



# Annual Report

For the Year Ended 30 June 2010

Health Care Insurance Ltd

# Annual Report

For the Year Ended 30 June 2010

## CONTENTS

## Page

Directors' Report	1
Auditors' Independence Declaration	4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Cash Flows	7
Statement of Changes in Equity	8
Notes to the Financial Statements	9
Directors' Declaration	16
Independent Audit Report	17

## Health Care Insurance Ltd

A.C.N. 009 579 088

Principal Business Address

50 Marine Terrace, Burnie

Postal Address

PO Box 931, Burnie, 7320

Telephone

(03) 6432 1199

Facsimile

(03) 6432 1160

Website

[www.hciltld.com.au](http://www.hciltld.com.au)

Registered Office

50 Marine Terrace, Burnie

# Directors' Report

For the Year Ended 30 June 2010

Your directors present their report on the Company for the financial year ended 30 June 2010.

## General information

### Directors

The names of each person who has been a director during the year and to the date of this report are:

Mark Fishwick	Wayne Tibbits	Paul Smith
John Guest	Phillip Boon	Ronald Coghill
John Perkins	Julie Milnes	Greg Spinks

### Information on Directors

The names of the directors in office at any time during, or since the end of, the year are listed below. All directors held office for the duration of the financial year and up until the date of this report except as noted.

NAME	EXPERIENCE	SPECIAL RESPONSIBILITIES
Mark Fishwick	State Contract Manager Job Net. Past National President Apex. HCI Director appointed 19th November 2001.	Board Chairman Finance, Audit & Risk
John Guest B.Sc	Former General Manager Group Audit North Limited. Manager APPM Burnie Mill. Manager Finance, Audit & Risk Mgt C'tee APPM Wesley Vale Mill. HCI Director appointed 19th November 2001.	Finance, Audit & Risk
John Perkins	Management and Compliance Consultant, Councillor Latrobe Council. Director Cradle Coast Authority, former Hydro Tasmania Generation Compliance Manager, former OH&S/WS Co-ordinator Mersey Community Hospital HCI Director appointed 26th March 1996	
Wayne Tibbits B,Sc Ph. D Grad Cert Med	Self-employed strategic and technical consultant with Ph.D. in forestry. Qualified environment health & safety auditor. HCI Director since 1996.	
Phillip Boon B.Comm	Business Support Manager Australian Paper, Commercial System Manager, former Operations Support Manager Paperlinx HCI Director appointed 15th May 2000.	Deputy Chairman Finance, Audit & Risk
Julie Milnes	Healthcare professional. HCI Director appointed 17th November 2003 Resigned 19th October 2009	

# Directors' Report

For the Year Ended 30 June 2010

Paul Smith B.Sc.(For)	General Manager Operations, Forestry Tasmania HCI Director appointed 30th June 2008.	OH&S Compliance
Ronald Coghill	General Manager of HCI 2003 to September 2008. Former General Manager, Executive Director and Company Secretary of Defence Health Ltd. Graduate Member of the Australian Institute of Company Directors. HCI Director appointed 1st January 2009	Regulatory Compliance
Greg Spinks	Business Services and Development Manager Australian Paper, Former Customer Services Manager Paperlinx Tasmanian Operations. Bachelor of Arts, Diploma of Psychology, Diploma of Education Member of the Australian Psychological Society HCI Director appointed 19th October 2009	

## Company Secretary

NAME	QUALIFICATIONS & EXPERIENCE
Matthew Fryett	B.Bus. CPA MBA Formerly Commercial Manager, Australian Paper's Tasmanian Mills and Financial Controller of Robert Limited. Director Braddon Business Centre

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

## Principal Activities

The principal activities of Health Care Insurance Ltd during the financial year consisted of provision of private health insurance to eligible members.

There have been no significant changes in the nature of Health Care Insurance Ltd's principal activities during the financial year.

## Objectives

### *Short Term Objectives*

In the short term membership growth will be less than 5%.

