537	286,468	268,934
Dental treatment		16,474	15,612	12,030
Conveyance for treatment		46,290	49,403	41,358
Backdated attendant care	8	2,292	-	(2,162)
Miscellaneous claim costs		9,078	9,531	7,309
		1,153,144	1,129,152	997,505
Compensation expenditure				
Income maintenance		655,072	655,606	640,292
Independence allowances		37,684	37,249	73,765
Lump sums		16,438	39,810	8,344
Death benefits		74,418	90,258	77,968
		783,612	822,923	800,369
Total claims cost		1,936,756	1,952,075	1,797,874

Total claim costs have increased by 7.7% over last year due to increase in treatment cost rates per claim driven by inflationary pressures and improvements in contracted services. There was also increased demand for rehabilitation services reflecting early intervention programmes.

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	GROUP ACTUAL 2005 $000	GROUP BUDGET 2005 $000	GROUP ACTUAL 2004 $000
Operating costs	5	246,688	260,088	219,498
Injury prevention costs		39,818	40,732	30,210
Collection costs		50,778	53,766	52,564
Total expenditure		2,274,040	2,306,661	2,100,146
Operating surplus before adjustment to claims liability		460,858	374,541	554,314
Adjustment to claims liability	24	2,036,887	598,412	169,903

The increase in the claims liability is largely due to changing economic factors including a lower interest rate. Higher treatment and rehabilitation costs due to increased utilisation of benefits and increases in costs per claim coupled with a higher provision for claims handling expenses following a review of these costs also had an unfavourable impact on the claims liability.

Surplus/(deficit) from underwriting activities after adjustment to claims liability		(1,576,029)	(223,871)	384,411
Net investment income	2&4	776,760	319,514	489,425

The funds invested achieved a 13.4% return for the Reserves Portfolio and 6.8% for the Cash Portfolio.
These returns are ahead of the budgeted return of 5.64%.

Other income	3&4	4,915	5,493	2,012
Surplus/(deficit) before tax		(794,354)	101,136	875,848
Income tax (credit)/expense	6	(470)	274	(72)
Net surplus/(deficit) after tax		(793,884)	100,862	875,920

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
Net levy income				
Residual Claims Account		200,905	204,625	215,825
Motor Vehicle Account		582,997	524,642	564,071
Non-Earners' Account		535,348	605,370	574,396
Earners' Account		759,263	680,969	673,895
Self-Employed Work Account		93,834	117,209	96,531
Employers' Account		475,128	457,659	460,202
Medical Misadventure Account		87,423	90,728	69,540
Total net levy income	1&4	2,734,898	2,681,202	2,654,460
EXPENDITURE				
Rehabilitation expenditure				
Vocational rehabilitation		40,291	36,129	34,445
Social rehabilitation		276,405	258,236	238,488
Medical treatment		345,225	343,828	278,093
Hospital treatment		128,552	129,945	119,010
Public health acute services		288,537	286,468	268,934
Dental treatment		16,474	15,612	12,030
Conveyance for treatment		46,290	49,403	41,358
Backdated attendant care	8	2,292	-	(2,162)
Miscellaneous claim costs		9,078	9,531	7,309
		1,153,144	1,129,152	997,505
Compensation expenditure				
Income maintenance		655,072	655,606	640,292
Independence allowances		37,684	37,249	73,765
Lump sums		16,438	39,810	8,344
Death benefits		74,418	90,258	77,968
		783,612	822,923	800,369
Operating costs	5	241,140	256,380	218,256
Injury prevention costs		39,818	40,732	30,210
Collection costs		50,778	53,766	52,564
Total expenditure		2,268,492	2,302,953	2,098,904
Operating surplus before adjustment to claims liability		466,406	378,249	555,556
Adjustment to claims liability	24	2,036,887	598,412	169,903
Surplus/(deficit) from underwriting activities after adjustment to claims liability		(1,570,481)	(220,163)	385,653
Net investment income	2&4	776,760	319,514	489,425
Other income	3&4	883	871	997
Net surplus/(deficit)		(792,838)	100,222	876,075

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

GROUP STATEMENT OF MOVEMENTS IN ACCOUNT RESERVES (EQUITY)

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	GROUP ACTUAL 2005 $000	GROUP BUDGET 2005 $000	GROUP ACTUAL 2004 $000
Account reserves – opening balance (deficit)		(3,375,041)	(3,375,041)	(4,251,865)
Recognised revenues and expenses for the year				
Net surplus/(deficit) after tax		(793,884)	100,862	875,920
Increase in asset revaluation reserves	22	1,673	-	904
Total recognised revenues and expenses for the year		(792,211)	100,862	876,824
Account reserves – closing balance (deficit)		(4,167,252)	(3,274,179)	(3,375,041)

PARENT STATEMENT OF MOVEMENTS IN ACCOUNT RESERVES (EQUITY)

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
Account reserves – opening balance (deficit)		(3,374,567)	(3,374,567)	(4,251,546)
Recognised revenues and expenses for the year				
Net surplus /(deficit)		(792,838)	100,222	876,075
Increase in asset revaluation reserves	22	1,673	-	904
Total recognised revenues and expenses for the year		(791,165)	100,222	876,979
Account reserves – closing balance (deficit)		(4,165,732)	(3,274,345)	(3,374,567)

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

STATEMENT OF FINANCIAL PERFORMANCE AND MOVEMENTS IN ACCOUNT RESERVES (EQUITY) *FOR THE YEAR ENDED 30 JUNE 2005*

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
RESIDUAL CLAIMS ACCOUNT				
Net levy income				
Residual levy		200,905	204,625	215,825
Total net levy income		200,905	204,625	215,825
EXPENDITURE				
Rehabilitation expenditure				
Vocational rehabilitation		4,263	5,709	5,948
Social rehabilitation		39,215	39,995	38,832
Medical treatment		14,938	15,914	13,798
Hospital treatment		7,973	8,076	8,309
Dental treatment		1,653	1,913	1,378
Conveyance for treatment		682	709	690
Backdated attendant care	8	(212)	-	154
Miscellaneous claim costs		1,448	2,873	1,875
		69,960	75,189	70,984
Compensation expenditure				
Income maintenance		170,797	173,645	193,374
Independence allowances		5,235	5,743	12,694
Lump sums		294	-	394
Death benefits		15,630	16,396	16,498
		191,956	195,784	222,960
Operating costs	5	26,043	35,380	33,392
Collection costs		5,187	6,129	6,045
Total expenditure		293,146	312,482	333,381
Operating (deficit) before adjustment to claims liability		(92,241)	(107,857)	(117,556)
Adjustment to claims liability	24	172,705	(133,054)	(78,535)
Surplus/(deficit) from underwriting activities after adjustment to claims liability		(264,946)	25,197	(39,021)
Net investment income		89,611	38,050	68,769
Other income		90	103	109
Net surplus/(deficit)		(175,245)	63,350	29,857
Account reserve – opening balance (deficit)		(1,413,250)	(1,413,250)	(1,443,107)
Net surplus/(deficit)		(175,245)	63,350	29,857
Account reserve – closing balance (deficit)		(1,588,495)	(1,349,900)	(1,413,250)

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
MOTOR VEHICLE ACCOUNT				
Net levy income				
Levy income from motor licensing		153,584	154,441	204,686
Levy income from petrol premium		169,936	157,199	151,369
Residual Levy		259,477	213,002	208,016
Total net levy income*		582,997	524,642	564,071
EXPENDITURE				
Rehabilitation expenditure				
Vocational rehabilitation		4,969	4,455	4,624
Social rehabilitation		80,067	74,613	68,769
Medical treatment		16,682	15,656	12,835
Hospital treatment		8,015	8,893	8,238
Public health acute services		37,164	40,912	39,318
Dental treatment		982	1,037	758
Conveyance for treatment		9,509	9,718	8,436
Backdated attendant care	8	(140)	-	(951)
Miscellaneous claim costs		2,868	746	1,325
		160,116	156,030	143,352
Compensation expenditure				
Income maintenance		106,233	98,619	100,741
Independence allowances		5,867	6,341	13,628
Lump sums		3,994	10,925	2,196
Death benefits		34,080	48,227	38,543
		150,174	164,112	155,108
Operating costs	5	28,696	32,304	27,281
Injury prevention costs		8,873	8,798	6,072
Collection costs		11,348	10,807	10,881
Total expenditure		359,207	372,051	342,694
Operating surplus before adjustment to claims liability		223,790	152,591	221,377
Adjustment to claims liability	24	649,239	120,002	100,641
Surplus/(deficit) from underwriting activities after adjustment to claims liability		(425,449)	32,589	120,736
Net investment income		172,407	67,850	98,689
Other income		197	129	190
Net surplus/(deficit)		(252,845)	100,568	219,615
Account reserve – opening balance (deficit)		(1,556,934)	(1,556,934)	(1,776,549)
Net surplus/(deficit)		(252,845)	100,568	219,615
Account reserve – closing balance (deficit)		(1,809,779)	(1,456,366)	(1,556,934)

* The higher levy income this year is a result of an increase in vehicle numbers and higher petrol usage even though there was a reduction in the levy rates for motor vehicle licensing from $141.10 to $126.01.

