Phoenix Health Fund

Annual Report 2016

MEMBERS OWN HEALTH FUND

63rd Annual Report 2016

Phoenix Health Fund Limited
(a company limited by guarantee)

ABN 93 000 124 863

Contents

We exist for our members, not profits or overseas investors.

Performance highlights

We love our members and they love us back!

Phoenix has always put an emphasis on making sure we go above and beyond for our members. Many great advancements in customer service have taken place this last financial year with improvements to electronic communications and claiming as well as staff training and member benefits.

7.2%
Membership Growth

Net membership, 2016 financial year

90.4%
Member Retention

State of the Health Funds Report 2015

99%
Customer Service Satisfaction

Discovery Research Report 2015

0%
Ombudsman Investigations

State of the Health Funds Report 2015

15,252
Persons covered

Persons covered as at the 30/06/2016

7,553
Memberships

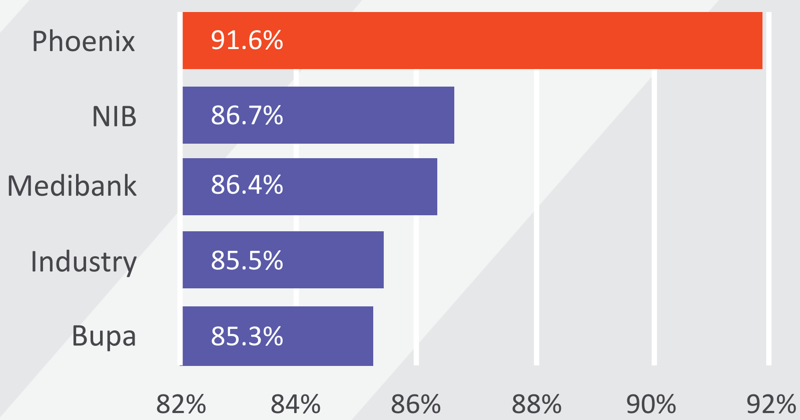
Membership count as at 30/06/2016

13,636
Claims paid

Data from the 01/07/2015 -30/06/2016

Proudly member owned and focussed for over 60 years.

Phoenix pays bigger benefits!



Benefits paid as a percentage of contributions. State of the Health Funds Report 2015

Dental Claims

$4,018,690

Optical Claims

$1,279,025

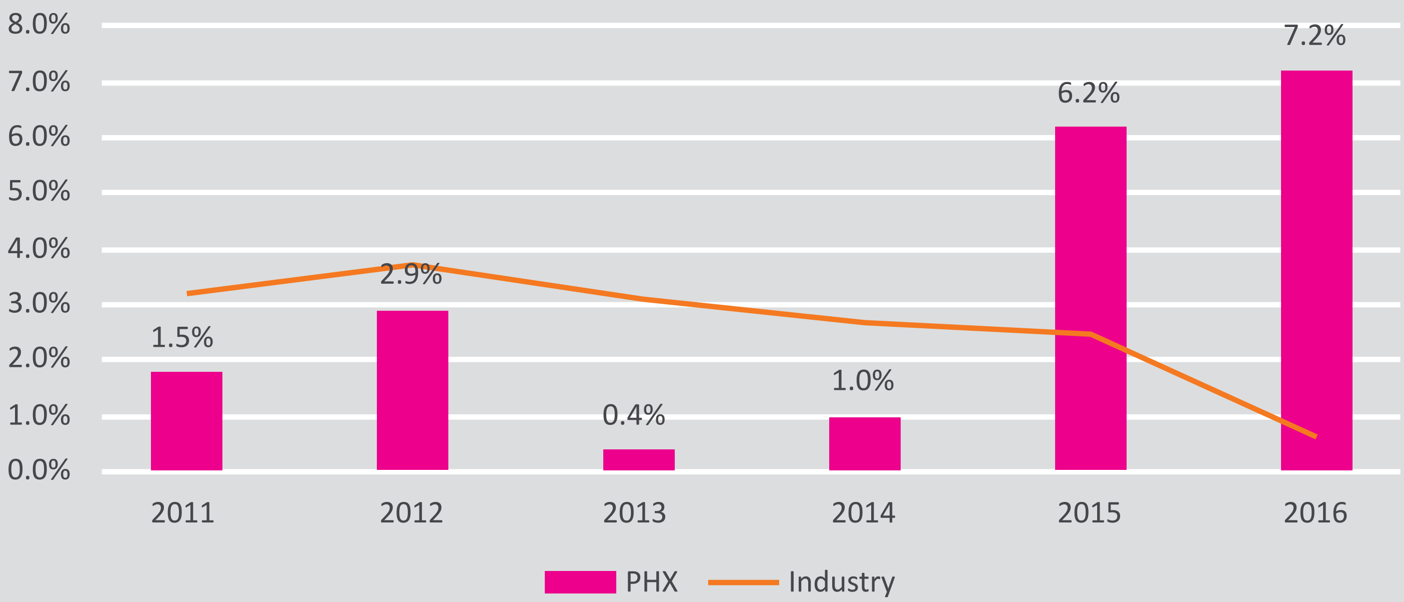
Highest Costing Claim

$237,896

Data from the 2015/2016 financial year

Being not-for-profit allows the fund to invest back into member benefits.

