Peoplecare

Annual Report 2015

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Message from the Chairman

2014/15 has been a great year of development in the health insurance industry and Peoplecare have continued to perform exceptionally well.

The Australian Prudential Regulation Authority (APRA) assumed responsibility for regulating the private health insurance industry on the 1st of July 2015, taking over from the Private Health Insurance Administration Council (PHIAC), a body that has since been disbanded. APRA has responsibility for regulatory practice for most segments of the finance and insurance industries. Although currently APRA has indicated that for the next year there will be no major changes to the regulatory regime that was in place under PHIAC it is known that greater emphasis will be placed on risk mitigation and reporting together with capital and asset management to meet strict prudential guidelines. Peoplecare has been well versed in the changing environment and the executive and the Board have instituted various changes in established practice to meet and exceed the new regime requirements. Nothing will be left to chance and the establishment of modified practices to eliminate (as far as is possible) risk to reputation and business activity have been instigated.

Peoplecare will continue to work with Government and regulators to ensure that our voice is heeded when significant changes to governance and practice are mooted.

This year Peoplecare has once again been extremely successful and this is borne out by the various metrics we measure to gauge the success.

Membership satisfaction is a metric we have independently measured each year and once again this year our members have recorded satisfaction levels that are the envy of many of our competitors. Satisfaction levels at the good and very good levels have been recorded by members at 94.9%.

Staff satisfaction levels are also recorded through structured questionnaires designed to alert management of any perceived issues within our staff complement. The recorded satisfaction levels continue to be extremely high as does our rating as a preferred employer within the Illawarra region.

Membership numbers continued to grow, although because of the difficult external environment, not at the highs established over the recent past years. We have instituted subtle changes to our product offerings in an attempt to further grow viable business. Member numbers grew from 30,810 last year to 31,220 this year.

Financially the year has been rewarding to the company with contribution income and benefit expenditure being at all-time highs. Contribution income was $113.501m and benefit expenses were $98.358m. Accumulated assets grew by $8.429m allowing the company to completely satisfy regulatory and statutory reserve requirements.

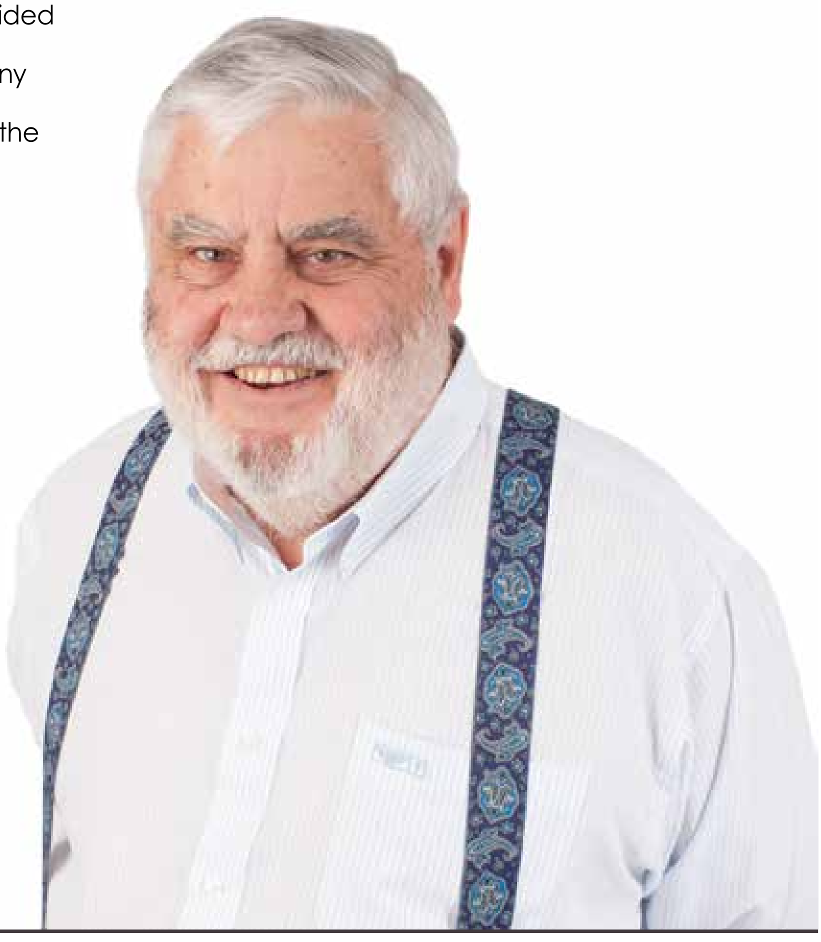
Full financial details are provided by our externally audited statements that form part of this report.

I would like to express thanks to our CEO Michael Bassingthwaighte and his great team of executives and staff who have once again exceeded our expectation in serving our membership. To my Board I offer my thanks for the assistance provided in first ensuring compliance with regulatory requirements but also in providing the company with the workforce and financial backing to ensure continued membership satisfaction at the exceptionally high levels we seek to achieve.

In closing I would thank Mr Alan Gibbs who has served three successful three year terms as a member elected director of our company and retires this year.

Norman W. Branson DipBus (RMIT) FAICD
Chairman Peoplecare Board

19 September 2015
Wollongong



CEO's Report

Peoplecare has again enjoyed a successful year despite continuing challenges in private health insurance and the broader Australian economy.

The financial year has delivered a strong result with a surplus of $8.429m (2014: $7.275m) and our capital levels remain strong thus protecting member's interests well into the future.

A summary of the main key financial measures (with comparatives from 2013 and 2014) are shown in the table on the following page.

Our primary responsibility is to deliver a valued service that our members find attractive and we regularly ask our members via independently commissioned research to tell us how we are performing and I am delighted to report that we have maintained a high level of customer satisfaction for another year with a Customer Satisfaction score of 94.9%.

This research provides invaluable information for us as we continually look to improve our service and also our product range and value. In this regard this year we launched a new mobile app to enable members to submit claims using the latest smartphone technology and we also launched a new range of health insurance products on 1 July 2015 that has already received a positive reaction from members and prospective members.

Summary of Results	2015		2014		2013	
	% income	$000	% income	$000	% income	$000
Contribution Income		**113,501**		**107,440**		**98,768**
Less Member Benefits Paid	77.96%	88,488	79.53%	85,447	77.94%	76,981
Less Risk Equalisation Trust Fund	7.48%	8,490	8.27%	8,884	9.40%	9,286
Less State Ambulance Levy	1.22%	1,380	1.25%	1,341	1.27%	1,259
Gross Margin	**13.34%**	**15,143**	**10.95%**	**11,768**	**11.38%**	**11,242**
Less Management Expenses attributable to the Health Benefit's Fund	8.67%	9,838	7.90%	8,485	8.02%	7,924
Underwriting Result	**4.67%**	**5,305**	**3.06%**	**3,283**	**3.36%**	**3,318**
Add Investment & Other Income (net of expenses)	2.75%	3,124	3.72%	3,992	3.79%	3,740
Net Surplus / (Deficit)	**7.43%**	**8,429**	**6.77%**	**7,275**	**7.15%**	**7,058**

The fund membership reached a new record high of 31,220 although the growth rate has slowed significantly from recent years.

Our first optical and dental centre in Wollongong has also exceeded targets for the year and we are continually looking for other arrangements that will broaden access to allied health services across the country.

Other important initiatives this past year has included the establishment of a new Business Continuity / Disaster Recovery facility at Shellharbour and this should ensure continuity of service in the event of any major disruption to our facility in central Wollongong.

In addition we were very excited to partner with Grand Pacific Health, irt and the University of Wollongong to successfully tender for the new Southern NSW Primary Health Network that commenced on 1 July 2015. This initiative resulted in Peoplecare being a founding member of a new company (Coordinare) that will enable Peoplecare to work constructively with our partners to further develop the provision of primary care services across this broad region and thus provide significant learnings for the future.

We continue to develop our ever growing workforce to ensure that they can continue to provide award winning service and it was particularly pleasing that we were recently named as a finalist in two categories in the Australian Human Resources awards for Best Flexible Workplace program and Employer of Choice (Government and Not for Profit sectors).

It was also very encouraging that the Australian Financial Review Smart Investor magazine named Peoplecare as the #1 health fund in Australia late in 2014.

The new financial year has brought about a change in regulatory oversight for our industry with a change from the Private Health Insurance Administration Council (PHIAC) to the Australian Prudential Regulation Authority (APRA) that will no doubt bring new arrangements and practices to meet regulatory requirements.

At Peoplecare we have routinely benchmarked our approach and standards to that of APRA and other regulatory agencies in the past and we are confident that we will continue to meet any obligations that are imposed upon us.

During this financial year, we have continued to generate income outside the health fund for the benefit of members, and have received significant revenue from the management fees from National Health Benefits Australia Pty Ltd and the Reserve Bank Health Society, which are independent health funds that we manage on behalf of their Boards of Directors.

We also generate licence fees and management fees from our third party relationship with Allianz Global Assistance (AGA) for the provision of Overseas Student Health Cover as well as through the provision of back office processing services to AGA for the overseas students and overseas visitor markets and income from our travel insurance agency agreement with QBE Travel.

We continue to look for new opportunities to maximise our other income sources to benefit our members in the future.

In summary the 2014/15 financial year has once again been a successful year for Peoplecare, with continued growth in our core health insurance business together with sound financial performance as well as all of our diversified businesses performing strongly, along with exceptional service delivery from our enthusiastic Peoplecarers.

