Annual Report
2017–2018

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Report from the Chair

I AM PLEASED to present Westfund's Annual Report for the 2017/2018 financial year and I take this opportunity to reflect on our achievements during this time.

The Board recognises the importance of maintaining a high standard of corporate governance through its corporate governance framework, policies and practices in order to protect and enhance the interests of members. The Board manages Westfund within the legislative and regulatory requirements, as well as within the parameters of the Fund Rules and the Westfund Constitution. In addition, to assist the Board in fulfilling its responsibilities, the Board has delegated some of its responsibilities to three Board sub-Committees, namely the Risk, Audit and Remuneration Nomination and Governance Committees.

On behalf of the Board, I would like to take this opportunity to recognise two of our former directors, Ross White and Edward Butcher who retired from the Board in November 2017. We would like to thank them for their services and wish them all the best for the future. We would also like to welcome our three new directors, Brad Williams, Geoff Wheeler and Jordan Tilse who joined the Board in November 2017.

The Board is committed to ensuring Westfund continues to meet good practice in relation to risk and capital management and other regulatory standards. Westfund recognises that managing enterprise wide risks is good management practice, supports achieving organisational objectives (strategic, operational, financial and regulatory) and is an integral part of sound corporate governance. Westfund has a Risk Management Strategy and Framework consistent with the international standard, ISO 31000:2009, which sets out principles for organisation to follow in order to achieve effective risk management. Where required the Risk Management Strategy and Framework is supported by risk policies such as Capital Management Plan, Work Health and Safety Policy, Whistleblowing Policy, Business Continuity Management Plan, Information Security Policy and Complaints Policy. The Board also sets and regularly reviews Westfund's risk appetite statement on at least an annual basis.

On behalf of my fellow directors, I would like to thank our members for their continued support and our Executive Management and staff for their dedication and commitment over the last 12 months.

Howard Fisher AM
Chair

OUR VISION OF becoming the preferred Australian health insurer founded on community values and committed to genuine member focused experiences is stronger than ever and at the centre of everything we do.

Our industry continues to address issues of affordability, changes in government policy, regulation and competition. Current challenges relate to the impact of the private health insurance reforms and the greater than usual uncertainty regarding the annual premium process. Westfund is well placed to respond to these challenges.

Our strategic focus remains committed to three key themes of member experience, growth and people. The Board and the Executive Management Team continue to drive change and innovation to lead Westfund into the future. Over the last 12 months, Westfund has invested heavily in its core operations through enhancements in technology, customer experience and community based programs and internally through improvements in learning and development, coaching programs and process improvements initiatives. Westfund is proud to support regional Australia through its care centre network and community grants program along with a range of local initiatives.

Westfund introduced provider of choice network for dental during the 2017/2018 financial year and is significantly expanding their providers as part this program.

Westfund is committed to supporting community values with genuine member focused experiences. Westfund has been built on solid foundations and is in a healthy position going forward to respond to the upcoming government initiatives. Our results during 2017/2018 are evidence of this. The operating surplus achieved of $11.7m is reinvested to benefit our members. Westfund returned 85% of revenue ($159m claims expense) in benefits to our members. Westfund achieved above industry membership growth of 9.7% taking our membership base to just over 47,200 policies with our premium revenue increasing by 9% to $187.1m in 2018. Our retention rate remained high at 93.3%. Westfund's average premium increase in 2018 was 3.43% (2017: 4.96%) which was below the industry average of 3.95%. As we continue to invest in improving our member experience and growing the fund, it is expected that our management expenses will be slightly higher than expected, but ultimately the members will be the beneficiary.

On behalf of the Executive Management Team I would like to thank all staff for their commitment to drive positive outcomes for our members. I am looking forward to building on this year's success.

Matt Banning
Chief Executive Officer

Board of Directors

THE DIRECTORS PRESENT their report, together with the financial statements, on the company for the year ended 30 June 2018.

