Peoplecare

Annual Report 2022

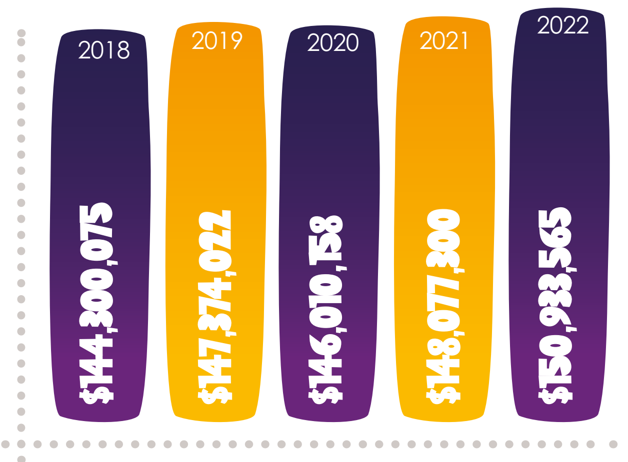
What's inside

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

Performance

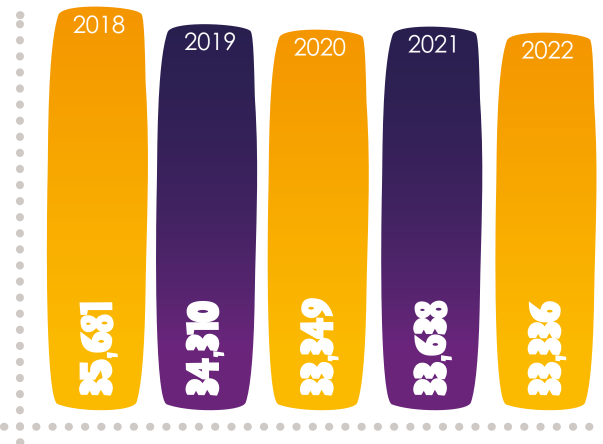
highlights

Contribution Income

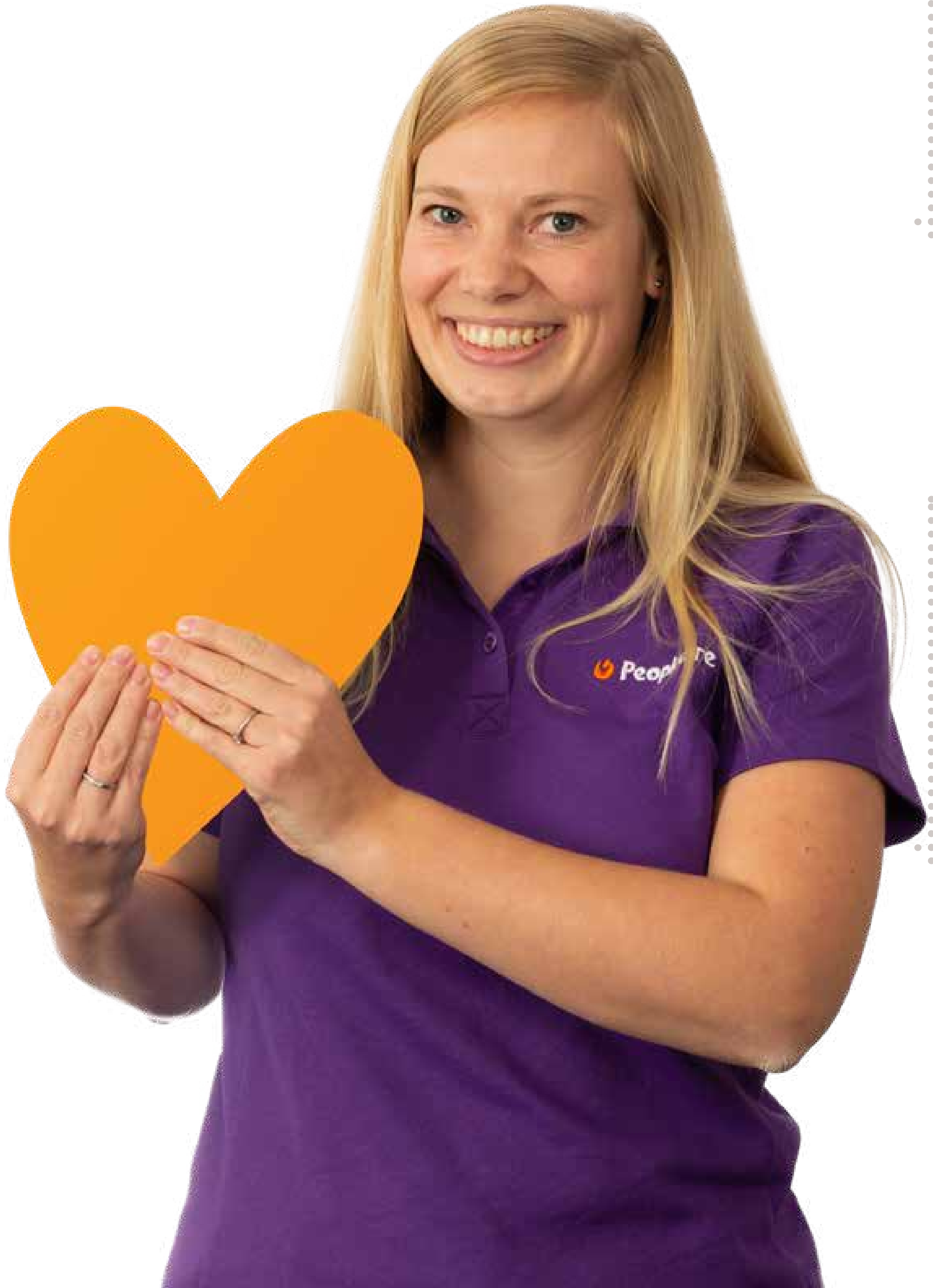


2022 increase of 1.93%

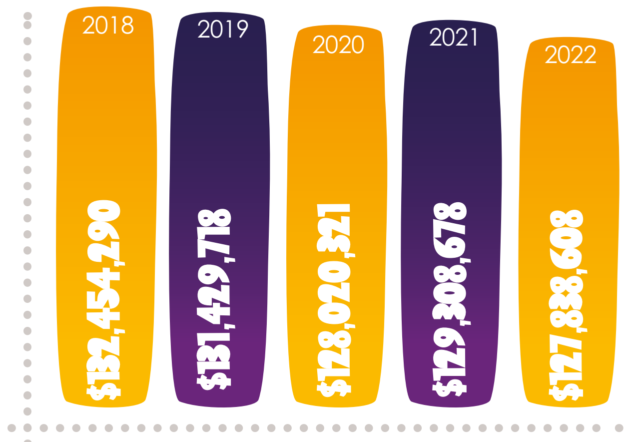
Memberships



2022 decrease of -0.90%

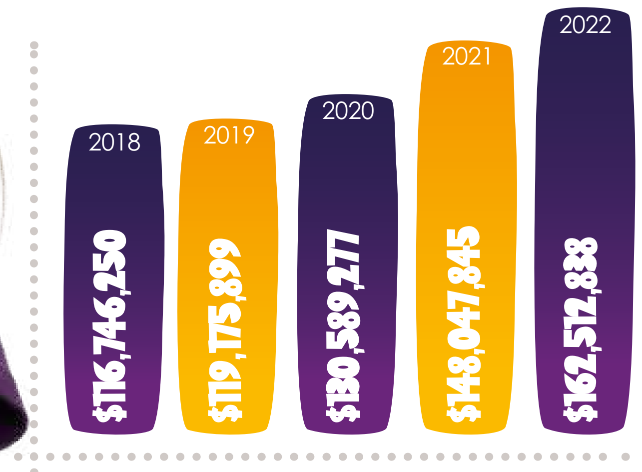


Benefits Paid



2022 decrease of -1.14%

Total Assets



2022 increase of 9.77%

The big picture

Vision

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

Core purpose

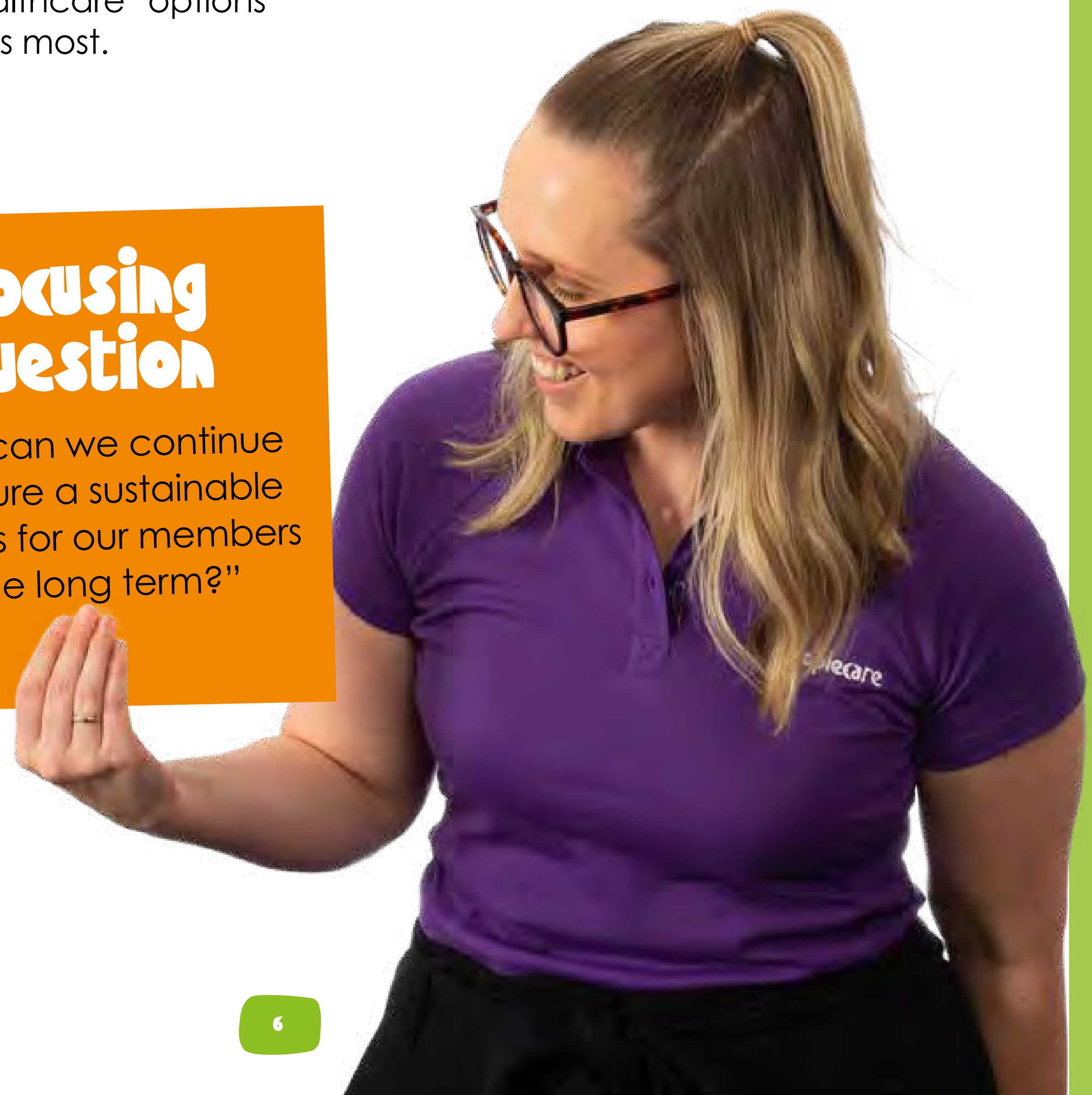
Peoplecare puts people at the centre of health insurance.

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.



Focusing 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

Over the 2021/22 financial year, Peoplecare has continued to perform well in looking after the health insurance needs of our members. COVID-19 continues to negatively impact our national health system making private health insurance ever more important.

Peoplecare has made significant investments to minimise the financial impact of the pandemic. The premium increase due on 1 April 2022 was deferred to 1 October 2022 and there was a return of over five million dollars to all members at the end of last year which we hope eased the financial burden of Christmas. Peoplecare understands and supports the policy that no private health insurer should financially benefit from the operating restrictions caused by COVID-19 and we are expecting to make a further return to our members in the coming months.

The body of this report will highlight the financial strength of Peoplecare. Our investment performance has remained solid with significant returns being generated by our capital investments. We do have the Reserve Bank increase in cash rates to thank for some of these increased returns. These returns help us keep premium increases to a minimum.

Our regulator, APRA, is introducing new capital standards over the coming months and I am pleased to report that Peoplecare will maintain our strong capital position.

Our people remain member-focused and take pride in the positive feedback we receive from our various forums. Our member satisfaction rate has increased to 96.2% in 2022 as has our member feedback on service interaction (Net Promoter Score). Our investment in online services has received a very positive response which has seen Peoplecare as the No. 1 private health insurer for mobile application experience, online and offline claiming and ease of finding information on our website. We understand that some people prefer to talk directly to our customer service Peoplecarers where our 'personal is best' philosophy remains a popular service differentiator.

