



Annual Report  
2020-2021

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The past 12 months have seen a continuation of challenges for our members, staff and the communities we serve throughout Australia. The ongoing pandemic has resulted in additional health related pressures, particularly around mental health. I can assure you that your health fund is doing everything it possibly can to provide support as individuals and families deal with the stresses that accompany the ramifications of isolation and economic hardship. Your Board and the leadership team are constantly monitoring developments and have taken steps to protect the health and wellbeing of members and staff. This has been, and continues to be, our number one priority.

We have supported our members through a number of initiatives designed to both prevent illness to and support those who are experiencing health-related challenges, including:

### Eye Care and Dental Care

- We continued to service our members' Dental and Eye Care needs throughout the pandemic, following strict infection prevention protocols and with dedication to the safety of our patients.
- Our Provider of Choice Network for Dental, Optical and Physio continued to service our members and offer nil to limited gap preventative services nationwide, empowering members to continue with preventative check-ups.

### Health care services

We launched two new chronic disease management programs for eligible members:

- **Comprehensive Mental Health Support:**  
The intention of this program is to offer eligible members mental health support via telehealth with trained psychologists; to offer our members more choice, a higher degree of support and more digitally interactive programs.
- **The Total Wellbeing Lifestyle Plan:**  
This program was launched to assist members and uses a digital platform. The program includes telehealth sessions with a dietician and some of the known health-related benefits are a reduction in blood pressure, cholesterol and pressure on joints.

Our Hospital Care at Home and Rehab at Home programs continued to offer exceptional benefits, enabling members to recover in the comfort of their homes surrounded by their families and loved ones.

## Performance

We continued to record strong member growth during the year, as we paid out a record amount of benefits, and assisted members and the communities we serve through our support packages. Highlights included:

### COVID-19 community support package

- \$5.1m being returned to members
- \$6m premium savings from 6-month premium increase waiver
- \$693,000 support to members through the COVID-19 Financial Hardship Suspension
- \$170,000 Community Grants awarded to inspiring local community organisations
- 24 defibrillators donated to community organisations across regional Australia.

### Business results

- \$219.7m benefits paid to members (up 15% from FY20)
- 55,000 hospital admissions
- 508,000 dental, optical and ancillary visits
- 6 active Health and Wellbeing programs
- 93.5% member retention rate
- 73.7 world class and industry leading net promoter score
- 6% annual membership growth (we welcomed over 7,000 new members to the Westfund community).

### Member support payment

We were very pleased to be in a position to provide members with an ex-gratia payment as a result of our stronger than expected financial results – due mainly to the performance of our investment portfolio.

The Board took the decision to diversify the Fund's portfolio to improve returns. This was done conservatively with the majority of funds invested in low risk categories such as investment grade government, semi government and corporate bonds, and some growth assets being direct international and Australian equities. The support payment to members (up to \$220 per membership) equates to \$5.1m, and is a clear demonstration of our commitment to the member-owned, not-for-profit values and principles our fund has been built upon.

## Building a stronger fund

The Board undertook a comprehensive strategic planning exercise during the year to determine how we could best provide a greater level of service and support to our members. Because of the continued contribution and loyalty of our members, we are in an extremely strong position financially. This provides us with the opportunity to consider ways to invest in the health and wellbeing needs of our members.

As a trusted partner, we believe we have the capacity and responsibility to broaden our service offering in a caring and meaningful way and will work towards either providing, facilitating access to, or offering advice on health services that in many cases are difficult to access, or involve a reasonable level of complexity. We already have a proven record of achieving this through our Dental and Eye Care operations.

### Financial performance

As I forecast in my report last year, we did see a catch up on many of the claims that were deferred due to the restrictions during COVID-19 in 2020. While it is difficult to precisely identify all of the deferred claims we have paid, we have written back the majority of the provision we took up last financial year and plan to take up the remaining provision during 2021/22. As mentioned earlier, our financial performance exceeded our forecast due to the returns achieved on our investment portfolio and better than expected payments received from the Risk Equalisation Pool. Our \$10.9m surplus was a significant improvement on last year's deficit of \$3.7m, and our expectations are that we will record a more modest result in the 2021/22 year subject to the uncertainty that accompanies COVID.

### Community support

Our Community Grants Program received an overwhelming response from organisations who provide much needed support and services to those in need. We donated \$170,000 to 70 organisations in both NSW and Queensland which also included grants for 24 defibrillators. Some of the worthy recipients were:-

- **Sunrise Way**, a drug and alcohol rehabilitation centre based in Toowoomba
- **Care Kits for Kids Queensland**, provide assistance to children in care or crisis
- **Veritas House**, provide support services to children, young people and families
- **Suncoast Spinners Wheelchair Basketball and Rugby Club**
- **Need a Feed Australia**, supporting farmers facing the challenges of drought and bushfires.

### Welcoming our new Directors

As part of the Board's commitment to continuing improvement to governance and risk management practices, we were delighted to welcome two new Directors to Westfund. Jenny Dawn and Noeline Woof bring a depth of experience in critical and emerging areas such as risk management, clinical governance, IT security and digital innovation. Noeline's and Jenny's appointments are also a demonstration of our commitment to ensure we enhance our gender balance within the leadership roles at the fund.

### Gratitude and thanks

On behalf of our Board, I would like to acknowledge the leadership team under the guidance of the CEO Mark Genovese and pay special tribute to our wonderful and dedicated staff who have continued to provide our members with the caring and professional service they have become accustomed to. Despite the many challenges that have accompanied the pandemic, our staff have been steadfast in ensuring that the needs of our members are looked after, including providing essential Dental and Eye Care services. I would like to recognise the efforts of our dentists, optometrists and all of the support staff who have worked on the frontline throughout the pandemic under what have been difficult and stressful circumstances.

I would also like to thank my fellow Directors who have also had to deal with the pandemic issues, both from a personal and professional perspective. During this time the Board has continued to work together in a professional, collaborative and diligent manner that has contributed to the success we have achieved over the past 12 months.

Finally, I would like to acknowledge the wonderful support and loyalty of our members who are responsible for our financial and operational strength, and all the success we achieve.



Graeme Osborne  
Chair





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 2021.

### Directors

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

**Graeme Osborne**  
Chair

**Brian Kelly**  
Deputy Chair

**Bradley Williams**

**Geoffrey Wheeler**

**Jordan Tilse**

**Michael Serong**

**Phillip Burgett**

**Jenny Dawn**  
(appointed 1 February 2021)

**Noeline Woof**  
(appointed 1 February 2021)

### Company objectives

The company's purpose is to support members' long-term wellbeing 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 membership products;
- retain a strong capital base; and
- enhance employee wellbeing at work and attract and retain quality employees.

The company's long-term objectives are to:

- support the health and wellbeing 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 principal continuing 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

The company continues to be impacted by the Coronavirus (COVID-19) pandemic and the associated related risks – primarily focused on the health and safety of employees and members and maintaining the cashflow, liquidity and capital of the company.

