westfund

Annual Report
2021-2022

Report from the Chair

We're more than just a health fund. We're a not-for-profit organisation building a new kind of healthcare for collective good.

By investing in making communities healthier, by expanding access to affordable healthcare for members and by bringing out the best in our people, we're helping Australians to feel good and make a positive social impact.

It is with much pleasure that I can report that your member-owned Health Fund has once again been able to support members during a difficult period. Health-related challenges have continued as the country recovers from the COVID-19 pandemic. Our support included expanding upon our preventative health initiatives, limiting and delaying premium increases, and enhancing our Care Centres to provide a better experience for our members and staff.

During the year the Fund undertook a comprehensive assessment of the health experiences of our members, particularly in regional locations, and also identified the services that are available in each of these communities. The findings confirmed that there are material gaps in the provision of services and significant delays in accessing them within an acceptable time. The purpose of this research was to assist the Fund with its plans to expand access to needs-based health services, playing a role in addressing the regional imbalance.

We plan to develop solutions that will include re-purposing our Care Centres to facilitate preventative initiatives, partnering with providers to improve access to Allied Health services, and utilising technology to assist with the provision of primary, preventative, home and community care.

Supporting members and the communities we serve

As a not-for-profit, member-owned health fund we exist to look after the best interests of members and our focus is to ensure this is at the forefront of everything we do. We continue to look at ways to minimise the cost of insurance while enhancing our benefits so that they deliver what our members need. We have also increased our investment in providing clinical services and a range of preventative health initiatives which are designed to increase the value we provide members of our Fund.

Eye Care and Dental Care

- We continued to service our members to a high standard with COVID-19 infection control measures firmly in place. Both clinical business units have been through a significant uplift in the past year
- Dental have a newly upgraded Practice Management System and X-ray software that will allow a seamless member and staff experience
- Eye Care have implemented new Core Optical Ranges allowing alignment and structure across all four locations to better service our members' needs
- Our Provider of Choice (POC) Network for Dental, Optical and Physio continued to service our members and offer low to no gap preventative services nationwide, empowering members to continue with preventive check-ups which are vital for overall wellness.

Healthcare services

Our fifteen health and wellbeing program offerings for eligible members continue to support and guide them in their wellness journey. Some of the programs to support our members' wellness journey include:

- **Mental Health Programs** continue to offer members mental health support via telehealth with trained psychologists at the times they need it the most. The digitally interactive program allows members to have a higher degree of support in the comfort of their own home
- **Cancer Support Programs** continue to assist our members during any stage of their cancer journey. At this daunting time, members and their families are assisted in understanding treatments, side effects and gaining help efficiently. The focus of the program is to reduce the burden and allow the member and their family to focus on quality time without the stress of navigating the health care system
- **Weight Management Programs** continue to support our members in the prevention or management of type 1 diabetes, the management of type 2 diabetes and the improvement of cardiovascular disease and stress on joints
- **Hospital Care at Home and Rehab at Home Programs** continue to provide members with the choice of recovering in their own home, supported by a suite of providers that ensure our members receive the best possible care while surrounded by their families.

Financial strength

Your Fund continues to maintain industry leading levels of capital that allows us to re-invest in the business, minimise the increases in premiums, improve benefits, attract and retain quality staff, and deal with economic shocks as we have recently experienced due to the pandemic. While our financial results this year were impacted by the performance of the investment markets, the Board has taken a medium to long-term view when developing the investment strategy and is confident that this remains appropriate and in the best interests of the business.

We also recognise the challenges members continue to have in accessing health related services and will ensure that they continue to receive "value for money" as a Westfund member. This was demonstrated last year by returning $5.1m in premium refunds as well as making the decision to defer premium adjustments once again. The premium increase of 2.4% was amongst the lowest within the industry and we will continue to work hard to limit future adjustments.

Key performance results

- **$215.7m** benefits paid to members
- **56,700** hospital admissions
- **498,800** dental, optical and ancillary visits
- **15** active Health and Wellbeing programs
- **93.2%** member retention rate
- **73** world class and industry leading net promoter score
- **3.4%** annual membership growth (we welcomed over 6,000 new members to the Westfund community)

Report from the Chair

Community support

The Westfund Community Grants Program continues to grow from strength to strength, with a huge number of applications received in both rounds of the 2021/22 financial year. This meant a lot of hard work for our committee, who are tasked with the difficult job of assessing the applications to decide where we distribute the grants.

We were pleased to again award grants to a diverse range of organisations making a meaningful difference in their communities. We also funded 15 defibrillators through the program.

Some of the worthy recipients were:

Katie Rose Hospice:
A not-for-profit organisation providing end of life care to the Sunshine Coast community. We provided funding for iPads to allow residents to video call loved ones who can't physically visit.

Dreams2Live4:
Help make dreams come true for patients living with metastatic cancer. Our grant allowed a 'dreamer' from Bathurst to enjoy a family holiday in South Australia with his children.

Kayuga Rural Fire Brigade:
The funding from a Westfund Community Grant allowed the brigade to purchase two oxygen trauma kits to better equip them in case of a major trauma event.

Lithgow and District Men's Shed:
Applied for a grant to upgrade some of their tools so they can continue doing what they do best – building and repairing items for the Lithgow community.

Hearts of Purple Ltd:
An organisation that helps vulnerable past and current victims of domestic violence, with a dedicated volunteer committee. They used their grant to purchase pre-paid mobile phones to give victims of domestic violence an added layer of security.

Governance

We continue to strengthen our governance capabilities both at a Board and organisational level to ensure we are fulfilling our prudential requirements and meeting community expectations. This year we enhanced our capabilities by establishing a Clinical Governance Committee and appointing an experienced and highly credentialed Chair, Therese Jones. The Committee oversees all of our clinical activities including our dental and eye care operations to ensure we provide a safe, effective and high standard of service and care.

Gratitude and thanks

The continuing success of Westfund would not be possible without the wonderful contribution made by my fellow Directors, our exceptional executive management team and staff, and our loyal and supportive members who we greatly appreciate.

The caring and community-focused nature of our member-owned organisation has allowed us to come through a tumultuous period in our history stronger, more resilient and better equipped to continue to look after the best interests of our members. This would not have been possible without the dedication of our staff who have had to make material adjustments and adapt to ensure our members continue to receive the wonderful service to which they have become accustomed.

Graeme Osborne
Chair

Steve and Sheree, Westfund members for seven years.

"The caring and community-focused nature of our member-owned organisation has allowed us to come through a tumultuous period in our history stronger, more resilient and better equipped to continue to look after the best interests of our members."

Graeme Osborne, Chair

Board of Directors

The Directors present their report, together with the financial statements, on the company (referred to as the 'company', 'Westfund' or the 'Fund') for the year ended 30 June 2022.

Directors

The following persons were Directors of the company during the whole of the financial year to current as of this report, unless otherwise stated:

Graeme Osborne
Chair

Brian Kelly
Deputy Chair

Phillip Burgett

Jennifer Dawn

Michael Serong

Jordan Tilse

Geoffrey Wheeler

Bradley Williams

Noeline Woof

Company objectives

The company's purpose is to support members' long-term well-being with premium services that facilitate choice, access and affordability of healthcare.

The company's financial driver is sustaining high value services and benefits for its members.

The company's short-term objectives are to:
- improve and promote the value of membership in the face of heightened price sensitivity, increased competition, reduced Government incentive and challenging economic conditions;
- maintain industry-leading member retention;
- continue development of sales and service channels;
- grow members while maintaining sustainable products;
- retain a strong capital base; and
- enhance employee well-being at work and attract and retain quality employees.

The company's long-term objectives are to:
- support the health and well-being of the company's members and the communities in which the company serves;
- maximise member value through high quality, value-for-money health insurance products and an integrated health service offering supported by highly personalised service;
- invest in better health outcomes to the benefits of members;
- maintain a profit-for-members focus, with surpluses in excess of requirements used for the benefit of members; and
- provide regional employment and career opportunities.

Strategy for achieving the objectives

To achieve these objectives, the company has adopted the following strategies:

- increase the company's brand awareness;
- increase the value of the company's membership by providing broader health services;
- modernise the way in which the company interacts with its members;
- provide staff with the required training and tools to excel in their job; and
- attract and retain quality staff to work for the company.

Principal activities

The continuing principal activities of the company during the financial year were to provide health insurance and healthcare services to members.

Significant changes in the state of affairs – Impact of the Coronavirus (COVID-19) pandemic

In response to the continued pandemic, the company's measures to support members include:

Members' refunds
As a not-for-profit health insurer, with a focus on delivering value to our members, the company returned $5,100,000 to our members during December 2021. In addition to this, there were a number of COVID-19 support measures including premium rise deferral from April 22 to August 22 as well as other hardship measures.

Contribution on winding up

The company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that members undertake to contribute such amount as may be required not exceeding the sum of $1 each towards meeting any outstanding obligations of the company. As at 30 June 2022 there were 62,931 (2021: 61,111) members and the maximum amount liable to be contributed was $62,931 (2021: $61,111).

Board of Directors
Director profiles

Graeme Osborne
GAICD
Chair

Graeme has been the Chair of the Board since 2018 and has been a non-executive Director since 1996. He has experience in private health insurance, industrial relations, superannuation and the mining and financial services industries. He is a Director of Coal Services Pty Limited, Coal Mines Insurance Pty Limited and NSW Mines Rescue Pty Limited. He is also a member of Coal Services Risk Management and Remuneration Committees. He has served as a Director of Auscoal Superannuation Pty Ltd where he was a member of the Audit, Risk and Compliance Committee. He was also a member of Mine Superannuation's Insurance Committee and Remuneration and Nomination Committee. He is currently District President of the Mining and Energy Union – South Western District.

Special responsibilities:
Chair of the Remuneration and Nomination Committee.

Phillip Burgett
BCOM, FCA, GAICD
Non-Executive Director

Phillip was appointed as a Director in 2012. He has extensive experience in providing independent audit, risk management and corporate governance services in health, local government, finance and insurance sectors. He is currently an independent member on public sector (local government) audit and risk management committees. Phillip has previously been a partner of accounting and business advisory firm Morse Group.

Special responsibilities:
Member of the Audit Committee.

