Peoplecare

Annual Report 2021

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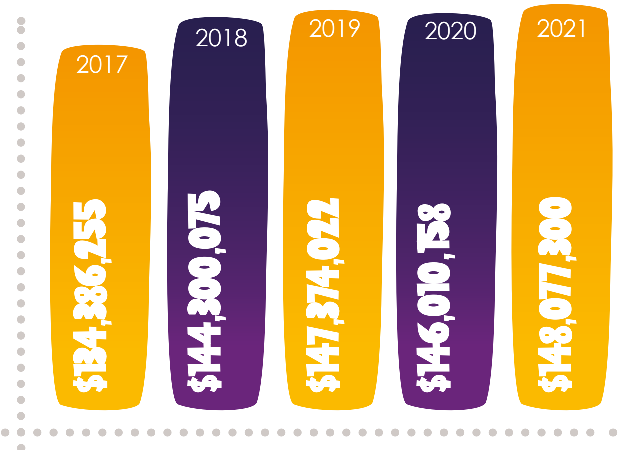
Peoplecare Health Limited. A registered private health insurer.
ABN 95 087 648 753

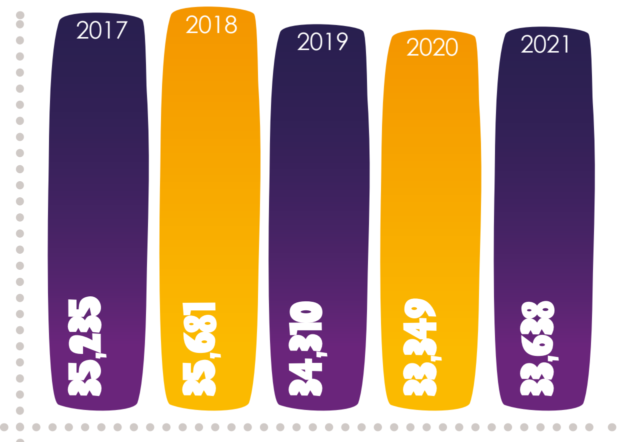
Performance
highlights

Contribution Income

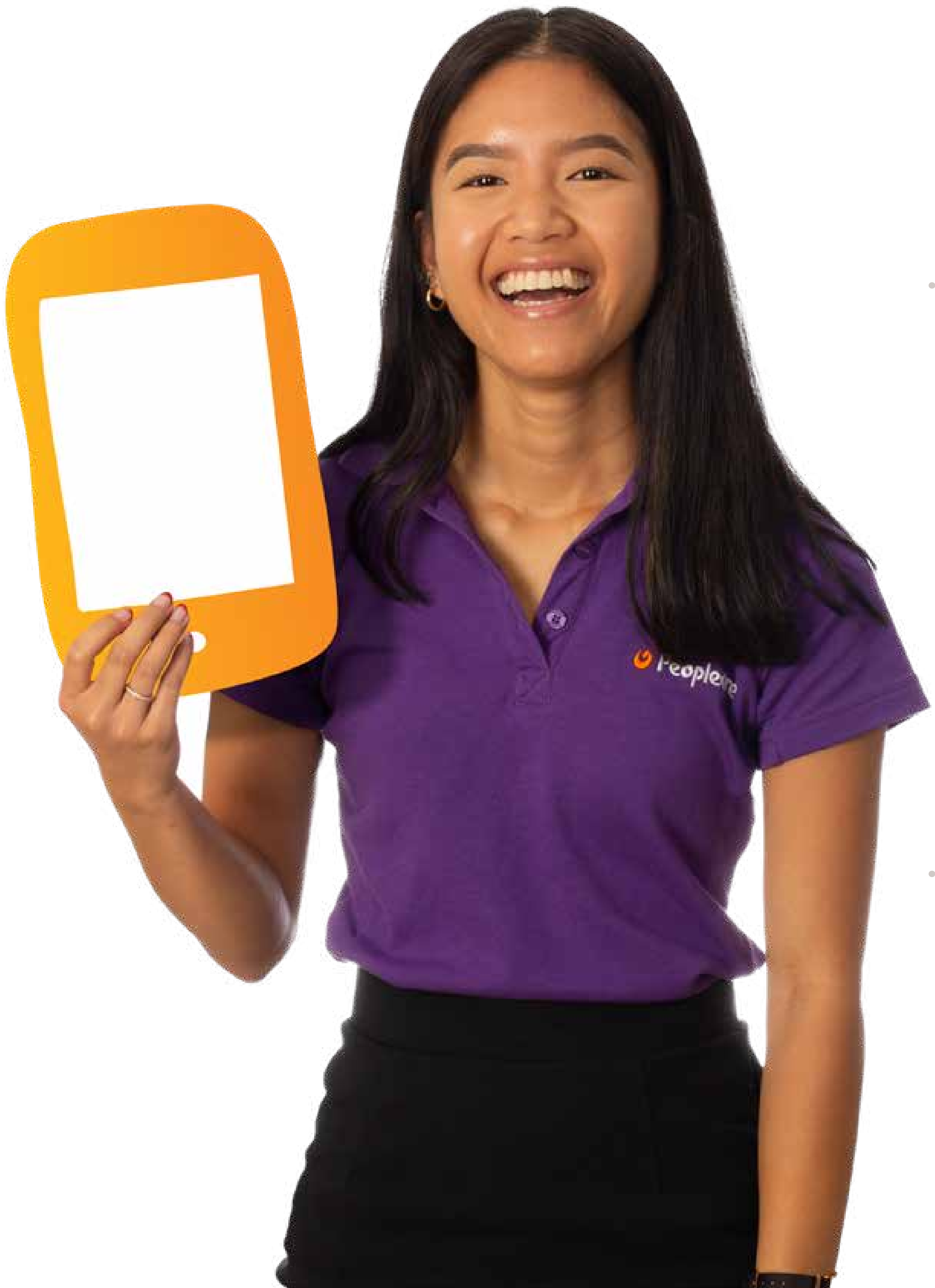


2021 increase of 1.42%

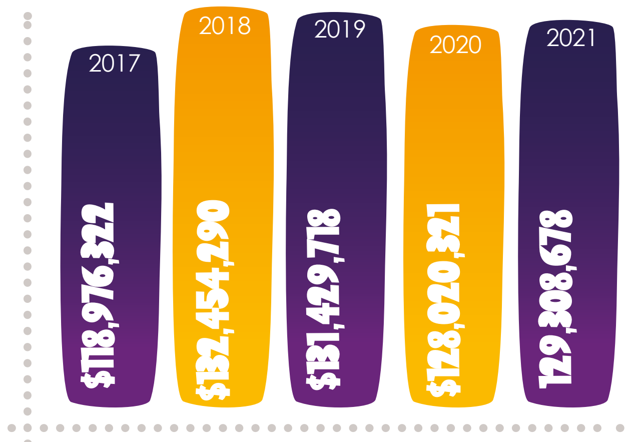
Memberships



2021 increase of 0.87%



Benefits Paid



2021 increase of 1.01%

Total Assets

2021 increase of 13.37%

The big picture

Vision

To set the standard for guiding Australians to better health now and for generations to come.

Core purpose

Peoplecare puts people at the centre of health insurance.

Our promise is to help our members improve their health through every stage of their lives and guide them through their healthcare options when they need us most.

Scope

Peoplecare is a national not-for-profit health fund. We help our members access healthcare and health programs.

We also provide managed services for other insurers.

Focussing Question

"How can we continue to secure a sustainable business for our members in the long term?"

Our 5 true loves

- Love making it easy
- Love taking it personally
- Love being on your side
- Love 100% engagement
- Love finding healthy solutions

A message from the Chairman

Despite the rollercoaster times in the continued COVID-19 environment, Peoplecare continues on a sustainable path.

Adapting to the changing environment, Peoplecare was able to support members during the global pandemic with COVID support packages to the value of approximately $3 million.

These support packages include deferring our April 2020 planned premium increase for 6 months, the introduction of telehealth services, COVID-19-related benefits and additional health programs, as well as taking a flexible approach to assist financially vulnerable members.

With the expected upswing in claims for the 2020/21 financial year less than forecast, we remain prudent by continuing to provide for the catch-up of previously deferred claims due to the COVID-19 pandemic. It is the intention of the Board that any permanent net savings in claims due to COVID-19 are returned back to our members.

Continuing with our members, the best news is that we've had significant increases in net membership growth and retention. Growth improved from -2.97% in March 2020 to 1.69% in March 2021. Member retention is measured by the percentage of members who leave Peoplecare, which improved from -11.93% in March 2020 to -10.86% in March 2021. In some industries those improvements might not be called 'significant' but for private health insurance they are fantastic results. To top it all off, the cost to acquire a new Peoplecare member was the lowest it has been since 2015, meaning that we can direct more money back to our existing members.

Our member satisfaction results remain at very high levels with 94.9% of our members saying they are satisfied with Peoplecare (2020: 96.0%) and our Net Promotor Score is also a strong indicator of our member satisfaction at 56.3 for 2021.

A challenge for us at Peoplecare in recent years was how to extend our traditional strengths in phone customer service to our mobile app and website. A pleasing aspect this financial year has been our rolling app upgrades (three in the 2021 financial year) that prioritised the most demanded features from our members such as premium payments, easy password resets and easier photo claiming. This has led our App Store rating to rise from 4.6 out of 5 in 2020 to 4.9 out of 5 in 2021. Our website upgrades are also proving popular with members. Our strategy is to create as much content as possible to help members understand how to use their cover. This has resulted in an 8% increase in visitors and a 12% increase in return visitors.

All the progress with our digital services doesn't mean we're letting up on our phone service though. In fact, we increased our outbound pre-hospital calls by 16% year-on-year. These calls guide members through their upcoming hospital admissions and helped deliver the overall satisfaction for our member advocacy team of 96%.