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

STATEMENT OF FINANCIAL PERFORMANCE AND MOVEMENTS IN ACCOUNT RESERVES (EQUITY) *FOR THE YEAR ENDED 30 JUNE 2005*

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
NON-EARNERS' ACCOUNT				
Net levy income				
Levy income appropriated by parliament		574,688	645,732	605,689
Less funding of Medical Misadventure Account		(39,340)	(40,362)	(31,293)
Total net levy income		535,348	605,370	574,396
EXPENDITURE				
Rehabilitation expenditure				
Vocational rehabilitation		760	762	581
Social rehabilitation		92,773	83,920	78,998
Medical treatment		127,264	121,871	102,160
Hospital treatment		32,040	33,352	30,739
Public health acute services		172,355	170,536	160,796
Dental treatment		8,580	7,337	5,776
Conveyance for treatment		21,505	23,188	18,982
Backdated attendant care	8	925	-	(2,138)
Miscellaneous claim costs		1,523	2,303	1,002
		457,725	443,269	396,896
Compensation expenditure				
Income maintenance		13,570	7,165	6,908
Independence allowances		17,320	15,756	29,621
Lump sums		3,028	10,805	1,296
Death benefits		2,844	2,503	2,466
		36,762	36,229	40,291
Operating costs	5	32,795	31,535	26,844
Injury prevention costs		8,217	7,454	6,223
Total expenditure		535,499	518,487	470,254
Operating surplus/(deficit) before adjustment to claims liability		(151)	86,883	104,142
Adjustment to claims liability	24	402,650	111,885	(13,622)
Surplus/(deficit) from underwriting activities after adjustment to claims liability		(402,801)	(25,002)	117,764
Net investment income		83,384	30,884	46,233
Other income		2	97	7
Net surplus/(deficit)		(319,415)	5,979	164,004
Account reserve – opening balance (deficit)		(958,203)	(958,203)	(1,122,207)
Net surplus/(deficit)		(319,415)	5,979	164,004
Account reserve – closing balance (deficit)		(1,277,618)	(952,224)	(958,203)

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
EARNERS' ACCOUNT				
Net levy income				
Levy income*		807,036	729,893	704,495
Residual levy		310	1,442	7,647
Less funding of Medical Misadventure Account		(48,083)	(50,366)	(38,247)
Total net levy income		759,263	680,969	673,895
EXPENDITURE				
Rehabilitation expenditure				
Vocational rehabilitation		15,994	11,010	11,897
Social rehabilitation		26,532	27,483	22,843
Medical treatment		125,484	125,334	99,748
Hospital treatment		56,947	55,254	50,742
Public health acute services		52,245	48,521	44,912
Dental treatment		4,330	4,374	3,392
Conveyance for treatment		9,933	11,112	9,199
Backdated attendant care	8	(833)	-	928
Miscellaneous claim costs		1,071	1,365	1,251
		291,703	284,453	244,912
Compensation expenditure				
Income maintenance		204,883	207,731	189,693
Independence allowances		5,415	6,211	12,048
Lump sums		3,079	6,931	1,692
Death benefits		14,055	15,858	13,008
		227,432	236,731	216,441
Operating costs	5	84,881	85,887	73,550
Injury prevention costs		6,700	8,024	6,465
Collection costs		17,970	18,388	18,187
Total expenditure		628,686	633,483	559,555
Operating surplus before adjustment to claims liability		130,577	47,486	114,340
Adjustment to claims liability	24	391,627	197,019	2,068
Surplus/(deficit) from underwriting activities after adjustment to claims liability		(261,050)	(149,533)	112,272
Net investment income		243,401	107,992	156,362
Other income		312	278	323
Net surplus/(deficit)		(17,337)	(41,263)	268,957
Account reserve – opening balance		449,723	449,723	180,766
Net surplus/(deficit)		(17,337)	(41,263)	268,957
Account reserve – closing balance		432,386	408,460	449,723

* The higher levy income this year is due to more New Zealanders being in work and earning more.

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

STATEMENT OF FINANCIAL PERFORMANCE AND MOVEMENTS IN ACCOUNT RESERVES (EQUITY)

FOR THE YEAR ENDED 30 JUNE 2005

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
SELF-EMPLOYED WORK ACCOUNT				
Net levy income				
Levy income*		93,834	117,209	96,531
Total net levy income		93,834	117,209	96,531
EXPENDITURE				
Rehabilitation expenditure				
Vocational rehabilitation		2,382	1,911	1,710
Social rehabilitation		5,239	5,649	4,948
Medical treatment		12,891	12,852	10,542
Hospital treatment		6,317	6,113	5,613
Public health acute services		5,369	5,951	5,379
Dental treatment		342	342	253
Conveyance for treatment		1,028	1,081	948
Miscellaneous claim costs		93	83	76
		33,661	33,982	29,469
Compensation expenditure				
Income maintenance**		30,149	35,414	30,441
Independence allowances		347	208	340
Lump sums		743	1,370	468
Death benefits		1,186	1,881	1,978
		32,425	38,873	33,227
Operating costs	5	12,539	14,101	11,131
Injury prevention costs		2,400	2,770	1,873
Collection costs		5,886	6,828	6,518
Total expenditure		86,911	96,554	82,218
Operating surplus before adjustment to claims liability		6,923	20,655	14,313
Adjustment to claims liability	24	45,693	45,184	16,299
Surplus/(deficit) from underwriting activities after adjustment to claims liability		(38,770)	(24,529)	(1,986)
Net investment income		23,920	10,167	17,834
Other income		102	59	159
Net surplus/(deficit)		(14,748)	(14,303)	16,007
Account reserve – opening balance (deficit)		14,870	14,870	(1,137)
Net surplus/(deficit)		(14,748)	(14,303)	16,007
Account reserve – closing balance		122	567	14,870

* The lower levy income this year is due to lower earnings base from Self-Employed on which levies are charged.

** Includes payments of $1.7 million (2004 – $3.5 million), relating to work-related injuries, to persons who have purchased weekly compensation under CoverPlus Extra policies. Non-work injuries payment of $0.9 million (2004 – $2.0 million) was paid from the Earners' and Motor Vehicle Accounts. 31,598 (2004 – 26,109) CoverPlus Extra policies were purchased during the year.

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
EMPLOYERS' ACCOUNT				
Net levy income				
Levy income*		475,128	457,659	460,202
Total net levy income		475,128	457,659	460,202
EXPENDITURE				
Rehabilitation expenditure				
Vocational rehabilitation		11,580	11,944	9,339
Social rehabilitation		18,984	15,412	14,319
Medical treatment		45,420	50,022	37,223
Hospital treatment		16,129	17,417	14,596
Public health acute services		19,580	19,566	17,615
Dental treatment		529	565	437
Conveyance for treatment		3,388	3,415	2,907
Miscellaneous claim costs		448	627	359
		116,058	118,968	96,795
Compensation expenditure				
Income maintenance		116,920	120,053	106,495
Independence allowances		1,696	765	1,503
Lump sums		2,745	5,464	1,228
Death benefits		4,876	4,085	3,820
		126,237	130,367	113,046
Operating costs	5	50,157	51,276	41,249
Injury prevention		13,571	13,686	9,577
Collection costs		10,387	11,614	10,933
Total expenditure		316,410	325,911	271,600
Operating surplus before adjustment to claims liability		158,718	131,748	188,602
Adjustment to claims liability	24	196,413	204,583	60,343
Surplus/(deficit) from underwriting activities after adjustment to claims liability		(37,695)	(72,835)	128,259
Net investment income		127,847	50,144	80,372
Other Income		180	190	208
Net surplus/(deficit)		90,332	(22,501)	208,839
Account reserve – opening balance		317,218	317,218	108,379
Net surplus/(deficit)		90,332	(22,501)	208,839
Account reserve – closing balance		407,550	294,717	317,218

* The higher levy income this year is due to higher wage base on which levies are charged.

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
MEDICAL MISADVENTURE ACCOUNT				
Net levy income				
Levy income funded by:				
Non-Earners' Account		39,340	40,362	31,293
Earners' Account		48,083	50,366	38,247
Total net levy income		87,423	90,728	69,540
EXPENDITURE				
Rehabilitation expenditure				
Vocational rehabilitation		343	338	346
Social rehabilitation		13,595	11,164	9,779
Medical treatment		2,546	2,179	1,787
Hospital treatment		1,131	840	773
Public health acute services		1,824	982	914
Dental treatment		58	44	36
Conveyance for treatment		245	180	196
Backdated Attendant Care	8	2,552	-	(155)
Miscellaneous claim costs		1,627	1,534	1,421
		23,921	17,261	15,097
Compensation expenditure				
Income maintenance		12,520	12,979	12,640
Independence allowances		1,804	2,225	3,931
Lump sums		2,555	4,315	1,070
Death benefits		1,747	1,308	1,655
		18,626	20,827	19,296
Operating costs	5	6,029	5,897	4,809
Injury prevention costs		57	–	–
Total expenditure		48,633	43,985	39,202
Operating surplus before adjustment to claims liability		38,790	46,743	30,338
Adjustment to claims liability	24	178,560	52,793	82,709
Surplus/(deficit) from underwriting activities after adjustment to claims liability		(139,770)	(6,050)	(52,371)
Net investment income		36,190	14,427	21,166
Other Income		-	15	1
Net surplus/(deficit)		(103,580)	8,392	(31,204)
Account reserve – opening balance (deficit)		(228,939)	(228,939)	(197,735)
Net surplus/(deficit)		(103,580)	8,392	(31,204)
Account reserve – closing balance (deficit)		(332,519)	(220,547)	(228,939)

