

ANNUAL REPORT



*We live in regional
Australia and remain
from the country for
the country*



2015



2016



PEACE OF MIND WITH
ACCESS TO QUALITY CARE

CHAIRMAN'S REPORT



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Westfund's strong balance sheet has been backed by a solid \$14.7 million surplus for the 2015-16 financial year.

Throughout the 2015/16 period the private health insurance industry has taken a real bashing in the media, resulting in a shift in public perception relating to health insurance provision and health care costs on the whole.

Our members and health insurance consumers in general are now looking for better service provision and support from their providers.

As the mining downturn continues, conditions remain uncertain both in market terms as well as for the possible impacts on many of our regional communities.

The Board of Directors is proud to lead a well-rounded and skilled group of Executive Managers who are well-versed in our regional focus and also in the politics surrounding health. They display good financial governance, providing solid assurance for the Board and also for our members. Especially beneficial to the fund has been the formation of a highly experienced Information Technology team which will see the fund into a new period of innovation and progressive change.

As always, Westfund remains operative for the benefit of our members, we're not in it for the profit. We are crucially aware of the importance of our regional communities and of our important role as an advocate for increased and improved healthcare services across regional NSW and Queensland.

Westfund was extremely proud to launch 'Health Insurance in Regional Australia: The History of Westfund' written by Harry Knowles, Greg Patmore and Mark Westcott recently. Westfund representatives commissioned the University of Sydney working group to chronicle the history of our organisation as a successful and enduring mutual organisation. The book details our long and proud history as an organisation built by and for the people of Lithgow. It also details the evolution of the fund into a higher profile entity evidenced by our successful centres across regional NSW and Queensland.

Westfund is proud to be able to showcase this book in recognising our past while we now look forward with enthusiasm to a bright future supporting our members and their communities.

Howard Fisher AM
Chairman



CEO's REPORT

We are pleased to announce that Westfund's assets grew 11.78 percent to \$181.2m, with our reserves reaching a healthy state of \$152.7 million this year.

BUSINESS CONDITIONS

Economic conditions

Our members can be confident in the fact that Westfund is in a solid financial position, providing security into a new year. Members of our Board of Directors, feel that the past 12 months have shone a negative spotlight on the private health insurance industry. This negative attention has been damaging for the industry in terms of reputation and has also had some impact on Westfund's market.

Market conditions

As a fund, we have been strong in our advocacy and I believe in promoting trust within our market. This is based on our underlying core value of serving 'solely for the members' benefit, we're not in it for the profit'. We have demonstrated this through our promotion and continued commitment to our Dental, Eye Care and Community programmes within our care centre areas. Our continued regional focus is shown through our Here For Hearts programme, where we allocate free and subsidised defibrillator units to regional schools and community groups. The fund also initiated a Music Therapy programme with Dying Well and Health Rocks initiatives providing end of life therapy and music as a therapy tool for disaffected youth in Lithgow, NSW. To restore confidence, and consequently trust, within the private health insurance market, Westfund is bringing even more emphasis to our community programme as evidenced by engagement within our regional care centre areas.

Product range simplification

We have committed to a 'top cover' focus, looking to give our members the best value available in the market for a quality non exclusionary product, which will stand them in good stead for their health cover. We have made a concerted effort to simplify our product range, to better identify value for money for our members. This simplification also makes products easier to understand for both members and staff and has pre-empted government reform around the issue.

Investing for the future

The fund has purchased a property in Moranbah, which we are looking at renovating to house our care centre. We're also looking at opening a new Eye Care service in a part-time capacity. This further reinforces our ongoing commitment to the people of Moranbah.

Our member care network is a core value for Westfund, showing our commitment to maintaining a presence in regional towns and cities – remaining a local presence as a key to long-term growth.

Grahame Danaher
Chief Executive Officer



OUR FUTURE

- **VALUES** – Self-reliant, friendly, respectful, aspirational, trustworthy
- **OUR VISION** – To provide equal access to health care for regional and rural Australians.
- **WHAT WE DO** – We provide choice, peace of mind and security through top-cover premium service focus to the market.

We also fill gaps in health services through our products and benefits but more and more through our expanding Dental and Eye Care services.

We aspire to populate regional communities around Australia with our member care centres, not only satisfying health insurance needs, but also filling gaps in healthcare provision for regional and rural members.

Now and in the future

Our organisation relies on the ability to capture opportunity that identifies our members' needs. We also need to be cognisant of how risks can destroy value – from reputational to financial.

Future positioning

Westfund has positioned our sales and service towards being a top-cover fund. Top covers are currently 80 percent of our mainstream product base.