I can also announce that Peoplecare's first "robot" went live. 'Rosie' frees up valuable employee time by running manual reports and data uploads that are needed to keep our business as usual going.

Also on the IT front, we've focused on cyber security over the past 12 months, resulting in a higher level of maturity in IT security and our core systems.

We've had another year strengthening our risk management, compliance and auditing functions. In short, an external audit provided assurance that Peoplecare is complying with all prudential standards. A few things are noteworthy, however. Firstly, Peoplecare submitted its first Modern Slavery Statement to the government and implemented its Modern Slavery Management Framework. In practice this means that everything from the teddy bears that we send to sick kids in hospital to our glasses in our optical store all have that level of assurance that they meet the current Modern Slavery standards.

Secondly, we've strengthened our financial recovery plans and have implemented a framework to improve how we coordinate activities with key regulators which provides the Board with assurance we are complying with requests for information in the required timeframes.

Thankfully we managed the shocks of COVID-19 well, have kept our Peoplecarers in employment and continued to hire where skills have been required. Our excellence in HR continues by making the coveted Kincentric Best Employer list for a fourth year running with our highest staff engagement score to date of 88%. Our long-running focus on staff mental health is more relevant than ever as we create a supportive and safe environment for our Peoplecarers in lockdown and remote working arrangements. We have a running committee charged with the promotion of physical health and psychological wellbeing of staff that has been highly engaged in taking care of our people.

Following our accreditation as a White Ribbon Employer in the 2021 financial year, we've renewed our focus to champion and raise awareness of diversity and equality issues, have a strong culture of respect, integrity and equity, zero tolerance to violence and continue to offer opportunities for our Peoplecarers.

In closing this message, I would acknowledge and thank the Executive Team and all Peoplecarers for a productive 12 months in trying times. They really have taken a challenge and turned it into an opportunity for a great future for Peoplecare that can continue to improve health cover and services for our members.

I also acknowledge and thank my fellow Directors for their support and commitment to Peoplecare over the past 12 months. In a very difficult environment, the Board and the Executive Team are steering our not-for-profit health fund in the right direction.

Once again, I can assure all our members that we will continue to strive towards providing effective health care and value for all members.

Glenn Lennell GAICD
Chairman Peoplecare Board
22 September 2021
Wollongong

A message from the CEO

Peoplecare has delivered a very strong financial result this year, underpinned by growth in our membership, a positive underwriting result, the return of a portion of our Deferred Claims Liability to our members and sound investment earnings.

Peoplecare and its members have been resilient in the face of the continuing challenges of the pandemic. The impacts to members' lives, health, mental wellbeing, and finances are real and pressing. As a not-for-profit health fund, putting the needs of our members at the centre of health insurance is our priority.

Over the coming year we will continue to work with our Board and our regulators as we seek to further unwind the Deferred Claims Liability and return any permanent net claims savings due to COVID-19 back to our members. The form of that return is being worked through by the team and engagement with our regulator has already commenced.

We're committed to setting the standard for guiding Australians to better heath now and for generations to come. This year we've continued to provide exceptional call centre service and have also enhanced our digital services across our website and mobile app. Continued digital transformation and personalisation is a priority both now and for the future.

It's also been positive to see an improvement in our member retention this year, and our member satisfaction and net promotor scores remain at exceptional levels.

We've been able to help our members improve their health through every stage of their lives and guide them through their healthcare options when they need us most. To this end, our health advocacy team made more than 2,000 calls to members with hospital admissions or chronic health conditions and hundreds of our members participated in the range of chronic disease management programs available on their cover. We've also continued to provide cover for telehealth services on our extras covers and ensured continued access to financial hardship provisions for our members in need of assistance.

Peoplecare is committed to improving the mental health and wellbeing of our members and our Peoplecarers and we'll continue to pursue partnerships that expand the healthcare options available to members. As an employer, we've partnered with a range of providers to increase awareness and discussion about mental health and wellbeing among the Peoplecare team.

Summary of Results	2021		2020		2019	
	% income	$'000	% income	$'000	% income	$'000
Contribution Income		**148,077**		**146,010**		**147,374**
Less Member Benefits Paid	86.31%	127,802	84.64%	123,577	85.90%	126,589
Less Risk Equalisation Special Account Levy	-0.14%	(211)	1.88%	2,740	2.35%	3,464
Less State Ambulance Levy	1.16%	1,718	1.17%	1,704	1.17%	1,728
Less Movement in Unexpired Risk Liability	0.00%	0	0.00%	0	-0.24%	(351)
Gross Margin	**12.67%**	**18,769**	**12.32%**	**17,990**	**10.82%**	**15,944**
Less Management Expenses attributable to the Health Benefit's Fund	10.61%	15,705	10.01%	14,622	9.72%	14,332
Net Underwriting Result	**2.07%**	**3,063**	**2.31%**	**3,368**	**1.09%**	**1,612**
Add Investment & Other Revenue (net of expenses)	3.65%	5,410	-0.35%	(516)	2.95%	4,341
Net Surplus / (Deficit)	**5.72%**	**8,474**	**1.95%**	**2,852**	**4.04%**	**5,953**

We've put in place this year the foundations of a new operating model for Peoplecare to improve the efficiency of our business model and fast-track our digital transformation. We also created a new executive role and I'm delighted to welcome James Koutsoukos as our Chief Commercial Officer. James has already achieved a positive impact in the successful renewal of a 5-year agreement for Peoplecare's managed service business unit with Reserve Bank Health Society.

I'd like to acknowledge the retirement of Dale Cairney, our Deputy CEO and Chief Risk Officer, after 15 years of service. Dale's contribution to Peoplecare over that time has been monumental and we wouldn't be the organisation we are today without his efforts. On that note, I congratulate Brett Wright on his appointment as Peoplecare's new Chief Risk Officer. Brett brings new insights and broad expertise in risk and health insurance.

Our whole Peoplecare team have pulled together to respond to this year's challenges with empathy and determination and I couldn't be prouder of their resilience during the global pandemic. I'd particularly like to acknowledge the huge effort and work put in by our Peoplecarers and Board over another exceptional year.

Lastly and most importantly, thank you to our members. I hope you're staying safe and well and thank you for another year of membership.

M. Williams

Dr. Melinda Williams BNurs, MPH, PhD, GAICD
Chief Executive Officer
22 September 2021
Wollongong

Overview

Benefits - where do they go?

Hospital	FY 2021 ($)	FY 2020 ($)
Heart and vascular system	13,343,672	11,362,284
Joint replacements	8,122,098	8,027,846
Hospital psychiatric services	6,386,422	6,287,355
Gastrointestinal endoscopy	5,125,969	4,486,045
Bone, joint and muscle	4,533,694	4,017,573
Digestive system	4,503,788	5,361,944
Rehabilitation	3,873,952	4,566,509
Pregnancy and birth	3,690,980	4,299,417
Back, Neck and Spine	3,521,158	3,205,423
Cataracts	2,845,292	2,351,617
All Others	33,650,600	32,331,895

Extras	FY 2021 ($)	FY 2020 ($)
Dental	15,998,050	14,578,198
Optical	6,851,568	6,719,013
Physiotherapy	1,949,889	1,859,688
Chiropractic	1,690,989	1,673,428
Complementary Therapies	1,471,195	1,396,955
Ambulance	1,028,134	1,014,201
Health and Wellness	662,098	595,773
Health Management Programs	504,317	468,301
Pharmacy	463,863	559,580
Hearing Aids	431,087	303,562
All Others	708,848	647,941

475 babies born

32,499 hospital episodes

$254,976 top hospital claim

79 members treated at home with our programs

296 chronic disease management programs completed

Achievements

Kincentric Best Employer

Again? Yes, we've nailed down our Kincentric Best Employer (previously called Aon Best Employer) status every year since we first attained it in 2017. We like high standards and we are willing to do the hard work to stay up the top. Work doesn't have to be a drag and nor does health cover.

94.9% Member Satisfaction

We're thankful for our 94.9% member satisfaction score. The only way to continue keeping our members satisfied is to keep responding to change by putting our members' interests first. As a not-for-profit health fund, we don't have any shareholders getting in the way of your benefits.

Quick facts

33,638
memberships, covering
72,723
people

2,599
hours of training & development

214
Peoplecarers

94.9%
members satisfied
Source: Discovery Research 2021

91.3%
member retention

For every dollar Peoplecare received in premiums,
87c was paid back in the form of benefits

Peoplecare Eyes and Teeth member discount value
Dental $442,619
Optical $168,914

81,559
phone calls received

97%
Peoplecare Eyes and Teeth Satisisfaction rate

Directors' Report

The Directors present their report, together with the financial statements, on the Company for the year ended 30 June 2021.

Directors

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

- **Glenn Lennell**
- **Peter Fitzgerald**
- **Andrew Gregory**
- **Stephannie Jonovska**
- **Louise Leaver**
- **Michael Oertel**
- **Sue Baker-Finch** (Associate Director until term completed 30 April 2021)

Mission and Objectives

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

Mission 1: Health Cover Matters
We achieve sustainable growth through a differentiated and personalised Peoplecare member experience in their moments that matter.

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

Mission 2: Managed Service Success
Deliver benefit to Peoplecare by expanding commercial opportunities and providing value to our clients through operational excellence.

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

Mission 3: Corporate Enablement
Leverage our expertise to proactively enable our business and teams to achieve their mission.

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

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

Like many businesses, the continuing uncertainty created by the COVID-19 pandemic has at different times throughout the financial year presented challenges for Peoplecare and its members. In response to this uncertainty, Peoplecare offers a number of initiatives to help improve the value proposition and to assist affordability challenges faced by our members.