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

#### COVID-19 Member Support Hub

Created a dedicated online support hub for members to access, providing the latest updates and helpful insights;

#### Paused premiums

Paused premium increases for six months from 1 April 2020 to assist members in these difficult times. New premiums came into effect on 1 October 2020;



**COVID-19 cover**

Added hospital cover for admissions related to COVID-19 for eligible members until the end of 2020;

**Health and wellbeing**

Extended the MindStep Online Cognitive Behavioural Therapy ('CBT') courses until the end of 2020, thus continuing to provide a suite of programs to help members access extra benefits and mental health services from home;

**COVID-19 Financial Hardship Suspension**

Extended support measures for members until the end of 2020, providing assistance to members experiencing financial distress and facing difficult financial decisions. Westfund Limited's staff provided support to discuss cover options to ensure policies are appropriate for member's needs; and

**Virtual consultations**

Extended the ability for members to claim for virtual consultations for psychology, physio, occupational therapy and a range of other allied health services until at least the end of 2020.

**Deferred claims liability provision**

Due to Government imposed lockdowns members were unable to have routine procedures, fully utilise their benefits and make claims. In recognition of claims that have likely been deferred, a deferred claims liability provision amounting to \$4,636,000 as at 30 June 2021 (2020: \$11,870,000) has continued to be maintained, with a corresponding adjustment to net claims expense.

**Members' refunds**

We know many of our members are doing it tough right now, however your support for us saw Westfund achieve strong membership growth and record retention rates through the financial year. As a not-for-profit health insurer, with a focus on delivering value to our members we have made the decision to return \$5.1 million of surplus profits generated as a result of our members not being able to access medical services due to government-mandated restrictions associated with the pandemic and strong investment return.

Subsequent to reporting date, the company has communicated its plan to return funds to members with the Department of Health and APRA. Members have received notice of the intent to distribute ex-gratia payments in the financial year ending 30 June 2022.

**Business continuity protocols**

The company has a crisis management team that reviews and updates the COVID-19 policies and protocols, to ensure the health and safety of members, staff and the community at large. These policies and protocols include employee travel restrictions, working from home arrangements and appropriate health and hygiene standards, such as hand sanitisation stations, social distancing, contactless interactions, all designed to ensure compliance but also to reassure employees, members and visitors in these uncertain times.

The consequences of the COVID-19 pandemic are continuing to be felt around the world, and its impact on the company, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the company's operations going forward especially with the delta variant forcing continued lockdowns in New South Wales. The company now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation.

The impact of COVID-19 in 2021 cannot be predicted with any certainty and despite the challenging external environment, the company remains positioned to continue to achieve on its objectives.

**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 2021 there were 61,111 (2020: 58,361) members and the maximum amount liable to be contributed was \$61,111 (2020: \$58,361).

# 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 Ltd and NSW Mines Rescue Pty Limited. He is also a member of Coal Service Risk Management and Remuneration Committees. He has served as a director of Auscoal Superannuation Pty Ltd where he served as a member of the Audit, Risk and Compliance Committee. He also was a member of Mine Superannuation's Insurance Committee and Remuneration and Nomination Committee. He is currently District President of the Construction, Forestry, Maritime, Mining and Energy Union – South Western District.

**Special responsibilities:**  
Member of the Audit Committee, member of the Risk Committee and member of the Remuneration Nomination and Governance Committee.



**Brian Kelly**  
GAICD  
Deputy Chair

Brian was appointed as a director in 2010. He has strong experience in the mining industry and has 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:**  
Chair of the Remuneration Nomination and Governance Committee and member of the Risk Committee.



**Brad 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.



**Geoff 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 Nomination and Governance 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 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 Risk 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 is currently a consultant with Norton Rose Fulbright based in Melbourne.

**Special responsibilities:**  
Member of the Remuneration Nomination and Governance Committee and member of the Audit 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:**  
Chair of the Audit Committee and Chair of the Risk Committee.



**Jenny 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 and Combined Dispensaries Friendly Society Ltd (Pharmacy).

**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 and is a qualified Actuary with more than 25 years insurance experience. Noeline holds director roles with Hollard Insurance Limited and Pacific Life Re Australia.

**Special responsibilities:**  
Member of the Risk and Compliance Committee.

**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 2021, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Graeme Osborne – Chair	11	11	2	4
Brian Kelly – Deputy Chair	10	11	2	2
Bradley Williams	11	11	4	4
Geoffrey Wheeler	10	11	-	-
Jordan Tilse	9	11	-	-
Michael Serong	10	11	2	2
Phillip Burgett	11	11	4	4
Jenny Dawn <sup>(1)</sup>	4	4	2	2
Noeline Woof <sup>(1) (2)</sup>	4	4	-	-

	Risk and Compliance Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held
Graeme Osborne	4	4	4	4
Brian Kelly	4	4	4	4
Bradley Williams <sup>(3)</sup>	-	-	-	-
Geoffrey Wheeler	-	-	4	4
Jordan Tilse	3	3	2	2
Michael Serong	1	1	2	2
Phillip Burgett <sup>(4)</sup>	4	4	-	-
Jenny Dawn <sup>(1) (5)</sup>	-	-	-	-
Noeline Woof <sup>(1) (2)</sup>	2	2	-	-

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

<sup>(1)</sup> Jenny Dawn and Noeline Woof were appointed on 1 February 2021.

<sup>(2)</sup> Noeline Woof attended 1 Audit Committee meeting and 1 Remuneration and Nomination Committee meeting as a guest.

<sup>(3)</sup> Bradley Williams attended 2 Risk and Compliance Committee meetings and 3 Remuneration and Nomination Committee meeting as a guest.

<sup>(4)</sup> Philip Burgett attended 2 Remuneration and Nomination Committee meetings as a guest.

<sup>(5)</sup> Jenny Dawn attended 1 Risk and Compliance Committee meeting and 1 Remuneration and Nomination Committee meeting as a guest.



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**Mark Genovese**  
Chief Executive Officer



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**Liz Casmiri**  
Chief Health Care  
Services Officer



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**Deng Gichuru**  
Chief Risk Officer and  
Company Secretary



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**Jon Goodgame**  
Chief Operations Officer



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**John Pallister**  
Chief Information Officer



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**Chris Phillips**  
Chief Finance Officer



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**Bill Sheffield**  
Chief People Officer

Positions held as at 30 June 2021.

## COVID-19 support

Westfund is proud to support our members on the road out of this pandemic, including investing \$12 million in a targeted COVID-19 Community Support Package, the expansion of Health and Wellbeing programs available to members nationwide and our biggest investment in our Community Grants Program yet.

\$5.1m 

premium refund  
support package

\$6m

premium savings  
from 6-month premium  
increase waiver

\$170,000 24

Community Grants awarded to inspiring  
local community organisations

defibrillators donated to  
community organisations  
across regional Australia

\$693,000 

support to members through the COVID-19  
Financial Hardship Suspension



## Business results

\$219.7m

benefits paid to members –  
up 15% from FY20

6% 

annual membership growth – we welcomed over  
7,000 new members to the Westfund community

73.7 

world class and industry leading  
net promoter score

93.5%

member retention rate

55,000

hospital admissions

6 

active Health and  
Wellbeing programs

508,000  

dental, optical and ancillary visits

# Our communities in focus

Despite its challenges, 2020/21 was a rewarding year for Westfund. The ongoing challenge of COVID highlighted for us the genuine level of care we provide to our people, our members and our communities.