Jennifer Dawn
MBA, MPM, GAICD
Non-Executive Director

Jenny was appointed as a Director in 2021. She has enjoyed success in various roles leveraging her leadership and experience in technology, innovation, cyber security, digital, governance and strategy. Her current roles include non-executive Director of Business Australia, Combined Dispensaries Friendly Society Ltd (Pharmacy), GAIA Company Pty Ltd, Collective Transformation Pty Ltd. Jennifer is also a Director of Charkra Awakening Pty Ltd.

Special responsibilities:
Member of the Risk and Compliance Committee.

Brian Kelly
GAICD
Deputy Chair

Brian was appointed as a Director in 2010. He has strong experience in the mining industry and held the position of Regional Manager at Western Mines Rescue Station for a number of years with expertise in work health and safety and emergency response. Prior to this he was Production Manager at mining company Centennial Coal. Brian is a member of the Mine Managers' Association of Australia.

Special responsibilities:
Member of the Risk and Compliance Committee.





Michael Serong
BA, LLB, GAICD
Non-Executive Director

Michael was appointed as a Director in 2014. He is an employment and labour lawyer with a background in business and corporate law, including finance, investment and insurance. He has particular expertise in Private Health Insurance law and regulation and has advised private health insurers over many years. He has held partnerships in a number of law firms during his career and was, until recently, a senior consultant with Norton Rose Fulbright based in Melbourne.

Special responsibilities:
Member of the Risk and Compliance Committee.

Jordan Tilse
BA, LLB, GAICD
Non-Executive Director

Jordan was appointed as a Director in 2017. She has a number of years' experience in top tier law firms as a solicitor advising on employment law matters and corporate governance across various industries including banking, finance and insurance. She has also acted as solicitor assisting the Royal Commission into Trade Union Governance and Corruption. Jordan is the founder and principal of Melbourne based law firm Sefton Davis which specialises in advising clients on employment matters including restructures, redundancies, workplace grievances and workplace training and investigations.

Special responsibilities:
Member of the Remuneration and Nomination Committee.

Geoffrey Wheeler
DIP. HRM, ASSOCIATE DEGREE VET, C.MMA, GAICD, JP
Non-Executive Director

Geoffrey was appointed as a Director in 2017. He has experience in mining, business and hospitality, human resources and club management. He is currently General Manager of the Lithgow Workmen's Club.

Special responsibilities:
Member of the Remuneration and Nomination Committee.

Bradley Williams
BBM, ASSOC DIP BUS, MIML, GAICD
Non-Executive Director

Bradley was appointed as a Director in 2017. He has a strong background in finance, banking and business development. He has held various positions at Community First Credit Union and Westpac Bank and is a Director of Bradfin Pty Ltd, a mortgage broking company. He is currently Head of Industry Relationships at Unity Bank.

Special responsibilities:
Member of the Audit Committee.

Noeline Woof
BEC, FIAA, GAICD
Non-Executive Director

Noeline was appointed as a Director in 2021. She has senior executive expertise in risk and financial management with regulated entities and is a qualified Actuary with more than 25 years' experience. She has deep knowledge of general insurance, health insurance and accident compensation schemes gained through prior experience as Partner at PricewaterhouseCoopers, Chief Actuary and Chief Risk Officer at Allianz Australia, and Senior Policy Advisor at APRA. Noeline is also a Non-Executive Director of Hollard Insurance Limited and Pacific Life Re Australia.

Special responsibilities:
Chair of the Risk and Compliance Committee and Chair of the Audit Committee.

Board of Directors

Company Secretary

Deng Gichuru (Chief Risk Officer) has been Company Secretary since 2020. His qualifications and professional memberships include Grad Dip (Risk Management), MAICD, ANZIIF (Senior Associate CIP), AGIA (Associate) and RMIA (Member).

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2022, and the number of meetings attended by each Director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Graeme Osborne	7	7	4	4
Phillip Burgett	7	7	4	4
Jennifer Dawn	7	7	2	2
Brian Kelly	7	7	4	4
Michael Serong	7	7	-	-
Jordan Tilse	6	7	-	-
Geoffrey Wheeler	7	7	-	-
Bradley Williams	7	7	4	4
Noeline Woof	7	7	2	2

	Risk and Compliance Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held
Graeme Osborne	4	4	3	3
Phillip Burgett	2	2	-	-
Jennifer Dawn	2	2	-	-
Brian Kelly	4	4	1	1
Michael Serong	4	4	-	-
Jordan Tilse	-	-	3	3
Geoffrey Wheeler	-	-	3	3
Bradley Williams	-	-	-	-
Noeline Woof	4	4	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Executive leadership team

The following persons were members of the executive leadership team:

Mark Genovese
Chief Executive Officer

Liz Casmiri
Chief Health Care Services Officer

Deng Gichuru
Chief Risk Officer and Company Secretary

Jon Goodgame
Chief Operations Officer

John Pallister
Chief Information Officer

Chris Phillips
Chief Finance Officer

Bill Sheffield
Chief People Officer

Positions held as at 30 June 2022.

Year in review

Ongoing COVID-19 support for our members

We recognise the enormous impact COVID-19 continues to have on the livelihood of our members and their ability to access quality healthcare services. That's why we deferred a scheduled premium increase due 1 April 2022 to 1 August 2022 – providing members with four months of premium increase relief. At just 2.4 per cent, our planned 2022 premium increase was already one of the lowest in the industry, while our healthcare coverage continues to be one of the strongest nationwide.

15

defibrillators donated to community organisations across regional Australia

$137,000+

Community Grants and defibrillators awarded to inspiring local community organisations

45

Aussie communities have benefited from the Westfund Community Grants Program

4.6

rated 4.6/5 on Product Review

15

active Health and Wellbeing programs

227

members participated in a health and wellbeing program

Figures as at 30 June 2022

$^{\$}3m$

premium savings from 4-month premium increase waiver

$^{\$}28,000$

donated to support not-for-profit organisations and charities

$^{\$}215.7m$

benefits paid to members – for every dollar received we paid 81.8 cents in benefits for members

6,000

we welcomed over 6,000 members to the Westfund community

73

world class and industry leading net promoter score

93.2%

member retention rate

56,700

hospital admissions

498,800

dental, optical and ancillary visits

Figures as at 30 June 2022

Our communities in focus

Krystal and her family,
Westfund members
for eleven years.

While 2021/22 has been a challenging time for many Australians, it's been our privilege to support our members throughout COVID-19.

With more than 110,000 Aussies now part of the Westfund community, we've been focused on providing quality health cover and genuine care to our members each and every day.

We're committed to helping members access more from their membership and to be in the driver's seat when it comes to their health. That's why we've made a number of improvements to our online services and continued to expand our health and wellbeing offering.

We're proud of our people

We're a proud employer of local talent (213 people across our network). It's the level of care our people provide while supporting and informing our members that makes us stand out. Continual learning and training opportunities are key to achieving our high standard of member service.

Since 2020, we've invited our frontline teams to complete the Cert IV in General Insurance (TAFE course) to help them further develop their skills when handling insurance enquiries. We're elated that in the last year, 31 of our staff across NSW and Queensland have taken up this opportunity; three of them have completed the certificate during 2021/22.

Our regional communities

Our members in Maroochydore and Moranbah are now enjoying new and improved Care Centre spaces fitted out with member privacy and experience in mind. These locations are the latest in the refurbishment schedule.

Our digital evolution

Join Tool

Earlier this year we launched our new Join Tool on our website. We've created a seamless experience that reflects Westfund's values and empowers future members with control over the quote to join process.

New members now can:

01. Join Westfund easily
An optimised user experience that transitions users seamlessly through to the join process from the quote tool and wider website.

02. Find answers to questions within the Join experience
An informative and guided join experience that supports customers with accurate and relevant information. The new tool features conditional logic, information boxes and inline messaging to guide users through the process.

03. Self-serve from start to finish
A quote and join experience that enables customers to complete the quote-join process without the need for human assistance.

Extras limits on demand

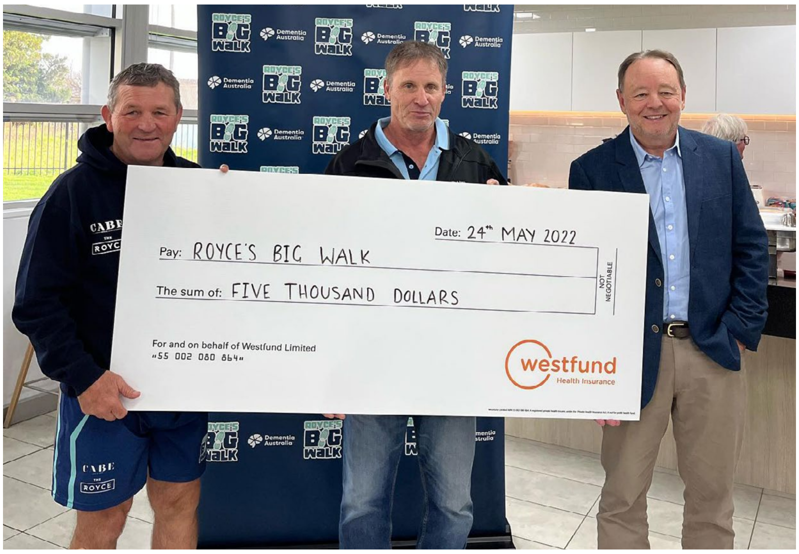
We've brought new functionality to the Westfund App and Members Online – members can now view their extras limits. This means that they can see what benefits they have left to claim. To help shape the look and feel of this new in-app feature, we reached out to members at different stages of development to ask for their feedback before rolling out to all members. By involving our members in the development process, we can be sure we're delivering a feature that is easy to navigate and helps them to manage their membership their way.

New communications tool

We're constantly looking at ways to improve our members' experience. That's why we launched a new automation system to help us tailor email communications and SMS's to members and future members. We also enhanced our communication preferences, allowing members to control what types of messages they want to receive. Whether it be member-only competitions, stories from the Westfund community, information relating to our health services or health and wellbeing programs, members can now seamlessly opt in or out.

Other improvements from a technological front include upgrading our core data and hosting environment. Through investing in a new solution, we've been able to increase the speed at which our people are able to service and support our members.

Our communities in focus



Royce's Big Walk
Royce Simmons, Graeme Osborne – Chair and Mark Genovese – Chief Executive Officer.

Goldstars Legacy Makers.