A key element of these initiatives was the postponement of the April 2020 premium increase until 1 October 2020.

Our Directors

Glenn Lennell GAICD

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

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

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

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

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

Peter Fitzgerald BCom, FCA, GAICD

Peter was elected as a Director in 2015.

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

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

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

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

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

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

Andrew was elected as a Director in 2012. He is an experienced finance executive & company director, holding senior roles in the financial services and private wealth management.

Andrew is currently the General Manager, MLC Advice at IOOF Ltd. and a former General Manager of the Advice and Retail Banking business at NAB Ltd. Andrew brings expertise in financial services, private wealth management, corporate finance, corporate governance and private health insurance.

Andrew is a non-executive Director of the Youth Insearch Foundation and a former non-executive Director of Quay Credit Union.

Andrew is well qualified with a Masters in Applied Finance from Macquarie University, a Bachelor of Commerce from UOW, a Diploma of Financial Services & Mortgage Broking and is a Graduate of the Australian Institute of Company Directors.

Stephannie Jonovska BCom, FCPA, GAICD

Stephannie was appointed as Director in 2016.

Stephannie is a commercial management professional with over 25 years' experience in the steel manufacturing and solutions industry.

Currently Manager Finance Transformation for BlueScope Australian Steel Products, her diverse experience spans finance, governance, shared services, innovation and transformation change management.

She is also Chair of the CPA Australia Digital Transformation Centre of Excellence.

Stephannie's professional qualifications include a Bachelor of Commerce. She is also a Graduate of the Australian Institute of Company Directors and a Fellow of CPA Australia.

Our Directors

Louise Leaver LLB (Hons), BSc (Psyc), GAICD

Louise was appointed as 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 quality, governance and risk management. As a former Senior Legal Counsel for a health fund, Louise has an in-depth understanding of private health insurance operations and regulation.

Louise is currently Executive General Manager – Quality Governance for IRT, a not-for-profit provider of seniors' lifestyle and care solutions, where she leads the legal, governance, clinical quality, safety and risk functions of the organisation.

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

Michael Oertel BEc, FCPA, GAICD

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

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

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

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

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

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

(Associate Director until term completed 30 April 2021)

Sue Baker-Finch was appointed as an Associate Director in May 2018.

Sue is a seasoned management professional who, in 2016, transitioned from full-time executive roles to a portfolio career as a non-executive Director, management consultant and business coach/mentor. She has over 20 years of senior executive leadership experience in commercial, government and not-for-profit businesses across a range of industry sectors.

Sue has substantial background in the health sector, having held leadership roles in a national general practice organisation, a medical research institute and as a Board member in the NSW public hospital system.

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

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 2021, and the number of meetings attended by each Director was:

	Full Board		Nomination, Development and Remuneration Committee		Risk Committee		Audit Committee	
Director	Attended	Held	Attended	Held	Attended	Held	Attended	Held
G. Lennell[1]	12	12	3	3	3	4	6	6
P. Fitzgerald[2]	12	12	1	1	4	4	6	6
A. Gregory	12	12	3	3	-	-	-	-
S. Jonovska	12	12	3	3	-	-	-	-
L. Leaver	12	12	-	-	3	4	5	6
M. Oertel	11	12	-	-	4	4	6	6
Associate Director S. Baker-Finch[3]	9	9	2	2	-	-	-	-

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

1. *Glenn Lennell is the Board Chair and an ex officio member of the Nomination, Development and Remuneration Committee and of the Risk and Audit Committees.*

2. *Peter Fitzgerald attended the Nomination, Development and Remuneration Committee by invitation.*

3. *Sue Baker-Finch's Associate Director term was completed 30 April 2021*

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 (2020: $10). The number of members at the end of the financial year was 33,638 (2020: 33,349).

Matters subsequent to the end of the financial year

The situation related to the COVID-19 pandemic has continued to develop post reporting date with further lockdowns experienced across a number of Australian States. It is therefore not practical to estimate the potential impact, positive or negative, after the reporting date. Other than this, no matter of circumstance has arisen since 30 June 2021 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 2021.

Dividends

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

Non-audit services

During the year, the Company has not employed the auditor (Grant Thornton) on assignments additional to their statutory audit duties. Details of the amounts paid or payable to the auditor during the year are disclosed in Note 25 - Remuneration of Auditors.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 28.

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

Glenn Lennell GAICD
Director

Peter Fitzgerald BCom, FCA, GAICD
Director

22 September 2021
Wollongong

Corporate

Governance Statement

The Corporate Governance Statement outlines the Corporate Governance practices that Peoplecare Health Limited ("Peoplecare") has in place to ensure it is directed and managed effectively and appropriately for the benefit of members. These practices are a system of directing and controlling the affairs, policies, functions and actions of the Company, while managing business risk. Below is a summary of the Corporate Governance Statement:

Board of Directors

The Directors govern the Company on behalf of all members and have legal responsibility for oversight of the sound and prudent management of Peoplecare.

Their responsibilities vary but include setting the strategic direction, monitoring the financial position and performance and ensuring compliance with relevant legislation and regulations.

Every financial member of Peoplecare is entitled to participate in the Company's governance by being elected or appointed to the Board of Directors in accordance with the Constitution, the Board Renewal Policy, the Fit and Proper Policy, and approved nomination processes.

Board Composition

The Board must not have more than 6 Directors and must be comprised by a majority of non-executive independent Directors. At least 2 of the Directors are required to be elected by the members and not more than 4 may be appointed by a resolution of the Board.

The Chair of the Board must be an Independent Director and is elected as Chair by the Board at the first meeting of Directors each year that follows the Annual General Meeting.

The Board may appoint not more than two persons as associate directors for a term not exceeding one year; the associate can be re-appointed for further one-year terms, to a maximum of three one-year terms.

Board Attributes

The Board appoints Directors from time to time to ensure there is a mix of skills, experience and professional standing to enhance and complement the skills and attributes of Directors.

The Board utilises a Board Skills Matrix to ensure that the skills, experience, and attributes of the Directors is appropriate for the size and complexity of Peoplecare, and the industry it operates in.

Diversity

Peoplecare recognises and values diversity of the Board. It actively pursues an appropriate mix of skills, experience, independence, knowledge, gender, age, cultural backgrounds and work styles to best reflect and effectively represent the member base.

Board Process

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 Chair of the Board has a casting vote in instances where there is an equality of votes.

The Company Secretary is accountable to the Board for governance matters and ensures that board policy and procedures are followed.

The Board utilises the following committees to assist in the discharge of its duties, and they are each governed by an established Terms of Reference:

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

Board Remuneration

The Members of Peoplecare approve the total aggregate sum of remuneration available for Directors at the AGM.

Director remuneration is allocated amongst Board members in accordance with a formula recommended by the Nomination, Development & Remuneration Committee based on a set of standards.

Directors Education

New Directors are inducted through a formal process that covers the nature of the business, governance, current industry issues, the Strategic Plan and the expectations of the Company concerning performance of Directors.

All Directors are required to:

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. Maintain their membership with the AICD.

Directors are required to undertake Director Professional Development to maintain their AICD membership status.

Board and Director Performance Appraisal

The Board as a whole, Individual Directors and Board Committee members undertake a performance appraisal annually. The Chair 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 through 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
- Governance and Board approved policy review
- Risk Management Review, environmental scans, scenario analysis, business continuity and recovery planning
- Compliance Management and Internal Control
- Business Performance Reporting, including detailed financial analysis.

Senior Management

The Board ensures that senior management (comprising the CEO and Executive Team) have the knowledge skills and experience necessary for prudent operation of Peoplecare.

The Board, in fulfilling its functions, may delegate authority to management to act on behalf of the Board with respect to certain matters, as determined by the Board.

Standards of Ethical Behaviour

Peoplecare has adopted Standards of Ethical Behaviour to guide the Board, individual Directors, and Executive Management in carrying out their duties and responsibilities. The Executive Management team ensures that the principles of these behaviours flow to all employees through HR policies and work practices generally.

Delegations

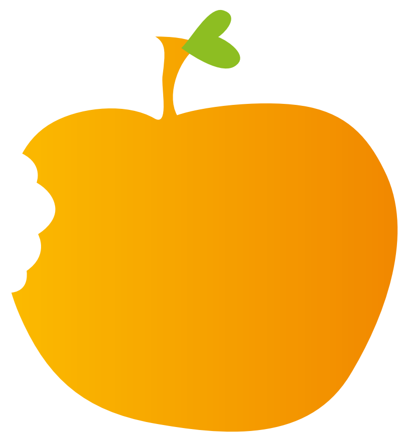
The Board delegates the day to day management responsibility for Peoplecare to the CEO.

A separate Delegations Policy is in operation and this includes a delegations of authority to the CEO, other Executive Managers, and other positions within Peoplecare as determined by the Board.

Director Election & Appointment Process

The Board determines the process for election or appointment of Directors through the Nominations, Development & Remuneration Committee.

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



Our Executive Team

Chief Executive Officer

Dr. Melinda Williams BNurs, MPH, PhD, GAICD

Melinda joined Peoplecare in 2009 and successfully headed the Hospital and Health Services department before becoming CEO in July 2018. Melinda has extensive experience in the highly specialised hospital–medical side of health funds, the design and evaluation of health management programs, 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 other appointments include:

- Members Health Fund Alliance – Director
- The Cram Foundation – Director
- Australian Health Services Research Institute (University of Wollongong) - Director of Advisory Board
- Illawarra Regional Advisory Council (Illawarra Business Chamber, a division of NSW Business Chamber Ltd.) – Councillor

Chief Risk Officer

Brett Wright DipLM

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

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

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

Chief Financial Officer & Company Secretary

Head of Finance & Administration

Chris Stolk BCom, FCPA, GAICD, FGIA

Chris is responsible for the provision of all financial management and reporting functions within the organisation. Chris has more than 25 years' experience in the accounting, finance and governance disciplines, most of which was spent working with organisations in the financial services industry.

