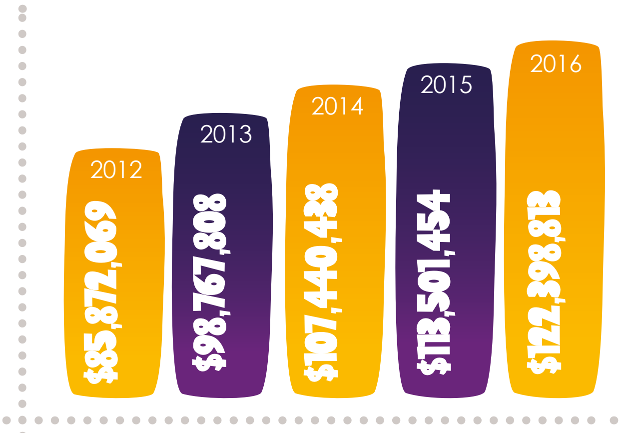
Peoplecare

Annual Report 2016

What's inside

Performance highlights

Contribution Income



2016 increase of 7.84%

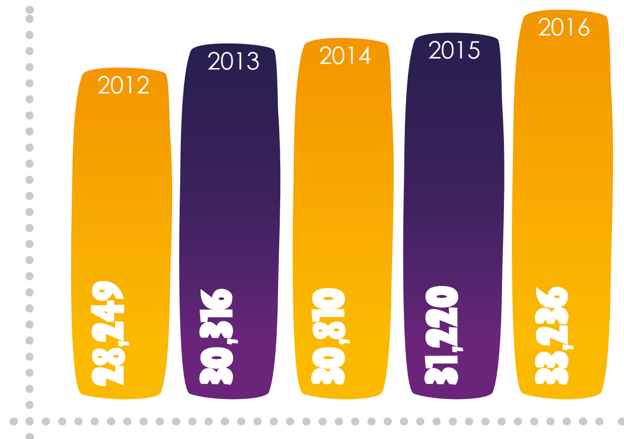
Benefits Paid

2016 increase of 9.13%

Total Assets

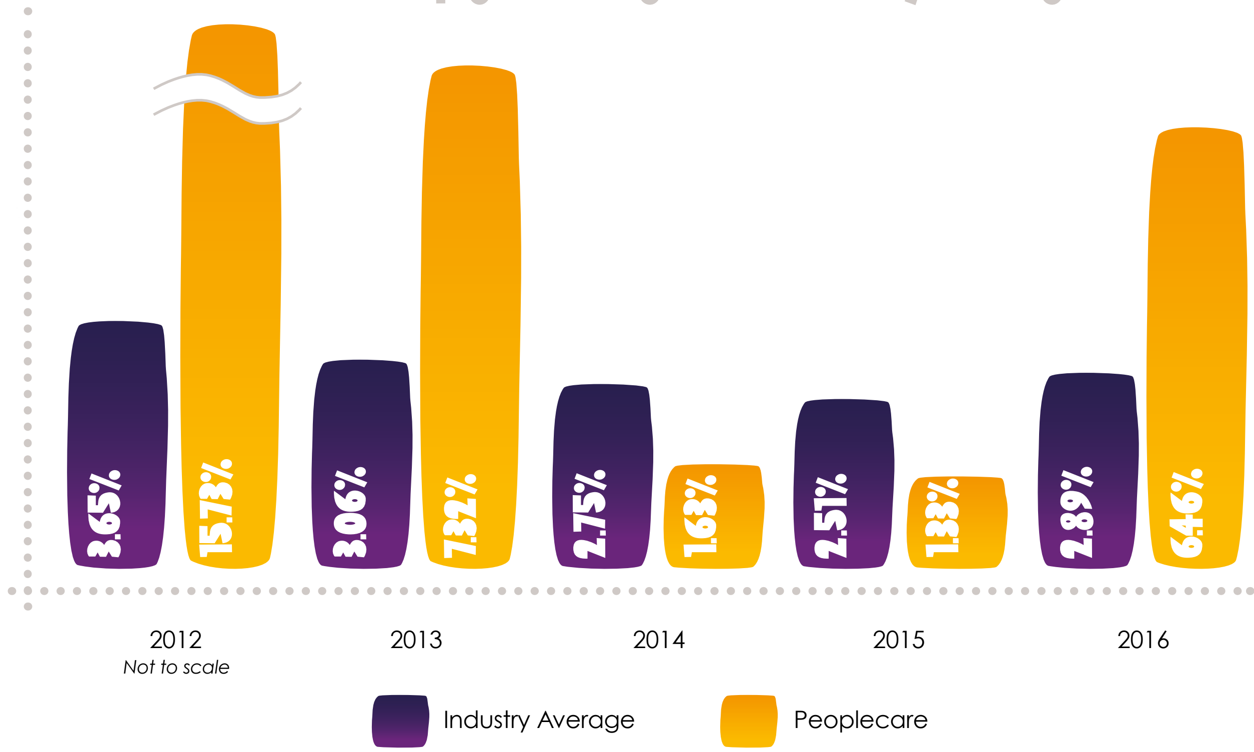
2016 increase of 11.22%

Memberships



2016 increase of 6.46%

Membership growth against industry average



The big picture

Vision

To be the benchmark service company facilitating better health for members

Core purpose

Peoplecare facilitates access to affordable health care that positively impacts members' lives

Scope

Peoplecare operates nationally as a not-for-profit health insurer and health service facilitator through strategic alliances

A message from the Chairman

This year Peoplecare has once again achieved excellent results and I am confident that the fund will continue to keep delivering exceptional service to members.

Another successful year has concluded and while the greater detail of audited financial and other results can be seen in the body of this report, I will highlight a few of the important statistics that we achieved during 2015/16.

We welcomed 4,556 new members to the Peoplecare community. Of those 4,556 new members, Peoplecare attracted 3,134 members completely new to private health insurance and a further 1,422 as transfers from other funds. The final growth rate of 6.46% was amongst the highest in the industry and shows the community appreciation for the products we have on offer. Another measure of our product acceptance in the broader community is that the consumer advocacy group CHOICE, for the 10th year running, commended Peoplecare products and recommended three of our products to consumers.

With increasing membership numbers there is a consequential increase in other financial metrics. Our contribution income reached $122.4m. Benefits paid including risk equalisation reached $107.3m, both of these fund records.

The fund maintained relatively low management expenses of 9.89% while achieving an independently measured member satisfaction level of 96.9%. This is an encouraging result for Peoplecare as we continue to develop our various communication channels and increase our digital capabilities to be able to offer members more choice in how they interact with the fund.

Achieving results as successful as these can only come about with staff who are committed to the wellbeing of our diverse membership. On behalf of the whole Peoplecare Board I express our sincere appreciation for the way in which our staff, at all levels within the company, have worked for the benefit of our members. Without their dedication, results like this could not have been achieved.