Our connection with our members has always been vital to our continued success and this was again evident this year.

## Our brand evolution

We may look a bit different too... our brand evolution project brought together all that's great about our fund to carry us into the future.

We made great progress in improving our services to members on the technological front with the roll-out of improvements to our Members Online platform – providing a new look and improved functionality to allow members to manage their membership with greater ease.

Our new website was launched in February, providing easier access to information and better support for members. Our FAQ Help Desk function provides easy to use information and functionality.

Improvements to our app are ongoing as we invest in providing 24/7 support and better experiences to our members.

## Voice of the Patient program

We also committed to ensuring our members were accessing quality hospital care by rolling out Voice of the Patient.

This partnership with the Australian Health Service Alliance (AHSA) and Insights Actuaries is a research initiative aimed at improving the care and service provided by hospitals to our members.

## Our regional communities

Our ongoing commitment in our regional communities is a source of pride for us and we've held true to physical presence in regional areas across both NSW and Queensland.

Our Care Centre operations in Lithgow, Bathurst, Orange, Mudgee, Dubbo and Wollongong as well as Maroochydore, Mackay, Rockhampton, Townsville, Moranbah and Emerald continue to support members.

We've made improvements too. Members in Mudgee and Bathurst are now enjoying new and improved Care Centre spaces fitted out with member privacy in mind. These locations are the first in a planned refurbishment schedule in which we'll gradually upgrade across our network.







Community Day  
Wollongong

### We are proud of our people

Westfund has always been proud of our people – we're a proud employer of local talent (201 strong across our network), keen to invest in developing skills and support regional communities.

We welcomed Jenny Dawn and Noeline Woof as non-executive Directors of our Board. They've brought with them great expertise in risk and financial management and technology, cyber security and digital strategy. Their appointments increased Westfund's Board to nine with a third of the board represented by women – a first in our history.

Our Head Office operations are our foundational 'home' in Lithgow, NSW and the support for our Sydney workforce and our Contact Centres in Lithgow, Penrith and Maroochydore.

### Supporting our members

Our Eye Care Centres in Lithgow, Orange, Dubbo and Mackay and Westfund Dental Care in Lithgow continue to support our members, as does our expanding Provider of Choice network that supports members across Australia.

We're not-for-profit and member-owned. That means we're committed to improving and supporting health outcomes for our members – no matter where they live.

This year we built a strong foundation of support-from-home services for members. We took our suite of Health and Wellbeing Programs from three to six – offering a virtual health clinic so members can access Extras services from home and increased mental health support.

Our commitment to providing our members the support they need to access health services is a continued area of focus for us.

### Supporting our community

Community and community support was again a priority in 2020/21. We supported members across Australia throughout the first wave of COVID by delaying our premium increase for six months, providing access to financial hardship suspension and offering COVID cover to all hospital members. We also supported members impacted by March's 'one in 100-year' flood event on the NSW North Coast through to Sydney with our Natural Disaster Hardship Suspension in March.

Grassroots support is something we've always been proud of. We've backed up to be involved in regional events like the Orange Running Festival and Central West rugby union's Westfund Ferguson Cup.

Our Community Grants Program continues to support community organisations. In 2020/21 we distributed \$170,000 in support via grants and defib units – that's 45 grants and 24 defibs to organisations supporting regional communities!

It feels good to do good! We launched our first Community Day across our regional areas – our way of giving back to the communities that support us. The giving began at Head Office where local staff supported Lithgow Information and Neighbourhood Centre's drive to pack Christmas hampers and handed over a \$10,000 donation. Our people across our network gave their time to local community organisations – from Need a Feed in Wollongong through to Hands of Compassion at the Rockhampton Food Bank. They donated blood, packed hampers, gardened, cleared rubbish and wrapped presents – all to give back to our local communities.





### Customer Service Organisation of the Year

Our commitment to our members was recognised when we were shortlisted as finalists in the 2021 Australian Service Excellence Awards (ASEAs), conducted by the Customer Service Institute of Australia (CSIA). The ASEAs are Australia's premier customer service awards program, attracting hundreds of nominations each year to recognise best practice, performance and innovation in customer service. We're thrilled to be nominated in the Customer Service Organisation of the Year – Medium Business and Service Excellence in a Medium Contact Centre categories.

### Eye Care and Dental

Our Eye Care and Lithgow Dental Care teams enjoyed another busy, yet rewarding year with a focus on providing great service and clinical care to members and patients.

Our four Eye Care optometrists hold between them 100 years of combined experience – highly valued by our members! We've also commenced the Eye Care Accreditation process this financial year to ensure we're setting a benchmark for clinical care provision.

The Lithgow Dental Care team goes from strength to strength in its commitment to serve its patients. They're building on the Quality Innovation Performance (QIP) accreditation gained last year to expand and solidify best practices around the provision of quality dental care.



Feels good  
to give back

## Community Grants

Supporting communities to thrive is part of Westfund's DNA. We are passionate believers in community organisations that inspire the principles of Health and Wellbeing, Family and Community and Fit for Life.

This passion led to the creation of the Westfund Community Grants Program. Through the Program, we were proud to distribute \$170,000 in grants to eligible community groups and organisations in 2020/21.

A highlight was Toowoomba's Sunrise Way taking out a one-off grant of \$10,000, as voted by the public. We injected an additional \$50,000 into our program to celebrate reaching our 50,000 member milestone in October 2020 and celebrated by distributing those funds to valuable organisations throughout the communities we serve.

Throughout 2020/21 we provided 45 grants and distributed 24 defibrillators.

Our philosophy is simple – we're supporting communities.



### 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.



## Community Grants – our successful applicants

### Round 1 2020



#### Grants

- Lions Cancer Institute
- Need a Feed Australia
- Barnardo's Australia
- TAD – Technical Aid for the Disabled
- Sydney Children's Hospital (Bear Cottage)
- Cancer Patients Foundation – Look Good, Feel Better
- Veritas House
- Online Tea and Technology – Orange City Council
- Orange Aboriginal Medical Service
- Sunrise Way
- Anam Cara House Geelong
- Dance Health Alliance
- The Good Chat Foundation
- Lolly Jar Circus
- Centacare Geraldton
- Riding for the Disabled – Orange
- Kawana Waters Surf Lifesavers
- Connected AU
- Can Assist Lithgow
- Bathurst Young Mob

#### Defibrillators

- Zig Zag Railway
- Deniliquin Pastoral and Agricultural Society
- Newbridge Progress Association
- Ourimbah Girl Guides
- Special Olympics Australia – Melbourne Inner East Club
- Lithgow Flash Dragons Dragon Boat Club
- Emerald Neighbourhood Centre
- Modbury Jets Amateur Football Club
- North Coast Special Olympics
- Belmont District Cricket Club
- Mum's Cottage Incorporated
- Townsville and District Rugby Union
- Coolangatta Surf Life Saving Club
- Kanyini Connections Ltd. – Hoofbeats Sanctuary
- C.W.A. Mudgee
- Zoe Support Australia
- Rugby League Mackay District