Our Peoplecare Eyes and Teeth service centre has been disrupted by COVID-19 lockdowns but is now operating at capacity as we work through the backlog of service requests.

Summary of Results	2022 % income	2022 $'000	2021 % income	2021 $'000	2020 % income	2020 $'000
Contribution Income		**150,934**		**148,077**		**146,010**
Less Member Benefits Paid	83.92%	126,656	86.31%	127,802	84.64%	123,577
Less Risk Equalisation Trust Fund	-0.36%	(551)	-0.14%	(211)	1.88%	2,740
Less State Ambulance Levy	1.15%	1,733	1.16%	1,718	1.17%	1,704
Less Movement in Unexpired Risk Liability	0.00%	-	0.00%	0	0.00%	0
Gross Margin	**15.30%**	**23,095**	**12.67%**	**18,769**	**12.32%**	**17,990**
Less Management Expenses attributable to the Health Benefit's Fund	10.75%	16,229	10.61%	15,705	10.01%	14,622
Net Underwriting Result	**4.55%**	**6,866**	**2.07%**	**3,063**	**2.31%**	**3,368**
Add Investment & Other Income (net of expenses)	-1.42%	(2,146)	3.65%	5,410	-0.35%	-516
Net Surplus / (Deficit)	**3.13%**	**4,720**	**5.72%**	**8,474**	**1.95%**	**2,852**

We are proud that we continue to pay approximately 85 cents in member benefits for every dollar we receive in premiums. We have also continued to provide professional managed services to three organisations. Income from these services enables reinvestment in innovation and development that benefits Peoplecare.

Peoplecare has continued to increase or improve our risk management framework, culture, our regulator engagement, project management and cyber security maturity.

All of the above would not be possible without the exceptional team of Peoplecarers we have under the leadership of our CEO, Dr Melinda Williams. We have an outstanding Executive team supporting Dr Mel and it is appropriate that I mention and thank Anita Mulrooney for her contribution over many years as our Marketing and Customer Service Executive. Anita has retired this year so she can pursue her career and love of the arts.

COVID-19 has tested the resilience and commitment of our community over the past couple of years and I would like to acknowledge and thank our team of Peoplecarers for their service during these tough times. Our working environment has been forced to change as we adopt the necessary precautions to protect the health and well-being of our people and the manner that our people have adjusted to these changes has been outstanding.

I would also like to acknowledge and thank our members, our Peoplecare staff, and finally recognise my fellow Directors for their continued support.

Glenn Lennell GAICD
Chairman Peoplecare Board
21 September 2022
Wollongong

A message from the CEO

Peoplecare has again delivered a strong financial result this year with the organisation and its members resilient through another year of challenge following on from the pandemic.

