



Annual Report | 2019

(MEMBERS OWN)
HEALTH FUND



Phoenix Health Fund Limited

Financial Statements

For the Financial Year Ended 30 June 2019

Phoenix Health Fund Limited

Financial Statements

For the Financial Year Ended 30 June 2019

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Phoenix Health Fund Limited

Directors' Report

30 June 2019

We have much pleasure in presenting the sixty-sixth Annual Report of Phoenix Health Fund Limited (the "Company") covering the financial activities of the organisation for the year ended 30 June 2019. The Company is incorporated and domiciled in Australia as a company limited by guarantee.

Directors

The following persons were directors of the Company and have been in office since the start of the financial year to the date of this report unless otherwise stated.

Bruce Arnott B.Com, CPA, MAICD

Bruce was appointed as Chairman of Phoenix Health Fund in 2015. His career included CFO and Company Secretary at Bradken, and senior positions at Onesteel, BHP and Tubemakers. Bruce is a member of the following Committees: Risk; Audit; Remuneration and Nominations.

Brett Bancroft B.Com, B.LLB

Brett is currently employed in the role of National Manager - Energy & Carbon, with the GFG Alliance. Brett joined the Board in 2007. He holds a Bachelor of Commerce and a Bachelor of Laws. He is currently a member of the Risk Committee and the Audit Committee.

David Byrnes B.Bus, GAICD

David is the Product Marketing Manager at Infrabuild, holds a Bachelor of Business degree and is a Graduate of the Australian Institute of Company Directors. He is the Chair of the Remuneration and Nominations Committee and a member of the Audit Committee. He has served as Deputy Chairman and has been a member of the Board since 2007.

Adrian Howard B.Com, CA, MAICD

Adrian is currently General Manager - Product Support at WesTrac. Adrian was appointed to the Board in 2014. He is the Deputy Chair, Chair of the Audit Committee and a member of the Risk Committee.

Danielle Hodgson B.Bus, MAICD, GDAF

Danielle is Partner and Investment Advisor with Crestone Wealth Management. Danielle joined the Board in 2016. She holds a Bachelor of Business International Trade and Retail Management and is an accredited investment advisor. Danielle is a member of the Remuneration and Nominations Committee.

Stephen James B.E. (Hons), GAICD

Stephen holds a Bachelor of Engineering degree and is a Graduate of the Australian Institute of Company Directors. He has been a Director of APRA regulated organisations for over 20 years. He has a strong interest and skills in Governance and Risk Management. Stephen is the Chair of the Risk Committee

Company Secretary

The Company Secretary is Peter Leonard-England. Mr Leonard-England was appointed to the position of Company Secretary in June 2019, and is the Chief Financial Officer of the Company. Ms Sharon Waterhouse (CEO) and Mr Steven Murray held the position at other times during the financial year.

Objectives

Phoenix Health is for members, not for Profits. Its goal is to provide members with access to a range of affordable, high quality health insurance cover.

Objectives and Key Performance Indicators are as follows:

- **Members satisfaction:** 96% member satisfaction (Discovery Research 2019).
- **Industry high benefits:** “We pay higher benefits per average member than any of the Big 4 for-profit health funds.” (State of the Health Funds Report 2018).
- **Options for all Members:** Flexible policy options to suit all budgets and stages of life.
- **Friendly and easy to reach staff.**
- **Easy claim options:** Mobile claiming application and Hicaps over-the-provider-counter claiming.
- **Fastest growing established open health fund in 2018** (State of the Health Funds Report 2018).

Strategy for achieving the objective

The strategy for achieving these objectives is to leverage our culture to help us grow and remain focused on our members. While the Company transitioned several years ago from a restricted access health fund to a health fund open for all to join, our objectives of maintaining our not for profit and mutual values, along with our straight-forward product range, remain the same.

Principal activities

The Company is a Registered Health Insurer. The Company provides health insurance to anyone wishing to join the Fund.

The Company reports on a monthly and quarterly basis to the board regarding financial and membership performance against board determined targets, and quarterly for financial performance to the regulator, APRA.

No significant changes in the nature of the Company's activities occurred during the financial year.

Member liability

In accordance with the Company's Constitution, in the event of the winding up of the Company, every member undertakes to contribute an amount limited to 10 cents per member. This liability is applicable for 12 months after membership ceases.

At 30 June 2019 the collective liability of members was \$950 (2018: 914), based on 9,501 members.

Review of operations

Revenue increased by \$3.7 million (9%) in 2018/19, mainly due to:

- membership growth;
- the government approved premium increase; and
- improved returns from diversification of the investment portfolio.

Expenses increased by \$2.3 million (8%) in 2018/19, predominantly due to additional member benefits paid.

Resultantly, overall profit attributable to members was \$2,499,537 in 2018/19, compared to \$2,117,772 in 2017/18.

Significant changes in state of affairs

The directors are not aware of any significant change in the state of affairs of the Company that occurred during the financial year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect :

- (a) the Company's operations in future financial years; or
- (b) the results of those operations in future financial years; or
- (c) the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Further information and likely developments in the operations of the Company and expected results of operations have not been included in this annual report because the directors believe it would be likely to result in unreasonable prejudice to the Company.

Environmental regulation

The Company has assessed whether there are any particular or significant environmental regulations which apply to it, and has determined that there are none.