Finally I thank the directors and associates and fund executives who have worked with me during this year for their sterling efforts to advance the company. Especially this year I would like to record my personal appreciation for the ten years that Ian Sampson has given both me and the company as an honourable and dedicated director of Peoplecare. Ian, like me, will be retiring at this year's Annual General Meeting.

Norman Branson DipBus (RMIT) FAICD
Chairman Peoplecare Board

24 September 2016
Wollongong

A message from the CEO

This year has been another successful year for Peoplecare amid an array of challenges facing the private health insurance industry and a subdued economy. Customer satisfaction levels remain high and we have enjoyed strong membership growth, well above the industry average.

2015/16 has delivered a solid result with a surplus of $6.643m and our capital levels remaining strong to protect our member's interests well into the future.

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

In addition we have also expanded the provision of back office services on behalf of Allianz Global Assistance in relation to Overseas Student and Overseas Visitors Health Cover resulting in more than 1,000 new policies being written each month.

Our diversified businesses continue to demonstrate growth. Our first optical and dental centre in Wollongong – Peoplecare Eyes and Teeth – continues to exceed its annual targets and a new Business Continuity / Disaster Recovery facility was established in Shellharbour.

A summary of the main key financial measures (with comparative figures for the previous two financial years) are shown in the table on the following page.

Fund membership reached a new record high 33,236 with an annualised growth rate of 6.46%, well above the industry average of 2.89%. The fund's health insurance premium increase for 2016 was 4.38%, below the industry average of 5.69% and represented the lowest increase of all funds that are open to the general public.

Our highly skilled team has grown in size with 15 new jobs created. This is a result of growth in membership and the additional opportunities provided through our diversified business.

Michael Bassingthwaighte AM FAICD
Chief Executive Officer

A message from the

CEO

Summary of Results	2016 % income	2016 $'000	2015 % income	2015 $'000	2014 % income	2014 $'000
Contribution Income		**122,399**		**113,501**		**107,440**
Less Member Benefits Paid	81.30%	99,506	77.96%	88,488	79.53%	85,447
Less Risk Equalisation Trust Fund	5.20%	6,368	7.48%	8,490	8.27%	8,884
Less State Ambulance Levy	1.19%	1,461	1.22%	1,380	1.25%	1,341
Gross Margin	**12.31%**	**15,063**	**13.34%**	**15,143**	**10.95%**	**11,768**
Less Management Expenses attributable to the Health Benefit's Fund	9.89%	12,102	8.67%	9,838	7.90%	8,485
Underwriting Result	**2.42%**	**2,961**	**4.67%**	**5,305**	**3.06%**	**3,283**
Add Investment & Other Income (net of expenses)	3.01%	3,682	2.75%	3,124	3.72%	3,992
Net Surplus / (Deficit)	**5.43%**	**6,643**	**7.43%**	**8,429**	**6.77%**	**7,275**

At Peoplecare, we believe the key to business growth is to uphold our purpose, which is to facilitate access to affordable health care that positively impacts members' lives, and to lead the health industry in the provision of exceptional customer service and satisfaction. To do this we have adopted a range of underlying strategic initiatives that can be categorised into four key pillars.

1. A workforce doing great things

At Peoplecare we seek to create a flexible, high performing, enthusiastic and innovative workforce to meet the challenges of the future. We foster 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.

We continue to run our 'Peoplecare Developing Leaders Program' which encourages Peoplecarers to expand their knowledge and unleash their full potential. Topics covered include managing performance and behaviour, great communicators, increasing productivity, emotional intelligence and making good business decisions.

Our executive team and managers at Peoplecare do a wonderful job of leading our high energy teams. To ensure our managers continue to develop, we created the 'Manager Hour of Power' in 2016. This is an in-house training program designed to inform managers of best practice in positivity and resilience, handling objections, dealing with poor behaviour, performance appraisal and determining high performance.

A key focus at Peoplecare over the last 12 months has been on mental health and creating a mentally healthy workplace. Through our Mental Health Program, our managers received coaching from a psychologist on best practice in recognising mental health issues and how to refer team members to treatment if required. We also implemented mental health first aid officers who provide initial support to our Peoplecarers.

Staff satisfaction is important to us, which is why we continue to invest in ongoing Staff Satisfaction surveys, using the results to inform the development of ongoing HR and WHS programs to ultimately make Peoplecare an exceptional place to work. In 2016 we partnered with Aon Hewitt, who annually determine the Aon Hewitt Best Employers in Australia and New Zealand. Their engagement survey is different to other standard surveys as it not only checks opinions, levels of satisfaction and commitment, but goes one step further by focusing on the areas that can both create and sustain your staff engagement.

Preliminary results for 2016 reveal that Peoplecare is in the top quartile for staff engagement. This is measured against all the other Australian and New Zealand companies that use Aon Hewitt. We achieved a staff engagement score of 74%, well above the industry average of 65%. Our aim over the next two years is to be classified as a Best Employer by Aon Hewitt, which we've benchmarked at 82% engagement.

2. A more engaged customer

We monitor and recognise the emerging needs of our customers and respond by providing the products and services that they want and deserve. We empower our customers to take good care of their health and we aim to reward them for achieving their goals. We also endeavour to establish health networks that improve access to more affordable care for the long term and continue to move along the integrated care path.

Demonstrating the significant value that Peoplecare places on member opinions of its products, each year we conduct a Member Satisfaction Survey to ask our members via independently commissioned research how we are performing. This enables us to look at things from their perspective, listen to their ideas and feedback, and make continual improvements to our offering.

In the 2016 Member Satisfaction Survey a staggering 96.9% of our members told us they are satisfied with the fund and we're delighted by that!

We are particularly pleased with the result given affordability issues and other factors being faced by the industry and that the overall trend in a major annual independent survey was a reduction in overall satisfaction results.

Another measure of success and excellence is the industry Satisfaction Rating (Net Promoter Score). In 2015 Peoplecare was awarded #1 Net Promoter Score (the leading indicator of customer satisfaction and loyalty) in the bi-annual IPSOS Health Care and Health Insurance Survey. We achieved a score of 84, almost double the industry average of 43! This sees Peoplecare ranked significantly above larger health funds such as Medibank, Bupa, NIB and HCF. We also received the highest ranking for all open funds for treatment of members as individuals, not numbers.

We continually look to improve our product range, service and the overall value to our members. In this regard we launched a new range of health insurance products on 1 July 2015 that has received positive reaction from members and prospective members. We also had three of our products listed in the annual CHOICE evaluation in both 2015 and 2016 which makes 10 years running.

We're all about helping our members stay healthy in every way, so we were pleased to launch our latest health management program earlier this year – MindStep. This 6 week, phone based mental health coaching gives members access to a personal health coach to help with conditions like depression and anxiety.

Further benefiting our members we joined forces with established dental network, smile.com.au to deliver better value dental cover to members across Australia.

3. A better health care experience

We strive to develop 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.

