



Annual Report

For the Year Ended 30 June 2015

Health Care Insurance Ltd

Annual Report

For the Year Ended 30 June 2015

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Health Care Insurance Ltd

A.C.N. 009 579 088

Principal Business Address

25 Cattley Street, Burnie

Postal Address

PO Box 931, Burnie, 7320

Telephone

(03) 6432 1199

Facsimile

(03) 6432 1160

Website

www.hcilt.com.au

Registered Office

25 Cattley Street, Burnie

Directors' Report

For the Year Ended 30 June 2015

Your directors present their report on the Company for the financial year ended 30 June 2015.

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	Paul Smith	Phillip Boon
Ronald Coghill	Jill Brasch	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
Phillip Boon B.Comm	Group Manager Australian Paper, former Commercial System Manager, Paperlinx HCI Director elected 15th May 2000.	Chairman Mbr Audit & Risk Committees
Paul Smith B.Sc (For)	Former General Manager Operations, Forestry Tasmania HCI Director elected 30th June 2008.	Deputy Chairman Chair of Risk Committee Mbr Audit Committee
Jill Brasch B.Arts; Dip. Hth Ser Mgt	Qualified Speech Therapist Formerly employed by the Australian Red Cross HCI Director elected 18th October 2010	Legislative compliance Mbr Audit & Risk Committees
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 reappointed 21 st October 2013 for 3 years	Chair Audit Committee, Mbr of Risk Committee
Mark Fishwick Grad.Cert Bus	Business Development Officer. Past National President Apex. HCI Director elected 19th November 2001.	Mbr Audit & Risk Committees
Greg Spinks B.Arts; Dip.Psyc; Dip.Edu; MAPS	Business Services and Development Manager - Australian Paper Member of the Australian Psychological Society HCI Director elected 19th October 2009 Registered Psychologist	Chair of Marketing, Mbr Audit & Risk Committees

Directors' Report

For the Year Ended 30 June 2015

Company Secretary

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

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 the provision of private health insurance to members.

Objectives

Short Term Objectives

- To continue to improve member services whilst financially operating the fund to achieve a positive net margin.
- The continued development and provision of an energetic, inclusive and mutually respectful work environment for the employees and management of HCI.
- To deliver products and increased benefits of membership in line with board objectives and member's feedback and expectations.
- The design and delivery of competitively priced products with features that appeal to the needs of new and existing members.
- To pursue the continued membership growth in the industries and communities where our members live and work.
- To continue our historic corporate social contributions wherever our offices and employees are also located as members of an Australian community.

Long Term Objectives

- The Long term objective of the fund is to ensure the ongoing viability of the fund in order to continue to be able provide affordable health insurance and services which are necessary for the health and well-being of our members. This objective will be delivered and underpinned through sound financial management, structured governance and marketing strategies which are also focused on sensible targeted levels of membership growth.

Auditors Independence Declaration

The lead auditors independence declaration for the year ended 30 June 2015 has been received and can be found on page 4 of the financial statements.

Directors' Report

For the Year Ended 30 June 2015

Meetings of Directors

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

	Board Meeting		Audit & Risk Management Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Phillip Boon	8	8	2	2
Paul Smith	8	5	2	1
Jill Brasch	8	7	2	2
Ron Coghill	8	8	2	2
Mark Fishwick	8	7	2	2
Greg Spinks	8	6	2	2

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 2015 the collective liability of members was \$4,425 (2014: \$4,137).

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


.....
Mark Fishwick Date:
Director

AUDITOR'S INDEPENDENCE DECLARATION

To the directors of Health Care Insurance Ltd

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

- (a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001; and
- (b) no contraventions of any applicable code of professional conduct

in relation to our audit for the year ended 30 June 2015.

CROWE HORWATH TASMANIA
Crowe Horwath Tasmania



Malcolm Matthews
Partner

Launceston

Date: 21 September 2015

Statement of Comprehensive Income

For the Year Ended 30 June 2015

	2015	2014
	\$	\$
Member Contributions	15,678,753	14,202,132
Member Benefits	(13,512,631)	(11,148,583)
Health benefits risk equalisation	(794,112)	(830,745)
	<u>1,372,010</u>	<u>2,222,804</u>
Interest and Investment Income	2 491,487	634,351
Depreciation of property, plant and equipment	2 (43,582)	(44,797)
Other revenue	1,001	(708)
Information Technology and communications	(540,989)	(497,446)
Employee benefits	(773,254)	(693,678)
Impairment loss on non-financial assets	-	(425,265)
Other expenses	(763,853)	(848,903)
	<u>(1,629,190)</u>	<u>(1,876,446)</u>
Underwriting result before income tax expense	(257,180)	346,358
Income tax expense	-	-
Profit/(loss) for the year	(257,180)	346,358
Total comprehensive income for the year	(257,180)	346,358