As a not-for-profit health fund, putting the needs of our members at the centre of health insurance is our priority and this year we've continued our commitment to members and provided a $5 million member giveback and deferred the 1 April rate rise for 6 months.

Our member retention rate remains strong and satisfaction high with 96.2% of our members satisfied with Peoplecare. That's up from 94.9% in 2021.

As a health fund, we're focused on achieving sustainable growth through a differentiated and personalised Peoplecare member experience in their moments that matter. This year we've continued to enhance and upgrade our digital assets to add value for members, with the improvements having a positive impact on our members' experience. In this year's Discovery Research industry Member Satisfaction Survey, we are proudly the No. 1 health fund for:

- mobile app experience & claiming
- claiming online and offline
- ease of finding information on our website

We've continued to provide exceptional call centre service to members and increased our Net Promoter Score to 63.1, up from 56.3 in 2021.

We're committed to setting the standard for guiding Australians to better heath now and for generations to come and have continued to be proactive in supporting our members health and wellbeing through our advocacy services. The number of advocacy interactions increased by 32.9% this year and members access to our contracted hospital in the home and rehabilitation in the home services have also increased.

As a diversified business, we're also committed to our Managed Services division delivering benefit to Peoplecare by expanding commercial opportunities and providing value to our clients through operational excellence. This year we've continued to deliver our Managed Services contracts and re-negotiated agreements with National Health Benefits Australia and Allianz Worldwide Partners for outsourced services for 5-year and 3-year terms respectively. Income from these services enables reinvestment in innovation and development that benefits Peoplecare.

In enabling the business for the future, we've implemented a number of key strategic technology projects this year. This has included the successful launch of a new system for our contact centre teams which provides greater automation and workflow management to enable an exceptional service experience.

Another development is our new data integration platform that is the foundation to enabling the personalisation of member experience in the future.

In ensuring a resilient future for Peoplecare, we've embedded our new operating model this year which has included changes to our Executive team. I'd like to thank and acknowledge the contribution of Anita Mulrooney as Head of Customer Service and Marketing throughout her years of service to Peoplecare before retiring this year and also I am delighted to welcome Marie Heritage to the Executive team in the role of Chief Marketing and Customer Strategy Officer. Marie's focus is to continue to drive growth in our Peoplecare health insurance, improve the member experience and add value to members' health journeys.

As an employer, we continue our commitment to an exceptional culture and maintain our focus on the resilience, health and well-being of our workforce. We've put in place a range of initiatives this year to ensure our culture remains at the heart of what we do as we continue to respond to the challenging and evolving environment and our hybrid ways of working.

The Peoplecare team continue to respond to this year's challenges with empathy and determination. We've increased our cyber maturity, increased our organisation's risk culture and continued to progress our readiness in the continued rollout of new prudential standards from our regulator APRA to ensure our continued sustainability.

I'd particularly like to acknowledge the huge effort and work put in by our Peoplecarers and Board over another exceptional year. I'd also like to acknowledge the passing of David Hartigan, an amazing Peoplecarer with 43 years of service. David's contribution to Peoplecare over so many years is extraordinary, and we will miss him.

Lastly, 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
21 September 2022
Wollongong

Overview

Benefits - where do they go?

Hospital	FY 2022 ($)	FY 2021 ($)
Heart and vascular system	12,712,734	13,253,086
Joint replacements	8,057,719	8,112,222
Hospital psychiatric services	5,908,089	6,288,607
Gastrointestinal endoscopy	4,660,286	5,109,775
Bone, joint and muscle	4,324,002	4,521,802
Digestive system	4,660,286	4,393,997
Rehabilitation	3,281,298	3,874,812
Pregnancy and birth	2,975,418	3,691,628
Back, neck and spine	2,563,612	3,518,042
Cataracts	2,608,280	2,842,559
All Others	30,962,505	33,422,611

Extras	FY 2022 ($)	FY 2021 ($)
Dental	14,767,616	15,991,479
Optical	6,337,087	6,849,928
Physiotherapy	1,744,352	1,949,536
Chiropractic	1,545,399	1,690,489
Massage	1,218,259	1,471,065
Ambulance	1,062,453	1,028,134
Health and Wellness	604,131	661,650
Health Management Programs	476,090	504,167
Pharmacy	476,090	463,855
Hearing Aids	447,191	431,087
All Others	607,830	664,910

419 babies born

31,299 hospital episodes

$132,339 top hospital claim

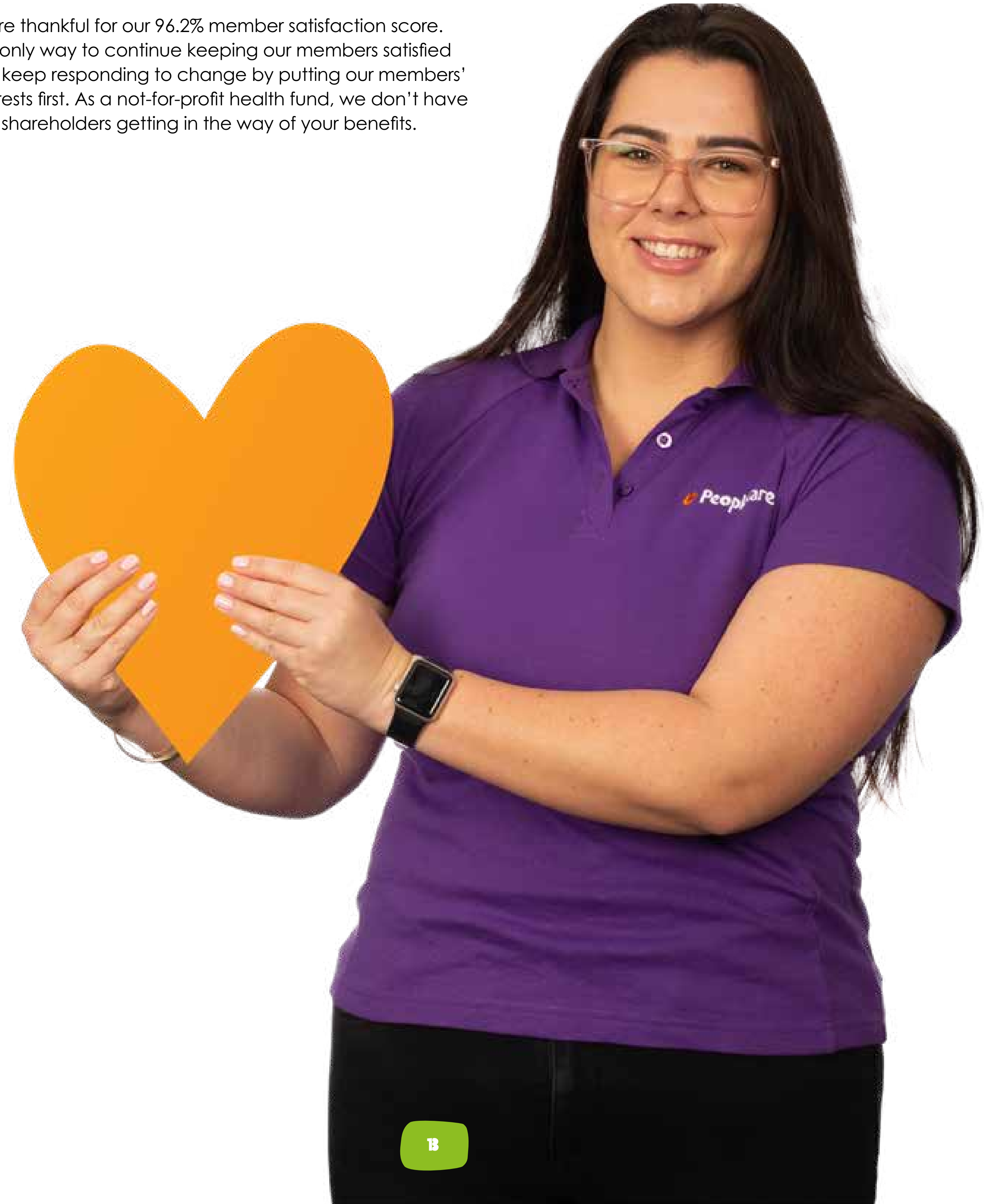
96 members treated at home with our programs

101 chronic disease management programs completed

Achievements

96.2% Member Satisfaction

We're thankful for our 96.2% 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

33,336
memberships, covering
71,057
people

Number 1

- mobile app experience & claiming
- claiming online and offline
- ease of finding info on our website

Source: Discovery Research 2022

$54 million
in COVID-19 savings paid back to members

4,406
hours of training & development

224
Peoplecarers

96.2%
members satisfied
Source: Discovery Research 2022

91.9%
member retention

For every dollar Peoplecare received in premiums,
85c was paid back in the form of benefits

Peoplecare Eyes and Teeth member discounts value
$533,345

69,806
phone calls received

96%
Peoplecare Eyes and Teeth Satisfaction rate

Directors' Report

The Directors present their report, together with the financial statements, on the Company for the year ended 30 June 2022.