Net Member Growth 2011 - 2016



Chairman and CEO Report

Phoenix Health Fund was established in 1953 for the employees of Stewart and Lloyds. Over the years, Phoenix has continued to offer private health insurance to the companies that have represented the original Stewart and Lloyds business.

We have always been, and will remain, proud of our heritage. Given the competitive nature of the health insurance industry, last year we believed the time was right to open membership to the broader community to ensure the long term health of Phoenix. As a result, Phoenix Health Fund now proudly offers private health insurance to anyone who wishes to join.

Phoenix Health Fund's mission remains to focus on our members, not profits. Most importantly we aim to provide Members access to a range of affordable, high quality health insurance cover.

The Board and Management are committed to ensure the fund continues to focus on our Member first philosophy. This is demonstrated in the Objectives and Key Performance Indicators as follows:

- **Members satisfaction:** 99% member satisfaction for over 6 years consecutively (Discovery Research 2016).
- **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 2015).
- **Options for all Members:** Flexible policy options to suit all budgets and stages of life.
- **Friendly and easy to reach staff:** can be contacted via phone or email quickly and easily.
- **Easy claim and payment options:** Mobile claiming application and over-the-provider-counter claiming. Flexible Payment options including direct debit from your bank or credit card with several payment frequency options.

The strategy for achieving these objectives is to leverage our culture to help us grow and remain focussed on our members, whilst maintaining our not for profit and mutual values. Phoenix remains committed to offering a competitive product range that provides value and peace of mind to its members.

In June 2016, CHOICE Magazine's Health Fund review of hospital cover, awarded Phoenix Health Fund's 'Top Hospital Cover' with a rating of 100%, compared to all policies in the market. As a result, it was recommended in their 'TOP' policies listing.

During the 2016 financial year, net membership increased by 7.2%, which was well above the overall industry growth rate of 0.6%. The annual premium rise at 1 April 2016 was limited to 5.72% which was marginally above the industry average.

Phoenix continued to provide excellent member benefits, with the percentage of premiums paid totalling 91.9%. This result is well above the industry average of 85.5% and the four major health funds. Total benefits paid to members has increased by 10% and 8% respectively, for the last two years.

Phoenix Health Fund reports to the board on a monthly and quarterly basis regarding financial and membership performance, against board determined targets. In accordance with regulations, financial performance reports are provided to the regulator, APRA, on a quarterly basis.

We believe Member-Owned Health Funds like Phoenix continue to demonstrate their value proposition by providing a better alternative to the big funds through paying higher benefits as a percentage of contributions and higher member satisfaction. We will continue to work very hard to put our Members first in everything we do.

Bruce Arnott
Chairman

Sharon Waterhouse
Chief Executive Officer

Directors' Report

We have much pleasure in presenting the sixty-third Annual Report of Phoenix Health Fund Limited (the "Company") covering the financial activities of the organisation for the year ended 30 June 2016. The Company is incorporated and domiciled in Australia as a company limited by guarantee.

Directors

The following persons were directors of the Company during the whole of the financial year and up to the date of this report:

Bruce Arnott, Brett Bancroft, David Byrnes, John Finch, Adrian Howard, Ian Waters.

Appointments

Danielle Hodgson - appointed 20 June 2016.

Objectives

We're for Members, not for Profits. Providing Members access to a range of affordable, high quality health insurance cover.

Objectives and Key Performance Indicators are as follows:

- **Members satisfaction:** 99% member satisfaction for over 5 years consecutively (Discovery Research 2016).
- **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 2015).
- **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.

The strategy for achieving these objectives is to leverage our culture to help us grow and remain focussed on our members. While Phoenix Health has recently transitioned 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. Phoenix Health Fund provides health insurance to anyone wishing to join the Fund.

During the financial year to 30 June 2016, controlled membership growth improved, with an increase in new members of 12.9% offsetting membership lapses of (5.7%). The annual premium rise at 1 April 2016 was limited to 5.72% which was marginally above the industry average. This was supported with excellent member benefits.

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.

Review of operations

Revenue increased by $3.2 million (11%) in 2015/16, mainly due to:

- membership growth;
- the government approved premium increase; and
- the recovery of levies overcharged by the Office of State Revenue (OSR) in prior financial years.

The increase in revenue was partially offset by reduced interest income, as a result of lower interest rates.

Outgoings increased by $3.1 million (11%) in 2015/16, predominantly due to additional member benefits paid.