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:

Howard Fisher AM
Chairman

Graeme Osborne
Deputy Chairman

Bradley Williams
(appointed on 28 November 2017)

Brian Kelly

Geoffrey Wheeler
(appointed on 28 November 2017)

Jordan Tilse
(appointed on 28 November 2017)

Michael Serong

Phillip Burgett

Wesley Anderson

Edward Butcher
(resigned on 28 November 2017)

Ross White
(resigned on 28 November 2017)

Company objectives

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

The company's members are its customers and sole stakeholders. The company's financial driver is sustaining high value services and benefits with a profit-for-members ethos.

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 tough economic conditions;
- maintain industry-leading member retention;
- continue development of sales and service channels;
- grow membership while maintaining profit margins;
- build reputation to support membership retention and growth;
- advocate for and support members' needs for regional health services;
- remain financially strong; and
- enhance employee well-being at work and attract and retain quality employees.

The company's long-term objectives are to:

- become the preferred Australian health insurer founded on community values and committed to genuine member focussed experiences;
- maximise member value through high quality, value-for-money health insurance products and an integrated health service offering supported by highly personalised service;
- finance health outcomes to the benefit of members;
- maintain a profit-for-members approach, with surpluses in excess of requirements used for the benefit of members;
- provide regional employment and career opportunities; and
- ultimately care for its members.

Strategy for achieving the objectives

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

- increase the company's brand awareness and presence in Australia;
- utilise the company's significant capital reserves to assist in reducing the annual premium increase to members;
- provide a point of difference to assist in attracting and retaining private health insurance consumers;
- investigate the feasibility of offering a range of "White Label" products via expanded distribution channels;
- increase the value of the company's membership by providing additional services;
- modernise the way in which the company interacts with its members;
- provide member facing staff with the required training and tools to excel in their job; and
- attract and retain qualify staff to work for the company in regional locations.

Principal activities

The principal activities of the company during the year were to provide health insurance and dental and eye care services to members.

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 each member is required to contribute a maximum of $1 each towards meeting any outstanding obligations of the company. As at 30 June 2018 there were 47,491 (2017: 44,089) members and the collective liability of these members was $47,491 (2017: $44,089).

Board of Directors

Director Profiles

HOWARD FISHER AM, Chair

Howard Fisher has been a Non-Executive Director since 1983 and Chair since 1987. He is a member of the Audit, Risk, Remuneration, Nomination and Governance Committees. Howard has a background in Industrial Relations, business, health insurance and local government.

GRAEME OSBORNE Deputy Chair GAICD

Graeme Osborne has been a Non-Executive Director of Westfund since 1996. He is a member of the Board Audit, Risk, Remuneration, Nomination and Governance Committees. Graeme has a background in health insurance, mining and financial services.

WESLEY ANDERSON MAICD, FIPA, CTA, AFAIM

Wesley Anderson has been a Non-Executive Director of Westfund since 2004. He is Chair of the Board Risk Committee and a member of the Board Audit Committee. Wesley was previously CEO of the Family First Credit Union and Deputy President of the Credit Union Foundation of Australia. Wesley has a background in banking and finance.

PHILLIP BURGETT BCOM, FCA, GAICD

Phil Burgett has been a Non-Executive Director of Westfund since 2012. Phil is Chair of the Board Audit Committee and a member of the Risk Committee. His background includes substantial experience in finance and audit, which gives him first-hand experience of the internal workings in many different companies in a variety of industry sectors.

BRIAN KELLY GAICD

Brian Kelly has been a Non-Executive Director of Westfund since 2010. He is a member of the Board Remuneration, Nomination and Governance Committee. He has extensive experience in the mining industry and is currently Regional Manager of the Western Mines Rescue Station.