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** (Retired November 2021)
- **Stephannie Jonovska**
- **Louise Leaver**
- **Michael Oertel**
- **Sue Baker-Finch** (Elected November 2021)
- **Abhishek Verma** (Associate Director appointed April 2022)

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 provides management services to two other private health insurers in addition to providing services to Allianz Partners. No significant changes to the principal activity have occurred during the financial year.

Like many businesses, the continuing uncertainty created by the COVID-19 pandemic has at different times throughout the financial year presented challenges for Peoplecare and its members. In response to this uncertainty, Peoplecare offered a number of initiatives to help improve the value proposition and affordability challenges faced by our members. Two key initiatives during the financial year were the return of permanent claim savings to members for a total value of $5.4 million as well as deferral of the 1 April 2022 increase until 1 October 2022.

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 was formerly a Registered Tax Agent & Registered Company Auditor.

Stephannie Jonovska BCom, FCPA, GAICD

Stephannie was appointed as Director in 2016.

Stephannie is a commercial and digital 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, digital, 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.

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 and 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.

Our 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

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

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

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

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

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

Dr Abhishek was appointed as an Associate Director in 2022.

Dr Abhishek is a general and specialist registered medical practitioner who remains in active clinical practice. In addition to more than a decade of experience as a doctor, Dr Abhishek is also an experienced non-executive director in the rural health sector.

In addition to his practice and Director roles, Dr Abhishek also currently serves as a member of the Victorian Medical Board working with AHPRA, as well as working as a medical adviser in the Department of Health.

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

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 2022, and the number of meetings attended by each Director was:

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

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

1. *Glenn Lennell is the Board Chair and an ex officio member of the People and Culture Committee and of the Risk and Audit Committees.*
2. *Peter Fitzgerald attended the People and Culture Committee by invitation.*
3. *Andrew Gregory retired from the Board November 2021.*
4. *Michael Oertel attended the People and Culture Committee by invitation.*
5. *Sue Baker-Finch elected to the Board November 2021.*
6. *Dr Abhishek Verma appointed Associate Director April 2022.*

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 (2021: $10). The number of members at the end of the financial year was 33,336 (2021: 33,638).

Matters subsequent to the end of the financial year

No matter of circumstance has arisen since 30 June 2022 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 26 - Remuneration of Auditors.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 61.

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

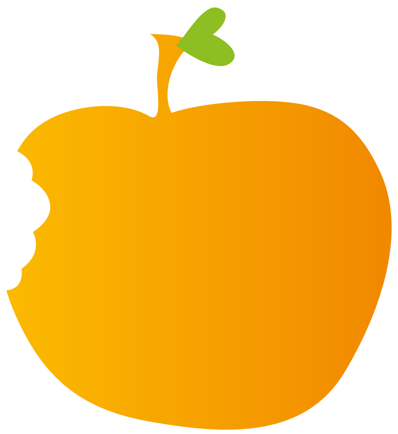
Peter Fitzgerald BCom, FCA, GAICD
Director

21 September 2022
Wollongong

Corporate
Governance Statement

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

The 2022 Corporate Governance Statement reflects the corporate governance practices in place throughout the 2022 financial year. The Corporate Governance Statement was approved by the Board on 9 March 2022. Peoplecare's current corporate governance practices can be viewed at: peoplecare.com.au/governance



Our Executive Team

Chief Executive Officer

Melinda Williams BNurs, MPH, PhD, GAICD

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

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

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

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

- Director of Members Health Fund Alliance, an industry body representing the interests of mutual health fund sector.
- Director of Australian Health Services Alliance, a large purchasing entity of acute hospital and medical services and broader health programs.
- Director of Australian Health Services Research Institute, a research institute at University of Wollongong.
- Councillor, Regional Council, NSW Business Chamber Ltd.
- Member of Warrigal, an aged care service provider.

Chief Risk Officer

Brett Wright DipLM, GAICD

Brett is responsible for leading the governance, risk management, and compliance functions for Peoplecare and its customer insurers. Brett oversees the 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 14 years of experience in risk management and compliance, 12 years of that in private health insurance.

Our Executive Team

Chief Financial Officer & Company Secretary

Chris Stolk BCom, FCPA, GAICD, FGIA

Chris is responsible for the provision of all financial management and company secretariat functions at Peoplecare and has responsibility for internal and external reporting (including regulatory reporting) within the organisation. Chris has more than 25 years' experience in the accounting, finance and corporate governance fields, most of which was spent working with organisations in the financial services industry.

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

Chris is an independent Director of Coordinare Limited (South Eastern NSW Primary Health Network) and a member of the Finance, Audit and Risk Management (FARM) committee.

Head of Customer Service & Marketing

Anita Mulrooney BA, GDipIM, GDipCom, GAICD (until April 2022)

Anita had 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 was responsible for Peoplecare's customer service delivery, marketing, brand, communications, and community relations.

Anita's primary focus was 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 was an exceptional one.

Since assuming the role in 2006 until her resignation in April 2022, Anita played a pivotal role in the evolution of the Peoplecare brand from a small restricted fund to one of Australia's most respected not-for-profit health insurers.

Anita's other appointments included:

- 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

Chief Marketing and Customer Strategy Officer

Marie Heritage MMkt (from April 2022)

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

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

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

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

Chief People and Culture Officer

Maree Morgan-Monk BA, GDipHR

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

As Chief People and Culture Officer, 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.

Our Executive Team

Chief Services, Information and Digital Officer

James Robins BCom, BSc, MInfsc, GAICD

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

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

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

Chief Services Enablement Officer

Melissa Jones MBA, GAICD

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

Melissa joined Peoplecare in 2013, successfully managing Peoplecare Eyes and Teeth for 5 years. Melissa has 13 years' experience in management and is focused on ensuring our members receive value and quality services for all of their healthcare needs.