Supporting our community

Our origins are in regional Australia where, for over a century, we have a demonstrated history of not only supporting the health of our members, but also that of the communities we serve.

When we heard about Royce's Big Walk, we wanted to contribute in a meaningful way. 'Panthers' legend Royce Simmons created Royce's Big Walk (a registered charity) to raise funds for dementia research and awareness. Royce's Big Walk was a 300km trek from his hometown of Gooloogong to Penrith.

To support him on his journey, we donated $5,000 to the cause and hosted a BBQ lunch and Q&A session at our Lithgow Head Office that raised over $600 for his charity.

We also continued to support LINC's Christmas hamper service, a wonderful initiative that supports families in need throughout the Lithgow district.

More than 200 families were provided with a large hamper filled with locally sourced fresh produce, meat goods and Christmas items. Local Westfund and LINC staff worked together to pack and hand out the hampers in December 2021.

Westfund contributed $10,000 to the worthy cause. We also gave the team at LINC a van in December last year so that they could use it to pick up goods and distribute hampers locally.

In collaboration with the Lithgow Workmens Club and Centennial Coal, we supported a breakfast program across schools in the Lithgow district. Since it's inception in 2021, the program has ensured school students have nutritious options available so they can focus on getting the most from their schooling. Westfund is looking to expand its support to secondary schools, as there are significant social issues that impact many people and families within the community.

Grassroots support is something we've always been proud of. We continued to be involved in regional events like the Bathurst Show, Orange Running Festival and Central West Rugby Union's Westfund Ferguson Cup. Most recently, we joined forces with the Lithgow Show. We came on board as principal sponsors of 'Westfund's Lithgow Show' this year. 2022 is the first event in our three year partnership, and we've got some exciting plans to bring even more to the show in the coming years.

Our Community Grants Program continues to support community organisations. In 2021/22, we distributed $137,200 in support via grants and defibrillator units – that's 42 grants and 15 defibrillators to organisations supporting regional communities!

Goldstars Legacy Makers

After announcing our partnership with the North Queensland Gold Stars women's Rugby League team for their 2022 season earlier this year, we launched a new six-part content series. The 'We can be legacy makers' series features members of the Gold Stars squad and their head coach, on the cusp of entry into the NRLW. The empowering series shares their personal stories and hopes not just for their future, but for the next generation of female athletes.

From driving four hours each way to training, to sacrificing careers and relationships, the North Queensland Gold Stars are on a ground-breaking journey that has the potential to help realise the dreams of young girls from across the region.

Our series gives a behind-the-scenes glimpse into the determination, resilience and sacrifice required to make it in the NRLW – an insight into what it feels like to be creating a sporting legacy.

Health & Wellbeing Needs & Service Supply Gap Analysis

We're committed to helping our members access quality healthcare services across regional and remote Australia. Before we started to build out our long-term plan to address this issue, we needed to identify the health challenges that people in regional and remote communities face so that we can tailor our service offering to meet these needs.

We started the Health & Wellbeing Needs & Service Supply Gap Analysis late last year. Through independent research and member and staff surveys, we identified three main issues with the current state of regional and remote healthcare. These are prevention, access and availability.

It is clear from the research that the challenges our members face, especially in our regional locations, are not only complex but varied. We can comfortably draw the conclusion from the data that when members cannot access the care they need, they often end up requiring more costly and complex treatment.

Our comprehensive plan to address these health concerns will be implemented in a multi-phased approach over the next five years. We look forward to expanding our support to our members and their communities. We're here to build a new kind of health care for collective good.

Lence, Westfund Community Development Manager based in Wollongong.

Feels good to give back

Maroochy Neighbourhood Centre – Community Grants recipient 2021/22.

Community Grants

The Westfund Community Grants Program continues to grow and evolve. The program is our way of supporting communities to thrive, something we have a proud and passionate history of.

It's been a particularly tough time for community organisations, with much of their fundraising put on hold due to the COVID-19 pandemic. Paired with the inability to meet face to face, regionally based organisations have shown incredible resilience and this was a common theme in the applications we received.

From the Sunshine Coast through to Bathurst, it was our privilege to again support a range of creative and meaningful initiatives making a real difference in their communities. The grants we've awarded have helped feed the homeless, improve child literacy, support mental health and much, much more.

Throughout 2021/22 we provided 42 grants and 15 defibrillators.

Family and Community

Our regional roots mean we understand the importance of community support and a sense of belonging; ideas at the heart of Westfund and part of our story. Healthy families mean healthy communities and we're committed to supporting both and enabling collective wellbeing. We support organisations and initiatives that care for families and meet a real need in their communities.

Health and Wellbeing

Health and wellbeing doesn't just mean ticking the box of 30 minutes on the treadmill each day. We're committed to a holistic view of health and wellbeing that incorporates good mental, physical and emotional health. We support organisations that share this commitment and initiatives that promote and encourage a healthy approach to life and general wellbeing.

Fit for Life

Being Fit for Life is about having the skills and tools to thrive. Aligned with our belief in holistic health and wellbeing, we support organisations and initiatives who join us in encouraging communities to increase and sustain healthy exercise, an increase in physical movement and getting active.

Our communities in focus

Community Grants – our successful applicants

Round 2 2021

Suellen from Positive Pathways Life skills.

Grants

- Kayuga Rural Fire Brigade
- Bravery Buddies
- Bravery Box Australia LTC
- Katie Rose Cottage Hospice
- Medical Response QLD
- Positive Pathways Life Skills
- No More Fake Smiles
- Narromine Little Athletics
- LGBTI Community Ageing Network
- Forrest Beach SLSC
- Bathurst Local Aboriginal Land Council
- The Child Writes Fund
- Need a Feed
- Gingercloud Foundation
- Careflight
- Lithgow District Junior Cricket
- Clarence Town RFS
- Zonta Club of Maroochy
- Dreams2Live4
- Turning Point Camden Inc
- The Oaks Evening Branch of CWA
- Woodstock Swimming Pool
- Frenchville Sports Clubs
- Broken Ballerina Inc

Defibrillators

- Beaconsfield Road Men's Shed
- Emerald Brothers Cricket Club Inc
- Capricornia Catchments Inc
- Breakthrough Centre

Round 1 2022

Louise from Dreams2Live4
and Shaz from Need a Feed.

Grants

- Lithgow District Men's Shed
- Orange Lions Club
- Hearts of Purple LTD
- Empowering Parents in Crisis (EPIC)
- Need a Feed
- The Haven – Nepean Women's Shelter Incorporated
- Run DIPG
- Warren Youth Support Group Inc
- SheShed QLD
- Helensburgh Junior Rugby League Football Club
- Coolum Cricket Club
- Rockhampton Netball Association
- Port Kembla JRLFC
- Spur:
- St Philomena's Catholic Primary School
- Alligator Creek State School
- Lymphoma Australia
- Carevan Wagga Incorporated

Defibrillators

- Valleys Rugby League Football Club
- Middlemount Community Sports Association Inc
- St John Ambulance NT
- Anakie State School P and C
- Vietnam Veterans and Veterans MC Townsville
- Warrawang/Port Kembla Anglican Church
- Mount Morgan Citizens Association
- Bowen Public School
- Wallerawang Baseball Association
- Mooloolah Primary P and C Association
- Kawana Powerblades Dragon Boat Club

Westfund Limited
Financial statements
30 June 2022

Contents

The financial statements cover Westfund Limited (ABN 55 002 080 864) as an individual entity. The financial statements are presented in Australian dollars, which is Westfund Limited's functional and presentation currency.

Westfund Limited is a not-for-profit unlisted public company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Westfund Limited
59 Read Avenue
Lithgow NSW 2790

A description of the nature of the company's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 28 September 2022. The Directors have the power to amend and reissue the financial statements.

Directors’ report

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Graeme Osborne
Chair

Noeline Woof
Director

28 September 2022
Sydney

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230

T +61 2 8297 2400

Auditor's Independence Declaration

To the Directors of Westfund Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Westfund Limited for the year ended 30 June 2022, 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.

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Sheridan
Partner – Audit & Assurance

Sydney, 28 September 2022

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Premium revenue		259,970	243,345
Claims expense		(212,687)	(217,663)
Risk equalisation trust fund income		8,563	6,231
State levies		(3,082)	(2,857)
Net claims incurred		(207,206)	(214,289)
Gross margin before claims and underwriting expenses		52,764	29,056
Claims handling expenses		(20,697)	(19,116)
Other underwriting expenses		(10,566)	(11,167)
Underwriting expenses		(31,263)	(30,283)
Underwriting result		21,501	(1,227)
Other revenue	4	5,530	6,539
Interest income		5,922	8,356
(Loss)/gain on the revaluation of financial instruments at fair value through profit or loss		(24,893)	4,711
Depreciation and amortisation expense	5	(2,912)	(2,657)
Reversal of impairment on land and buildings	11	1,683	1,506
Fair value gain on investment properties	12	1,815	418
Cost of goods sold		(2,370)	(2,863)
Fund administration expenses		(4,572)	(3,828)
Finance costs	5	(52)	(27)
Total other income and expenses		(19,849)	12,155
Surplus before income tax expense		1,652	10,928
Income tax expense		-	-
Surplus after income tax expense for the year attributable to the members of Westfund Limited		1,652	10,928
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Gain on the revaluation of land and buildings through other comprehensive income, net of tax	11	243	-
Other comprehensive income for the year, net of tax		243	-
Total comprehensive income for the year attributable to the members of Westfund Limited		1,895	10,928

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position
As at 30 June 2022

Assets	Note	2022 $'000	2021 $'000
Current assets			
Cash and cash equivalents		**2,718**	1,699
Trade and other receivables	6	**6,484**	6,394
Inventories		**182**	254
Financial assets at fair value through profit or loss	7	**32,782**	18,474
Deferred acquisition costs	8	**1,913**	2,043
Other assets	9	**2,002**	1,549
Total current assets		**46,081**	30,413
Non-current assets			
Financial assets at fair value through profit or loss	10	**167,313**	191,610
Deferred acquisition costs	8	**1,701**	2,240
Property, plant and equipment	11	**16,792**	13,192
Investment properties	12	**8,960**	7,145
Right-of-use assets	13	**3,870**	1,717
Intangibles	14	**1,248**	1,528
Total non-current assets		**199,884**	217,432
Total assets		**245,965**	247,845
Liabilities			
Current liabilities			
Trade and other payables	15	**1,934**	2,066
Lease liabilities	16	**628**	549
Employee benefits		**4,016**	3,523
Provisions	17	**28,929**	31,886
Other liabilities	18	**28,720**	32,177
Total current liabilities		**64,227**	70,201
Non-current liabilities			
Lease liabilities	16	**3,353**	1,211
Employee benefits		**835**	778
Total non-current liabilities		**4,188**	1,989
Total liabilities		**68,415**	72,190
Net assets		**177,550**	175,655
Equity			
Reserves	19	**243**	-
Retained surpluses		**177,307**	175,655
Total equity		**177,550**	175,655

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 2022

	Asset revaluation reserve $'000	Retained surpluses $'000	Total equity $'000
Balance at 1 July 2020	-	164,727	164,727
Surplus after income tax expense for the year	-	10,928	10,928
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	10,928	10,928
Balance at 30 June 2021	-	175,655	175,655
Balance at 1 July 2021	-	175,655	175,655
Surplus after income tax expense for the year	-	1,652	1,652
Other comprehensive income for the year, net of tax	243	-	243
Total comprehensive income for the year	243	1,652	1,895
Balance at 30 June 2022	243	177,307	177,550

The asset revaluation reserve is used to recognise changes in the fair value of land and buildings, excluding investment properties. The value is currently $243,000 as at balance date (2021: $nil). The revaluation increases in the current financial year have been recognised in profit or loss as they reverse revaluation decreases on the same class of assets previously recognised in profit or loss.