MICHAEL SERONG LLB BA, MAICD

Michael Serong has been a Non-Executive Director of Westfund since 2014, and a Governing Member since 2007. Michael is a member of the Board Remuneration, Nomination and Governance Committee. Michael holds a Bachelor of Laws and Bachelor of Arts degrees from the University of Melbourne. He has provided legal advice to private health insurers for more than 30 years particularly in respect of the National Health Act 1953 and Private Health Insurance Act 2007, Fund Rules, Corporate Governance, Corporations Act, Competition and Consumer Act, and Employment and Industrial matters.

JORDAN TILSE LLM, BA GAICD

Jordan Tilse has been a Non-Executive Director of Westfund since 2017. Jordan is a member of the Board Risk Committee and specialises in employment law. She has worked in top tier international law firms for over 10 years and is currently Principal and Founder of Law firm Sefton Davis Pty Ltd, based in Melbourne.

GEOFF WHEELER DIP. HRM, ASSOCIATE DEGREE VET, C.MMA, MAICD, JP

Geoff Wheeler has been a Non-Executive Director of Westfund since November 2017 and is a member of the Board Remuneration, Nomination and Governance Committee. Geoff has a background in the mining industry, working in coal mines for 21 years, before moving to business and hospitality, working as HR Manager, Operations Manager and now General Manager of the Lithgow Workmen's Club.

BRAD WILLIAMS BBM, ASSOC DIP BUS, GIACD

Brad Williams has been a Non-Executive Director of Westfund since November 2017. He is a member of the Board Audit Committee. With a background in the banking sector, Brad has held positions in multiple financial institutions, including the role of Head of Industries, Unity Bank and Regional Manager – Commercial Banking Centre, Westpac Bank.

Board of Directors

Company Secretary

On 28 November 2017, Dominique Fox was appointed as Company Secretary. Dominique is the Executive Manager Risk and Compliance. Her qualifications and professional memberships include BSc, GradDipEc and MAICD, FGIA, FCIS. Beth Cook was the previous Company Secretary.

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 2018, and the number of meetings attended by each director were:

	Full Board		Audit Committee	
	Attended	Held	Attended	Held
Howard Fisher AM – Chairman	10	10	3	4
Graeme Osborne – Deputy Chairman	10	10	4	4
Bradley Williams	6	6	3	3
Brian Kelly	10	10	-	1
Geoffrey Wheeler	6	6	-	-
Jordan Tilse	6	6	-	-
Michael Serong*	9	10	1	1
Phillip Burgett	10	10	4	4
Wesley Anderson	10	10	3	4
Edward Butcher	1	4	-	-
Ross White	4	4	-	-

	Risk Committee		Remuneration Nomination and Governance	
	Attended	Held	Attended	Held
Howard Fisher AM – Chairman	4	4	4	4
Graeme Osborne	4	4	4	4
Brian Kelly	-	1	3	3
Geoffrey Wheeler	-	-	2	2
Jordan Tilse	3	3	-	-
Michael Serong	1	1	3	3
Phillip Burgett	4	4	-	-
Wesley Anderson	3	4	-	-
Ross White	-	-	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.
*Michael Serong attended the audit committee by invitation.

Matt Banning
Chief Executive Officer

Liz Casmiri
Executive Manager Health Care Services

Ron Charlton
Executive Manager Operations

Dominque Fox
Executive Manager Risk and Compliance
Company Secretary

John Pallister
Executive Manager Technology Services

Chris Phillips
Executive Manager Finance

Bill Sheffield
Executive Manager People and Culture

Positions held as at 30 June 2018.

● Back row left to right: Dominque Fox, Chris Phillips, Liz Casmiri, John Pallister

Front row left to right: Ron Charlton, Matt Banning, Bill Sheffield

Westfund Limited
Financial Statements
30 June 2018

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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 24 September 2018.

The directors present their report, together with the financial statements, on the company for the year ended 30 June 2018.