This positioning allows the fund to provide members with premium service value, which means we will treat the member as we would like to be treated ourselves.

Reputation

Westfund aims to be the trusted health insurance and health service provider, filling the gaps in rural and regional communities across our care centre footprint.

We are doing this through our local member care centres, in particular our Dental and Eye Care services.

Our product range is styled to suit the unique needs of rural and regional Australians, focussed around top cover but also including benefits such as Accident, Hardship and Retrenchment offering a helping hand when things get tough.

Health service development – short and long term

The provision of product benefits and health services that maintain choice and support clinical-best outcomes – for example, two visits to the dentist each year mitigates future decay and dental damage while one visit to an optometrist every two years mitigates potential for blindness (it is believed as much as 70 percent is preventable).

Business capability – readjustment

We are re-evaluating our processes and systems and engaging staff with good conditions. We believe we treat members as we would like to be treated ourselves. Refreshing our processes and systems will enable us to better support our staff, communities, members and customers.

The management of change is always difficult. We will focus on implementing change in the short term to engage success for the long term.

Organisational development

Our organisational structure is very capable with a younger team working alongside a number of experienced campaigners involved in driving systems and processes as well as value and service principles.

All are well-aligned and connected in regard to the values and vision of Westfund into the future.

Executive team –

Chief Executive Officer Grahame Danaher leads

- **Executive Manager – Operations,**
Chris Phillips
- **Executive Manager – Finance and Administration,**
Matthew Banning
- **Executive Manager – Eye Care,**
Melissa Donovan
- **Executive Manager – Dental,**
Hendrik Lai
- **Executive Manager – National Sales,**
Linda Tormay

KEY PERSONNEL



Grahame Danaher
FAICD, FAIM, Harvard Business
School Graduate
Chief Executive Officer

Grahame Danaher was appointed Westfund Chief Executive Officer in 1997. Prior to this Grahame gained extensive experience working in health insurance, local government and business.



Chris Phillips
CPA, B.Com (Accounting)
Executive Manager – Operations

Chris Phillips joined Westfund in 2004 and has held many positions within the fund. Chris currently serves as Executive Manager Operations. Prior to this Chris gained experience in audit and finance whilst working with Woolworths, Blue Mountains City Council, and KPMG.



Matt Banning
BBus(Acc/Fin), CPA, MBA,
GAICD, GIA(Cert)
Executive Manager – Finance and
Administration

Matt Banning began his career at Westfund in 2004 as an Accountant. Since then Matt has gained experience in the mining, manufacturing and education industries prior to returning to Westfund in 2016.



Melissa Donovan
Executive Manager – Eye Care

Melissa Donovan joined Westfund in November 2012 and has been responsible for leading our Mackay and North Queensland teams. With experience managing multi-site optical stores, Melissa is now responsible for our Westfund Eye Care practices.



Dr Hendrik Lai
MBA, MS, GCOL, BDS(Adel), CM,
CPMgr, FAIM, FCMI, FlntAM, FIIDM,
AFCHSM
Executive Manager – Dental

Hendrik Lai joined Westfund in June 2014 as Chief Dental Officer and now serves as an Executive Manager & Head of Dental. Hendrik brings with him extensive experience in the areas of public health, military health, private dental practice and health education, with experience gained working overseas as well as in metropolitan Australia and in some of Australia's most remote locations. Hendrik also currently holds an academic appointment as an adjunct Senior Lecturer at the James Cook University College of Medicine and Dentistry.



Linda Tormay
Executive Manager – National Sales

Linda Tormay joined Westfund in April 2015. She has held Leadership roles in Sales, Service, Business Development, Operational Leadership and Change management in the private health insurance, retail and hospitality industries. Linda has a track record of leading growth scenarios and building leadership capability to deliver robust sales and service outcomes.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE FRAMEWORK

Westfund is registered under the Corporations Act 2001 as a public company limited by guarantee. It is also a registered Private Health Insurer under the Private Health Insurance Act 2007 (and the Private Health Insurance (Prudential Supervision) Act 2015. Its health insurance business is exempt from Income Tax under the Income Tax Assessment Act 1997.

Westfund operates on a not-for-profit basis with its Corporate Constitution prohibiting the distribution of any surplus or assets to the Members of the Company.

The Corporations Act, the Private Health Insurance Act, and the Private Health Insurance (Prudential Supervision) Act 2015, impose obligations on the way in which Westfund operates. Westfund's Corporate Governance Framework references the requirements of this legislation, its Corporate Constitution, the ASX Corporate Governance Principles and recommendations of the Australian Prudential Regulation Authority (APRA). Regulatory authority for the private health insurance industry transitioned from PHIAC to APRA with effect from 1 July 2015.