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	GROUP ACTUAL 2005 $000	GROUP BUDGET 2005 $000	GROUP ACTUAL 2004 $000
Account reserves				
Residual Claims Account		(1,588,495)	(1,349,900)	(1,413,250)
Motor Vehicle Account		(1,809,779)	(1,456,366)	(1,556,934)
Non-Earners' Account		(1,277,618)	(952,224)	(958,203)
Earners' Account		432,386	408,460	449,723
Self-Employed Work Account		122	567	14,870
Employers' Account		407,550	294,717	317,218
Medical Misadventure Account		(332,519)	(220,547)	(228,939)
Total Account reserves		(4,168,353)	(3,275,293)	(3,375,515)
Subsidiaries reserves		(1,520)	166	(474)
Revaluation reserve	15&22	2,621	948	948
Total reserves (deficit)		(4,167,252)	(3,274,179)	(3,375,041)
Represented by:				
Assets				
Bank balances		13,889	11,462	16,279
Receivables	16	904,549	249,901	667,368
Accrued levy income	9	242,062	385,665	266,926
Deferred tax	7	409	69	166
Investments	10	8,123,010	6,207,834	6,175,958
Investment in associate	12	38	-	-
Intangible assets	14	22	-	-
Property, plant and equipment	15	150,609	160,247	101,247
Total assets		9,434,588	7,015,178	7,227,944
Less liabilities				
Levy received in advance	13	366,767	146,274	346,176
Payables and accrued liabilities	8&17	1,850,716	197,479	909,617
Claims liability	24	11,384,357	9,945,604	9,347,192
Total liabilities		13,601,840	10,289,357	10,602,985
Net liabilities		(4,167,252)	(3,274,179)	(3,375,041)

For and on behalf of the Board, which authorised the issue of these financial statements on 2 September 2005:

David Collins
Chairman
Date: 2 September 2005

Garry Wilson
Chief Executive
Date: 2 September 2005

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
Account reserves				
Residual Claims Account		(1,588,495)	(1,349,900)	(1,413,250)
Motor Vehicle Account		(1,809,779)	(1,456,366)	(1,556,934)
Non-Earners' Account		(1,277,618)	(952,224)	(958,203)
Earners' Account		432,386	408,460	449,723
Self-Employed Work Account		122	567	14,870
Employers' Account		407,550	294,717	317,218
Medical Misadventure Account		(332,519)	(220,547)	(228,939)
Total Account reserves		(4,168,353)	(3,275,293)	(3,375,515)
Revaluation reserve	15&22	2,621	948	948
Total reserves (deficit)		(4,165,732)	(3,274,345)	(3,374,567)
Represented by:				
Assets				
Bank balances		13,169	10,263	16,051
Receivables	16	904,782	249,890	667,516
Accrued levy income	9	242,062	385,665	266,926
Investments	10	8,123,010	6,207,834	6,175,958
Investment in subsidiaries	11	3,450	3,450	1,450
Property, plant and equipment	15	148,868	157,226	100,797
Total assets		9,435,341	7,014,328	7,228,698
Less liabilities				
Levy received in advance	13	366,767	146,273	346,176
Payables and accrued liabilities	8&17	1,849,949	196,796	909,897
Claims liability	24	11,384,357	9,945,604	9,347,192
Total liabilities		13,601,073	10,288,673	10,603,265
Net liabilities		(4,165,732)	(3,274,345)	(3,374,567)

For and on behalf of the Board, which authorised the issue of these financial statements on 2 September 2005:

David Collins
Chairman
Date: 2 September 2005

Garry Wilson
Chief Executive
Date: 2 September 2005

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	GROUP ACTUAL 2005 $000	GROUP BUDGET 2005 $000	GROUP ACTUAL 2004 $000
Cash flows from operating activities				
Cash was provided from:				
Levy income		2,672,764	2,660,437	2,704,412
Interest		200,509	131,666	167,219
Dividends		60,249	50,000	53,388
Taxation received		-	-	135
Other income		4,877	5,493	2,012
		2,938,399	2,847,596	2,927,166
Cash was applied to:				
Payments to injured persons, suppliers and employees		2,095,205	2,200,953	2,048,659
Goods and services tax (net)		13,531	42,471	15,815
Taxation paid		3	19	-
		2,108,739	2,243,443	2,064,474
Net cash movement from operating activities	25	829,660	604,153	862,692
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		6,269,124	6,000,000	12,583,142
Proceeds from sale of property, plant and equipment		1,653	-	204
		6,270,777	6,000,000	12,583,346
Cash was applied to:				
Purchase of investments		7,023,914	6,519,860	13,412,508
Purchase of property, plant and equipment		78,913	89,110	41,683
		7,102,827	6,608,970	13,454,191
Net cash movement from investing activities		(832,050)	(608,970)	(870,845)
Cash flows from financing activities				
Net cash movement from financing activities		-	-	-
Net increase/(decrease) in cash held		(2,390)	(4,817)	(8,153)
Bank balance – opening balance		16,279	16,279	24,432
Bank balance – closing balance		13,889	11,462	16,279

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

	NOTES	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
Cash flows from operating activities				
Cash was provided from:				
Levy income		2,672,764	2,660,437	2,704,412
Interest		200,509	131,666	167,219
Dividends		60,249	50,000	53,388
Other income		883	871	997
		2,934,405	2,842,974	2,926,016
Cash was applied to:				
Payments to injured persons, suppliers and employees		2,099,092	2,198,309	2,047,239
Goods and services tax (net)		7,309	42,427	15,840
		2,106,401	2,240,736	2,063,079
Net cash movement from operating activities	25	828,004	602,238	862,937
Cash flows from investing activities				
Cash was provided from:				
Proceeds from sale of investments		6,269,124	6,000,000	12,583,142
Proceeds from sale of property, plant and equipment		1,628	-	188
		6,270,752	6,000,000	12,583,330
Cash was applied to:				
Purchase of investments		7,023,914	6,519,860	13,412,508
Increase in share capital of subsidiary		2,000	2,000	350
Purchase of property, plant and equipment		75,724	86,166	41,802
		7,101,638	6,608,026	13,454,660
Net cash movement from investing activities		(830,886)	(608,026)	(871,330)
Cash flows from financing activities				
Net cash movement from financing activities		-	-	-
Net increase/(decrease) in cash held		(2,882)	(5,788)	(8,393)
Bank balance – opening balance		16,051	16,051	24,444
Bank balance (overdraft) – closing balance		13,169	10,263	16,051

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

STATEMENT OF COMMITMENTS — *AS AT 30 JUNE 2005*

	GROUP ACTUAL 2005 $000	GROUP ACTUAL 2004 $000	PARENT ACTUAL 2005 $000	PARENT ACTUAL 2004 $000
Capital commitments approved and contracted	3,392	5,217	3,392	5,217
Non-cancellable operating lease commitments payable:				
Not later than one year	9,744	8,444	9,223	8,020
Later than one year but not greater than two years	9,590	8,056	9,132	7,632
Later than two years but not greater than five years	25,956	22,435	25,087	21,406
Later than five years	27,365	24,418	27,250	24,195
Total non-cancellable operating lease commitments payable	72,655	63,353	70,692	61,253
Total commitments	76,047	68,570	74,084	66,470

ACC Group leases premises for its branch network and some of its corporate offices. The annual lease payments are subject to varying terms of review. The amounts disclosed above as future commitments are based on current rental rates.

STATEMENT OF CONTINGENT LIABILITIES — *AS AT 30 JUNE 2005*

There are several legal actions against ACC in existence, arising in the main from challenges to operational decisions made by ACC. No accrual has been made for these contingent liabilities as ACC will be vigorously defending these claims.

The estimated contingent liabilities of these actions are as follows:

	GROUP ACTUAL 2005 $000	GROUP ACTUAL 2004 $000	PARENT ACTUAL 2005 $000	PARENT ACTUAL 2004 $000
Legal proceedings	3,688	3,644	3,688	3,644

In addition to the above litigation and claims, there may be additional litigation in progress of which ACC has not yet been advised, mainly as a consequence of ACC claimants appealing a review officer's decision to the District Court. While an estimate of the financial effect of outstanding appeals cannot be made, management believes the resolution of outstanding appeals will not have a materially adverse effect on the financial statements of ACC.

The above statement is to be read in conjunction with the accounting policies on pages 85 to 89 and notes on pages 106 to 122

1. NET LEVY INCOME

	GROUP AND PARENT 2005 $000	GROUP AND PARENT 2004 $000
Net levy income consists of the following:		
Levy income	2,736,062	2,640,547
Add/(less):		
Decrease in provision for refund to early/later scheme employers	-	4,978
Levy debts written off	(8,403)	(14,929)
Decrease in the provision for doubtful debts for levy debtors	7,239	23,864
Net levy income	2,734,898	2,654,460

2. NET INVESTMENT INCOME

	GROUP AND PARENT 2005 $000	GROUP AND PARENT 2004 $000
Net investment income consists of the following:		
Dividends received	84,358	68,043
Interest received	207,882	182,920
Net realised and unrealised gains	493,874	246,329
Total investment income	786,114	497,292
Less:		
Investment expense	(9,354)	(7,867)
Net investment income	776,760	489,425

Included in net realised and unrealised gains are foreign exchange gains of $58.8 million (2004 – $56.3 million).