Meetings of directors

During the financial year, 19 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Risk Committee		Remuneration and Nominations Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Bruce Arnott	11	11	3	3	3	2	2	2
Brett Bancroft	11	10	3	3	3	2	-	-
David Byrnes	11	10	3	2	-	-	2	2
Adrian Howard	11	9	3	3	3	3	-	-
Danielle Hodgson	11	8	-	-	1	1	2	2
Stephen James	11	11	-	-	3	3	-	-

Directors' Benefits

Since 30 June 2018, no director of the Company has or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which they are a member, or with a Company in which they have a substantial interest.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is annually adjusted for inflation. The maximum directors' fee pool currently stands at \$153,426 per annum. Superannuation contributions required under the Australian superannuation guarantee legislation are made and are deducted from the directors' overall fee entitlements.

Indemnification and insurance of officers and auditors

During the financial year, the Company paid a premium to insure the directors, Company Secretary and Officers of the Company.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company.

Proceedings on behalf of company

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. No proceedings have been brought or intervened in, on behalf of the Company, with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

The Auditor's Independence Declaration in accordance with section 307C of the *Corporations Act 2001*, for the financial year ended 30 June 2019 has been received and can be found on page 5 of the financial report.

Signed in accordance with a resolution of the Board of Directors:

Chairman: 
Bruce Arnott

Dated 30/9/19

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001 to the Directors of Phoenix Health Fund Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Phoenix Health Fund Limited for the financial year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



PKF



MARTIN MATTHEWS
PARTNER

30 SEPTEMBER 2019
NEWCASTLE, NSW

Phoenix Health Fund Limited

Directors' Declaration

The directors of the entity declare that:

1. The financial statements and notes, as set out on pages 9 to 35, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2019 and of the performance for the financial year ended on that date of the entity.
2. In the directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors.

Chairman 

Bruce Arnott

Dated 30/9/19

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PHOENIX HEALTH FUND

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Phoenix Health Fund Limited (the Company), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the financial 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 prepared, in all material respects, in accordance with the Australian Accounting Standards and the *Corporations Act 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 of the Audit for the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information Other than the Financial Report and Auditor's Report Thereon

Those charged with governance are responsible for the other information. The other information comprise the information included in the Company's annual report for the financial year ended 30 June 2019, 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 Management and those charged with Governance 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 (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Responsibilities of Management and those charged with Governance for the Financial Report (cont'd)

In preparing the financial report, the management is responsible for assessing the the Company's ability to continue as a going concern basis of accounting unless the management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibilities of the Audit for the Financial Report

Our responsibility is to express an opinion on the financial report based on our audit. 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 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 the financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report. We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities of the Audit for the Financial Report (cont'd)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



PKF



MARTIN MATTHEWS
PARTNER

30 SEPTEMBER 2019
NEWCASTLE, NSW

Phoenix Health Fund Limited

Statement of Profit or Loss and Other Comprehensive Income

For the Financial Year Ended 30 June 2019

	Note	2019 \$	2018 \$
Premium revenue	5	43,358,757	39,937,428
Member benefits		(40,710,962)	(38,688,257)
Risk Equalisation Trust Fund levy		2,789,427	3,573,419
State levies		(355,275)	(351,586)
Claims handling expenses	6	(1,084,778)	(1,155,854)
Net claims incurred		(39,361,588)	(36,622,278)
Net movement in unexpired risk liability		37,700	112,886
Acquisition costs	6	(592,223)	(459,490)
Underwriting expenses	6	(2,217,592)	(1,856,639)
Investment income	5	1,266,758	991,262
Other income	5	7,725	14,603
Profit before income tax		2,499,537	2,117,772
Income tax expense	1(h)	-	-
Profit for the year		2,499,537	2,117,772
Other comprehensive income for the year		-	-
Total comprehensive income for the year		2,499,537	2,117,772

The accompanying notes form part of these financial statements.

Phoenix Health Fund Limited

Statement of Financial Position

As at 30 June 2019

	Note	2019 \$	2018 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	1,367,633	1,754,394
Trade and other receivables	8	2,078,095	2,020,754
Prepayments		175,037	120,067
Financial assets	9	27,776,137	23,809,777
Deferred acquisition costs	10	201,286	211,300
TOTAL CURRENT ASSETS		31,598,188	27,916,292
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,265,900	1,322,824
Intangible assets	12	345,365	367,208
TOTAL NON-CURRENT ASSETS		1,611,265	1,690,032
TOTAL ASSETS		33,209,453	29,606,324
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	1,966,647	2,301,631
Outstanding claims liability	14	4,415,000	2,839,000
Unearned premium liability	15	4,148,239	4,301,630
Provision for employee entitlements	17	46,786	31,016
TOTAL CURRENT LIABILITIES		10,576,672	9,473,277
NON-CURRENT LIABILITIES			
Provision for employee entitlements	17	15,677	15,480
TOTAL NON-CURRENT LIABILITIES		15,677	15,480
TOTAL LIABILITIES		10,592,349	9,488,757
NET ASSETS		22,617,104	20,117,567
EQUITY			
Retained earnings	18	22,617,104	20,117,567
TOTAL EQUITY		22,617,104	20,117,567

The accompanying notes form part of these financial statements.