Following the restructuring that has occurred during 2009/10 with Forestry Timber and Paper the short term focus of the fund is to continue support its existing members and expand the membership base geographically.

### *Long Term Objectives*

The Long term objective of the fund is to ensure the ongoing viability of the fund and to continue to provide affordable health insurance to people in the forest, timber and paper sector through sound investment management and membership growth.

# Directors' Report

For the Year Ended 30 June 2010

### Strategies to Achieve Objectives

Continue to communicate with our existing membership base.

Promote the benefits of private health insurance and Health Care Insurance to the potential members and organizations who have an association with Forestry, Timber and Paper.

### Auditors Independence Declaration

The lead auditors independence declaration for the year ended 30 June 2010 has been received and can be found on page 4 of the financial statements.

### Meetings of Directors

6 meetings of directors (including director committee meetings) were held during the year. The attendance by each director during the year was as follows:

	Board Meeting		Finance, Audit & Risk Management Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
John Guest	6	6	2	2
Mark Fishwick	6	6	2	2
John Perkins	6	5		
Wayne Tibbits	6	5		
Julie Milnes	1	1		
Phillip Boon	6	6	1	1
Greg Spinks	5	4	1	1
Ron Coghill	6	5	2	2
Paul Smith	6	6	1	1

### Members' Guarantee

The company is incorporated under the Corporations Act 2001 and is an entity limited by guarantee. If the entity is wound up, the constitution states that each member is required to contribute a maximum of \$1.00 each towards meeting any outstanding obligations of the company. At 30 June 2010 the collective liability of members was \$3,784 (2009: \$3,725).

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



.....  
 Mark Fishwick                      13 September 2010



## AUDITORS' INDEPENDENCE DECLARATION

To the directors of Health Care Insurance Ltd

In relation to our audit of Health Care Insurance Ltd for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of the independence requirements of the Corporations Act or any applicable code of professional conduct.

*Garrott + Garrott*

**GARROTT & GARROTT**

Chartered Accountants

Hobart

*Alison Flakemore*

Alison Flakemore  
**Partner**

Date: *24<sup>th</sup> September 2010*

# Statement of Comprehensive Income

For the Year Ended 30 June 2010

	Note	2010 \$	2009 \$
<b>Revenue</b>			
Member contributions		10,796,126	10,090,057
Interest and investment income	2	511,474	674,326
Other revenue from ordinary activities		2,370	4,779
<b>Total Revenue</b>		<b>11,309,970</b>	<b>10,769,162</b>
<b>Expenses</b>			
Member benefits		8,331,440	8,064,835
Health benefits risk equalisation		1,037,557	608,230
Employee benefits		480,300	566,461
Information technology and communications		337,409	286,031
Depreciation, amortisation and impairments	2	47,613	39,889
Other expenses from ordinary activities		596,919	444,223
<b>Total Expenses</b>		<b>10,831,238</b>	<b>10,009,669</b>
<b>Surplus from ordinary activities before income tax expense</b>		<b>478,732</b>	<b>759,493</b>
Income tax expense	1(c)	-	-
<b>Net surplus</b>		<b>478,732</b>	<b>759,493</b>
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>478,732</b>	<b>759,493</b>

# Statement of Financial Position

As At 30 June 2010

	Note	2010 \$	2009 \$
<b>ASSETS</b>			
Cash	3	10,486,355	9,385,320
Trade and other receivables	4	838,214	826,657
Prepayments		33,966	33,888
Property, plant and equipment	5	88,052	126,956
<b>TOTAL ASSETS</b>		<b>11,446,587</b>	<b>10,372,821</b>
<b>LIABILITIES</b>			
Trade and other payables	6	513,671	215,193
Provisions	7	794,193	666,890
Deferred revenue	8	1,121,575	952,319
<b>TOTAL LIABILITIES</b>		<b>2,429,439</b>	<b>1,834,404</b>
<b>NET ASSETS</b>		<b>9,017,148</b>	<b>8,538,417</b>
<b>EQUITY</b>			
Accumulated surplus		9,017,148	8,538,417
<b>TOTAL EQUITY</b>		<b>9,017,148</b>	<b>8,538,417</b>