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

Chief Commercial Officer

James Koutsoukos BComm, CAANZ

James is responsible for Peoplecare's commercial strategy, specifically business value, growth and performance of our optical and dental clinic as well as 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

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230
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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 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A J Sheridan
Partner - Audit & Assurance

Sydney, 21 September 2022

Statement

of surplus or deficit and other comprehensive income

For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue			
Premium revenue		150,933,565	148,077,300
Expenses			
Fund benefits paid to members		(125,646,577)	(121,359,524)
Movement in outstanding claims liability		(1,234,605)	(969,157)
Movement in deferred claims liability		224,821	(5,473,292)
State ambulance levies		(1,732,859)	(1,717,593)
Risk Equalisation Special Account levy		550,612	210,888
		(127,838,608)	(129,308,678)
Gross underwriting result		23,094,957	18,768,622
Management expenses			
Employee benefits expense		(12,408,251)	(11,996,603)
Depreciation and amortisation expense		(858,710)	(846,249)
Other management expenses		(12,071,508)	(11,470,218)
		(25,338,469)	(24,313,070)
Other			
Other revenue	4	11,637,085	10,322,454
Increase/(decrease) in fair value of financial assets	5	(3,647,211)	4,870,507
Net gain/(loss) realised on disposal of financial assets held at fair value through surplus or deficit	6	137,908	407,804
Other cost of goods sold	7	(1,164,451)	(1,582,561)
		6,963,331	14,018,204
Surplus before income tax expense		4,719,819	8,473,756
Income tax expense		-	-
Surplus after income tax expense for the year attributable to the members of Peoplecare Health Limited		4,719,819	8,473,756
Other comprehensive income for the year			
Items that will not be reclassified to surplus or deficit			
Gain/(loss) on revaluation of land and buildings		1,175,000	450,000
Other comprehensive (loss)/income for the year		1,175,000	450,000
Total comprehensive income for the year attributable to the members of Peoplecare Health Limited		5,894,819	8,923,756

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 2022

	Note	2022 $	2021 $
Assets			
Current assets			
Cash and cash equivalents	8	72,730,794	67,107,202
Trade and other receivables	9	6,244,969	4,901,335
Inventories	10	102,060	116,552
Other financial assets	11	20,153,905	19,836,875
Other assets	12	1,261,952	924,020
Total current assets		100,493,680	92,885,984
Non-current assets			
Other financial assets	13	51,016,222	45,864,242
Property, plant and equipment	14	8,181,497	6,979,972
Right-of-use assets	15	994,257	1,183,111
Intangibles	16	1,827,182	1,134,536
Total non-current assets		62,019,158	55,161,861
Total assets		162,512,838	148,047,845
Liabilities			
Current liabilities			
Trade and other payables	17	21,857,896	23,119,722
Lease liabilities	18	196,922	193,729
Provisions	19	24,369,339	23,335,415
Member giveback provision	20	9,000,000	-
Total current liabilities		55,424,157	46,648,866
Non-current liabilities			
Lease liabilities	21	831,380	1,017,370
Provisions	22	371,176	390,303
Total non-current liabilities		1,202,556	1,407,673
Total liabilities		56,626,713	48,056,539
Net assets		105,886,125	99,991,306
Equity			
Reserves	23	2,606,722	1,431,722
Retained surpluses		103,279,403	98,559,584
Total equity		105,886,125	99,991,306

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

Statement
of changes in equity
As at 30 June 2022

	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

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

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 2022

	Note	2022 $	2021 $
Cash flows from operating activities			
Receipts from members and customers		158,740,870	159,768,407
Payments to members, suppliers and employees		(144,055,147)	(147,335,103)
		14,685,723	12,433,304
Dividends received		953,418	370,977
Interest received		26,487	26,190
Interest paid		(37,286)	(38,784)
Net cash from operating activities	31	15,628,342	12,791,687
Cash flows from investing activities			
Payments for investments		(174,929,834)	(174,610,902)
Payments for property, plant and equipment	14	(470,645)	(237,291)
Payments for intangibles	16	(1,047,682)	(497,243)
Proceeds from disposal of investments		166,453,442	174,789,008
Proceeds from disposal of property, plant and equipment		172,766	126,530
Net cash used in investing activities		(9,821,953)	(429,898)
Cash flows from financing activities			
Repayment of leases		(182,797)	(224,832)
Net cash used in financing activities		(182,797)	(224,832)
Net increase in cash and cash equivalents		5,623,592	12,136,957
Cash and cash equivalents at the beginning of the financial year		67,107,202	54,970,245
Cash and cash equivalents at the end of the financial year	8	72,730,794	67,107,202

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

Notes
to the Financial Statements
30 June 2022

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 21 September 2022. The directors have the power to amend and reissue the financial statements.

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

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

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

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

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

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

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

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

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

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

- Note 14: Property, plant and equipment
- Note 16: Intangibles
- Note 17: Liability adequacy test
- Note 19: Claims liability - Outstanding claims liability and Provision for deferred claims

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

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

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

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

New or amended Accounting Standards or Interpretations adopted by the Company
The Company has not applied any new standards or amendments during the annual reporting period commencing 1 July 2021.

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

New accounting standards and interpretations not yet adopted
Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2022 reporting periods. The Company does not intend to adopt these standards before their effective date.

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

AASB 17 Insurance Contracts
On 19 July 2017, Australian Accounting Standard Board (AASB) issued accounting standard AASB 17 Insurance Contracts (AASB 17). As a result of amendments made in July 2020, AASB 17 was deferred with an effective date to 1 January 2023. The key considerations of the standard as applicable to Peoplecare are summarised below.

Measurement of insurance contracts
Measurement models

AASB 17 introduces a General Measurement Model (GMM) for the recognition and measurement of insurance contracts. The GMM involves estimating future cash flows and risks from existing policies and taking profit to account over the policy period, adjusting the profit over the life of the contract when actual experience varies from expected. AASB 17 permits the use of the simplified Premium Allocation Approach (PAA) where either:

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

The PAA operates in a manner similar to the way private health insurance contracts are accounted for under AASB 1023 General Insurance Contracts (AASB 1023). The Company assessed the eligibility of contracts within the portfolio with one year or less to apply the simplified approach. Work is ongoing; however it is anticipated that Peoplecare's contracts will be eligible for the PAA.

Onerous contracts
AASB 17 requires the identification of 'groups' of onerous contracts which are expected to be determined at a more granular level of aggregation than the level at which the liability adequacy test is performed under AASB 1023. Contracts that are measured using the simplified approach are assumed not to be onerous unless facts and circumstances indicate otherwise.

Presentation and disclosure
AASB 17 will be applied retrospectively to all of Peoplecare's insurance contracts on transition except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied. Peoplecare is currently performing an assessment to conclude on the expected transition approach to be applied for the business.

Financial Impact
Market developments continue to be monitored in order to assess the impact of evolving interpretations and other changes. An example of such evolving interpretations is the ongoing applicability of the Provision for deferred claims on transition to AASB 17. The financial impact of adopting AASB 17 cannot be reasonably estimated at the date of this report.

Implementation progress
Peoplecare has a comprehensive project underway to assess the potential impact on its financial statements. This includes identifying changes to accounting policies, reporting requirements, systems, processes and controls and consideration of industry interpretations and regulatory responses.

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, who are 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 their activities.

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

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

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

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

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

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

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

ii In relation to the management services provided, the Company has formal arrangements via 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 to hold a diversified investment portfolio, heavily weighted to defensive assets.

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

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

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

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

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

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

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

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.

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 $42,176,340 (2021: $39,567,047).

(b) Liquidity risk

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

The following procedures have been adopted by the Company to manage future liquidity requirements:

(i) Management prepares daily cash flow forecasts for the upcoming six months. This forecast provides for the major types of inflows and outflows, as well as the projected net cash position each day and cumulatively over the forecast period. The forecasts are assessed and updated on a regular basis as new information comes to hand. Cash flow projections are updated daily with actual cash flow outcomes to assess accuracy and assist in improving future cash flow forecasting; and

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

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

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

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

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

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

(c) Market risk

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

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

Market risk in relation to investment securities:
1. Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has minimal currency risk exposure as at 30 June 2022. The Company held

$6.63m of international equities via physical Exchange Traded Funds (ETF) however $0.87m of these equities is not affected 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 ETFs;

(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.

Fixed Income Portfolio

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

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

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

Capital management

The Company 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.

In December 2021, APRA released the detailed proposals in relation to its review of the private health insurance capital framework. The release included the draft capital standards, draft reporting standards and Quantitative Impact Study (QIS). Following consultation, additional draft reporting standards impacted by AASB 17, Life and General Insurance Capital (LAGIC) updates and revisions to the capital framework for private health insurers was further released by APRA in April 2022. The final standards are anticipated to be released in September 2022 and will be effective from 1 July 2023. Peoplecare has planned for the release of the new capital standards and will update its capital management plan once the final standards are released in September 2022.

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 2022.