The next year and beyond will no doubt continue to be challenging – the Federal Government has recently initiated a number of reviews into the health sector and the outcomes of these may have impacts on the future for private health insurers – I am confident however that we can respond to any challenges and continue to provide our members with good value health insurance that is the hallmark of a not for profit organisation.

I would also like to take this opportunity to thank all of the Peoplecare staff for their commitment to our business and for their untiring efforts to please our members.

I am proud to continue my leadership role and to guide the Peoplecare organisation with the Board and I express my sincere thanks to our Chairman Norman Branson and all of the Directors for their ongoing support.

Michael Bassingthwaighte AM FAICD
Chief Executive Officer

19 September 2015
Wollongong

Directors' Report

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2015.

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:

Norman Branson

Janelle Bond
Retired 12 November 2014

Greg Parrish

Alan Gibbs

Ian Sampson

Andrew Gregory

Claire Davis
Associate Director – to 13 February 2015

Glenn Lennell
Associate Director – to 12 November 2014,
Director – appointed 12 November 2014

Stephannie Jonovska
Associate Director – appointed 21 March 2015

Objectives

The Company's main purpose or objective is to:

Facilitate access to affordable health care that positively impacts members' lives.

Strategy for achieving the objectives

To achieve its objective, the company will adopt a range of strategic initiatives categorised under four key pillars:

A workforce doing great things

- Creating a flexible, high performing, enthusiastic and innovative workforce to meet the challenges of the future;
- Fostering the diversity and development of our people to deliver outstanding service to our customers and to provide a challenging and rewarding workplace where they can excel and thrive; and
- Our people make a great contribution to our community.

A more engaged customer

- Recognising the emerging needs of our customers, provide the products and services that they want and deserve;
- Empower our customers to take good care of their health and reward them for achieving their goals;
- Establish health networks to improve access to more affordable care for the long term and continue to move along the integrated care path; and
- Embrace and champion the benefits of the not for profit health care and financing model.

A better health care experience

- Developing a better health care experience for members by providing access to relevant and appropriate health care services as part of a national private health insurance product and through building a regional presence in Southern NSW to position Peoplecare as a trusted health partner and capable service provider for the future.

A strong, sustainable business

- Ensuring that key business risks are well understood and embedded throughout Peoplecare;
- Leveraging our data and business intelligence to identify key profitable markets and market segments that deliver sound financial results that grow capital strength; and
- A key focus on investment in new technologies that drive customer engagement and the development of strong collaborative partnerships and relationships with the industry regulators.

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 Benefits funds.

No significant changes to the principal activity have occurred during the financial year.

Information on Directors

Norman Branson

DipBus (RMIT) FAICD

Norman was appointed as a Director in 2006 and as Chairman since 2007.

Norman has 35 years' experience in the health industry, with 25 of those years in private health insurance. This health insurance experience includes 10 years as a fund CEO, 3 years as the Federal Private Health Insurance Ombudsman, 3 years as an industry advocate and 9 years on the Peoplecare Board. Norman has also held director positions on various health related boards, commencing in 1998 as a director on the inaugural Victorian Ambulance Board and since then, on boards of the NHBS Retirement Villages Pty Ltd, NHBS Company Limited, HAMB Systems Limited, Australian Health Services Alliance Limited, and now on the Lysaght Peoplecare Limited Board.

Norman's professional qualifications include a Diploma of Business and he is also a Graduate Fellow of the Australian Institute of Company Directors.

Greg Parrish

BCom CPA MBA GAICD

Greg was appointed as a Director in 2005 and is Chair of the Risk Committee.

Greg has had extensive experience at executive level in the mutual sector. Greg is currently employed as Chief Executive Officer for CEnet, a not for profit shared services ICT company. Greg is also a director of Greenacres Disability Services. Previously, he was employed as the Executive Manager – Corporate Services for Community Alliance Credit Union for 11 years and has 20 years' experience in senior management roles in various private health insurance and financial institutions.

Greg's experience includes areas such as strategy, finance, consulting, governance, information technology, mergers and acquisitions.

Greg's professional qualifications include a Bachelor of Commerce and Master of Business Administration. He is also a Graduate of the Australian Institute of Company Directors and a Certified Practising Accountant.

Ian Sampson

BCom LLB FAIM FAICD

Ian was elected as a Director in 2006 and is Deputy Chair of the Board.

Ian is Chairman of The Leadership Foundation and a private investment company and chairs the People and Governance Committee of QEnergy Ltd. He is also a syndicate chairman for the CEO Institute.

Ian consults to organisations in a wide range of industry sectors including private, government and not for profit organisations. His areas of specialty include business transformation, executive and board coaching, leadership development, governance, negotiation and facilitation, complex problem resolution and strategy development.

Ian's professional qualifications include a Bachelor of Commerce and Bachelor of Law. He holds a Professional Development Certificate in Executive Coaching. He is a Fellow of both the Australian Institute of Company Directors and the Australian Institute of Management.

Alan Gibbs

JP, Diploma of Metallurgy, GAICD

Alan was elected as a Director in 2006.

Alan has significant experience as a senior manager both in Australia and internationally. This experience encompasses a broad range of disciplines that include sales, marketing, customer service, operations, supply chain, general management and international trade.

Currently Alan is the Manager–International Trade Affairs for BlueScope Steel.

Alan's professional qualifications include a Diploma in Metallurgy, and he is also a Graduate of the Australian Institute of Company Directors.

Andrew Gregory

MAppFin, BComm (IB,HRM), GAICD

Andrew was elected as a Director in 2012 and is Chair of the Audit Committee.

Andrew is an experienced Finance Executive & Company Director, holding senior roles in financial services and private wealth management.

Currently Head of Financial Planning for Hillross Financial Services Limited and AMP Financial Planning Pty Limited, Andrew's experience and expertise lies in financial services, private wealth management, corporate finance, corporate governance and private health insurance.

Andrew is also a Company Director of the Youth Insearch Foundation and a former Company Director of Quay Credit Union.

Andrew is well qualified with a Masters in Applied Finance from Macquarie University, a Bachelor of Commerce and a Graduate of the Australian Institute of Company Directors.

Glenn Lennell
GAICD

Glenn was appointed as a Director in 2014 and is Chair of the Nomination, Development & Remuneration Committee.

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 Chief Executive Officer of HAMBS which provides application software and technical services to 23 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.

Stephannie Jonovska
BComm CPA GAICD

Stephannie was appointed as an Associate Director in 2015.

Stephannie is a commercial management professional with over 20 years' experience in the steel manufacturing and solutions industry. Her diverse functional experience spans financial management, governance, shared services, procurement and project management.

Stephannie is currently the Business Improvement Manager for BlueScope Australia and New Zealand. She is also the Chair of the WEA Illawarra Board, a not-for-profit registered training organisation. Stephannie's professional qualifications include a Bachelor of Commerce. She is also a Graduate of the Australian Institute of Company Directors and a Certified Practising Accountant.

Janelle Bond
BIT MBA (Commercial Law) FAICD

Janelle was elected as a Director in 2005 and retired in 2014.

Janelle has extensive experience in the IT industry, has held various management positions and also has a background in commercial law, procurement, outsourcing, local governments and materials science. Janelle is currently employed at BlueScope Steel in the role of Australia and New Zealand IT Contracts and Outsourcing Manager.

Janelle's professional qualifications include a Bachelor of Information Technology (Information Systems) and MBA (Commercial Law) and is also a Fellow of the Australian Institute of Company Directors.

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 2015, and the number of meetings attended by each director was:

Director	Full Board		Finance, Audit & Risk Committee**		Nomination, Development & Remuneration Committee		Audit and Compliance Committee		Risk Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
N. Branson*	6	6	2	2	4	4	1	1	1	1
J. Bond	3	3	2	2	-	-	-	-	-	-
A. Gibbs	6	6	-	-	-	-	-	-	-	-
G. Parrish	6	6	2	2	-	-	1	1	1	1
I. Sampson	6	6	-	-	4	4	1	1	1	1
A. Gregory	6	6	2	2	-	-	1	1	-	-
C. Davis	4	4	2	2	-	-	-	-	-	-
G. Lennell	6	6	-	-	4	4	1	1	1	1
S. Jonovska	2	2	-	-	-	-	-	-	-	-

* Norman Branson is the Board Chairman and is an ex officio member of the Finance, Audit and Risk Committee, the Audit and Compliance Committee and the Risk Committee.

** From January 2015, the Finance, Audit and Risk Committee was replaced by the Audit and Compliance Committee and the Risk Committee.

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 (2014: $10). The number of members at the end of the financial year was 31,220 (2014: 30,810).

Matters subsequent to the end of the financial year

As at the date of this directors' report, the directors are not aware of any matter of circumstance that has arisen 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 2015.

Dividends

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

Non-audit services

The Board of Directors, in accordance with advice from the Audit and Compliance Committee, is satisfied that the external auditors did not provide any non-audit services during the financial year. Therefore, consideration of the compatibility of the external auditors' services with the general standard of independence for auditors imposed by the Corporations Act 2001 was not required. The directors are satisfied that any future non-audit services contemplated will not compromise the external auditors' independence for the following reasons:

i. All non-audit services are reviewed and approved by the Audit and Compliance Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

ii. The nature of the services provided do not compromise the general principles relating to auditor independence as set out in Section 290 of APES 110 – Code of Ethics for Professional Accountants set by the Accounting Professional and Ethics Standards Board.

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 25.