## Statement of Cash Flows

For the Year Ended 30 June 2010

	2010	2009
Note	\$	\$
<b>Cash flows from operating activities:</b>		
Contribution received from members	11,011,080	10,126,440
Benefits paid to members	(8,164,628)	(8,141,088)
Payments to Health Benefits Risk Equalisation Trust	(720,454)	(834,381)
Interest received	451,092	671,906
Payments to suppliers and employees	(1,565,247)	(1,313,406)
Other receipts	2,376	6,016
GST refunds	95,525	81,511
<b>Net cash provided by operating activities</b>	<u>1,109,744</u>	<u>596,998</u>
<b>Cash flows from investing activities:</b>		
Payments for property, plant and equipment	(8,709)	(107,674)
<b>Net cash used in investing activities</b>	<u>(8,709)</u>	<u>(107,674)</u>
<b>Net increase (decrease) in cash held</b>	1,101,035	489,324
Cash at beginning of financial year	<u>9,385,320</u>	<u>8,895,996</u>
<b>Cash at end of financial year</b>	<sup>3</sup> <u>10,486,355</u>	<u>9,385,320</u>

## Statement of Changes in Equity

For the Year Ended 30 June 2010

	Accumulated Surplus \$	Total \$
<b>2010</b>		
Balance at 1 July 2009	8,538,417	8,538,417
Surplus	478,732	478,732
Total other comprehensive income	-	-
<b>Balance at 30 June 2010</b>	<b>9,017,148</b>	<b>9,017,148</b>
<b>2009</b>		
Balance at 1 July 2008	7,778,924	7,778,924
Surplus	759,493	759,493
Total other comprehensive income	-	-
<b>Balance at 30 June 2009</b>	<b>8,538,417</b>	<b>8,538,417</b>

*This statement should be read in conjunction with the accompanying notes*

# Notes to the Financial Statements

For the Year Ended 30 June 2010

## 1 Statement of Significant Accounting Policies

### (a) General information

Health Care Insurance Ltd has elected to early adopt the pronouncements AASB 1053: Application of Tiers of Australian Accounting Standards and AASB 2010-2: Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to the annual reporting period beginning 1 July 2010.

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards' reduced disclosure requirements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set our accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of the financial statements are set out below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accrual basis and is based on historical cost, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

### (b) Revenue Recognition

Member contributions are recognised when payment for health insurance cover falls due in accordance with the terms of the membership conditions. Contributions include the 30% Government rebate. Contributions paid by members in advance of the due date are shown as a liability. Interest is recognised as it accrues.

Other revenue items are recognised upon receipt. All revenue is recorded net of GST.

### (c) Income Tax

The Company is exempt from income tax under section 50-30 of the Australian Income Tax Assessment Act 1997, as amended. Accordingly, no income tax expense or provision for income tax has been included in the financial statements.

### (d) Health Benefits Risk Equalisation Trust Fund

All health insurers must participate in the Risk Equalisation Trust Fund, which shares a proportion of the hospital and medical claims of all persons aged 55 years and over and those memberships with high claims in any one year between all health insurers.

The amount payable to or receivable from the Risk Equalisation Trust Fund is determined by the Private Health Insurance Administration Council (PHIAC) after the end of each quarter. Estimated provisions for amounts payable or receivable are provided for periods for which determinations have not yet been made.

### (e) Cash

For purposes of the statement of cash flows, cash includes cash on hand, cash at bank and deposits at call net of outstanding bank overdrafts.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

**(f) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST, as are operating items in the statement of cash flows.

**(g) Property, Plant and Equipment**

Property, plant and equipment are stated at the lower of cost less depreciation or net realisable value. With the exception of freehold land, property, plant and equipment are depreciated over the expected useful life of each asset using the straight line basis.