3. OTHER INCOME

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Sales from rendering of services by subsidiaries	3,956	1,015	-	-
Share of net surplus of associate:				
Dividend	38	-	-	-
Retained	38	-	-	-
Other income	883	997	883	997
	4,915	2,012	883	997

4. TOTAL OPERATING REVENUE

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Levy income	2,736,062	2,640,547	2,736,062	2,640,547
Investment income	786,114	497,292	786,114	497,292
Other income	4,915	2,012	883	997
Total operating revenue	3,527,091	3,139,851	3,523,059	3,138,836

5. OPERATING COSTS

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Operating costs include:				
External audit fees	275	265	265	265
Fees paid to external auditor for other services	73	88	73	88
Directors' fees	374	330	284	266
Rental of office premises	9,898	9,090	9,833	9,078
Depreciation:				
– Buildings	186	142	186	142
– Freehold improvements	561	387	561	387
– Leasehold improvements	2,173	2,338	2,163	2,295
– Furniture, fittings and equipment	2,381	2,062	2,294	2,000
– Computer equipment	18,335	19,664	17,709	19,527
– Motor vehicles	576	492	576	490
Property, plant and equipment write-offs:				
– Leasehold improvements	338	-	338	-
– Computer equipment	1,029	83	1,025	83
– Furniture, fittings and equipment	12	-	-	-
Impairment loss:				
– Computer equipment	1,000	-	-	-
Amortisation of intangible assets	132	-	-	-
Operating lease equipment rentals	47	24	5	14
Bad debts written off	1	3	-	-
Change in provision for doubtful debts	-	1	-	-
Personnel expenditure	123,297	110,601	118,081	105,786
Supplies and services	86,000	73,919	87,747	77,835
	246,688	219,489	241,140	218,256
Restructuring costs	-	9	-	-
Operating costs	246,688	219,498	241,140	218,256

Note 5 (continued)

5. OPERATING COSTS (CONTINUED)

	PARENT 2005 $000	PARENT 2004 $000
Operating costs are allocated to:*		
Residual Claims Account	26,043	33,392
Motor Vehicle Account	28,696	27,281
Non-Earners' Account	32,795	26,844
Earners' Account	84,881	73,550
Self-Employed Work Account	12,539	11,131
Employers' Account	50,157	41,249
Medical Misadventure Account	6,029	4,809
Operating costs	241,140	218,256

External audit fees of the parent include audit work undertaken for Dispute Resolution Services Limited for this year.

Personnel expenditure includes salaries, superannuation, ACC levies paid and holiday pay accrued.

* Costs were allocated to Accounts for 2005 using a similar activity-based costing methodology as used for 2004.

6. INCOME TAX (CREDIT)/EXPENSE

	GROUP 2005 $000	GROUP 2004 $000
Surplus/(deficit) before tax	(794,354)	875,848
Add/(less) permanent differences:		
Parent net (surplus)/deficit	792,838	(876,075)
Share of retained (surplus) of associate	(38)	-
Amortisation of intangible assets	132	-
Non-deductible expenses	-	6
Accounting surplus/(deficit) subject to tax	(1,422)	(221)
Income tax at 33%	(469)	(73)
(Over)/under provision prior years	(1)	1
Income tax (credit)/expense	(470)	(72)
The income tax (credit)/expense is represented by:		
Current tax	(227)	(56)
Deferred tax liability	(243)	(16)
	(470)	(72)

7. DEFERRED TAXATION (ASSET)/LIABILITY

	GROUP 2005 $000	GROUP 2004 $000
Balance at beginning of the year	(166)	(150)
Transfer to Statement of Financial Performance	(243)	(16)
Balance at end of the year	(409)	(166)

8. PROVISIONS

A) BACKDATED ATTENDANT CARE

	GROUP AND PARENT 2005 $000	2004 $000
Opening balance	10,743	19,638
Paid out during the year	(2,020)	(6,733)
Additional provision made during the year	2,292	-
Unused provision reversed during the year	-	(2,162)
Closing balance	11,015	10,743

A liability for backdated attendant care arose from a decision of the High Court relating to entitlements for periods prior to 1992. The Court found that ACC claimants requiring constant personal attention under the 1972 and 1982 legislation, were entitled to 24 hour attendant care from the date of their discharge from hospital as opposed to a lesser level of benefits actually paid by ACC. Included in this is also a liability for attendant care arrears. Most of this liability is expected to be incurred over the next 12 months.

B) REFUND FOR EARLY/LATER SCHEME EMPLOYERS

	GROUP AND PARENT 2005 $000	2004 $000
Opening balance	657	7,900
Paid out during the year	(657)	(2,265)
Unused provision reversed during the year	-	(4,978)
Closing balance	-	657

As a result of concerns raised at ministerial level by a number of employers and self-employed persons, particularly Federated Farmers, ACC reviewed the way it was applying the 'clean slate' transitional provisions of the Accident Insurance Act 1998 in relation to employers and self-employed levy liability at the cut-off date for the private insurer work injury regime. A provision has been made for levy refunds to certain employers and self-employed persons that are considered to have paid twice for the same period of work injury cover. These payments have been made during the year.

C) INTEREST ON LATE PAYMENT OF WEEKLY COMPENSATION

	GROUP AND PARENT 2005 $000	2004 $000
Opening balance	-	59
Paid out during the year	-	(59)
Unused provision reversed during the year	-	-
Closing balance	-	-

A liability for interest on late payments of weekly compensation for periods prior to 1 July 1992 arose from a decision of the High Court in 2002. The Court found that there should be no differentiation between periods pre and post 1 July 1992 for payment of interest on late payments of weekly compensation under the 1992 legislation.

9. ACCRUED LEVY INCOME

As stated in the Statement of Accounting Policies, all levy income is recognised in the period to which it relates. Levy income was therefore accrued to 30 June 2005 in the following Accounts:

	GROUP AND PARENT 2005 $000	GROUP AND PARENT 2004 $000
Residual Claims Account	159,784	173,993
Earners' Account	61,489	66,822
Self-Employed Work Account	20,789	26,111
	242,062	266,926

10. INVESTMENTS

ACC holds investments to meet the liquidity and reserve requirements of each Account as follows:

	GROUP AND PARENT 2005 $000	GROUP AND PARENT 2004 $000
New Zealand deposits at call	1,695,198	806,395
New Zealand government securities	2,136,199	1,899,574
New Zealand equities	1,002,084	915,305
Australian equities	637,066	503,634
Australian deposits at call	38,455	22,260
New Zealand discounted securities	344,339	409,309
Other New Zealand fixed interest securities	982,839	588,226
Overseas fixed interest securities	140,934	141,074
Other overseas equities	1,141,456	890,181
Investment property	4,440	-
	8,123,010	6,175,958

Included within the above investment asset classes are $7.1 million (2004 – $16.4 million) of New Zealand equities and $1,364 million (2004 – $680.0 million) of New Zealand government securities investments which are subject to fully collateralised security lending transactions. Collateral received in these transactions is held as an asset, and the liability to repurchase the investments is accrued in unsettled investment transactions.

At balance date, ACC has made conditional agreement to commit to invest $25.2 million (2004 – $24.1 million) in private equity arrangements.

The investment property was valued at 21 February 2005 by Michael Nimot, independent registered valuer of the firm Barker & Morse Ltd. Michael Nimot is a member of the New Zealand Institute of Valuers (Inc). The property was valued at market value less the estimated costs of disposal.

11. INVESTMENT IN SUBSIDIARIES

	PARENT 2005 $000	PARENT 2004 $000	BALANCE DATE
Catalyst Risk Management Limited	2,600	600	30 June
Dispute Resolution Services Limited	850	850	30 June
	3,450	1,450	

Catalyst Risk Management Limited is an injury management company providing recovery and rehabilitation management services.
Dispute Resolution Services Limited is a company providing accident insurance review and disputes services.
These companies are wholly owned subsidiaries of ACC.

On 1 July 2004 Catalyst Risk Management Limited acquired the assets, relating to the third party administration of ACC's Partnership Programme, of CRM Group Limited for $2.75 million. As part of the transaction, Catalyst Risk Management Limited took over the client contracts of CRM Group Limited and continues to employ their injury management staff.

	$000
Assets acquired:	
Copyright in technological systems	2,500
Intellectual property rights	25
Other assets	96
Net assets acquired	2,621
Cash paid	2,750
Goodwill arising on acquisition	129

12. INVESTMENT IN ASSOCIATE

	GROUP 2005 $000	GROUP 2004 $000
Share of surplus before tax	114	-
Income tax	38	-
Share of surplus	76	-
Share of dividend paid	(38)	-
Share of retained surplus	38	-
Carrying amount at beginning of year	-	-
Cost of investment acquired during the year	-	-
Carrying amount at end of year	38	-

	ACQUIRED	PERCENTAGE HELD 2005	BALANCE DATE	GROUP CARRYING AMOUNT 2005 $000
Associate:				
Impac Services Limited	1 July 2004	20%	31 March	38

Included in the acquisition of the assets and business of CRM Group Limited (refer to note 11) is a 20% shareholding in Impac Services Limited. Impac Services Limited provides health and safety consultancy.

13. LEVY RECEIVED IN ADVANCE

	GROUP AND PARENT 2005 $000	GROUP AND PARENT 2004 $000
Motor Vehicle Account	153,712	161,336
Earners' Account	9,151	7,751
Employers' Account	184,241	161,964
Self-Employed Work Account	19,663	15,125
	366,767	346,176

Motor Vehicle Account levy and residual levy from motor vehicle relicensing are for a period of one month to one year in advance.

14. INTANGIBLE ASSETS

	GROUP 2005 $000	GROUP 2004 $000
Goodwill		
Cost	129	-
Accumulated amortisation	(129)	-
	-	-
Intellectual Property		
Cost	25	-
Accumulated amortisation	(3)	-
	22	-
	22	-

15. PROPERTY, PLANT AND EQUIPMENT

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Freehold land at valuation	3,053	1,915	3,053	1,915
Buildings at valuation	7,163	6,628	7,163	6,628
Accumulated depreciation	(1,162)	(980)	(1,162)	(980)
	6,001	5,648	6,001	5,648
Freehold improvements at valuation	3,910	3,913	3,910	3,913
Accumulated depreciation	(2,311)	(1,759)	(2,311)	(1,758)
	1,599	2,154	1,599	2,155
Leasehold improvements at cost	24,257	21,751	23,944	21,386
Accumulated depreciation	(10,830)	(9,555)	(10,576)	(9,287)
	13,427	12,196	13,368	12,099
Furniture, fittings and equipment at cost	24,417	21,964	23,952	21,631
Accumulated depreciation	(19,623)	(17,287)	(19,273)	(17,025)
	4,794	4,677	4,679	4,606
Computer equipment at cost	146,612	122,775	143,981	121,996
Accumulated depreciation	(99,464)	(82,971)	(99,400)	(82,471)
Impairment losses	(1,000)	-	-	-
	46,148	39,804	44,581	39,525
Motor vehicles at cost	4,427	4,185	4,427	4,150
Accumulated depreciation	(2,186)	(1,797)	(2,186)	(1,766)
	2,241	2,388	2,241	2,384
Work in progress at cost				
Computer Equipment	73,346	32,465	73,346	32,465
	150,609	101,247	148,868	100,797

Note The principal freehold land and building, including freehold improvements, are recorded at their 30 June 2005 valuation. ACC holds the premises as a capital asset for long term ownership, not as an investment property. The market valuation completed in June 2005 is $10.4 million ($9.5 million in June 2004). The valuations were completed by CB Richard Ellis Limited, an independent registered public valuer. The investment value approach was used as the basis of the valuation.