Resultantly, overall profit attributable to members was $374,349 in 2015/16, compared to $276,836 in 2014/15.

Cash and financial assets reduced due to the investment of $1.4 million for a new Head Office building located in Newcastle, due to the requirement to relocate from the Mayfield site. Phoenix Health Fund's cash position remains very strong.

Significant changes in the 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.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016 that has 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.

Member Liability

In accordance with Phoenix Health Fund'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.

As at the end of June 2016, the total member liability was $762.50, based on 7,625 members.

Directors' Information

Bruce Arnott B.Com, CPA, MAICD

Bruce was appointed as Chairman of Phoenix Health Fund in 2015. Bruce holds a Bachelor of Commerce from the University of Newcastle and is a member of CPA Australia. His career included senior positions as CFO and Company Secretary at Bradken, and senior positions at Onesteel, BHP and Tubemakers.

Special Responsibilities: Member of the Audit Committee, Member of the Risk Committee, Member of the Nominations Committee and Member of the Remuneration Committee.

John Finch MAICD

John has been a member of the Board for 19 years. He has served as Chairman and is currently Deputy Chairman.

Special Responsibilities: Chairman of the Nominations Committee and Chairman of Remuneration Committee.

Brett Bancroft B.Com, B.LLB

Brett is National Manager, Energy & Carbon, Arrium Mining and Materials. He has been a member of the Board since 2007.

Special Responsibilities: Chairman of the Risk Committee and Member of the Audit Committee.

David Byrnes B.Bus, GAICD

David is the Product Marketing Manager at Arrium Mining and Materials and holds a Bachelor of Business degree. He has served as Deputy Chairman and has been a member of the Board since 2007.

Special Responsibilities: Member of the Nominations Committee and Member of the Remuneration Committee.

Adrian Howard B.Com, CA, MAICD

Adrian was appointed to the Board in 2014 and is currently General Manager - Product Support at WesTrac.

Special Responsibilities: Chairman of the Audit Committee and Member of the Risk Committee.

Ian Waters MAICD

Ian was appointed to the Board in 2004.

Special Responsibilities: Member of the Audit Committee and Member of the Risk Committee.

Danielle Hodgson B.Bus

Danielle was appointed to the Board in 2016. Danielle is Partner and Investment Advisor with Crestone Wealth Management and holds a Bachelor of Business International Trade and Retail Management. She is an accredited Stockbroker and is currently finalising a Masters of Finance and Investment.

Company Secretary

The Company Secretary is Ross Harland. Mr Harland was appointed to the position of Company Secretary in 2013, and is the Finance Manager and Public Officer of Phoenix Health Fund Limited.

Meetings of Directors

The number of Directors meetings and Committee meetings attended by each Director during the financial year are as follows:

Director	Meeting of Directors		Audit Committee		Risk Committee		Nominations Committee		Remuneration Committee	
	A	B	A	B	A	B	A	B	A	B
Bruce Arnott	8	10	4	5	4	5	2	2	1	1
Ian Waters	10	10	4	5	4	5	*	*	*	*
Danielle Hodgson	4	4	*	*	*	*	*	*	*	*
John Finch	9	10	*	*	*	*	2	2	1	1
Brett Bancroft	8	10	4	5	4	5	*	*	*	*
David Byrnes	9	10	*	*	*	*	2	2	1	1
Adrian Howard	9	10	4	4	5	5	*	*	*	*

A = Number of meetings attended.
B = Number of meetings during the time the director held office, or was a member of a committee during the year.
**Not a member of a relevant committee.*

Directors’ Benefits

Since 30 June 2015, 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 $144,638 per annum. Superannuation contributions required under the Australian superannuation guarantee legislation are made and are deducted from the directors’ overall fee entitlements.

Insurance of officers

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 the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 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

The Auditor, PKF (NS), Chartered Accountants, continue in office in accordance with provisions of Section 327 of the Corporations Act 2001.

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 11.

John Finch
Vice Chairman

19th September 2016

Auditor’s Independence Declaration

19 September 2016

The Board of Directors
Phoenix Health Fund Limited
PO Box 156
NEWCASTLE NSW 2300

Dear Board Members,

Auditor’s Independence Declaration under section 307C of the Corporations Act 2001

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 year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

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

(b) No contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF
Chartered Accountants

Martin Matthews
Parter

PKF(NS) Audit & Assurance Limited Partnership

ABN 91 850 861 839

Liability limited by a scheme approved under Professional Standards Legislation

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Directors’ Declaration

In the directors’ opinion:

a) the financial statements and notes set out on pages 15 to 41 are in accordance with the Corporations Act 2001, including:
   i. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
   ii. giving a true and fair view of the Company’s financial position as at 30 June 2016 and of its performance for the financial year ended on that date.

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) 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 directors.