The carrying amount of property, plant and equipment is reviewed annually by the board of directors to ensure that it is not in excess of the recoverable amount of these assets. The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal. In determining the recoverable amount of non-current assets the expected net cash flows have not been discounted to their present value.

The estimated useful lives used for each class of depreciable assets are:

Furniture and fittings	10 - 20 years
Motor vehicles	7 - 10 years
Computer and electronic equipment	3 - 4 years

**(h) Employee Entitlements**

Liabilities for salaries, wages and annual leave are recognised and measured as the amount unpaid at the reporting date at current pay rates in respect of the employee's service up to that date. Provision is made for long service leave for all employees after the completion of seven years service. An assessment of the financial impact of expressing the provision using the present value basis of measurement indicated that the method currently used is more prudent, but not materially different. This assessment will be undertaken each time the Company prepares financial statements.

**(i) Provision for Outstanding Claims**

The Company makes provision for claims received but not assessed and claims incurred but not received at year end. The amount of the provision is based on historical patterns of claim incidence and processing. No discounting is applied to the provision due to the generally short period between claim incidence and settlement.

# Notes to the Financial Statements

For the Year Ended 30 June 2010

	2010 \$	2009 \$
<b>2 Surplus from Ordinary Activities</b>		
Surplus from ordinary activities before income tax includes the following specific items:		
<b>Interest and investment income</b>		
Bank accounts and short term deposits	511,474	674,326
<b>Expenses</b>		
Depreciation		
Computers and electronics	28,412	26,372
Motor vehicles	12,089	7,220
Furniture and fittings	7,112	6,297
	<u>47,613</u>	<u>39,889</u>
Operating lease rentals		
Premises	35,028	34,388
Equipment	7,369	7,792
	<u>42,397</u>	<u>42,180</u>
<b>3 Cash</b>		
Cash on hand	13,922	38,109
Cash at bank	451,242	260,019
Short-term deposits	10,021,191	9,087,192
	<u>10,486,355</u>	<u>9,385,320</u>
<b>4 Trade and Other Receivables</b>		
Contributions in arrears	171,194	246,808
Provision for doubtful debts	(25,000)	(20,000)
	<u>146,194</u>	<u>226,808</u>
Accrued interest	315,509	255,127
30% rebate receivable	348,380	313,465
GST refundable	6,065	9,188
Sundry debtors	22,066	22,069
	<u>838,214</u>	<u>826,657</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2010

	2010 \$	2009 \$
<b>5 Property Plant and Equipment</b>		
<b>BUILDINGS</b>		
Leasehold improvements at cost	5,059	5,059
Less: accumulated depreciation	(5,059)	(5,059)
	<u>-</u>	<u>-</u>
<b>PLANT AND EQUIPMENT</b>		
Furniture and fittings at cost	95,704	91,286
Less: accumulated depreciation	(82,267)	(72,005)
	<u>13,437</u>	<u>19,281</u>
Motor vehicles at cost	34,540	34,540
Less: accumulated depreciation	(19,309)	(7,220)
	<u>15,231</u>	<u>27,320</u>
Computers and electronics at cost	271,473	267,182
Less: accumulated depreciation	(212,089)	(186,827)
	<u>59,384</u>	<u>80,355</u>
Total property, plant and equipment	<u><u>88,052</u></u>	<u><u>126,956</u></u>

### Movements in Carrying Amounts

	Plant and Equipment \$	Total \$
Balance at the beginning of year	126,956	126,956
Additions	8,709	8,709
Depreciation expense	(47,613)	(47,613)
Carrying amount at the end of year	<u><u>88,052</u></u>	<u><u>88,052</u></u>