Balance Sheet

30 June 2015

	Note	2015 \$	2014 \$
ASSETS			
Cash	3	1,902,568	4,504,017
Trade and other receivables	4	644,389	658,077
Financial assets	5	12,720,105	9,534,070
Prepayments		64,583	44,080
Property, plant and equipment	6	1,104,602	1,136,419
Intangible assets	7	17,753	17,753
TOTAL ASSETS		16,454,000	15,894,416
LIABILITIES			
Trade and other payables	8	817,116	883,006
Provisions	9	1,191,141	705,295
Deferred revenue	10	1,914,991	1,518,182
TOTAL LIABILITIES		3,923,248	3,106,483
NET ASSETS		12,530,752	12,787,933
EQUITY			
Retained earnings		12,530,752	12,787,932
TOTAL EQUITY		12,530,752	12,787,932

Statement of Cash Flows

For the Year Ended 30 June 2015

	2015	2014
Note	\$	\$
Cash Flows from Operating Activities		
Contributions received from members	16,110,317	14,107,810
Benefits paid to members	(13,085,053)	(11,148,583)
Payments to Health Benefits Risk Equalisation Trust	(836,238)	(832,287)
Interest received	478,344	716,680
Payments to suppliers and employees	(2,215,788)	(2,350,149)
Other receipts	1,179	-
GST refunds	143,669	139,916
	<hr/>	<hr/>
Net cash provided by operating activities	1,677,701	633,387
Cash Flows from Investing Activities		
Acquisition of property, plant and equipment	(11,843)	(117,733)
Acquisition of financial assets	(3,186,035)	-
Proceeds from financial assets	-	2,568,015
	<hr/>	<hr/>
Net cash used in investing activities	(3,197,878)	2,450,282
	<hr/>	<hr/>
Net cash increase/(decrease) in cash	(2,601,448)	3,083,669
Cash at beginning of year	4,504,017	1,420,348
	<hr/>	<hr/>
Cash at end of financial year	3 1,902,568	4,504,017
	<hr/>	<hr/>

Statement of Changes in Equity

For the Year Ended 30 June 2015

	Retained Earnings \$	Total \$
2015		
Balance at 1 July 2014	12,787,932	12,787,932
Surplus/(Deficit)	(257,181)	(257,181)
Total other comprehensive income	-	-
Balance at 30 June 2015	12,530,752	12,530,752
2014		
Balance at 1 July 2013	12,441,574	12,441,574
Surplus/(Deficit)	346,357	346,357
Total other comprehensive income	-	-
Balance at 30 June 2014	12,787,932	12,787,932

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

For the Year Ended 30 June 2015

1 Statement of Significant Accounting Policies

(a) General information

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. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out 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 these financial statements are presented below and have been consistently applied unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. The amounts presented in the financial statements have been rounded to the nearest dollar.

The financial statements were authorised for issue on 21 September 2015 by the directors of the company.

(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 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) Insurance

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependant on both the probability of an insurance event and the magnitude of its potential effect. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly over time. The company has determined that all current contracts with policyholders are insurance contracts.

As part of its investment strategy, the Company actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from health insurance liabilities. Investments include assets backing liabilities and owner-occupied properties. All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments. All investments held by the Company, with the exception of owner-occupied properties, have been determined to be assets backing liabilities, and accordingly are designated as "at fair value through profit and loss". These are initially recorded at cost and subsequently remeasured at fair value.

Notes to the Financial Statements

For the Year Ended 30 June 2015

1 Statement of Significant Accounting Policies continued

(c) Insurance continued

All related realised and unrealised gains or losses are included in investment income. Interest earned is included in interest revenue.

Health insurance claims incurred include all claim losses occurring during the year, whether reported or not, including the relating handling cost and any adjustment to claims outstanding from previous years. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to claims functions.

The risk margin of 5% (2014: 5%) of the underlying margin has been estimated to equate to a probability of adequacy of approximately 75% (2014: 75%) with one month hindsight. The risk margin has been based on an analysis of the past experience of the Company. The outstanding claims estimate is derived using all data combined in an aggregate model. As such diversification benefits have been implicitly allowed for in the process.

Based on historical experience, approximately 90% of outstanding claims are received within 2 months of balance date, and accordingly only 10% of the outstanding claims provision requires an estimate. Accordingly reasonable changes in assumptions would not have a material impact on the outstanding claims balance.

(d) 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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

1 Statement of Significant Accounting Policies continued

(e) 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.