His specialist skills include management reporting, statutory reporting, taxation and business planning, and compliance. He also has a keen interest in treasury operations. Chris is also Company Secretary for Peoplecare.

Chris is an independent Director of Coordinare as well as a member of the Finance, Audit and Risk Management (FARM) 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 and marketing and human resources.

She is responsible for Peoplecare's customer service delivery, marketing, brand, communications, and community relations.

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 Peoplecare's customer service experience is an exceptional one.

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 other appointments include:

- Members Health Fund Alliance Marketing Committee – Chair
- Private Health Insurance Ombudsman's Website Reference Group – Member
- IRT – Director and Chair of the People and Culture Committee

Our Executive Team

Head of People, Culture & Capability

Maree Morgan-Monk BA, GDipHR

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

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

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

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

Chief Information & Digital Officer

James Robins BCom, BSc, MInfsc, GAICD

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

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

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

James is also a non-executive director of the CRAM Foundation, an Illawarra-based non-for-profit organisation that provides person-centred services to disabled members of the community.

Head of Hospital & Health Services

Melissa Jones

Melissa is Peoplecare's Head of Hospital and Health Services. She is responsible for the successful management of our Hospital and Medical team in their delivery of Broader Health Cover services, hospital claims processing and audit. Melissa also oversees the delivery of services at Peoplecare Eyes and Teeth (our dental and optical clinic in Wollongong).

After six years of management experience in the optical industry, Melissa joined Peoplecare in 2013. She successfully managed Peoplecare Eyes and Teeth for five years before moving into her current role. Melissa is highly committed to ensuring our members receive value and high-quality services for all of their healthcare needs.

Melissa holds a Graduate Certificate in Business Administration and is currently undertaking a Master of Business Administration at Sydney Business School – University of Wollongong.

Chief Commercial Officer (from December 2020)

James Koutsoukos BComm, CAANZ

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

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

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

James' other roles are Director and Treasurer of the Australian Greek Welfare Society trading as Pronia, a not-for-profit community services organisation.

Grant Thornton

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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 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Adam-Smith
Partner - Audit & Assurance

Sydney, 22 September 2021

Statement

of surplus or deficit and other comprehensive income

For the year ended 30 June 2021

	Note	2021 $	2020 $
Revenue			
Premium revenue		148,077,300	146,010,158
Expenses			
Fund benefits paid to members		(121,359,524)	(115,234,219)
Movement in outstanding claims liability		(969,157)	748,396
Movement in deferred claims liability		(5,473,292)	(9,090,920)
State ambulance levies		(1,717,593)	(1,703,510)
Risk Equalisation Special Account levy		210,888	(2,740,068)
		(129,308,678)	(128,020,321)
Gross underwriting result		18,768,622	17,989,837
Management expenses			
Employee benefits expense		(11,996,603)	(11,030,469)
Depreciation and amortisation expense		(846,249)	(1,361,772)
Other management expenses		(11,470,218)	(10,438,859)
		(24,313,070)	(22,831,100)
Other			
Other revenue	4	10,322,454	10,394,589
Increase/(decrease) in fair value of financial assets	5	4,870,507	(694,561)
Net gain/(loss) realised on disposal of financial assets held at fair value through surplus or deficit	6	407,804	(692,136)
Other cost of goods sold	7	(1,582,561)	(1,314,190)
		14,018,204	7,693,702
Surplus before income tax expense		8,473,756	2,852,439
Income tax expense		-	-
Surplus after income tax expense for the year attributable to the members of Peoplecare Health Limited		8,473,756	2,852,439
Other comprehensive income for the year			
Items that will not be reclassified to surplus or deficit			
Gain/(loss) on revaluation of land and buildings		450,000	(319,138)
Other comprehensive (loss)/income for the year		450,000	(319,138)
Total comprehensive income for the year attributable to the members of Peoplecare Health Limited		8,923,756	2,533,301

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

Statement of financial position

For the year ended 30 June 2021

	Note	2021 $	2020 $
Assets			
Current assets			
Cash and cash equivalents	8	67,107,202	54,970,245
Trade and other receivables	9	4,901,335	5,175,028
Inventories	10	116,552	127,912
Other financial assets	11	19,836,875	23,109,376
Other assets	12	924,020	747,034
Total current assets		92,885,984	84,129,595
Non-current assets			
Other financial assets	13	45,864,242	37,599,904
Property, plant and equipment	14	6,979,972	6,728,903
Right-of-use assets	15	1,183,111	1,212,945
Intangibles	16	1,134,536	917,930
Total non-current assets		55,161,861	46,459,682
Total assets		148,047,845	130,589,277
Liabilities			
Current liabilities			
Trade and other payables	17	23,119,722	21,141,751
Lease liabilities	18	193,729	236,422
Provisions	19	23,335,415	16,871,642
Total current liabilities		46,648,866	38,249,815
Non-current liabilities			
Lease liabilities	20	1,017,370	999,989
Provisions	21	390,303	271,923
Total non-current liabilities		1,407,673	1,271,912
Total liabilities		48,056,539	39,521,727
Net assets		99,991,306	91,067,550
Equity			
Reserves	22	1,431,722	981,722
Retained surpluses		98,559,584	90,085,828
Total equity		99,991,306	91,067,550

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

Statement of changes in equity

As at 30 June 2021

	Reserves $	Retained surpluses $	Total equity $
Balance at 1 July 2019	1,300,860	87,233,389	88,534,249
Surplus for the year	-	2,852,439	2,852,439
Other comprehensive income for the year	(319,138)	-	(319,138)
Total comprehensive income for the year	(319,138)	2,852,439	2,533,301
Balance at 30 June 2020	981,722	90,085,828	91,067,550

	Reserves $	Retained surpluses $	Total equity $
Balance at 1 July 2020	981,722	90,085,828	91,067,550
Surplus for the year	-	8,473,756	8,473,756
Other comprehensive income for the year	450,000	-	450,000
Total comprehensive income for the year	450,000	8,473,756	8,923,756
Balance at 30 June 2021	1,431,722	98,559,584	99,991,306

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

Statement
of cash flows
For the year ended 30 June 2021

	Note	2021 $	2020 $
Cash flows from operating activities			
Receipts from members and customers		159,768,407	154,896,895
Payments to members, suppliers and employees		(147,335,103)	(142,040,803)
		12,433,304	12,946,092
Dividends received		370,977	599,438
Interest received		26,190	75,126
Interest paid		(38,784)	(43,683)
Net cash from operating activities	30	12,791,687	13,576,973
Cash flows from investing activities			
Payments for investments		(174,610,902)	(116,058,653)
Payments for property, plant and equipment	14	(237,291)	(287,517)
Payments for intangibles	16	(497,243)	(797,628)
Proceeds from disposal of investments		174,789,008	105,362,779
Proceeds from disposal of property, plant and equipment		126,530	40,000
Net cash from/(used in) investing activities		(429,898)	(11,741,019)
Cash flows from financing activities			
Proceeds/(repayment) of leases		(224,832)	(217,545)
Net cash from financing activities		(224,832)	(217,545)
Net increase/(decrease) in cash and cash equivalents		12,136,957	1,618,409
Cash and cash equivalents at the beginning of the financial year		54,970,245	53,351,836
Cash and cash equivalents at the end of the financial year	8	67,107,202	54,970,245

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

Notes
to the Financial Statements
30 June 2021

Note 1. General information
The financial report covers Peoplecare Health Limited as an individual entity. The financial report is presented in Australian dollars, which is Peoplecare Health Limited's functional and presentation currency.

Controlled entities

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

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

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

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

Registered office
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 statements were authorised for issue, in accordance with a resolution of directors, on 22 September 2021. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies
The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Company has adopted all of the new 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 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.

Historical cost convention

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

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

Note 2. Significant accounting policies (continued)

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 'Liability adequacy test';
- Note 2: Significant accounting policies - under the heading 'Provisions - Claims liability accounting policy: Outstanding claims liability';
- Note 2: Significant accounting policies - under the heading 'Provisions - Claims liability accounting policy: Deferred claims liability';
- Note 2: Significant accounting policies - under the heading 'Property, plant and equipment: Land and buildings';
- Note 14: Non-current assets - property, plant and equipment - under the heading 'Valuations of land and buildings'; and
- Note 15: Non-current assets - intangibles - under the heading 'Useful lives of intangibles'.

Revenue recognition

Revenue is recognised for the major business activities as follows:

Premium revenue
Premium revenue comprises premiums from private health insurance contracts held by policyholders.

Premium revenue is recognised in surplus or deficit when it has been earned. Premium revenue is recognised in surplus or deficit 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.

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

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

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

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

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

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

Note 2. Significant accounting policies (continued)

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 60 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 Services Australia 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 and deferred claims due to the COVID-19 pandemic.

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 Special Account (RESA) 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.

While there was some catch-up of deferred claims during the 2020/21 financial year, this was lower than initially assumed. Ongoing pandemic concerns and measures to limit transmission of the virus, such as lockdowns, appear to have further delayed treatment, especially in the aged population as reflected in lower industry risk equalisation. While forecasting future claims remains difficult at this time, a $14.6 million provision has been retained for further catch-up of deferred claims in relation to COVID-19.

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.

Note 2. Significant accounting policies (continued)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through surplus or deficit. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met:

(i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

(ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through surplus or deficit. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through surplus or deficit.

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 surplus or deficit, the increase is first recognised in surplus or deficit. Decreases that reverse previous increases of the same asset are first charged against the revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to surplus or deficit.