John Finch
Vice Chairman

19th September 2016

Report on the Financial Report

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (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. 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 Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In our opinion:

(a) the financial report of Phoenix Health Fund Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2016 and of ts performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

PKF

PKF
Chartered Accountants

19 September 2016
Newcastle West, NSW

MMatthews

Martin Matthews
Parter

19 September 2016
Newcastle West, NSW

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Statement of comprehensive income

Statement of comprehensive income
For the year ended 30 June 2016

	Notes	2016	2015
		$	**$**
Premium Revenue	**5**	**31,543,421**	28,621,332
Member benefits		**(32,970,177)**	(29,931,869)
Risk Equalisation Trust Fund levy		**4,071,738**	4,025,230
State levies		**(289,477)**	(374,355)
Claims handling expenses	**6**	**(1,045,818)**	(1,046,804)
Net claims incurred		**(30,233,733)**	(27,327,799)
Net movement in unexpired risk liability		**(85,581)**	(35,000)
Acquisition costs	**6**	**(546,801)**	(342,533)
Underwriting expenses	**6**	**(1,290,498)**	(1,325,345)
Underwriting result		**(613,192)**	(409,346)
Investment income	**5**	**555,200**	679,073
Other income	**5**	**432,341**	7,107
Profit/(Loss) before income tax		**374,349**	276,836
Income tax expense	**1(g)**	-	-
Profit/(Loss) for the year		**374,349**	276,836
Other comprehensive income for the year	**5**	-	-
Total comprehensive profit/(loss) for the year attributable to members	**18**	**374,349**	276,836

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position
As at 30 June 2016

	Notes	2016	2015
		$	$
Assets			
Current assets			
Cash and cash equivalents	7	**3,768,718**	2,099,325
Receivables	8	**3,507,568**	2,256,745
Prepayments		**180,358**	55,525
Financial assets at fair value through profit or loss	9	**16,000,000**	19,519,250
Deferred acquisition costs	10	**68,631**	85,603
		23,525,275	24,016,448
Non-current assets			
Buildings	11	**1,367,400**	-
Plant and Equipment	11	**104,949**	101,642
Intangibles	12	**313,076**	128,494
		1,785,425	230,136
		25,310,700	24,246,584
Liabilities			
Current liabilities			
Payables	13	**1,802,334**	2,074,966
Outstanding claims liability	14	**2,554,000**	2,230,000
Unearned premium liability	15	**3,974,833**	3,458,930
Unexpired risk liability	16	**302,581**	217,000
Provisions for employee entitlements	17	**164,743**	118,965
		8,798,491	8,099,861
Non-current liabilities			
Unearned premium liability	15	**7,136**	15,999
		7,136	15,999
Total liabilities		**8,805,627**	8,115,860
Net assests		**16,505,073**	16,130,724
Equity			
Retained profits	18	**16,505,073**	16,130,724
Total equity		**16,505,073**	16,130,724

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

Statement of changes in equity
For the year ended 30 June 2016

	Notes	Retained Profits $	Total Equity $
Balance at 1 July 2014		**15,853,888**	15,853,888
Profit for the year	**18**	**276,836**	276,836
Balance at 30 June 2015	**18**	**16,130,724**	16,130,724
Profit for the year	**18**	**374,349**	374,349
Balance at 30 June 2016	**18**	**16,505,073**	16,505,073

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

Statement of cash flows
For the year ended 30 June 2016

	Notes	2016 $	2015 $
Cash flows from operating activities			
Receipts from policyholders and customers (inclusive of goods and services tax)		**31,052,659**	28,978,351
Receipts from OSR		**422,466**	-
Payments to members (inclusive of goods and services tax)		**(32,611,652)**	(30,020,601)
Payments to suppliers and employees (inclusive of goods and services tax)		**(3,404,044)**	(1,479,242)
Risk Equalisation Trust Fund levy		**3,647,549**	3,979,641
Net cash inflow (outflow) from operating activities	**20**	**(893,022)**	1,458,149
Cash flows from investing activities			
Payments for fixed interest securities		**(29,500,000)**	(28,538,500)
Proceeds from sale of fixed interest securities		**33,019,250**	27,019,250
Payments for plant and equipment		**(1,466,695)**	(58,493)
Payments for intangibles		**(103,500)**	(133,500)
Interest		**613,360**	715,544
		2,562,415	(995,699)
Net (decrease) increase in cash and cash equivalents		**1,669,393**	462,450
Cash and cash equivalents at the beginning of the financial year	**7**	**2,099,325**	1,636,875
Cash and cash equivalents at end of year	**7**	**3,768,718**	2,099,325

The above statement of cashflows should be read in conjunction with the accompanying notes.

Note 1. Summary of significant accounting policies

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.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations of the Australian Accounting Standards Board, and the Corporations Act 2001. The company is a not-for-profit entity for the purpose of preparing the financial statements.