Peoplecare maintains a strong recognition for its industry leading practices and regularly receives request for participation in industry forums and collaborations. We have also worked to nurture our key strategic relationships. These include health insurance computer software (HAMBS Systems Limited), hospital and medical contracting services (Australian Health Service Alliance) and industry representation (hirmaa).

I continue to lobby the industry on behalf of our members through my Board positions on each of these organisations, and our Executive team also act in leadership roles on many different industry bodies.

In 2015/16 Peoplecare partnered with local organisations Grand Pacific Health, the University of Wollongong and IRT, to win the Commonwealth tender for the newly formed Primary Health Network (PHN). via a new cooperative company Coordinare. Through Coordinare we seek to transform the primary health system for the region.

Together with the University of Wollongong Graduate School Of Medicine, a regional health concept model consultancy report was completed and significantly referenced in the Federal Government Report on Chronic Disease management.

4. A strong, sustainable business

Peoplecare is committed to having robust governance, risk and financial systems in place. In July 2015 the 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).

Peoplecare has worked diligently to make sure we continue to comply with all regulatory requirements and established fresh processes to manage the new APRA Standards through the establishment of a Chief Risk Officer role. To further assist in and establish improved overall risk and compliance management we have introduced the Protecht Risk Management system to build stronger and more efficient control systems.

Over the last 12 months we have established a state-of-the-art data warehouse to leverage industry-leading data and business intelligence to identify key profitable markets and market segments that deliver sound financial results that grow capital strength.

In this digital age, a key focus is on investment in new technologies that drive customer engagement and the development of strong collaborative partnerships and relationships with industry regulators is paramount. An important step in realising this objective has been the establishment of a new executive role - Head of Strategy and Innovation.

A new digital strategy has been developed to support membership growth, retention, brand awareness and communications through multiple digital platforms, whilst injecting the digital intelligence required by our business to achieve its long term objectives. As a result, we have commenced work on developing a new website and mobile app to deliver an optimum user experience which are due for completion in early 2017.

A member retention project was launched to ensure our members love and remain loyal to us. This involves improving internal processes to enable us to easily identify members at risk; proactively targeting members depending on their stage in life to actively inform their product choices; reviewing products to measure their impact and make improvements; and identifying digital tools that enable us to better manage and target our eCommunications to different member segments.

We also participated in a marketing cooperative that saw us join forces with 18 like-minded brands to form Members Own Health Funds. This project enables us to pool resources to educate Australians about the advantage of being with a not-for-profit/mutual health fund.

Summary

In summary the 2015/16 financial year has once again been a successful year for Peoplecare, with above average growth in our core health insurance business, sound financial performance across our diversified businesses and exceptional service delivery from our enthusiastic Peoplecarers.

The next year and beyond will no doubt continue to be challenging – the Federal Government has 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 appreciation to our Chairman Norman Branson and all of the Directors for their ongoing support.

Michael Bassingthwaighte AM FAICD
Chief Executive Officer

24 September 2016
Wollongong

Overview

Benefits - where do they go?

Hospital & Medical Benefits	2016 ($)	2015 ($)
Private Hospital Accommodation	32,204,557	27,906,523
Public Hospital Accommodation	5,075,984	4,833,401
Medical	10,964,658	9,867,869
Prostheses	9,518,568	8,036,995
Theatre Fees	7,336,565	6,332,166
Paramedical Services	1,418,136	1,287,625
Hospital Expenses	432,432	415,512
Outpatient Programs	207,820	228,374
Other	72,807	49,694
Extras Benefits		
Dental	15,287,994	15,026,628
Optical	7,166,249	6,843,692
Physiotherapy	1,873,460	1,838,399
Chiropractic	1,363,020	1,322,762
Natural Therapies	1,311,213	1,229,599
Ambulance	779,710	763,256
Pharmacy	552,269	556,596
Health Management	541,453	489,825
Other	2,643,017	2,422,123

793 babies born

23,142 hospital episodes
covering 51,825 days in hospital

$277,179 top hospital claim

65 members treated at home with our programs

149 chronic disease management programs

Quick facts

members

33,236
members, covering
76,232
people

96.9%
members satisfied

4,556
new members

only 0.3%
of complaints to the Ombudsman were from Peoplecare members
0.5% market share in 2015/16.

91.9%
member retention

Premium increase for 2016 was
4.38%
below the industry average of 5.69%. Lowest of all the open funds.

Survey

Member Satisfaction Survey

Peoplecare was delighted with the results of its 2016 Peoplecare Member Survey, which revealed an enviable 96.9 per cent satisfaction rate.

The Peoplecare Member Survey is independent and conducted annually by Discovery Research. Peoplecare place significant value on our members' opinions of our products and services and by listening to these insights and introducing relevant changes we're ensuring better services and better health for our members.

In 2016, Peoplecare had the biggest year on year improvement out of all the funds surveyed[1]. Members who indicated that their satisfaction had improved noted the positive experience regarding service and benefits following serious illness or surgery. Our new members who have switched from other funds gave encouraging feedback on benefits, service and experience.

Across the board, the results show that we are excelling in member communication, with members satisfied with the frequency of communication and ease of understanding the highest it has ever been. Peoplecare members cited having their phone calls answered quickly and by a real person, the efficiency of staff and the quick resolution of questions as the main reasons for their high level of satisfaction.

#1 for our clear and easy website

#1 for easy claiming with our Online Member Services

#2 for our mobile claiming app

#2 for easy on-the-spot claiming

Peoplecare members love that:

- Calls are answered promptly and professionally
- Staff are "quick to answer" and efficient
- Calls are answered by people and not an automated service
- They don't experience long hold / wait times
- There are helpful staff ready to resolve issues quickly and easily

[1] *Findings benchmarked against 12 other participating hirmaa funds. hirmaa is the peak body for 20 not-for-profit, member owned and community based health insurers.*

Quick facts
company

For every dollar Peoplecare received in premiums,

88c

was paid back to members

127

Peoplecarers

99,874

phone chats with members

2,345 hours

of training & development

on average

87.47%

phone chats answered within 3 rings

$8,977,450

increase in benefits paid from 2015 to 2016 financial years

Achievements

CHOICE Recommended

Peoplecare was listed in the annual CHOICE evaluation of private hospital and extras insurance for 2016 with three of our products recommended:

- Basic Hospital $500 excess (in QLD & VIC)
- Premium Hospital no excess (excluding NT & WA)
- Basic Extras (in SA & VIC)

CHOICE is the leading consumer advocacy group in Australia. Independent and member-funded, CHOICE exists to ensure Australia consumers have the information they need to make informed purchasing decisions, from saving money to choosing the best products and services.

This is no small feat, with only 13 out of 25 open health funds having a CHOICE 'Recommended' policy this year. For Peoplecare to have three products recognised cements our position as an industry leader.

Net Promoter Score

Peoplecare ranks number one in Australia for customer satisfaction and loyalty!