BOARD OF DIRECTORS

The Westfund Board comprises eight (8) non-executive Directors. The Board has a broad range of skills and expertise particularly in the health insurance industry. The composition of the Board and each Director's background is detailed in the Annual Report.

Board role and responsibility

The Board's responsibilities are outlined in a formal Charter. The Charter is reviewed annually. The major roles of the Board include setting the goals and strategic direction of Westfund, determining all policies, appointment, remuneration and review of the CEO, monitoring the appointment and conditions of senior executives, approving plans, budgets and significant capital expenditure and reviewing the performance of the organisation and the Board itself.

Selection and role of chairman

The Chairman is an independent director and is responsible for providing effective leadership on formulating the Board's strategy, guiding the agenda and conduct of meetings, representing the views of the Board to the public, and reviewing the performance of Directors.

Director independence

The majority of the members of the Board are independent Directors. Independence has been determined using the ASX Corporate Governance Best

Practice Recommendations and APRA guidelines, that is, that he or she is free from any business or other association with Westfund that could materially interfere with his or her independent judgement as a Director of Westfund. One Director is not regarded as independent under these guidelines having served as a professional advisor to the Board in the previous three years.

Conflict of interest

Specific arrangements are in place for Directors to disclose any conflicts of interest, which include the requirement to disclose any conflicts and material personal interests to the Board. Where necessary, the Board will decide whether a Director should participate in the consideration of the matter by referencing the requirements of the Corporations Act 2001.

New directors

The Board issues formal letters of appointment of new Directors, setting out the key terms and conditions relative to their appointment and the expectations of the role of the Director. New Directors are provided with an induction program and access to regular training.

Director education

Directors receive regular detailed financial reports, business conditions reports and reports on matters that are significant to Westfund's operations. Each Director is able to access independent professional advice with prior approval of the

Chairman, which cannot be unreasonably withheld.

Directors and senior management are encouraged to broaden their knowledge of the Private Health Insurance Industry and Westfund by attending in-house education programs for Directors as well as industry association seminars, relevant courses and government conferences. Training activities of the Board are coordinated through the Board's Training Committee.

Succession Planning

The Board through its Nominations Committee is responsible for developing and implementing succession planning for Directors.

Succession planning is reviewed regularly and at least annually at Committee meetings. The Board's tenure of Directors policy acknowledges that our geographical position, industry speciality, and our culture need to be well considered when composing the Board.

Review of Board and CEO's performance

The Chairman is responsible for monitoring the performance of individual Directors. In turn, individual Directors assess the performance of the Board and Chairman.

The CEO has objectives that largely relate to our strategic and business plan goals, as well as being responsible for employee satisfaction, member satisfaction and our community reputation. The Chairman initially, and then the Board, assess and monitor the performance of the CEO.

BOARD COMMITTEES

To assist the Board in carrying out its responsibilities, the Board has the following committees of Directors:-

- Audit
- Risk
- Remuneration
- Nominations
- Technology
- Board Training
- Executive.

Each committee has a Charter that outlines its responsibilities.

Audit committee

Responsible for oversight of the integrity of financial reporting, oversight of the external and internal audit functions and the effectiveness of internal controls.

Risk committee

Responsible for oversight of the integrity and effectiveness of the enterprise risk register, risk management policies, plans and procedures.

Remuneration committee

Responsible for setting remuneration policies linked to performance and ensuring workplace agreements are fair and reasonable and responsible for the organisation and staff.

Nominations committee

Responsible for identifying nominees for directorships and other key executive appointments, determining the composition of the Board and ensuring appropriate procedures exist to assess and review the performance of the Chair, Directors, senior executives, Board committees and the Board as a whole.

Technology Committee

Responsible for monitoring the information technology strategy, policies and performance, effectiveness, efficiency, risks and security of information technology.

Training committee

Responsible for setting professional development standards for and overseeing the training and professional development of Directors in respect of the business, industry, regulatory requirements and corporate governance.

Executive committee

Responsible for exercising delegated powers of the Board between Board meetings.

RISK MANAGEMENT

Westfund carries a wide variety of risks in its operations. The Board is committed to managing these risks and does so through a comprehensive framework for risk management developed in compliance with the International Risk Management Standard ISO 31000:2009 and Enterprise Risk Management guidelines developed by our regulator APRA.

Westfund's Risk Management Plan details Westfund's Risk Management objectives, risk appetite, risk management responsibilities and internal control framework. Risks are classified as operational, financial and strategic. Internal audit reviews the effectiveness of the operation of the controls. Westfund has developed specific plans for Disaster Recovery and Business Continuity.