Phoenix Health Fund Limited

Statement of Changes in Equity

For the Financial Year Ended 30 June 2019

	Retained Earnings	Total
Note	\$	\$
Balance at 1 July 2018	20,117,567	20,117,567
Profit for the year	2,499,537	2,499,537
Balance at 30 June 2019	22,617,104	22,617,104

	Retained Earnings	Total
Note	\$	\$
Balance at 1 July 2017	17,999,795	17,999,795
Profit for the year	2,117,772	2,117,772
Balance at 30 June 2018	20,117,567	20,117,567

The accompanying notes form part of these financial statements.

Phoenix Health Fund Limited

Statement of Cash Flows

For the Financial Year Ended 30 June 2019

	2019	2018
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from policyholders and customers (inclusive of goods and services tax)	43,084,990	39,813,594
Payments to members (inclusive of goods and services tax)	(39,452,142)	(38,688,257)
Payments to suppliers and employees (inclusive of goods and services tax)	(4,031,940)	(3,288,271)
Risk Equalisation Trust Fund levy received	2,823,475	4,124,110
Net cash provided by operating activities	2,424,383	1,961,176
	20	
CASH FLOWS FROM INVESTING ACTIVITIES:		
Payments for financial assets	(5,535,750)	(4,492,001)
Proceeds from sale of financial assets	2,181,664	2,175,513
Payments for plant and equipment	(36,889)	(39,072)
Payments for intangibles	(56,395)	(48,800)
Interest received	636,226	531,103
Net cash (used in) by investing activities	(2,811,144)	(1,873,257)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash provided by financing activities	-	-
Net increase/(decrease) in cash and cash equivalents held		
Cash and cash equivalents at beginning of year	7 1,754,394	1,666,475
Cash and cash equivalents at end of financial year	7 1,367,633	1,754,394

The accompanying notes form part of these financial statements.

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

The financial report covers Phoenix Health Fund Limited as an individual entity. Phoenix Health Fund Limited is a not-for-profit Company limited by guarantee, incorporated and domiciled in Australia.

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

1 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and interpretations of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

(i) Compliance with IFRS

The financial statements of Phoenix Health Fund Limited (the Company) also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

The Company has applied a temporary exemption from AASB 9 Financial Instruments in accordance with paragraph 20B of AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts.

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention with certain exceptions as described in the accounting policies below.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

(b) Adoption of new and revised accounting standards

Adoption of AASB 15

The company has adopted all new and revised accounting standards during the correct financial year with no material impact on the financial statements or disclosures.

Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (cont'd)

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company.

(d) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Premium revenue

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

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

The proportion of the premium or receivable not earned in profit or loss at the reporting date is recognised in the statement of financial position as unearned premium liability.

Premiums on unclosed business are brought to account using estimates based on payment cycles nominated by the policyholder.

(ii) Investment income

Net fair value gains or losses on financial assets, classified as at fair value through profit or loss, is recognised in profit or loss of the period.

(iii) Other revenue

For the current period, other revenue is recognised upon the satisfaction of the related performance obligation.

For the comparative period, other revenue is recognised when it is or when the right to receive payment is established.

(f) Unexpired risk liability

At each reporting date the adequacy of the unearned premium liability is assessed by considering current estimates of all expected future cash flows relating to future claims against current insurance contracts.

Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (cont'd)

(f) Unexpired risk liability (cont'd)

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability, less related intangible assets and related deferred acquisition costs, then the unearned premium liability is deemed to be deficient. The Company applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability, refer note 3(a).

The entire deficiency is recognised immediately in profit or loss and recorded in the statement of financial position as an unexpired risk liability.

(g) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under insurance contracts issued by the Company, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

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

(h) Income Tax

The Company is exempt from income tax under Division 50 of the *Income Tax Assessment Act 1997* and as a result there is no income tax payable.

(i) Risk equalisation and other recoveries receivable

Risk Equalisation Trust Fund receivables on paid claims are recognised as revenue and disclosed in net claims incurred.

(j) Impairment of assets

Intangible assets that have an indefinite useful life and are not subject to amortisation, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting date.

(k) Assets backing private health insurance liabilities

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

With the exception of buildings and equipment, the Company has determined that all assets are held to back health insurance liabilities and their accounting treatment is described below:

Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (cont'd)

(k) Assets backing private health insurance liabilities (cont'd)

(i) Financial assets at fair value through profit or loss

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

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

- Short and long term deposits are carried at face value of the amounts deposited or drawn.
- Interest bearing securities are initially recognised at fair value, determined as the quoted cost at date of acquisition. They are subsequently remeasured to fair value at each reporting date. For securities traded in an active market, fair value is determined by reference to published bid price quotations. For securities not traded and securities traded in a market that is not active, fair value is determined using valuation techniques with the most common technique being reference to observable market data using the fair values of recent arm's length transactions involving the same or similar instruments. In the absence of observable market information, unobservable inputs which reflect management's view of market assumption are used. Valuation techniques maximise the use of observable inputs and minimise the use of unobservable inputs.
- Equity securities are designated as financial assets at fair value through profit and loss upon initial recognition. They are initially recorded at fair value, determined as the quoted cost at date of acquisition and are subsequently remeasured to fair value at each reporting date.

(l) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(m) Trade receivables other than those included in assets backing private health insurance liabilities

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which were known to be uncollectible were written off by reducing the carrying amount directly. An allowance account (provision for impairment) was used where there is objective evidence that the Company would not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss was recognised in profit or loss. When a receivable for which an impairment allowance had been recognised became uncollectible in a subsequent period, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were recognised in profit or loss.