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## Round 2 2020

### Grants

- Care Kits for Kids QLD Inc
- Lithgow Dementia Alliance
- Sailability Whitsunday
- Umbo
- Torres Strait and Cape York Peninsula Futsal Association LTD
- Reading out of Poverty Cairns
- Sailability Shorncliffe
- Blush Cancer Care
- Marrangaroo RFS
- Allstar Gymnastics Parent and Friends Support Group
- The Awakened Mumma Wellness
- Maroochy Neighbourhood Centre
- Suncoast Spinners Wheelchair Basketball
- Lily House
- Birpai Dolphins Boys and Girls Rugby League
- Foodcare Shellharbour
- 2nd Turrumurra Scouts Group
- All Abilities Mackay
- Richmond Riding for the Disabled
- Dance for Parkinson's Australia
- Coolum Common
- IFYS Urban Angels Community
- Mudjimba Surf Life Saving Club Inc
- Surat Aboriginal Corporation
- Bathurst GIANTS AFL Club

### Defibrillators

- Habana Rural Fire Brigade
- The Shack Community Centre Inc.
- Townsville Picnic Bay Surf Life Saving Club
- Toowoomba Valleys Junior Rugby League
- Bollon Aboriginal Corporation for Housing and Community Development
- Maroochydore Squash Club
- Abergowrie State School Parents and Citizens Association

# Westfund Limited

## Financial statements

### 30 June 2020

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The financial statements cover Westfund Limited 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 29 September 2021. The Directors have the power to amend and reissue the financial statements.

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### Rounding of amounts

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



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Graeme Osborne  
Chair



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Phillip Burgett  
Director

29 September 2021  
Lithgow



# Auditor's independence declaration

## To the Directors of Westfund Limited

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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 2021, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



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Grant Thornton Audit Pty Ltd  
Chartered Accountants



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A J Sheridan  
Partner – Audit & Assurance

29 September 2021  
Sydney

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# Statement of profit or loss and other comprehensive income

## For the year ended 30 June 2021

	Note	2021 \$'000	2020 \$'000
Premium revenue		243,345	226,236
Claims expense		(217,663)	(202,961)
Risk equalisation trust fund income		6,231	8,282
State levies		(2,857)	(2,718)
Net claims incurred		(214,289)	(197,397)
Gross margin before claims and underwriting expenses		29,056	28,839
Claims handling expenses		(19,116)	(18,446)
Other underwriting expenses		(11,167)	(10,035)
Underwriting expenses		(30,283)	(28,481)
Underwriting result		(1,227)	358
Other revenue	4	6,539	5,609
Interest income		8,356	4,935
Gain/(loss) on the revaluation of financial instruments at fair value through profit or loss		4,711	(5,662)
Depreciation and amortisation expense	5	(2,657)	(3,047)
Reversal of impairment on land and buildings	11	1,506	177
Fair value gain on investment properties	12	418	282
Cost of goods sold		(2,863)	(2,597)
Fund administration expenses		(3,828)	(3,988)
Finance costs	5	(27)	(20)
Total expenses		12,155	(4,311)
Surplus/(deficit) before income tax expense		10,928	(3,953)
Income tax expense		-	-
Surplus/(deficit) after income tax expense for the year attributable to the members of Westfund Limited		10,928	(3,953)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the members of Westfund Limited		10,928	(3,953)

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 2021

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	Note	2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		1,699	1,311
Trade and other receivables	6	6,394	6,052
Inventories		254	282
Financial assets at fair value through profit or loss	7	18,474	67,770
Deferred acquisition costs	8	2,043	1,780
Other assets	9	1,549	1,385
<b>Total current assets</b>		<b>30,413</b>	<b>78,656</b>
<b>Non-current assets</b>			
Financial assets at fair value through profit or loss	10	191,610	123,962
Deferred acquisition costs	8	2,240	3,337
Property, plant and equipment	11	13,192	11,542
Investment properties	12	7,145	6,896
Right of use assets	13	1,717	804
Intangibles	14	1,528	1,654
<b>Total non-current assets</b>		<b>217,432</b>	<b>148,195</b>
<b>Total assets</b>		<b>247,845</b>	<b>226,851</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	2,066	1,301
Lease liabilities	16	549	486
Employee benefits		3,523	3,116
Provisions	17	31,886	27,804
Other liabilities	18	32,177	28,356
<b>Total current liabilities</b>		<b>70,201</b>	<b>61,063</b>
<b>Non-current liabilities</b>			
Lease liabilities	16	1,211	337
Employee benefits		778	724
<b>Total non-current liabilities</b>		<b>1,989</b>	<b>1,061</b>
<b>Total liabilities</b>		<b>72,190</b>	<b>62,124</b>
<b>Net assets</b>		<b>175,655</b>	<b>164,727</b>
<b>Equity</b>			
Retained surpluses		175,655	164,727
<b>Total equity</b>		<b>175,655</b>	<b>164,727</b>

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 2021

	Asset revaluation reserve \$'000	Retained surpluses \$'000	Total equity \$'000
<b>Balance at 1 July 2019</b>	-	168,680	168,680
Deficit after income tax expense for the year	-	(3,953)	(3,953)
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive income for the year</b>	-	(3,953)	(3,953)
<b>Balance at 30 June 2020</b>	-	164,727	164,727
<b>Balance at 1 July 2020</b>	-	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	-	-	-
<b>Total comprehensive income for the year</b>	-	10,928	10,928
<b>Balance at 30 June 2021</b>	-	175,655	175,655

The asset revaluation reserve is used to recognise changes in the fair value of land and buildings, excluding investment properties. The value is currently \$nil (2020: \$nil) as previous revaluations have been fully exhausted by subsequent downward revaluations. 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.