## Notes to the Financial Statements

For the Year Ended 30 June 2010

	2010 \$	2009 \$
<b>6 Trade and Other Payables</b>		
Health Benefits Risk Equalisation Trust	339,022	21,919
Unpresented cheques	53,542	58,569
Sundry creditors	121,107	134,705
	<u>513,671</u>	<u>215,193</u>
<b>7 Provisions</b>		
Outstanding claims		
Member benefits	657,305	545,803
Administration allowance	50,160	47,812
Risk Equalisation allowance	64,790	6,804
	<u>772,255</u>	<u>600,419</u>
Employee entitlements		
Annual leave	21,938	49,805
Long service leave	-	16,666
	<u>21,938</u>	<u>66,471</u>
	<u>794,193</u>	<u>666,890</u>

**(a) Movements in provision for outstanding claims**

	Member benefits \$	Administration allowance \$	Risk Equalisation allowance \$	Total \$
Opening balance 1 July 2009	545,803	47,812	6,804	600,419
Payments in current financial year for claims with prior service date	(523,365)	-	-	(523,365)
Additional provision made during year	634,867	2,348	57,986	695,201
Balance at 30 June 2010	<u>657,305</u>	<u>50,160</u>	<u>64,790</u>	<u>772,255</u>

## Notes to the Financial Statements

For the Year Ended 30 June 2010

	2010 \$	2009 \$
<b>8 Deferred Revenue</b>		
Contributions received in advance	1,076,575	876,319
Unclosed business in advance	45,000	76,000
	<u>1,121,575</u>	<u>952,319</u>

### 9 Members' Guarantee

The Company is limited by guarantee, incorporated and domiciled in Australia. If the Company is wound up, the Constitution provides that each member is required to contribute a maximum of \$1.00 each towards meeting any outstanding obligations of the Company. At 30 June 2010 the number of members was 3,784 (2009: 3,725).

### 10 Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the Directors of the Company and members of the executive management listed below, who are responsible for the day to day financial and operational management of the company:

**Name**

John Guest	Director
John Perkins	Director
Wayne Tibbits	Director
Mark Fishwick	Director
Phillip Boon	Director
Julie Milnes	Director
Greg Spinks	Director
Paul Smith	Director
Ron Coghill	Director
Matthew Fryett	General Manager

#### Key management personnel compensation

Total key management personnel compensation	<u>207,138</u>	<u>235,968</u>
---	----------------	----------------

## Notes to the Financial Statements

For the Year Ended 30 June 2010

2010  
\$

2009  
\$

### 11 Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and accounts payable. The totals for each category of financial instrument are as follows:

**Financial assets**

Cash and cash equivalents	10,486,354	9,385,320
Trade and other receivables	838,214	826,656

**Total financial assets**

<b>11,324,568</b>	<b>10,211,976</b>
-------------------	-------------------

**Financial liabilities**

Trade and other payables	513,672	215,193
--------------------------	---------	---------

**Total financial liabilities**

<b>513,672</b>	<b>215,193</b>
----------------	----------------

# Directors' Declaration

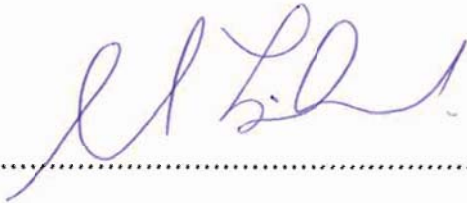
For the Year Ended 30 June 2010

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 15, are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
  - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company.
2. In the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Mark Fishwick .....  
Director



Burnie

Dated:

## **INDEPENDENT AUDITOR'S REPORT**

To the members of Health Care Insurance Ltd

We have audited the accompanying financial report of Health Care Insurance Ltd, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration

### **Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### **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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 Health Care Insurance Ltd 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 2010 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

*Garrott & Garrott*

**GARROTT & GARROTT**  
Chartered Accountants

*Alison Flakemore*

Alison Flakemore  
**Partner**

Hobart

Date: *24<sup>th</sup> September 2010*