(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).

(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) 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 Fund.

(c) 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 Phoenix Health Fund Limited's functional and presentation currency.

(d) Revenue recognition

Revenue is measured at the fair value of the consideration 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
Other revenue is recognised when it is or when the right to receive payment is established.

(e) 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.

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 1(f).

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

(f) 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.

(g) Income tax

The Company is exempt from income tax under Section 50-30 of the Income Tax Assessment Act (1997) and as a result there is no income tax payable.

(h) Risk equalisation and other recoveries receivable

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

(i) 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.

(j) Assets backing general 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 general insurance liabilities.

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

(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:

- Cash and cash equivalents are carried at face value of the amounts deposited. The carrying amounts of cash assets approximate to their fair value. For the purposes of the statement of cash flows, cash includes cash on hand and deposits held at call with financial institutions, and deposits with a maturity of 3 months or less;
- Fixed interest securities are recognised at fair value, being the initial acquisition cost.

(ii) Receivables
Amounts due from policyholders are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated to by taking the 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 present value of estimated future cash flows. The impairment charge is recognised in profit or loss.

(k) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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.

(l) 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 are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment) is used where 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 impairment loss is recognised in profit or loss. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised in profit or loss.

(m) 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 Fund 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.

The Fund considers the duration of an insurance contract to be an open ended agreement as the Fund stands ready to continue to insure its customers under continuing policies. The Fund 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 16, the Fund has a deficiency in the unearned premium liability which has resulted in a write down of related deferred acquisition costs during the period.

(n) 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.

(o) 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.

(p) 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.

(q) Intangibles

This amount represents a license the Fund 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.

(r) 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. During the previous financial year the Fund adopted the policy of deferring payment on hospital contracts to 25 days after date of invoice. Previously these invoices had been paid in the week they were processed.

(s) 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.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. 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.

(u) New accounting standards and interpretations

A number of new and revised standards are to become effective for the first time to annual periods beginning on or after 1 July 2016. Information on the more significant standard(s) is presented below.

Recently issued major standards on revenue (IFRS/AASB 15) and financial instruments (IFRS/AASB 9) become effective for annual reporting periods on or after 1 January 2018.

Clarifications to IFRS 15 Revenue from Contracts with Customers.

The amendments clarify the application of IFRS 15 in three (3) specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies:

1. Identify performance obligations (by clarifying how to apply the concept of 'distinct');
2. Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle);
3. Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company's activities significantly affect the intellectual property to which the customer has rights).

The amendments also create two (2) additional practical expedients available for use when implementing IFRS 15:

1. For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations.
2. Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented.

The AASB is expected to publish the equivalent Australian amendments in quarter 2 of 2016.

When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting.

These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

a. Financial assets that are debt instruments will be classified based on: (i) the objective of the entity's business model for managing the financial assets; and (ii) the characteristics of the contractual cash flows.

b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss). Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.

c. Introduces a 'fair value through other comprehensive income' measurement category for particular simple debt instruments.

d. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

e. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:

- the change attributable to changes in credit risk are presented in Other Comprehensive Income (OCI)

- the remaining change is presented in profit or loss If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.

Otherwise, the following requirements have generally been carried forward unchanged from AASB 139 into AASB 9:

- classification and measurement of financial liabilities; and

- derecognition requirements for financial assets and liabilities.

AASB 9 requirements regarding hedge accounting represent a substantial overhaul of hedge accounting that enable entities to better reflect their risk management activities in the financial statements. Furthermore, AASB 9 introduces a new impairment model based on expected credit losses. This model makes use of more forward-looking information and applies to all financial instruments that are subject to impairment accounting.

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

The new Leases Standard (IFRS/AASB 16 Leases) brings in all leases on balance sheet, with exemptions for short-term leases and leases of low value assets.

AASB 16:

- replaces AASB 117 Leases and some lease-related Interpretations,

- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases.

- provides new guidance on the application of the definition of lease and on sale and lease back accounting.

- largely retains the existing lessor accounting requirements in AASB 117.

- requires new and different disclosures about leases.

The entity is yet to undertake a detailed assessment of the impact of AASB 16. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

There are no other standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Note 2. Critical accounting judgements and estimates

No critical accounting judgements have been made in the year.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas in which critical estimates are applied are described below.

The ulimate 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). As described in Note 10, this has resulted in a write down in DAC in the current period.

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

Note 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.

Actuarial assumptions
The risk margin of 9.0% (2015:9.0%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2015: 75%).

Claims handling expenses were calculated by reference to past experience. This factor was determined from the ratio of Phoenix's reported claim handling expenses to total benefits (hospital, medical and general treatment claims) for the 12 months to 31 March 2016. The adopted rate was 2.8% (2015: 3.0%).