OUR BOARD OF DIRECTORS



Howard Fisher
Chairman

Director Chairman: Non Executive Director since 1983. Since 1987.

Independent: Yes.

Committees: Chair of Nomination Committee. Chair of Executive Committee. Member of Audit Committee. Member of Risk Committee. Member of Remuneration Committee. Member of Technology Committee. Member of Training Committee.

Positions: Previous Lithgow Councillor. Previous Chairman Upper Macquarie Council. Previous Miners Federation President. Previous President of South Western District of the Miners Federation. President of Lithgow Workmen's Club.

Experience: Industrial Relations, Business, Health Insurance, Local Government.



Phillip Burgett
FCA, MAICD Director

Director: Non Executive Director since 2012.

Independent: Yes.

Committees: Chair of Audit Committee. Member of Risk Committee.

Positions: July 1999 – June 2010 Managing Partner responsible for the operational and strategic direction of Morse Group formerly Alan Morse & Co and its ancillary businesses.

Experience: Finance Industry, Health and Aged Care, Rural Local Government Councils.



Wesley Anderson
MAICD, FIPA, CTA, AFAIM Director

Director: Non Executive Director since 2004.

Independent: Yes.

Committees: Chair of Board Technology Committee. Member of Audit Committee. Member of Risk Committee. Member of Training Committee.

Positions: President Lithgow Community Broadcasters Incorp. Chief Executive Officer of Family First Credit Union for 28 years. Former Deputy President of the Credit Union Foundation of Australia.

Experience: Banking and Finance.



Edward Butcher
Director

Director: Non Executive Director since 2008.

Independent: Yes.

Committees: Nil.

Positions: Previous Mineworker. Secretary of the Workers Industrial Union of Australia. Elected Secretary President in the Broken Hill area. Board Member WIU of A investments, Consolidated Broken Hill Limited. President of the Barrier Industrial Council. Chairperson of the local newspaper. Member of the Mines Safety Advisory Committee. Returning Officer for the Broken Hill Rugby League Club.

Experience: Finance and Mining.

OUR BOARD OF DIRECTORS



Ross White
MAICD, CCM University of NSW Director

Director: Non Executive Director since 1987.
 Independent: Yes.
 Committees: Vice Chair of Remuneration Committee.
 Member of Executive Committee.
 Member of Nomination Committee.
 Positions: Financial duties with Morgan Insurance.
 Previous Westfund Chairman.
 Served on the board of Lithgow District Hospital.
 Experience: Health Insurance and Mining.



Brian Kelly
GAICD Director

Director: Non Executive Director since 2010.
 Independent: Yes.
 Committees: Member of Audit Committee.
 Member of Risk Committee.
 Chair of Training Committee.
 Positions: Presently Regional Manager Western Mines Rescue Station.
 Previous Centennial Coal Production Manager.
 Experience: Mining Industry.



Michael Serong
BA/LLB Director

Director: Non Executive Director since 2014.
 Independent: No.
 Committees: Chair of Risk Committee.
 Positions: Currently a Consultant with Law Firm Norton Rose Fulbright.
 Previous Partner in Law Firm Norton Rose Fulbright.
 Previous Andersen Legal.
 Previous Phillips Fox.
 Previous Rigby Cooke.
 Previous Cooke and Cussen.
 Experience: National Health Act 1953, Private Health Insurance Act 2007 and Corporations Act 2001, Corporate Governance, Finance, Investment, Industrial and Employment matters.



Graeme Osborne
GAICD Director

Director: Non Executive Director since 1996.
 Independent: Yes.
 Committees: Chair of Talent Development committee.
 Member of Executive Committee.
 Member of Audit Committee.
 Member of Risk Committee .
 Member of Remuneration Committee.
 Member of Nomination Committee.
 Positions: Director Auscoal Superannuation Pty Ltd
 CFMEU South Western District Vice President.
 Director Auscoal Services Pty Ltd.
 Experience: Health Insurance, Industrial Relations, Mining and Financial Services.