Proving that truly listening to your customers leads to success, Peoplecare was awarded top scores for customer satisfaction and loyalty in the IPSOS Healthcare and Insurance Australia 2015 Report, beating the larger health funds Medibank (including ahm), Bupa, NIB and HCF.

Peoplecare was awarded the top Net Promoter Score (NPS) with a score of 84 – almost double the industry average of 43. NPS is universally accepted as the most common measure of customer satisfaction and loyalty between a business and its customers. This is the second consecutive time we have achieved the top NPS score.

According to the IPSOS Report, which is conducted every 2 years, Peoplecare also received the highest ranking for all open funds for treating members as individuals, not numbers.

Directors' Report

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2016.

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**
- **Greg Parrish**
- **Alan Gibbs**
  Retired 11 November 2015
- **Ian Sampson**
- **Andrew Gregory**
- **Glenn Lennell**
- **Stephannie Jonovska**
  Associate Director
- **Peter Fitzgerald**
  Elected 11 November 2015
- **Louise Leaver**
  Associate Director - appointed 1 May 2016

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 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.

Our 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 11 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 Peoplecare Health 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 & Audit 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.

Our Directors

Ian Sampson BCom LLB FAIM FAICD
Ian was elected as a Director in 2006.

Ian holds a number of Director and Chairman positions for various organisations including: Sugar Research Australia, 139Club, The Leadership Foundation, QEnergy, Vmation, Handy Group and 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 governance, business transformation, executive and board coaching, leadership development, negotiation and facilitation, complex problem resolution and strategy development.

Ian's professional qualifications include degrees in Commerce and 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.

Andrew Gregory MAppFin, BComm (IB, HRM), GAICD
Andrew was elected as a Director in 2012.

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 a 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 the Chair of the WEA Illawarra Board, a not-for-profit registered training organisation, and is a committee member on the St Mary Star of the Sea College Governance and Nominations Committee.

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.

Our Directors

Peter Fitzgerald BCom FCA MAICD
Peter was elected as a Director in 2015.

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

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

He has been a Council Member of the University of Wollongong since 2006, and has served as Chair of its Risk, Audit & Compliance Committee for most of that time.

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

Louise Leaver LLB (Hons), BSc (Psyc), AGIA
Louise was appointed as an Associate Director in 2016.

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

Louise is currently the Head of Strategic Risk for IRT, a not-for-profit provider of seniors' lifestyle and care solutions.

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

Alan Gibbs JP, Diploma of Metallurgy, GAICD
Alan was elected as a Director in 2006 and retired in 2015.

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.

Directors' Report

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 2016, and the number of meetings attended by each director was:

	Full Board		Nomination, Development and Renumeration Committee		Audit and Compliance Committee[2]		Risk Committee[2]		Risk and Audit Committee[2]	
Director	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
N. Branson[1]	7	7	2	2	3	3	2	2	2	2
G. Parrish	6	7	-	-	3	3	2	2	2	2
A. Gibbs	5	5	-	-	-	-	-	-	-	-
I. Sampson	6	7	2	2	1*	2*	1	2	-	-
A. Gregory	7	7	1	1	3	3	2*	2*	1	2
G. Lennell	7	7	2	2	2*	2*	2	2	1*	2*
P. Fitzgerald	3	3	-	-	1*	1*	1*	1*	2	2
S. Jonovska	7	7	-	-	2*	2*	1*	2*	2*	2*
L. Leaver	1	1	-	-	-	-	-	-	-	-

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

2 The Audit and Compliance Committee and the Risk Committee merged into the Risk and Audit Committee from the start of the 2016 calendar year.

** Attendance by the Director/Associate Director at this meeting was by invitation. The Director/Associate Director is not a member of the 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 (2015: $10). The number of members at the end of the financial year was 33,236 (2015: 31,220).

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 2016.

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 Risk and Audit 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 36.

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

Gregory Parrish BCom CPA MBA GAICD
Director

24 September 2016
Wollongong

Corporate
Governance Statement

This statement outlines the Corporate Governance practices Peoplecare Health Limited ("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 APRA Governance Standard[1].

Board of directors

The Constitution of the company provides as follows:

"*8.1. The Board of Directors*

(A) The board must have not more than 6 directors:

(i) all of whom must be members or member affiliates;

(ii) at least 2 of whom must be elected by the members at a meeting called for that purpose; and

(iii) not more than 4 of whom may be appointed from time to time as directors by resolution of the majority of the board having regard to the specific skills and experience required by the board.

(B) Subject to Rule 8.9, the board may in its absolute discretion appoint not more than 2 persons to act as associate directors in addition to the maximum number of directors allowable under Rule 8.1(a)."

- The Constitution provides as follows for an associate director:

"*8.9. Associate Directors*

(A) The board may from time to time appoint any person, other than a person who is at that time a director, to be an associate director for a term not exceeding one year as determined by the board in its absolute discretion and may from time to time terminate any such appointment.

(B) The board may from time to time determine the powers and duties of any associate director, however no associate director has a vote at any director's meeting and the associate director's attendance at a board meeting will not count for the purpose of determining whether or not a quorum of directors is present.

(C) A person so appointed as associate director, except by the invitation and with the consent of the board does not have any right to attend at any board meeting however notices of board meetings may be sent to all associate directors at the same time as they are sent to the directors.

(D) A person who is an associate director shall immediately cease to hold such position if he or she becomes a director.

(E) The board may re-appoint an associate director at the expiration of their term for a further term of one year as determined by the board in its absolute discretion provided that no person may be appointed as an associate director for more than three terms."

It is not necessary for an associate director to be a member of the health fund on assuming the position.

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 incamera board discussions. Associate directors, while able through invitation to attend and contribute to Board meetings, will not have a formal 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 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.

[1]APRA assumed PHIAC's responsibilities from 1st July 2015. The prior PHIAC standards, including the Governance Standard, continues to apply for at least 12 months beyond 1st July 2015.

Board responsibilities

The Board's overall responsibilities include:

- Set the strategic direction of the company in the best interest of members 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;
- 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, including AS/NZS ISO 31000:2009, and applicable APRA 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 & monitoring Capital Management Plans, and major capital acquisitions, investments 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 Board will comprise independent directors, within the meaning of the Governance Standards defined by 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.

Corporate
Governance Statement

The Peoplecare Board recognises the value that diversity adds to the company workforce and governance and will actively pursue a diverse board. Within the board, directors will be sought recognising the diversity principle and will consider all candidates with appropriate skills, experience and attributes and must always recommend appointment of the best candidate based entirely on merit with qualifications and capacity to contribute within the vacant position.

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 & 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 its 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:

- Risk and Audit Committee;
- 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 and 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 travelling 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.
- 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 & 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.
- 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.

