Peoplecare Health Limited

ABN 95 087 648 753

Annual Report - 30 June 2023

Peoplecare Health Limited
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A message from the Chairman

The 2022/23 financial year has been another successful year for Peoplecare albeit with the ongoing challenges of affordability due to the ever present and increasing cost of living pressures. Although we believe the impact of COVID-19 is waning, it is prudent for Peoplecare to invest our capital reserves wisely to ensure the returns are significant with minimal risk and in the best interests of our members.

Before we look at the last 12 months, I would like to acknowledge and thank Dr Melinda Williams for her commitment and contribution over her five-year tenure. Dr Mel navigated a path through the COVID-19 pandemic and helped Peoplecare, our employees and, most importantly, our members through a truly traumatic period. Although Dr Mel will be missed, we have been most fortunate in securing Ms Louise Leaver as our new CEO. Louise is no stranger to the private health insurance industry with several years' experience in the legal profession for Medibank and AHM but also as a Director of Peoplecare for the last seven years. Louise will further strengthen our Executive team and continue the strong leadership for Peoplecare which we have enjoyed for the past 40 years.

Over the past two to three years, Peoplecare has made significant investments to minimise the financial impact of COVID-19 to the organisation and Peoplecare members. Peoplecare deferred the increase in premiums in 2020 and 2022 which provided a benefit to members of over $5.3 million and offered additional benefits for COVID-19 related expenses totalling a further $60,000.

There is no doubt the claims experience of members has been lower during and since COVID-19. Peoplecare has made the commitment that we would not hold surpluses because of the pandemic and accordingly returned to members a cash payment of $5.4 million and $9 million in 2022 totalling $14.4 million. We believe claims experience will return to pre-pandemic levels over the medium term. The Board has approved the unwind of our deferred claims liability provision in the 2023 financial year allowing Peoplecare to make a further and final total giveback to members of $22 million which will be paid over the coming months.

Peoplecare introduced two new products to our hospital portfolio this year being Silver Plus Grow Hospital and Bronze Plus Hospital. These new products are designed to offer a wider choice to our current and prospective members providing the most appropriate cover for their needs. In April 2023, we also made adjustments to our product pricing to achieve our targeted position in the market and by doing so had our lowest premium increase for members in 22 years.

Our philosophy of "Personal is Best" is an ongoing commitment to our members as is our focus on customer service for our Peoplecarers. As a result of these member-focused principles, our Peoplecarers have achieved our highest member satisfaction index result this year since 2012. I would personally like to commend and thank our people for their support and commitment to our members over the past 12 months.

This year, Peoplecare has introduced a mobile-friendly Online Member Services platform, providing the same excellent member experience that our members already experience on the mobile app.

In March 2023, you may have noticed Peoplecare's new advertising campaign highlighting our logo and branding refresh. It is important we remain current in today's competitive environment, and we believe these changes will further enhance our position in the market.

Peoplecare Eyes & Teeth (PET) continue to serve our Illawarra-based members well providing more than $380,000 in discounts for our members over the past twelve months. We are also proud of our PET team receiving 98% compliance rating from its external infection control audit conducted by Prime Practice. It should be noted the national average score for this type of audit is 70% so a compliance result of 98% is an outstanding achievement.

Peoplecare has continued to focus on, and improve, our risk management framework, our organisational culture, systems capability, regulatory engagement, project management and cyber security maturity. All of this would not be achieved without the support and engagement of our people and for this, I remain grateful.

The financial performance of Peoplecare is detailed in the pages that follow but I am pleased to advise that we have again achieved a positive result due to the diligence and investment management by our Finance and Executive teams. Our regulator (APRA) is introducing new capital management standards over the next 12 months and Peoplecare will remain in a strong financial position.

It has been my pleasure and a privilege to serve on the Board of Peoplecare for the last nine years and as Chair for the past six years. My time with Peoplecare will come to an end at the Annual General Meeting in November this year as part of our commitment to ensure we have a relevant and refreshed Board. Michael Oertel has been appointed as the incoming Chair and will assume that role at the completion of the AGM.

In closing, I would like to acknowledge and thank my fellow Directors for their continued support and assistance over the last 12 months and during my tenure as Chair over the last six years. Further, I would like to thank the Executive team and all Peoplecarers for their commitment and efforts over the last 12 months and wish the organisation continued success in the future.

Glenn Lennell GAICD
Chairman Peoplecare Board
20 September 2023
Wollongong

A message from the CEO

I would like to begin by thanking Dr Melinda Williams and congratulate her on her retirement after five successful years as Peoplecare CEO. I also extend that thanks and appreciation to Board Chair Glenn Lennell who will retire at this year's Annual General Meeting after nine years on the Board, including six years in the role of Chair. Both individuals have done an exceptional job leading Peoplecare through a pandemic and industry change.

It is from their efforts and the dedication of our Peoplecarers that we remain in a strong, stable financial position this financial year while continuing to implement initiatives to benefit our members.

Most notably, Peoplecare continued its COVID-19 commitment to return claims savings to members, with members receiving their share of $9 million in November 2022 and a further $8 million in September 2023.

In addition, we introduced two new hospital covers to ensure that we have cover options for members that are suitable for each stage of life. Members were upgraded from our closed Bronze Hospital to the new Bronze Plus Hospital cover at no additional charge earlier this year.

These initiatives align to our three key strategic priorities for the next year already underway. Firstly, we are focused on growing our membership sustainably. We continue to review our pricing to ensure we offer competitive premiums across our product range and we have coupled this with a brand refresh, advertising and a renewed approach to sales.

Our second priority is to maintain our strong compliance reputation and to ensure our cyber security measures safeguard our members' data in an increasingly challenging threat environment. We recently implemented multi-factor authentication for our digital member services as part of our ongoing commitment to uplift our cyber security maturity in the face of rapid change.

Our third key priority is to strengthen our organisational culture, ensuring that our talented Peoplecarers are aligned with our performance priorities, while continuing to do what we do best – keeping our members at the centre of all that we do. We actively monitor staff engagement, make improvements based on their feedback and prioritise the well-being of our Peoplecarers.

To close, I would like to thank our dedicated Peoplecarers and Board for their exceptional efforts over the past year and their focus on serving our members.

Most importantly, I want to take the opportunity to thank our members for trusting us with their health insurance. Our ethos will not change. As a not-for-profit health fund, your health and well-being are at the centre of all that we do now and into the future.

Louise Leaver LLB (Hons), BSc (Psyc), GAICD
Chief Executive Officer *(Appointed 27 March 2023)*
20 September 2023
Wollongong

Peoplecare Health Limited
Directors' report
30 June 2023

The Directors present their report, together with the financial statements, on the Company for the year ended 30 June 2023.

Directors

The following persons were Directors of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Glenn Lennell
Peter Fitzgerald
Stephannie Jonovska
Louise Leaver (Resigned 26 March 2023)
Michael Oertel
Sue Baker-Finch
Abhishek Verma

Mission and Objectives

The Company is a mission based organisation with clear objectives and key results:

Mission 1: Health Cover Matters

We achieve sustainable growth through a differentiated and personalised Peoplecare member experience in their moments that matter.

- Achieve sustainable growth
- Transform the member experience
- Ensure our members realise value through their health journey
- Everyone contributes to a sustainable model

Mission 2: Managed Service Success

Deliver benefit to Peoplecare by expanding commercial opportunities and providing value to our clients through operational excellence.

- Renew existing client contracts and secure growth opportunities in commercially favourable terms
- Ensure portfolio of managed service clients is profitable
- Manage performance to contractual obligations
- Everyone contributes to a sustainable model

Mission 3: Corporate Enablement

Leverage our expertise to proactively enable our business and teams to achieve their mission.

- Remove roadblocks so that Peoplecarers are able to effectively deliver to their customers
- No material compliance failures and demonstrated reduction of compliance risks
- Minimise staff effort on lower value tasks
- Everyone contributes to a sustainable model

Principal activities

During the year the principal continuing activities of the Company consisted of operating as a private health insurer under the *Private Health Insurance Act 2007*. The Company also manages two other Health Benefit funds and provides services for Allianz Partners (AzP). No significant changes to the principal activity have occurred during the financial year.

Like many businesses, the continuing uncertainty created by the COVID-19 pandemic has at different times throughout the financial year presented challenges for Peoplecare and its members. In response to this uncertainty, Peoplecare offered a number of initiatives to help improve the value proposition and affordability challenges faced by our members. Two key initiatives during the financial year were the return of permanent claim savings to members for a total value of $9.0 million as well as deferral of the 1 April 2022 increase until 1 October 2022.

Information on Directors

Glenn Lennell GAICD

Glenn was appointed as a Director in 2014 and Chair since 2016.

Glenn has over 35 years' experience in the IT industry in both technical and management positions. As a self-taught software developer, Glenn gained experience in a number of IT disciplines moving into business administration and management in the late 1980s.

Between 1997 and 2013, Glenn was the Chief Executive Officer of HAMB Systems Limited which provides application software and technical services to more than 20 of Australia's private health insurers, including Peoplecare.

In this role, Glenn has worked with a number of government agencies in the development of regulatory change to the private health insurance industry.

Glenn is a Graduate of the Australian Institute of Company Directors.

Peter Fitzgerald BCom, FCA, GAICD

Peter was elected as a Director in 2015.

Peter retired in 2015 after 27 years as a Partner of KPMG, including over 20 as managing partner of the Wollongong practice. For more than 10 years he was Chair of the regional (non-metropolitan) practices of KPMG.

He has provided a variety of professional services over this period, including external audit, internal audit, corporate taxation, business & strategic planning, and broad business advisory to an extensive array of clients.

In 2017, Peter was appointed a Director of both IRT Group, an Illawarra-based aged care operator, and IMB Bank.

He completed 12 years as a Council Member of the University of Wollongong in 2017, serving as Chair of its Risk, Audit & Compliance Committee for most of that time.

Peter has a Bachelor of Commerce (majoring in Accounting) from the University of Wollongong. He is a Fellow of the Institute of Chartered Accountants in Australia, a Graduate of the Australian Institute of Company Directors, and was formerly a Registered Tax Agent & Registered Company Auditor.

Stephannie Jonovska BCom, FCPA, GAICD

Stephannie was appointed as Director in 2016 and is the Chair of the People and Culture Committee.

Stephannie is a commercial management professional with over 30 years' experience in the steel manufacturing industry. Currently Head of Finance Operations and Transformation for BlueScope Australian Steel Products, her diverse experience spans finance, procurement, business improvement, digital and transformation.

She brings a wealth of leadership experience in successfully disrupting the status quo and building a strong team culture.

Stephannie is an active member of our community, a previous Chair of WEA Illawarra and is currently Chair of the CPA Australia Digital Transformation Centre of Excellence.

Stephannie has a Bachelor of Commerce. She is also a Graduate of the Australian Institute of Company Directors and a Fellow of CPA Australia.

Michael Oertel BEc, FCPA, GAICD

Michael was appointed as an Associate Director in 2017 and then as a Director in 2018.

Michael has over 40 years' experience in the private health insurance industry, engaging with boards, management and regulators.