The business written by the Company is short tail in nature. Based on historic experience, approximately 80% (2015:80%) 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 tables below describe how a change in each variable will affect the insurance liabilities.

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		374,349	16,505,073

Variable	Movement in variable	Adjusted amounts	
Outstanding claims are 10% higher or lower	+10%	118,949	16,249,673
	-10%	629,749	16,760,473
Expense rate	+1%	347,175	16,477,899
	-1%	401,523	16,532,247

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 2016 was tested for hospital and ancillary contracts as 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 3.5% (2015: 3.5%) added to the central estimate, in order to provide a 75% (2015; 75%) probability of adequacy. On this basis an unexpired risk of $302,581 is required this year (2015: $217,000). Refer note 16.

Note 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 legislated under division 140 and 143 of the Private Health Insurance Act 2007; 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 Act 2007 (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, established for Division 140 of the Act, 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 standard requires the Phoenix Health Fund Limited 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, established for Division 143 of the Act 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.

Risk equalisation supports the principle of community rating. Private health insurance averages out 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.

	2016 $	2015 $
Other receivables *Counterparties without external credit rating**		
Group 1	-	-
Group 2	44,416	43,202
Group 3	-	-
Total other receivables	**44,416**	**43,202**
*Group 1 – new debtors (less than 6 months) Group 2 – existing debtors (more than 6 months) with no defaults in the past Group 3 – existing debtors (more than 6 months) with some defaults in the past		

Cash and cash equivalents		
A	3,657,362	1,336,355
BBB	0	500,000
Unclassified	111,356	262,970
Total cash and cash equivalents	**3,768,718**	**2,099,325**

Financial assets at fair value through profit or loss		
AA	2,500,000	3,500,000
A	3,500,000	5,019,250
BBB	10,000,000	11,000,000
Unclassified	-	-
Total cash and cash equivalents	**16,000,000**	**19,519,250**

(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	Carrying amount
	$	$	$	$	$	$
30 June 2016 **Trade and other payables**	1,802,334	-	-	-	1,802,334	1,802,334
30 June 2015 **Trade and other payables**	1,510,229	564,737	-	-	2,074,966	2,074,966

(e) Market risk

The Company's exposure to market risk arises from interest rate risk. The Company does not have borrowings. The Company's interest rate risks arise from cash and cash equivalents and financial assets at fair value through profit or loss. Receivables are non-interest bearing. The cash balance is subject to a floating interest rate. Interest rate risk arising from cash and cash equivalents is managed through the regular monitoring of cash balances and the investment of surplus funds in other permitted investments. Interest rate risk arising from financial assets at fair value through profit or loss is managed in accordance with the Company's investment policy which establishes exposure limits for each type of financial asset and which permits investment only in term deposits, reflecting the Board's conservative approach to market risk.

Summarised sensitivity analysis

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

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	Interest rate risk			
		-100bps		+100bps	
		Profit	Equity	Profit	Equity
	$	$	$	$	$
30 June 2016					
Cash and cash equivalents	3,768,718	(17,415)	(17,415)	17,415	17,415
Financial assets at fair value through profit or loss	16,000,000	(166,571)	(166,571)	166,571	166,571
Total	**19,768,718**	**(183,986)**	**(183,986)**	**183,986**	**183,986**

	Carrying amount	Interest rate risk			
		-100bps		+100bps	
		Profit	Equity	Profit	Equity
	$	$	$	$	$
30 June 2015					
Cash and cash equivalents	2,099,325	(11,005)	(11,005)	11,005	11,005
Financial assets at fair value through profit or loss	19,519,250	(187,703)	(187,703)	187,703	187,703
Total	**21,618,575**	**(198,708)**	**(198,708)**	**198,708**	**198,708**

(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:

(a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
(b) 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
(c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

As at 30 June 2016	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Assets Financial assets at fair value through profit or loss, Fixed interest securities	16,000,000	-	-	16,000,000
Total assets	**16,000,000**	**-**	**-**	**16,000,000**
As at 30 June 2016	Level 1 ($)	Level 2 ($)	Level 3 ($)	Total ($)
Assets Financial assets at fair value through profit or loss, Fixed interest securities	19,519,250	-	-	19,519,250
Total assets	**19,519,250**	**-**	**-**	**19,519,250**

Note 5. Revenue

	2016 $	2015 $
Premium revenue	**31,543,421**	28,621,332
Investment income - Interest income	**555,200**	679,073
Sundry income	**9,875**	7,107
Proceeds received from OSR[1]	**422,466**	-
	32,530,962	29,307,512

[1]This amount represents the proceeds received on an objection lodged against the Office of State Revenue for the levies totalling $564,737 that were imposed for 2012 to 2015 and accrued for in the 30 June 2015 financial statements.