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

Norman Branson
DipBus (RMIT) FAICD

Director

Andrew Gregory
MAppFin, BComm (IB, HRM), GAICD

Director

19 September 2015
Wollongong

Corporate Governance Statement

This statement outlines the Corporate Governance practices Lysaght Peoplecare Ltd ("Peoplecare") has in place to ensure that the company is directed and managed effectively and appropriately for the benefit of the members. These practices are a system of directing and controlling the affairs, policies, functions and actions of the company, while managing business risk. The Directors act as stewards of the company on behalf of all members and have legal responsibility for their actions and conduct, primarily through the Corporations Act 2001, the Private Health Insurance Act 2007 and the applicable PHIAC/APRA Governance Standard[1].

Board of Directors

The Constitution of the Company in section 8.1 provides that the Board will comprise 6 directors who must be members or member affiliates. At least 2 directors must be elected by the members and not more than 4 can be Appointed Directors. The Constitution also provides for associate directors who can be appointed for a term not exceeding one year. The Board may re-appoint an associate director at the expiry of their term for a further term of one year provided that no person may be appointed as an associate director for more than three terms. Associate directors are not eligible to vote at directors' meetings and do not count for the purposes of determining whether a quorum of directors is present.

Although a person so appointed as an associate director has no automatic right of attendance, in normal circumstances they would be invited and be expected to attend all Board meetings during their tenure and may be invited to participate in particular committee meetings. It may though be appropriate from time to time to exclude such associates from certain in-camera Board discussions. Associate directors, while able through invitation to attend and contribute to Board meetings, will not have a vote on any matter put before the Board.

Every financial member of the company is entitled to participate in the governance of the company by being elected or appointed to the Board of Directors in accordance with the Constitution and Board approved nomination processes. The Board will determine candidates on the basis of requisite skills, experience, qualifications, and fit and proper guidelines as determined by the Board from time to time.

The Nomination, Development and Remuneration Committee (NDRC) is responsible for recommending to the Board the director nomination process each year and will take into consideration the need to rejuvenate the Board to ensure the Board has forward thinking and fully independent directors.

Whilst neither the Constitution, or the PHIAC/APRA Governance Standard, mandates a maximum term of office for directors, it is considered that unless there are skills issues to be addressed it is desirable that only under significant circumstances would tenure exceed 3 x 3 years at which time an annual election or appointment is required.

Board Responsibilities

The Board's overall responsibilities include:

- Set the strategic direction of the company in the best interest of members and after considering requirements of other key stakeholders, and monitor the performance and achievement of strategic objectives through a properly defined and endorsed business plan;
- Review and approval of corporate policies and strategies;
- Monitoring the financial position and financial performance of the company including consideration and approval of budgets, and financial reports at least annually;
- Monitoring high level non-financial organisational performance and the achievement of goals and targets in areas of business development, growth, information technology, health insurance business operations, health management, and the operations of non-health and health related businesses conducted by Peoplecare;

[1] APRA has taken over PHIAC's responsibilities from 1st July 2015. The current PHIAC standards, including the Governance Standard, is expected to continue to apply for at least 12 months beyond 1st July 2015.

- Appointment and assessment of the performance of the Chief Executive Officer and Executive Managers and assessing / monitoring succession plans and strategies, and ensuring appropriate resources are available to senior executives;
- Ensuring the significant risks faced by the company have been identified and appropriate control, monitoring and reporting mechanisms are in place to ensure these risks are well managed in accordance with appropriate risk management standards, and AS/NZS ISO 31000:2009, and regulatory requirements;
- Ensuring that the company complies with all relevant legislation;
- Monitoring the effectiveness of the Board, each Director, and Board Committees, and ensuring the Board is composed of an appropriate set of skilled and qualified directors to meet Governance Standard requirements and the business challenges faced by the company;
- Ensure that the company, its Directors and Officers are ethical in their behaviour through the establishment and review / monitoring of codes of conduct, and company Standards of Ethical Behaviour; and
- Approving and monitoring Capital Management Plans, and major capital acquisitions or divestitures in accordance with the approved delegations policy guidelines.

Board Composition

The Board shall determine its composition in accordance with the Constitution and recommendations from the Nomination, Development and Remuneration Committee.

- The majority of the Board will comprise independent directors, within the meaning of the Governance Standards defined by PHIAC / APRA; and
- The Board will advise members at the Annual General Meeting of any addition to or variation to the terms of appointment of any appointed director.

The Chairman of the Board shall be a director elected by the Board of Directors at the first meeting of Directors each year that follows the Annual General Meeting. Members of all Board Committees shall also be selected by the Board of Directors at the first meeting of Directors each year that follows the Annual General Meeting.

Board Attributes

Due to the democratic process followed for the election of Directors that comprise some of the Board, it is recognised that it may not always be possible to attract Directors with required business or management skills through an election process.

Independent Appointed Director positions will be filled based on a set of skills, experience and professional standing as the Board may determine from time to time as necessary to enhance and complement the skills and attributes of directors. It is the responsibility of those directors who have been granted undirected proxies for the election of directors to utilise those proxies, as far as possible, to ensure that the skills as determined by the board are met.

The Board has recognised that the following broad mix of skills and experience are key requirements on the Board of Peoplecare and will seek to have Board positions appointed / elected to fulfil these skill and experience requirements:

a. Finance

b. Risk Management

c. Legal / Company Secretarial / Governance

d. Sales / Marketing / Business Development

e. Health Industry Specialist

f. Business Strategy

g. General / Information Technology / Human Resources Management.

The following key behavioural/other attributes are also expected in any person elected or appointed to a position as Director of Peoplecare:

- *Independence of thought* – an ability to form and express an independent view and decision on the matters put before the Board, without coercion or influence from others;
- *Material Personal Interest* – complies with the Material Personal Interest policy of the company and appropriately discloses any material personal financial or business

interests in the company or matters being presented for decision. The director's judgement is not to be affected by strong personal or family relationships with management or other Board members;

- *Excellent communication skills* – able to express themselves well at meetings, participate actively in debate, and provide well considered and summarised thoughts on subject matter before the Board. Excellent written skills are also appropriate for active contribution to Board matters (forming resolutions, strategy, etc.);
- *Able to spend the required time on Peoplecare governance* – is not committed to other organisations / employment / Boards to an extent where their contribution to Peoplecare will be constrained or limited;
- *Questioning / challenging / focused* – will actively question and challenge, where appropriate, information presented by management and will provide input to assist the Board in decision making;
- *Balanced commercial focus* – commercially focused, but balanced with mutual / member / community values so as to achieve the best mix of business underpinned with values focussed on service to members;
- *Assertive while not dominant* – able to get their view through to other Board members and management, without dominating the discussion or becoming aggressive; and
- *High ethical standards* – in terms of personal conduct, and conduct while attending Board and member meetings, and while conducting business or interacting with members, Peoplecare staff, or the community, including compliance with the Peoplecare EEO & Anti-discrimination policies.

Board Process

The Board and Board Committees meet regularly in accordance with the Board approved annual calendar. The Board plans its business each year through an annual agenda, where key business items are raised at each meeting on a predetermined cyclical basis.

The Chief Executive Officer and Company Secretary are responsible for ensuring the preparation of Board business papers and provide any additional information necessary for the Board to discharge it's responsibilities effectively.

All Board decisions are made on a consensus basis so far as possible. Directors may elect to have the details of their vote recorded in the minutes. It should be noted that under the Constitution of the Company, the Chairman of the Board has a casting vote in instances where there is an equality of votes.

The Company Secretary is accountable to the Board in regard to governance matters, and will ensure that Board policy and procedures are followed, the co-ordination and despatch of Board business papers, and the preparation of requisite minutes and action item schedules for effective follow-up.

The Board utilises the following committees to assist in the discharge of its duties:

- Audit and Compliance Committee;
- Risk Committee; and
- Nomination, Development and Remuneration Committee.

In addition, other ad-hoc committees will be established as required to manage specific issues. The extent, role and structure of committees are commensurate with the size of the company.

Each Board committee has an established Terms of Reference that is regularly reviewed by those committees with recommended changes approved by the Board.

The Board will also conduct a strategy review each year clearly setting guidelines for the executive to translate into a business plan for the company.

External Advice

In consultation with the Chairman, Directors can seek independent external professional advice on business matters relating to Peoplecare at the company's expense.

External independent professional advice is also available to Directors while acting in positions on Committees of the Board.

Board Remuneration

Change to the total aggregate sum of remuneration available to Directors is approved by members of the company at the Annual General Meeting.

This aggregate sum covers total Director Remuneration including superannuation requirements, and fees for Appointed and Associate Directors but excluding remuneration for special or additional duties undertaken by a Director over and above their usual role or duties as a Director.

The aggregate sum required as remuneration for Directors will be reviewed annually, and considers a balance of:

- The mutual / not-for-profit status of the company, and a need to focus on appropriate containment of management costs of the company;
- The requirement for appropriate skills and experience on the Board for effective governance and the benefit of members over the long term;
- The market level of Directors' fees required to attract appropriate candidates; and
- The market level of Directors' fees for similar companies.

External advice and surveys may be used from time to time to determine an appropriate level of aggregate and individual director remuneration.

Director remuneration is allocated amongst Board members in accordance with a formula recommended to the Board by the Nomination, Development & Remuneration Committee from time to time, based on participation in meetings and Board Committees, and reflecting the additional skills, experience and qualifications of candidates appointed to positions as Chair of the Board or a Board Committee. The allocation formula must be approved by the Board. Such allocation may include reserving of some fees each year for special project appointments at a later date.