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

Statement of cash flows
For the year ended 30 June 2022

	Note	2022 $'000	2021 $'000
Cash flows from operating activities			
Surplus before income tax expense for the year		1,652	10,928
Adjustments for:			
Depreciation and amortisation	5	2,912	2,657
Reversal of impairment of property, plant and equipment	11	(1,683)	(1,506)
Net gain on disposal of property, plant and equipment		(57)	-
Net revaluation decrements of right-of-use assets		23	-
Net fair value gains on investment properties	12	(1,815)	(418)
Loss/(gain) on the revaluation of financial instruments at fair value through profit or loss		24,893	(4,711)
Amortisation of deferred acquisition costs		2,247	1,952
Interest income		(5,922)	(8,356)
Interest and other finance costs		52	27
		22,302	573
Change in operating assets and liabilities:			
Increase in trade and other receivables		(90)	(342)
Decrease in inventories		72	28
Decrease/(increase) in prepayments		(149)	98
Increase in other operating assets		(1,844)	(1,163)
Increase/(decrease) in trade and other payables		(132)	355
Increase in employee benefits		550	461
Increase/(decrease) in other provisions		(2,957)	4,082
Increase/(decrease) in other operating liabilities		(3,457)	4,231
		14,295	8,323
Interest and other finance costs paid		(52)	(27)
Net cash from operating activities		14,243	8,296
Cash flows from investing activities			
Proceeds from sales/payments for term deposits		(14,912)	(13,641)
Payments for property, plant and equipment	11	(2,928)	(1,178)
Payments for intangibles	14	(749)	(815)
Payments for security deposits		(30)	(141)
Proceeds from disposal of property, plant and equipment		147	10
Proceeds from disposal of intangibles		-	17
Interest received		5,922	8,356
Net cash used in investing activities		(12,550)	(7,392)
Cash flows from financing activities			
Repayment of lease liabilities	27	(674)	(516)
Net cash used in financing activities		(674)	(516)
Net increase in cash and cash equivalents		1,019	388
Cash and cash equivalents at the beginning of the financial year		1,699	1,311
Cash and cash equivalents at the end of the financial year		2,718	1,699

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

Notes to the financial statements
30 June 2022

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for not-for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets and liabilities at fair value through profit or loss, investment properties and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of the 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.

Comparative figures

Where required by Accounting Standards or otherwise, comparative figures have been adjusted to conform to changes in the presentation for the current financial year.

Revenue recognition

The company recognises revenue as follows:

Premium revenue

Premium revenue comprises premiums from private health insurance contracts held by policyholders. Premium revenue is recognised when it has been earned. Premium revenue is recognised 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 received or receivable not earned in profit or loss at the reporting date is recognised in the statement of financial position as a liability. Any non-current portion is discounted based on expected settlement dates. Premiums on unclosed business are brought to account using estimates based on payment cycles nominated by the policyholder.

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the company is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the company: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Eye care centres revenue

Revenue from eye care centres is recognised over time, upon delivery of the services to customers, which generally occurs in a single optical visit. Revenue from the delivery of goods to customers is recognised at a point-in-time.

Dental centres revenue

Revenue from dental centres is recognised over time, upon the delivery of the services to customers, which generally occurs in a single dental visit.

Rental income

Rent revenue from investment properties is recognised on a straight-line basis over the lease term. Lease incentives granted are recognised as part of the rental revenue. Contingent rentals are recognised as income in the period when earned.

Other revenue

Other revenue is recognised at the point-in-time when it is received or when the right to receive payment is established.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Claims expense

Claims are recorded as an expense in the period in which the service has been provided to the member. The cost of claims therefore represents the claims paid during the period adjusted for the opening and closing provision for outstanding claims. The provision provides for claims received but not assessed and claims incurred but not received and is based on an actuarial assessment taking into account historical patterns of claims incidence and processing. No discount is applied to the provision due to the generally short period between claims incidence and settlement. The provision also provides for the expected payment to or receipt from the Risk Equalisation Trust Fund ('RETF') in relation to outstanding claims. The provision also allows for an estimate of expenses to cover the cost of processing the claims. Claims expense have been adjusted by a specific deferred claims provision due to the Coronavirus (COVID-19) pandemic, as detailed in the 'provisions' policy below.

Risk equalisation

Amounts payable to or receivable from the RETF are recognised in profit or loss in the period to which the payments or receipts relate.

Under current legislation, all private health insurers must participate in the RETF in which all private health insurers share the cost of the eligible claims of members aged 55 years and over, and claims meeting the high cost claim criteria. The Australian Prudential Regulation Authority ('APRA') determines the amount payable to or receivable from the RETF after the end of each quarter. Estimates of amounts payable or receivable are provided for periods where determinations have not yet been made. This includes an estimate of risk equalisation for unpresented and outstanding claims. Any amounts due or owing at the reporting date in relation to the period are brought to account as an asset or liability.

Notes to the financial statements
30 June 2022

Note 1. Significant accounting policies (continued)

Income tax

The company is a private health insurer within the meaning of the Private Health Insurance Act 2007 and is exempt from income tax assessment under section 50-30 of the Income Tax Assessment Act 1997.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the company's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the company's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, excluding those items designated as assets backing insurance liabilities in accordance with AASB 1023 'General Insurance Contracts'.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Deferred acquisition costs

Direct acquisition costs incurred in obtaining health insurance contracts, including broker commissions, are deferred and 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 profit or loss in subsequent reporting periods. Deferred acquisition costs are amortised on a straight-line basis in accordance with the expected pattern of the incidence of risk.

Inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost, using the effective interest rate method, only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest. Gains or losses are recognised in profit or loss when the asset is derecognised or impaired.

Financial assets at fair value through profit or loss

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit or loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at fair value through profit or loss. Assets are measured at fair value with gains or losses recognised in profit or loss. Fair value is determined by reference to active market transactions or using a valuation technique where no active market exists.

Impairment of financial assets at amortised cost

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through profit or loss. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Assets backing private health insurance liabilities

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

All insurance backing financial assets are classified at fair value through the profit or loss.

Investment properties

Investment properties principally comprise of freehold land and buildings held for long-term rental and capital appreciation that are not occupied by the company. Investment properties are initially recognised at cost, including transaction costs, and are subsequently remeasured annually at fair value. Movements in fair value are recognised directly in profit or loss.

Investment properties are derecognised when disposed of or when there is no future economic benefit expected.

Transfers to and from investment properties to property, plant and equipment are determined by a change in use. The fair value on the date of change of use from investment properties to property, plant and equipment are used as deemed cost for the subsequent accounting. The existing carrying amount of property, plant and equipment is used for the subsequent accounting cost of investment properties on the date of change of use.

Notes to the financial statements
30 June 2022

Note 1. Significant accounting policies (continued)

Property, plant and equipment

Land, building structures and improvements are measured at fair value, based on valuations completed annually by external independent valuers, less subsequent depreciation and impairment. The valuations are undertaken more frequently if there is evidence of a material change in the fair value relative to the carrying amount. At the date of revaluation, accumulated depreciation is reversed such that 'cost' for the revalued asset is equal to its valuation. Increases in the carrying amounts arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the asset revaluation reserve in equity. Any revaluation decrements are initially recognised in other comprehensive income and accumulated in the asset revaluation reserve to the extent of any previous revaluation surplus of the same asset. Thereafter decrements are recognised in profit or loss, however any subsequent increase shall be recognised in profit or loss to the extent that it reverses a revaluation decrease of the same class of asset previously recognised in profit or loss.

Plant and equipment and motor vehicles is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings structures and improvements	7-40 years
Leasehold improvements	over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter
Plant and equipment	3-7 years
Motor vehicles	5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the company. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any asset revaluation reserve surplus relating to the item disposed of is transferred directly to retained surpluses.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred and an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets

Finite life intangible assets are measured at cost less amortisation and any impairment. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset.

Computer software

Significant costs associated with the purchase of, or internally developed, computer software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of three years.

Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not generate independent cash inflows are grouped together to form a cash-generating unit.

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. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the company's incremental borrowing rate, being the rate that the company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

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 private health insurance contracts.

A liability adequacy test is required to be performed in respect of the unearned premium liability and insurance contracts renewable before the next pricing review (constructive obligation). The purpose of the test is to determine whether the insurance liability, net of related deferred acquisition costs, is adequate to cover the present value of expected cash outflows relating to future claims arising from rights and obligations under current insurance coverage. An additional risk margin is included in the test to reflect the inherent uncertainty in the central estimate. The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio.

Notes to the financial statements 30 June 2022

Note 1. Significant accounting policies (continued)

If the present value of the expected future cash flows relating to future claims plus an additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability then the premium is deemed to be deficient. The company applies a risk margin to achieve the same probability of sufficiency for future claims as achieved by the estimate of the outstanding claims liability.