He was the Chief Executive Officer of a registered private health insurer for 22 years and served as a Director on two of Peoplecare's strategic partner boards, HAMBS and Members Health Fund Alliance.

Michael is a passionate and committed strategic leader with highly developed governance, financial and risk acumen.

Michael's professional qualifications include a Bachelor of Economics majoring in Accounting and he is a Fellow of CPA Australia and Graduate of the Australian Institute of Company Directors.

Sue Baker-Finch BSc (Hons), MBA, MBC, FAICD

Sue Baker-Finch was elected as a Director in November 2021. Previously, she was an Associate Director for three consecutive years from May 2018.

Sue is a seasoned management professional who, in 2016, transitioned from full-time executive roles to a portfolio career as a non-executive Director, management consultant and business coach/mentor. She has over 20 years of senior executive leadership experience in commercial, government and not-for-profit businesses across a range of industry sectors. Sue has substantial background in the health sector, having held leadership roles in a national general practice organisation, a medical research institute and as a Board member in the NSW public hospital system.

Sue's professional qualifications include a Bachelor of Science (Hons), Masters of Business Administration and Masters of Business Coaching. She is a Fellow of the Australian Institute of Company Directors.

Dr Abhishek Verma BSc (Med) MBBS MS FRACGP GAICD AICGG

Dr Abhi Verma was appointed as an Associate Director in April 2022 and became an Appointed Director in March 2023.

Abhi is an experienced clinician and non-executive director in the healthcare sector, with substantial experience in clinical governance and medical regulation. In addition to maintaining a number of board roles, Abhi remains active in clinical practice, and was awarded both the Victorian GP of the Year Award as well as the Australian GP of the Year Award in 2022.

Abhi currently serves as a member of the Victorian Medical Board, working with AHPRA (Australian Health Practitioner Regulation Agency). Abhi was appointed to this role by the Minister for Health, and is the youngest person ever appointed to this board since the commencement of the national registration scheme. Additionally, Abhi is currently a director of Alfred Health and Yea & District Health, as well as member of the RACGP Victoria Faculty Council. He previously served on the Board of Edenhope & District Memorial Hospital, where he was Chair of the Clinical Governance Committee.

Abhi's professional qualifications include bachelor's degrees in Medicine and Surgery and a Master degree in Surgery. Abhi is also a Fellow of the Royal Australian College of General Practitioners, a Graduate of the Australian Institute of Company Directors, and a Graduate of the Australasian Institute of Clinical Governance.

Peoplecare Health Limited
Directors' report
30 June 2023

Meetings of Directors

The number of meetings of the Company's Board of Directors ("the Board") and each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director was:

	Full Board		People and Culture Committee (PCC)		Risk Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Directors:								
G. Lennell[1]	8	8	4	4	3	4	3	4
P. Fitzgerald[2]	8	8	4	4	4	4	4	4
S. Jonovska	8	8	4	4	-	-	-	-
L. Leaver[3]	5	6	1	1	2	3	2	3
M. Oertel[4]	8	8	2	2	4	4	4	4
S. Baker-Finch[5]	8	8	4	4	2	2	2	2
A. Verma[6]	8	8	4	4	2	2	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

1. *Glenn Lennell is the Board Chair and an ex officio member of the People and Culture Committee and of the Risk and Audit Committees.*
2. *Peter Fitzgerald attended the People and Culture Committee by invitation.*
3. *Louise Leaver resigned from the Board from 26 March 2023*
4. *Michael Oertel attended the People and Culture Committee by invitation.*
5. *Sue Baker-Finch attended the June 2023 People and Culture Committee meeting by invitation after leaving the committee as a member on 27 March 2023.*
6. *Dr Abhi Verma attended the People and Culture Committee by invitation prior to joining the committee 1 January 2023. Dr Abhi Verma attended the Risk Committee and Audit Committee by invitation.*

Contributions on winding up

The Company is limited by guarantee. Under the constitution of the Company, each member agrees that, if the Company is wound up during the time that they are a member, or within one year after ceasing to be a member, they will contribute to the assets of the Company, for the payment of the debts and liabilities of the Company (contracted before ceasing to be a member) and of the costs, charges, and expenses of winding up and for adjustment among the members of the rights of the members, such amount as may be required, but not exceeding $10 (2022: $10). The number of members at the end of the financial year was 32,804 (2022: 33,336).

Matters subsequent to the end of the financial year

No matter of circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

i. the operations of the Company;
ii. the results of these operations; or
iii. the state of affairs of the Company in the financial years subsequent to 30 June 2023.

Dividends

The Company is limited by guarantee and is prohibited by its constitution and law from paying dividends.

Non-audit services

During the year, the Company has not employed the auditor (Grant Thornton) on assignments additional to their statutory audit duties. Details of the amounts paid or payable to the auditor during the year are disclosed in Note 26 - Remuneration of Auditors.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Glenn Lennell GAICD	Peter Fitzgerald BCom, FCA, GAICD
Director	Director

20 September 2023
Wollongong

Peoplecare Health Limited
Corporate Governance Statement - Summary
30 June 2023

The Peoplecare Board and management are committed to achieving and demonstrating the highest standards of corporate governance. The Board is dedicated to, and responsible for, actively promoting ethical and responsible decision making and practices at Peoplecare to ensure that practices are in place to maintain confidence in Peoplecare's integrity.

The Corporate Governance Statement is dated as at March 2022 and reflects the corporate governance practices in place throughout the 2023 financial year. The Corporate Governance Statement was approved by the Board on 9 March 2022. A description of Peoplecare's current corporate governance practices can be viewed at https://www.peoplecare.com.au/siteassets/documents/policies/peoplecare-corporate-governance-statement.pdf

Peoplecare Health Limited
Executive team
30 June 2023

Chief Executive Officer (Retired 30 June 2023)
Melinda Williams BNurs, MPH, PhD, GAICD

Melinda became CEO Peoplecare in 2018, having joined Peoplecare in 2009 as part of the Hospital & Health Services team.

She has two decades of experience in private health insurance and previously in health service delivery as a registered nurse. Her nursing background provides an in-depth understanding of the drivers of access to Australia's health care system.

Melinda holds a Bachelor of Nursing, a Masters of Public Health, a PhD in population health management, and is a Graduate (with merit) of the Australian Institute of Company Directors.

Melinda has extensive experience in health insurance, the design and evaluation of health management programs, and clinical nursing experience in both hospital and community sectors.

Melinda's other appointments include:

- Director of Members Health Fund Alliance, an industry body representing the interests of mutual health fund sector.
- Director of Australian Health Services Alliance, a large purchasing entity of acute hospital and medical services and broader health programs.
- Director of Australian Health Services Research Institute, a research institute at University of Wollongong.
- Councillor, Regional Council, NSW Business Chamber Ltd.
- Member of Illawarra and Southern Practice Research Network (ISPRN), an organisation that supports primary care-based research projects that translate research findings into everyday practice.
- Member of Warrigal, an aged care service provider.

Chief Executive Officer (from March 2023)
Louise Leaver LLB (Hons), BSc (Psyc), GAICD

Louise joined Peoplecare's board in 2016 before stepping down from the board to become CEO in March 2023.

Louise is an experienced executive and corporate lawyer and with a diverse background in not-for-profit and commercial enterprises spanning private health insurance, aged care, education and steel manufacturing. Louise has particular expertise in corporate and commercial law, as well as quality, governance and risk management. As a former Senior Legal Counsel for a health fund, Louise has an in-depth understanding of private health insurance operations and regulation.

Louise's professional qualifications include a Bachelor of Laws (Hons), Bachelor of Science (Psyc), Graduate Diploma in Legal Practice and Graduate Diploma in Applied Corporate Governance. Louise is also a Graduate of the Australian Institute of Company Directors.

Chief Risk Officer
Brett Wright DipLM, GAICD

Brett is responsible for leading the governance, risk management, and compliance functions for Peoplecare and its customer insurers. Brett oversees the implementation of Peoplecare's risk management framework whilst also working to create an effective risk culture within the organisation.

Brett supports the CEO, Executive Team and the Board to ensure all regulatory and governance requirements are met.

Brett brings to the role 13 years of experience in risk management and compliance, 11 years of that in private health insurance.

In 2022 Brett was awarded Business Illawarra's Outstanding Young Business Leader of the year.

Peoplecare Health Limited
Executive team
30 June 2023

Chief Financial Officer and Company Secretary
Chris Stolk BCom, FCPA, GAICD, FGIA

Chris is responsible for the provision of all financial management and company secretariat functions and is responsible for both external and internal reporting activities for the organisation. Chris has more than 25 years' experience in the accounting and finance field, most of which was spent working with organisations in the financial services industry.

His specialist skills include management reporting, statutory reporting, taxation and business planning and compliance. He also has a keen interest in treasury operations.

Chris is an independent Director of Coordinare as well as Chair of the Finance, Audit and Risk Management (FARM) committee.

Chief Marketing and Customer Strategy Officer
Marie Heritage MMkt

Marie has more than 15 years of experience in marketing and sales management with international companies in the hotel industry, specialising in commercial and brand transformation.

She brings skills and experience across brand positioning and recognition, strategic marketing management, revenue optimisation and customer outreach.

Marie leads Peoplecare's sustainable growth objective. She is responsible for Peoplecare's marketing, brand, communications, customer value and community relations.

She has a Master in Marketing from the SKEMA Business School.

Chief People and Culture Officer
Maree Morgan-Monk BA, GDipHR

Maree joined Peoplecare in 2011 and is Head of People and Culture. She has 25 years of HR management experience across various industries, including education, hospitality and general insurance.

As Head of People, Culture and Capability, Maree is responsible for ensuring that our people, processes and practices retain Peoplecare's status as a true employer of choice with an exceptional level of employee satisfaction.

Maree supports our managers and Peoplecarers in the areas of talent management, well-being, human resource policy, and cultural development.

Maree was awarded Australia's HR Manager of the Year for 2013 at the Australian HR Awards. Her particular areas of expertise are leadership development, employee engagement, change management and collaboration.

Chief Services, Information and Digital Officer (until December 2022)
James Robins BCom, BSc, MInfsc, GAICD

James has over 25 years' experience in service delivery and information technology, specialising in digital transformation and strategy.

He brought a broad range of experience in business leadership and consulting across a variety of industries including insurance, manufacturing, and the public sector.

He is a graduate of the AICD Company Directors Course and has completed a Bachelor of Science (Computer Science), a Bachelor of Commerce (Management), a Master of Information Science and a Certificate of Executive Leadership. James was responsible for Peoplecare's information technology and digital solutions.

Peoplecare Health Limited
Executive team
30 June 2023

Chief Services Enablement Officer
Melissa Jones MBA, GAICD

Melissa is Peoplecare's Chief Services and Enablement Officer. She is responsible for the delivery of services to our Peoplecare members through our contact centre and claims teams. Melissa also oversees the delivery of services to our managed services customers including NHBA, RBHS, and Allianz. Until taking on this broader responsibility in December 2021, Melissa oversaw the successful delivery of services at Peoplecare Eyes & Teeth (our dental and optical clinic in Wollongong), as well as the management of our Hospital and Medical claims team.