Material Personal Interest (Conflict Of Interest)

In accordance with Section 191 of the *Corporations Act 2001* Directors must advise the Board of any material personal interest that could potentially conflict with those of the company. Where the Board believes that a significant conflict exists, it may require the director concerned either not to be present at the meeting or not to participate in discussions whilst the item is being considered.

The attendance register of each meeting of Directors requires all present to sign a declaration in regard to material personal interest for any matter being discussed or considered for decision at that meeting. Should a director, or senior executive have such a material personal interest then they may be required to leave the meeting while that matter is being discussed.

In addition, directors and senior executives are required to complete or update a Material Personal Interest Disclosure Statement in the form approved by the Board.

Directors Education

The Company has a formal process to induct new directors in the business of the company and this includes an induction manual covering the nature of the business, governance, current industry issues, the Strategic Plan and the expectations of the Company concerning performance of directors. Directors also have the opportunity to visit Company's offices and meet with management to gain a better understanding of business operations.

The Board Nomination, Development and Remuneration Committee is responsible for setting the directors education budget, and ensuring directors are informed of, and attend, relevant forums and seminars in order to develop and enhance their knowledge in corporate governance, health or health insurance industry matters, or the changing environment of business operations.

In addition all directors (other than associates unless expressly agreed) are required, as a minimum, to undertake the following:

1. Become members of the Australian Institute of Company Directors (AICD);
2. Undertake the "AICD Company Directors Course" within the first term following their appointment to the Board; and
3. Directors are expected to maintain their membership with the AICD without recompense directly from company finances.

Management will also assist the Board through the Nomination, Development and Remuneration Committee, to develop a schedule of non-mandatory relevant scheduled short-courses to assist in their ongoing development.

Directors who are members of the Australian Institute of Company Directors are required to undertake Director Professional Development (DPD) to maintain their membership status. The Chairman of the Board, or the Chair of the Nomination, Development and Remuneration Committee may approve attendance at some DPD courses at the Company's expense, provided these fit within the Board Education budget. Directors should be aware however those AICD DPD requirements are a director's personal responsibility.

Attendance at board approved director training can include course fees, reasonable accommodation, meals and traveling expenses as appropriate.

Membership of the Australian Institute of Company Directors ensures directors are regularly and independently informed of ongoing governance issues, and provided with avenues for personal development.

Board And Director Performance Appraisal

The Board has approved and introduced a director performance appraisal system, whereby the performance of the whole Board, individual directors, and Board Committees is reviewed annually against approved criteria. Performance appraisal will normally be an internal process recommended by the Nomination, Development and Remuneration Committee but at least once each three years an external review will take place.

Approved criteria for the review process shall include assessment in areas of:

- Strategy and planning;
- Board structure and role;
- Business performance monitoring;
- Meeting attendance and preparedness;
- Board and Director responsibilities;
- Director conduct and contribution; and
- Effectiveness of the committees of the board as individual committees and of the composite committees.

The Chairman of the Board will drive improvements in Board and individual director performance utilising results of the annual performance review, together with knowledge of the conduct of each director gathered throughout the year.

Board Meeting Strategy And Internal Control

The Board has instituted a standard system that governs the process of all Board meetings to ensure that due recognition is given to ensuring that all relevant business requirements are effectively maintained, including but not limited to:

- Business Planning and Review;
- Risk Management Planning and Review;
- Compliance Management and Internal Control; and
- Business Performance Reporting including detailed financial analysis.

The annual Board Program also highlights issues to be considered at various meetings and events throughout each calendar year, to ensure Board coverage of every business aspect in appropriate timeframes and cycles.

Standards Of Ethical Behaviour

As part of the Board's commitment to the highest standard of conduct, the Company adopts Standards of Ethical Behaviour to guide the Board, individual directors, and executive management in carrying out their duties and responsibilities. The executive management will also ensure that the principles of these behaviours flow to all employees through Human Resource Policies and work practices generally.

Standards of Ethical Behaviour – directors and executive managers:

- Must act honestly, in good faith and in the best interests of the Company as a whole;
- Have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office;
- Must use the powers of office for a proper purpose, in the best interests of the Company as a whole;
- Must recognise that the primary responsibility is to the Company and through this responsibility, through to the members of the company and should where appropriate, have regard for the interests of all stakeholders of the Company;
- Must not make improper use of information acquired as a Director or Executive Manager;

- Must not take improper advantage of the position of Director or Executive Manager;
- Must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Company;
- Has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board of Directors or the Executive Managers;
- Confidential information received by a Director or Executive Manager while acting in that role for the company remains the property of the company and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by the company, or the person from whom the information is provided, or is required by law;
- Should not engage in conduct likely to bring discredit upon the company;
- Shall comply with all relevant Human Resources policies of the company, in regard to their conduct while in the presence of staff, members and others;
- Recognising the inherent nature of regulation to the industry as a whole be responsive and open at all times to the requirements of the regulator and Government; and
- Has an obligation, at all times, to comply with the spirit, as well as the letter, of the law and with the principles of these Standards of Ethical Conduct.

Delegations

The Board delegates the day to day management responsibility for the company to the Chief Executive Officer.

A separate Delegations policy, that includes delegations of authority to the Board Committees, the Chief Executive Officer, and other executive managers is in operation, and reviewed annually as a Board annual program item.

Board Performance Vs Policy

The Board shall routinely review its performance against the provisions of this Policy as part of the annual Board performance appraisal.

Director Election & Appointment Process

The Board determines the process for election or appointment of directors through the Nominations, Development and Remuneration Committee. This will consider:

- Providing members with adequate and complete notice of upcoming director elections;
- The skill and experience attributes required on the Board, and assessment of the need for appointed positions; and
- Providing elected director candidates with an opportunity to present their credentials and a short testimonial to all members prior to the AGM.

The guidelines for the election and appointment processes are updated by the Company Secretary in accordance with the requirements set by the Nominations, Development & Remuneration Committee.

Executive Team

Michael Bassingthwaighte
AM FAICD

Chief Executive Officer

Michael has been with Peoplecare as CEO since 1982 and has been instrumental in driving the direction of the company.

He has been a key player in private health insurance in Australia and has played a major role in representing the interests of smaller funds within the industry. His other current appointments include:

Director of:

- Australian Health Service Alliance (AHSA)
- HAMB Systems Limited – Chair of the Board
- HIRMAA
- Defence Health
- Illawarra Health and Medical Research Institute
- Coordinare Limited
- Members Own Health Funds Ltd

Michael was awarded the Member of the Order of Australia in 2013 for his "significant service to the private health insurance industry and the community of the Illawarra region".

Dale Cairney
BCom CPA GAICD

Deputy Chief Executive Officer

Head of Governance, Risk & Technology

Dale is responsible for governance, IT, and risk management for Peoplecare and its customer insurers. Dale has a wealth of senior management experience across a range of industries including private health insurance, dental & eyecare practice management, finance, manufacturing, mining, and transport industries over the last 30 years.

Dale's particular strengths are in general management, corporate governance, finance, and risk management.

Dale's other appointments include:

Director of:

- WEA Illawarra – Chair of Finance Audit & Risk Committee
- Cram Foundation – Chair of Audit & Risk Committee

Anita Mulrooney
BA GDipIM GDipCom GAICD

Head of Customer Service & Marketing

Anita joined Peoplecare in 2006 and is responsible for customer service, operations, marketing and communications activities. She has over 20 years extensive health insurance experience in Australia and South-East Asia, including management roles in operations, customer service, sales & marketing, information systems and human resources.

Anita's other appointments include:

Director of:

- IRT
- Destination Wollongong

Chris Stolk
BCom CPA GAICD

Chief Financial Officer & Company Secretary

Head of Finance & Administration

Chris joined our Executive Team in September 2007. Chris is responsible for the provision of all financial management functions of the organisation and has more than 20 years' experience in the accounting and finance field, most of which time 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 also Company Secretary for Peoplecare.

Chris is a Director at Big Fat Smile Group Limited and is a member of the Catholic Development Fund (CDF) Advisory Council as well as a representative on the Finance, Insurance & Audit Committee.

Maree Morgan–Monk

Head of People & Culture

Maree joined Peoplecare in 2011 and is Head of People & Culture. She has 20 years of HR Management experience across various industries, including education, hospitality and general insurance.

As Head of People & Culture, 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 staff satisfaction. Maree supports our managers and staff in the areas of recruitment, training & development, WH&S, 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 and training.

Dr Melinda Williams
BNurs, MPH, PhD GAICD

Head of Hospital & Health Services

Melinda joined Peoplecare in 2009 and is our Head of Hospital & Health Services. She has extensive experience in the design and evaluation of health management programs for health insurance members, as well as clinical nursing experience in both hospital and community sectors.

Melinda completed her PhD with the University of Wollongong in population health management. Melinda's main responsibility is to lead our hospital assessing and health services teams, as well as Peoplecare Eyes & Teeth, and ensure that a range of health services are available to members to keep them healthy.

Melinda is a Director of the Cram Foundation.