Provisions

Provisions are recognised when the company has a present (legal or constructive) obligation as a result of a past event, it is probable the company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

Outstanding claims provision

A provision is made for outstanding claims at the reporting date, measured as the central estimate of the expected payments against claims incurred but not settled under insurance contracts. 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 RETF consequences and claims handling expenses.

Deferred claims provision

A provision is made for claims deferred as a result of Government imposed restrictions on elective surgeries and other health services due to Coronavirus (COVID-19) pandemic. The provision is estimated based on actual claims versus expected claims during the period in which the services were restricted. The June 2021 Deferred claims liability ('DCL") balance of $4.6 million was written off on a straight-line method down to zero by December 2021. With the extended restrictions experienced during the year, the company continued to monitor the difference between actual claims versus expected claims. The result of this is a DCL balance of $9.9 million as at June 2022. It is expected this balance will be fully written off by June 2023.

On 21 March 2022, APRA advised that the DCL will be determined by the insurer. APRA has observed that the pandemic has affected each insurer, state and region differently. Accordingly, it is appropriate for each insurer to reflect these differences in the DCL calculation for both the regulatory balance sheet and the Capital Adequacy Requirement. This places onus on the insurer to estimate the liability, manage the risks and ensure this is done prudently.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. 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 reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and assumes that the transaction will take place either: in the principal market or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques used to measure fair value are those that are appropriate in the circumstances, and which maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

For quoted investments, fair value is determined based on current bid price. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included in other receivables or other 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 Australian Taxation Office, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office.

Rounding of amounts

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2022. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

Notes to the financial statements 30 June 2022

Note 1. Significant accounting policies (continued)

AASB 17 Insurance Contracts

AASB 17 Insurance Contracts is effective for reporting periods beginning on or after 1 January 2023 and will replace AASB 4 Insurance Contracts and AASB 1023 General Insurance Contracts. The company will first apply AASB 17 for the annual period beginning 1 July 2023 and ending 30 June 2024. The company expects to be ready to comply with AASB 17 by 30 June 2023. All estimates in these financial statements are based on existing AASB standards. Current forecasts and strategy planning are performed without modification for changes required under AASB 17.

The company plans to use the simplified premium allocation approach under AASB 17 for all insurance contracts, which is broadly similar to the company's current measurement basis under AASB 1023. Limited systems changes are expected to be required; a number of new processes and reports will be required. Due to the speed with which insurance contracts are resolved, the company plans to implement AASB 17 using the full retrospective approach on transition.

Expected Impacts

AASB 17 has significantly different entries for insurance contracts on the balance sheet and statement of comprehensive income to current practice. This will change the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the balance sheet and statement of comprehensive income. There will be increased disclosure requirements compared with existing reporting requirements.

The company expects that AASB 17 will reduce both the assets and liabilities in the balance sheet, with the impact on net assets expected to be relatively small. AASB 17 does not change the underlying performance of insurers. The timing of when revenue, expenses, and profit are recognised may change under AASB 17, but due to the short-tailed nature of the company's insurance liabilities any changes in timing are anticipated to be small. In addition to the changes in presentation of the financial statements, changes to the disclosures are also expected.

Implementation progress

The company has performed assessments of the requirements of AASB 17, identification of the key decisions to be made on implementing the new standard, and the expected financial impacts of the new standard. The company has participated in an APRA quantitative impact study which required a translation of historical financial accounts to AASB 17 basis. Accounting policies and accounting systems are being developed, and implementation of the standard is progressing.

Other amending accounting standards

Other amending accounting standards issued but not mandatory are not considered to have a significant impact on the financial statements of the company as they provide either clarification of existing accounting treatment or editorial amendments.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for outstanding claims

As disclosed in note 1, a liability for outstanding claims is recognised at the reporting date, measured based on the central estimate of the expected payments against claims incurred but not settled at the reporting date. 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 the RETF consequences and claims handling expense. Given the inherent uncertainty in establishing claims provisions, it is likely that actual results will differ from the original estimate.

The company uses estimation techniques in calculating the estimated cost of unpaid claims based upon statistical analysis of historical data. Allowance is made, however, for changes or uncertainties which may distort 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 to the company's processes which might accelerate or slow down the notification and/or recording of paid or incurred claims, compared with statistics from previous periods.

The core estimate was determined taking into account benefits paid as at the reporting date.

The risk margin is based on an analysis of the past experience of the company. The analysis examined the volatility of the 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 estimates are calculated gross of any risk equalisation recoveries. A separate estimate is made of the amounts that will be recoverable from the RETF based upon the gross provision.

Details of specific key estimates and judgements used in deriving the outstanding claims liability as at the reporting date are detailed in note 3.

Unexpired risk liability

Claims are recorded as an expense in the period in which the service has been provided to the member. The cost of claims therefore represents the claims paid during the period adjusted for the opening and closing provision for unpresented and outstanding claims. The provision for unpresented and outstanding claims provides for claims received but not assessed and claims incurred but not received. To calculate the provision the Liability Adequacy Test ('LAT') is performed in order to determine whether an unexpired risk liability needs to be recognised. Refer to note 17 for the assumptions. No discount is applied to the provision due to the generally short period between claims incidence and settlement. The provision also provides for the expected payment to or receipt from the RETF in relation to the amount provided for unpresented and outstanding claims. The provision also allows for an estimate of expenses to cover the cost of processing the claims.

No deficiency was identified as at 30 June 2022 and 30 June 2021 that resulted in an unexpired risk liability needing to be recognised. This test is also extended beyond the recognised unearned premium liability to include premiums renewable until the next repricing review, usually 1 April each year.

Notes to the financial statements 30 June 2022

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Direct acquisition costs

The company pays an upfront commission to brokers on signing up new members. These upfront commissions are likely to give rise to future premium revenue beyond the current period and are able to be measured and directly attributed to a particular insurance contract. The company considers the duration of a health insurance contract to be an open-ended agreement as the company stands ready to continue to insure its members under continuing policies. However, general insurers amortise deferred acquisition costs usually over one year, as their policies generally have a defined term of one year. With health insurance, if the contract term is considered to be only the term to which the member has agreed to, or paid to, the deferred acquisition cost would be amortised over that term. This does not consider the open-ended nature of a health insurance contract, the contract periods to which future premium revenue will arise, nor the expected pattern of the incidence of risk under the insurance contracts to which the costs relate. For these reasons the company has assessed that it is more appropriate to use average retention rates to determine the appropriate member contract life and related amortisation period for members who purchase insurance through the broker channel.

The company re-performs this analysis at least annually for reassessment. For the year ended 30 June 2022, the average member contract life has been assessed as four (2021: four) years. This did not change the pattern of acquisition costs expensed in profit or loss. The recoverability of the related deferred acquisition costs is also considered as part of the liability adequacy test performed. As described in note 17, the company has no deficiency in the unearned premium liability as at 30 June 2022 and 30 June 2021.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the company's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The company reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company. The Coronavirus (COVID-19) pandemic has had an impact upon the financial statements mainly with respect to deferred claims liability.

Deferred claims liability

The deferred claims provision relates to claims deferred as a result of surgeries and other health services being restricted for policy holders from July 2021 to June 2022 (2021: July 2020 to June 2021) inclusive ('the COVID-19 period'). The deferred claims provision impacted health services for hospital, general treatment claims.

The provision related to claims which have been deferred due to either restrictions on the provision of health services or the voluntary deferral of treatment by members in response to the COVID-19 pandemic. This provision has been held separately to the outstanding claims provision since 30 June 2020 following guidance from APRA and ASIC.

The June 2021 Deferred claims liability ('DCL'') balance of $4,636,000 was written off on a straight-line method down to zero by December 2021. With the extended restrictions experienced during the year, the company continued to monitor the difference between actual claims versus expected claims. The result of this is a DCL balance of $9,941,000 as at June 2022. The calculations assumed that 70% of 'missing' hospital claims (expected less actual claims) and 40% of 'missing' ancillary claims would be caught-up at a later stage and therefore should be provisioned for. It is expected this balance will be fully written off to $nil by June 2023.

Key estimates and judgements

This provision is calculated by comparing the estimate of the insured surgeries and other procedures that were expected to occur during the COVID-19 period and the actual insured surgeries and other procedures that occurred during this period. Risks and uncertainties have been taken into account in the measurement of the deferred claims provision and are reflected in the key inputs and judgement.

The key judgements and inputs into the deferred claims provision include:

- incurred claim estimates recognised as at the reporting date as part of the outstanding claims provisioning;
- incurred claim forecasts prepared prior to COVID-19 impacting claims activity;
- the percentage of 'missing claims" estimated to be deferred (rather than permanently avoided); and
- the length of time over which to unwind the provision.

The estimate for the outstanding claims provision is derived based on three valuation classes, namely hospital, medical and general treatment services.

Notes to the financial statements
30 June 2022

Note 3. Actuarial assumptions and methods

Outstanding claims provision

In calculating the provision for unpaid claims two methods are used. For recent service months, the Bornhuetter-Ferguson method progressively blends payment experience and prior forecasts of incurred costs. For other months, a chain ladder method is used. This assumes that the notification pattern of the current claims will be consistent with historical experience.

Actuarial assumptions – outstanding claims provision

The following assumptions have been made in determining the outstanding claims provision:

Variables	2022 Hospital %	2022 Medical %	2022 General treatment %	2021 Hospital %	2021 Medical %	2021 General treatment %
Assumed portion paid to date	**90.09**	**90.35**	**97.06**	88.81	90.58	97.51
Expense rate	**1.30**	**1.30**	**1.30**	1.30	1.30	1.30
Risk equalisation rate	**(5.00)**	**(5.00)**	**(5.00)**	(5.00)	(5.00)	(5.00)
Risk margin	**11.00**	**11.00**	**11.00**	11.00	11.00	11.00

The risk margin of 11% (2021: 11%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2021: 75%).