Impairment

The carrying amounts of all property, plant and equipment are reviewed on an ongoing basis. Any impairments in value are recognised immediately. An impairment loss of $1.0 million (2004 – $nil) was recognised as an expense in the Statement of Financial Performance.

No impairment losses were reversed during this or in the previous year.

16. RECEIVABLES

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Residual claims debtors (note i)	1,046	2,925	1,046	2,925
Less provision for doubtful debts	(1,046)	(2,925)	(1,046)	(2,925)
	-	-	-	-
Self Employed debtors (note i)	66,949	75,411	66,949	75,411
Less provision for doubtful debts	(25,812)	(24,466)	(25,812)	(24,466)
	41,137	50,945	41,137	50,945
Employers debtors (note i)	524,071	480,830	524,071	480,830
Less provision for doubtful debts	(22,359)	(29,065)	(22,359)	(29,065)
	501,712	451,765	501,712	451,765
Experience rating debtors	-	95	-	95
Less provision for doubtful debts	-	(95)	-	(95)
	-	-	-	-
Claimant debtors (note ii)	13,591	14,012	13,591	14,012
Less provision for doubtful debts	(13,270)	(13,503)	(13,270)	(13,503)
	321	509	321	509
PAYE receivable (note iii)	2,580	3,161	2,580	3,161
Less provision for doubtful debts	(430)	(430)	(430)	(430)
	2,150	2,731	2,150	2,731
Motor vehicle levy receivable (note iv)	51,762	52,529	51,762	52,529
Non-Earners' appropriation	16,444	-	16,444	-
Levies underpaid by Inland Revenue	43,500	-	43,500	-
Unsettled investment transactions	238,891	104,390	238,891	104,390
Interest receivable	167	-	167	-
Prepayments	2,832	2,722	2,830	2,722
Tax refund due	403	257	-	-
Intercompany receivables	-	-	351	616
Advances to subsidiaries	-	-	950	204
Sundry debtors	5,230	1,520	4,567	1,105
	904,549	667,368	904,782	667,516

Note (i) The changes in the provisions for doubtful debts for the levy debtors have been charged against levy income. Because of the amount involved, charging against operating costs may result in distortion of this cost. Levy debtors have been invoiced based on liable earnings data provided from Inland Revenue sources.

(ii) Claimant debt results when an overpayment has been recognised and is unable to be immediately repaid.

(iii) PAYE receivable represents PAYE on claimant payments subsequently reversed. In most cases this amount is collectable from Inland Revenue.

(iv) Motor vehicle levy receivable consists of the amount collected by Land Transport NZ from motor licencing due to ACC on the 1st of the following month and the amount collected by NZ Customs for the ACC levy portion of the excise duty on petrol.

In addition to the above there are levies outstanding from motor vehicle owners. Land Transport NZ, in its capacity as collecting agent for ACC from motor vehicle owners, estimates this to be approximately $38.0 million (2004 – $27.9 million). As ACC is not able to determine the collectability of these levies no accrual has been made.

17. PAYABLES AND ACCRUED LIABILITIES

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
Unsettled investment transactions	1,544,113	742,706	1,544,113	742,706
PAYE and earnings related deductions	7,902	8,807	7,873	8,797
Claims expenditure accrued and payable	190,249	25,704	190,249	25,704
Occupational safety and health	15,878	15,253	15,878	15,253
Sundry creditors	1,638	1,036	1,571	987
Levies overpaid by Inland Revenue	-	6,000	-	6,000
Intercompany payables	-	-	483	547
Goods and services tax	28,941	42,471	28,899	42,427
Experience rating creditors	-	1,615	-	1,615
Accrued employee entitlements	8,281	6,581	7,917	6,343
Other accrued expenditure	42,690	37,733	41,780	37,550
Advances from subsidiaries	-	-	171	356
Non-Earners' appropriation	-	10,212	-	10,212
Provision for backdated attendant care (refer to note 8a)	11,015	10,743	11,015	10,743
Provision for income tax	9	99	-	-
Provision for refund to early/later scheme employers (refer to note 8b)	-	657	-	657
	1,850,716	909,617	1,849,949	909,897

18. FINANCIAL INSTRUMENTS

A) INTEREST RATE MANAGEMENT

ACC invests its funds through 12 investment portfolios which at 30 June 2005 comprise a cash portfolio of $322.9 million (2004 – $229.0 million) and 11 reserves portfolios totalling $6,495.1 million (2004 – $5,308.6 million). The cash portfolio is used to meet liquidity requirements. The reserves portfolios' principal assets are bonds and equities. The interest rate exposures of the reserves and cash portfolios are managed primarily through asset allocation between asset class sub-portfolios and through selection of physical securities within asset class sub-portfolios. Derivative financial instruments may also be used to manage the interest rate exposures of the reserves and cash portfolios.

The Board has delegated the responsibility for the management of interest rate risk to the Investment Committee which has considered this risk relative to the interest rate exposures inherent in the claims liability of each funding account. The Investment Committee has set out investment guidelines for each of the fixed interest portfolios including the use of derivatives. The exposure of each of the fixed interest portfolios is measured by comparing the duration of each portfolio against the selected benchmark index duration.

The weighted average effective interest rates for all classes of investments are as follows:

	2005 %	2004 %
New Zealand deposits at call	6.80	5.75
New Zealand government securities	5.69	6.16
New Zealand discounted securities	6.98	6.08
Other New Zealand fixed interest securities	6.80	6.97
Overseas fixed interest securities	5.99	4.64

At balance date the principal or contract amounts of interest rate swaps outstanding were:

	GROUP AND PARENT	
	2005	2004
	$000	$000
Interest rate swaps	200,400	-

The estimated cash settlement inflow required for these instruments, based on market valuations at 30 June is:

	GROUP AND PARENT	
	2005	2004
	$000	$000
Interest rate swaps	2,929	-

B) CURRENCY RISK MANAGEMENT

Part of the reserves portfolio is invested in overseas fixed interest and equity markets, which total $1,957.9 million as at 30 June 2005 (2004 – $1,557.1 million). Forward currency agreements are used to create partial economic hedges for the foreign currency exposure.

The Investment Committee has delegated the responsibility for the currency management to the Investment Unit which measures foreign currency exposure of each reserves portfolio. The Investment Committee has set out investment guidelines on the treatment of currency risk. During the year an average of 39% of the overseas currency exposure was hedged to New Zealand dollars.

The notional principal or contract amounts outstanding at 30 June are as follows:

	GROUP AND PARENT	
	2005	2004
	$000	$000
Forward exchange contracts	644,075	728,698

The estimated cash settlement (outflow)/inflow required for these instruments, based on market valuations at 30 June is:

	GROUP AND PARENT	
	2005	2004
	$000	$000
Forward exchange contracts	(5,822)	2,550

C) REPRICING ANALYSIS

The following table identifies the products in which financial instruments that are subject to interest rate risk re-price. The effective interest rate incorporates the effect of the relevant derivative contracts.

	EFFECTIVE INTEREST RATE	TOTAL $000	LESS THAN 1 YEAR $000	BETWEEN 1-2 YEARS $000	BETWEEN 2-5 YEARS $000	GREATER THAN 5 YEARS $000
2005 Group and Parent						
Assets						
Investments						
New Zealand government securities	5.42%	2,136,199	-	-	2,683	2,133,516
New Zealand deposits at call	6.80%	1,695,198	1,695,198	-	-	-
New Zealand discounted securities	6.98%	344,339	344,339	-	-	-
Other New Zealand fixed interest securities	6.80%	979,910	251,623	12,228	214,229	501,830
Overseas fixed interest securities	3.67%	140,934	135,158	-	2,956	2,820
		5,296,580	2,426,318	12,228	219,868	2,638,166
2004 Group and Parent						
Assets						
Investments						
New Zealand government securities	6.16%	1,899,574	-	-	-	1,899,574
New Zealand deposits at call	5.75%	806,395	806,395	-	-	-
New Zealand discounted securities	6.08%	409,309	409,309	-	-	-
Other New Zealand fixed interest securities	6.97%	588,226	15,325	2,564	172,360	397,977
Overseas fixed interest securities	4.64%	141,074	112,077	3,957	4,376	20,664
		3,844,578	1,343,106	6,521	176,736	2,318,215

D) CREDIT RISK

To the extent ACC has a receivable from another party there is a credit risk in the event of non-performance by that counterparty. Financial instruments which potentially subject ACC to credit risk principally consist of bank balances, receivables, investments in government securities, foreign currency forward exchange contracts, swaps, options and forward rate agreements.

The investment committee has approved a list of selected counterparties and assigned investment limits based on credit ratings assigned to issuers by Standard and Poors. Credit risk exposure is monitored on a continuous basis and ACC does not anticipate non-performance by the counterparties.