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Auditor's Independence Declaration
To the Directors of Lysaght Peoplecare Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Lysaght Peoplecare Limited for the year ended 30 June 2015, 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 Sheridan
Partner - Audit & Assurance

Sydney, 19 September 2015

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2015

	Note	2015 $	2014 $
Revenue			
Premium revenue			
		113,501,454	**107,440,438**
Expenses			
Fund benefits paid to members		(89,456,672)	(84,974,712)
Amounts payable to the Risk Equalisation Trust Fund		(8,490,265)	(8,884,217)
Movement in outstanding claims liability		(968,646)	(472,450)
State ambulance levies		(1,380,039)	(1,341,048)
		(98,358,330)	**(95,672,427)**
Gross underwriting result		**15,143,124**	**11,768,011**
Management expenses			
Remuneration of auditors: Auditing the financial report		(82,650)	(73,000)
Employee benefits expense		(7,590,906)	(6,721,640)
Depreciation and amortisation expense		(601,420)	(470,233)
Other management expenses		(5,237,097)	(4,620,010)
		(13,512,073)	**(11,884,883)**
Other			
Other income	4	7,743,166	7,146,485
Increase/(decrease) in fair value of financial assets	5	422,923	810,349
Net (loss)/gain realised on disposal of financial assets held at fair value through profit or loss	6	–	184,614
Gain on revalued property, plant and equipment	7	–	445,012
Other cost of goods sold	8	(1,368,039)	(1,194,403)
		6,798,050	**7,392,057**
Surplus before income tax expense (net underwriting result)		8,429,101	7,275,185
Income tax expense		–	–
Surplus after income tax expense for the year attributable to the members of Lysaght Peoplecare Limited		**8,429,101**	**7,275,185**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the members of Lysaght Peoplecare Limited		**8,429,101**	**7,275,185**

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

Statement of financial position

As at 30 June 2015

	Note	2015	2014
Assets		**$**	**$**
Current assets			
Cash and cash equivalents	9	39,977,715	37,834,641
Trade and other receivables	10	4,221,175	4,091,944
Inventories	11	77,856	67,655
Other financial assets	12	35,857,057	29,787,244
Other assets	13	371,501	249,548
Total current assets		**80,505,304**	**72,031,032**
Non–current assets			
Receivables	14	43,030	-
Other financial assets	15	104	104
Property, plant and equipment	16	6,366,833	6,383,708
Intangibles	17	1,076,736	374,249
Total non–current assets		**7,486,703**	**6,758,061**
Total assets		**87,992,007**	**78,789,093**
Liabilities			
Current liabilities			
Trade and other payables	18	16,235,305	14,454,228
Provisions	19	5,713,916	6,706,026
Total current liabilities		**21,949,221**	**21,160,254**
Non–current liabilities			
Payables	20	375,198	458,821
Provisions	21	232,218	163,749
Total non–current liabilities		**607,416**	**622,570**
Total liabilities		**22,556,637**	**21,782,824**
Net assets		**65,435,370**	**57,006,269**
Equity			
Retained surplus		65,435,370	57,006,269
Total equity		**65,435,370**	**57,006,269**

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

Statement of changes in equity

For the year ended 30 June 2015

	Retained surplus $	Total equity $
Balance at 1 July 2013	**49,731,084**	**49,731,084**
Surplus after income tax expense for the year	7,275,185	7,275,185
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	**7,275,185**	**7,275,185**
Balance at 30 June 2014	**57,006,269**	**57,006,269**
Balance at 1 July 2014	**57,006,269**	**57,006,269**
Surplus after income tax expense for the year	8,429,101	8,429,101
Other comprehensive income for the year, net of tax	–	–
Total comprehensive income for the year	**8,429,101**	**8,429,101**
Balance at 30 June 2015	**65,435,370**	**65,435,370**

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

Statement of cash flows

For the year ended 30 June 2015

	Note	2015	2014
		$	$
Cash flows from operating activities			
Receipts from members and customers		119,766,863	113,000,271
Payments to members, suppliers and employees		(113,258,406)	(107,523,601)
		6,508,457	5,476,670
Dividends received		131,920	96,965
Interest received		2,304,175	1,953,531
Net cash from operating activities	**28**	**8,944,552**	**7,527,166**
Cash flows from investing activities			
Payments for investments		(97,800,000)	(93,000,000)
Payments for property, plant and equipment	16	(572,832)	(404,779)
Payments for intangibles	17	(841,312)	(68,964)
Proceeds from sale of investments		92,300,000	83,184,614
Proceeds from sale of property, plant and equipment		112,666	50,037
Net cash used in investing activities		**(6,801,478)**	**(10,239,092)**
Cash flows from financing activities			
Net cash from financing activities		**–**	**–**
Net increase/(decrease) in cash and cash equivalents		2,143,074	(2,711,926)
Cash and cash equivalents at the beginning of the financial year		37,834,641	40,546,567
Cash and cash equivalents at the end of the financial year	**9**	**39,977,715**	**37,834,641**

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

Notes to the Financial Statements

30 June 2015

Note 1. **General information**

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

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

Lysaght Peoplecare 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
Corner Victoria & Young Streets, Wollongong, NSW, 2500

Principal place of business
Corner Victoria & 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 report was authorised for issue, in accordance with a resolution of directors, on 19 September 2015. The directors have the power to amend and reissue the financial report.

Note 2. **Significant accounting policies**

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

New, revised or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period and applicable to the company.

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

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.
- AASB 136 'Impairment of Assets' value in use being determined as being the depreciated replacement cost of an asset instead of the present value of the future cash flows expected to be derived from the asset 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.

Use of estimates and judgements

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.

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

Note 2 – Outstanding claims provision

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised for the major business activities as follows:

Premium revenue

Premium revenue is recognised in profit and loss when it has been earned. Premium revenue is recognised in profit and loss from the attachment date over the period of the 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. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

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 it is received or when the right to receive payment is established.

Receivables

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 90 days.

Interest receivable

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

Private Health Insurance rebate on premiums

This is the amount claimed by Lysaght Peoplecare Limited, as a cash amount, from the Department of Human Services for the Australian Government Private Health Insurance Rebate.

Other debtors

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

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.

Claims

Claims are recorded as an expense in the period in which the service has been provided to the member. The cost of claims therefore represents the claims paid during the period adjusted for the opening and closing provision for unpresented and outstanding claims. The provision for unpresented and outstanding claims provides for claims received but not assessed and claims incurred but not received. The provision is based on an actuarial assessment taking into account historical patterns of claims incidence and processing. No discount is applied to the provision due to the generally short period between claims incidence and settlement. The provision also provides for the expected payment to or receipt from the Risk Equalisation Trust Fund (RETF) in relation to the amount provided for unpresented and outstanding claims. The provision also allows for an estimate of expenses to cover the cost of processing the claims.

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.

Inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

Note 2. Significant accounting policies (continued)

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

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 profit or loss 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	5 years
Plant and equipment	2 to 15 years
Motor vehicles	3 to 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 profit or loss. 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 surplus.

Impairment of assets

Financial assets

A financial asset, other than those classified as fair value through profit or loss, 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 profit or loss.

Non–financial assets

At the end of each reporting period, the company reviews the carrying values of its non–financial assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed in profit or loss. The value in use is determined as being depreciated replacement cost.

Intangible assets

Computer software

Costs incurred in acquiring software licences and the development of 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 website 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 cost of licences over their useful lives being 2 1/2 years.

Other intangibles

As part of the purchase of an optical business in December 2012, the company attained access to a loyal, long-term customer base of the acquired business. Costs associated with acquiring these customer intangibles are amortised on a straight-line basis over the period of their expected benefit, which has been assessed as 10 years.

A service agreement has been entered into with Members Own Health Funds Limited. Lysaght Peoplecare Limited has obtained marketing, advertising and promotion services in relation to the Members Own Health Fund Trade Marks. The licence to use the Trade Marks is for the term of the agreement which is 20 years. The cost of acquiring the licence is amortised on a straight line basis over the term of the agreement.

Unearned premium liability

Premiums received from members prior to 30 June 2015 relating to the period beyond 30 June 2015 are recognised as unearned premium liability. Also, forecast premiums receivable from contributors at 30 June 2015 are recognised as unclosed business premiums.

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.

Liability adequacy test

At each reporting date, the sufficiency 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 present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability, less related intangible assets and related deferred acquisition costs, then the unearned premium is deemed to be deficient. Any deficiency is recognised immediately in the profit and loss. The company applies a risk margin of 4.00% (2014: 4.00%) to achieve a probability of sufficiency of 75%.

The liability adequacy test has been performed collectively for hospital and general treatment contracts up to 1 April 2016, the next premium adjustment opportunity allowed by the Department of Health, using a probability of sufficiency of 75%. No unexpired risk liability was required at 30 June 2015 (2014: nil).

Provisions

Outstanding claims liability

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 contracts issued by the company. This 'central estimate' of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered and a risk margin is added. Actual results could differ from the estimate.

The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported, together with allowance for Risk Equalisation Trust Fund consequences and claims handling expenses.

The provision for outstanding claims liability is determined after taking into account claims paid in July of the following financial year, that relate to services provided in the current financial year.

Accounting estimates and judgments

Risk margins are determined on a basis that reflects the company's business. Regard is had to the robustness of the valuation models, the reliability and volume of available data, past experience of the company and the industry and the characteristics of the classes of business written.

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 3.25% (2014: 3.25%) at the end of the reporting period.

The actuarial valuation model used to calculate the outstanding claims is a modified chain ladder model. This model, and variants of it, is used by other private health insurers and general insurers to calculate outstanding claims liabilities by using the relationships between the claims paid at each time interval in the past, for each period incurred, to predict the extent of incurred claims for each recent period for which claim payments have not yet been completed.

As the run-off of health insurance claims is relatively rapid, the claims to be paid in the future were not discounted.