Process used to determine assumptions – outstanding claims provision

A description of the processes used to determine these assumptions is provided below:

Factor	
Chain ladder development factors	Chain ladder development factors were selected based on observations of historical claim payment experience. Particular attention was given to the development of the most recent 12 months. An increase/decrease would lead to a higher/lower projection of the ultimate liability and a corresponding increase/decrease in claims expense respectively.
Bornhuetter-Ferguson unpaid factors	Bornhuetter-Ferguson unpaid factors were selected based on historical patterns of payment (by notification) to ultimate incurred claims. Essentially, the proportion of ultimate incurred claims to be paid by notification month is selected based on observations from the historical notification. The "unpaid proportion" is then multiplied by a prior forecast of incurred claims for each service month to determine the outstanding claims estimate. An increase/decrease would lead to a higher/lower projection of the ultimate liability and a corresponding increase/decrease in claims expense respectively.
Discount rate	As insurance claims for the company are generally settled within one year, no discounting of claims is usually applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material.
Expense rate	Claims handling expenses were calculated by reference to past experience of total claims handling costs as a percentage of total past payments. An increase/decrease in this expense rate would have a corresponding effect on the claims expense.
Risk equalisation allowance	Risk equalisation is a mechanism designed to help support community rating. The company has been a net recipient from the pool for the last five financial years. This allowance represents the expected receipt from the pool in respect of the outstanding claims.
Risk margin	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 and has been set at a level estimated to equate to a probability of adequacy of 75% (2021: 75%). An increase/decrease in the risk margin would have a corresponding effect on the claims expense.

Notes to the financial statements
30 June 2022

Note 3. Actuarial assumptions and methods (continued)

Sensitivity analysis – insurance contracts

The company conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables as disclosed above. The movement in any key variable will impact the performance and equity of the company, as outlined in the table below:

Impact on key variables

Key variables	Movement in variable %	Adjustments on surplus/(deficit) $'000	Adjustments on equity $'000
Chain ladder development factors	10.0%	474	474
	(10.0%)	(496)	(496)
Bornhuetter-Ferguson unpaid factors	10.0%	1,140	1,140
	(10.0%)	(1,140)	(1,140)
Expense rate	1.0%	170	170
	(1.0%)	(170)	(170)
Risk equalisation	1.0%	155	155
	(1.0%)	(155)	(155)
Risk margin	1.0%	165	165
	(1.0%)	(165)	(165)

Note 4. Other revenue

	2022 $'000	2021 $'000
Eye care centres revenue	**2,618**	2,965
Dental centres revenue	**2,436**	3,052
Rental income	**476**	522
	5,530	6,539

Disaggregation of revenue:

Eye care centre revenue and dental centres revenue is recognised over time, upon delivery of the services to customers. All revenue is generated in Australia.

Eye care centres revenue

Revenue from eye care centres is recognised over time, upon delivery of the services to customers, which generally occurs in a single optical visit. Revenue from the delivery of goods to customers is recognised at a point-in-time.

Dental centres revenue

Revenue from dental centres is recognised over time, upon the delivery of the services to customers, which generally occurs in a single dental visit.

Note 5. Expenses

	2022 $'000	2021 $'000
Surplus before income tax includes the following specific expenses:		
Depreciation		
Building structures and improvements (note 11)	319	290
Leasehold improvements (note 11)	155	239
Plant and equipment (note 11)	555	353
Motor vehicles (note 11)	135	142
Investment properties (note 12)	-	169
Right-of-use assets	719	540
Total depreciation	1,883	1,733
Amortisation		
Computer software (note 14)	1,029	924
Total depreciation and amortisation	2,912	2,657
Finance costs		
Interest and finance charges paid/payable on lease liabilities	52	27
Leases[1]		
Short-term lease payments	-	175
Employee costs		
Salaries, wages and employment entitlements	18,516	17,576
Payroll tax	932	865
Superannuation	2,055	1,565
Other	568	705
Total employee costs	22,071	20,711

[1] The company has not received any Coronavirus (COVID-19) related rent concessions during the current or previous financial years.

Notes to the financial statements
30 June 2022

Note 6. Trade and other receivables

	2022 $'000	2021 $'000
Current assets		
Trade receivables	7	6
Premiums in arrears	325	298
Less: allowance for expected credit losses of premiums in arrears	(46)	(37)
	286	267
Medicare rebates	5,248	4,474
RETF refund	950	1,653
	6,484	6,394

Allowance for expected credit losses

The company has recognised an additional provision of $9,000 (2021: provision reduction of $13,000) in profit or loss in respect of impairment of premiums in arrears and $nil (2020: $nil) in respect of impairment of trade receivables.

The ageing of trade receivables and premiums in arrears and allowance for expected credit losses ('ECLs') provided for above are as follows:

	Expected credit loss rate		Carrying amount		Allowance for ECLs	
	2022 %	2021 %	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Not overdue	-	-	7	6	-	-
Over 6 months overdue and premiums in arrears	14.3%	12.3%	325	298	46	37
			332	304	46	37

Movements in the allowance for expected credit losses are as follows:

	2022 $'000	2021 $'000
Opening balance	37	50
Increase/(decrease) in provisions recognised	9	(13)
Closing balance	46	37

Note 7. Financial assets at fair value through profit or loss

	2022 $'000	2021 $'000
Current assets		
Bank deposits	32,782	18,474

Refer to note 22 for further information on fair value measurement.

Note 8. Deferred acquisition costs

	2022 $'000	2021 $'000
Current assets		
Deferred acquisition costs	1,913	2,043
Non-current assets		
Deferred acquisition costs	1,701	2,240

Movements in deferred acquisition costs

Movements in deferred acquisition costs (both current and non-current) are set out below:

	2022 $'000	2021 $'000
Opening balance	4,283	5,117
Additions	1,578	1,118
Amortisation	(2,247)	(1,952)
Carrying amount at the end of the year	3,614	4,283

Note 9. Other assets

	2022 $'000	2021 $'000
Current assets		
Accrued revenue	8	-
Prepayments	929	780
Security deposits	247	217
Other deposits	1	-
Unclosed business	817	552
	2,002	1,549

Note 10. Financial assets at fair value through profit or loss

	2022 $'000	2021 $'000
Non-current assets		
Mortgage backed securities	1,075	1,117
Managed funds	166,238	190,493
	167,313	191,610

Refer to note 21 for further information on financial instruments and insurance risks and note 22 for further information on fair value measurement.

Notes to the financial statements
30 June 2022

Note 11. Property, plant and equipment

	2022 $'000	2021 $'000
Non-current assets		
Land, building structures and improvements	**15,278**	13,383
Less: Accumulated depreciation	**(1,987)**	(2,275)
	13,291	11,108
Leasehold improvements	**2,712**	2,297
Less: Accumulated depreciation	**(2,065)**	(2,057)
	647	240
Plant and equipment	**5,416**	4,719
Less: Accumulated depreciation	**(3,929)**	(3,517)
	1,487	1,202
Motor vehicles	**940**	964
Less: Accumulated depreciation	**(491)**	(564)
	449	400
Capital – work in progress – at cost	**918**	242
	16,792	13,192

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below

	Land, building structures and improvements $'000	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
Balance at 1 July 2020	9,644	337	1,227	334	-	11,542
Additions	248	142	328	218	242	1,178
Disposals	-	-	-	(10)	-	(10)
Reversal of impairment of assets	1,506	-	-	-	-	1,506
Depreciation expense	(290)	(239)	(353)	(142)	-	(1,024)
Balance at 30 June 2021	11,108	240	1,202	400	242	13,192
Additions	515	562	938	237	676	2,928
Disposals	-	-	(37)	(53)	-	(90)
Reversal of impairment of assets	1,683	-	-	-	-	1,683
Revaluation	243	-	-	-	-	243
Transfers	61	-	(61)	-	-	-
Depreciation expense	(319)	(155)	(555)	(135)	-	(1,164)
Balance at 30 June 2022	13,291	647	1,487	449	918	16,792

Valuations of land and buildings

Refer to note 22 for details on the revaluation of land and buildings.

Note 12. Investment properties

	2022 $'000	2021 $'000
Non-current assets		
Investment properties – fair value	**8,960**	7,145

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2022 $'000	2021 $'000
Opening fair value	**7,145**	6,896
Revaluation increments	**1,815**	418
Depreciation expense	**-**	(169)
Closing fair value	**8,960**	7,145

Valuations of investment properties

Refer to note 22 for details on the fair value of investment properties.

Rental income and expenses

Rental income amounts to $476,000 (2021: $522,000) included within other revenue, as detailed in note 4. Direct lessor property expenses of $217,000 (2021: $196,000) payable by the lessor were reported within other expenses, of which $nil (2021: $nil) was incurred on vacant properties that did not generate rental income.

The company's rental income was not significantly impacted by the Coronavirus (COVID-19) pandemic during the current or previous financial years.

Lessor entitlements

	2022 $'000	2021 $'000
Minimum lease commitments receivable but not recognised in the financial statements:		
1 year or less	**422**	444
Between 1 and 2 years	**175**	652
	597	1,096

Notes to the financial statements
30 June 2022

Note 13. Right-of-use assets

	2022 $'000	2021 $'000
Non-current assets		
Land and buildings – right-of-use	5,734	2,861
Less: Accumulated depreciation	(1,864)	(1,144)
	3,870	1,717

The company leases premises, for the operation of health care centres, under agreements of between one to four years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land and buildings $'000
Balance at 1 July 2020	804
Additions	1,453
Depreciation expense	(540)
Balance at 30 June 2021	1,717
Additions	2,895
Revaluation decrements	(23)
Depreciation expense	(719)
Balance at 30 June 2022	3,870

For other lease related disclosures, refer to the following:

- note 5 for details of interest and finance charges paid/payable on lease liabilities;
- note 16 and note 27 for details of lease liabilities at the beginning and end of the reporting period;
- note 21 for the maturity analysis of lease liabilities; and
- statement of cash flows for repayment of lease liabilities.

Note 14. Intangibles

	2022 $'000	2021 $'000
Non-current assets		
Computer software – at cost	**4,792**	4,043
Less: Accumulated amortisation	**(3,544)**	(2,515)
	1,248	1,528

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Computer software $'000
Balance at 1 July 2020	1,654
Additions	815
Disposals	(17)
Amortisation expense	(924)
Balance at 30 June 2021	1,528
Additions	749
Amortisation expense	(1,029)
Balance at 30 June 2022	1,248

Note 15. Trade and other payables

	2022 $'000	2021 $'000
Current liabilities		
Trade payables	**1,010**	765
Accrued expenses	**924**	1,301
	1,934	2,066

Refer to note 21 for further information on financial instruments and insurance risks.