Significant concentrations of credit risk are held in the following:

	GROUP 2005 $000	GROUP 2004 $000	PARENT 2005 $000	PARENT 2004 $000
1. Bank balances	13,889	16,279	13,169	16,051
2. Receivables	890,703	721,155	891,387	721,625
3. New Zealand government securities	2,136,199	1,899,574	2,136,199	1,899,574
4. Major New Zealand financial institutions in call deposits, negotiable certificates of deposits and bonds maturing:				
– in less than three months	1,748,479	890,993	1,748,479	890,993
– in more than three months	102,315	108,102	102,315	108,102

The highest amount with one institution is $336.2 million (2004 – $290.5 million).

All investments are marked to market; fair value is equal to carrying value.

E) EQUITY MARKET DERIVATIVES

There were no equity market derivatives held at 30 June 2005 or 2004.

F) FAIR VALUES

The following methods and assumptions were used to estimate the fair value of each class of financial instrument.

Bank Balances, Receivables, Payables

The carrying value of these items are equivalent to their fair value.

Investments

The fair value of the investments are equivalent to their carrying value.

Derivatives

The fair value of the derivatives are equivalent to their carrying value.

19. CREDIT RATING

In terms of the Insurance Companies (Ratings and Inspection) Act 1994, ACC undergoes a financial strength rating. The rating review is performed annually by A M Best Company, Inc. As at the date of this report the rating assigned to ACC was “A+ (Superior)”. This rating represents “very strong” financial security.

20. SEGMENTAL REPORTING

ACC operates in New Zealand and predominantly in one industry, that being insurance-based accident rehabilitation and compensation.

21. RELATED PARTY TRANSACTIONS

ACC as a Crown Entity enters into a number of transactions with other government departments, crown agencies and state-owned enterprises on an arm’s-length basis where those parties are acting in the course of their normal dealing with ACC. Because these transactions are entered into on an arm’s-length basis they are not considered to be related party transactions.

All transactions between ACC and the companies within the group are conducted on an arm’s-length basis.

During the year ACC purchased services from the group companies totalling $5.0 million (2004 – $6.9 million). The amount outstanding at balance date was $0.5 million (2004 – $0.5 million). Sales to the group companies by ACC for its services totalled $1.0 million (2004 – $1.3 million). The amount outstanding at balance date was $0.4 million (2004 – $0.6 million).

ACC provided additional advances to its group companies during the year. The amount outstanding at balance date was $0.8 million (2004 – $0.4 million).

Trade amounts owing between related parties are payable under normal commercial terms. No related party debts have been written off or forgiven during the year.

22. ASSET REVALUATION RESERVES

	GROUP AND PARENT	
	2005	2004
	$000	$000
Land Revaluation Reserve		
Balance at the beginning of the year	948	44
Revaluation increase	1,137	904
Balance at the end of the year	2,085	948
Building Revaluation Reserve		
Balance at the beginning of the year	-	-
Revaluation increase	536	-
Balance at the end of the year	536	-
	2,621	948

23. REINSURANCE

ACC has no catastrophe reinsurance as the cost to fully place the cover is assessed as not in line with the risk. Catastrophe reinsurance will be reconsidered if and when this can be achieved at a reasonable cost.

24. CLAIMS LIABILITY

Future expenditure commitments exist in respect of:

1. Claims notified and accepted in the current and previous years, but which will not be fully met until future years.

2. Claims incurred but not notified to, or accepted by, ACC at balance date.

An independent actuarial estimate by PricewaterhouseCoopers Actuarial Pty Ltd, consulting actuaries of Sydney, led by Chris Latham, has been made of the future expenditure relating to accidents which occurred prior to balance date, whether or not the claims have been reported to or accepted by ACC. Chris Latham is a Fellow of the Institute of Actuaries of Australia, Fellow of the New Zealand Society of Actuaries and Fellow of the Institute of Actuaries (London).

The actuarial estimate has been made based on actual experience to 30 June 2005 for non-fatal income maintenance and actual experience to 31 March 2005 for all other payment types. The calculation of the outstanding claims liability has been made in accordance with the standards of the New Zealand Society of Actuaries and Financial Reporting Standard 35.

In determining the actuarial estimate, the independent actuaries have relied upon information supplied by ACC. As there is overall satisfaction as to the nature, sufficiency and accuracy of the information provided, no independent verification was required. However, a review of reasonableness and consistency of the data was undertaken where possible. This review did not identify any material inconsistencies or deficiencies in the data.

The following table shows the actuarial estimate of the present value of the claims liability that will be payable in future years.
The actual outcome is likely to range about this estimate and, like any such forecast, is subject to uncertainty.

The main long term assumptions used in the above estimates for discounting to present values are:

	2005 YEAR 1	%PA YEARS 2+	2004 % PA
1) Interest rate for discounting (weighted average rate of government stock)	5.75%	5.75%	6.50%
2) Inflation rates:			
– weekly compensation	2.5%	2.3%	2.2%
– impairment benefits	2.8%	2.2%	1.6%
– rehabilitation and other benefits (a)	2.5%	2.3%	2.2%
– medical costs (b)	2.5%	2.3%	2.2%
3) Allowance for claims handling expenses (as a proportion of liabilities) (c)	n/a	n/a	5.0%

(a) Social rehabilitation for serious injury claims (which represents around 50% of rehabilitation liability) has an allowance for superimposed inflation of 5.0% pa over the next five years. Non-serious injury social rehabilitation also includes an allowance for superimposed inflation which is 7.5% initially and reduces to 1.5% over four years. Hospital rehabilitation costs include an allowance for superimposed inflation of 5.0% for three years.

(b) Long-term medical cost inflation (2005) now includes an explicit allowance for superimposed inflation of 2.5% per annum.

(c) The claims handling expense allowance is now calculated as an explicit amount rather than as a proportion of the claims liability.

Superimposed inflation is the increase in the cost of claims that is above general inflation. This is due to other influencing factors such as new medical treatment being available.

CLAIMS LIABILITY AS AT 30 JUNE 2005 (DISCOUNTED)

	30 JUNE 2005 TOTAL $million	RESIDUAL CLAIMS ACCOUNT $million	MOTOR VEHICLE ACCOUNT $million	NON-EARNERS' ACCOUNT $million	EARNERS' ACCOUNT $million	EMPLOYERS' ACCOUNT $million	MEDICAL MIS-ADVENTURE ACCOUNT $million	SELF-EMPLOYED WORK ACCOUNT $million	30 JUNE 2004 TOTAL $million
Rehabilitation									
Medical treatment	705	172	95	157	171	67	24	19	466
Miscellaneous	4,997	724	1,736	1,244	624	222	377	70	3,908
	5,702	896	1,831	1,401	795	289	401	89	4,374
Compensation									
Income maintenance	4,268	1,366	1,100	132	903	475	167	125	3,956
Impairment benefits	633	68	123	255	106	34	40	7	541
	4,901	1,434	1,223	387	1,009	509	207	132	4,497
Present value of the claims liability	10,603	2,330	3,054	1,788	1,804	798	608	221	8,871
Present value of the operating costs of meeting these claims	763	214	181	67	147	94	36	24	443
Bulk billed costs	18	-	2	11	3	2	-	-	33
Total present value of the claims liability	11,384	2,544	3,237	1,866	1,954	894	644	245	9,347
As at beginning of year	9,347	2,371	2,588	1,464	1,563	697	465	199	9,155
Transfer from Other Insurers	-	-	-	-	-	-	-	-	22
Movement during the year	2,037	173	649	402	391	197	179	46	170

MATURITY PROFILE AS AT 30 JUNE 2005[1]

	30 JUNE 2005 TOTAL $million	RESIDUAL CLAIMS ACCOUNT $million	MOTOR VEHICLE ACCOUNT $million	NON-EARNERS' ACCOUNT $million	EARNERS' ACCOUNT $million	EMPLOYERS' ACCOUNT $million	MEDICAL MIS-ADVENTURE ACCOUNT $million	SELF-EMPLOYED WORK ACCOUNT $million	30 JUNE 2004 TOTAL $million
Within one year	1,341	270	264	192	336	181	48	50	1,160
Later than one year but not later than two years	947	239	225	120	195	101	39	28	840
Later than two years but not later than five years	2,192	574	559	289	399	211	103	57	1,871
Later than five years but not later than ten years	2,457	626	689	361	405	197	126	53	2,034
Later than ten years	4,447	835	1,500	904	619	204	328	57	3,442
Total present value of the claims liability	11,384	2,544	3,237	1,866	1,954	894	644	245	9,347

[1] Includes claims handling expenses.

ANALYSIS OF CHANGES

	30 JUNE 2005 TOTAL $million	RESIDUAL CLAIMS ACCOUNT $million	MOTOR VEHICLE ACCOUNT $million	NON-EARNERS' ACCOUNT $million	EARNERS' ACCOUNT $million	EMPLOYERS' ACCOUNT $million	MEDICAL MIS-ADVENTURE ACCOUNT $million	SELF-EMPLOYED WORK ACCOUNT $million	30 JUNE 2004 TOTAL $million
Opening gross liability	23,251	4,614	7,147	4,899	3,284	1,219	1,720	368	17,499
Payments in respect of prior years	(1,253)	(285)	(262)	(189)	(295)	(136)	(45)	(41)	(1,161)
Change in prior year estimates*	2,041	373	843	478	158	(139)	371	(43)	4,709
Current year claims**	2,397	-	503	377	733	452	207	125	2,204
Closing gross liability	26,436	4,702	8,231	5,565	3,880	1,396	2,253	409	23,251
Discounted at 2004 interest rate***	10,585	2,397	2,978	1,704	1,841	848	583	234	10,309
Effect of change in interest rates	799	147	259	162	113	46	61	11	(962)
Closing discounted liability	11,384	2,544	3,237	1,866	1,954	894	644	245	9,347

* Changes to the estimated value of future payments to reflect the experience of the scheme in 2004-2005 for accidents incurred prior to July 2004. These estimates have changed due to experience being worse than expected. The change is not as great as it was last year as the valuation methodology has not changed substantially.