COVID-19 continues to cause major disruption to economies with property market conditions changing resulting in some market uncertainty notwithstanding real estate markets tend to be comparatively less volatile that other financial markets. The impact of COVID-19 on property markets will vary across the different property classes. Past cycles indicate there is a lag for when real estate markets react to economic events. In the short term, there may be reduced demand, withdrawal of property from the market or reluctance by vendors to adjust prices, resulting in longer selling periods and fewer transaction volumes.

The fair value of Land and Buildings recognised in the Statement of Financial Position at 30 June 2021 has been determined by an external independent valuer taking into consideration all available information and inputs at the time of valuation. The effect of COVID-19 on values has been changing over time and the ongoing economic and social effects of COVID-19 remains uncertain which could further impact future property values.

Note 2. Significant accounting policies (continued)

Plant and equipment

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

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

Depreciation of property, plant and equipment

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

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

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

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

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

Impairment of assets

Financial assets

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

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

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

All impairment losses are recognised in surplus or deficit.

Right-of-use assets

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

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

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

Note 2. Significant accounting policies (continued)

Intangible assets

Computer software and software development

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

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

Unearned premiums

Premiums received from members prior to 30 June 2021 relating to the period beyond 30 June 2021 are recognised as unearned premiums. Also, forecast premiums receivable from members at 30 June 2021 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.

Lease liabilities

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

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

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.

The provision for unexpired risk liability is determined as the excess of benefits, risk equalisation, state levies, claims related expenses plus a risk margin, over the premiums for the relevant period. Projected benefits, risk equalisation, state levies and claims related expenses were determined from the latest financial projections with membership growth assumptions excluded.

The risk margin of 4.00% (2020: 4.00%) that is applied to the benefits, risk equalisation, state levies and claims related expenses cashflows has been estimated to equate to a probability of adequacy of approximately 75% (2020: 75%).

The liability adequacy test has been performed collectively for hospital and general treatment contracts up to 1 April 2022, the next premium adjustment opportunity allowed by the Department of Health, using a probability of sufficiency of 75%.

Note 2. Significant accounting policies (continued)

Provision for unexpired risk liability

2021	Unearned premium[1] $	Unearned unclosed business[2] $	Constructive obligation[3] $	Total $
Hospital and General Treatment Combined Premiums	14,442,009	87,545	101,489,615	116,019,169
Outflows:				
Central estimate of future benefits	(12,810,737)	(78,146)	(88,432,100)	(101,320,983)
Central estimate of future claims related management expenses	(964,135)	(6,069)	(6,897,770)	(7,867,974)
Risk margin	(550,995)	(3,369)	(3,813,195)	(4,367,559)
Total outflows	(14,325,867)	(87,584)	(99,143,065)	(113,556,516)
Total surplus	116,142	(39)	2,346,550	2,462,653
Total unexpired risk liability				-

(1) Unearned premium - the value of health insurance premiums received from members prior to 30 June 2021 relating to the period beyond 30 June 2021.

(2) Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2021 up to and including their next normal payment date.

(3) Constructive obligation - the value of health insurance premiums to be received from members and the cash flows relating to future claims arising from rights and obligations under current insurance coverage at 30 June 2021 up to 31 March 2022, the next premium rate change date at which time the Company is no longer obligated to accept policy renewals at the current premium rates.

2020	Unearned premium[1] $	Unearned unclosed business[2] $	Constructive obligation[3] $	Total $
Hospital and General Treatment Combined Premiums	13,705,244	93,789	97,083,783	110,882,816
Outflows:				
Central estimate of future benefits	(12,372,968)	(85,401)	(84,314,945)	(96,773,314)
Central estimate of future claims related management expenses	(511,345)	(3,691)	(3,671,942)	(4,186,978)
Risk margin	(515,373)	(3,564)	(3,519,475)	(4,038,412)
Total outflows	(13,399,686)	(92,656)	(91,506,362)	(104,998,704)
Total surplus	305,558	1,133	5,577,421	5,884,112
Total unexpired risk liability				-

(1) Unearned premium - the value of health insurance premiums received from members prior to 30 June 2020 relating to the period beyond 30 June 2020.

(2) Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2020 up to and including their next normal payment date.

(3) Constructive obligation - the value of health insurance premiums to be received from members and the cash flows relating to future claims arising from rights and obligations under current insurance coverage at 30 June 2020 up to 31 March 2021, the last premium rate change date of the period, at which time the Company is no longer obligated to accept policy renewals at the 2021 premium rates.

No provision for unexpired risk liability has been recognised at 30 June 2021 (2020: nil).

Note 2. Significant accounting policies (continued)
Provisions
Claims liability accounting policy

Outstanding claims liability
The outstanding claims estimate is derived based on three valuation classes, namely Hospital, Medical and General Treatment services. 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 Special Account 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 by the Board based upon advice from the Appointed Actuary, and 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.

Actuarial assumptions

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

	2021			2020		
	Hospital	Medical	General Treatment	Hospital	Medical	General Treatment
Variables	%	%	%	%	%	%
Assumed portion paid to date	98.02%	97.32%	98.52%	97.55%	97.59%	98.54%
Expense rate	4.13%	4.13%	4.13%	4.49%	4.49%	4.49%
Discount rate	-	-	-	-	-	-
Risk equalisation rate	(0.22%)	(0.22%)	-	3.00%	3.00%	-
Risk margin	3.25%	3.25%	3.25%	3.25%	3.25%	3.25%

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% (2020: 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 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.

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

Note 2. Significant accounting policies (continued)
Impact on key variables
2021

Variables	Movement in variable	Adjustments on surplus $	Adjusted amount included in Income Statement $	Adjustments on equity $	Adjusted amount included in Statement of financial position $
Chain ladder development factors	1.00%	(77,027)	(77,027)	(77,027)	(77,027)
	(1.00%)	77,027	77,027	77,027	77,027
Discount rate	-	-	-	-	-
	-	-	-	-	-
Risk equalisation rate	1.00%	(66,933)	(66,933)	(66,933)	(66,933)
	(1.00%)	66,933	66,933	66,933	66,933
Risk margin	1.00%	(80,057)	(80,057)	(80,057)	(80,057)
	(1.00%)	80,057	80,057	80,057	80,057

2020

Variables	Movement in variable	Adjustments on surplus $	Adjusted amount included in Income Statement $	Adjustments on equity $	Adjusted amount included in Statement of financial position $
Chain ladder development factors	1.00%	(65,999)	(65,999)	(65,999)	(65,999)
	(1.00%)	65,999	65,999	65,999	65,999
Discount rate	-	-	-	-	-
	-	-	-	-	-
Risk equalisation rate	1.00%	(54,439)	(54,439)	(54,439)	(54,439)
	(1.00%)	54,439	54,439	54,439	54,439
Risk margin	1.00%	(70,670)	(70,670)	(70,670)	(70,670)
	(1.00%)	70,670	70,670	70,670	70,670

Deferred claims liability
On 12 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a global pandemic. Due to the reduced access to both elective surgery procedures and ancillary benefits, Private Health Insurers experienced unusually low claims volumes in April and May 2020. During the 2020/21 financial year, lockdowns in various states and hesitancy of consumers in accessing medical services, has resulted in a continuation of unusually low claims volumes.

Given this lower claims activity, Peoplecare believes it has a continuing obligation to recognise a provision for deferred claims based on a present constructive obligation resulting from a past event under relevant accounting standards. In Peoplecare's case, the impact of COVID-19 on the availability of and access to procedures since March 2020 has triggered the deferral of claim benefits that would have otherwise been provided to members.

Critical accounting judgements and estimates
In estimating the deferred claims provision, four key steps were undertaken:

Note 2. Significant accounting policies (continued)

1. **Estimating the gross reduction in claims due to temporary closures of elective surgery, reduced access to ancillary benefits and consumer hesitance in seeking medical services due to the ongoing impact of COVID-19.** Incurred claims estimates produced across the period April 2020 to June 2021 as part of the year end outstanding claims provisioning process were compared to the most recent financial forecast prior to COVID-19 impacted claims activity. The difference between forecast and actual incurred was calculated to estimate the financial impact of COVID-19 across the period.
2. **Estimating risk equalisation levy impact.** The risk equalisation impact of COVID-19 was estimated by comparing the forecast risk equalisation amounts over the period April 2020 to June 2021 to actual experience of the Fund for the same period. The difference between actual and forecast is estimated to be the risk equalisation levy impact to the Fund.
3. **Applying a deferral rate (percentage of the gross reduction in claims to date due to COVID-19 that is expected to be caught up in later periods.** Certain factors need to be considered when assessing that not all estimated savings translate to a claims payment backlog at balance date. For example:
   a) some types of private health benefits, particularly in the ancillary category, are less likely to have been deferred; and
   (b) catch up of benefits between ancillary and hospital categories differs due to capacity in facilities, lead time to arrange procedures, and the likelihood of certain types of procedures being deferred.

   Peoplecare's deferral rates have been estimated as follows:
   - Hospital - 83% (June 2020: 100%) of gross claims reduction in 2021; and
   - Ancillary - 78% (June 2020: 85%) of gross claims reduction in 2021

to be deferred on the basis that this represents the 2021 and 2022 financial year claims which are expected to be inflated above normal trends due to COVID-19.

(4) **Deducting the catch up of claims to date.** Incurred claims estimates for year ended 30 June 2021 were compared to pre COVID-19 forecast of incurred claims. The difference between actual incurred and prior period incurred was calculated by hospital clinical category and ancillary claim modality (type of claim) and used to estimate the catch up of claims to date.

An additional Deferred claims liability expense of $5.5 million ($4.9m hospital and $0.6m general treatment) has been recognised in the Statement of surplus or deficit and other comprehensive income for the year ended 30 June 2021. This brings the total Deferred claims liability to $14.6 million ($11.5m hospital and $3.1m general treatment).