Melissa joined Peoplecare in 2013, successfully managing Peoplecare Eyes and Teeth for five years. Melissa has 14 years' experience in management and is focussed on ensuring our members receive value and quality services for all of their healthcare needs.

Melissa completed her Master of Business Administration in early 2022 at Sydney Business School – University of Wollongong and is a graduate of the AICD Company Directors Course.

Chief Commercial Officer
James Koutsoukos BComm, CAANZ

James is responsible for Peoplecare's commercial strategy, specifically business value, growth and performance of our managed services for Peoplecare clients.

James has 20 years' experience as a principal of a national accounting practice specialising in corporate advisory, restructuring, turnaround and insolvency. His experience covers a wide range of industries including property, construction, retail, hospitality, health services, manufacturing/engineering and professional services.

James is a Member of the Chartered Accountants Australia and New Zealand.

Chief Operating Officer (from November 2022)
Scott Prosser BEC

Scott has 20 years' experience in financial services and technology across Europe, Asia and Australia. Scott's 10 years of executive experience includes Chief Operations Officer and Chief Information Officer roles in insurance, financial advice and superannuation.

Scott joined Peoplecare in 2022 and is responsible for running Peoplecare's operations. His leadership role involves bringing people, technology and service delivery strategies together.

Scott's skills include business transformation, operating model transformation, strategic planning, project portfolio management, vendor management and technology strategy.

Chief Information Officer (from December 2022)
Pablo Neira BComm, MBA

Pablo began his career at Peoplecare working in various roles including Business, Technology and Innovation Manager, IT and Risk Manager, and Information Technology Manager. He has spent the last 20 years leading technology and enablement teams in private health insurance.

Pablo heads Peoplecare's IT transformation, technology and innovation.

Pablo's skills include information and technology strategy, risk management including cyber security, project management and technology transformation. He has a Bachelor of Commerce with a major in Information Systems and a Master in Business Administration.

Grant Thornton Audit Pty Ltd
Level 17
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Queen Victoria Building NSW 1230

T +61 2 8297 2400

Auditor's Independence Declaration

To the Directors of Peoplecare Health Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Peoplecare Health Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Sheridan
Partner – Audit & Assurance

Sydney, 20 September 2023

Peoplecare Health Limited
Statement of surplus or deficit and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue			
Premium revenue		152,768,228	150,933,565
Expenses			
Fund benefits paid to members		(140,648,915)	(125,646,577)
Movement in outstanding claims liability		(1,001,282)	(1,234,605)
Movement in deferred claims liability		14,339,391	224,821
State ambulance levies		(1,759,164)	(1,732,859)
Risk Equalisation Special Account levy		1,782,525	550,612
		(127,287,445)	(127,838,608)
Gross underwriting result		25,480,783	23,094,957
Management expenses			
Employee benefits expense		(14,175,558)	(12,408,251)
Depreciation and amortisation expense		(1,045,351)	(858,710)
Other management expenses		(16,487,048)	(12,071,508)
		(31,707,957)	(25,338,469)
Revenue and expenses from non-insurance activities			
Management services revenue		10,333,444	7,356,997
Revenue from services and investment income	4	6,228,820	4,280,088
Increase/(decrease) in fair value of financial assets	5	7,692,321	(3,647,211)
Net gain/(loss) realised on disposal of financial assets held at fair value through surplus or deficit	6	(14,913)	137,908
Other cost of goods sold	7	(1,308,175)	(1,164,451)
		22,931,497	6,963,331
Surplus before income tax expense		16,704,323	4,719,819
Income tax expense		-	-
Surplus after income tax expense for the year attributable to the members of Peoplecare Health Limited		16,704,323	4,719,819
Other comprehensive income for the year			
Items that will not be reclassified to surplus or deficit			
Gain/(loss) on revaluation of land and buildings		225,000	1,175,000
Other comprehensive income/(loss) for the year		225,000	1,175,000
Total comprehensive income for the year attributable to the members of Peoplecare Health Limited		16,929,323	5,894,819

The above statement of surplus or deficit and other comprehensive income should be read in conjunction with the accompanying notes

Peoplecare Health Limited
Statement of financial position
As at 30 June 2023

	Note	2023 $	2022 $
Assets			
Current assets			
Cash and cash equivalents	8	81,628,321	72,730,794
Trade and other receivables	9	9,524,560	6,244,969
Inventories	10	125,687	102,060
Other financial assets	11	23,613,128	20,153,905
Other assets	12	750,155	1,261,952
Total current assets		115,641,851	100,493,680
Non-current assets			
Other financial assets	13	55,653,041	51,016,222
Property, plant and equipment	14	8,735,028	8,181,497
Right-of-use assets	15	819,581	994,257
Intangibles	16	1,421,822	1,827,182
Total non-current assets		66,629,472	62,019,158
Total assets		182,271,323	162,512,838
Liabilities			
Current liabilities			
Trade and other payables	17	25,044,996	21,857,896
Lease liabilities	18	206,922	196,922
Provisions	19	11,174,294	24,369,339
Members give back provision	20	22,107,910	9,000,000
Total current liabilities		58,534,122	55,424,157
Non-current liabilities			
Lease liabilities	21	648,101	831,380
Provisions	22	273,652	371,176
Total non-current liabilities		921,753	1,202,556
Total liabilities		59,455,875	56,626,713
Net assets		122,815,448	105,886,125
Equity			
Reserves	23	2,831,722	2,606,722
Retained surpluses		119,983,726	103,279,403
Total equity		122,815,448	105,886,125

The above statement of financial position should be read in conjunction with the accompanying notes

Peoplecare Health Limited
Statement of changes in equity
For the year ended 30 June 2023

	Reserves $	Retained surpluses $	Total equity $
Balance at 1 July 2021	1,431,722	98,559,584	99,991,306
Surplus for the year	-	4,719,819	4,719,819
Other comprehensive income for the year	1,175,000	-	1,175,000
Total comprehensive income for the year	1,175,000	4,719,819	5,894,819
Balance at 30 June 2022	2,606,722	103,279,403	105,886,125

	Reserves $	Retained surpluses $	Total equity $
Balance at 1 July 2022	2,606,722	103,279,403	105,886,125
Surplus for the year	-	16,704,323	16,704,323
Other comprehensive income for the year	225,000	-	225,000
Total comprehensive income for the year	225,000	16,704,323	16,929,323
Balance at 30 June 2023	2,831,722	119,983,726	122,815,448

The above statement of changes in equity should be read in conjunction with the accompanying notes

Peoplecare Health Limited
Statement of cash flows
For the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from members and customers		165,667,377	158,740,870
Payments to members, suppliers and employees		(156,654,997)	(144,055,147)
		9,012,380	14,685,723
Dividends received		805,338	953,418
Interest received		417,533	26,487
Interest paid		(31,636)	(37,286)
Net cash from operating activities	31	10,203,615	15,628,342
Cash flows from investing activities			
Payments for financial assets at fair value through profit or loss		(198,829,282)	(174,929,834)
Payments for property, plant and equipment	14	(666,637)	(470,645)
Payments for intangibles	16	(200,382)	(1,047,682)
Proceeds from disposal of financial assets at fair value through profit or loss		198,410,646	166,453,442
Proceeds from disposal of property, plant and equipment		152,846	172,766
Net cash used in investing activities		(1,132,809)	(9,821,953)
Cash flows from financing activities			
Principal elements of lease payments		(173,279)	(182,797)
Net cash used in financing activities		(173,279)	(182,797)
Net increase in cash and cash equivalents		8,897,527	5,623,592
Cash and cash equivalents at the beginning of the financial year		72,730,794	67,107,202
Cash and cash equivalents at the end of the financial year	8	81,628,321	72,730,794

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial report covers Peoplecare Health Limited as an individual entity. The financial report is presented in Australian dollars, which is Peoplecare Health Limited's functional and presentation currency.

Controlled entities
Peoplecare Health Limited has incorporated two 100% owned subsidiaries. *Peoplecare Health Insurance Pty Limited* and *Peoplecare Professional Services Pty Limited* were both set up to register the names for potential future organisation group structure.

The financial statements of Peoplecare Health Limited (Company) have been prepared on the basis of the stand-alone entity. These financial statements do not include the consolidated results of either 100% owned subsidiary Peoplecare Health Insurance Pty Limited and Peoplecare Professional Services Pty Limited. This is on the basis that neither subsidiary has traded during the year and the consolidated financial statements would not differ to those of the stand-alone entity financial statements of the Company.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Peoplecare Health Limited is a not-for-profit unlisted public company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office	**Principal place of business**
Corner Victoria and Young Streets, Wollongong, NSW, 2500	Corner Victoria and Young Streets, Wollongong, NSW, 2500

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 September 2023. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out in the notes below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB') except for:

- AASB 116 'Property, Plant and Equipment' accounting for net revaluation increments and decrements on a class of assets basis rather than on an individual asset basis as required for For-Profit entities.

Historical cost convention
The financial statements have also been prepared on an historical cost basis, except for the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value method of accounting has been adopted.

Comparative figures
Where required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 2. Significant accounting policies (continued)

Assets backing private health insurance liabilities
As part of the investment strategy, the Company actively manages its investment portfolio to ensure that a portion of its investments mature in accordance with the expected pattern of future cash flows arising from private health insurance liabilities.

The Company has determined that all financial assets are held to back private health liabilities. Financial assets that are not held to back private health insurance liabilities are designated as financial assets at amortised cost.

Critical accounting judgements and estimates
The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both internally and externally to the Company.

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

- Note 14: Property, plant and equipment
- Note 17: Liability adequacy test
- Note 19: Claims liability - Outstanding claims liability and Provision for deferred claims

Income tax
No income tax expense was provided for as the Company is entitled to tax exempt status under the provisions of Section 50-30, Item 6.3 of the Income Tax Assessment Act 1997.

Goods and Services Tax (GST) and other similar taxes
Revenues and expenses are recognised net of GST, except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

New or amended Accounting Standards or Interpretations adopted by the Company
The Company has not applied any new standards or amendments during the annual reporting period commencing 1 July 2022.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New accounting standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2023 reporting periods. The Company does not intend to adopt these standards before their effective date.

The Company's assessment of the impact of these new standards and interpretations is noted below:

AASB 17 Insurance Contracts
On 19 July 2017, Australian Accounting Standard Board (AASB) issued accounting standard AASB 17 *Insurance Contracts* (AASB 17). As a result of amendments made in July 2020, AASB 17 was deferred the effective date to 1 January 2023, applying to accounting periods beginning on or after that date. The company will apply AASB 17 for the annual reporting period beginning 1 July 2023.

The key considerations of the standard as applicable to the company are summarised below.

Note 2. Significant accounting policies (continued)

Measurement of insurance contracts

Measurement Models

The standard AASB 17 introduces a new General Measurement Model (GMM) for the recognition and measurement of insurance contracts. The GMM involves estimating future cash flows and risks from existing policies and taking surplus to account over the policy period, adjusting the surplus over the life of the contract when actual experience varies from expected.

AASB 17 permits the use of the simplified Premium Allocation Approach (PAA) where either:

- the contract boundary of each contract within the portfolio is one year or less; or
- the measurement of the liability for remaining coverage at inception of a contract is not materially different than if applying the GMM.