(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 balance sheet 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 years
Motor vehicles	3 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 five years service. An assessment of the financial impact of expressing 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.

Notes to the Financial Statements

For the Year Ended 30 June 2015

1 Statement of Significant Accounting Policies continued

(i) Provision for Outstanding Claims

Provision for outstanding claims is measured as the central estimate of the present value of expected future payments against claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and an additional risk margin to allow for the inherent uncertainty in the central estimate. Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any general administrative costs directly attributable to claims functions.

Determination of provision for outstanding claims requires management to make judgement, estimates and assumptions that affect the reported amounts of liabilities and expenses. Actual results may differ from these estimates. 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.

If the present value of the expected future cash flows relating to future claims arising from the rights and obligations under current contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate, exceed the unearned premium liability, then the unearned premium liability is deficient. If an additional liability is required this shall be recognised in the statement of financial position as a provision for unexpired risk liability.

Notes to the Financial Statements

For the Year Ended 30 June 2015

2 Surplus from Operations

Surplus from operations includes the following specific items:

	2015	2014
	\$	\$
Interest and investment income		
Bank accounts and short term deposits	491,487	634,351
Expenses		
Depreciation and amortisation		
Buildings	13,702	13,719
Computers and electronics	4,130	4,392
Motor vehicles	4,596	252
Furniture and fittings	8,524	7,708
Computer software	-	6,258
Licence fee	12,630	12,468
	<hr/> 43,582	<hr/> 44,797
Operating lease rentals		
Equipment	13,376	17,005
	<hr/> 13,376	<hr/> 17,005
	<hr/> <hr/>	<hr/> <hr/>
Bad and doubtful debts expense/(recovered)	(13,563)	12,270

Notes to the Financial Statements

For the Year Ended 30 June 2015

3 Cash

	2015	2014
	\$	\$
Cash on hand	1,649	1,649
Cash at bank	1,900,919	4,502,368
	<u>1,902,568</u>	<u>4,504,017</u>

4 Trade and Other Receivables

Contributions in arrears	32,062	82,924
Provision for doubtful debts	(25,000)	(40,000)
	<u>7,062</u>	<u>42,924</u>
Accrued interest	106,313	93,170
Medicare rebate receivable	470,271	438,079
GST refundable	11,109	18,185
Sundry debtors	29,312	41,095
Unclosed business	20,322	24,624
	<u>644,389</u>	<u>658,077</u>

5 Other financial assets

Term deposits	5,815,958	4,200,000
Unlisted bonds	3,461,669	2,534,275
Listed bonds	3,037,928	2,386,995
Hybrids	404,550	412,800
	<u>12,720,105</u>	<u>9,534,070</u>

Notes to the Financial Statements

For the Year Ended 30 June 2015

6 Property, Plant and Equipment

	2015 \$	2014 \$
LAND AND BUILDINGS		
Freehold land		
At valuation 3 July 2014 - Independent valuer	<u>325,000</u>	325,000
Total Land	<u>325,000</u>	<u>325,000</u>
Building		
At valuation 3 July 2014 - Independent valuer	<u>635,000</u>	635,000
Accumulated depreciation	<u>(14,869)</u>	(1,167)
Total buildings	<u>620,131</u>	<u>633,833</u>
Total land and buildings	<u>945,131</u>	<u>958,833</u>
Furniture, fixture and fittings		
At cost	<u>190,578</u>	210,363
Accumulated depreciation	<u>(76,208)</u>	(81,533)
	<u>114,370</u>	<u>128,830</u>
Motor vehicles		
At cost	<u>72,886</u>	72,886
Accumulated depreciation	<u>(40,955)</u>	(36,372)
	<u>31,931</u>	<u>36,514</u>
Computer equipment		
At cost	<u>43,953</u>	39,357
Accumulated depreciation	<u>(30,783)</u>	(27,115)
	<u>13,170</u>	<u>12,242</u>
Total plant and equipment	<u>159,471</u>	<u>177,586</u>
Total property, plant and equipment	<u><u>1,104,602</u></u>	<u><u>1,136,419</u></u>

Notes to the Financial Statements

For the Year Ended 30 June 2015

6 Property, Plant and Equipment continued

The basis of the valuation of land and buildings is fair value, being the amounts for which the assets could be exchanged between willing parties in an arm's length transactions, based on current prices in an active market for similar properties in the same location and condition. The land and buildings were last revalued on 3 July 2014 based on independent assessment by a member of the Australian Property Institute. The directors do not believe that there has been a material movement in fair value since the revaluation date.