# Statement of cash flows

## For the year ended 30 June 2021

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	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Surplus/(deficit) before income tax expense for the year		10,928	(3,953)
<b>Adjustments for:</b>			
Depreciation and amortisation	5	2,657	3,047
Net fair value movement on assets		-	2
Net fair value gain on properties		(1,924)	(459)
Net loss on disposal of non-current assets		-	560
Amortisation of deferred acquisition costs		1,952	1,554
Interest and other finance costs		27	20
		13,640	771
<b>Change in operating assets and liabilities:</b>			
Decrease/(increase) in trade and other receivables		(342)	3,240
Decrease/(increase) in inventories		28	(4)
Decrease in prepayments		98	1,841
Increase in other operating assets		(1,163)	(3,085)
Increase/(decrease) in trade and other payables		355	(132)
Increase in employee benefits		461	856
Increase in other provisions		4,082	10,430
Increase/(decrease) in other operating liabilities		4,231	(1,023)
		21,390	12,894
Interest and other finance costs paid		(27)	(20)
Net cash from operating activities		21,363	12,874
<b>Cash flows from investing activities</b>			
Net change in investments		(26,708)	(8,639)
Payments for property, plant and equipment	11	(1,178)	(926)
Payments for intangibles	14	(815)	(1,823)
Payments for security deposits		(141)	-
Proceeds from disposal of property, plant and equipment		10	124
Proceeds from disposal of intangibles		17	-
Interest received		8,356	4,935
Net cash used in investing activities		(20,459)	(11,264)
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	26	(516)	(585)
Net cash used in financing activities		(516)	(585)
Net increase in cash and cash equivalents		388	1,025
Cash and cash equivalents at the beginning of the financial year		1,311	286
Cash and cash equivalents at the end of the financial year		1,699	1,311

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

# Notes to the financial statements

## 30 June 2021

### 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.

#### Software-as-a-Service arrangements

The IFRS Interpretations Committee ('IFRIC') has issued two agenda decisions related to accounting for Software-as-a-Service ('SaaS') arrangements:

- In March 2019, the IFRIC considered the accounting for SaaS arrangements (the first agenda decision) and concluded that for many such arrangements the substance is that the entity has contracted to receive services rather than the acquisition of software assets. This is because, in a cloud-based environment, the SaaS contract generally only gives the customer the right to receive access to the cloud provider's application software, rather than a license over the intellectual property i.e. control over the software code itself; and
- In April 2021, the IFRIC specifically considered how an entity should account for configuration and customisation costs incurred in implementing these SaaS service arrangements. The IFRIC concluded (the second agenda decision) that these costs should be expensed, unless the criteria for recognising a separate asset are met.

The company has completed a detailed assessment of its software costs capitalised historically and has changed its accounting policy in relation to the configuration and customisation costs incurred in implementing SaaS arrangements.

For the current year, \$188,000 of costs that would previously have been capitalised as intangible assets (under the previous policy) have been expensed to profit or loss.

#### 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.

#### 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 centre revenue 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

# Notes to the financial statements

## 30 June 2021

### Note 1. Significant accounting policies (continued)

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.

#### 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

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 as 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.

# Notes to the financial statements

## 30 June 2021

### Note 1. Significant accounting policies (continued)

Transfers to and from investment properties to property, plant and equipment are determined by a change in use of owner-occupation. 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.

#### Property, plant and equipment

Land, building structures and improvements are shown at fair value, based on periodic valuations, at least every three years by external independent valuers, less subsequent depreciation and impairment for buildings. The valuations are undertaken more frequently if there is a material change in the fair value relative to the carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Increases in the carrying amounts arising on revaluation of land and buildings are credited in other comprehensive income through to the asset revaluation reserve in equity. Any revaluation decrements are initially taken in other comprehensive income through to the asset revaluation reserve to the extent of any previous revaluation surplus of the same asset. Thereafter the decrements are taken to 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 straightline 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 have independent cash flows 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.

# Notes to the financial statements

## 30 June 2021

### Note 1. Significant accounting policies (continued)

#### 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.

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 on the basis of actual claims versus expected claims during the period in which the services were restricted, which was from July 2020 to June 2021 (2020: March 2020 to June 2020) inclusive (the COVID-19 period). The provision takes into account an estimate of the procedures and services deferred into the following financial year.

Following APRA revised guidance to insurers on 26 March 2021, which allows flexibility in determining the appropriate amount to be held for the liability, the company adopted its own methodology to determine the deferred claims provision. From 31 March 2021, the provision has been reduced based on the company's policy of reducing the provision linearly to nil by 31 December 2021.

#### 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 liability 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 national government 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 that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising 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.

# Notes to the financial statements

## 30 June 2021

### Note 1. Significant accounting policies (continued)

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 2021. 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.

### AASB 17 Insurance Contracts

This standard is applicable to annual reporting periods beginning on or after 1 January 2023. The standard replaces AASB 4 'Insurance Contracts', AASB 1023 'General Insurance Contracts' and AASB 1038 'Life Insurance Contracts' and will enhance comparability of accounting between products, companies and across jurisdictions by establishing principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, including reinsurance contracts held and investment contracts with a discretionary participation feature.

The standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract. AASB 17 combines current measurement of future cash flows with the recognition of profit over the period services are provided under the contract; presents insurance service results and insurance revenue separately from insurance finance income or expenses; and requires an accounting policy choice on a portfolio-by-portfolio basis of whether to recognise all insurance finance income or expenses in profit or loss or partially in other comprehensive income.

The standard introduces a new general measurement model for accounting for insurance contracts. However, a simplified premium allocation approach, similar in nature to the company's existing measurement basis under AASB 1023 is permitted in certain circumstances (such as for short-duration contracts).

The company has commenced its implementation project to assess the potential impact on its financial statements. This includes identifying changes to the company's accounting policies, reporting requirements, systems, processes and controls and consideration of industry interpretations and regulatory responses.

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The company has undertaken:

- a gap and option analysis to assess the requirements of AASB 17, to identify gaps in data requirements and options available under AASB 17. No material gaps were identified; and
- a quantitative analysis of the impact of implementing AASB 17. The study investigated the impacts if the standard was applied to the 2020 financial year under a range of scenarios. The initial analysis indicated that there will be reductions in both the assets and liabilities of the Fund. The change in profits for future years will depend on the characteristics of each year and the policy position the company takes on implementation.

The final impact of AASB 17 is still to be fully evaluated by the company. However, the company expects to apply the simplified premium allocation approach to its insurance contracts which is similar in effect to the company's current measurement basis under AASB 1023. As a result, the measurement basis is not expected to significantly change. The key estimates and judgments in relation to the measurement of the company's claim liabilities are also expected to remain largely the same under the new standard, albeit with some differences in their application.

It however is expected that under AASB 17 there will be substantial changes in presentation of the financial statements and disclosures.

## 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.

# Notes to the financial statements

## 30 June 2021

### 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 unrepresented and outstanding claims. The provision for unrepresented 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 unrepresented 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 2021 and 30 June 2020 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.



## 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 2021, the average member contract life has been assessed as four (2020: 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 2021 and 30 June 2020.

## 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, in three specific areas: (i) deferred claims; (ii) return of member funds and (iii) property valuations.

(i) **Deferred claims** – The deferred claims liability ('DCL') is a provision for 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.

From 30 June 2020 to 31 March 2021 inclusive, the company's DCL was calculated in accordance with APRA's prescribed method. This calculation assumed that 100% of 'missing' hospital claims (expected less actual claims) and 85% of 'missing' ancillary claims would be caught-up at a later stage and should therefore be provisioned for.

# Notes to the financial statements

## 30 June 2021

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

From 31 March 2021, APRA relaxed its guidance and allowed health funds to use their own methodology to estimate the DCL. The company adopted its own approach to calculating the DCL at 30 June 2021 and reduced the provision held at 31 March 2021 based on the company's current policy of reducing the deferred claims liability linearly to nil by 31 December 2021.