Note 6. Underwriting and other operating expenses

	2016 $	2015 $
Expenses by function		
Claims handling expenses	**1,045,818**	1,046,804
Acquisition costs	**546,801**	342,533
Underwriting expense	**1,290,498**	1,325,345
Total expenses (excluding direct claims expense)	**2,883,117**	2,714,682
Expenses by nature		
Depreciation	**95,986**	62,197
Amortisation	**22,418**	5,006
Employee costs	**1,195,295**	1,287,875
Loss on Disposal of Asset	**15,022**	-
Other expenses	**1,554,395**	1,359,604
Total expenses (excluding direct claims expense)	**2,883,117**	2,714,682

Note 7. Current assets – Cash and cash equivalents

	2016 $	2015 $
Cash at bank and on hand	**3,768,718**	2,099,325
Deposits at call	**-**	-
	3,768,718	2,099,325

(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.

Note 8. Current assets - Receivables

	2016	2015
	$	$
Premiums receivable	**48,568**	110,716
30% rebate scheme	**1,804,022**	971,309
75% Medicare refund	**113,064**	50
Risk Equalisation Trust Fund levy receivable	**1,335,192**	911,003
Accrued interest on investments	**162,306**	220,465
Other receivables	**44,416**	43,202
	3,507,568	2,256,745

(a) Impaired receivables
As at 30 June 2016 there were no current receivables which were impaired.

(b) Past due but not impaired receivables
As at 30 June 2016 there were no current receivables which were past due but not impaired.

(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.

Note 9. Current assets - Financial assets at fair value through profit or loss

	2016	2015
	$	$
Interest-bearing securities	**16,000,000**	19,519,250

(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.

Note 10. Current Assets - Deferred Acquisition Costs

	2016	2015
	$	$
Commission Costs	**68,631**	85,603

Movements in Deferred Acquisition Costs are as follows:	**2016**	2015
	$	$
Balance at beginning of year	**85,603**	-
Acquisition Costs deferred during the year	**130,472**	171,206
Amortisation Expense	**(100,559)**	(57,068)
Write-off arising from LAT test (see Note 3 b)	**(46,885)**	(28,535)
	68,631	85,603

Note 11. Non-current assets - Plant and equipment

	Furniture, fittings and equipment
At 1 July 2014	**$**
Cost	314,328
Accumulated depreciation	(208,981)
Net book amount	105,347
Year ended 30 June 2015	
Opening net book amount	105,347
Additions	58,493
Disposals	(11,963)
Depreciation charge	(62,198)
Depreciation write back for disposals	11,963
Closing net book amount	101,642
At 30 June 2015	
Cost	360,858
Accumulated depreciation	(259,216)
Net book amount	101,642
Year ended 30 June 2016	
Opening net book amount	101,642
Additions	96,850
Disposals	(193,650)
Depreciation charge	(72,006)
Depreciation write back for disposals	172,113
Closing net book amount	104,949
At 30 June 2016	
Cost	264,058
Accumulated depreciation	(159,109)
Net book amount	104,949

Note 11. Non-current assets - Buildings

Year ended 30 June 2016	
Opening net book amount	-
Additions	1,391,381
Disposals	-
Depreciation charge	(23,981)
Depreciation write back for disposals	-
Closing net book amount	1,367,400
At 30 June 2016	
Cost	1,391,381
Accumulated depreciation	(23,981))
Net book amount	1,367,400

Note 12. Intangibles

	MOHF License $
Year ended 30 June 2015	
Opening net book amount	-
Additions	133,500
Amortisation Expense	(5,006)
Closing net book amount	128,494
At 30 June 2015	
Cost	133,500
Accumulated Expense	(5,006)
Closing net book amount	128,494
Year ended 30 June 2016	
Opening net book amount	128,949
Additions	212,006
Amortisation Expense	(27,424)
Closing net book amount	313,076
At 30 June 2016	
Cost	340,500
Accumulated Expense	(27,424)
Closing net book amount	313,076

Note 13. Current liabilities – Payables

	2016 $	2015 $
Trade and other payables	**1,802,334**	2,074,966

Note 14. Current liabilities - Outstanding claims liability

	2016 $	2015 $
(a) Outstanding claims liability	**2,554,000**	2,230,000
The outstanding claims liability comprises the following components:		
Outstanding claims – central estimate of the expected future payments for claims incurred	**2,699,000**	2,358,000
Claims handling costs	**75,000**	71,000
Risk margin	**211,000**	184,000
Gross outstanding claims liability	**2,985,000**	2,613,000
Outstanding claims – expected receivable from the RETF in relation to the central estimate	**(431,000)**	(383,000)
Net outstanding claims liability	**2,554,000**	2,230,000
Current	**2,554,000**	2,230,000
Non-current	**-**	-
Total	**2,554,000**	2,230,000

(b) Risk margin

The risk margin of 9.0% (2015: 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.

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.

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.