The company underwrites Australian complying health insurance products in addition to overseas visitors' health cover (OVHC) and overseas student health cover (OSHC). The OVHC and OSHC business is under contract with Allianz Partners who sell, distribute, and manage these policies.

The company is party to an 100% quota share reinsurance agreement which provides reinsurance of the OVHC and OSHC policies underwritten by the Company in Australia. The reinsurance arrangement provides protection to the Company from significant financial risk associated with this business.

The company's domestic private health insurance policies have a coverage period of one year or less and the company will apply the simplified PAA to these insurance contracts. For those policies with a coverage period of greater than a year, the company has developed a model and methodology to assess their eligibility to apply the PAA. This assessment will be reperformed if key variables change in respect to these policies but has shown that the PAA is expected to apply to all the company's insurance policies at transition.

AASB 17 requires the insurance liabilities to be calculated separately for liabilities in respect of past service (the liability for incurred claims, LIC) and in respect of future service (the liability for remaining coverage, LRC).

The LIC is consistent under the GMM and the PAA and due to the accounting policy choices made by the company is materially unchanged from the sum of the outstanding claims provision, the asset for the amount due from the Risk Equalisation Special Account, the asset for recoveries receivable from Medicare and the processed but unpaid claim provision. The outstanding claims provision is made up of the best estimate outstanding claims liability, expenses already incurred but not yet paid in relation to claims, the cost of handling incurred claims at the reporting date and the risk adjustment.

The liability for remaining coverage (LRC) under the PAA is valued at initial recognition based on premium received, less any directly attributable acquisition costs deferred. In subsequent periods, the LRC is amortised to recognise the revenue and insurance expenses (insurance acquisition cash flows) on a passage of time basis over the coverage period. If certain acquisition cash flows paid on new contracts are allocated to future renewals, outside the boundary of the current contract, the deferred portion is recognised in the carrying amount of the related portfolio of the insurance contract issued. If any of the contracts have been identified as onerous then the Loss Component is included within the LRC.

Risk Adjustment

Under the PAA, a risk adjustment is recognised on all uncertain LIC balances and in the calculation of the LRC Loss Component on onerous contracts. The company has taken the decision to use a confidence level technique to estimate the risk adjustment for the LIC for Australian complying health insurance products, which will lead to a value that is consistent with the margin of prudence currently applied under AASB 1023.

Treatment of Acquisition Expenses

For the contracts that apply the simplified approach and have a coverage period of one year or less, the company has the option to expense directly attributable acquisition costs as incurred, as opposed to deferring and amortising directly attributable acquisition costs over the coverage period of the insurance. Consistent with current accounting under AASB 1023, the company will expense directly attributable acquisition costs as they are incurred.

Note 2. Significant accounting policies (continued)

Discounting

Under the PAA, discounting is optional for the insurance liabilities if the claims are expected to be resolved within one year of being incurred. Given the short-tailed nature of health insurance claims the company will not apply discounting to the LRC or LIC.

As the pricing of OSHC policies does not provide any discount for prepayment, there is no significant financing component in the OSHC policies' LRC.

Reinsurer Default risk

AASB 17 requires that the insurance assets for reinsurance contracts allow for the possible impact of the reinsurer defaulting. For the Company to be exposed to default both the reinsurer and Allianz Partners would need to fail due to indemnity clauses in the OSHC and OVHC contracts. The reinsurers and Allianz Partners have high credit ratings, and health insurance claims are short-tailed in nature. The Company has assessed the impact of default risk as being immaterial.

Level of aggregation

AASB 17 defines a portfolio of insurance contracts as 'Insurance contracts subject to similar risks and managed together'. The company have identified the following portfolios:

- Australian complying health insurance products.
- Overseas visitor's health cover (OVHC) products.
- Overseas student health cover (OSHC) products; and
- Reinsurance contract covering OVHC and OSHC products.

Under the PAA, a portfolio is the level at which policyholder assets and liabilities are presented in the statement of financial position. Further segmentation is required into groups of contracts for the identification of onerous contracts, including annual cohorts of contracts that are either onerous, no significant possibility of being onerous and other contracts. There is a presumption under the PAA that no contracts are onerous unless there are clear facts and circumstances that indicate otherwise.

The company has developed a framework to identify indicators of possible onerous contracts which includes the consideration of information provided to senior management and the Board to monitor financial performance. If facts or circumstances are identified that indicate an onerous contract may exist, then detailed testing is performed, and any onerous contract losses are required to be recognised in the statement of surplus and deficit and other comprehensive income.

Presentation and Disclosure

The standard introduces substantial changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the balance sheet and statement of surplus and deficit and other comprehensive income and increased disclosure requirements compared with existing reporting requirements.

Existing insurance contract line items on the balance sheet (including unclosed business premium, unearned premium liability, and gross outstanding claims) will be replaced with insurance contract assets and liabilities.

Transition

Given the short-term nature of the Company's insurance contracts, Peoplecare will apply the full retrospective approach on transition to AASB 17 in respect of Australian complying health insurance products and OVHC products. The Company is still in the process of determining the transition approach in respect of the multi-year OSHC products.

Financial Impact

Based on the above policy decisions, the Company's Total Net assets at transition on 1 July 2022 is estimated to increase by $15.1 million. This is due to the derecognition of both the provision for deferred claims liabilities and the portion of the unearned premium liabilities that relate to the deferral of the premium rate increases. The concept of a deferred claims liability is not compatible with incurred claims under AASB 17 and the timing of recognising the effect of the price rise deferral is different under AASB 17 when compared to AASB 1023.

Note 2. Significant accounting policies (continued)

The Company is still in the process of determining if any facts or circumstances exist to indicate any groups of insurance contracts are onerous contracts.

Note 3. Risk management and financial instruments

The Company has exposure to the following risks from investing in various financial instruments:
(a) Credit risk
(b) Liquidity risk
(c) Market risk

This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors (Board) has overall responsibility for the establishment of the risk management framework. The Board of Directors has established the Risk Committee, who are responsible for oversight and monitoring of risk management policies. The Risk Committee consists entirely of non-executive directors and reports regularly to the full Board of Directors on their activities.

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, regulatory requirements, the Board's risk appetite, and the Company's activities. The Company, through training and management standards and procedures, aims to develop a disciplined and constructive risk culture in which all employees understand their roles and obligations.

The Risk Committee is responsible for monitoring compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported through the Audit Committee to the Board of Directors.

(a) Credit risk
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from policyholders (insurance contracts), other customers and investment securities.

Receivables from insurance contracts:
Credit risk in relation to insurance contracts is discussed in Note 33.

Other receivables:
The risk of financial loss to the Company from customers other than fund members arises principally from two sources: management services provided by the Company to other private health and specialty insurers, and receivables due from Services Australia in relation to the Australian Government Private Health Insurance Rebate.

The probability of financial loss to the Company from these arrangements is assessed as low for the following reasons:
(i) The premium reductions scheme is legislated under the *Private Health Insurance Act 2007* and is an integral part of the private health insurance industry affecting all private health insurers; and
(ii) In relation to the management services provided, the Company has formal arrangements via management services contracts which among other things provide appropriate protection to the Company in respect of the risk of customer default.

There has been no history of default in relation to this category of receivables.

Note 3. Risk management and financial instruments (continued)

Investment securities (Cash and cash equivalents and other financial assets):
The Board has addressed the issue of credit risk from investment securities through the development and regular review of the Company's investment strategy. The strategy requires the Company to hold a diversified investment portfolio, heavily weighted to defensive assets.

The portfolio of defensive assets consists of cash and cash equivalents, highly liquid fixed interest securities, longer term fixed income securities (up to 10 years), short term receivables and assets used in the operations of the business. With the exception of term deposits, defensive investment assets are managed by an independent investment advisor.

The Company limits its exposure to counterparty credit risk through the following policies which are detailed in the investment strategy and summarised as follows:

Cash and cash equivalents and highly liquid fixed interest securities (short-term investments):
(i) Investing only with authorised deposit-taking institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA):

(a) Short term investments are required to be placed with ADIs with a minimum issuer credit rating of A1 or higher (as defined by Standard and Poors rating agency). This is to ensure that investment funds are placed with highly secure, low risk rated entities; and
(b) Notwithstanding (a), the Board has a tolerance for up to 20% of the defensive investment asset portfolio to be invested with ADIs who meet the following criteria:

- Net Assets > $50 million;
- Return on Equity > 5% for each of the last two financial years; and
- Total regulatory capital as a % of total risk weighted assets > 12% for each of the last two financial years; and
- The maximum amount invested with any individual ADI or related banking group in this category is $1,000,000.

Long-term fixed income securities
Long-term fixed income securities held by the Company may include:
- Bank endorsed bills of exchange;
- Term Deposits;
- Securities Issued by Federal or State Government bodies or securities issued by a semi-government authority with security guaranteed by the Federal or State Government; and
- Corporate bonds.

(i) All long-term defensive investments are required to have a minimum issuer rating of AA- (as defined by Standard and Poors rating agency) except for corporate bond investments which must have a minimum issuer credit rating of A-; and
(ii) Exposure to any single issuer, financial institution or related banking group, is limited to a maximum of 35% of the defensive asset investment portfolio.

In addition to the above, the Company holds a portfolio of growth assets which includes shares in listed corporations. The Company manages credit risk in respect to this portfolio by:
(i) The share portfolio will be actively managed by an independent investment advisor;
(ii) Only stocks from the ASX200 Accumulation Index will be included in the portfolio and will include shares from a range of diverse industry sectors with sector limits of +/- 15%;
(iii) No more than 17% of the Australian equity portfolio is to be held in any one company;
(iv) The total combined holding of Australian and International equities cannot exceed the Board endorsed maximum of 18% of the total investment assets of the Fund;
(v) The value of international equities cannot exceed 35% of the total equity portfolio value;
(vi) An equities investment via an Exchange Traded Fund (ETF) will only be through the purchase of a physical ETF, that is, the Fund will not invest in synthetic ETF's;
(vii) Any ethical or conflict of interest investment considerations/decisions are not to be applicable when investing via a passive approach (index fund or ETF) due to the individual investment decisions being deemed "arms-length" in nature; and
(viii) The investment advisor will seek approval from the management investment committee before changing or adding any direct holdings, managed funds or ETF's into the portfolio.

Given the Company's conservative investing policies and procedures, management does not expect any counterparty to fail to meet its obligations.

Note 3. Risk management and financial instruments (continued)

At the end of the reporting period, the maximum exposure of the Company to any one financial institution measured at fair value was $47,261,473 (2022: $42,176,340).