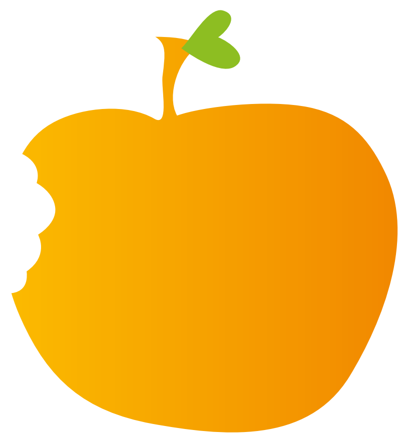
A separate Delegations Policy, that includes delegations of authority to the Board Committees, the Chief Executive Officer, and other executive managers is in operation, and reviewed annually as a Board annual program item.

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



Our Executive Team

Chief Executive Officer

Michael Bassingthwaighte AM FAICD
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".

Deputy Chief Executive Officer

Chief Risk Officer

Dale Cairney BCom CPA GAICD
Dale is responsible for governance, risk management, and compliance for Peoplecare and its customer insurers. Dale also undertakes the role of Chief Risk Officer as part of APRA requirements.

Dale has a wealth of senior management experience across a range of industries, including private health insurance, dental and eye care practice management, finance, manufacturing, mining, and transport industries over the past 35 years.

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

Dale is a regular volunteer & participant in charitable events. His current volunteer appointments include:

- WEA Illawarra (community college) – Director & Chair of the Board's Finance, Audit & Risk Management Committee
- Cram Foundation (disability services) – Director & Chair of the Board's Audit & Risk Committee

Head of Customer Service & Marketing

Anita Mulrooney BA GDipIM GDipCom GAICD
Anita has over two decades of experience in the not-for-profit, insurance, and health sectors in Australia and South-East Asia across key business functions including operations, customer service, sales & marketing and human resources.

She is responsible for the company's brand, marketing & communications, corporate sponsorship, community relations, operations and customer service delivery.

Since assuming the role in 2006, Anita has played a pivotal role in the evolution the Peoplecare brand from a small restricted fund to one of Australia's most respected not-for-profit health insurers.

Anita's primary focus is to lead our Customer Service and Marketing Teams to provide clear, simple and high value products for our members and to make sure the Peoplecare customer service experience is an exceptional one.

Anita's other appointments include:

- HIRMAA Marketing Committee - Chair
- Private Health Insurance Ombudsman's Website Reference Group - Member
- IRT - Director
- Destination Wollongong - Director & Chair of the Board's Performance & Remuneration Committee

Chief Financial Officer & Company Secretary

Head of Finance & Administration

Chris Stolk BCom CPA GAICD
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.

Our Executive Team

Head of People & Culture

Maree Morgan-Monk
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.

Head of Hospital & Health Services

Dr Melinda Williams BNurs MPH PhD GAICD
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 and medical 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.

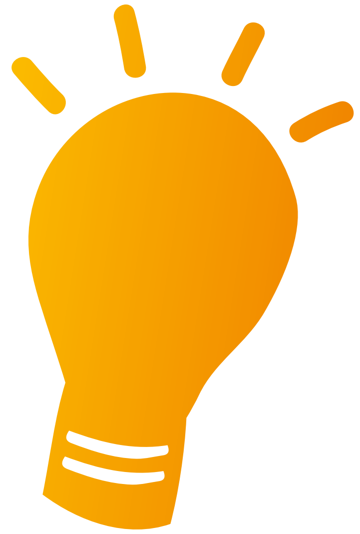
Melinda is a Director of the Cram Foundation.

Head of Strategy & Innovation

Peter Buckley BComm MBA
Peter joined Peoplecare in 2016 as Head of Strategy & Innovation. He is an experienced executive manager who has held a number of key roles in large engineering and services businesses, along with a number of iconic Australian and ASX-listed companies.

His experience crosses industry sectors from industrials, infrastructure and professional services, where he has a demonstrated track record of building value for businesses, their people and customers.

Peter was awarded Young Businessperson of the Year in 2012 by Illawarra Business Chamber. His current appointments include volunteer roles for the University of Wollongong, The Smith Family and School for Social Entrepreneurs. He is a Director of The Illawarra Connection and a member of the Salvation Army Illawarra Advisory Board.



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

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Peoplecare Health Limited for the year ended 30 June 2016, 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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A Sheridan
Partner - Audit & Assurance

Sydney, 24 September 2016

Statement
of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	2016 $	2015 $
Revenue			
Premium revenue		122,398,813	113,501,454
Expenses			
Fund benefits paid to members		(98,743,868)	(89,456,672)
Risk Equalisation Trust Fund Levy		(6,368,437)	(8,490,265)
Movement in outstanding claims liability		(761,984)	968,646
State ambulance levies		(1,461,491)	(1,380,039)
		(107,335,780)	(98,358,330)
Gross underwriting result		15,063,033	15,143,124
Management expenses			
Remuneration of auditors: Auditing the financial report		(80,136)	(82,650)
Employee benefits expense		(8,261,591)	(7,590,906)
Depreciation and amortisation expense		(565,315)	(601,420)
Other management expenses		(7,358,893)	(5,237,097)
		(16,265,935)	(13,512,073)
Other			
Other income	4	9,284,684	7,743,166
Increase/(decrease) in fair value of financial assets	5	(34,310)	422,923
Net (loss)/gain realised on disposal of financial assets held at fair value through profit or loss	6	(67,887)	-
Other cost of goods sold	7	(1,336,600)	(1,368,039)
		7,845,887	6,798,050
Surplus before income tax expense (net underwriting result)		6,642,985	8,429,101
Income tax expense		-	-
Surplus after income tax expense for the year attributable to the members of Peoplecare Health Limited		6,642,985	8,429,101
Other comprehensive income for the year, net of tax			
Items that will not be reclassified to profit or loss			
Gain on revaluation of land and buildings		250,860	-
Other comprehensive income for the year, net of tax		250,860	-
Total comprehensive income for the year attributable to the members of Peoplecare Health Limited		6,893,845	8,429,101

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 2016

	Note	2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	8	44,060,971	39,977,715
Trade and other receivables	9	4,966,782	4,221,175
Inventories	10	95,155	77,856
Other financial assets	11	19,800,280	35,857,057
Other assets	12	474,959	371,501
Total current assets		69,398,147	80,505,304
Non-current assets			
Receivables	13	-	43,030
Other financial assets	14	20,406,658	104
Property, plant and equipment	15	6,493,692	6,366,833
Intangibles	16	1,568,669	1,076,736
Total non-current assets		28,469,019	7,486,703
Total assets		97,867,166	87,992,007
Liabilities			
Current liabilities			
Trade and other payables	17	18,496,396	16,235,305
Provisions	18	6,523,781	5,713,916
Total current liabilities		25,020,177	21,949,221
Non-current liabilities			
Payables	19	207,718	375,198
Provisions	20	310,056	232,218
Total non-current liabilities		517,774	607,416
Total liabilities		25,537,951	22,556,637
Net assets		72,329,215	65,435,370
Equity			
Reserves	21	250,860	-
Retained surpluses		72,078,355	65,435,370
Total equity		72,329,215	65,435,370