Other provisions

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.

Employee benefits

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in current liabilities in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Non-accumulating sick leave is expensed to profit or loss when incurred.

Long service leave

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.

Superannuation

Contributions to superannuation plans are expensed in the period in which they are incurred.

Executive Long Term Retention Strategy

A long term retention strategy has been adopted by the Board for nominated company executives which provides annual incentive based payments, vesting over a period of time. The value of the payment is linked directly to the achievement of a range of strategic performance benchmarks. The scheme is designed to link executive reward structure and long term strategic goals of the company, and also serves as a risk management strategy aimed to retain executive talent and knowledge over the longer term.

Health Insurance Risk Equalisation Trust Fund (RETF)

Under the provisions of the Private Health Insurance Risk Equalisation Policy Rules 2007, the risk equalisation scheme seeks to share the risks among all registered health insurers by averaging out the cost of hospital treatment across the industry. Money is then transferred from private health insurers with younger healthier members with lower average claims payments to those insurers with older and less healthy membership and which have higher average claims payments.

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 taxation authority 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 taxation authority are classified as operating cash flows.

Note 2. **Significant accounting policies (continued)**

Assets backing private health insurance liabilities

The company has adopted a conservative investment strategy that utilises short 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:

Investment and other financial assets:

Financial assets at fair value through profit or loss

Financial assets are designated at fair value through profit or loss. 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 profit or loss.

Details of fair value for the different types of financial assets are listed below:

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.

Other financial assets

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

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.

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 profit or loss.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended, that are applicable to the company but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2015. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 9 Financial Instruments

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The AASB has already amended the effective date of AASB 9 to '1 January 2018' through its Amending Standard AASB 2014-1 Amendments to Australian Accounting Standards. It is expected that the AASB will issue the remaining amendments arising from IFRS 9 (2014) in the near future.

The company is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the company's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 15 Revenues from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations:

- establishes a new revenue recognition model
- changes the basis for deciding whether revenue is to be recognised over time or at a point in time
- provides new and more detailed guidance on specific topics (e.g., multiple element arrangements, variable pricing, rights of return, warranties and licensing)
- expands and improves disclosures about revenue

In May 2015, the AASB issued ED 260 Income of Not-for-Profit Entities, proposing to replace the income recognition requirements of AASB 1004 Contributions and provide guidance to assist not-for-profit entities to apply the principles of AASB 15.

When this Standard is first adopted for the year ending 30 June 2018, there will be no material impact on the transactions and balances recognised in the financial statements. This is due to the company complying with AASB 1023 General Insurance Contracts in regards to recognition of Premium Revenues.

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 has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors has established the

Risk Committee, which is responsible for developing and monitoring risk management policies. The Risk Committee consists entirely of non-executive directors and reports regularly to the full Board of Directors on its 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 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 Audit and Compliance 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 Audit and Compliance 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 and Compliance 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 30.

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 Department of Human Services 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 a management services contract which among other things provides 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.

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 company limits its exposure to counterparty credit risk through the following policies contained within the investment strategy:

i. a diversified investment portfolio with a heavier weighting to defensive assets versus growth assets. Defensive assets consist of highly liquid fixed interest securities, cash and cash equivalents, short term receivables and assets used in the operations of the business and the holding value of these will not fall below the capital adequacy requirement of the company as determined by the capital adequacy standard;

ii. investing in highly liquid securities; and

iii. investing only with authorised deposit–taking institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA):

    a. Rated institutions are to have a minimum S&P short term credit rating of A1 or higher. This is to ensure that funds are placed with the lowest risk rated financial institutions.

    b. Limit on the amount of funds that may be placed with unrated institutions and only where their net assets exceed $50 million, and, for each of the last two financial years, return on equity exceeds 5% and total regulatory capital as % of total risk weighted assets exceeds 12%.

    c. Limiting the amount of funds that can be invested with any single financial institution.

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

At the end of the reporting period ,the maximum exposure of the company to any one financial institution measured at fair value was $23,107,425 (2014: $23,988,622).

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 prepare 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. Comply with the industry Solvency Standard requirements set out in the Private Health Insurance (Health Benefits fund administration) Amendment Rule 2013 (No.1); and

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

Note 3. **Risk management and financial instruments (continued)**

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.

Market risk in relation to insurance contracts:

Market risk in relation to insurance contracts is discussed in Note 30.

Market risk in relation to investment securities:

1. Currency risk

Currency risk is that 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 does not have any direct foreign investments and therefore no exposure to currency risk.

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 equity securities price risk. This arises from investments held by the company and classified on the statement of financial position as at fair value through profit or loss. This risk is managed in the following investment strategy requirements:

i. No more than an initial acquisition cost of $1,000,000 of shares are to be held in any one company;

ii. The share portfolio will consist of only ASX 200 'blue chip' listed shares from a diversified range of industry sectors; and

iii. All shares acquired must be under the advice of a board approved investment adviser.

The investment policy is subject to review and approval by the Board.

Capital management

The company operates in the private health insurance industry and is subject to prudential capital regulations determined in accordance with the recently revised solvency and capital adequacy standards which are set out in the Private Health Insurance (Health Benefit Fund Administration) Rules 2013 ("the rules"). From 1 July 2015, the administration of these rules transferred from the Private Health Insurance Administration Council (PHIAC) to the Australian Prudential Regulation Authority (APRA).

The Capital Adequacy Standard requires amongst other things that the company holds sufficient assets in its health benefits fund to provide adequate capital for the conduct of the health benefits fund in accordance with the Private Health Insurance Act 2007 and in the interests of policyholders of the fund. The company's compliance with the capital adequacy standard is an indication of its future financial strength, on a going concern basis.

Each private health insurer must have, and comply with, a written, Board endorsed, capital management policy, which as a key component must include a capital management plan. The company's capital management plan must contain:

i. A description of the Board's risk appetite as it relates to capital needs and the process used to determine that appetite;

ii. Target capital levels which have regard to access to internal and external capital and the impact on premiums of holding more or less capital than the amount determined;

iii. Details of how the capital target is calculated; and

iv. Clearly defined capital trigger points and corrective actions for each of the trigger points which specifies the actions and timeframes for those actions that the company may utilise to return capital to the target levels.

The Board's policy is to maintain a strong capital base and to hold capital in accordance with capital management plan.

At the end of the reporting period the company had capital well in excess of the minimum statutory requirements and slightly above the target capital range endorsed by the Board in the capital management plan.

The Board reviews the capital management plan on an annual basis.

Solvency

As noted above the company is also required to comply with the Solvency Standard requires that as far as practicable that at any time the financial position of a health benefits fund conducted by the company will be able to meet, out of the fund's assets, all liabilities that are referable to the fund, as those liabilities become due.

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 were met at 30 June 2015.

		2015	2014
		$	$
Note 4	**Other Income**		
	Travel insurance commission	36,148	39,715
	Overseas health cover commission	350,000	350,000
	Management services income	2,280,769	1,914,293
	Interest income	2,174,405	2,172,258
	Dividend income	278,810	244,948
	Dental income	1,543,127	1,298,505
	Optical income	1,016,016	1,046,155
	Other income	63,891	80,611
		7,743,166	**7,146,485**

The company has entered into management contracts, all at arm's length and on normal commercial terms, to provide management services to:

1. National Health Benefits Australia Pty Limited (NHBA). Lysaght Peoplecare Limited has received a fee of $1,177,115 from NHBA for the provision of management services during the reporting period (2014: $1,127,095).

2. Reserve Bank Health Society Limited (RBHS). Lysaght Peoplecare Limited has received a fee of $793,838 from RBHS for the provision of management services during the reporting period (2014: $758,444).

3. AGA Assistance Australia Pty Ltd (Allianz Global Assistance). Lysaght Peoplecare Limited has received an amount of $248,107 from AGA for the provision of management services during the reporting period (2014: nil).

		2015	2014
Note 5	**Increase in fair value of financial assets**	$	$
	Shares in listed corporations		
		422,923	**810,349**

		2015	2014
Note 6	**Net gain/(loss) realised on disposal of financial assets held at fair value through profit or loss**	$	$
	Interest bearing securities – CDOs		
		–	**184,614**

		2015	2014
Note 7	**Gain on revalued property, plant and equipment**	$	$
	Land and Buildings		
		–	**(445,012)**

The net gain recognised on revaluation of the company's property, plant and equipment relate to the land and buildings asset.

		2015	2014
Note 8	Other cost of goods sold	$	$
	Cost of dental sales	752,454	592,513
	Cost of optical sales	615,585	601,890
		1,368,039	1,194,403

		2015	2014
Note 9	Current assets – cash and cash equivalents	$	$
	Cash on hand	1,400	1,400
	Cash at bank	4,016,903	1,959,319
	Term deposits maturing within 3 months after the end of the reporting period	35,959,412	35,873,922
		39,977,715	37,834,641

Cash at bank bears floating interest rates between 0.00% and 2.30% (2014: 0.00% and 2.70%). Term deposits bear fixed interest rates between 2.65% and 3.77% (2014: 3.45% and 4.12%).

For the purpose of the cash flow statement, cash includes cash on hand, bank deposits, and investments in money market instruments maturing within 3 months of the end of the reporting period. 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.

		2015	2014
Note 10	Current assets – trade and other receivables	$	$
	Unclosed business premium – earned	243,590	250,727
	Unclosed business premium – unearned	178,866	151,524
	Private Health Insurance Rebate on premiums	2,444,554	2,373,293
	Investment income receivable	677,991	807,761
	Other debtors	681,427	514,264
	Less: provision for impairment of receivables	(5,253)	(5,625)
		4,221,175	4,091,944

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $512,720 as at 30 June 2015 ($595,289 as at 30 June 2014).