(b) Liquidity risk
Liquidity risk is the risk that the Company might encounter difficulties in settling debts or otherwise meeting its obligations related to financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following procedures have been adopted by the Company to manage future liquidity requirements:
(i) Management prepares daily cash flow forecasts for the upcoming six months. This forecast provides for the major types of inflows and outflows, as well as the projected net cash position each day and cumulatively over the forecast period. The forecasts are assessed and updated on a regular basis as new information comes to hand. Cash flow projections are updated daily with actual cash flow outcomes to assess accuracy and assist in improving future cash flow forecasting;
(ii) The Company should always hold enough cash to meet the Prudential Solvency Standard. Investments in cash, term deposits and fixed interest investments must be sufficient to meet the short-term liabilities, claims liability and other recurring operating expenditure. To do this, the value of the short-term deposit portfolio must be at least equal to the dollar value of the Prudent Liabilities component of the capital adequacy requirement reported in the quarterly regulatory return lodged with APRA.

In setting the minimum cash balance the Board has considered the following:
- The historical seasonality of cash flows of the fund over a number of years;
- The potential size of cash outflows under stressed business conditions. To test the fund's ability to meet the Solvency Standard retrospectively, management increased historical daily cash outflows over the past four years by factors of 1.25 and 1.50. Under both scenarios, a minimum cash balance of $2,500,000 would have been sufficient to meet the Solvency Standard requirements;
- The inability to convert term deposits into cash prior to maturity date;
- The inability to convert fixed income securities into cash prior to maturity date (trade on the secondary market); and
- The inability to convert all or a portion of the fund's equities portfolio quickly to cash to meet the minimum cash requirements.

Should the Company's cash balance fall below the Board approved minimum cash balance for a period of more than a few days, management will undertake remediation activities outlined in the Liquidity Management Plan.

To ensure, as far as practically possible, compliance with the Solvency Standard requirements and to avoid breaching the cash management requirement under the standard, the sum of $1,800,000 is held in a separate bank account that will not be drawn upon and is not to be considered in managing the day-to-day cash flow requirements of the fund; and

(iii) Ensure an adequate match between fund assets and liabilities.

(c) Market risk
Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Note 3. Risk management and financial instruments (continued)

Market risk in relation to insurance contracts:
Market risk in relation to insurance contracts is discussed in Note 33.

Market risk in relation to investment securities:

(1) *Currency risk*
Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has minimal currency risk exposure at 30 June 2023. The Company held $7.75m of international equities however $3.33m of these equities is not effected by currency risk because this proportion is fully hedged. The role of hedging for international equity investments is to neutralise foreign exchange risk within the portfolio.

(2) *Interest rate risk*
The Company is subject to interest rate risk through volatility in cash flows generated by interest bearing financial instruments. To minimise this volatility, the Company diversifies its holdings of financial instruments between various financial institutions and through investing in a range of differing financial products. The Company has adopted an investment strategy that delivers a diversified portfolio with a heavier weighting to defensive assets versus growth assets. Defensive assets consist of fixed interest securities and cash and cash equivalents.

(3) *Other market price risk*
The Company is exposed to securities price risk in relation to both the long-term fixed income and the equities investment portfolios. This arises from investments held by the Company and classified on the statement of financial position as at fair value through surplus or deficit. This risk is managed by the following investment strategy requirements:

Equities Portfolio

(i) The share portfolio will be actively managed by an independent investment advisor;
(ii) Only stocks from the ASX200 Accumulation Index will be included in the portfolio and will include shares from a range of diverse industry sectors with sector limits of +/- 15%;
(iii) No more than 17% of the Australian equity portfolio is to be held in any one company;
(iv) The total combined holding of Australian and International equities cannot exceed the Board endorsed maximum of 18% of the total investment assets of the Fund;
(v) The value of international equities cannot exceed 35% of the total equity portfolio value;
(vi) An equities Investment via an ETF will only be through the purchase of a physical ETF, that is, the Fund will not invest in synthetic ETF’s.
(vii) Any ethical or conflict of interest investment considerations/decisions are not to be applicable when investing via a passive approach (index fund or ETF) due to the individual investment decisions being deemed “arms-length” in nature.
(viii) The investment advisor will seek approval from the management investment committee before changing or adding any direct holdings, managed funds or ETF’s into the portfolio.

Fixed Income Portfolio

(i) No more than 35% of the defensive asset portfolio can be invested in any single issuer; and
(ii) Fixed interest securities will be acquired under the advice of a Board approved independent investment adviser.

The investment policy is subject to review and approval by the Board on a biennial basis.

Capital management
The Company has a capital management plan which establishes a target for capital held in excess of the regulatory requirement. The aim is to keep a sufficient buffer in line with the Board's attitude to and tolerance for risk. The internal capital target ensures the Company has a minimum level of capital given certain stressed capital scenarios.

At the end of the reporting period the Company held capital in excess of the capital adequacy requirements determined in accordance with the Capital Adequacy Prudential Standard.

The Board reviews the Capital Management Plan on a biennial basis, or earlier if triggered by events detailed in the Company's Capital Management Policy.

The Company is well positioned to report under the revised standards effective from 1 July 2023 and will maintain a strong capital position under this new framework.

Note 3. Risk management and financial instruments (continued)

Solvency
The purpose of this Prudential Standard is to ensure as far as practicable that at any time the financial position of a health benefits fund conducted by a private health insurer is such that the private health insurer will be able to meet, out of the fund's assets, all liabilities that are referrable to the fund, as those liabilities become due.

This Prudential Standard requires the private health insurer to demonstrate that it will be able to meet the liabilities of its health benefits fund, allowing for adverse circumstances.

It is also a requirement of the Solvency Standard that the Company have and comply with a Board endorsed Liquidity Management Plan for each health benefits fund it conducts. The Liquidity Management Plan must include Board approved minimum liquidity requirements and management action triggers should liquidity fall below the minimum set down by the Board.

The Company has a Board endorsed Liquidity Management Plan in place and all liquidity requirements contained in the Standard were met at all times during the year ended 30 June 2023.

Note 4. Revenue from services and investment income

	2023 $	2022 $
Overseas student health cover agency fee	2,171,995	982,039
Interest income	417,533	26,487
Dividend income	805,338	953,418
Dental revenue	1,585,849	1,476,805
Optical revenue	1,031,443	807,254
Other income	216,662	34,085
	6,228,820	4,280,088

Accounting policy
Revenue recognition
Revenue is recognised for the major business activities as follows:
Premium revenue
Premium revenue comprises premiums from private health insurance contracts held by policyholders.

Premium revenue is recognised in surplus or deficit when it has been earned. The premium revenue is recognised in surplus or deficit from the attachment date over the period of contract. The attachment date is from when the insurer accepts the risk from the insured under the insurance contract. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract.

Rendering of services
Revenue from contracts to provide management services is recognised over time, as the services are rendered based on either a fixed price or standard rate per full-time equivalent unit per month.

Dental Revenue
Dental revenue is recognised over the period the performance obligation is satisfied i.e. over the course of the specific treatment to which the fee relates. Revenue is recognised when a customer obtains control of the goods or services. The transfer of control is over time.

Note 4. Revenue from services and investment income (continued)

Optical revenue
Optical revenue is recognised at the time when the performance obligation i.e. at the time of delivery. Revenue is recognised when a customer obtains control of the goods or services. The transfer of control is at a point in time.

Interest income
Interest income is recognised on a time proportional basis taking into account the interest rates applicable to the financial assets.

Dividend income
Dividends are recognised as income when the right to receive payment is established.

Other revenue
Other revenue is recognised when or as a performance obligation is satisfied by transferring a promised good or service to a customer. Transfer occurs when or as the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time.

Note 5. Increase/(decrease) in fair value of financial assets

	2023 $	2022 $
Bonds	3,014,958	(995,156)
Shares in listed companies	2,674,677	(2,828,310)
Term deposits	2,002,686	176,255
	7,692,321	(3,647,211)

Note 6. Net gain/(loss) realised on disposal of financial assets held at fair value through surplus or deficit

	2023 $	2022 $
Bonds	(21,300)	75,760
Shares in listed corporations	6,387	62,148
	(14,913)	137,908

Note 7. Other cost of goods sold

	2023 $	2022 $
Cost of dental sales	740,356	723,470
Cost of optical sales	567,819	440,981
	1,308,175	1,164,451

Note 8. Current assets - cash and cash equivalents

	2023 $	2022 $
Cash on hand	1,750	1,750
Cash at bank	11,626,571	9,229,044
Term deposits maturing within 3 months after the end of the reporting period	70,000,000	63,500,000
	81,628,321	72,730,794

Cash at bank bears floating interest rates between 0.95% and 4.20% (2022: 0.00% and 0.95%). Term deposits bear fixed interest rates between 1.50% and 5.05% (2022: 0.52% and 2.04%).

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position.

Accounting Policy
Cash and cash equivalents
Cash and cash equivalents, and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash assets and bank overdrafts approximate their fair value. For the purposes of the statement of cash flows, cash includes cash on hand, deposits held at call with financial institutions net of bank overdrafts, and other short-term highly liquid investments maturing within 3 months of the end of the reporting period.

Note 9. Current assets - trade and other receivables

	2023 $	2022 $
Unclosed business premium - earned	106,116	87,012
Unclosed business premium - unearned	137,679	153,145
Amount due from the Risk Equalisation Special Account	865,483	512,230
Private Health Insurance Rebate on premiums	3,450,398	3,235,610
Investment income receivable	725,651	208,875
Other debtors	4,248,809	2,057,673
Less: provision for loss allowance	(9,576)	(9,576)
	9,524,560	6,244,969

There was no increase in the provision for impairment of receivables (2022: Nil)

Accounting policy
Unclosed business premium
Unclosed business premium represents amounts owing by members at the end of the reporting period, up to and including the date of the next normal payment cycle for their individual policy. The unclosed business premium consists of two components:

(i) Earned – representing contribution amounts owed by members up to and including 30 June; and
(ii) Unearned – representing contribution amounts owed by members from 30 June up to and including their next normal payment date.

A small provision for doubtful debts is sufficient as the policies are cancelled once the lapsed period of arrears reaches 60 days.

Amounts due from members
Amounts due from members are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking this initially recognised amount and reducing it for impairment as appropriate.

Note 9. Current assets - trade and other receivables (continued)

A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the value of estimated future cash flows. The impairment charge is recognised in surplus or deficit.

Health Insurance Risk Equalisation Special Account (RESA)
The Risk Equalisation Special Account Levy is accrued based on an industry survey of eligible paid claims to be submitted to APRA. If a private health insurer notifies APRA of a material variation in paid claims which can be quantified, the private health insurer can adjust the risk equalisation expense.

Private Health Insurance rebate on premiums
This is the amount claimed by Peoplecare Health Limited, as a cash amount, from Services Australia for the Australian Government Private Health Insurance Rebate.

Interest receivable
Interest receivable represents an accrual calculation of interest from investments outstanding as at the end of the reporting period

Other debtors
Other debtors are recorded at amounts due less any provision for doubtful debts. Other debtors are normally settled in 30 days.

Note 10. Current assets - inventories

	2023 $	2022 $
Optical stock on hand - at cost	125,687	102,060

Note 11. Current assets - other financial assets

	2023 $	2022 $
Financial assets at fair value through surplus or deficit: Shares in listed corporations	23,613,128	20,153,905

Accounting policy
Assets backing private health insurance liabilities
The Company has adopted a conservative investment strategy that utilises both short term and longer term financial instruments. Liquidity of the portfolio is matched to the expected pattern of future cash flows arising from the private health insurance liabilities.