Note 4. Other revenue

	2022 $	2021 $
Overseas student health cover agency fee	982,039	364,975
Management services revenue	7,356,997	6,588,164
Interest income	26,487	26,190
Dividend income	953,418	370,977
Dental revenue	1,476,805	1,987,160
Optical revenue	807,254	980,313
Other income	34,085	4,675
	11,637,085	10,322,454

Accounting policy

Revenue recognition

Revenue is recognised for the major business activities as follows:

Premium revenue

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

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

Rendering of services

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

Dental Revenue

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

Optical revenue

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

Interest income

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

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

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

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

	2022 $	2021 $
Bonds	(995,156)	1,603,043
Shares in listed companies	(2,828,310)	3,013,732
Term deposits	176,255	253,732
	(3,647,211)	4,870,507

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

	2022	2021
Bonds	75,760	97,118
Shares in listed corporations	62,148	310,686
	137,908	407,804

Note 7. Other cost of goods sold

	2022 $	2021 $
Cost of dental sales	723,470	949,082
Cost of optical sales	440,981	633,479
	1,164,451	1,582,561

Note 8. Current assets - cash and cash equivalents

	2022 $	2021 $
Cash on hand	1,750	1,750
Cash at bank	9,229,044	7,103,532
Term deposits maturing within 3 months after the end of the reporting period	63,500,000	59,500,000
Bonds maturing within 3 months after the end of the reporting period	-	501,920
	72,730,794	67,107,202

Cash at bank bears floating interest rates between 0.00% and 0.95% (2021: 0.00% and 0.20%). Term deposits bear fixed interest rates between 0.52% and 2.04% (2021: 0.10% and 0.30%).

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

Accounting policy

Cash and cash equivalents

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

Note 9. Current assets - trade and other receivables

	2022 $	2021 $
Unclosed business premium - earned	87,012	99,192
Unclosed business premium - unearned	153,145	87,545
Amount due from Risk Equalisation Special Account	512,230	232,552
Private Health Insurance Rebate on premiums	3,235,610	3,186,560
Investment Income Receivable	208,875	108,368
Other debtors	2,057,673	1,196,694
Less: provision for impairment of receivables	(9,576)	(9,576)
	6,244,969	4,901,335

The aging of the past due receivables are as follows:

	2022 $	2021 $
Past due 0 - 30 days	130,362	60,398
Past due 31 - 120 days	90,395	36,885
Past due 121 days to one year	34,838	33,321
More than one year	7,709	3,989
Impairment of receivables	(9,576)	(9,576)
	253,728	125,017

There was no increase in the provision for impairment of receivables (2021: Nil)

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

(i) Earned – representing contribution amounts owed by members up to and including 30 June; and

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

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

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

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

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

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

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

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

Note 10. Current assets - inventories

	2022 $	2021 $
Optical stock on hand - at cost	102,060	116,552

Note 11. Current assets - other financial assets

	2022 $	2021 $
Financial assets at fair value through surplus or deficit: Shares in listed corporations	20,153,905	19,836,875

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.

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.

Impairment of assets

Financial assets

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

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

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

All impairment losses are recognised in surplus or deficit.

Note 12. Current assets - other assets

	2022 $	2021 $
Prepayments	1,261,952	924,020

Note 13. Non-current assets - other financial assets

	2022 $	2021 $
Unlisted shares - Horizon Bank	2	2
Unlisted shares - Peoplecare Health Insurance Pty Ltd	100	100
Unlisted shares - Peoplecare Professional Services Pty Ltd	2	2
Financial assets at fair value through surplus or deficit:		
Bonds	51,016,118	45,864,138
	51,016,222	45,864,242

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

	2022 $	2021 $
Land and buildings		
- at fair value	7,425,000	6,250,000
Leasehold improvements		
- at cost	942,199	942,199
Less: Accumulated depreciation	(845,454)	(775,533)
	96,745	166,666
Plant and equipment		
- at cost	1,962,292	1,810,490
Less: Accumulated depreciation	(1,674,346)	(1,602,295)
	287,946	208,195
Motor vehicles - at cost	374,096	405,219
Less: Accumulated depreciation	(125,325)	(159,930)
	248,771	245,289
Computer equipment		
- at cost	1,847,406	1,771,653
Less: Accumulated depreciation	(1,724,371)	(1,661,831)
	123,035	109,822
	8,181,497	6,979,972

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 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
Additions	-	-	151,802	208,966	109,878	470,646
Disposals	-	-	-	(135,775)	(11,460)	(147,235)
Revaluation of assets	1,175,000	-	-	-	-	1,175,000
Depreciation expense	-	(69,921)	(72,051)	(69,709)	(85,205)	(296,886)
Balance at 30 June 2022	7,425,000	96,745	287,946	248,771	123,035	8,181,497

Accounting policy

Property, plant and equipment

Land and buildings

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

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

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

The fair value of Land and Buildings recognised in the Statement of Financial Position at 30 June 2022 has been determined by an external independent valuer taking into consideration all available information and inputs at the time of valuation. As the country, businesses and the market have adjusted to living with COVID-19, it is no longer necessary to make adjustments in valuation calculations for COVID-19.

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

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

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

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

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

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

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

Valuations of land and buildings
The fair value of land and buildings located at 2-12 Victoria Street, Wollongong NSW, at the end of the reporting period was assessed by Opteon Property Group, an independent external valuer, taking into consideration all available information and inputs at the time of valuation. The fair value of the Company's land and buildings at 30 June 2022 is $7,425,000 (2021: $6,250,000).

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

	2022 $	2021 $
Land and buildings - right-of-use	1,575,083	1,557,149
Less: Accumulated depreciation	(580,826)	(374,038)
	994,257	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:

	Land & Buildings $	Total $
Balance at 1 July 2020	1,212,945	1,212,945
Additions	214,126	214,126
Remeasurement	(14,606)	(14,606)
Depreciation expense	(229,354)	(229,354)
Balance at 30 June 2021	1,183,111	1,183,111
Remeasurement	17,933	17,933
Depreciation expense	(206,787)	(206,787)
Balance at 30 June 2021	994,257	994,257

Accounting policy

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

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

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

Note 16. Non-current assets - intangibles

	2022 $	2021 $
Computer software - at cost	2,927,883	2,458,688
Less: Accumulated amortisation	(1,844,188)	(1,489,152)
	1,083,695	969,536
Computer software under development - at cost	743,487	165,000
Goodwill and licence intangibles - at cost	875,181	875,181
Less: Accumulated amortisation	(875,181)	(875,181)
	-	-
	1,827,182	1,134,536

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

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

	Software $	Software Development $	Total $
Balance at 1 July 2020	817,848	100,082	917,930
Additions	432,325	-	432,325
Transfer in / (out)	-	64,918	64,918
Amortisation expense	(280,637)	-	(280,637)
Balance at 1 July 2021	969,536	165,000	1,134,536
Additions	428,233	-	428,233
Transfer in / (out)	40,963	578,487	619,450
Amortisation expense	(355,037)	-	(355,037)
Balance at 30 June 2022	1,083,695	743,487	1,827,182

Accounting policy
Intangible assets

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

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

Note 17. Current liabilities - trade and other payables

	2022 $	2021 $
Unclosed business premium liability	153,145	87,545
Unearned premium liability (premiums in advance)	11,399,945	12,702,417
Annual leave	1,328,838	1,128,192
Other creditors and accruals	8,975,968	9,201,568
	21,857,896	23,119,722

Refer to Note 24 for further information on financial instruments.

Accounting policy

Unearned premiums
Premiums received from members prior to 30 June 2022 relating to the period beyond 30 June 2022 are recognised as unearned premiums. Also, forecast premiums receivable from members at 30 June 2022 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.

Critical accounting judgements

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

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% (2021: 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% (2021: 75%).

The liability adequacy test has been performed collectively for hospital and general treatment contracts up to 1 April 2023, the next pricing review date.

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

(1) Unearned premium - the value of health insurance premiums received from members prior to 30 June 2022 relating to the period beyond 30 June 2022.