Rounding of amounts

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

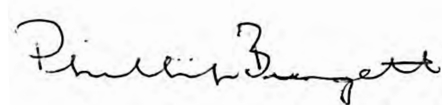
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

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

On behalf of the directors

Howard Fisher AM
Chairman



Phillip Burgett
Director

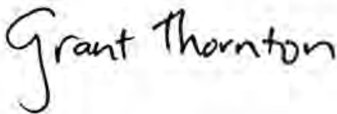
24 September 2018
Lithgow

Auditor's Independence Declaration

To the Directors of Westfund Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Westfund Limited for the year ended 30 June 2018, 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.



Grant Thornton Audit Pty Ltd
Chartered Accountants

A G Rigele
Partner – Audit & Assurance

24 September 2018
Sydney

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Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Premium revenue		**187,072**	175,041
Members' loyalty discount		**-**	(3,426)
Net premium revenue		**187,072**	171,615
Claims expense		**(159,497)**	(152,805)
Risk equalisation trust fund income		**11,546**	11,978
State levies		**(2,320)**	(1,950)
Net claims incurred		**(150,271)**	(142,777)
Gross margin before claims and underwriting expenses		**36,801**	28,838
Claims handling expenses		**(15,929)**	(11,548)
Other underwriting expenses		**(9,589)**	(7,878)
Underwriting expenses		**(25,518)**	(19,426)
Underwriting result		**11,283**	9,412
Investment revenue		**3,943**	4,058
Other revenue	4	**7,778**	6,960
Net fair value gain on investment properties	11	**300**	-
Fair value loss on investment		**(19)**	(280)
Depreciation and amortisation expense	5	**(2,225)**	(2,088)
Impairment of assets	10	**(1,478)**	(683)
Cost of goods sold		**(3,441)**	(3,025)
Fund administration expenses		**(4,430)**	(4,445)
Surplus before income tax expense		**11,711**	9,909
Income tax expense		**-**	-
Surplus after income tax expense for the year attributable to the owners of Westfund Limited		**11,711**	9,909
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year attributable to the owners of Westfund Limited		**11,711**	9,909

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 2018

	Note	2018 $'000	2017 $'000
Assets			
Current assets			
Cash and cash equivalents		369	325
Trade and other receivables	6	8,521	8,859
Inventories		415	391
Financial assets	7	160,412	142,800
Other	8	950	672
Total current assets		170,667	153,047
Non-current assets			
Financial assets	9	14,740	14,759
Property, plant and equipment	10	14,594	17,581
Investment properties	11	5,760	4,730
Intangibles	12	1,133	934
Total non-current assets		36,227	38,004
Total assets		206,894	191,051
Liabilities			
Current liabilities			
Trade and other payables	13	5,712	1,241
Employee benefits		2,275	1,945
Provisions	14	15,839	16,730
Other	15	31,415	31,168
Total current liabilities		55,241	51,084
Non-current liabilities			
Employee benefits		633	658
Total non-current liabilities		633	658
Total liabilities		55,874	51,742
Net assets		151,020	139,309
Equity			
Retained surpluses		151,020	139,309
Total equity		151,020	139,309

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 2018

	Asset revaluation reserve $'000	Retained surpluses $'000	Total equity $'000
Balance at 1 July 2016	-	129,400	129,400
Surplus after income tax expense for the year	-	9,909	9,909
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	9,909	9,909
Balance at 30 June 2017	-	139,309	139,309
Balance at 1 July 2017	-	139,309	139,309
Surplus after income tax expense for the year	-	11,711	11,711
Other comprehensive income for the year, net of tax	-	-	-
Total comprehensive income for the year	-	11,711	11,711
Balance at 30 June 2018	-	151,020	151,020