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

[A Company Limited by Guarantee]

ABN 55 002 080 864

For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Premium revenue		167,540,441	158,154,696
Members loyalty discount		-	(3,195,733)
Net premium revenue received	3	167,540,441	154,958,963
Claims expense		(141,990,600)	(136,577,295)
Risk equalisation trust fund income		7,255,071	3,941,435
State levies		(2,157,916)	(1,838,37)
Net claims incurred		(136,893,445)	(134,474,232)
Claims handling expenses		(11,211,644)	(10,989,311)
Other underwriting expenses		(6,573,036)	(6,489,092)
Underwriting expenses		(17,784,680)	(17,478,403)
Underwriting result		12,862,316	3,006,328
Investment revenue	3	4,139,961	4,794,494
Other revenues	3	6,922,001	6,931,907
Fair value (loss)/gain on investment		157,711	(126,300)
Impairment expense	4	-	(983,124)
Cost of goods sold		(2,965,691)	(3,148,454)
Fund administration expenses		(6,418,763)	(6,463,370)
Surplus before income tax		14,697,535	4,011,481
Income tax expense	1a		-
Surplus for the year after income tax	4	14,697,535	4,011,481
Other comprehensive income for the year, net of income tax			
-Items that will not be subsequently reclassified to surplus or deficit:			
-Revaluation of property, plant and equipment, net of income tax		-	(394,194)
Total comprehensive income for the year		14,697,535	3,662,287

STATEMENT OF FINANCIAL POSITION

[A Company Limited by Guarantee]

ABN 55 002 080 864

For the year ended 30 June 2016

Note		2016	2015
		\$	\$
Current assets			
Cash and cash equivalents	7	853,668	246,210
Trade and other receivables	8	7,269,454	5,758,400
Inventories	9	376,056	338,432
Financial assets	10	132,736,460	116,276,775
Other current assets	11	715,263	592,500
Total current assets		141,950,901	123,212,317
Non-current assets			
Financial assets	10	20,038,967	21,920,667
Property, plant and equipment	12	18,981,462	16,304,445
Intangible assets	13	1,015,797	1,102,884
Total non-current assets		40,036,226	39,327,996
Total assets		181,987,127	162,540,313
Current liabilities			
Trade and other payables	14	851,634	879,498
Provisions	16	19,419,720	18,075,235
Other current liabilities	15	31,382,908	28,097,749
Total current liabilities		51,654,262	47,052,482
Non-current liabilities			
Provisions	16	933,345	785,847
Total non-current liabilities		933,345	785,847
Total liabilities		52,587,607	47,838,329
Net assets		129,399,520	114,701,984
Equity			
Reserves	17	-	-
Retained earnings		129,399,520	114,701,984
Total equity		129,399,520	114,701,984

STATEMENT OF CHANGES IN EQUITY

[A Company Limited by Guarantee]

ABN 55 002 080 864

For the year ended 30 June 2016

	Asset Revaluation Reserve \$	Retained earnings \$	Total \$
Balance at 1 July 2014	349,194	110,690,503	111,039,697
Total comprehensive income for the year	-	4,011,481	4,011,481
Decrease in valuation of property in use	(349,194)	-	(349,194)
Balance at 30 June 2015	-	114,701,984	114,701,984
Total comprehensive income for the year	-	14,697,536	14,697,536
Balance at 30 June 2016	-	129,399,520	129,399,520

OUR CARE CENTRE NETWORK

Westfund Limited

ABN 002 080 864

Home Office

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Lithgow NSW 2790

Phone: 1300 937 838

Fax: (02) 6352 3080

Email: enquiries@westfund.com.au

Web: www.westfund.com.au

Lithgow Blast Furnace
Constructed: 1906-1907

Lithgow and this Blast Furnace record the beginning of the iron and steel industry in Australia. The furnace was established in 1886 by William Sandford and operated until 1928 when production was moved to Port Kembla.

New South Wales

Lithgow	59 Read Avenue, Lithgow 2790 (Head Office).
Lithgow 2	120 Main St, Lithgow 2790.
Bathurst	Bathurst City Shopping Centre, near Bed Bath & Table shop. Bathurst Pharmacy - Kiosk 17 George St, Bathurst 2795.
Dubbo	186B Macquarie St, Dubbo 2830.
Mudgee	130 Church St, Mudgee 2850.
Orange	179 Summer St, Orange 2800.
Wollongong	95 Crown St, Wollongong 2500.

Queensland

Maroochydore	6-8 Plaza Parade, Maroochydore QLD 4558 (State Office).
Mackay	2243 Canelands Central, Ground Floor (near Colette and Suna Shoes)
Mackay 2	24 Sydney St, Mackay 4740.
Moranbah	Shop 8 Moranbah Shopping Centre, St Francis Drive, Moranbah 4744.
Rockhampton	127 East St, Rockhampton 4700.
Townsville	72 Nathan St, Vincent, Townsville, 4814.
Emerald	Shop 1/112 Egerton St, Emerald 4720.



Westfund Limited ABN 55 002 080 864.

A registered private health insurer under the Private Health Insurance Act.
A not for profit fund.