(2) Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2022 up to and including their next normal payment date.

(3) Constructive obligation - the value of health insurance premiums to be received from members and the cash flows relating to future claims arising from rights and obligations under current insurance coverage at 30 June 2022 up to 31 March 2023, the next premium rate change date at which time the Company is no longer obligated to accept policy renewals at the current premium rates.

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
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)
	(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 last premium rate change date of the period, at which time the Company is no longer obligated to accept policy renewals at the 2022 premium rates.

No provision for unexpired risk liability has been recognised at 30 June 2022 (2021: nil).

Note 18. Current liabilities - lease liabilities

	2022 $	2021 $
Lease liability	196,922	193,729

Refer to Note 24 for further information on financial instruments.

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

Accounting policy

Lease liabilities

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

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

Note 19. Current liabilities - provisions

	2022 $	2021 $
Long service leave	529,465	505,325
Outstanding claims liability - central estimate	8,878,963	8,005,695
Outstanding claims liability - risk margin 3.25%	621,520	260,183
Deferred claims liability	14,339,391	14,564,212
	24,369,339	23,335,415

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:

	2022 $	2021 $
Employee benefits obligation expected to be settled after 12 months	481,088	461,076

Accounting policy

(a) 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.

(b) Outstanding claims liability

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

	2022 Outstanding claims liability $	2021 Outstanding claims liability $	2022 Deferred claims liability $	2021 Deferred claims liability $
Carrying amount at the start of the year	8,265,878	7,296,721	14,564,212	9,090,920
Additional provisions recognised	-	-	(152,756)	6,226,362
Catch up claims	-	-	(72,065)	(753,070)
Claims incurred	126,656,372	127,801,973	-	-
Claims paid	(125,421,758)	(126,832,816)	-	-
Carrying amount at the end of the year	9,500,492	8,265,878	14,339,391	14,564,212

Critical accounting judgements and estimates

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

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

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

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

Actuarial Assumptions

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

	2022			2021		
	Hospital	Medical	General	Hospital	Medical	General
Variables	%	%	%	%	%	%
Assumed portion paid to date	97.82%	97.27%	98.47%	98.02%	97.32%	98.52%
Expense ratio	3.56%	3.56%	3.56%	4.13%	4.13%	4.13%
Discount rate	-	-	-	-	-	-
Risk equalisation rate	(0.24%)	(0.24%)	-	(0.22%)	(0.22%)	-
Risk margin	7.00%	7.00%	7.00%	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 7.00% (2021: 3.25%) at the end of the reporting period. The risk margin of 7% is applied to claims experience up until 30 June 2022, whereas the 2021 risk margin of 3.25% was applied to claims paid to 31 July 2021 which related to the period prior to 30 June 2021. This additional one month of claims hindsight allows a lower risk margin to be adopted, however both risk margins are applied to achieve the Board's intended probability of sufficiency of 75%.

Impact of changes in key variables relating to insurance liability

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

2022

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

2021

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

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

The risk margin at 30 June 2022, is calculated as 7.00% of the central estimate of the benefits component of the outstanding claims liability. Allowance is also made for expected risk equalisation consequences and administration costs associated with claims processing in the outstanding claims liability estimate.

Deferred claims liability

The deferred claims liability is based on best estimate, taking into account relevant risks and uncertainties, of expenditure required to settle claims deferred as a result of surgeries and other health services restricted for policyholders as a result of the COVID-19 pandemic. Peoplecare has an obligation to settle these claims when they occur in future periods. The liability is calculated by comparing the difference between the actual and expected claims since the commencement of COVID-19 restrictions from March 2020. The expected claims level is based on the estimated underlying claims growth per Single Equivalent Unit per policy that would have occurred if the COVID-19 pandemic did not eventuate, taking into account changes in the membership base.

In estimating the deferred claims provision, four key steps were undertaken:

(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 2022 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 2022 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 of net claims reduction have been estimated as follows:

- Hospital - 44.8% (June 2021: 82.8%) of gross claims reduction in 2022; and
- Ancillary - 19.1% (June 2021: 77.9%) of gross claims reduction in 2022

(4)**An analytical review** over time and a comparison of the calculated DCL to industry is conducted with further review of deferral rates to ensure the outcome appears reasonable.

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).

Movements in the deferred claims liability

A net reduction in the deferred claims liability expense of $0.225 million (increase of $1.617m for hospital and a reduction of $1.842m for general treatment) has been recognised in the Statement of surplus or deficit and other comprehensive income for the year ended 30 June 2022. This brings the total Deferred claims liability to $14.339 million ($13.082m hospital and $1.257m general treatment).

See 'Movement in gross outstanding claims and deferred claims liability' under section (b) Outstanding claims liability for additional details.

Accounting policy

Other provisions
Other provisions are recognised when:

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

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

(iii) that the outflow can be reliably measured.

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

Note 19. Current liabilities - Member giveback provision

	2022 $	2021 $
Member giveback provision	9,000,000	-

A member giveback liability of $9.0 million has been recognised at 30 June 2022 (2021: nil). This liability relates to the return of permanent COVID-19 claims savings to members. This member giveback liability is expected to be utilised via a cash payment to eligible policyholders within the next 12 months. This is recognised in the Statement of surplus or deficit and other comprehensive income as a claims expense.

Note 21. Non-current liabilities - lease liabilities

	2022 $	2021 $
Lease liability	831,380	1,017,370

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

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

Note 22. Non-current liabilities - provisions

	2022 $	2021 $
Long service leave	371,176	390,303

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

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

Note 23. Equity - reserves

	2022 $	2021 $
Revaluation surplus reserve	2,606,722	1,431,722

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 2022 $	Total 2021 $
Balance at 1 July 2020	981,722	981,722
Revaluation	450,000	450,000
Balance at 30 June 2021	1,431,722	1,431,722
Revaluation	1,175,000	1,175,000
Balance at 30 June 2022	2,606,722	2,606,722

Note 24. Financial instruments

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

Market risk
Foreign currency risk.
Sensitivity analysis for currency risk.
The Company holds an unhedged international portfolio of equity investments valued at current foreign exchange prices of $4,165,909 (2021: $3,624,156). For equity investments classified as fair value through surplus or deficit, a 5% change of the Australian Dollar against all other currencies at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $208,295 (2021: $181,208). Equity would increase or decrease by the same amount.

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

Price risk
Sensitivity analysis for price risk.
The Company's Australian equity investments are listed on the Australian Securities Exchange. For equity investments classified as fair value through surplus or deficit, a 10% change in the bid price at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $1,341,250 (2021: $1,313,995). Equity would increase or decrease by the same amount.

The Company's bonds are listed on the secondary market. For bonds classified as fair value through surplus or deficit, a 10% change in the bid price at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of $5,099,647 (2021: $4,636,606). Equity would increase or decrease by the same amount.

Interest rate risk

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

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

	2022		2021	
	Weighted average interest rate %	**Balance $**	**Weighted average interest rate %**	**Balance $**
Fixed rate instruments (maturing within one year): Financial assets	0.99%	63,500,000	0.22%	60,001,920
Fixed rate instruments (maturing after one year): Financial assets	5.50%	50,996,473	1.91%	44,085,438
Variable rate instruments: Financial assets	0.92%	9,230,898	0.19%	7,103,532
Net exposure to cash flow interest rate risk		123,727,371		111,190,890

Sensitivity Analysis:

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

2021	**Basis points change**	**Effect on surplus $**	**Effect on equity $**	**Basis points change**	**Effect on surplus $**	**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

Credit risk

Credit risk is explained in Note 3 (a).

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

	2022 $	**2021 $**
Financial Assets		
Cash and cash equivalents	72,730,794	67,107,202
Receivables	5,732,739	4,901,335
Financial assets at fair value through surplus or deficit: Bonds	51,016,118	45,864,138
	129,479,651	117,872,675

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.