(n) Deferred acquisition costs

In accordance with AASB 1023 General Insurance Contracts, acquisition costs which lead to future benefits are recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the statement of comprehensive income in subsequent reporting periods.

The Company incurs up front commission costs that will give rise to future premium revenue and are able to be directly associated with a particular insurance contract. These costs are deferred and amortised over the estimated life of the insurance contract.

Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (cont'd)

(n) Deferred acquisition costs (cont'd)

The Company considers the duration of an insurance contract to be an open ended agreement as the Company stands ready to continue to insure its customers under continuing policies. The Company has identified the amortisation period to be 3 years based on expected policy holder life.

The recoverability of the deferred acquisition costs is also considered as part of the liability adequacy test performed. As described in Note 3(b), the Company has estimated the unearned premium liability is nil which has resulted in a write up of related deferred acquisition costs during the period.

(o) Property, plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount of the asset and are included in profit or loss.

Buildings

Buildings is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount of the asset and are included in profit or loss.

Depreciation

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the Company. All plant and equipment assets having a cost of less than \$1,000 are depreciated in full in the year of purchase. All other items of plant and equipment are written off over a three to five year period.

(p) Intangibles

This amount represents a license the Company has acquired to utilise the Members Own Health Fund brand (MOHF) for a twenty year period.

The licence has a finite life of 20 years and is shown at historic cost less accumulated amortisation and impairment losses. Amortisation is calculated on a straight line basis.

(q) 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. These amounts are usually paid within 30 days of recognition.

Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (cont'd)

(r) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months of the reporting date and superannuation are recognised in payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rate paid.

(ii) Other long-term employee benefit obligations

The liability for long service leave, which is not expected to be settled within 12 months after the end of the period in which employees render the related service, is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. 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 end of the reporting period on corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated cash outflows.

(s) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST recoverable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flow.

Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (cont'd)

(t) New Accounting Standards and Interpretations

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods. The Company has decided not to early adopt these Standards. The following table summarises those future requirements, and their impact on the Company where the standard is relevant:

Standard Name	Effective date for entity	Requirements	Impact
AASB 16 Leases	Annual reporting periods beginning on or after 1 January 2019	<p>AASB 16 will cause the majority of leases of an entity to be brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low value assets which may remain off-balance sheet.</p> <p>The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments.</p> <p>A corresponding right to use asset will be recognised which will be amortised over the term of the lease.</p> <p>Rent expense will no longer be shown, the profit and loss impact of the leases will be through amortisation and interest charges.</p>	Based on Company's preliminary assessment, the standard is not expected to have material impact on the transactions and balances recognised in the financial statements.
AASB 17 Insurance Contracts	Annual reporting periods beginning on or after 1 January 2022	The standard introduces a new general measurement model for accounting for insurance contracts, with the application of a simplified approach permitted in certain circumstances.	The Company will undertake a detailed impact assessment of the new standard. There are changes in the presentation of the financial statements and disclosures anticipated. Due to the complexity of the requirements within the standard the final impact of certain requirements may not be determined until global interpretations and regulatory responses to the new standard are developed.

Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

1 Summary of Significant Accounting Policies (cont'd)

(t) New Accounting Standards and Interpretations (cont'd)

Standard Name	Effective date for entity	Requirements	Impact
AASB 9 Financial Instruments	Annual reporting periods beginning on or after 1 January 2018. (Temporary exemption applied)	AASB9 requires the financial assets to be reclassified based on primarily the business model in which a financial asset is managed and its actual cash flow characteristics.	Based on Company's preliminary assessment, the standard is not expected to have material impact on transactions and balances recognised in the financial statements.
AASB 15 Revenue from contracts with customers	Annual reporting periods beginning on or after 1 January 2019	AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers based on the principle that revenue is recognised when control of a good or service transfers to a customer.	The company's health insurance premium is outside the scope of the standard. The adoption of this standard is not expected to have a material impact on the transactions and balances recognised in the financial statements.

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

2 Critical Accounting Estimates and Judgments

The directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances. These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The key areas in which critical estimates are applied are:

- Estimation of deferred acquisition costs - Note 10
- Estimation of useful life of intangible assets - Note 1(p)
- Estimation of outstanding claims liability - Note 3(a) and Note 14
- Estimation for unexpired risk liability or liability adequacy test - Note 3(b) and Note 16

The ultimate liability arising from claims made under insurance contracts

Provision is made at the year 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 insurance contracts 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. This 'central estimate' of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered and a risk margin is added. The estimated cost of claims includes allowances for Risk Equalisation Trust Fund (RETF) consequences and claims handling expenses.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. 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.

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 processes which might accelerate or slow down the development and / or recording of paid or incurred claims, compared with the statistics from previous years.

The calculation did not take account of any actual post balance date claims.

The risk margin has been based on an analysis of the past experience of the Company. This analysis examined the volatility of past payments that has not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility.

The central estimate is calculated gross of any risk equalisation recoveries. A separate estimate is made of the amounts that will be recoverable from or payable to the RETF based upon the gross provision.

The provision for unexpired risk liability is made at year-end where the present value of future cash flows relating to the future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability.

In accordance with AASB 1023 General Insurance Contracts, in recognising the deficiency in the statement of comprehensive income the insurer shall first write-down any related deferred acquisition costs (DAC).