The ageing of the past due but not impaired receivables are as follows:

Past due 0 – 30 days	448,413	531,523
Past due 31 – 120 days	50,888	49,022
Past due 121 days to one year	10,199	10,136
More than one year	8,473	10,233
More than one year – impairment	(5,253)	(5,625)
	512,720	595,289

There was a decrease of $372 in the provision for impairment of receivables (2014: an increase of $1,625).

Note 11	Current assets – inventories	2015 $	2014 $
	Optical stock on hand – at cost	72,016	62,798
	Dental stock on hand – at cost	5,840	4,857
		77,856	67,655

Note 12	Current assets – other financial assets	2015 $	2014 $
	Financial assets at fair value through profit or loss: Shares in listed corporations	6,357,057	5,787,244
	Financial assets at fair value through profit or loss: Term deposits	29,500,000	24,000,000
		35,857,057	29,787,244

Note 13	Current assets – other assets	2015 $	2014 $
	Prepayments		
		371,501	249,548

Note 14	Non–current assets – receivables	2015 $	2014 $
	Other debtors		
		43,030	–

Note 15	Non–current assets – other financial assets	2015 $	2014 $
	Unlisted shares – Lysaght Credit Union	2	2
	Unlisted shares – Peoplecare Health Insurance Pty Ltd	100	100
	Unlisted shares – Peoplecare Professional Services Pty Ltd	2	2
		104	104

Note 16	Non–current assets – property, plant and equipment	2015 $	2014 $
	Land and buildings – at fair value	5,030,000	5,030,000
	Less: Accumulated depreciation	(105,860)	–
		4,924,140	5,030,000
	Leasehold improvements – at cost	828,486	613,018
	Less: Accumulated depreciation	(202,147)	(137,370)
		626,339	475,648
	Plant and equipment – at cost	1,492,888	1,463,320
	Less: Accumulated depreciation	(1,211,346)	(1,113,203)
		281,542	350,117

		2015	2014
		$	$
Note 16	Non–current assets – property, plant and equipment (continued)		
	Motor vehicles – at cost	465,037	426,471
	Less: Accumulated depreciation	(123,473)	(126,854)
		341,564	299,617
	Computer equipment – at cost	998,886	926,177
	Less: Accumulated depreciation	(805,638)	(697,851)
		193,248	228,326
		6,366,833	6,383,708

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 2013	4,619,361	537,577	409,979	276,155	114,063	5,957,135
Additions	8,870	–	33,634	177,281	184,994	404,779
Disposals	–	–	–	(69,963)	–	(69,963)
Revaluation of assets	445,012	–	–	–	–	445,012
Depreciation expense	(43,243)	(61,929)	(93,496)	(83,856)	(70,731)	(353,255)
Balance at 30 June 2014	5,030,000	475,648	350,117	299,617	228,326	6,383,708
Additions	–	215,468	29,603	255,052	72,709	572,832
Disposals	–	–	–	(127,112)	–	(127,112)
Depreciation expense	(105,860)	(64,777)	(98,178)	(85,993)	(107,787)	(462,595)
Balance at 30 June 2015	4,924,140	626,339	281,542	341,564	193,248	6,366,833

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 the Directors in accordance with the company's accounting policy. Fair value has been determined using a similar methodology to that adopted by the independent external valuer in 2014 and in the context of current commercial property market conditions. The Board of Directors determined that the fair value of the company's land and buildings at 30 June 2015 is equivalent to the carrying value.

		2015	2014
		$	$
Note 17	**Non–current assets – intangibles**		
	Computer software – at cost	809,053	610,911
	Less: Accumulated amortisation	(585,661)	(472,326)
		223,392	**138,585**
	Computer software under development – at cost	41,205	36,045
		41,205	**36,045**
	Other intangibles – at cost	875,181	237,171
	Less: Accumulated amortisation	(63,042)	(37,552)
		812,139	**199,619**
		1,076,736	**374,249**

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	Other Intangibles	Total
	$	$	$	$
Balance at 1 July 2013	162,883	43,590	223,336	429,809
Additions	68,964	–	–	68,964
Write off of assets	–	(7,545)	–	(7,545)
Amortisation expense	(93,262)	–	(23,717)	(116,979)
Balance at 30 June 2014	138,585	36,045	199,619	374,249
Additions	198,142	5,160	638,010	841,312
Amortisation expense	(113,335)	–	(25,490)	(138,825)
Balance at 30 June 2015	**223,392**	**41,205**	**812,139**	**1,076,736**

		2015	2014
		$	$
Note 18	**Current liabilities – trade and other payables**		
	Unclosed business premium liability	178,866	151,524
	Unearned premium liability (premiums in advance)	7,443,548	6,503,642
	Amounts due to the Risk Equalisation Trust Fund	2,543,858	2,508,413
	Annual leave	594,905	510,394
	Executive long term retention scheme	412,403	–
	Other creditors and accruals	5,061,725	4,780,255
		16,235,305	**14,454,228**

Refer to Note 22 for further information on financial instruments.

		2015	2014
		$	$
Note 19	**Current liabilities – provisions**		
	Long service leave	330,456	353,920
	Outstanding claims liability – central estimate	5,214,005	6,152,161
	Outstanding claims liability – risk margin 3.25%	169,455	199,945
		5,713,916	**6,706,026**

Outstanding claims liability

Process for determining risk margin

The risk margin for the outstanding claims provision is based on an analysis of the historical accuracy of the Fund'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 2015, is calculated as 3.25% 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 adopted at 30 June 2015 was 3.25% (2014: 3.25%). The Provision was determined by adopting one month's hindsight of claims paid after 30 June. Refer to Note 2 for further explanation.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

2015	**Outstanding Claims**
	$
Carrying amount at the start of the year	6,352,106
Add Claims incurred	88,488,026
Less Claims paid	(89,456,672)
Carrying amount at the end of the year	**5,383,460**

Amounts not expected to be settled within the next 12 months

Long service leave obligations:

The current portion of this liability represent 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:

	2015	2014
	$	$
Long service leave obligation expected to be settled after 12 months		
	330,456	**353,920**

		2015	2014
		$	$
Note 20	**Non–current liabilities – payables**		
	Executive long term retention scheme	162,528	458,821
	Other payables	212,670	–
		375,198	**458,821**

Refer to Note 22 for further information on financial instruments.

		2015	2014
		$	$
Note 21	**Non–current liabilities – provisions**		
	Long service leave		
		232,218	**163,749**

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. The measurement and recognition criteria relating to employee benefits has been included in note 2 to the financial statements.

Note 22 **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

The company has no exposure to foreign currency risk at the end of the reporting period (2014: Nil).

Price risk

Sensitivity analysis for equity price risk

The company's equity investments are listed on the Australian Securities Exchange. For equity investments classified as fair value through profit or loss, a 10% change in the bid price at reporting date would have resulted in an increase or decrease to the company's profit or loss of $635,706 (2014: $578,724). Equity would increase or decrease by the same amount.

Interest rate risk

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

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

	2015		2014	
	Weighted average interest rate	**Balance**	**Weighted average interest rate**	**Balance**
	%	$	%	$
Fixed Rate Instruments (maturing within 1 year):				
Financial Assets	3.02	65,459,412	3.68	59,873,922
Variable Rate Instruments:				
Financial Assets	2.12	4,016,903	2.82	1,959,319
Net exposure to cash flow interest rate risk		**69,476,315**		**61,833,241**

Note 22 Financial instruments (continued)

Sensitivity Analysis:

2015	Basis points increase: Basis points change	Basis points increase: Effect on surplus	Basis points increase: Effect on equity	Basis points decrease: Basis points change	Basis points decrease: Effect on surplus	Basis points decrease: Effect on equity
Fixed rate instruments	100	654,594	654,594	100	(654,594)	(654,594)
Variable rate instruments	100	40,169	40,169	100	(40,169)	(40,169)
		694,763	**694,763**		**(694,763)**	**(694,763)**

2014	Basis points increase: Basis points change	Basis points increase: Effect on surplus	Basis points increase: Effect on equity	Basis points decrease: Basis points change	Basis points decrease: Effect on surplus	Basis points decrease: Effect on equity
Fixed rate instruments	100	598,739	598,739	100	(598,739)	(598,739)
Variable rate instruments	100	19,593	19,593	100	(19,593)	(19,593)
		618,332	**618,332**		**(618,332)**	**(618,332)**

The above results are based on the change in interest rates being maintained for the past year and with all other variables remaining constant.

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:

	2015	2014
	$	$
Financial Assets		
Cash and cash equivalents	39,977,715	37,834,641
Receivables	4,221,175	4,083,255
Financial assets at fair value through profit and loss: Term deposits	29,500,000	24,000,000
	73,698,890	**65,917,896**

Note 22 Financial instruments (continued)

Other risk

CDOs portfolio:

	2015	2014
	$	$
Settlement of CDOs during the financial year		
CDO 2 – Fair Value 1 July	–	–
CDO 2 – proceeds from settlement	–	(184,614)
(Gain)/Loss recognised in the financial year	**–**	**(184,614)**

At 30 June 2014, the company held one CDO with a fair value of nil (face value of $500,000). In September 2014, this CDO defaulted resulting in a total loss of the principal. As the fair value of this CDO was nil, no loss was recorded.