The Company has determined that all financial assets of the Health Benefits fund are held to back private health insurance liabilities and their accounting treatment is as follows:

Note 11. Current assets - other financial assets (continued)

Investment and other financial assets:
Financial assets at fair value through surplus or deficit
Financial assets are designated at fair value through surplus or deficit. Initial recognition is at fair value, being acquisition cost, in the statement of financial position and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in surplus or deficit. Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Shares and fixed interest securities are initially recognised at fair value, being the acquisition cost and the subsequent fair value is taken as the quoted bid price of the instrument at the end of the reporting period. If quoted market values are not available then fair values are estimated based on mid-market price valuation models.

Other financial assets
Initial recognition is at fair value, being acquisition cost, in the statement of financial position with transaction costs expensed in surplus or deficit. Subsequent measurement is at fair value with any resultant fair value gains or losses recognised in surplus or deficit.

Impairment of assets
Financial assets
A financial asset, other than those classified as fair value through surplus or deficit, is assessed at the end of each reporting period to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in surplus or deficit.

Note 12. Current assets - other assets

	2023 $	2022 $
Prepayments	750,155	1,261,952

Note 13. Non-current assets - other financial assets

	2023 $	2022 $
Unlisted shares - Horizon Bank	2	2
Unlisted shares - Peoplecare Health Insurance Pty Ltd	100	100
Unlisted shares - Peoplecare Professional Services Pty Ltd	2	2
Financial assets at fair value through surplus or deficit: Bonds	55,652,937	51,016,118
	55,653,041	51,016,222

Note 14. Non-current assets - property, plant and equipment

	2023 $	2022 $
Land and buildings - at fair value	7,650,000	7,425,000
Leasehold improvements - at cost	942,199	942,199
Less: Accumulated depreciation	(872,265)	(845,454)
	69,934	96,745
Plant and equipment - at cost	2,139,623	1,962,292
Less: Accumulated depreciation	(1,749,032)	(1,674,346)
	390,591	287,946
Motor vehicles - at cost	378,283	374,096
Less: Accumulated depreciation	(155,795)	(125,325)
	222,488	248,771
Computer equipment - at cost	2,182,848	1,847,406
Less: Accumulated depreciation	(1,780,833)	(1,724,371)
	402,015	123,035
	8,735,028	8,181,497

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and Buildings $	Leasehold Improve. $	Plant and Equipment $	Motor Vehicles $	Computer Equipment $	Total $
Balance at 1 July 2021	6,250,000	166,666	208,195	245,289	109,822	6,979,972
Additions	-	-	151,802	208,966	109,878	470,646
Disposals	-	-	-	(135,775)	(11,460)	(147,235)
Revaluation of assets	1,175,000	-	-	-	-	1,175,000
Depreciation expense	-	(69,921)	(72,051)	(69,709)	(85,205)	(296,886)
Balance at 30 June 2022	7,425,000	96,745	287,946	248,771	123,035	8,181,497
Additions	-	-	177,331	146,968	342,348	666,647
Disposals	-	-	-	(105,763)	(6,905)	(112,668)
Revaluation of assets	225,000	-	-	-	-	225,000
Depreciation expense	-	(26,811)	(74,686)	(67,488)	(56,463)	(225,448)
Balance at 30 June 2023	7,650,000	69,934	390,591	222,488	402,015	8,735,028

Note 14. Non-current assets - property, plant and equipment (continued)

Accounting policy

Property, plant and equipment

Land and buildings

Land and buildings are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Independent valuations are performed regularly to ensure that the carrying amounts of land and buildings does not differ materially from the fair value at the end of the reporting period. A director's valuation will be carried out in each year that the property is not valued by an external independent valuer.

Where an adjustment is made to the valuation, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Where there is no adjustment, accumulated depreciation remains as is and the building continues to be depreciated as per the depreciation policy.

Increases in the carrying amounts arising on the revaluation of land and buildings are credited to the Revaluation surplus reserve in equity. To the extent that the increase reverses a decrease previously recognised in surplus or deficit, the increase is first recognised in surplus or deficit. Decreases that reverse previous increases of the same asset are first charged against the Revaluation surplus reserve directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to surplus or deficit.

The fair value of Land and Buildings recognised in the Statement of Financial Position at 30 June 2023 has been determined by an external independent valuer taking into consideration all available information and inputs at the time of valuation.

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation of property, plant and equipment

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Leasehold improvements	2 to 10 years
Plant and equipment	2 to 40 years
Motor vehicles	5 years
Computer equipment	2 to 5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to surplus or deficit. When revalued assets are sold, it is the Company's policy to transfer the amounts included in other reserves in respect of those assets to retained surpluses.

Valuations of land and buildings

The fair value of land and buildings located at 2-12 Victoria Street, Wollongong NSW, at the end of the reporting period was assessed by Opteon Property Group, an independent external valuer, taking into consideration all available information and inputs at the time of valuation. The fair value of the Company's land and buildings at 30 June 2023 is $7,650,000 (2022: $7,425,000).

Note 14. Non-current assets - property, plant and equipment (continued)

The Company classifies its assets into the three levels prescribed under the accounting standards. All resulting fair value estimates for land and buildings are classified as Level 2. The Level 2 fair value of land and buildings has been derived using the market value approach. The key inputs under this approach are the current observable prices in an active market for similar properties in the same location and condition, and the net market rental income as at the valuation date, capitalised at an appropriate market yield.

Note 15. Non-current assets - right-of-use assets

	2023 $	2022 $
Land and buildings - right-of-use	1,281,645	1,575,083
Less: Accumulated depreciation	(462,064)	(580,826)
	819,581	994,257

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and Buildings $	Total $
Balance at 1 July 2021	1,183,111	1,183,111
Remeasurement	17,933	17,933
Depreciation expense	(206,787)	(206,787)
Balance at 30 June 2022	994,257	994,257
Disposals	(105,253)	(105,253)
Remeasurement	144,738	144,738
Depreciation expense	(214,161)	(214,161)
Balance at 30 June 2023	819,581	819,581

Accounting policy
Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to surplus or deficit as incurred.

Note 16. Non-current assets - intangibles

	2023 $	2022 $
Computer software - at cost	3,728,469	2,927,883
Less: Accumulated amortisation	(2,449,931)	(1,844,188)
	1,278,538	1,083,695
Computer software under development - at cost	143,284	743,487
	1,421,822	1,827,182

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software $	Software development $	Total $
Balance at 1 July 2021	969,536	165,000	1,134,536
Additions	428,233	-	428,233
Transfers in/(out)	40,963	578,487	619,450
Amortisation expense	(355,037)	-	(355,037)
Balance at 30 June 2022	1,083,695	743,487	1,827,182
Additions	200,382	-	200,382
Transfers in/(out)	600,203	(600,203)	-
Amortisation expense	(605,742)	-	(605,742)
Balance at 30 June 2023	1,278,538	143,284	1,421,822

Accounting policy
Intangible assets
Computer software and software development
Costs incurred in acquiring software licences and the development of both software and a website that will contribute to future period financial benefits through reserve generation and/or cost reduction are capitalised to computer software.

Software licences and capitalised development costs have a finite useful life and are carried at cost, less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs over their useful lives being 1 to 5 years.

Note 17. Current liabilities - trade and other payables

	2023 $	2022 $
Unclosed business premium liability	137,679	153,145
Unearned premium liability (premiums in advance)	12,254,758	11,399,945
Annual leave	1,461,183	1,328,838
Other payables and accruals	11,191,376	8,975,968
	25,044,996	21,857,896

Refer to Note 24 for further information on financial instruments.

Note 17. Current liabilities - trade and other payables (continued)

Accounting policy
Unearned premiums
Premiums received from members prior to 30 June 2023 relating to the period beyond 30 June 2023 are recognised as unearned premiums. Unclosed business premium liability represent unearned contribution amounts owed by members from 30 June up to and including their next normal payment date.

Trade and other payables
These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Critical accounting judgements
Unexpired Risk Liability

A liability adequacy test is required to be performed for the period over which the insurer is 'on risk' in respect to premiums paid in advance. At each reporting date, the adequacy of the unearned premium liability is assessed by considering the current estimate of all expected future cash flows relating to future claims against current private health insurance contracts.

If the sum of the present value of the expected future cashflows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability, then the unearned premium is deemed to be deficient, with the deficiency being recorded in the income statement and an unexpired risk liability created. Projected benefits, risk equalisation, state levies and claims related expenses were determined from the latest financial projections with membership growth assumptions excluded.

The risk margin of 4.00% (2022: 4.00%) that is applied to the benefits, risk equalisation, state levies and claims related expenses cashflows has been estimated to equate to a probability of adequacy of approximately 75% (2022: 75%).

The liability adequacy test has been performed collectively for hospital and general treatment contracts up to 1 April 2024, the next pricing review date.

2023	Unearned premium[1] $	Unearned unclosed business[2] $	Constructive obligation[3] $	Total $
Hospital and General Treatment Combined Premiums	14,218,817	137,679	106,125,520	120,482,016
Central estimate of future benefits	(12,562,395)	(121,675)	(90,942,102)	(103,626,172)
Central estimate of future claims related management expenses	(1,188,625)	(12,355)	(8,814,847)	(10,015,827)
Risk margin	(550,041)	(5,361)	(3,990,278)	(4,545,680)
	(14,301,061)	(139,391)	(103,747,227)	(118,187,679)
Total Surplus	(82,244)	(1,712)	2,378,293	2,294,337
Total unexpired risk liability				-

(1) *Unearned premium - the value of health insurance premiums received from members prior to 30 June 2023 relating to the period beyond 30 June 2023.*
(2) *Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2023 up to and including their next normal payment date.*
(3) *Constructive obligation - the value of health insurance premiums to be received from members and the cash flows relating to future claims arising from rights and obligations under current insurance coverage at 30 June 2023 up to 31 March 2024, the next premium rate change date at which time the Company is no longer obligated to accept policy renewals at the current premium rates.*

Note 17. Current liabilities - trade and other payables (continued)

2022	Unearned premium[1] $	Unearned unclosed business[2] $	Constructive obligation[3] $	Total
Hospital and General Treatment Combined Premiums	13,175,406	153,145	102,724,614	116,053,165
Central estimate of future benefits	(11,984,022)	(139,208)	(89,619,219)	(101,742,449)
Central estimate of future claims related Management expenses	(989,282)	(11,572)	(7,646,828)	(8,647,682)
Risk margin	(518,932)	(6,031)	(3,890,642)	(4,415,605)
	(13,492,236)	(156,811)	(101,156,689)	(114,805,736)
Total surplus	(316,830)	(3,666)	1,567,925	1,247,429
Total unexpired risk liability				-

(1) *Unearned premium - the value of health insurance premiums received from members prior to 30 June 2022 relating to the period beyond 30 June 2022.*
(2) *Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2022 up to and including their next normal payment date.*
(3) *Constructive obligation - the value of health insurance premiums to be received from members and the cash flows relating to future claims arising from rights and obligations under current insurance coverage at 30 June 2022 up to 31 March 2023, the last premium rate change date of the period, at which time the Company is no longer obligated to accept policy renewals at the 2023 premium rates.*

No provision for unexpired risk liability has been recognised at 30 June 2023 (2022: nil).