Details of specific assumptions used in deriving the outstanding claims liability and unexpired risk liability at year end are detailed in note 3.

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

3 Actuarial assumptions and methods

(a) Outstanding claims provision

Actuarial methods

The outstanding claims estimate is derived based on three valuation classes, namely Hospital services, Medical services, and General Treatment services.

In calculating the estimated cost of unpaid claims a chain ladder method is used; this assumes that the development pattern of the current claims will be consistent with historical experience. Where deemed necessary, manual adjustments were made to the outstanding claims by service month to produce an appropriate estimate of incurred claims for the service month. The calculation did not take account of any actual post balance date claims.

Actuarial assumptions

The risk margin of 10.0% (2018: 9.0%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2018: 75%).

Claims handling expenses were calculated by reference to past experience. This factor was determined from the ratio of the Company's reported claim handling expenses to total benefits (hospital, medical and general treatment claims) for the 12 months to 31 March 2019. The adopted rate was 3.0% (2018: 3.6%).

The business written by the Company is short tail in nature. Based on historic experience, approximately 80% (2018: 80%) of outstanding claims are paid within two months of balance date; for this reason, expected future payments are not discounted.

In determining the outstanding claims by service month as a percentage of total incurred claims by service month, the chain ladder method was applied to cumulative paid development separately by hospital, medical and general benefits.

Manual adjustments are then made for reasonableness, (where necessary), to the Current month, Current month less 1 and current month less 2 results. These adjustments are made by calculating the average incurred benefit per Single Equivalent Unit, (SEU) and per SEU per working day for each month and graphing the results for the past four years. The seasonality exhibited by the table is reasonably consistent from year to year, with each year's table showing an increase in incurred benefits from the previous year. Based on these tables, manual adjustments were made to the chain ladder results to derive the total monthly incurred benefits and hence the outstanding claims provision.

Sensitivity analysis – insurance contracts

i) Summary

The Company conducts sensitivity analyses 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. The table below describes how a change in each variable will affect the insurance liabilities.

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

3 Actuarial assumptions and methods (cont'd)

Variable	Impact of movement in variable
Outstanding claims are 10% higher or lower	An increase, (decrease), in the assumed outstanding claims at year end would result in an increase, (decrease), in claims expense.
Expense rate	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

ii) Impact of changes in key variables

	Profit	Equity
	\$	\$
Recognised amounts per the financial statements	2,499,537	22,617,104

Variable	Movement in variable	Profit Adjusted Amounts	Equity Adjusted Amounts
	%	\$	\$
Outstanding claims liability	10.00	2,058,037	22,175,604
	(10.00)	2,941,037	23,058,604
Expense rate	1.00	2,460,591	22,578,158
	(1.00)	2,538,483	22,656,050

(b) Unexpired risk liabilities

An assessment is made as to whether an unexpired risk liability is required to be brought to account on an annual basis. This involves assessing the profitability of future cash flows by considering trends in claiming, membership growth, mix of products and other factors. Consistent with the prior year, the adequacy for the year ended 30 June 2019 was tested for hospital and ancillary contracts as a single portfolio.

Where the resultant future loss ratio, which represents the combined claims and expense ratios, is expected to exceed 100%, related deferred acquisition costs are firstly written down and then an unexpired risk liability is brought to account. The claims ratio for this purpose includes a risk margin of 4.0% (2018: 3.9%) added to the central estimate, in order to provide a 75% (2018: 75%) probability of adequacy. On this basis, nil unexpired risk liability is required this year (2018: \$0). Refer note 16.

Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

4 Private Health Insurance contracts - risk management policies & procedures

The financial condition and operation of the Company is affected by a number of key financial risks including insurance risk, interest rate risk, credit risk, market risk and liquidity risk. Notes on the Company's policies and procedures in respect of managing these risks are set out below.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Company manages risk by:

- establishing an Audit Committee and a Risk Committee to assist the Board in the execution of its responsibilities;
- maintaining a robust risk management framework;
- the application of standards for solvency and capital adequacy made by the Australian Prudential Regulation Authority (APRA) and legislated under the *Private Health Insurance (Prudential Supervision) Act 2015*; and
- the Company's internal policies and procedures designed to mitigate such risks.

The responsibilities of the Audit Committee and Risk Committee include:

- reviewing the annual reports and other financial information distributed externally;
- assisting the Board to review the effectiveness of the Company's system of internal control;
- monitoring the risk management system;
- monitoring the activities of the internal audit function; and
- reviewing the nomination and performance of the external auditor.

The Board, both directly and through the Risk Committee, and senior management of the Company have developed, implemented and maintain a sound and prudent Risk Management Framework (RMF). The RMF identifies the Company's policies, procedures and controls that comprise its risk management and control systems. These systems address all material risks, financial and non financial, likely to be faced by the Company.

The solvency and capital adequacy standards are established under the *Private Health Insurance (Prudential Supervision) Act 2015* (The Act), and are an integral component of the prudential reporting and management regime for registered health funds under the Act.

The purpose of the solvency 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 referable to the fund, as those liabilities become due. This standard requires the Company to demonstrate that it will be able to meet the liabilities of its health benefits fund, allowing for adverse circumstances. A central pillar of a private health insurer's financial strength is that the assets of a health benefits fund are sufficiently liquid to meet its cash demands and unanticipated losses from its activities.