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 2016

	Reserves $	Retained Surplus $	Total equity $
	-	-	-
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

	Reserves $	Retained Surplus $	Total equity $
Balance at 1 July 2015	-	65,435,370	65,435,370
Surplus after income tax expense for the year	-	6,642,985	6,642,985
Other comprehensive income for the year, net of tax	250,860	-	250,860
Total comprehensive income for the year	250,860	6,642,985	6,893,845
Balance at 30 June 2016	250,860	72,078,355	72,329,215

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

	Note	2016 $	2015 $
Cash flows from operating activities			
Receipts from members and customers		130,211,438	119,766,863
Payments to members, suppliers and employees		(123,469,110)	(113,258,406)
		6,742,328	6,508,457
Dividends received		220,292	131,920
Interest received		2,381,020	2,304,175
Net cash from operating activities	28	9,343,640	8,944,552
Cash flows from investing activities			
Payments for investments		(124,714,701)	(97,800,000)
Payments for property, plant and equipment	15	(311,984)	(572,832)
Payments for intangibles	16	(708,826)	(841,312)
Proceeds from disposal of investments		120,393,725	92,300,000
Proceeds from disposal of property, plant and equipment		81,402	112,666
Net cash used in investing activities		(5,260,384)	(6,801,478)
Cash flows from financing activities			
Net cash from financing activities		-	-
Net increase in cash and cash equivalents		4,083,256	2,143,074
Cash and cash equivalents at the beginning of the financial year		39,977,715	37,834,641
Cash and cash equivalents at the end of the financial year	8	44,060,971	39,977,715

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

Note 1. General information

After receiving member endorsement at the 2015 Annual General Meeting, Lysaght Peoplecare Limited changed its name to Peoplecare Health Limited effective 18 November 2015. All other company details and structures remain unchanged.

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

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

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

Registered office
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 24 September 2016. 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.

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

- Note 2: Significant accounting policies - under the heading 'Provisions: Outstanding claims liability';
- Note 2: Significant accounting policies - under the heading 'Property, plant and equipment: Land and buildings'; and
- Note 15: Non-current assets - property, plant and equipment - under the heading 'Valuations of land and buildings'.

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 Peoplecare Health 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 of 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.

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	10 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 both software and a website that will contribute to future period financial benefits through reserve generation and/or cost reduction are capitalised to computer software.

Software licences and capitalised development costs have a finite useful life and are carried at cost, less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the costs over their useful lives being 2½ to 3 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. Peoplecare Health 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 2016 relating to the period beyond 30 June 2016 are recognised as unearned premium liability. Also, forecast premiums receivable from contributors at 30 June 2016 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% (2015: 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 2017, 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 2016 (2015: 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% (2015: 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.

Assets backing private health insurance liabilities

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

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

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 2016. 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); and
- 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.

AASB 16 Leases

AASB 16 replaces AASB 117 Leases and some lease-related Interpretations:

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases
- provides new guidance on the application of the definition of lease and on sale and lease back accounting
- largely retains the existing lessor accounting requirements in AASB 117
- requires new and different disclosures about leases

When this Standard is first adopted for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB 101 Presentation of Financial Statements

The Standard makes amendments to AASB 101 Presentation of Financial Statements arising from the IASB's Disclosure Initiative project.

The amendments:

- clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information;
- clarify that AASB 101's specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated;
- add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position;
- clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order; and
- remove potentially unhelpful guidance in AASB 101 for identifying a significant accounting policy.

When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.

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 and Audit Committee, which is responsible for developing and monitoring risk management policies. The Risk and Audit 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 Risk and Audit Committee is responsible for monitoring compliance with the company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the company. The Risk and Audit 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 Risk and Audit Committee to the Board of Directors.

(a) Credit risk

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

Receivables from insurance contracts:
Credit risk in relation to insurance contracts is discussed in Note 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 cash and cash equivalents, highly liquid fixed interest securities, longer term fixed income securities (up to 10 years), short term receivables and assets used in the operations of the business. The holding value of the highly liquid fixed interest securities 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) Short term investments are to have a minimum issuer rating of A1 or higher (as defined by Standard & Poors rating agency) whilst the longer term fixed interest investment portfolio assets are to have a minimum Standard & Poors long term rating of A-. This is to ensure that investment funds are placed with highly secure, low risk rated entities.

(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 $22,363,621 (2015: $23,107,425).

(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 APRA Prudential Standard HPS 100 - Solvency Standard; and

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

(c) Market risk

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

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 securities price risk in relation to both the long term fixed income and the equities investment portfolios. This arises from investments held by the company and classified on the statement of financial position as at fair value through profit or loss. This risk is managed in the following investment strategy requirements:

Equities Portfolio

(i) No more than 17% of the Australian equity portfolio is to be held in any one company;

(ii) The share portfolio will consist of only ASX 200 'accumulation index' listed shares from a diversified range of industry sectors; and

(iii) All shares acquired must be under the advice of a Board approved independent investment adviser.

Fixed Income Portfolio

(i) No more than 35% of the defensive asset portfolio can be invested in any single issuer; and

(ii) Fixed interest securities will be acquired under the advice of a Board approved independent investment adviser.

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

Capital management

The company operates in the private health insurance industry and is subject to prudential capital regulations determined in accordance with the solvency and capital adequacy standards which are set out in the APRA Prudential Standard HPS 100 - Solvency Standard and APRA Prudential Standard HPS 110 - Capital Adequacy. From 1 July 2015, the administration of these prudential standards 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 the capital management plan.

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

The Board reviews the capital management plan on a biennial basis.

Solvency

As noted previously the company is also required to comply with the Solvency Standard which 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 2016.

Note 4. Other income

	2016 $	2015 $
Travel insurance commission	36,013	36,148
Overseas student health cover commission	571,889	350,000
Management services income	2,632,989	2,280,769
Interest income	2,139,209	2,174,405
Dividend income	351,290	278,810
Dental income	1,549,056	1,543,127
Optical income	993,729	1,016,016
Other income	46,323	63,891
Lehman Brothers recoveries	964,186	-
	9,284,684	7,743,166

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). Peoplecare Health Limited has received a fee of $1,216,189 from NHBA for the provision of management services during the reporting period (2015: $1,177,115).
2. Reserve Bank Health Society Limited (RBHS). Peoplecare Health Limited has received a fee of $805,700 from RBHS for the provision of management services during the reporting period (2015: $793,838).

Note 4. Other income (continued)

3. AGA Assistance Australia Pty Ltd (Allianz Global Assistance). Peoplecare Health Limited has received an amount of $497,983 from AGA for the provision of management services during the reporting period (2015: $248,107).

In prior years, the Company lodged a claim against Lehman Brothers for recovery of losses arising on Collateralised Debt Obligations (CDO) investments, which was admitted as a valid claim by the liquidators of the Lehman Brothers.