(a) Movements in Carrying Amounts

	Land \$	Buildings \$	Plant & equipment \$	Total \$
Balance at the beginning of the year	325,000	633,833	177,585	1,136,418
Additions	-	-	11,766	11,766
Depreciation	-	(13,702)	(29,880)	(43,582)
Balance at 30 June 2015	325,000	620,131	159,471	1,104,602

7 Intangible Assets

Computer software

At cost	87,384	87,385
Accumulated amortisation	(69,631)	(69,632)
	17,753	17,753

(a) Movements in Carrying Amounts

	Computer software \$	Total \$
Balance at the beginning of the year	17,753	17,753
Amortisation	-	-
Balance at 30 June 2015	17,753	17,753

Notes to the Financial Statements

For the Year Ended 30 June 2015

8 Trade and Other Payables

Health Benefits Risk Equalisation Trust	78,570	120,696
Unpresented cheques	33,547	36,224
Sundry creditors	704,999	726,086
	<u>817,116</u>	<u>883,006</u>

9 Provisions

Outstanding claims		
Member benefits	700,800	561,150
Administrative allowance	56,000	45,000
Risk Equalisation allowance	37,000	27,000
Unexpired Risk Liability	324,000	-
	<u>1,117,800</u>	<u>633,150</u>
Employee entitlements		
Annual leave	38,986	43,107
Long service leave	34,355	29,038
	<u>73,341</u>	<u>72,145</u>
	<u>1,191,141</u>	<u>705,295</u>

(a) Movements in provision for outstanding claims

	Member benefits	Administration allowance	Risk Equalisation allowance	Total
	\$	\$	\$	\$
Opening balance 1 July 2014	561,150	45,000	27,000	633,150
Payments in current financial year for claims with prior service date	(642,634)	-	-	(642,634)
Additional provision made during year	782,284	11,000	10,000	803,284
Balance at 30 June 2015	<u>700,800</u>	<u>56,000</u>	<u>37,000</u>	<u>793,800</u>

The \$324,000 in additional unexpired risk liability arose wholly from additional provision made during the year.

Notes to the Financial Statements

For the Year Ended 30 June 2015

10 Deferred Revenue

	2015	2014
	\$	\$
Contributions received in advance	1,894,669	1,493,558
Unclosed business in advance	20,322	24,624
	<u>1,914,991</u>	<u>1,518,182</u>

11 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 2015 the number of members was 4,425 (2014: 4,137).

12 Contingent Liabilities and Contingent Assets

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2015 (30 June 2014: None).

13 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

Phillip Boon	Director
Paul Smith	Director
Jill Brasch	Director
Ron Coghill	Director
Mark Fishwick	Director
Greg Spinks	Director
Matthew Fryett	General Manager

Key management personnel compensation

	2015	2014
	\$	\$
Total key management personnel compensation	<u>221,632</u>	<u>230,430</u>

Notes to the Financial Statements

For the Year Ended 30 June 2015

14 Related Party Transactions

During the year, the Company received health insurance contributions from and paid health insurance benefits to key management personnel of the Company and their relatives on normal commercial terms and conditions. That is to say, on terms and conditions no more favourable than those available to others.

The discount available to HCI directors is no more than what is available to staff and is less than the maximum discount that a health fund is able to offer to members under the PHI Act.

15 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:

	2015	2014
	\$	\$
Financial assets		
Cash and cash equivalents	1,902,568	4,504,017
Trade and other receivables	644,389	658,077
Other financial assets	12,720,105	9,534,070
Total financial assets	15,267,062	14,696,164
Financial liabilities		
Trade and other payables	817,116	883,006
Total financial liabilities	817,116	883,006

16 Capital and Lease Commitments

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

Payable - Minimum lease payments		
- not later than 12 months	7,018	36,908
- later than 12 months but not later than five years	-	7,029
- later than five years	-	-
	7,018	43,937

Notes to the Financial Statements

For the Year Ended 30 June 2015

17 Events after the end of the Reporting Period

The financial report was authorised for issue on Monday the 21st of September 2015 by the board of directors.

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

Directors' Declaration

For the Year Ended 30 June 2015

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 5 to 20, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards - Reduced Disclosure Requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2015 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.


Phillip Boon
Director

Burnie

Dated:

21/09/2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HEALTH CARE INSURANCE LTD

Report on the Financial Report

We have audited the accompanying financial report of Health Care Insurance Ltd, which comprises the statement of financial position as at 30 June 2015, the statement of comprehensive income, statement of changes in equity and 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.

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 – Reduced Disclosure Requirements and the Corporations Act 2001 and for such internal control as the director's determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 director's 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 the financial report of Health Care Insurance Ltd is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Corporations Regulations 2001.

CROWE HORWATH TASMANIA
Crowe Horwath Tasmania



Malcolm Matthews
Partner

Launceston

Date: 21 September 2015