Refer to note 24 for further information on CDO investments.

Liquidity risk

Liquidity risk is explained in Note 3 (b).

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.

2015	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	(5,020,215)	(308,803)	(64,088)	(375,198)	(5,768,304)
Total non–derivatives	**(5,020,215)**	**(308,803)**	**(64,088)**	**(375,198)**	**(5,768,304)**

Note 22 Financial instruments (continued)

2014	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	(4,405,128)	(90,000)	(60,000)	(458,821)	(5,013,949)
Total non–derivatives	**(4,405,128)**	**(90,000)**	**(60,000)**	**(458,821)**	**(5,013,949)**

The carrying value of trade and other payables is $5,768,304 (2014: $5,013,949). The company is not significantly exposed to this risk as it has $39,977,715 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:

	2015		2014	
	Carrying amount $	Fair value $	Carrying amount $	Fair value $
Assets				
Cash and cash equivalents	39,977,715	39,977,715	37,834,641	37,834,641
Loans and receivables	4,221,175	4,221,175	4,091,944	4,091,944
Financial assets fair valued through profit or loss	35,857,057	35,857,057	29,787,244	29,787,244
Land and buildings	4,924,140	5,030,000	5,030,000	5,030,000
Shares in listed corporations	6,357,057	6,357,057	5,787,244	5,787,244
	91,337,144	**91,443,004**	**82,531,073**	**82,531,073**
Liabilities				
Trade and other payables	(5,768,304)	(5,768,304)	(5,013,949)	(5,013,949)
	(5,768,304)	**(5,768,304)**	**(5,013,949)**	**(5,013,949)**

Note 22 **Financial instruments (continued)**

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:

- 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).

The 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 23 **Key management personnel disclosures**

Directors

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

Norman Branson	
Janelle Bond	Retired 12 November 2014
Greg Parrish	
Alan Gibbs	
Ian Sampson	
Andrew Gregory	
Claire Davis	Associate Director – to 13 February 2015
Glenn Lennell	Associate Director – to 12 November 2014. Director – appointed 12 November 2014
Stephannie Jonovska	Associate Director – appointed 12 November 2014

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:

Michael Bassingthwaighte	Chief Executive Officer
Dale Cairney	Deputy Chief Executive Officer
Anita Mulrooney	Head of Customer Service and Marketing
Christopher Stolk	Chief Financial Officer
Dr Melinda Williams	Head of Hospital & Health Services
Maree Morgan–Monk	Head of People & Culture

Note 23 Key management personnel disclosures (continued)

Compensation

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

	2015	2014
	$	$
Short–term employee benefits	1,550,935	1,478,478
Post–employment benefits	256,494	219,891
Long–term benefits	116,110	85,363
	1,923,539	1,783,732

Total Directors' remuneration of up to a maximum of $320,742 per annum was approved by members at the Annual General Meeting on 13 November 2013. For the year ended 30 June 2015 total directors' remuneration paid was $320,742.

Other transactions with key management personnel

During the period the company received health insurance contributions from key management personnel on normal terms and conditions. That is to say, on terms or conditions no more favourable than those available to other members.

Note 24 Contingent assets and liabilities

The Company lodged a claim against Lehman Brothers for recovery of losses arising on the CDO investments which has been admitted as a valid claim by the Liquidators of the Lehman Brothers estate.

The Directors believe that a favourable outcome is probable. However, the contingent asset has not been recognised as at 30 June 2015 as receipt of the full and final amount is dependent upon the outcome of future legal claims against the Lehman Brothers estate which remain unresolved.

At 30 June 2015 the company had no contingent liabilities.

Note 25 Commitments

	2015	2014
	$	$
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	–	88,940
Work in progress – Computer software under development; payable within one year	–	202,364
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	166,447	127,864
One to five years	241,085	214,350
	407,532	342,214

Operating lease commitments includes contracted amounts for office facilities, a retail outlet and 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 26 Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in Note 23.

Transactions with related parties

The following transactions occurred with related parties:

	2015	2014
	$	$
Payment for goods and services:		
Payment for services from HAMB Systems Limited	687,908	538,928
Payment for services from Australian Health Service Alliance Limited	364,822	446,971
Payment for services from Members Own Health Funds	236,300	–

During the year, the company received health insurance contributions from and paid health insurance benefits to key management personnel of the company and their relatives on normal commercial terms and conditions. That is to say, on terms and conditions no more favourable than those available to other members.

During the year, fees were paid to HAMB Systems Limited, a not-for-profit company over which the CEO, Michael Bassingthwaighte, has significant influence. Mr Bassingthwaighte is a director of HAMB Systems Limited for which he receives nominal remuneration to cover costs. The payments were made on normal commercial terms and conditions and relate to software and information technology services provided to the company.

During the year, fees were paid to Australian Health Service Alliance Limited, a not-for-profit company over which the CEO, Michael Bassingthwaighte, has significant influence. Mr Bassingthwaighte is a director of Australian Health Service Alliance Limited for which he receives no remuneration. The payments were made on normal commercial terms and conditions and relate to the management of provider relationships, collection, dissemination and analysis of medical and hospital data, management of Access Gap Cover, as well as prosthesis, educational services and training.

During the year, amounts were paid to Members Own Health Funds, a not-for-profit organisation which represents not-for-profit and mutual health funds, over which the CEO, Michael Bassingthwaighte, has significant influence. Mr Bassingthwaighte is a director of Members Own Health Funds for which he receives no remuneration. The payments were made on normal commercial terms and conditions and are for marketing, advertising and promotion services in relation to the Members Own Health Fund Trade Marks.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2015	2014
	$	$
Current payables:		
Payment for services from HAMB Systems Limited	–	25,000

Loans to/from related parties

There were no loans to or from related 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 27 Events after the reporting period

In relation to note 24, subsequent to the year end the Company received $180k being the first tranche of the proceeds against Lehman Brothers.

No other matter or circumstance has arisen since 30 June 2015 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 28 Reconciliation of surplus after income tax to net cash from operating activities

	2015	2014
	$	$
Surplus after income tax expense for the year	8,429,101	7,275,185
Adjustments for:		
Depreciation and amortisation	601,420	470,234
Impairment of property, plant and equipment	–	(445,012)
Write off of intangibles	–	7,545
Net loss on disposal of property, plant and equipment	14,446	19,926
(Increase)/decrease in fair value of financial assets	(422,923)	(810,349)
Net (gain)/loss on disposal of financial assets transferred to profit or loss on disposal	–	(184,614)
Dividends received – non cash	(146,890)	(147,983)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(172,261)	(595,821)
Decrease/(increase) in inventories	(10,201)	322
Decrease/(increase) in prepayments	(121,953)	79,251
Increase in trade and other payables	401,426	341,512
Increase in employee benefits	45,005	40,408
Increase/(decrease) in other provisions	(968,646)	472,449
Increase in retirement benefit obligations	116,110	85,363
Increase in other operating liabilities	1,179,918	918,750
Net cash from operating activities	**8,944,552**	**7,527,166**

Note 29 Non–cash investing and financing activities

	2015	2014
	$	$
Shares issued under dividend reinvestment plan		
	146,890	**147,983**

Note 30 **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 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 to 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 30 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 policyholders. Where payment of contributions is not received for a continual period of three months, 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.

The approach adopted by the company in determining the outstanding claims provision is detailed in note 2. The provision is subject to some uncertainty, but the company seeks to ensure the outstanding claims provision is adequate by:

i ongoing and regular review of claim lags to ensure they are consistent with historical analysis;

ii a periodic external review conducted by the appointed actuary, incorporated within a quarterly report to the Board of Directors and the annual financial conditions report prepared for the Board of Directors and provided to the industry regulator;

iii ongoing and regular reviews of forecasts to ensure that factors included in calculating the outstanding claims provision remain relevant and reliable; and

iv the inclusion of a risk margin in the calculations (as detailed in note 2) to ensure a probability of sufficiency of 75%.

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.

Regulatory and capital adequacy risk

The company is subject to prudential regulation prescribed in the Private Health Insurance Act 2007. The prudential regulation includes solvency and capital adequacy requirements that are designed to protect the long-term viability of the company and the best interest of contributors. From 1 July 2015 responsibility for the prudential supervision of private health insurers transferred from the Private Health Insurance Administration Council (PHIAC) to the Australian Prudential Regulation Authority (APRA).

The company has capital objectives that significantly exceed the minimum capital adequacy requirements outlined in the standard and utilises the appointed actuary for advice to the Board in determining an appropriate target capital level for the company.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto give a true and fair view of the company's financial position as at 30 June 2015 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

Norman Branson
DipBus (RMIT) FAICD

Director

Andrew Gregory
MAppFin BComm (IB, HRM) GAICD

Director

19 September 2015
Wollongong

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Independent Auditor's Report
To the Members of Lysaght Peoplecare Limited

We have audited the accompanying financial report of Lysaght Peoplecare Limited (the "Company"), which comprises the statement of financial position as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes to the financial report and the directors' declaration of the company.

Directors responsibility for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

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In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion:

a the financial report of Lysaght Peoplecare Limited is in accordance with the Corporations Act 2001, including:

   i giving a true and fair view of the Company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the Corporations Regulations 2001

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

Alison Sheridan
Partner - Audit & Assurance

Sydney, 19 September 2015

Notes

Notes

Peoplecare

Peoplecare Health Insurance
Lysaght Peoplecare Limited
A registered private health insurer
ABN 95 087 648 753