Risks and uncertainties have been taken into account in the measurement of the liability and are reflected in the key inputs and judgements. The key risks associated in estimating the components of the provision is the under/over estimation of the claims deferral rate and to a lesser extent, the under/over estimation of the claims savings (net of risk equalisation impact).

Other provisions
Other provisions are recognised when:

(i) the Company has a present legal or constructive obligation as a result of past events

(ii) it is more likely than not that an outflow of economic benefits will be required to settle the obligation; and

(iii) that the outflow can be reliably measured.

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

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. Accumulating sick leave is expensed to surplus or deficit 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.

Note 2. Significant accounting policies (continued)

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

Health Insurance Risk Equalisation Special Account (RESA)

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 Australian Taxation Office is included as part of receivables or payables in the statement of financial position.

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

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 surplus or deficit

Financial assets are designated at fair value through surplus or deficit. Initial recognition is at fair value, being acquisition cost, in the statement of financial position and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in surplus or deficit.

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 surplus or deficit. Subsequent measurement is at fair value with any resultant fair value gains or losses recognised in surplus or deficit. Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

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

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 surplus or deficit.

Note 2. Significant accounting policies (continued)

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 2021. 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 17 Insurance Contracts

This standard is applicable to annual reporting periods beginning on or 1 January 2023. The standard replaces AASB 4 'Insurance Contracts', AASB 1023 'General Insurance Contracts' and AASB 1038 'Life Insurance Contracts' and will enhance comparability of accounting between products, companies and across jurisdictions by establishing principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, including reinsurance contracts held and investment contracts with a discretionary participation feature. The standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract. AASB 17 combines current measurement of future cash flows with the recognition of profit over the period services are provided under the contract; presents insurance service results and insurance revenue separately from insurance finance income or expenses; and requires an accounting policy choice on a portfolio-by-portfolio basis of whether to recognise all insurance finance income or expenses in surplus or deficit or partially in other comprehensive income.

Insurance obligations will be accounted for using current values - instead of historical cost. The information needs to be updated regularly, providing more useful information to the users of financial statements. Further key principles of AASB 17 include the following:

- insurance contracts are those where the entity accepts significant insurance risk from the policyholder;
- accounted for separately are specified embedded derivatives, direct investment components and performance obligations within the insurance contract;
- division of contracts into groups that are recognised and measured at a risk-adjusted present value of the future fulfilment cash flows plus or minus unearned profits cash flows plus or minus unearned profits;
- the profit from contract groups is recognised over the insurance coverage period, with anticipated losses recognised immediately; and
- disclosure of information so as to assess the effect that contracts have on the financial position, financial performance and cash flows of the entity, including qualitative and quantitative information about amounts recognised, significant judgements made and the nature and extent of the risks from insurance contracts.

The Company expects to adopt this standard from 1 July 2023. An implementation gap analysis was conducted in May 2020 and an impact analysis is in progress to assess the effect on the Company of the adoption of this standard. AASB 17 does alter some existing concepts and terminology resulting in a possible change for analysis and accounting.

Note 3. Risk management and financial instruments

The Company has exposure to the following risks from investing in various financial instruments:

(a) Credit risk

(b) Liquidity risk

(c) Market risk

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

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors has established the Risk Committee, which is responsible for developing and monitoring risk management policies. The Risk Committee consists entirely of non-executive directors and reports regularly to the full Board of Directors on its activities.

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

Note 3. Risk management and financial instruments (continued)

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

(a) Credit risk

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

Receivables from insurance contracts:

Credit risk in relation to insurance contracts is discussed in Note 32.

Other receivables:

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

The probability of financial loss to the company from these arrangements is assessed as low for the following reasons:

i The premium reductions scheme is legislated under the Private Health Insurance Act 2007 and is an integral part of the private health insurance industry affecting all private health insurers; and

ii In relation to the management services provided, the Company has formal arrangements via 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 strategy requires the Company holds a diversified investment portfolio, heavily weighted to defensive assets over growth assets.

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

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

Cash and cash equivalents and highly liquid fixed interest securities (short-term investments):

(i) investing only with authorised deposit-taking institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA):

(a) Short term investments are required to be placed with ADIs with a minimum issuer credit rating of A1 or higher (as defined by Standard and Poors rating agency). This is to ensure that investment funds are placed with highly secure, low risk rated entities; and

(b) Notwithstanding (a), the Board has a tolerance for up to 20% of the defensive investment asset portfolio to be invested with ADIs who meet the following criteria:

i Net Assets > $50 million;

ii Return on Equity > 5% for each of the last two financial years; and

iii Total regulatory capital as a % of total risk weighted assets > 12% for each of the last two financial years; and

iv The maximum amount invested with any individual ADI or related banking group in this category is $1,000,000.

Long-term fixed income securities

Long term fixed income securities held by the company may include:

- Bank endorsed bills of exchange;
- Term Deposits;
- Securities Issued by Federal or State Government bodies or securities issued by a semi-government authority with security guaranteed by the Federal or State Government; and
- Corporate bonds

Note 3. Risk management and financial instruments (continued)

i All long term defensive investments are required to have a minimum issuer rating of AA- (as defined by Standard and Poor's rating agency) except for corporate bond investments which must have a minimum issuer credit rating of A-; and

ii Exposure to any single issuer, financial institution or related banking group, is limited to a maximum of 35% of the defensive asset investment portfolio. This maximum may be exceeded for a short period of time (two weeks) without breaching the Investment Policy.

In addition to the above, the Company holds a portfolio of growth assets which includes shares in listed corporations. The Company manages credit risk in respect to this portfolio by:

i The share portfolio will be actively managed by an independent investment advisor;

ii Only stocks from the ASX200 Accumulation Index will be included in the portfolio and will include shares from a range of diverse industry sectors with sector limits of +/- 15%;

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

iv The total combined holding of Australian and International equities cannot exceed the Board endorsed maximum of 18% of the total investment assets of the Fund;

v The value of international equities cannot exceed 35% of the total equity portfolio value;

vi An equities Investment via an Exchange Traded Fund (ETF) will only be through the purchase of a physical ETF, that is, the Fund will not invest in synthetic ETF's;

vii Any ethical or conflict of interest investment considerations/decisions are not to be applicable when investing via a passive approach (index fund or ETF) due to the individual investment decisions being deemed "arms-length" in nature; and

viii The investment advisor will seek approval from the management investment committee before changing or adding any direct holdings, managed funds or ETF's into the portfolio.

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

At the end of the reporting period, the maximum exposure of the Company to any one financial institution measured at fair value was $39,567,047 (2020: $37,681,587).

(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; and

(ii) The Company should always hold enough cash to meet the Solvency Standard. Investments in cash, term deposits and fixed interest investments must be sufficient to meet the short-term liabilities, claims liability and other recurring operating expenditure. To do this, the value of the short-term deposit portfolio must be at least equal to the dollar value of the Prudent Liabilities component of the capital adequacy requirement reported in the quarterly regulatory return lodged with APRA.

In setting the minimum cash balance the Board has considered the following:

- The historical seasonality of cash flows of the fund over a number of years;
- The potential size of cash outflows under stressed business conditions. To test the fund's ability to meet the Solvency Standard retrospectively, management increased historical daily cash outflows over the past four years by factors of 1.25 and 1.50. Under both scenarios, a minimum cash balance of $2,500,000 would have been sufficient to meet the Solvency Standard requirements;

Note 3. Risk management and financial instruments (continued)

- The inability to convert term deposits into cash prior to maturity date;
- The inability to convert fixed income securities into cash prior to maturity date (trade on the secondary market); and
- The inability to convert all or a portion of the fund's equities portfolio quickly to cash to meet the minimum cash requirements.

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

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

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

(c) Market risk

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

Market risk in relation to insurance contracts:

Market risk in relation to insurance contracts is discussed in Note 32.

Market risk in relation to investment securities:

1. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has minimal currency risk exposure at 30 June 2021. The Company held $3.24m of international equities via physical Exchange Traded Funds (ETF) however $1.50m of these equities is not effected by currency risk because this proportion is fully hedged. The role of hedging for international equity investments is to neutralise foreign exchange risk within the portfolio.

2. Interest rate risk

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

3. Other market price risk

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

Equities Portfolio

(i) The share portfolio will be actively managed by an independent investment advisor;

(ii) Only stocks from the ASX200 Accumulation Index will be included in the portfolio and will include shares from a range of diverse industry sectors with sector limits of +/- 15%;

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

(iv) The total combined holding of Australian and International equities cannot exceed the Board endorsed maximum of 18% of the total investment assets of the Fund;

(v) The value of international equities cannot exceed 35% of the total equity portfolio value;

(vi) An equities Investment via an ETF will only be through the purchase of a physical ETF, that is, the Fund will not invest in synthetic ETF's;

(vii) Any ethical or conflict of interest investment considerations/decisions are not to be applicable when investing via a passive approach (index fund or ETF) due to the individual investment decisions being deemed "arms-length" in nature; and

(viii) The investment advisor will seek approval from the management investment committee before changing or adding any direct holdings, managed funds or ETF's into the portfolio.

Note 3. Risk management and financial instruments (continued)

Fixed Income Portfolio

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

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

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

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.

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 held capital in excess of the capital adequacy requirements determined in accordance with the Capital Adequacy Prudential Standard.

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

Solvency

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

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

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

The Company has a Board endorsed Liquidity Management Plan in place and all liquidity requirements contained in the Standard were met at all times during the year ended 30 June 2021.