** Estimated value of future payments for accidents incurred between July 2004 and June 2005.

*** The actuarial estimate is calculated by discounting the expected future payments to their present value. A 'fully funded' scheme would hold assets equal to the discounted liability value.

25. CASH FLOWS

Reconciliation of net cash inflow from operating activities with the reported net surplus/(deficit)

	GROUP ACTUAL 2005 $000	GROUP BUDGET 2005 $000	GROUP ACTUAL 2004 $000	PARENT ACTUAL 2005 $000	PARENT BUDGET 2005 $000	PARENT ACTUAL 2004 $000
Net surplus/(deficit) after taxation	(793,884)	100,862	875,920	(792,838)	100,222	876,075
Add/(less) items classified as investing activities						
(Gain)/loss on sale of fixed assets	894	-	38	857	-	(12)
Realised (gains)/loss on sale of investments	(258,917)	(50,000)	8,522	(258,917)	(50,000)	8,522
Add/(less) non-cash items						
Depreciation	24,212	30,110	25,085	23,489	29,737	24,841
Offshore income re-invested	28,917	10,000	(126,764)	28,917	10,000	(126,764)
Increase/(decrease) in backdated attendant care provision	2,292	-	(2,162)	2,292	-	(2,162)
Levy debts written off	8,403	-	14,929	8,403	-	14,929
(Decrease)/increase in doubtful debts for levy debtors	(7,239)	-	(23,864)	(7,239)	-	(23,864)
(Decrease) in provision for refund to early/later scheme employers	-	-	(4,978)	-	-	(4,978)
Property, plant and equipment writeoffs	1,379	-	83	1,363	-	83
Impairment loss	1,000	-	-	-	-	-
Amortisation of intangible assets	132	-	-	-	-	-
Movement in deferred tax	(243)	-	(16)	-	-	-
Adjustment to claims liability	2,036,887	598,412	169,903	2,036,887	598,412	169,903
Add/(less) movements in working capital items						
In accounts receivable	(110,500)	226,101	29,376	(110,547)	226,163	29,023
In accounts payable and accrued liabilities	139,610	30,568	13,756	138,620	29,604	14,477
In levies received in advance	20,591	(199,902)	32,698	20,591	(199,902)	32,698
Add/(less) net adjustments to investments for market values and accrued income	(263,874)	(141,998)	(149,834)	(263,874)	(141,998)	(149,834)
Net cash inflow/(outflow) from operating activities	829,660	604,153	862,692	828,004	602,238	862,937

26. IMPACT OF ADOPTING NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

ACC has commenced its work to transition accounting policies and financial reporting from current New Zealand standards to New Zealand equivalents of International Financial Reporting Standards (NZ IFRS).

In August 2003, the New Zealand government announced that NZ IFRS would be implemented on the Crown's financial statements for the year ended 30 June 2008. ACC has not yet determined whether to adopt earlier. The decision on the appropriate date to adopt will not be made until the full assessment has been completed, in particular the standard relating to *Insurance Contracts* as this may raise significant issues for ACC.

A steering committee has been established to oversee the transition and make necessary decisions. This is led by the Chief Financial Officer who will report to the Audit Committee on progress and strategic issues for ACC. ACC has used internal resources and engaged external consultants to perform diagnostics and conduct impact assessments on key areas that will be impacted by the transition to NZ IFRS. As a result, ACC has graded impact areas as either high, medium or low and will address each of these areas in order of priority according to the gradings.

It should be noted that under NZ IFRS, there are requirements that apply specifically to public benefit entities that differ from IFRS requirements. ACC considers itself a public benefit entity. Where appropriate, ACC will apply those paragraphs in NZ IFRS applicable to public benefit entities.

The opening NZ IFRS balance sheet is the priority as it forms the basis of accounting under NZ IFRS in the future and is required for the preparation of ACC's first fully compliant financial statements. This opening balance sheet will incorporate the choice of accounting policies available, including elective exemptions under NZ IFRS 1: *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

Set out below are the key areas where accounting policies may change and have an impact on the financial report of ACC. At this stage ACC has not been able to reliably quantify the impacts on the financial report. It should also be noted that further changes could arise from potential amendments to NZ IFRS and interpretations issued by standard setters. Therefore the actual impact of adopting NZ IFRS may vary from the information presented, which may be material.

Claims liability

The IFRS on the recognition and measurement of insurance contracts is currently being developed by the IASB as part of Phase II of its insurance project. A final standard is only expected by 2008. Until such time NZ IFRS 4: *Insurance Contracts* is applicable.

NZ IFRS 4 requires an appropriate risk margin to be factored into the claims liability to give a 'best estimate'. Currently, ACC's claims liability is based on the concept of a 'central estimate of liability' which implies no risk margin. The inclusion of a risk margin will increase the claims liability.

However, ACC already provides for a 15% prudential margin in selling prices. Consideration may be given to eliminating this margin if the liability estimate already includes a similar margin. This will need to be evaluated and reviewed.

In addition, assessment needs to be made whether any risk margin is required at all. As levy payers are currently bound by law to pay the appropriate levies to ACC, any shortfall in any year would be able to be made up in following years.

Financial instruments

The majority of investments currently held by ACC are valued at market value with changes in value recognised in the Statement of Financial Performance. ACC has also entered into derivative contracts for risk management purposes. Assets and liabilities arising from these contracts are also recognised and are valued at market value with changes in value recognised in the Statement of Financial Performance.

Currently investments are recorded at fair value by reference to the last sale price or yield. Listed shares in which ACC holds more than 5% of the issued capital have a liquidity discount applied to them. For non-listed investments, market value is determined using cost adjusted for performance of the business since initial recognition.

Under NZ IFRS, the appropriate market price for ACC's investments will be the bid price or bid yield as opposed to the last sale price or yield. The application of the liquidity discount will no longer be allowed as the shares will need to be measured at fair value. For non-listed investments, valuation techniques as outlined in NZ IAS 39: *Financial Instruments: Recognition and Measurement* will be applied where fair value information cannot be obtained from market information.

Transaction costs will need to be expensed on initial recognition of the financial instrument which are currently capitalised by ACC. The current treatment of including the transaction costs within the purchase price and subsequently taking any changes in fair value to the Statement of Financial Performance means that this will have minimal impact to the surplus or deficit.

Intangible assets

NZ IAS 38: *Intangible Assets* requires that assets which do not have a physical substance be reported as intangibles. Internally generated computer software, currently reported as property, plant and equipment, will be reported as intangible assets.

ACC has a significant amount of these assets which will be subject to an annual impairment assessment.

STATEMENT OF RESPONSIBILITY

(PURSUANT TO SECTION 42 OF THE PUBLIC FINANCE ACT 1989)

We acknowledge responsibility for the preparation of these financial statements and for the judgements used therein.

We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of ACC's financial and non-financial reporting.

In our opinion, these financial statements fairly reflect the financial position and operations of ACC for the year ended 30 June 2005.

David Collins
Chairman
Date: 2 September 2005

Garry Wilson
Chief Executive
Date: 2 September 2005

TO THE READERS OF ACCIDENT COMPENSATION CORPORATION AND GROUP'S FINANCIAL STATEMENTS

The Auditor-General is the auditor of The Accident Compensation Corporation & Group (the 'Corporation'). The Auditor-General has appointed me, B R Penrose, using the staff and resources of Ernst & Young, to carry out the audit of the financial statements of the Corporation, on his behalf, for the year ended 30 June 2005.

UNQUALIFIED OPINION

In our opinion the financial statements of the Corporation on pages 59 to 74 and 85 to 122:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Corporation's financial position as at 30 June 2005;
  - the results of its operations and cash flows for the year ended on that date; and
  - its service performance achievements measured against the performance targets adopted for the year ended on that date.

The audit was completed on 2 September 2005, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Board and the Auditor, and explain our independence.

BASIS OF OPINION

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Board;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

RESPONSIBILITIES OF THE BOARD AND THE AUDITOR

The Board is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Corporation as at 30 June 2005. They must also fairly reflect the results of its operations and cash flows and service performance achievements for the year ended on that date. The Board's responsibilities arise from the Public Finance Act 1989 and the Injury Prevention, Rehabilitation and Compensation Act 2001.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 43(1) of the Public Finance Act 1989.

INDEPENDENCE

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out assignments in the area of compliance with tax legislation, which is compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Corporation.