During the financial year a total of $964,186 was received from the estate of Lehman Brothers Australia Limited (in Liquidation) in respect of this claim. The CDO investments had been written down to zero value and derecognised in prior financial years.

This matter was disclosed in the notes to the 2015 financial statements (refer to Note 24 *Contingent assets and liabilities*).

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

	2016 $	2015 $
Shares in listed corporations	(34,310)	422,923

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

	2016 $	2015 $
Shares in listed corporations	(67,887)	-

Note 7. Other cost of goods sold

	2016 $	2015 $
Cost of dental sales	708,526	752,454
Cost of optical sales	628,074	615,585
	1,336,600	1,368,039

Note 8. Current assets - cash and cash equivalents

	2016 $	2015 $
Cash on hand	1,400	1,400
Cash at bank	5,475,379	4,016,903
Term deposits maturing within 3 months after the end of the reporting period	38,584,192	35,959,412
	44,060,971	39,977,715

Cash at bank bears floating interest rates between 0.00% and 1.85% (2015: 0.00% and 2.30%). Term deposits bear fixed interest rates between 2.53% and 3.11% (2015: 2.65% and 3.77%).

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.

Note 9. Current assets - trade and other receivables

	2016 $	2015 $
Unclosed business premium - earned	221,440	243,590
Unclosed business premium - unearned	157,356	178,866
Private Health Insurance Rebate on premiums	3,081,601	2,444,554
Investment Income Receivable	436,180	677,991
Other debtors	1,079,781	681,427
Less: provision for impairment of receivables	(9,576)	(5,253)
	4,966,782	4,221,175

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

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $382,460 as at 30 June 2016 ($512,720 as at 30 June 2015).

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

	2016 $	2015 $
Past due 0 - 30 days	347,749	448,413
Past due 31 - 120 days	32,599	50,888
Past due 121 days to one year	9,923	10,199
More than one year	1,765	8,473
More than one year - impairment	(9,576)	(5,253)
	382,460	512,720

There was an increase of $4,323 in the provision for impairment of receivables (2015: a decrease of $372), which has been recognised in profit or loss.

Note 10. Current assets - inventories

	2016 $	2015 $
Optical stock on hand - at cost	89,315	72,016
Dental stock on hand - at cost	5,840	5,840
	95,155	77,856

Note 11. Current assets - other financial assets

	2016 $	2015 $
Financial assets at fair value through profit or loss: Shares in listed corporations	10,809,908	6,357,057
Financial assets at fair value through profit or loss: Term deposits	7,000,000	29,500,000
Financial assets at fair value through profit or loss: Bonds	1,990,372	-
	19,800,280	35,857,057

Note 12. Current assets - other assets

	2016 $	2015 $
Prepayments	474,959	371,501

Note 13. Non-current assets - receivables

	2016 $	2015 $
Other debtors	-	43,030

Note 14. Non-current assets - other financial assets

	2016 $	2015 $
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
Financial assets at fair value through profit or loss: Bonds	20,406,554	-
	20,406,658	104

Note 15. Non-current assets - property, plant and equipment

	2016 $	2015 $
Land and buildings - at fair value	5,175,000	5,030,000
Less: Accumulated depreciation	-	(105,860)
	5,175,000	4,924,140
Leasehold improvements - at cost	828,486	828,486
Less: Accumulated depreciation	(284,879)	(202,147)
	543,607	626,339
Plant and equipment - at cost	1,536,415	1,492,888
Less: Accumulated depreciation	(1,275,136)	(1,211,346)
	261,279	281,542
Motor vehicles - at cost	499,763	465,037
Less: Accumulated depreciation	(145,608)	(123,473)
	354,155	341,564
Computer equipment - at cost	1,082,866	998,886
Less: Accumulated depreciation	(923,215)	(805,638)
	159,651	193,248
	6,493,692	6,366,833

Note 15. Non-current assets - property, plant and equipment (continued)

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 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
Additions	-	-	43,526	184,478	83,980	311,984
Disposals	-	-	-	(87,563)	-	(87,563)
Revaluation of assets	250,860	-	-	-	-	250,860
Depreciation expense	-	(82,732)	(63,789)	(84,324)	(117,577)	(348,422)
Balance at 30 June 2016	5,175,000	543,607	261,279	354,155	159,651	6,493,692

Valuations of land and buildings

The company engages Opteon Property Group for the valuation of its land and buildings at least triennially. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates.

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available the directors consider information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences; and
- capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence.

Note 16. Non-current assets - intangibles

	2016 $	2015 $
Computer software - at cost	909,307	809,053
Less: Accumulated amortisation	(750,481)	(585,661)
	158,826	223,392
Computer software under development - at cost	649,777	41,205
Other intangibles - at cost	875,181	875,181
Less: Accumulated amortisation	(115,115)	(63,042)
	760,066	812,139
	1,568,669	1,076,736

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 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
Additions	100,254	608,572	-	708,826
Amortisation expense	(164,820)	-	(52,073)	(216,893)
Balance at 30 June 2016	158,826	649,777	760,066	1,568,669

Note 17. Current liabilities - trade and other payables

	2016 $	2015 $
Unclosed business premium liability	157,356	178,866
Unearned premium liability (premiums in advance)	9,037,033	7,443,548
Amounts due to the Risk Equalisation Trust Fund	1,272,732	2,543,858
Annual leave	740,553	594,905
Executive long term retention scheme	492,872	412,403
Other creditors and accruals	6,795,850	5,061,725
	18,496,396	16,235,305

Refer to note 22 for further information on financial instruments.

Note 18. Current liabilities - provisions

	2016 $	2015 $
Long service leave	378,337	330,456
Outstanding claims liability - central estimate	5,952,004	5,214,005
Outstanding claims liability - risk margin 3.25%	193,440	169,455
	6,523,781	5,713,916

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 2016, 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 2016 was 3.25% (2015: 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, other than employee benefits, are set out on the following page:

Outstanding claims

	2016 $	2015 $
Carrying amount at the start of the year	5,383,460	6,352,106
Add Claims incurred	99,505,852	88,488,026
Less Claims paid	(98,743,868)	(89,456,672)
Carrying amount at the end of the year	6,145,444	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:

	2016 $	2015 $
Long service leave obligation expected to be settled after 12 months	347,657	301,414

Note 19. Non-current liabilities - payables

	2016 $	2015 $
Executive long term retention scheme	207,718	162,528
Other payables	-	212,670
	207,718	375,198

Refer to note 22 for further information on financial instruments.

Note 20. Non-current liabilities - provisions

	2016 $	2015 $
Long service leave	310,056	232,218

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 21. Equity - reserves

	2016 $	2015 $
Revaluation surplus reserve	250,860	-

Revaluation surplus reserve

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

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Revaluation

	Surplus $	Total $
Balance at 1 July 2014	-	-
Balance at 30 June 2015	-	-
Revaluation - gross	250,860	250,860
Balance at 30 June 2016	250,860	250,860

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 (2015: Nil).