Note 15. Unearned premium liability

	2016 $	2015 $
Unearned premium liability as at 1 July	**3,474,929**	3,218,592
Deferral of premiums on contracts written in the period	**3,965,970**	3,472,703
Earning of premiums written in previous periods	**(3,458,930)**	(3,216,366)
Unearned premium liability as at 30 June	**3,981,969**	3,474,929
The Unearned premium liability is split between current/non-current as follows;		
Current	3,974,833	3,458,930
Non-current	7,136	15,999
	3,981,969	**3,474,929**

Note 16. Current liabilities - Unexpired risk liability

	2016 $	2015 $
(a) Unexpired risk liability		
Unexpired risk liability as at 1 July	**217,000**	182,000
Recognition of increase in unexpired risk liability in the period	**85,581**	35,000
Unearned premium liability as at 30 June	**302,581**	217,000
b) Movement recognised in the statement of comprehensive income		
Net movement in unexpired risk liability	**(85,581)**	(35,000)

A risk margin of 3.5% (2015: 3.5%) has been applied in the calculation of the unexpired risk liability as at 30 June 2016. 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.

Note 17. Provisions for employee entitlements

	2016 $	2015 $
Current		
Annual Leave	**46,310**	21,793
Long service leave	**118,743**	97,172
	164,743	118,965

(a) Amounts not expected to be settled within the next 12 months

The current provision for long service leave benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. At 30 June 2016 the entire amount is presented as current since the Company does not have an unconditional right to defer settlement. However, based on past experience, the Company does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken within the next 12 months.

	2016 $	2015 $
Long service leave obligation expected to be settled after 12 months	**75,079**	97,172

Note 18. Retained profits

	2016 $	2015 $
Balance 1 July	**16,130,724**	15,853,888
Net profit for the year	**374,349**	276,836
Balance 30 June	**16,505,073**	16,130,724

Note 19. Remuneration of auditors

	2016 $	2015 $
Audit services – PKF (NS) (2015: PwC)		
Audit and review of the financial report and other audit work under the Corporations Act 2001 and audit of regulatory returns	**52,529**	74,991
Non-audit services		
Other audit related services - PriceWaterhouseCoopers - finalisation	**10,088**	-
	62,617	74,991

Note 20. Reconciliation of net cash provided by operating activities to profit or loss

	2016 $	2015 $
Profit/(Loss) for the year	**374,349**	276,836
Depreciation	**95,986**	62,198
Amortisation	**22,418**	5,006
Interest	**(613,361)**	(715,544)
Change in operating assets and liabilities		
(Increase) / decrease in premiums receivable	**62,149**	26,687
(Increase) / decrease in 30% rebate scheme	**(832,713)**	24,344
(Increase) / decrease in 75% Medicare refund	**(113,014)**	58,281
(Increase) / decrease in RETF receivable	**(424,189)**	(45,589)
(Increase) / decrease in accrued interest on investments	**58,161**	36,471
(Increase) / decrease in prepayments	**(124,833)**	(10,657)
(Increase) / decrease in other receivables	**(1,214)**	(5,079)
(Increase) / decrease in DAC	**16,972**	(85,603)
Increase / (decrease) in unearned premium liability	**507,041**	256,337
Increase / (decrease) in payables	**(376,133)**	1,482,855
Increase / (decrease) in provision for employee benefits	**45,777**	(92,393)
Increase / (decrease) in provision for outstanding claims	**324,000**	149,000
Increase / (decrease) in provision for unexpired risk liability	**85,581**	35,000
Net Cash flows from operating activities	**(893,023)**	1,458,150

Note 21. Events after the reporting date

There has not been any matter or circumstance that has arisen since the end of the financial year that has 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.

Note 22. 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 and the Finance Manager.

(c) Key management personnel compensation

	2016	2015
	$	$
Short-term employee benefits	**489,945**	475,504
Post-employment benefits	**54,402**	52,914
	544,347	528,418

(d) Other transation with related parties

The Chief Executive Officer and the Finance Manager receive a 25% discount on Phoenix Health Fund membership premiums. This amounted to $3,073 for the year (2015: $2,882).

Caring for loyal and new members, as well as future generations.

Company particulars

Board Members

Bruce Arnott (Chairman)
John Finch (Vice Chairman)
Brett Bancroft
David Byrnes
Adrian Howard
Ian Waters
Danielle Hodgson

Chief Executive Officer

Sharon Waterhouse

Public Officer/Company Secretary/Finance Manager

Ross Harland

Appointed Actuary

dbn actuaries Pty Ltd

Incorporation

The Company is incorporated and domiciled in Australia

Auditors

PKF (NS)
Chartered Accountants

Bankers

Maitland Mutual Building Society Ltd
National Australia Bank Limited

Office and contact details

Suit 1/4, Honeysuckle Dr
Newcastle, NSW, 2300

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