The estimation of the deferred claims liability at 30 June 2021 is highly judgemental given the unprecedented health pandemic that continues to impact Australia. The company will continue to re-assess the extent of any deferred claims as a result of any ongoing and future restrictions.

Details of specific key estimates and judgements used in deriving the DCL at the reporting date are detailed in note 3.

**(ii) Return of member funds** – A separate provision has been recognised to return surplus monies to members so as to not financially benefit from the COVID-19 pandemic which saw an increase in investment returns as a result of lower levels of claims occurring than original anticipated in the 30 June 2020 deferred claims liability. The provision has been recognised considering the company's understanding of the business, past history of ex-gratia settlements, past history of claims including the impact of the COVID-19 pandemic on claims profiles, wider market trends and the expectation of the regulators. Refer to note 17 for further details.

**(ii) Property valuations** – There is significant valuation uncertainty arising from the Coronavirus (COVID-19) pandemic and the response of Government in relation to it. As a result, the value of land and buildings and investment properties may change significantly and unexpectedly over a relatively short period of time. As detailed in note 21, the valuations are prepared on the basis of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.

### Note 3. Actuarial assumptions and methods

#### (i) Deferred claims provision

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

#### Key estimates and judgement – deferred claims provision

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.

#### (ii) 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 liability

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

Variables	2021 Hospital %	2021 Medical %	2021 General treatment %	2020 Hospital %	2020 Medical %	2020 General treatment %
Assumed portion paid to date	88.81	90.58	97.51	90.32	91.46	97.75
Expense rate	1.30	1.30	1.30	1.50	1.50	1.50
Risk equalisation rate	(5.00)	(5.00)	(5.00)	(7.50)	(7.50)	(7.50)
Risk margin	11.00	11.00	11.00	11.00	11.00	11.00

The risk margin of 11% (2020: 11%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2020: 75%).

## Process used to determine assumptions – outstanding claims liability

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% (2020: 75%). An increase/decrease in the risk margin would have a corresponding effect on the claims expense.

# Notes to the financial statements

## 30 June 2021

### 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

Variables	Movement in variable %	Adjustments on surplus/ (deficit) \$'000	Adjustments on equity \$'000
Chain ladder development factors	10.0% (10.0%)	689 (699)	689 (699)
Bornhuetter-Ferguson unpaid factors	10.0% (10.0%)	674 (674)	674 (674)
Expense rate	1.0% (1.0%)	184 (184)	184 (184)
Risk equalisation	1.0% (1.0%)	199 (199)	199 (199)
Risk margin	1.0% (1.0%)	191 (191)	191 (191)

### Note 4. Other revenue

	2021 \$'000	2020 \$'000
Eye care centres revenue	2,965	2,429
Dental centres revenue	3,052	2,694
Rental income	522	484
Other revenue	-	2
	<b>6,539</b>	<b>5,609</b>

#### 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.

## Note 5. Expenses

	2021 \$'000	2020 \$'000
Surplus/(deficit) before income tax includes the following specific expenses:		
<b>Depreciation</b>		
Building structures and improvements (note 11)	290	213
Leasehold improvements (note 11)	239	374
Plant and equipment (note 11)	353	691
Motor vehicles (note 11)	142	140
Investment properties (note 12)	169	174
Right-of-use assets	540	604
Total depreciation	1,733	2,196
<b>Amortisation</b>		
Computer software (note 14)	924	851
Total depreciation and amortisation	2,657	3,047
<b>Finance costs</b>		
Interest and finance charges paid/payable on lease liabilities	27	29
<b>Leases <sup>(1)</sup></b>		
Short-term lease payments	175	213
Low-value assets lease payments	-	68
Total leases	175	281
<b>Employee costs</b>		
Salaries, wages and employment entitlements	17,576	16,989
Payroll tax	865	930
Superannuation	1,565	1,534
Other	705	876
Total employee costs	20,711	20,329

<sup>(1)</sup>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 2021

### Note 6. Trade and other receivables

	2021 \$'000	2020 \$'000
<b>Current assets</b>		
Trade receivables	6	54
Premiums in arrears	298	239
Less: allowance for expected credit losses of premiums in arrears	(37)	(50)
	267	243
Medicare rebates	4,474	4,177
RETF refund	1,653	1,470
Investment income receivable	-	162
	6,394	6,052

#### Allowance for expected credit losses

The company has recognised a reduction of \$13,000 (2020: \$66,000) 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 expected credit losses	
	2021 %	2020 %	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Not overdue	-	-	6	54	-	-
Over 6 months overdue and premiums in arrears	12.3%	20.9%	298	239	37	50
			304	293	37	50

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

	2021 \$'000	2020 \$'000
Opening balance	50	116
(Decrease)/increase in provisions recognised	(13)	(66)
Closing balance	37	50

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

	2021 \$'000	2020 \$'000
<b>Current assets</b>		
Term deposits	-	26,933
Bank deposits	18,474	40,837
	18,474	67,770

Refer to note 21 for further information on fair value measurement.

## Note 8. Deferred acquisition costs

	2021 \$'000	2020 \$'000
<b>Current assets</b>		
Deferred acquisition costs	2,043	1,780
<b>Non-current assets</b>		
Deferred acquisition costs	2,240	3,337

## Movements in deferred acquisition costs

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

	2021 \$'000	2020 \$'000
Opening balance	5,117	3,499
Additions	1,118	3,172
Amortisation	(1,952)	(1,554)
Carrying amount at the end of the year	4,283	5,117

## Note 9. Other

	2021 \$'000	2020 \$'000
<b>Current assets</b>		
Prepayments	780	878
Security deposits	217	76
Unclosed business	522	507
	1,549	1,461

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

	2021 \$'000	2020 \$'000
<b>Non-current assets</b>		
Mortgage backed securities	1,117	1,150
Managed funds	190,493	122,812
	191,610	123,962

Refer to note 20 for further information on financial instruments and insurance risks and note 21 for further information on fair value measurement.

# Notes to the financial statements

## 30 June 2021

### Note 11. Property, plant and equipment

	2021 \$'000	2020 \$'000
<b>Non-current assets</b>		
Land, building structures and improvements	13,383	11,565
Less: accumulated depreciation	(2,275)	(1,921)
	11,108	9,644
Leasehold improvement	2,297	2,153
Less: accumulated depreciation	(2,057)	(1,816)
	240	337
Plant and equipment	4,719	4,345
Less: accumulated depreciation	(3,517)	(3,118)
	1,202	1,227
Motor vehicles	964	980
Less: accumulated depreciation	(564)	(646)
	400	334
Capital – work in progress at cost	242	-
	13,192	11,542

### 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 improvement \$'000	Plant and equipment \$'000	Motor vehicle \$'000	Capital work in progress \$'000	Total \$'000
Balance at 1 July 2019	9,611	443	1,711	319	-	12,084
Additions	69	274	292	291	-	926
Disposals	-	(6)	(85)	(136)	-	(227)
Reversal of impairment of assets	177	-	-	-	-	177
Depreciation expense	(213)	(374)	(691)	(140)	-	(1,418)
Balance at 30 June 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

### Valuations of land and buildings

Refer to note 21 for details on the revaluation of land and buildings.