The purpose of the capital adequacy standard is to ensure, as far as practicable, that there are sufficient assets in a health benefits fund conducted by a private health insurer to provide adequate capital for the conduct of the health benefits fund in accordance with the Act and in the interests of the policy holders of the fund. This standard requires the private health insurer to demonstrate that the assets of its health benefits fund will be able to meet the liabilities of the fund after a 12 month period, allowing for the future business plans of the fund and adverse circumstances.

(b) Insurance risk

The provision of private health insurance in Australia is governed by the *Private Health Insurance Act 2007* (The Act) which is premised on the fundamental principles of community rating and risk equalisation.

Community rating is the principle which prevents private health insurers from discriminating between people on the basis of their health status, age, race, sexuality, the frequency that a person needs treatment or claims history. The 'principles of community rating' are referred to in The Act.

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

4 Private Health Insurance contracts - risk management policies & procedures (cont'd)

(b) Insurance risk (cont'd)

Risk equalisation supports the principle of community rating. Private health insurance averages the cost of hospital treatment across the industry. The risk equalisation scheme transfers money from private health insurers with lower average claims payments, to those insurers with higher average claim payments.

The Act also limits the types of treatments that private health insurers are able to offer as part of their health insurance business, and limits the volatility of premiums by allowing changes to premiums only with the approval of the Minister.

(c) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to policyholders, Medicare Australia (MBS payments and the private health insurance rebate), the Risk Equalisation Trust Fund pool (RETF), and GST receivable.

The maximum exposure to credit risk at balance date is the carrying amount, net of any provisions for impairment loss, as disclosed in the statement of financial position and notes to the financial statements. The Company does not have any material credit risk to any single debtor or group of debtors under financial instruments entered into.

Credit risk arising from cash and cash equivalents and deposits with banks and financial institutions is managed in accordance with the Company's investment policy which is set and approved by the Board. Monies are only invested in recognised financial institutions, (Approved Deposit Institutions, "ADIs"). Only independently rated parties with a short term issuer credit rating of A-3 or higher, or long term issuer credit rating of BBB- or higher, or non-rated entities where deposits are covered under the Australian Government Financial Claims Scheme, are accepted. The Company's investment policy imposes limits on the proportion of invested monies that may be invested with any one institution, thereby minimising concentration risk.

Credit risk for premium receivables is minimal due to the diversification of policyholders. The MBS payments, private health insurance rebate and GST receivable are due from government organisations under legislation. Credit risk for RETF recoveries ultimately relates to the risk of default from other private health insurance organisations that participate in the RETF pool. These organisations operate within the same regulatory environment as the Company.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2019	2018
	\$	\$
Other receivables		
Existing debtors (more than 6 months) with no defaults in the past	59,108	54,439
Total other receivables	59,108	54,439
Cash and cash equivalents		
AA	1,367,633	1,754,394
Financial assets at fair value through profit or loss		
AA	10,229,770	8,142,009
A	4,552,610	4,230,945
BBB	4,517,125	4,978,397
Unrated	8,476,632	6,458,426
Total financial assets at fair value through profit or loss	27,776,137	23,809,777

Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

4 Private Health Insurance contracts - risk management policies & procedures (cont'd)

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and holds a high percentage of highly liquid investments.

The Company does not have any borrowings or other debt obligations. There are no overdraft facilities.

Maturities of financial liabilities

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 3 months \$	3 - 12 months \$	1 - 5 years \$	Greater than 5 years \$	Total contractual cash flows \$
30 June 2019					
Trade and other payables	1,966,647	-	-	-	1,966,647
30 June 2018					
Trade and other payables	2,301,631	-	-	-	2,301,631

(e) 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.

Foreign exchange risk

Currency risk is that the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Price risk

The Company is exposed to securities price risk in relation to both the long term fixed income and the equities investment portfolios. This arises from investments held by the Company and classified on the statement of financial position as at fair value through profit or loss. These risks are managed in accordance with the Company's investment policy which establishes exposure limits for each type of financial asset and reflects the Board's conservative approach to market risk.

Fair value 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 weighted to defensive assets versus growth assets. Defensive assets consist of fixed interest securities and cash and cash equivalents.

Summarised sensitivity analysis

The table below summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk.

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

4 Private Health Insurance contracts - risk management policies & procedures (cont'd)

(e) Market risk (cont'd)

Methods and assumptions used in preparing sensitivity analysis:

The post-tax effect on profit and equity of movements in interest rate has been calculated using 'reasonably possible' changes in the risk variables, based on recent interest rate and market movements.

Interest rate and price change assumptions

An interest rate change of 100 basis points will directly affect interest on cash and cash equivalents. The financial assets at fair value through profit or loss comprise term deposits with fixed rates of interest applying for the duration of the deposit. Therefore the Company is exposed to interest rate risk to the extent that the term deposits will mature and be re-invested at rates prevailing at the maturity dates.

	Carrying amount	-100bps		+100bps	
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
30 June 2019					
Cash and cash equivalents	1,367,633	(13,676)	(13,676)	13,676	13,676
Fixed rate instruments - Term deposits & bonds	23,034,690	(230,347)	(230,347)	230,347	230,347
Total	24,402,323	(244,023)	(244,023)	244,023	244,023
	Carrying amount	-100bps		+100bps	
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
30 June 2018					
Cash and cash equivalents	1,754,394	(17,544)	(17,544)	17,544	17,544
Fixed rate instruments - Term deposits & bonds	19,511,565	(195,116)	(195,116)	195,116	195,116
Total	21,265,959	(212,660)	(212,660)	212,660	212,660

Note: This table above does not include equities and property as these financial instruments are not subject to interest rate risk.