Note 4. Other revenue

	2021 $	2020 $
Overseas student health cover agency fee	364,975	909,772
Management services income	6,588,164	6,438,964
Interest income	26,190	75,126
Dividend income	370,977	599,438
Dental income	1,987,160	1,510,830
Optical income	980,313	842,438
Other income	4,675	18,021
	10,322,454	10,394,589

The company has entered into a number of management services agreements, all at arm's length and on normal commercial terms.

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

	2021 $	2020 $
Bonds	1,603,043	549,383
Shares in listed corporations	3,013,732	(1,945,658)
Term deposits	253,732	701,714
	4,870,507	(694,561)

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

	2021	2020
Bonds	97,118	2,720
Shares in listed corporations	310,686	(694,856)
	407,804	(692,136)

Note 7. Other cost of goods sold

	2021 $	2020 $
Cost of dental sales	949,082	713,393
Cost of optical sales	633,479	600,797
	1,582,561	1,314,190

Note 8. Current assets - cash and cash equivalents

	2021 $	2020 $
Cash on hand	1,750	2,300
Cash at bank	7,103,532	8,774,345
Term deposits maturing within 3 months after the end of the reporting period	59,500,000	44,172,000
Bonds maturing within 3 months after the end of the reporting period	501,920	2,021,600
	67,107,202	54,970,245

Cash at bank bears floating interest rates between 0.00% and 0.20% (2020: 0.00% and 0.35%). Term deposits bear fixed interest rates between 0.10% and 0.30% (2020: 0.35% and 1.55%).

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

	2021 $	2020 $
Unclosed business premium - earned	99,192	139,656
Unclosed business premium - unearned	87,545	93,789
Amount due from Risk Equalisation Special Account	232,552	-
Private Health Insurance Rebate on premiums	3,186,560	3,029,054
Investment Income Receivable	108,368	178,264
Other debtors	1,196,694	1,743,841
Less: provision for impairment of receivables	(9,576)	(9,576)
	4,901,335	5,175,028

The aging of the past due receivables are as follows:

	2021 $	2020 $
Past due 0 - 30 days	60,398	30,945
Past due 31 - 120 days	36,885	20,026
Past due 121 days to one year	33,321	69,578
More than one year	3,989	6,292
Impairment of receivables	(9,576)	(9,576)
	125,017	117,265

There was no increase in the provision for impairment of receivables (2020: Nil)

Note 10. Current assets - inventories

	2021 $	2020 $
Optical stock on hand - at cost	116,552	127,912

Note 11. Current assets - other financial assets

	2021 $	2020 $
Financial assets at fair value through surplus or deficit: Shares in listed corporations	19,836,875	14,109,376
Financial assets at fair value through surplus or deficit: Term deposits	-	9,000,000
	19,836,875	23,109,376

Note 12. Current assets - other assets

	2021	2020
	$	$
Prepayments	924,020	747,034

Note 13. Non-current assets - other financial assets

	2021	2020
	$	$
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 surplus or deficit:		
Bonds	45,864,138	37,599,800
	45,864,242	37,599,904

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

	2021	2020
	$	$
Land and buildings - at fair value	6,250,000	5,800,000
Leasehold improvements - at cost	942,199	904,855
Less: Accumulated depreciation	(775,533)	(692,178)
	166,666	212,677
Plant and equipment - at cost	1,810,490	1,762,857
Less: Accumulated depreciation	(1,602,295)	(1,543,715)
	208,195	219,142
Motor vehicles - at cost	405,219	496,633
Less: Accumulated depreciation	(159,930)	(181,115)
	245,289	315,518
Computer equipment - at cost	1,771,653	1,728,200
Less: Accumulated depreciation	(1,661,831)	(1,546,634)
	109,822	181,566
	6,979,972	6,728,903

Note 14. 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 2019	6,225,000	310,034	279,063	285,389	220,286	7,319,772
Additions	-	-	6,523	156,292	124,702	287,517
Disposals	-	-	-	(37,301)	-	(37,301)
Revaluation of assets	(319,138)	-	-	-	-	319,138)
Depreciation expense	(105,862)	(97,357)	(66,444)	(88,862)	(163,422)	(521,947)
Balance at 30 June 2020	5,800,000	212,677	219,142	315,518	181,566	6,728,903
Additions	-	37,345	47,633	97,750	54,563	237,291
Disposals	-	-	-	(89,798)	(10,166)	(99,964)
Revaluation of assets	450,000	-	-	-	-	450,000
Depreciation expense	-	(83,356)	(58,580)	(78,181)	(116,141)	(336,258)
Balance at 30 June 2021	6,250,000	166,666	208,195	245,289	109,822	6,979,972

Valuations of land and buildings

COVID-19 continues to cause major disruption to economies with property market conditions changing resulting in some market uncertainty notwithstanding real estate markets tend to be comparatively less volatile that other financial markets. The impact of COVID-19 on property markets will vary across the different property classes. Past cycles indicate there is a lag for when real estate markets react to economic events. In the short term, there may be reduced demand, withdrawal of property from the market or reluctance by vendors to adjust prices, resulting in longer selling periods and fewer transaction volumes.

The fair value of land and buildings located at 2-12 Victoria Street, Wollongong NSW, at the end of the reporting period was assessed by Opteon Property Group, an independent external valuer, taking into consideration all available information and inputs at the time of valuation. The effect of COVID-19 on values has been changing over time and the ongoing economic and social effects of COVID-19 remains uncertain which could further impact future property values. The fair value of the Company's land and buildings at 30 June 2021 is $6,250,000 (2020: $5,800,000).

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

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

	2021 $	2020 $
Land and buildings - right-of-use	1,557,149	1,447,901
Less: Accumulated amortisation	(374,038)	(234,956)
	1,183,111	1,212,945

Reconciliations

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

	Land & Buildings $	Total $
Balance at 1 July 2020	-	-
Additions	496,253	496,253
Revaluation	8,162	8,162
Transfers in/(out)	943,486	943,486
Depreciation expense	(234,956)	(234,956)
Balance at 30 June 2020	-	-
Additions	1,212,945	1,212,945
Revaluation	214,126	214,126
Transfers in/(out)	(14,606)	(14,606)
Depreciation expense	(229,354)	(229,354)
Balance at 30 June 2021	1,183,111	1,183,111

Reconciliations

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

Note 16. Non-current assets - intangibles

	2021 $	2020 $
Computer software - at cost	2,458,688	2,026,363
Less: Accumulated amortisation	(1,489,152)	(752,354)
Less: Impairment loss	-	(456,161)
	969,536	817,848
Computer software under development - at cost	165,000	100,082
Goodwill and licence intangibles - at cost	875,181	875,181
Less: Accumulated amortisation	(875,181)	(767,656)
Less: Impairment loss	-	(107,525)
	-	-
	1,134,536	917,930

Note 16. Non-current assets - intangibles (continued)

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 $	Goodwill and licence intangibles $	Total $
Balance at 1 July 2019	476,497	132,159	132,878	741,534
Additions	797,628	-	-	797,628
Transfer in / (out)	-	-	(26,522)	(26,522)
Write off assets	(16,363)	-	-	(16,363)
Impairment of assets	32,077	(32,077)	-	-
Amortisation expense	(471,991)	-	(106,356)	(578,347)
Balance at 30 June 2020	817,848	100,082	-	917,930
Additions	432,325	-	-	432,325
Transfers in/(out)	-	64,918	-	64,918
Amortisation expense	(280,637)	-	-	(280,637)
Balance at 30 June 2021	969,536	165,000	-	1,134,536

Note 17. Current liabilities - trade and other payables

	2021 $	2020 $
Unclosed business premium liability	87,545	93,789
Unearned premium liability (premiums in advance)	12,702,417	12,052,344
Amounts due to the Risk Equalisation Special Account	-	499,462
Annual leave	1,128,192	968,867
Executive long term retention scheme	-	180,635
Other creditors and accruals	9,201,568	7,346,654
	23,119,722	21,141,751

Refer to Note 23 for further information on financial instruments.

Note 18. Current liabilities - lease liabilities

	2021 $	2020 $
Lease liability	193,729	236,422

Refer to Note 23 for further information on financial instruments.

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

Note 19. Current liabilities - provisions

	2021 $	2020 $
Long service leave	505,325	484,001
Outstanding claims liability - central estimate	8,005,695	7,067,044
Outstanding claims liability - risk margin 3.25%	260,183	229,677
Deferred claims liability	14,564,212	9,090,920
	23,335,415	16,871,642

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 2021, 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 2021 was 3.25% (2020: 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.

Deferred claims liability

On 12 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a global pandemic. Due to the reduced access to both elective surgery procedures and ancillary benefits, Private Health Insurers experienced unusually low claims volumes in April and May 2020. During the 2020/21 financial year, lockdowns in various states and hesitancy of consumers in accessing medical services, has resulted in a continuation of unusually low claims volumes.

Given this lower claims activity, Peoplecare believes it has a continuing obligation to recognise a provision for deferred claims based on a present constructive obligation resulting from a past event under relevant accounting standards. In Peoplecare's case, the impact of COVID-19 on the availability of and access to procedures since March 2020 has triggered the deferral of claim benefits that would have otherwise been provided to members. Refer to Note 2 for further explanation.

Note 19. Current liabilities - provisions (continued)

Movements in provisions

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

	2021 Outstanding claims liability $	2020 Outstanding claims liability $	2021 Unexpired claims liability $	2020 Deferred claims liability $
Carrying amount at the start of the year	7,296,721	8,045,096	9,090,920	-
Additional provisions recognised	-	-	6,915,369	9,193,198
Amounts used	-	-	(1,442,077)	(102,278)
Add Claims incurred	127,801,973	123,576,764	-	-
Less Claims paid	(126,832,816)	(124,325,139)	-	-
Carrying amount at the end of the year	8,265,878	7,296,721	14,564,212	9,090,920

Amounts not expected to be settled within the next 12 months

Long service leave obligations:

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

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

	2021 $	2020 $
Employee benefits obligation expected to be settled after 12 months	461,076	439,262

Note 20. Non-current liabilities - lease liabilities

	2021 $	2020 $
Lease liability	1,017,370	999,989

Refer to Note 23 for further information on financial instruments.