B R Penrose
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand

REMUNERATION OF EMPLOYEES

The number of employees whose income was within specified bands is as follows:

	Group 2005	Group 2004
$100,000 – $110,000	37	33
$110,000 – $120,000	18	17
$120,000 – $130,000	22	23
$130,000 – $140,000	10	13
$140,000 – $150,000	4	4
$150,000 – $160,000	3	4
$160,000 – $170,000	7	1
$170,000 – $180,000	4	8
$180,000 – $190,000	5	1
$190,000 – $200,000	3	1
$200,000 – $210,000	2	2
$210,000 – $220,000	2	1
$220,000 – $230,000	1	1
$230,000 – $240,000	-	-
$240,000 – $250,000	1	2
$250,000 – $260,000	-	-
$260,000 – $270,000	-	2
$270,000 – $280,000	2	-
$280,000 – $290,000	1	-
$290,000 – $300,000	-	2
$300,000 – $310,000	2	1
$310,000 – $320,000	3	2
$320,000 – $330,000	-	-
$350,000 – $360,000	1	-
$430,000 – $440,000	-	-
$450,000 – $460,000	-	-
$460,000 – $470,000	-	-
$470,000 – $480,000	-	-
$480,000 – $490,000	-	-
$490,000 – $500,000	-	1
$590,000 – $600,000	1	-
	129	119
Average income of above employees	$147,914	$143,344

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
COMBINED					
Total income	3,512,541	3,144,882	3,012,360	2,455,020	2,195,261
Total expenditure	2,268,492	2,098,904	1,977,120	1,852,391	1,742,251
Adjustment to claims liability	2,036,887	169,903	1,650,519	359,474	765,642
Surplus/(deficit)	(792,838)	876,075	(615,279)	243,155	(312,632)
Opening Account reserves (deficit)	(3,374,567)	(4,251,546)	(3,636,300)	(3,879,455)	(3,566,280)
Amalgamation of the Non-Compliers Fund	-	-	33	-	-
Increase/(decrease) in revaluation reserve	1,673	904	-	-	(543)
Closing Account reserves (deficit)	(4,165,732)	(3,374,567)	(4,251,546)	(3,636,300)	(3,879,455)
RESIDUAL CLAIMS ACCOUNT					
Total income	290,606	284,703	298,912	356,760	280,606
Total expenditure	293,146	333,381	350,675	394,025	472,589
Adjustment to claims liability	172,705	(78,535)	112,432	(201,364)	(95,125)
Surplus/(deficit)	(175,245)	29,857	(164,195)	164,099	(96,858)
Opening Account reserve (deficit)	(1,413,250)	(1,443,107)	(1,278,912)	(1,443,011)	(1,346,153)
Closing Account reserve (deficit)	(1,588,495)	(1,413,250)	(1,443,107)	(1,278,912)	(1,443,011)
MOTOR VEHICLE ACCOUNT					
Total income	755,601	662,950	494,636	387,421	417,067
Total expenditure	359,207	342,694	334,242	312,591	297,435
Adjustment to claims liability	649,239	100,641	500,274	241,291	188,148
Surplus/(deficit)	(252,845)	219,615	(339,880)	(166,461)	(68,516)
Opening Account reserve (deficit)	(1,556,934)	(1,776,549)	(1,436,669)	(1,270,208)	(1,201,692)
Closing Account reserve (deficit)	(1,809,779)	(1,556,934)	(1,776,549)	(1,436,669)	(1,270,208)
NON-EARNERS' ACCOUNT					
Total income	618,734	620,636	637,456	577,141	374,155
Total expenditure	535,499	470,254	459,975	418,045	363,985
Adjustment to claims liability	402,650	(13,622)	344,692	14,891	163,833
Surplus/(deficit)	(319,415)	164,004	(167,211)	144,205	(153,663)
Opening Account reserve (deficit)	(958,203)	(1,122,207)	(954,996)	(1,099,201)	(945,538)
Closing Account reserve (deficit)	(1,277,618)	(958,203)	(1,122,207)	(954,996)	(1,099,201)

This Account was established, with effect from 1 April 1992, by the Accident Rehabilitation and Compensation Insurance Act 1992.

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
EARNERS' ACCOUNT					
Total income	1,002,976	830,580	870,579	617,486	575,112
Total expenditure	628,686	559,555	501,125	460,809	413,489
Adjustment to claims liability	391,627	2,068	316,824	96,068	156,581
Surplus/(deficit)	(17,337)	268,957	52,630	60,609	5,042
Opening Account reserve (deficit)	449,723	180,766	128,136	67,527	62,485
Closing Account reserve (deficit)	432,386	449,723	180,766	128,136	67,527

This Account was established, with effect from 1 April 1992, by the Accident Rehabilitation and Compensation Insurance Act 1992.

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
SELF-EMPLOYED WORK ACCOUNT					
Total income	117,856	114,524	131,070	91,625	81,187
Total expenditure	86,911	82,218	75,183	63,679	49,604
Adjustment to claims liability	45,693	16,299	51,229	43,653	47,346
Surplus/(deficit)	(14,748)	16,007	4,658	(15,707)	(15,763)
Opening Account reserve	14,870	(1,137)	(5,795)	9,912	25,675
Closing Account reserve	122	14,870	(1,137)	(5,795)	9,912

This Account was established, with effect from 1 July 1999, by the Accident Insurance Act 1998.

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
EMPLOYERS' ACCOUNT					
Total income	603,155	540,782	461,302	387,583	376,854
Total expenditure	316,410	271,600	224,575	173,755	117,101
Adjustment to claims liability	196,413	60,343	243,452	171,980	182,836
Surplus/(deficit)	90,332	208,839	(6,725)	41,848	76,917
Opening Account reserve (deficit)	317,218	108,379	115,071	73,223	(3,694)
Amalgamation of the Non-Compliers Fund	-	-	33	-	-
Closing Account reserve (deficit)	407,550	317,218	108,379	115,071	73,223

This Account was established, with effect from 1 April 2000, by the Accident Insurance Amendment Act 2000.

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
MEDICAL MISADVENTURE ACCOUNT					
Total income	123,613	90,707	118,405	37,004	90,280
Total expenditure	48,633	39,202	31,345	29,487	28,048
Adjustment to claims liability	178,560	82,709	81,616	(7,045)	122,023
Surplus/(deficit)	(103,580)	(31,204)	5,444	14,562	(59,791)
Opening Account reserve (deficit)	(228,939)	(197,735)	(203,179)	(217,741)	(157,950)
Closing Account reserve (deficit)	(332,519)	(228,939)	(197,735)	(203,179)	(217,741)

This Account was established, with effect from 1 April 1992, by the Accident Rehabilitation and Compensation Insurance Act 1992. No expenditure was attributed to the Account until the year ended 30 June 1994.

COMPARATIVE STATEMENT OF FINANCIAL POSITION (PARENT) *AS AT 30 JUNE*

	2005 $000	2004 $000	2003 $000	2002 $000	2001 $000
ACCOUNT RESERVES					
Residual Claims Account	(1,588,495)	(1,413,250)	(1,443,107)	(1,278,912)	(1,443,011)
Motor Vehicle Account	(1,809,779)	(1,556,934)	(1,776,549)	(1,436,669)	(1,270,208)
Non-Earners' Account	(1,277,618)	(958,203)	(1,122,207)	(954,996)	(1,099,201)
Earners' Account	432,386	449,723	180,766	128,136	67,527
Self-Employed Work Account	122	14,870	(1,137)	(5,795)	9,912
Employers' Account	407,550	317,218	108,379	115,071	73,223
Medical Misadventure Account	(332,519)	(228,939)	(197,735)	(203,179)	(217,741)
Total Account reserves	(4,168,353)	(3,375,515)	(4,251,590)	(3,636,344)	(3,879,499)
Revaluation reserve	2,621	948	44	44	44
Total reserves (deficit)	(4,165,732)	(3,374,567)	(4,251,546)	(3,636,300)	(3,879,455)
Represented by:					
Assets					
Bank balances	13,169	16,051	24,444	14,873	12,361
Receivables	904,782	667,516	627,145	107,626	109,866
Accrued levy income	242,062	266,926	283,525	439,027	157,948
Investments	8,123,010	6,175,958	4,922,780	3,628,035	3,417,450
Investment in subsidiaries	3,450	1,450	1,100	1,100	1,100
Property, plant and equipment	148,868	100,797	87,327	91,330	82,191
Total assets	9,435,341	7,228,698	5,946,321	4,281,991	3,780,916
Less liabilities					
Levy received in advance	366,767	346,176	313,478	121,929	89,915
Payables and accrued liabilities	1,849,949	909,897	729,582	295,746	429,314
Claims liability	11,384,357	9,347,192	9,154,807	7,500,616	7,141,142
Total liabilities	13,601,073	10,603,265	10,197,867	7,918,291	7,660,371
Net assets/(liabilities)	(4,165,732)	(3,374,567)	(4,251,546)	(3,636,300)	(3,879,455)

Website: www.acc.co.nz

INJURY PREVENTION AND THINKSAFE

0800 THINKSAFE
(0800 844 657)

EMPLOYER LEVIES

0800 222 776
xxxxxxxx@xxx.xx.xx
Freefax: 0800 222 003

SELF-EMPLOYED LEVIES AND COVER

0508 4COVER (0508 426 837)
xxxxxxxx@xxx.xx.xx
Freefax: 0800 222 003

FOR AGENTS' AND FINANCIAL ADVISORS' QUERIES

0800 222 991
Freefax: 0800 222 003

FOR MAKING A CLAIM AND REQUESTING HELP

0800 101 996
xxxxxx@xxx.xx.xx

FOR SEXUAL ABUSE (SENSITIVE) CLAIMS

0800 735 566
Fax: (04) 918 7577

FOR TREATMENT INJURY CLAIMS

(previously called medical misadventure)
0800 735 566
Fax: (04) 918 7672

PREVENTING FRAUD

0800 372 830

ACC HEAD OFFICE

(04) 918 7700
Fax: (04) 918 7580
xxxxxxxxxxx@xxx.xx.xx

THE OFFICE OF THE COMPLAINTS INVESTIGATOR

0800 650 222
xxxxxxxxxx@xxx.xx.xx
Fax: (04) 918 7580

PREVENTION. CARE. RECOVERY.

Te Kaporeihana Āwhina Hunga Whara

thinksafe

ACC2249 ISBN 0-478-27962-0

PRINTED ON PAPER MANUFACTURED IN AN ELEMENTAL CHLORINE FREE (ECF) PROCESS USING 20% RECYCLED PAPER DIVERTED FROM LANDFILL.