Notes to the financial statements
30 June 2022

Note 16. Lease liabilities

	2022 $'000	2021 $'000
Current liabilities		
Lease liability	**628**	549
Non-current liabilities		
Lease liability	**3,353**	1,211

Refer to note 21 for further information on financial instruments and insurance risks.

Note 17. Provisions

	2022 $'000	2021 $'000
Current liabilities		
Lease make good	**101**	101
Deferred claims	**9,941**	4,636
Outstanding claims	**18,208**	21,249
Member refunds	**679**	5,900
	28,929	31,886

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

2022	Lease make good $'000	Deferred claims $'000	Outstanding claims $'000	Member refunds $'000
Carrying amount at the start of the year	101	4,636	21,249	5,900
Additional provisions recognised	-	9,941	-	-
Amounts used	-	(4,636)	-	(5,221)
Claims incurred	-	-	207,722	-
Claims paid	-	-	(210,763)	-
Carrying amount at the end of the year	101	9,941	18,208	679

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the company at the end of the respective lease terms.

Members refund

The $5,200,000 ex-gratia payment provided for in June 2021 was paid out in December 2021. The $700,000 Lifetime Health Cover (LHC) loading provision as at 30 June 2021 balance is now $679,000. The company continues to review all of its members LHC balances and anticipate to complete its review by June 2023.

Deferred claims

In the prior year, a deferred claims provision of $4,636,000 was accrued separately to the outstanding claims provision following APRA and ASIC's guidance to insurers on 22 June 2020. Given the ongoing COVID-19 disruptions, the company continued to monitor the impacts on claims paid during the year. As a result the company has estimated $9,941,000 claims were 'missed' in during the financial year ending 30 June 2022. This balance is expected to be wound to $nil back by June 2023.

	2022 $'000	2021 $'000
Provision for deferred claims	**9,941**	4,636

Outstanding claims

The provision represents outstanding claims either being processed at the end of the reporting date or yet to be received by the company in accordance with the terms and conditions of each health insurance policy. Refer to note 3 for actuarial assumptions and methods used.

	2022 $'000	2021 $'000
Outstanding claims – central estimate of the expected future payment for claims incurred	**16,957**	18,885
Claims handling expense	**221**	258
Outstanding claims – expected payments to/(from) the RETF in relation to the central estimate	**(775)**	-
Risk margin	**1,805**	2,106
Net outstanding claims liability	**18,208**	21,249

Notes to the financial statements
30 June 2022

Note 17. Provisions (continued)

Provision for unexpired risk liability

2022	Unearned premium $'000	Unearned unclosed business $'000	Constructive obligation $'000	Total $'000
Inflows				
Hospital and general treatment combined premium	27,616	817	198,373	226,806
Outflows				
Central estimate of future benefits	(24,054)	(711)	(172,758)	(197,523)
Central estimate of future management expenses	(2,126)	(63)	(15,275)	(17,464)
Risk margin	(1,105)	(33)	(7,521)	(8,659)
Total outflows	(27,285)	(807)	(195,554)	(223,646)
Net surplus	331	10	2,819	3,160

2021	Unearned premium $'000	Unearned unclosed business $'000	Constructive obligation $'000	Total $'000
Inflows				
Hospital and general treatment combined premium	31,387	552	195,478	227,417
Outflows				
Central estimate of future benefits	(27,042)	(474)	(168,564)	(196,080)
Central estimate of future management expenses	(2,542)	(45)	(15,052)	(17,639)
Risk margin	(1,255)	(22)	(7,345)	(8,622)
Total outflows	(30,839)	(541)	(190,961)	(222,341)
Net surplus	548	11	4,517	5,076

The total unexpired risk liability was $nil (2021: $nil).

The reporting date liability adequacy test has identified a surplus and as such no provision for unexpired risk liability has been recognised.

The provision for unexpired risk liability is determined as the excess of benefits, risk equalisation, state levies, claims related expenses plus a risk margin over the premiums for the relevant period. Projected benefits, risk equalisation, state levies and claims related expenses were determined from projections adjusted for recent experience and based on no membership growth.

The risk margin of 4% (2021: 4%) applied to the benefits, risk equalisation, state levies and claims related expenses cash flows has been estimated to equate to a probability of adequacy of approximately 75% (2021: 75%).

Note 18. Other liabilities

	2022 $'000	2021 $'000
Current liabilities		
Deferred commissions payable	**287**	238
Unearned unclosed business	**817**	552
Unearned premiums	**27,616**	31,387
	28,720	32,177

Note 19. Reserves

	2022 $'000	2021 $'000
Gain on revaluation of land and buildings through other comprehensive income reserve	**243**	-

Financial assets at fair value through other comprehensive income reserve

The reserve is used to recognise increments and decrements in the fair value of financial assets at fair value through other comprehensive income.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

	Revaluation surplus $'000
Balance at 1 July 2020	-
Balance at 30 June 2021	-
Fair value gain during the year	243
Balance at 30 June 2022	243

Notes to the financial statements
30 June 2022

Note 20. Capital management

The company operates in the private health insurance industry and is subject to prudential capital regulations determined in accordance with the capital adequacy and solvency standards which are set out by APRA.

APRA Prudential Standard HPS 110 'Capital Adequacy'

This standard requires amongst other things that the company holds sufficient assets in its health benefits fund to provide adequate capital for the conduct of the health benefits fund in accordance with the Private Health Insurance Act 2007, and in the interests of policyholders of the Fund. The company's compliance with the capital adequacy standard is an indication of its future strength, on a going concern basis.

Each private health insurer must have, and comply with, a written, Board endorsed, capital management policy, which as a key component must include a capital management plan. The company's capital management plan contains:

- a description of the Board's risk appetite as it relates to capital needs and the process used to determine that appetite;
- target capital levels which have regard to access to capital and the impact on premiums of holding more or less capital than the amount determined;
- details of how the capital target is calculated; and
- clearly defined capital trigger points and corrective actions for each of the trigger points which specifies the actions and timeframes for those actions that the company may utilise to return capital to the target levels.

The Board's policy is to maintain a strong capital base and to hold capital in accordance with the company's capital management plan. At the end of the reporting period, the company had capital well in excess of the minimum statutory requirements and slightly above the target capital range endorsed by the Board in the capital management plan.

The Board reviews the capital management plan on an annual basis.

APRA Prudential Standard HPS 100 'Solvency Standard'

This standard requires, as far as practicable, that at any time the financial position of a health benefits fund conducted by the company will be able to meet, out of the Fund's assets, all liabilities that are referable to the Fund, as those liabilities become due. It is also a requirement of the Solvency Standard that the company have and comply with a Board endorsed liquidity management plan for each health benefits fund it conducts. The liquidity management plan includes Board approved minimum liquidity requirements and management action triggers should liquidity fall below the minimum set down by the Board.

The company has a Board endorsed liquidity management plan in place and all liquidity requirements were met as at 30 June 2022 and 30 June 2021.

The Board reviews the solvency of the company on a regular basis.

Note 21. Financial instruments and insurance risks

Financial risk management objectives

The company's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk and insurance risk. The company's overall strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance.

The Audit Committee and Risk and Compliance Committee have been delegated responsibility by the Board for, amongst other issues, monitoring and managing financial risk exposures of the company. An investment policy has been developed by the Board and is subject to regular review.

Market risk

Price risk

The company is not exposed to any direct equity price risk as it does not hold any such financial assets at fair value. However, the company is exposed indirectly to the market where it invests in assets such as managed funds.

Interest rate risk

The company is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the company to fair value interest rate risk. The company's interest-bearing financial assets expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

As at the reporting date, the company had the following financial assets exposed to interest rate risk:

	2022 $'000	2021 $'000
Cash at bank	**2,718**	1,699
Cash at call	**32,782**	18,474
Mortgage backed securities	**1,075**	1,117
Managed funds	**166,238**	190,493
Net exposure to interest rate risk	**202,813**	211,783

An official increase/decrease in interest rates of 50 (2021: 50) basis points would have a favourable/adverse effect on surplus before tax and retained surpluses of $1,014,000 (2021: $1,059,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the company. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any allowance for expected credit losses of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not hold any collateral.

The company has adopted a lifetime expected loss allowance in estimating expected credit losses to premiums in arrears and trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the company based on historical collection rates and forward-looking information that is available.

Generally, premiums in arrears and trade receivables are written off when there is no reasonable expectation of recovery. Refer to note 6.

The company manages credit risk as outlined in its Investment Policy and Guidelines. The Investment Policy addresses each of the matters required by APRA Prudential Standard HPS 110.

The target asset allocation for the investment portfolio is 30% +/- 5% (2021: 30% +/- 5%) growth assets, with the balance in defensive assets.

Notes to the financial statements 30 June 2022

Note 21. Financial instruments and insurance risks (continued)

The target allocation limit is:

Allocation type	Asset	Target allocation %	Minimum allocation %	Maximum allocation %
Defensive	Cash	5	-	100
	Fixed interest	65	60	70
Growth	Australian equities	15	10	20
	International equities	15	10	20

The investment allocation at the end of the reporting period was:

Allocation type	Asset	2022 $,000	2022 %	2021 $'000	2021 %
Defensive	Cash	-	-	-	-
	Fixed interest	111,164	67	129,823	68
Growth	Australian equities	27,738	17	29,756	16
	International equities	27,336	16	30,914	16
Total		166,238	100	190,493	100

Acceptable investments include:

11am call deposits

Cash invested on an overnight basis. Funds can be recalled or re-invested before 11am on the following business day.

Term deposits

Funds invested with a financial institution at a predetermined rate that applies to the duration of the deposit. The principal is held on deposit for a fixed term with interest payable at maturity. It is not a tradeable security and the investor is penalised when funds are prepaid.

Bank bills

Bank-accepted bills are bills of exchange drawn by a company or individual (borrower) usually for periods between 30 and 180 days. The bill is accepted by the bank, which in turn accepts the liability for payment at maturity. It is a short-term investment issued at a discount to the face value and is of a very high credit standing, consequently trades at the lowest yields of all commercially issued bills.

Negotiable certificate of deposit ('NCD')

Short-term bearer securities issued by banks for up to 180-days. They are sold at a discount to face value and are highly liquid discount securities, representing the bank's debt, therefore trade at similar yields to bank bills. Creditworthiness of the bank will determine where the bank's NCD trades, relative to the Bank Bill Swap Rate ('BBSW').