## Note 12. Investment properties

	2021 \$'000	2020 \$'000
<b>Non-current assets</b>		
Investment properties – fair value	7,145	6,896

### Reconciliation

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

	2021 \$'000	2020 \$'000
Opening fair value	6,896	7,245
Disposals	-	(457)
Revaluation increments	418	282
Depreciation expense	(169)	(174)
Closing fair value	7,145	6,896

### Valuations of investment properties

Refer to note 21 for details on the fair value of investment properties.

### Rental income and expenses

Rental income amounts to \$522,000 (2020: \$484,000) included within other revenue, as detailed in note 4. Direct lessor property expenses of \$196,000 (2020: \$219,000) payable by the lessor were reported within other expenses, of which \$nil (2020: \$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.

	2021 \$'000	2020 \$'000
<b>Lessor entitlements</b>		
Minimum lease commitments receivable but not recognised in the financial statements:		
1 year or less	444	464
Between 1 and 2 years	652	1,096
	1,096	1,560

# Notes to the financial statements

## 30 June 2021

### Note 13. Right-of-use assets

	2021 \$'000	2020 \$'000
<b>Non-current assets</b>		
Land and buildings – right-of-use	2,861	1,408
Less: Accumulated depreciation	(1,144)	(604)
	1,717	804

Additions to the right-of-use assets during the year were \$1,453,000 (2020: \$499,000).

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.

The company leases office equipment under agreements of less than one year. These leases are either short-term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

### Note 14. Intangibles

	2021 \$'000	2020 \$'000
<b>Non-current assets</b>		
Computer software – at cost	4,043	3,258
Less: Accumulated amortisation	(2,515)	(1,604)
	1,528	1,654

### 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 2019	684
Additions	1,823
Impairment of assets	(2)
Amortisation expense	(851)
Balance at 30 June 2020	1,654
Additions	815
Disposals	(17)
Amortisation expense	(924)
Balance at 30 June 2021	1,528



## Note 15. Trade and other payables

	2021 \$'000	2020 \$'000
<b>Current liabilities</b>		
Trade payables	765	671
Accrued expenses	1,301	630
	2,066	1,301

Refer to note 20 for further information on financial instruments and insurance risks.

## Note 16. Lease liabilities

	2021 \$'000	2020 \$'000
<b>Current liabilities</b>		
Lease liability	549	486
<b>Non-current liabilities</b>		
Lease liability	1,211	337

Refer to note 20 for further information on financial instruments and insurance risks.

## Note 17. Provisions

	2021 \$'000	2020 \$'000
<b>Current liabilities</b>		
Lease make good	101	101
Deferred claims	4,636	11,870
Outstanding claims	21,249	15,833
Member refunds	5,900	-
	31,886	27,804

## Movements in provisions

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

	Lease make good \$'000	Deferred claims \$'000	Outstanding claims \$'000	Member refunds \$'000
<b>2021</b>				
Carrying amount at the start of the year	101	11,870	15,833	-
Additional provisions recognised	-	-	-	5,900
Amounts used	-	(7,234)	-	-
Claims incurred	-	-	219,745	-
Claims paid	-	-	(214,329)	-
Carrying amount at the end of the year	101	4,636	21,249	5,900

# Notes to the financial statements

## 30 June 2021

### Note 17. Provisions (continued)

#### 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 provision represents the funds to be returned to members. This includes an ex-gratia payment of \$5,200,000 which has been recognised to return surplus monies to members so as to not financially benefit from the COVID -19 pandemic which saw an increase in investment returns and as a result of lower levels of claims occurring than original anticipated in the 30 June 2020 deferred claims liability. In addition, the provision includes \$700,000 refund relating to the Lifetime Health Cover Loading.

#### Deferred claims

In the prior year, a deferred claims provision of \$11,870,000 was accrued separately to the outstanding claims provision following APRA and ASIC's guidance to insurers on 22 June 2020. The provision was wound back by \$7,234,000 during the financial year. This was made up of \$4,916,000 (July 2020 to March 2021) using the APRA and ASIC's original prescribed guidance and \$2,318,000 (April 2021 to June 2021) using a straight-line basis over a nine month period ending December 2021. At 30 June 2021, the provision remaining was \$4,636,000 which is expected to be wound back next financial year.

	2021 \$'000	2020 \$'000
Provision for deferred claims	4,636	11,870

#### 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.

	2021 \$'000	2020 \$'000
Outstanding claims – central estimate of the expected future payment for claims incurred	18,885	14,037
Claims handling expense	258	227
Risk margin	2,106	1,569
Net outstanding claims liability	21,249	15,833

## Provision for unexpired risk liability

	Unearned premium \$'000	Unearned unclosed business \$'000	Constructive obligation \$'000	Total \$'000
<b>2021</b>				
<b>Inflows</b>				
Hospital and general treatment combined premium	31,387	552	195,478	227,417
<b>Outflows</b>				
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
<b>2020</b>				
<b>Inflows</b>				
Hospital and general treatment combined premium	27,156	507	177,098	204,761
<b>Outflows</b>				
Central estimate of future benefits	(23,390)	(436)	(153,354)	(177,180)
Central estimate of future management expenses	(2,200)	(41)	(14,345)	(16,586)
Risk margin	(1,086)	(20)	(7,084)	(8,190)
Total outflows	(26,676)	(497)	(174,783)	(201,956)
Net surplus	480	10	2,315	2,805

The total unexpired risk liability was \$nil (2020: \$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% (2020: 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% (2020: 75%).

# Notes to the financial statements

## 30 June 2021

### Note 18. Other

	2021 \$'000	2020 \$'000
<b>Current liabilities</b>		
Deferred commissions payable	238	693
Unearned unclosed business	552	507
Unearned premiums	31,387	27,156
	<b>32,177</b>	<b>28,356</b>

### Note 19. 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 2021 and 30 June 2020.

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

## Note 20. 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's main interest rate risk arises from its financial assets. Financial assets held at variable rates (cash and cash equivalents, cash at call, security deposits, mortgage backed securities and managed funds) expose the company to interest rate risk, whereas financial assets held at fixed rates (term deposits) expose the company to the risk of sensitivity should interest rates change.

	2021 \$'000	2020 \$'000
Cash at bank	1,699	1,311
Cash at call	18,474	40,837
Mortgage backed securities	1,117	1,150
Managed funds	190,493	122,812
Net exposure to interest rate risk	211,783	166,110

An official increase/decrease in interest rates of 50 (2020: 50) basis points would have a favourable/adverse effect on surplus before tax and retained surpluses of \$1,059,000 (2020: \$831,000) 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% (2020: 35% +/- 5%) growth assets, with the balance in defensive assets. It is acceptable for 100% (2020: 100%) of the investment portfolio to be in defensive assets, and there is no minimum allocation to growth assets.