Note 18. Current liabilities - lease liabilities

	2023 $	**2022 $**
Lease liability	206,922	196,922

Refer to Note 24 for further information on financial instruments.

Lease commitments includes contracted amounts for office facilities and a retail outlet under non-cancellable leases expiring within 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 18. Current liabilities - lease liabilities (continued)

Accounting policy
Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to surplus or deficit if the carrying amount of the right-of-use asset is fully written down.

Note 19. Current liabilities - provisions

	2023 $	2022 $
Long service leave	672,528	529,465
Outstanding claims liability - central estimate	9,723,857	8,878,963
Outstanding claims liability - risk margin	777,909	621,520
Deferred claims liability	-	14,339,391
	11,174,294	24,369,339

Long service leave obligations:
The current portion of this liability represents the unconditional entitlement to long service leave where employees have completed the required period of service. This amount is presented as a current liability as the Company does not have an unconditional right to defer settlement for these obligations. However, based on past years' experience including low turnover of long term staff, the Company does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	2023 $	2022 $
Employee benefits obligation expected to be settled after 12 months	611,068	481,088

Note 19. Current liabilities - provisions (continued)

(a) *Long Service Leave*

Accounting policy

The liability for long service leave is recognised in current and non-current liabilities, depending on the unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(b) Outstanding claims liability

Movements in each class of provision, other than employee benefits, are set out below:

	2023 Outstanding claims liability $	2022 Outstanding claims liability $	2023 Deferred claims liability $	2022 Deferred claims liability $
Carrying amount at the start of the year	9,500,492	8,265,878	14,339,391	14,564,212
Additional provisions recognised	-	-	(13,804,640)	(152,756)
Catch up claims	-	-	(534,751)	(72,065)
Claims incurred	127,310,798	126,656,372	-	-
Claims paid	(126,309,524)	(125,421,758)	-	-
Carrying amount at the end of the year	10,501,766	9,500,492	-	14,339,391

Critical accounting judgements and estimates

Provision is made at the period end for the liability for outstanding claims which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under private health insurance contacts issued by the Company. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported. To account for inherent uncertainty in the central estimate a risk margin is added. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The estimated cost of claims includes allowances for Risk Equalisation Special Account (RESA) consequences and claims handling costs. The central estimates are calculated gross of any recoveries. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

In calculating the estimated cost of unpaid claims, the Company uses estimation techniques based upon statistical analysis of historical experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including changes in the Company's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods.

The outstanding claims estimate is derived based on three valuation classes, namely hospital and prostheses services combined, medical services, and general treatment.

As most claims for health funds are generally settled within one year, no discounting of claims is applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material. Accordingly, reasonable changes in assumptions would not have a material impact on the outstanding claims balance.

Note 19. Current liabilities - provisions (continued)

Actuarial Assumptions

The following assumptions have been made in determining the outstanding claims liability:

		2023			2022	
	Hospital	Medical	General	Hospital	Medical	General
Variables	%	%	%	%	%	%
Assumed portion paid to date	95.94%	96.88%	98.49%	97.82%	97.27%	98.47%
Expense ratio	4.24%	4.24%	4.24%	3.56%	3.56%	3.56%
Discount rate	-	-	-	-	-	-
Risk equalisation rate	(1.66%)	(1.66%)	-	(0.24%)	(0.24%)	-
Risk margin	8.00%	8.00%	8.00%	7.00%	7.00%	7.00%

Process for determining risk margin

The risk margin was determined from the assumption that there is a normal distribution of differences between the calculated provisions required for past periods and the finally determined requirements for those periods. A probability of sufficiency of 75% is intended to be achieved through the adoption of the risk margin of 8.00% (2022: 7.00%) at the end of the reporting period.

The risk margin for the outstanding claims provision is based on an analysis of the historical accuracy of the Company's provision for outstanding claims. The benefits component of the provision for each period, which reflects the expected outstanding claims at the time of reporting, calculated according to the chain ladder method, is compared to the actual claims that are subsequently paid for that period. The difference between the actual outstanding claims and the expected outstanding claims is analysed to determine a risk margin which provides a 75% probability of sufficiency.

The risk margin at 30 June 2023, is calculated as 8.00% (2022: 7.00%) of the central estimate of the benefits component of the outstanding claims liability. Allowance is also made for expected risk equalisation consequences and administration costs associated with claims processing in the outstanding claims liability estimate. The risk margin increased in financial year 2023, reflecting the heightened uncertainty in respect to claims experience.

Impact of changes in key variables relating to insurance liability

The Company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Company.

2023

Variables	Movement in variable %	Adjustments on Surplus	Adjusted amount included in Income Statement	Adjustments on Equity	Adjusted amount included in Statement of financial position
Chain ladder development factors	1.00%	(94,655)	(94,655)	(94,655)	(94,655)
Chain ladder development factors	(1.00%)	94,655	94,655	94,655	94,655
Discount rate	-	-	-	-	-
Discount rate	-	-	-	-	-
Risk Equalisation rate	1.00%	(82,667)	(82,667)	(82,667)	(82,667)
Risk Equalisation rate	(1.00%)	82,667	82,667	82,667	82,667
Risk margin	1.00%	(97,239)	(97,239)	(97,239)	(97,239)
Risk margin	(1.00%)	97,239	97,239	97,239	97,239

Note 19. Current liabilities - provisions (continued)

2022	Movement in variable	Adjustments on Surplus	Adjusted amount included in Income Statement	Adjustments on Equity	Adjusted amount included in Statement of financial position
Variables	%				
Chain ladder development factors	1.00%	(85,916)	(85,916)	(85,916)	(85,916)
Chain ladder development factors	(1.00%)	85,916	85,916	85,916	85,916
Discount rate	-	-	-	-	-
Discount rate	-	-	-	-	-
Risk equalisation rate	1.00%	(75,617)	(75,617)	(75,617)	(75,617)
Risk equalisation rate	(1.00%)	75,617	75,617	75,617	75,617
Risk margin	1.00%	(88,790)	(88,790)	(88,790)	(88,790)
Risk margin	(1.00%)	88,790	88,790	88,790	88,790

(c) Deferred claims liability

Critical accounting judgements and estimates

The annual report of the Company previously included a provision for COVID-19 deferred claim liabilities (DCL) as at 30 June 2022.

At 30 June 2023, it was assessed that a DCL provision is no longer required for the Company, with Australia reverting to a state of relative COVID-19 normality based on the following:

- There has not been any government restrictions on hospital access since early 2022;
- In the first half of the 2023 financial year, the Australian government relaxed remaining COVID-19 restrictions. In the second half of the 2023 financial year the World Health Organisation declared that COVID-19 is no longer a global health emergency;
- Migration has returned and workforce and capital constraints are expected to have alleviated in the health sector allowing a return to normal activity levels.

Movements in the deferred claims liability

The deferred claims liability has been fully unwound at 30 June 2023, which resulted in $14.339 million being recognised in the Statement of surplus or deficit and other comprehensive income for the year ended 30 June 2023.

(d) Other provisions

Other provisions are recognised when:
(i) the Company has a present legal or constructive obligation as a result of past events
(ii) it is more likely than not that an outflow of economic benefits will be required to settle the obligation; and
(iii) that the outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

Note 20. Current liabilities - Members give back provision

	2023 $	2022 $
Members give back provision	22,107,910	9,000,000

Note 20. Current liabilities - Members give back provision (continued)

A members give back liability of $22.1 million has been recognised at 30 June 2023 (2022: $9.0 million). This liability relates to the return of permanent COVID-19 claims savings to members. This members give back liability is expected to be utilised via a cash payment to eligible policyholders within the next 12 months. This is recognised in the Statement of surplus or deficit and other comprehensive income as a claims expense.

Note 21. Non-current liabilities - lease liabilities

	2023 $	2022 $
Lease liability	648,101	831,380

Refer to Note 18 for the Lease Accounting Policy adopted by the Company and Note 24 for further information on financial instruments.

Lease commitments includes contracted amounts for office facilities and a retail outlet under non-cancellable leases expiring within 10 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 22. Non-current liabilities - provisions

	2023 $	2022 $
Long service leave	273,652	371,176

Provision for long-term employee benefits
A provision has been recognised for employee benefits relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data.

Refer to Note 19 for the long service leave Accounting Policy adopted by the Company.

Note 23. Equity - reserves

	2023 $	2022 $
Revaluation surplus reserve	2,831,722	2,606,722

Revaluation surplus reserve
The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties. In the event of a sale of an asset, any balance in the reserve in relation to that asset is transferred to retained surpluses.

	Revaluation Surplus $	Total $
Balance at 1 July 2021	1,431,722	1,431,722
Revaluation	1,175,000	1,175,000
Balance at 30 June 2022	2,606,722	2,606,722
Revaluation	225,000	225,000
Balance at 30 June 2023	2,831,722	2,831,722

Note 24. Financial instruments

Financial risk management objectives
The Company's activities expose it to a variety of financial risks. Note 3 presents information about the Company's exposure to these risks.

Market risk

Foreign currency risk
Sensitivity analysis for currency risk
The Company holds an unhedged international portfolio of equity investments valued at current foreign exchange prices of $4,423,961 (2022: $4,165,909). For equity investments classified as fair value through surplus or deficit, a 5% change of the Australian Dollar against all other currencies at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $221,198 (2022: $208,295). Equity would increase or decrease by the same amount.

The above example assumes a constant and equal 5% change of the Australian Dollar against all other currencies. However, in practice a basket of currencies does not move in this constant fashion because invariably macroeconomic factors will impact each currency differently.

Price risk
Sensitivity analysis for price risk
The Company's Australian equity investments are listed on the Australian Securities Exchange. For equity investments classified as fair value through surplus or deficit, a 10% change in the bid price at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $1,586,183 (2022: $1,341,250). Equity would increase or decrease by the same amount.

The Company's bonds are listed on the secondary market. For bonds classified as fair value through surplus or deficit, a 10% change in the bid price at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $5,565,294 (2022: $5,099,647). Equity would increase or decrease by the same amount.

Interest rate risk
Interest rate risk is explained in Note 3 (c).

Note 24. Financial instruments (continued)

At the end of the reporting period the interest rate profile of the Company's interest-bearing financial instruments was:

	2023 Weighted average interest rate %	2023 Balance $	2022 Weighted average interest rate %	2022 Balance $
Fixed rate instruments (maturing within one year): Financial assets	4.52%	73,263,694	0.99%	63,500,000
Fixed rate instruments (maturing after one year): Financial assets	6.03%	52,389,242	5.50%	50,996,473
Variable rate instruments: Financial assets	4.18%	11,628,425	0.92%	9,230,898
Net exposure to cash flow interest rate risk		137,281,361		123,727,371

Sensitivity Analysis:

	Basis points increase			Basis points decrease		
2023	Basis points change	Effect on surplus	Effect on equity	Basis points change	Effect on surplus	Effect on equity
Fixed rate instruments	100	1,256,529	1,256,529	100	(1,256,529)	(1,256,529)
Variable rate instruments	100	116,284	116,284	100	(116,284)	(116,284)
		1,372,813	1,372,813		(1,372,813)	(1,372,813)

	Basis points increase			Basis points decrease		
2022	Basis points change	Effect on surplus	Effect on equity	Basis points change	Effect on surplus	Effect on equity
Fixed rate instruments	100	1,144,965	1,144,965	100	(1,144,965)	(1,144,965)
Variable rate instruments	100	92,309	92,309	1,001	(92,309)	(92,309)
		1,237,274	1,237,274		(1,237,274)	(1,237,274)

Credit risk
Credit risk is explained in Note 3 (a).