Floating rate note ('FRN')

The FRN is a longer-term security issued for a fixed period of time but has a variable (floating) coupon on a monthly or quarterly basis. The coupon reflects current interest rates, which is determined as a margin over the BBSW rate set. FRN's appeal to investors who are reluctant to commit funds to fixed interest investments for longer periods in times of fluctuating interest rates. Typical issuers are banks, corporates, financial institutions and securitised vehicles.

Floating rate negotiable certificate of deposit

An NCD, which is issued by a bank for a set period of time with a variable rate, set on a quarterly or monthly basis over the fixed term. The interest rate is set against the BBSW reference rate reflecting the current market rate at each interval. These are issued as a rolling discount security.

Commonwealth and semi Government bonds

Securities issued by the Federal or State Governments that typically pay a fixed rate of interest (coupon) and mature at a fixed point in time. The interest (coupon) is paid at regular intervals (semi-annually, but can be paid monthly, quarterly, or annually). These securities are generally issued for a period of greater than one year.

Sector specific pooled managed funds

These funds invest in one particular asset sector. By way of example the company's existing pooled managed fund that being the UBS Australian Bond Fund only invests in Australian fixed interest securities, with the aim of outperforming the Bloomberg AusBond Composite Bond Index over the medium term. The investment can be generally redeemed in T+5 business days. Another example is an Australian or international share focussed fund which has a longer term investment horizon bias due to their exposure to share assets. The investment can be generally redeemed in T+5 business days.

Diversified pooled managed funds

These funds invest in a pre-determined range of asset classes including cash, fixed interest, property, and Australian & international shares. The weighting among the various asset classes will differ depending upon the type of diversified fund chosen, e.g. Conservative Funds have a higher weighting in cash and fixed interest than Balanced Funds that have higher weightings in growth assets such as property and shares.

In addition to the investment reserve, the company also internally manages a portfolio of cash, term deposits and mortgage backed securities. The value of this portfolio at the end of the reporting period was:

Asset	2022 $'000	2021 $'000
Cash	**22,790**	18,474
Term Deposits	**10,000**	-
Mortgage Backed Securities	**1,075**	1,117
Total	**33,865**	19,591

Whilst these products aim to limit the amount of capital loss, they can also limit the amount of return that investors can obtain if the investments appreciate. This compromise is how the offering institutions can afford to guarantee the principal investment.

At the end of the reporting period the maximum amount held with one financial institution was $18,002,000 (2021: $18,474,000). Given the conservative nature of the portfolio the company expects all counterparties to meet their obligations.

Liquidity risk

Vigilant liquidity risk management requires the company to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The company manages liquidity risk by maintaining adequate cash reserves and continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the financial statements
30 June 2022

Note 21. Financial instruments and insurance risks (continued)

Remaining contractual maturities

The following tables detail the company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

2022	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	1,010	-	-	-	1,010
Other liabilities	28,720	-	-	-	28,720
Interest-bearing – fixed rate					
Lease liability	752	760	1,943	2,586	6,041
Total non-derivatives	30,482	760	1,943	2,586	35,771

2021	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	765	-	-	-	765
Other liabilities	32,177	-	-	-	32,177
Interest-bearing – fixed rate					
Lease liability	394	176	280	1,039	1,889
Total non-derivatives	33,336	176	280	1,039	34,831

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Insurance risk

Insurance risk is the risk of fluctuations in the timing, frequency and severity of claim settlements relative to expectations.

The company provides private health insurance products including hospital cover and extras cover, as standalone products or packaged products that combine the two. These services are categorised as two types of contracts: hospital and/or extra covers.

The table below sets out the key variables upon which the cash flows of the insurance contracts are dependent.

Type of cover	Details of cover	Nature of claims	Key variables affecting cash flows
Hospital cover	Defined benefits paid for hospital treatment, including accommodation, medical and prostheses costs.	Hospital benefits defined by the insurance contract or relevant deed.	Claims incidence and claims inflation.
Extras cover	Defined benefits paid for ancillary treatment, such as dental, optical, physiotherapy and chiropractic services.	Extras benefits defined by the insurance contract or relevant deed.	Claims incidence and claims inflation.

The provision of private health insurance in Australia is governed by the Private Health Insurance Act 2007 and shaped by a number of regulatory factors. These factors include:

(a) the principle of community rating. This principle prevents private health insurers from discriminating between people on the basis of their health status, age, race, sex, sexuality, the frequency that a person needs treatment, or claims history;
(b) risk equalisation which 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 younger healthier members with lower average claims payments to those insurers with an older and less healthy membership and which have higher average claims payments;
(c) the Private Health Insurance Act 2007 limits the types of treatments that private health insurers are able to offer as part of their health insurance business; and
(d) premiums for health insurance can only be changed with the approval of the Minister for Health.

Insurance risks are managed through the following:

Claims management
Strict claims management ensures the timely and correct payment of claims in accordance with policy conditions and provider contracts. Claims are regularly monitored and tracked.

Experience monitoring
Regular financial and operational results, including investment returns and capital requirements, are reported to the Audit Committee and the Risk and Compliance Committee, and the Board. This included regular monitoring of claims experience during the COVID-19 period. Results are also monitored against industry for insurance risks and experience trends as published by APRA.

Ability to vary premium rates
The company can vary future premium rates subject to (d) above.

Risk equalisation
Private health insurance legislation requires private health insurance contracts to meet community rating requirements, as detailed in (a) above. To support these restrictions, all private health insurers must participate in the Risk Equalisation Trust Fund.

COVID-19 deferred claims provision
The company's capital management policy requires a sufficient level of capital to be held by the company. The company created a deferred claims provision in the year ended 30 June 2020 to fund claims delayed due to the Coronavirus (COVID-19) pandemic.

Notes to the financial statements
30 June 2022

Note 22. Fair value measurement

Fair value hierarchy

The following tables detail the company's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the company can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Term deposits	10,000	-	-	10,000
Cash at call	22,790	-	-	22,790
Mortgage backed securities	-	1,075	-	1,075
Managed funds	-	166,238	-	166,238
Land and buildings	-	13,291	-	13,291
Investment properties	-	8,960	-	8,960
Total assets	32,790	189,564	-	222,354

2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Cash at call	18,474	-	-	18,474
Mortgage backed securities	-	1,117	-	1,117
Managed funds	-	190,493	-	190,493
Land and buildings	-	11,108	-	11,108
Investment properties	-	7,145	-	7,145
Total assets	18,474	209,863	-	228,337

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables, financial assets and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Valuation techniques for fair value measurements categorised within level 2 and level 3

All land and buildings including investment properties were independently valued by Herron Todd White Ltd and Blue Mountains-Lithgow-Oberon-Property Valuations in May and June 2022. These valuations have been conducted on the basis of market value and have been performed through a review of sale and rental values of comparable properties within close proximity.

Investment properties and Property Plant and Equipment buildings are revalued annually based on independent assessments by a member of the Australian Property Institute having recent experience in the location and category of investment property being valued. Valuations are based on current prices in an active market for similar properties of the same location and condition, subject to similar leases and takes into consideration occupancy rates and returns on investment (i.e. the income capitalisation approach).

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. An increase/decrease in the net market rent and an increase (softening)/ decrease (tightening) in the adopted capitalisation rate could potentially offset the impact to the fair value. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

The key assumptions and estimates used in the valuation approach, which are likely to be impacted by the Coronavirus (COVID-19) pandemic, include:

- future rental income, based on location, type and quality of property, which are supported by the terms of any existing leases, external evidence such as current market rents for similar properties;
- lease assumption based on current and expected future market conditions;
- the capitalisation rate derived from recent comparable market transactions; and
- the impact of government support on tenants and rental schemes giving rise to possible rental deferrals and rental forgiveness.

The property valuations are based on information available at the reporting date. In the event that the circumstances are more material or prolonged than anticipated, this may further impact the fair value of the company's properties.

There is a continuing level of uncertainty regarding the ultimate impact of COVID-19 on the company's property valuations as a result and the independent valuations incorporated a range of assumptions used in determining the appropriate fair value for the properties.

Mortgage backed securities and managed funds at fair value are revalued monthly based on current market price provided by the custodian.

Notes to the financial statements
30 June 2022

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the company:

	2022 $	2021 $
Audit services – Grant Thornton		
Audit or review of the financial statements	**105,000**	95,300
Other services – Grant Thornton		
Audit of APRA returns	**12,600**	11,400
Other assurance related services	**25,900**	22,100
	38,500	33,500
	143,500	128,800

Note 24. Contingent liabilities and commitments

The company has given bank guarantees as at 30 June 2022 of $234,000 (2021: $230,000) to various landlords.

The company has no contingent liabilities as at 30 June 2022 and 30 June 2021.

Note 25. Related party transactions

Parent entity

Westfund Limited is the parent entity.

Key management personnel

Disclosures relating to key management personnel are set out in note 26.

Transactions with related parties

Directors and key management personnel may hold insurance policies with the company. These are on normal commercial terms and conditions and at market rates.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 26. Key management personnel disclosures

Compensation

The aggregate compensation made to Directors and other members of key management personnel of the company is set out below:

	2022 $'000	2021 $'000
Short-term employee benefits	**2,792,302**	2,565,394

Note 27. Changes in liabilities arising from financing activities

	Lease liabilities $'000
Balance at 1 July 2020	823
Net cash used in financing activities	(516)
Acquisition of leases (note 13)	1,453
Balance at 30 June 2021	1,760
Net cash used in financing activities	(674)
Acquisition of leases (note 13)	2,895
Balance at 30 June 2022	3,981

Note 28. Events after the reporting period

No matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Directors’ declaration
30 June 2022

In the Directors’ opinion:

- the financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the financial statements and notes give a true and fair view of the company's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Graeme Osborne
Chair

Noeline Woof
Director

28 September 2022
Sydney

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW 1230

T +61 2 8297 2400

Independent Auditor's Report

To the Members of Westfund Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Westfund Limited (the Company), which comprises the statement of financial position as at 30 June 2022, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is 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 2022 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2022 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 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 preparing the financial report, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

A J Sheridan
Partner – Audit & Assurance

Sydney, 28 September 2022

(This page has intentionally been left blank) westfund.com.au