# Notes to the financial statements

## 30 June 2021

### Note 20. Financial instruments and insurance risks (continued)

The target allocation limit is:

Allocation type	Asset	Target allocation	Minimum allocation	Maximum allocation
Defensive	Cash	23%	10	100%
	Fixed interest	42%	-	90%
Growth	Australian equities	15%	-	30%
	International equities	10%	-	20%
	Global listed property	5%	-	10%
	Global listed infrastructure	5%	-	10%

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

Allocation type	Asset	2021 \$,000	2021 %	2020 \$,000	2020 %
Defensive	Cash	-	-	35,338	22%
	Fixed interest	129,823	68%	70,538	45%
Growth	Australian equities	29,756	16%	21,387	14%
	International equities	30,914	16%	16,496	10%
	Global listed property	-	-	6,789	4%
	Global listed infrastructure	-	-	7,602	5%
Total		190,493	100%	158,150	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	2021 \$'000	2020 \$'000
Cash	18,474	29,376
Term deposit	-	3,056
Mortgage backed securities	1,117	1,150
Total	19,591	33,582

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 \$18,474,000 (2020: \$38,792,000). Given the conservative nature of the portfolio the company expects all counterparty's to meet their obligation.

# Notes to the financial statements

## 30 June 2021

### Note 20. Financial instruments and insurance risks (continued)

#### 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.

#### 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.

	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
<b>2021</b>					
<b>Non-derivatives</b>					
<b>Non-interest bearing</b>					
Trade payables	765	-	-	-	765
Other liabilities	32,177	-	-	-	32,177
<b>Interest-bearing – fixed rate</b>					
Lease liability	394	176	280	1,039	1,889
<b>Total non-derivatives</b>	<b>33,336</b>	<b>176</b>	<b>280</b>	<b>1,039</b>	<b>34,831</b>

	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
<b>2020</b>					
<b>Non-derivatives</b>					
<b>Non-interest bearing</b>					
Trade payables	671	-	-	-	671
Other liabilities	28,356	-	-	-	28,356
<b>Interest-bearing – fixed rate</b>					
Lease liability	486	308	29	-	823
<b>Total non-derivatives</b>	<b>29,513</b>	<b>308</b>	<b>29</b>	<b>-</b>	<b>29,850</b>

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.

# Notes to the financial statements

## 30 June 2021

### Note 20. Financial instruments and insurance risks (continued)

**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.

### Note 21. 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

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2021</b>				
Term deposits	-	-	-	-
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
<b>Total assets</b>	<b>18,474</b>	<b>209,863</b>	<b>-</b>	<b>228,337</b>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>2020</b>				
Term deposits	26,933	-	-	26,933
Cash at call	40,837	-	-	40,837
Mortgage backed securities	-	1,150	-	1,150
Managed funds	-	122,812	-	122,812
Land and buildings	-	-	9,644	9,644
Investment properties	-	-	6,896	6,896
<b>Total assets</b>	<b>67,770</b>	<b>123,962</b>	<b>16,540</b>	<b>208,272</b>

There were transfers from level 3 to level 2 during the financial year due to an increase in observable inputs.

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 were independently valued by Herron Todd White Ltd in April and May 2021. 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 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). The fair value was independently valued by Herron Todd White Ltd in April and May 2021.

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.

As at the date of valuations, there is significant valuation uncertainty arising from the Coronavirus (COVID-19) pandemic and the response of Government in relation to it.

As a result property values may change significantly and unexpectedly over a relatively short period of time. The valuations are prepared on the basis of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case.

The current responses to the pandemic means that the company has faced an unprecedented set of circumstances on which to base its judgement. These market conditions remained at the reporting date.

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.

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 2021

### Note 21. Fair value measurement (continued)

#### Level 3 assets and liabilities

Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

	Land and buildings \$'000	Investment Properties \$'000	Total \$'000
Balance at 1 July 2019	9,611	7,245	16,856
Gains recognised in profit or loss	-	282	282
Additions	69	-	69
Disposals	-	(457)	(457)
Reversal of impairment of assets	177	-	177
Depreciation expense	(213)	(174)	(387)
Balance at 1 July 2020	9,644	6,896	16,540
Additions	248	-	248
Reversal of impairment of assets	1,506	418	1,924
Depreciation expense	(290)	(169)	(459)
Transfers out of level 3 to level 2	(11,108)	(7,145)	(18,253)
Balance at 30 June 2021	-	-	-

### Note 22. 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:

	2021 \$	2020 \$
<b>Audit services – Grant Thornton</b>		
Audit or review of the financial statements	95,300	99,221
<b>Other services – Grant Thornton</b>		
Audit of APRA returns	11,400	11,100
Other assurance related services	22,100	30,800
	33,500	41,900
	128,800	141,121

### Note 23. Contingent liabilities

The company has given bank guarantees as at 30 June 2021 of \$230,000 (2020: \$161,000) to various landlords.

The company has no contingent liabilities as at 30 June 2021 and 30 June 2020.

### Note 24. 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 25.

#### 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 25. 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:

	2021 \$	2020 \$
Short-term employee benefits	2,565,394	2,391,216
Termination benefits	-	60,893
	2,565,394	2,452,109

# Notes to the financial statements

## 30 June 2021

### Note 26. Changes in liabilities arising from financing activities

	Lease Liabilities \$'000
Balance at 1 July 2019	-
Net cash used in financing activities	(585)
First-time adoption of AASB 16 'Leases'	909
Acquisition of leases (note 13)	499
Balance at 30 June 2020	823
Net cash used in financing activities	(516)
Acquisition of leases (note 13)	1,453
Balance at 30 June 2021	1,760

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## Note 27. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the company, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies, including the roll out of the vaccine, have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the company's operations going forward especially with the delta variant forcing continued lockdowns in New South Wales. The company now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation.

Subsequent to reporting date, the company has communicated its plan to return funds to members with the Department of Health and APRA. Members have received notice of the intent to distribute ex-gratia payments in the financial year ending 30 June 2022.

No other matter or circumstance has arisen since 30 June 2021 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 2021

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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 2021 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.

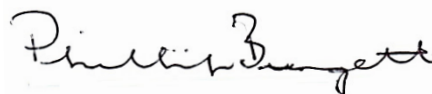
Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



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Graeme Osborne  
Chair



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Phillip Burgett  
Director

29 September 2021  
Lithgow

# Independent auditor's report

## To the members of Westfund Limited

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### 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 2021, 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:

- giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- 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 Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (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.

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# Independent auditor's report

## To the members of Westfund Limited

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### Emphasis of matter – material uncertainty regarding property valuations

We draw attention to Note 21 Fair value measurement in the financial report. This Note describes the impact of the valuation uncertainty arising from the COVID-19 pandemic on the Westfund Limited's financial position and performance.

Our opinion is not modified in respect to this matter.

### 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 2021, 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 accordingly 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. The Directors' responsibility also includes 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.

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## 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](https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

This description forms part of our auditor's report.

The logo for Grant Thornton, featuring the company name in a stylized, handwritten-style font.

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Grant Thornton Audit Pty Ltd  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'A Sheridan'.

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A Sheridan  
Partner – Audit & Assurance

29 September 2021  
Sydney