Exposure to credit risk:
The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the end of the reporting period was as follows:

	2023 $	2022 $
Financial Assets		
Cash and cash equivalents	81,628,321	72,730,794
Receivables	9,524,560	5,732,739
Financial assets at fair value through surplus or deficit: Bonds	55,652,937	51,016,118
	146,805,818	129,479,651

Liquidity risk
Liquidity risk is explained in Note 3 (b).

Note 24. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2023	1 month or less $	Between 2 and 4 months $	Between 4 and 6 months $	More than 6 months $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade and other payables (excl. GST & PAYG)	13,996,126	-	-	-	13,996,126
Member giveback	-	8,000,000	14,000,000	-	22,000,000
Interest-bearing - fixed rate					
Lease liability	19,345	58,035	58,035	1,122,546	1,257,961
Total non-derivatives	14,015,471	8,058,035	14,058,035	1,122,546	37,254,087

2022	1 month or less $	Between 2 and 4 months $	Between 4 and 6 months $	More than 6 months $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade and other payables (excl. GST & PAYG)	9,057,778	-	-	-	9,057,778
Member giveback	-	-	9,000,000	-	9,000,000
Interest-bearing - fixed rate					
Lease liability	18,998	56,994	56,994	990,874	1,123,860
Total non-derivatives	9,076,776	56,994	9,056,994	990,874	19,181,638

The carrying value of the Company's contractual maturities are $37,254,087 (2022: $19,181,638). The Company is not significantly exposed to this risk as it has $81,628,321 of cash and cash equivalents to meet these obligations as they fall due.

Fair value
The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the Company are as follows:

	2023		**2022**	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Assets				
Financial assets fair valued through surplus or deficit	55,652,937	55,652,937	51,016,118	51,016,118
Shares in listed corporations	23,613,128	23,613,128	20,043,721	20,043,721
	79,266,065	79,266,065	71,059,839	71,059,839

Financial assets measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

Note 24. Financial instruments (continued)

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

All financial assets and liabilities above are classified as Level 1 due to either their short-term nature or their values being derived by quoted prices (unadjusted) in active markets for identical assets. The net carrying amounts for these financial assets and liabilities are deemed to approximate their fair values.

Note 25. Key management personnel disclosures

Directors
The following persons were directors of Peoplecare Health Limited during the financial year:

Glenn Lennell
Peter Fitzgerald
Stephannie Jonovska
Louise Leaver (Resigned 26 March 2023)
Michael Oertel
Sue Baker-Finch
Dr Abhishek Verma

Other key management personnel
The following persons also had the authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, during the financial year:

Dr Melinda Williams (Retired 30 June 2023)	Chief Executive Officer
Louise Leaver (Commenced 27 March 2023)	Chief Executive Officer
Brett Wright	Chief Risk Officer
Christopher Stolk	Chief Financial Officer and Company Secretary
Melissa Jones	Chief Services Enablement Officer
Maree Morgan-Monk	Chief People and Culture Officer
James Robins (Resigned 2 December 2022)	Chief Services Information and Digital Officer
James Koutsoukos	Chief Commercial Officer
Marie Heritage	Chief Marketing and Customer Strategy Officer
Scott Prosser (Commenced 14 November 2022)	Chief Operations Officer
Pablo Neira (Commenced 5 December 2022)	Chief Information Officer

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	2023 $	2022 $
Short-term employee benefits	2,822,486	2,368,176

Total Directors' remuneration of up to a maximum of $495,000 per annum was approved by members at the Annual General Meeting on 24 November 2021. For the year ended 30 June 2023 total directors' remuneration paid was $467,328.

Other transactions with key management personnel
During the period the Company provided discounted health insurance to employees, which includes key management personnel.

Note 26. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company:

	2023 $	2022 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit of the financial statements	84,895	82,820
Other services - Grant Thornton Audit Pty Ltd		
Audit of regulatory returns	35,305	34,440
Audit of replacement financial system implementation	13,990	-
CPS 234 Tripartite Audit	25,000	-
	74,295	34,440
	159,190	117,260

Note 27. Contingent assets and liabilities

At 30 June 2023 the Company had no contingent assets and liabilities.

Note 28. Commitments

Operating lease commitments includes contracted amounts for plant and equipment under non-cancellable operating leases expiring within 2 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 29. Related party transactions

Key management personnel
Disclosures relating to key management personnel are set out in Note 25.

Transactions with other parties
The following transactions occurred with other related parties:

	2023 $	2022 $
Payment for goods and services:		
Payment for services from Members Health Fund Alliance	61,659	58,447
Payment for services from Australian Health Service Alliance Limited	410,522	526,064

During the year, fees were paid to Members Health Fund Alliance and Australian Health Services Alliance, not-for-profit companies which the CEO of Peoplecare, Dr Melinda Williams, was a director, until her retirement from the Boards in March and April 2023 . She received no remuneration from Members Health Fund Alliance or Australian Health Services Alliance. The payments were made on normal commercial terms and conditions, and relate to yearly membership which, in the case of Members Health Fund Alliance, relates to the provision of advocacy services, research and policy, and forums and events. Services provided by AHSA also on normal commercial terms and conditions include management or provider relationship, collection, dissemination, and analysis of medical and hospital data, management of access gap cover arrangements, as well as prostheses, educational services and training.

Note 29. Related party transactions (continued)

Receivable from and payable to other parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from other parties
There were no loans to or from other parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 31. Reconciliation of surplus to net cash from operating activities

	2023 $	2022 $
Surplus for the year	16,704,323	4,719,819
Adjustments for:		
Depreciation and amortisation	1,045,341	858,710
Net gain on disposal of property, plant and equipment	(46,857)	(25,531)
(Increase)/decrease in fair value of financial assets	(7,725,127)	3,629,278
Net loss/(gain) on disposal of financial assets transferred to surplus or deficit on disposal	14,913	(137,908)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(3,279,591)	(1,613,002)
Decrease/(increase) in inventories	(23,627)	14,492
(Increase)/decrease in prepayments	511,799	(337,934)
Increase/(decrease) in trade and other payables	2,347,753	(257,506)
Increase in employee benefits	45,539	5,012
Increase/(decrease) in other provisions	(230,198)	10,009,784
Increase/(decrease) in other operating liabilities	839,347	(1,236,872)
Net cash from operating activities	10,203,615	15,628,342

Note 32. Non-cash investing and financing activities

During the financial year the entity did not undertake any non-cash activities.

Note 33. Nature and extent of risks arising from insurance contracts

The purpose of insurance is risk distribution, that is, to spread risks across a large pool of individuals. Insurance provides a mechanism by which individuals who pay an agreed sum, known as a ‘premium’ can be indemnified against future events that may cause loss.

An insurance contract is a product under which an insurer accepts significant risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

A health insurance contract is a type of insurance whereby the company (the insurer) agrees to reimburse the policyholder for health care costs in exchange for a premium. The contract (policy) stipulates the type of health care benefits covered as well as costs to be reimbursed.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its life, even if the insurance risk reduces significantly during the period.

The Company has determined that all current contracts with policyholders (members) are insurance contracts.

Sensitivity to insurance risk
Health insurance claims tend to be short-tailed in nature, in that the period of time between a claim event occurring and the date of payment of that claim are typically less than one year, and in most cases less than six months. Historical claim lag patterns demonstrate that greater than 90% of claims are settled within three months of the claim event occurring.

The health insurance claims are therefore generally not sensitive to factors such as inflation, changes in interest rates, or other time-value of money issues, and as such a sensitivity analysis has not been provided in the financial statements.

Selection, pricing and concentration risk
Community rating is the basis of Australia’s private health insurance system. Under the *Private Health Insurance Act 2007*, private health insurance contracts are required to be community rated, that is, in setting premiums, or paying benefits, funds cannot discriminate on the basis of health status, age, race, sex, and sexuality, use of hospital or medical services or general claiming history. Although this risk is shared collectively across the entire pool of policyholders, actuaries and underwriters still collect health information to determine the overall premium that insurers must charge to sustain the pool.

Community rating mandates that one price must apply to all member groups within each product, meaning that the pricing applied to the member groups within a product applies to all current and future potential members.

The Company manages concentration risk by pricing each product with regard to the risk profile of each policyholder group.

Another regulatory factor is Risk Equalisation which supports the principle of community rating. The Risk Equalisation scheme transfers money from private health insurers with younger healthier members with lower average claims payments to those insurers with an older and less healthy membership and which have higher average claims payments.

The Private Health Insurance Act 2007, also limits the types of treatment that private health insurers are able to offer as part of their health insurance business. Premiums for health insurance can only be changed with the approval of the Minister for Health.

Credit risk in relation to insurance contracts
Credit risk is the risk that one party to an insurance contract will cause a financial loss for the other party by failing to discharge an obligation.

The maximum exposure to credit risk for insurance contract related assets, at the end of the reporting period, is the carrying amount net of any provision for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Note 33. Nature and extent of risks arising from insurance contracts (continued)

This risk is minimised through a process of arrears management whereby benefit payments are with-held from non-financial members. Where payment of contributions is not received for a continual period of 60 days, the policy is terminated.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under insurance contracts entered into by the Company.

Liquidity risk in relation to insurance contracts
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance contracts.

The Company manages liquidity risk in relation to insurance contracts by continuously monitoring forecast and actual cash flows and claims provisioning risk as well as holding a high percentage of highly liquid investments to meet the obligations of the Company.

Market risk in relation to insurance contracts
Market risk is the risk that the fair value or future cash flows associated with insurance contracts will fluctuate because of changes in market prices. Factors affecting market prices faced by the Company include inflation risk.

The Company is exposed to inflationary risk in relation to hospital and medical services that may materially impact on the future value of claims payments. Controls in place to mitigate this risk include contracts with hospital and medical service providers, and limits applied to some benefits provided under general treatment products. The Company also monitors growth in the utilisation and charges for medical services on an ongoing basis to ensure they are within forecast ranges.

Peoplecare Health Limited
Directors' declaration
30 June 2023

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Glenn Lennell GAICD
Director

Peter Fitzgerald BCom, FCA, GAICD
Director

20 September 2023
Wollongong

Grant Thornton

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Independent Auditor's Report

To the Members of Peoplecare Health Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Peoplecare Health Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of surplus or deficit and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial report and auditor’s report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company’s annual report for the year ended 30 June 2023, but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with *Australian Accounting Standards and the Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.This description forms part of our auditor’s report.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Sheridan
Partner – Audit & Assurance

Sydney, 20 September 2023