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

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
Interest-bearing - fixed rate Lease liability	18,858	56,713	56,994	1,218,851	1,351,416
Total non-derivatives	9,238,825	56,713	56,994	1,218,851	10,590,241

The carrying value of the Company's contractual maturities are $19,181,638 (2021: $10,590,241). The Company is not significantly exposed to this risk as it has $72,730,794 of cash and cash equivalents to meet these obligations as they fall due.

Fair value

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

	2022		2021	
	Carrying amount $	**Fair value $**	**Carrying amount $**	**Fair value $**
Assets				
Financial assets fair valued through surplus or deficit	51,016,118	51,016,118	45,864,138	45,864,138
Shares in listed corporations	20,043,721	20,043,721	19,836,875	19,836,875
	71,059,839	71,059,839	65,701,013	65,701,013

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 25. Key management personnel disclosures

Directors

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

Glenn Lennell
Peter Fitzgerald
Andrew Gregory (Retired 24 November 2021)
Stephannie Jonovska
Louise Leaver
Michael Oertel
Sue Baker-Finch (Elected at AGM 24 November 2021)
Dr Abhishek Verma (Associate Director from 11 April 2022)

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 (Resigned 27 April 2022)	Head of Customer Service & Marketing
Christopher Stolk	Chief Financial Officer and Company Secretary
Melissa Jones	Chief Services Enablement Officer
Maree Morgan-Monk	Chief People and Culture Officer
James Robins	Chief Services Information and Digital Officer
James Koutsoukos	Chief Commercial Officer
Marie Heritage (Commenced 7 April 2022)	Chief Marketing and Customer Strategy Officer

Compensation

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

	2022 $	2021 $
Short-term employee benefits	2,368,176	1,803,173
Post-employment benefits	-	186,380
	2,368,176	1,989,553

Total Directors' remuneration of up to a maximum of $495,000 per annum was approved by members at the Annual General Meeting on 24 November 2021. For the year ended 30 June 2022 total directors' remuneration paid was $362,231.

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 26. Remuneration of auditors

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

	2022 $	2021 $
Audit services - Grant Thornton Audit Pty Ltd		
Audit of the financial statements	82,820	80,800
Other services - Grant Thornton Audit Pty Ltd		
Audit of regulatory returns	34,440	33,600
	117,260	114,400

Note 27. Contingent assets and liabilities

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

Note 28. Commitments

	2022 $	2021 $
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable: Within one year	-	9,291

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

Note 29. Related party transactions

Key management personnel

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

Transactions with other parties

The following transactions occurred with other related parties:

	2022 $	2021 $
Payment for goods and services:		
Payment for services from Members Health Fund Alliance	58,447	57,106
Payment for services from Australian Health Service Alliance Limited	526,064	435,127

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

Receivable from and payable to other parties

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

Loans to/from other parties

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

Terms and conditions

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

Note 30. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

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

	2022 $	2021 $
Surplus for the year	4,719,819	8,473,756
Adjustments for: Depreciation and amortisation	858,710	846,249
Net gain on disposal of property, plant and equipment	(25,531)	(26,566)
(Increase)/decrease in fair value of financial assets	3,629,278	(5,686,115)
Net loss/(gain) on disposal of financial assets transferred to surplus or deficit on disposal	(137,908)	407,804
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(1,613,002)	382,060
Decrease in inventories	14,492	11,360
(Increase)/decrease in prepayments	(337,934)	(176,985)
Increase/(decrease) in trade and other payables	(257,506)	1,334,142
Increase in employee benefits	5,012	139,704
Increase in other provisions	10,009,784	6,442,449
Increase/(decrease) in other operating liabilities	(1,236,872)	643,829
Net cash from operating activities	15,628,342	12,791,687

Note 32. Non-cash investing and financing activities

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

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

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

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

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

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

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

Sensitivity to insurance risk

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

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

Selection, pricing and concentration risk

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

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

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

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

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

Credit risk in relation to insurance contracts

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

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

This risk is minimised through a process of arrears management whereby benefit payments are with-held from non-financial 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.

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 2022 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

21 September 2022
Wollongong

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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 2022, 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 2022 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.

Grant Thornton

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 2022, 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.

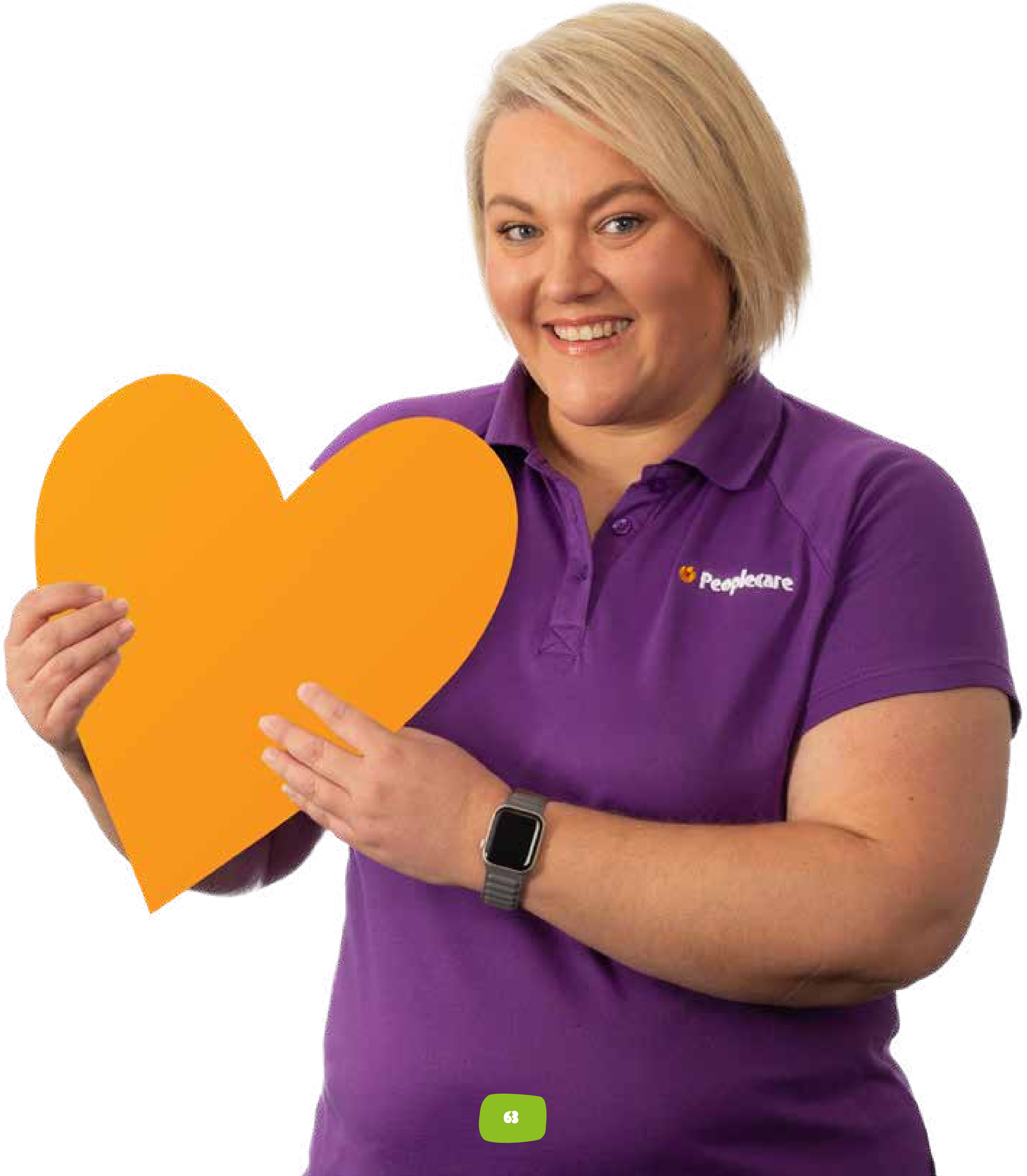
A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Sheridan
Partner – Audit & Assurance

Sydney, 21 September 2022



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