Price risk

Sensitivity analysis for 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 $1,080,991 (2015: $635,706). Equity would increase or decrease by the same amount.

The company's bonds are listed on the secondary market. For bonds classified as fair value through 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 $2,239,693 (2015: nil). Equity would increase or decrease by the same amount.

Interest rate risk

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

Note 22. Financial instruments (continued)

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

	2016		2015	
	Weighted average interest rate %	Balance $	Weighted average interest rate %	Balance $
Fixed rate instruments (maturing within one year):				
Financial assets	2.91%	47,574,564	3.02%	65,459,412
Fixed rate instruments (maturing after one year):				
Financial assets	3.91%	20,406,554	-	-
Variable rate instruments:				
Financial assets	1.83%	5,475,379	2.12%	4,016,90
Net exposure to cash flow interest rate risk		73,456,497		69,476,315

Sensitivity Analysis:

	Basis points increase			Basis points decrease		
2016	Basis points change $	Effect on surplus $	Effect on equity $	Basis points change $	Effect on surplus $	Effect on equity $
Fixed rate instruments	100	679,811	679,811	100	(679,811)	(679,811)
Variable rate instruments	100	54,754	54,754	100	(54,754)	(54,754)
		734,565	734,565		(734,565)	(734,565)

2015	Basis points change	Effect on surplus $	Effect on equity $	Basis points change $	Effect on surplus $	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)

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:

Note 22. Financial instruments (continued)

	2016 $	2015 $
Financial Assets		
Cash and cash equivalents	44,060,971	39,977,715
Receivables	4,966,782	4,221,175
Financial assets at fair value through profit and loss: Term deposits	7,000,000	29,500,000
Financial assets at fair value through profit and loss: Bonds	22,396,926	-
	78,424,679	73,698,890

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.

2016	1 month or less $	Between 2 and 4 months $	Between 4 and 6 months $	More than 6 months $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade and other payables (excl. GST & PAYG)	(7,178,671)	-	-	(207,718)	(7,386,389)
Total non-derivatives	(7,178,671)	-	-	(207,718)	(7,386,389)

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 (excl. GST & PAYG)	(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)

The carrying value of trade and other payables is $7,386,389 (2015: $5,768,304). The company is not significantly exposed to this risk as it has $44,060,971 of cash and cash equivalents to meet these obligations as they fall due.

Note 22. Financial instruments (continued)

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:

	2016 Carrying amount $	2016 Fair value $	2015 Carrying amount $	2015 Fair value $
Assets				
Cash and cash equivalents	44,060,971	44,060,971	39,977,715	39,977,715
Loans and receivables	4,966,782	4,966,782	4,221,175	4,221,175
Financial assets fair valued through profit or loss	29,396,926	29,396,926	29,500,000	29,500,000
Land and buildings	5,175,000	5,175,000	4,924,140	5,030,000
Shares in listed corporations	10,809,908	10,809,908	6,357,057	6,357,057
	94,409,587	94,409,587	84,980,087	85,085,947
Liabilities				
Trade and other payables				
	(7,386,389)	(7,386,389)	(5,768,304)	(5,768,304)
	(7,386,389)	(7,386,389)	(5,768,304)	(5,768,304)

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).

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

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

Note 23. Key management personnel disclosures

Directors

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

Norman Branson	
Greg Parrish	
Alan Gibbs	Retired 11 November 2015
Ian Sampson	
Andrew Gregory	
Glenn Lennell	
Stephannie Jonovska	Associate Director - appointed 21 March 2015
Peter Fitzgerald	Elected 11 November 2015
Louise Leaver	Associate Director - appointed 1 May 2016

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
Peter Buckley	Head of Strategy & Innovation

Compensation

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

	2016 $	2015 $
Short-term employee benefits	1,697,531	1,550,935
Post-employment benefits	251,215	256,494
Long-term benefits	125,658	116,110
	2,074,404	1,923,539

Total Directors' remuneration of up to a maximum of $330,365 per annum was approved by members at the Annual General Meeting on 11 November 2015. For the year ended 30 June 2016 total directors' remuneration paid was $309,017.

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

At 30 June 2016 the company had no contingent assets and liabilities.

Note 25. Commitments

	2016 $	2015 $
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable: Property, plant and equipment	65,909	-
Work in progress - Computer software under development; payable within one year	231,620	-
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable: Within one year	124,480	166,447
One to five years	116,604	241,085
	241,084	407,532

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:

	2016 $	2015 $
Payment for goods and services:		
Payment for services from HAMB Systems Limited	613,482	687,908
Payment for services from Australian Health Service Alliance Limited	357,089	364,822
Payment for services from Members Own Health Funds	236,300	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 which the CEO, Michael Bassingthwaighte, is a director. He receives from HAMB Systems Limited, 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 which the CEO, Michael Bassingthwaighte, is a director. He receives no remuneration from Australian Health Service Alliance Limited. 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, which the CEO, Michael Bassingthwaighte, is a director. He receives no remuneration from Members Own Health Funds. 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:

	2016 $	2015 $
Current payables:		
Payment for services from HAMB Systems Limited	107,409	-
Payment for services from Members Own Health Funds	165	-

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

No matter or circumstance has arisen since 30 June 2016 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

	2016 $	2015 $
Surplus after income tax expense for the year	6,642,985	8,429,101
Adjustments for:		
Depreciation and amortisation	565,315	601,420
Net loss on disposal of property, plant and equipment	6,161	14,446
(Increase)/decrease in fair value of financial assets	34,310	(422,923)
Net (gain)/loss on disposal of financial assets transferred to profit or loss on disposal	67,887	-
Dividends received - non cash	(130,998)	(146,890)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(702,577)	(172,261)
Increase in inventories	(17,299)	(10,201)
Increase in prepayments	(103,458)	(121,953)
Increase in trade and other payables	689,116	401,426
Increase in employee benefits	125,719	45,005
Increase/(decrease) in other provisions	761,984	(968,646)
Increase in retirement benefit obligations	45,190	116,110
Increase in other operating liabilities	1,359,305	1,179,918
Net cash from operating activities	9,343,640	8,944,552

Note 29. Non-cash investing and financing activities

	2016 $	2015 $
Shares issued under dividend reinvestment plan	130,998	146,890

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

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 2016 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

Gregory Parrish
BCom CPA MBA GAICD
Director

24 September 2016
Wollongong

GrantThornton

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

We have audited the accompanying financial report of Peoplecare Health Limited (the "Company"), which comprises the statement of financial position as at 30 June 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company.

Directors' responsibility for the financial report

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

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. Those standards 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 of the financial report that gives a true and fair view 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 Peoplecare Health 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 2016 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the Corporations Regulations 2001.

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GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A Sheridan
Partner - Audit & Assurance

Sydney, 24 September 2016

Peoplecare

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