(f) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

AASB7 Financial Instruments requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

4 Private Health Insurance contracts - risk management policies & procedures (cont'd)

The following tables present the company's assets and liabilities measured and recognised at fair value.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
As at 30 June 2019				
Assets				
Financial assets at fair value through profit or loss	27,776,137	-	-	27,776,137
Total assets	<u>27,776,137</u>	<u>-</u>	<u>-</u>	<u>27,776,137</u>
As at 30 June 2018				
Assets				
Financial assets at fair value through profit or loss	23,809,777	-	-	23,809,777
Total assets	<u>23,809,777</u>	<u>-</u>	<u>-</u>	<u>23,809,777</u>

5 Revenue

	2019 \$	2018 \$
Premium revenue	43,358,757	39,937,428
Investment income	1,266,758	991,262
Sundry income	4,998	8,748
Proceeds received from OSR	2,727	5,855
	<u>44,633,240</u>	<u>40,943,293</u>

6 Underwriting and other operating expenses

	2019 \$	2018 \$
Expenses by function		
Claims handling expenses	1,084,778	1,155,854
Acquisition costs	592,223	459,490
Underwriting expenses	2,217,592	1,856,639
Total expenses (excluding direct claims expense)	<u>3,894,593</u>	<u>3,471,983</u>
Expenses by nature		
Depreciation	93,813	99,489
Amortisation	78,239	25,337
Employee benefits	1,580,830	1,355,387
Other expenses	2,141,711	1,991,770
Total expenses (excluding direct claims expense)	<u>3,894,593</u>	<u>3,471,983</u>

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

7 Cash and Cash Equivalents

	2019	2018
	\$	\$
Cash at bank and on hand	1,367,633	1,754,394
	<u>1,367,633</u>	<u>1,754,394</u>

(a) Risk exposure

The Company's exposure to interest rate risk is discussed in note 4. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

8 Trade and Other Receivables

	2019	2018
	\$	\$
Premiums receivable	74,500	62,287
30% rebate scheme	1,004,921	1,007,151
75% Medicare refund	204,985	146,506
Risk Equalisation Trust Fund levy receivable	646,024	680,072
Accrued interest on investments	88,557	70,299
Other receivables	59,108	54,439
	<u>2,078,095</u>	<u>2,020,754</u>

(a) Impairment of receivables

As at 30 June 2019 there were no current receivables which were impaired (2018: \$nil).

(b) Past due but not impaired receivables

As at 30 June 2019 there were no current receivables which were past due but not impaired (2018: \$nil).

(c) Interest rate risk

The Company's exposure to interest rate risk is discussed in note 4.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 4 for more information on the risk management policy of the Company and the credit quality of the Company's receivables.

9 Financial assets

	2019	2018
	\$	\$
Interest-bearing securities	11,670,682	11,237,689
Short term deposits	11,381,546	8,274,547
Equity securities	3,569,509	3,297,394
Long term deposits	1,154,400	1,000,147
	<u>27,776,137</u>	<u>23,809,777</u>

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

9 Financial assets (cont'd)

(a) Risk exposure

The Company's exposure to interest rate risk is discussed in note 4. The maximum exposure to credit risk at the reporting date is the carrying amount of interest-bearing securities mentioned above.

10 Deferred Acquisition Costs

	2019 \$	2018 \$
Commission Costs	<u>201,286</u>	211,300
Movements in Deferred Acquisition Costs are as follows:		
Balance at beginning of year	211,300	86,687
Acquisition Costs deferred during the year	116,982	246,898
Amortisation Expense	(164,696)	(84,585)
Write-off arising from LAT test (see Note 3 b)	-	(37,700)
Write-up arising from LAT test (see Note 3 b)	37,700	-
	<u>201,286</u>	<u>211,300</u>

11 Property, plant and equipment

Buildings		
At cost	1,391,381	1,391,381
Accumulated depreciation	(180,332)	(119,903)
Total buildings	<u>1,211,049</u>	<u>1,271,478</u>
Furniture, fixtures and fittings		
At cost	168,092	131,203
Accumulated depreciation	(113,241)	(79,857)
Total furniture, fixtures and fittings	<u>54,851</u>	<u>51,346</u>
Total property, plant and equipment	<u>1,265,900</u>	<u>1,322,824</u>

12 Intangible assets

Licenses and franchises		
At cost	340,500	340,500
Accumulated amortisation and impairment	(78,499)	(61,474)
Net carrying value	<u>262,001</u>	<u>279,026</u>
Computer software		
At cost	203,045	146,650
Accumulated amortisation and impairment	(119,681)	(58,468)
Net carrying value	<u>83,364</u>	<u>88,182</u>
	<u>345,365</u>	<u>367,208</u>

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

13 Trade and Other Payables

	2019	2018
	\$	\$
Trade payables	<u>1,966,647</u>	<u>2,301,631</u>

14 Outstanding claims liability

(a) Outstanding claims liability	<u>4,415,000</u>	<u>2,839,000</u>
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The outstanding claims liability comprises the following components:

Outstanding claims – central estimate of the expected future payments for claims incurred	4,242,000	2,864,000
Claims handling costs	126,000	103,000
Risk margin	<u>401,000</u>	<u>234,000</u>
Gross outstanding claims liability	4,769,000	3,201,000

Outstanding claims – expected receivable from the RETF in relation to the central estimate	<u>(354,000)</u>	<u>(362,000)</u>
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Net outstanding claims liability	<u>4,415,000</u>	<u>2,839,000</u>
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Current	4,415,000	2,839,000
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Non-current	-	-
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Total	<u>4,415,000</u>	<u>2,839,000</u>
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(a) Risk margin

The risk margin of 10.0% (2018: 9.0%) of the underlying liability has been estimated to equate to a probability of adequacy of 75%.

The central estimate of outstanding claims (including those that have been reported but not yet settled and which have been incurred but not yet reported) is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered.

The outstanding claims estimate is derived based on 3 product classes, namely Hospital services, Medical services, and Ancillary services.

The business written by the Company is short tail in nature. Based on historic experience, approximately 80% of outstanding claims are paid within 2 months of balance date. For this reason, expected future payments are not discounted.

15 Unearned premium liability

	2019	2018
	\$	\$
Unearned premium liability as at 1 July	4,301,630	4,465,368
Deferral of premiums on contracts written in the period	4,148,239	4,187,341
Earning of premiums written in previous periods	<u>(4,301,630)</u>	<u>(4,351,079)</u>
Unearned premium liability as at 30 June	<u>4,148,239</u>	<u>4,301,630</u>

Unearned premium liability is split between current/non-current as follows:

Current	4,148,239	4,301,630
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Phoenix Health Fund Limited

Notes to the Financial Statements

For the Financial Year Ended 30 June 2019

16 Unexpired risk liability

(a) Unexpired risk liability	2019	2018
	\$	\$
Unexpired risk liability as at 1 July	-	72,486
Decrease in unexpired risk liability in the period	-	(72,486)
	<hr/>	<hr/>
(b) Movement recognised in the statement of comprehensive income		
Net movement in unexpired risk liability	-	72,486
	<hr/>	<hr/>

A risk margin of 4.0% (2018: 3.9%) has been applied in the calculation of the unexpired risk liability as at 30 June 2019. The process for determining the overall risk margin is discussed in Note 3(b). As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of adequacy.

17 Provisions

Current		
Annual leave	46,229	28,491
Long service leave	557	2,525
	<hr/>	<hr/>
	46,786	31,016
	<hr/>	<hr/>
Long service leave	15,677	15,480
Non-current		
Long service leave	15,677	15,480
	<hr/>	<hr/>

18 Retained Earnings

Balance at 1 July	20,117,567	17,999,795
Net profit for the year	2,499,537	2,117,772
	<hr/>	<hr/>
Balance at 30 June	22,617,104	20,117,567
	<hr/>	<hr/>

19 Remuneration of Auditors

Remuneration of the auditor for:		
- auditing or reviewing the financial statements	56,300	55,200
- other audit related services	2,550	2,500
	<hr/>	<hr/>
	58,850	57,700
	<hr/>	<hr/>

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

20 Notes to the cash flow statement

(a) Reconciliation of cash and cash equivalents

	2019	2018
	\$	\$
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year is reconciled to items in the statement of financial position as follows:		
Cash and cash equivalents	<u>1,367,633</u>	<u>1,754,394</u>

(b) Reconciliation of profit for the period to net cashflows from operating activities

Net profit from ordinary activities	2,499,537	2,117,772
Interest received	(1,266,758)	(991,262)
Depreciation & amortisation expense	172,051	124,827
Loss on disposal of fixed assets	-	188
(Increase)/decrease in assets:		
Receivables	(39,083)	567,357
Other current assets	(44,956)	(120,418)
Increase/(decrease) in liabilities:		
Payables	(488,375)	162,489
Provisions	1,591,967	100,223
Net cash from operating activities	<u>2,424,383</u>	<u>1,961,176</u>

21 Related party transactions

(a) Directors

The names of the directors of Phoenix Health Fund Limited are disclosed in the directors' report.

(b) Other key management personnel

Key management personnel also include persons who had the authority and responsibility for planning, directing and controlling the activities of the Company, i.e. the Chief Executive Officer, the Chief Financial Officer, the Head of Sales & Marketing and the Head of Service & Operations (resigned 12 April 2019)..

(c) Key management personnel compensation

	2019	2018
	\$	\$
Short-term employee benefits	525,281	541,731
Post-employment benefits	46,687	52,147
	<u>571,968</u>	<u>593,878</u>

Phoenix Health Fund Limited

Notes to the Financial Statements For the Financial Year Ended 30 June 2019

21 Related party transactions (cont'd)

(d) Other transaction with related parties

The Chief Executive Officer and the Head of Service & Operations (resigned 12 April 2019) received a 25% discount on Phoenix Health Fund membership premiums. This amounted to \$2,870 for the year (2018: \$5,574).

22 Events after the end of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

23 Statutory Information

The registered office of and principal place of business of the company is:

Phoenix Health Fund Limited
Suite 1/4, Honeysuckle Drive
Newcastle, NSW 2300



1800 028 817

Mon - Fri, 8:30 am - 5:00 pm (AEST)



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