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

Note 21. Non-current liabilities - provisions

	2021 $	2020 $
Long service leave	390,303	271,923

Provision for long-term employee benefits
A provision has been recognised for employee benefits relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 2 to the financial statements.

Note 22. Equity - reserves

	2021 $	2020 $
Revaluation surplus reserve	1,431,722	981,722

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

	Revaluation surplus 2021 $	Total 2020 $
Balance at 1 July 2019	1,300,860	1,300,860
Revaluation	(319,138)	(319,138)
Balance at 30 June 2020	981,722	981,722
Revaluation	450,000	450,000
Balance at 30 June 2021	1,431,722	1,431,722

Note 23. Financial instruments

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

Market risk
Foreign currency risk.
Sensitivity analysis for currency risk.
The Company holds an unhedged international portfolio of equity investments valued at current foreign exchange prices of $3,624,156 (2020: $1,719,739). For equity investments classified at fair value through surplus or deficit, a 5% change of the Australian Dollar against all other currencies at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $181,208 (2020: $85,987). Equity would increase or decrease by the same amount.

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

Price risk
Sensitivity analysis for price risk.
The Company's Australian equity investments are listed on the Australian Securities Exchange. For equity investments classified at fair value through surplus or deficit, a 10% change in the bid price at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $1,313,995 (2020: $1,086,651). Equity would increase or decrease by the same amount.

The Company's bonds are listed on the secondary market. For bonds classified at fair value through surplus or deficit, a 10% change in the bid price at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $4,636,606 (2020: $3,962,140). Equity would increase or decrease by the same amount.

Note 23. Financial instruments (continued)

Interest rate risk
Interest rate risk is explained in Note 3 (c).
At the end of the reporting period the interest rate profile of the company's interest bearing financial instruments was:

	2021 Weighted average interest rate %	2021 Balance $	2020 Weighted average interest rate %	2020 Balance $
Fixed rate instruments (maturing within one year):				
Financial assets	0.22%	60,001,920	0.92%	55,193,600
Fixed rate instruments (maturing after one year):				
Financial assets	1.91%	44,085,438	2.06%	37,599,800
Variable rate instruments:				
Financial assets	0.19%	7,103,532	0.20%	8,774,345
Net exposure to cash flow interest rate risk		111,190,890		101,567,745

Sensitivity Analysis:

2021	Basis points increase Basis points change	Basis points increase Effect on surplus $	Basis points increase Effect on equity $	Basis points decrease Basis points change	Basis points decrease Effect on surplus $	Basis points decrease Effect on equity $
Fixed rate instruments	100	1,040,873	1,040,873	100	(1,040,873)	(1,040,873)
Variable rate instruments	100	71,035	71,035	100	(71,035)	(71,035)
		1,111,908	1,111,908		(1,111,908)	(1,111,908)

2020	Basis points change	Effect on surplus $	Effect on equity $	Basis points change	Effect on surplus $	Effect on equity $
Fixed rate instruments	100	927,934	927,934	100	(927,934)	(927,934)
Variable rate instruments	100	87,743	87,743	100	(87,743)	(87,743)
		1,015,677	1,015,677		(1,015,677)	(1,015,677)

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).

Note 23. Financial instruments (continued)

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:

	2021 $	2020 $
Financial Assets		
Cash and cash equivalents	67,107,202	54,970,245
Receivables	4,901,335	5,175,028
Financial assets at fair value through surplus or deficit: Term deposits	-	9,000,000
Financial assets at fair value through surplus or deficit: Bonds	45,864,138	37,599,800
	117,872,675	106,745,073

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.

2021	1 month or less $	Between 2 and 4 months $	Between 4 and 6 months $	More than 6 months $	Remaining contractual maturities $
Non-derivatives					
Non-interest bearing					
Trade and other payables (excl. GST & PAYG)	9,238,825	-	-	-	9,238,825
Total non-derivatives	9,238,825	-	-	-	9,238,825

2020	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)	7,713,569	-	-	-	7,713,569
Total non-derivatives	7,713,569	-	-	-	7,713,569

The carrying value of the Company's contractual maturities are $9,238,825 (2020: $7,713,569). The Company is not significantly exposed to this risk as it has $67,107,202 of cash and cash equivalents to meet these obligations as they fall due.

Note 23. 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:

	2021 Carrying amount $	2021 Fair value $	2020 Carrying amount $	2020 Fair value $
Assets				
Financial assets fair valued through surplus or deficit	45,864,138	45,864,138	46,599,800	46,599,800
Shares in listed corporations	19,836,875	19,836,875	14,109,376	14,109,376
	65,701,013	65,701,013	60,709,176	60,709,176

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).

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

Note 24. Key management personnel disclosures

Directors

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

Glenn Lennell
Peter Fitzgerald
Andrew Gregory
Stephannie Jonovska
Louise Leaver
Michael Oertel
Sue Baker-Finch (Associate Director until term completed 30 April 2021)

Other key management personnel

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

Dr Melinda Williams	Chief Executive Officer
Brett Wright	Chief Risk Officer
Anita Mulrooney	Head of Customer Service & Marketing
Christopher Stolk	Chief Financial Officer and Company Secretary Head of Finance and Administration
Melissa Jones	Head of Hospital & Health Services
Maree Morgan-Monk	Head of People & Culture
James Robins	Chief Information & Digital Officer
James Koutsoukos	Chief Commercial Officer
Dale Cairney (retired 24 July 2020)	Deputy Chief Executive Officer and Chief Risk Officer Head of Governance, Risk & Compliance

Note 24. Key management personnel disclosures (continued)

Compensation

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

	2021 $	2020 $
Short-term employee benefits	1,803,173	1,919,245
Post-employment benefits	186,380	185,248
Long-term benefits	-	9,897
	1,989,553	2,114,390

Total Directors' remuneration of up to a maximum of $348,783 per annum was approved by members at the Annual General Meeting on 6 November 2019. For the year ended 30 June 2021 total directors' remuneration paid was $327,008.

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 25. Remuneration of auditors

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

	2021 $	2020 $
Audit services - Grant Thornton Audit Pty Ltd Audit of the financial statements	80,800	78,835
Other services - Grant Thornton Audit Pty Ltd Audit of regulatory returns	33,600	32,780
Non-audit services	-	27,500
	33,600	60,280
	114,400	139,115

Note 26. Contingent assets and liabilities

At 30 June 2021 the company had no contingent assets and liabilities.

Note 27. Commitments

	2021 $	2020 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable: Within one year	9,291	40,827
One to five years	-	22,431
	9,291	63,258

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

Note 28. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in note 24.

Transactions with other parties

The following transactions occurred with other related parties:

	2021 $	2020 $
Payment for goods and services:		
Payment for services from Members Health Fund Alliance	57,106	47,835

During the year, fees were paid to Members Health Fund Alliance, a not for profit company which the CEO, Dr Melinda Williams, was a director. She received no remuneration from Members Health Fund Alliance. The payments were made on normal commercial terms and conditions, and relate to a yearly membership which provides access to the Company's advocacy services, research and policy, and forums and events.

Receivable from and payable to other parties

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

Loans to/from other parties

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

Terms and conditions

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

Note 29. Events after the reporting period

The situation related to the pandemic has continued to develop post reporting date with further lockdowns experienced in NSW from late June, and in Victoria and Queensland from July. It is therefore not practical to estimate the potential impact, positive or negative, after the reporting date. Other than this, no matter of circumstance has arisen since 30 June 2021.

Note 30. Reconciliation of surplus to net cash from operating activities

	2021 $	2020 $
Surplus for the year	8,473,756	2,852,439
Adjustments for: Depreciation and amortisation	846,249	1,335,250
Impairment of intangibles	-	26,522
Write off of non-current assets	-	16,363
Net gain on disposal of property, plant and equipment	(26,566)	(2,699)
(Increase)/decrease in fair value of financial assets	(5,686,115)	2,078,833
Net loss/(gain) on disposal of financial assets transferred to surplus or deficit on disposal	407,804	(692,136)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	382,060	174,509
Decrease in inventories	11,360	3,754
(Increase)/decrease in prepayments	(176,985)	134,417
Increase/(decrease) in trade and other payables	1,334,142	(619,654)
Increase/(decrease) in employee benefits	139,704	(23,938)
Increase in other provisions	6,442,449	8,342,545)
Increase/(decrease) in other operating liabilities	643,829	(49,232)
Net cash from operating activities	12,791,687	13,576,973

Note 31. Non-cash investing and financing activities

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

Note 32. Nature and extent of risks arising from insurance contracts
The purpose of insurance is risk distribution, that is, to spread risks across a large pool of individuals. Insurance provides a mechanism by which individuals who pay an agreed sum, known as a 'premium' can be indemnified against future events that may cause loss.

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 32. Nature and extent of risks arising from insurance contracts (continued)

Nature and extent of risks arising from insurance contracts

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

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

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

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

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

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

Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors

Glenn Lennell GAICD
Director

Peter Fitzgerald BCom, FCA, GAICD
Director

22 September 2021
Wollongong

GrantThornton

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Independent Auditor's Report

To the Members of Peoplecare Health Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Peoplecare Health Limited (the Company), which comprises the statement of financial position as at 30 June 2021, 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, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

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

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. 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.

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

Auditor's responsibilities for the audit of the financial report

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

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Adam-Smith
Partner - Audit & Assurance

Sydney, 22 September 2021

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