The asset revaluation reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

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

Statement of Cash Flows
For the year ended 30 June 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Surplus before income tax expense for the year		**11,711**	9,909
Adjustments for:			
Depreciation and amortisation		**2,225**	2,088
Net fair value movement and impairment on land and buildings and investment properties		**1,178**	683
Fair value movement on investments		**19**	(403)
Net loss on disposal of non-current assets		**23**	557
Interest received		**(3,943)**	(4,058)
		11,213	8,776
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		**338**	(1,590)
Increase in inventories		**(24)**	(15)
Decrease/(increase) in prepayments		**(184)**	43
Decrease/(increase) in other operating assets		**(94)**	48
Increase in trade and other payables		**4,565**	341
Increase/(decrease) in employee benefits		**305**	(1,120)
Increase/(decrease) in other provisions		**(891)**	100
Increase/(decrease) in other operating liabilities		153	(214)
		15,381	6,369
Interest received		**3,943**	4,058
Net cash from operating activities		**19,324**	10,427
Cash flows from investing activities			
Net change in investments		**(17,631)**	(5,064)
Payments for property, plant and equipment	10	**(1,123)**	(5,792)
Payments for intangibles	12	**(526)**	(242)
Proceeds from disposal of property, plant and equipment		-	142
Net cash used in investing activities		**(19,280)**	(10,956)
Cash flows from financing activities			
Net cash from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		**44**	(529)
Cash and cash equivalents at the beginning of the financial year		**325**	854
Cash and cash equivalents at the end of the financial year		**369**	325

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

Notes to the Financial Statements
30 June 2018

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Premium revenue

Premium revenue is recorded on an accruals basis, reflecting contributions received adjusted for the opening and closing contributions in advance and in arrears. Contributions received in advance are recorded as a liability and contributions in arrears, to the extent recoverable, are recorded as an asset in the statement of financial position. Premiums on unclosed business are brought to account using estimates based on payment cycles nominated by the policyholder. Unearned premiums are those portion of members premiums that are unpaid as at the reporting date, but are not due to be received until the relevant billing cycle due date that falls after the reporting date.

Eye care centres revenue

Revenue from eye care centres is recognised upon the delivery of goods and services to customers.

Dental centres revenue

Revenue from dental centres is recognised upon the delivery of goods and services to customers.

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 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.

Risk equalisation

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

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 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.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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 of completion and 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. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or (ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Fair value movements are recognised in profit or loss.

Notes to the Financial Statements
30 June 2018

Note 1. Significant accounting policies (continued)

Impairment of financial assets

The company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

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 to profit or loss.

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

Transfers to and from investment properties to property, plant and equipment are determined by a change in use 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 and buildings are shown at fair value, based on periodic, at least every three years, valuations 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.

Plant and equipment 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	7-40 years
Leasehold improvements	5 years
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.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

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 profits.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. 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. 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.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Computer software

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

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other 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 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.

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.

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.

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.

Notes to the Financial Statements
30 June 2018

Note 1. Significant accounting policies (continued)

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 tax authority. 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 tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

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.

With the exception of inventory, property, plant and equipment and intangibles, the company has determined that all assets are held to back private health insurance liabilities and their accounting treatment is as treated above.

Comparative information

Comparatives have been revised, where appropriate, to conform to changes in presentation in the current year and to enhance comparability. There was no net effect on the surplus for the financial year or net asset position.

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 2018. 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 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces AASB 139 'Financial Instruments: Recognition and Measurement'. AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The company will adopt this standard from 1 July 2018. The company has reviewed its financial assets and liabilities and is expecting the following impact on adoption of the new standard:

- the company's investments are currently measured at fair value through profit or loss ('FVTPL') which will continue to be measured on the same basis under AASB 9. Accordingly, the company does not expect the new guidance to affect the classification and measurement of these financial assets;
- there will be no impact on the company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at FVTPL and the company does not have any such liabilities;
- the derecognition rules have been transferred from AASB 139 and have not been changed;
- the company does not currently participate in any hedge arrangements; and
- the new impairment model requires the recognition of impairment provisions based on expected credit losses ('ECL') rather than only incurred credit losses, as is the case under AASB 139. The company anticipates that it will use the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Based on the assessments undertaken to date, the company does not expect a material impact of the new impairment model.
- the new standard also introduces expanded disclosure requirements and changes in presentation.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018 (for-profit entities) or 1 January 2019 (not-for-profit entities). The standard provides a single standard for revenue recognition and replaces AASB 118 'Revenue' which covers contracts for goods and services and AASB 111 'Construction Contracts' which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The majority of the company's revenue is recognised under AASB 1023 'General Insurance Contracts' which is not impacted by the adoption of AASB 15. There is no material impact of this standard on the company's non-insurance revenue. The company will adopt this standard from 1 July 2019.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard

Notes to the Financial Statements
30 June 2018

Note 1. Significant accounting policies (continued)

does not substantially change how a lessor accounts for leases. Had the standard been adopted from 1 July 2018, and using the transitional rules available, the company would have recognised a lease liability being the present value of the operating lease commitments as disclosed in note 21 with a corresponding increase in property, plant and equipment. However, the company will adopt this standard from 1 July 2019 and the actual impact will depend on the operating leases held by the company as at 1 July 2019 and the transitional elections made at that time.

AASB 17 Insurance Contracts

This standard is applicable to annual reporting periods beginning on or 1 January 2021. 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.

Insurance obligations will be accounted for using current values – instead of historical cost. The information needs be updated regularly, providing more useful information to the users of financial statements. Further key principles of AASB 17 include the following:

- insurance contracts are those where the entity accepts significant insurance risk from the policyholder;
- accounted for separately are specified embedded derivatives, direct investment components and performance obligations within the insurance contract;
- division of contracts into groups that are recognised and measured at a risk-adjusted present value of the future fulfilment cash flows plus or minus unearned profits cash flows plus or minus unearned profits;
- the profit from contract groups is recognised over the insurance coverage period, with anticipated losses recognised immediately; and
- disclosure of information so as to assess the effect that contracts have on the financial position, financial performance and cash flows of the entity, including qualitative and quantitative information about amounts recognised, significant judgements made and the nature and extent of the risks from insurance contracts.

The company expects to adopt this standard from 1 July 2021 and is yet to assess its impact.

AASB 1058 Income of Not-for-Profit Entities

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard supersedes AASB 1004 'Contributions and clarifies and simplifies the income recognition requirements that apply to not-for-profit entities, in conjunction with AASB 15. The requirements of this standard more closely reflect the economic reality of not-for-profit entity transactions that are not contracts with customers. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. The company will adopt this standard at the same time as AASB 15, but the impact of its adoption is yet to be assessed by the company.

IASB revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework has been issued by the International Accounting Standards Board ('IASB'), but the Australian equivalent is yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accounting standards. Furthermore, where the company has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the company may need to revisit such policies. The company expects to apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Other amending accounting standards

Other amending accounting standards issued but not mandatory are not considered to have a significant impact on the financial statements of the company as they provide either clarification of existing accounting treatment or editorial amendments. Note 2. Critical accounting judgements, estimates and assumptions

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 calculation 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 at the reporting are detailed in note 3.

Unexpired risk liability

Claims are recorded as an expense in the period in which the service has been provided to the member. The cost of claims therefore represents the claims paid during the period adjusted for the opening and closing provision for unpresented and outstanding claims. The provision for unpresented and outstanding claims provides for claims received but not assessed and claims incurred but not received. The provision 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 RETF in relation to the amount provided for unpresented and outstanding claims. The provision also allows for an estimate of expenses to cover the cost of processing the claims.

No deficiency was identified as at 30 June 2018 and 30 June 2017 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.

Goodwill

The company tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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.

Notes to the Financial Statements
30 June 2018

Note 3. Actuarial assumptions and methods

Actuarial methods

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

In calculating the provision for unpaid claims two methods are used. For recent service months, the Bornhuetter-Ferguson method is given some weighting which 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

The following assumptions have been made in determining the outstanding claims liability.

Variables	2018 Hospital %	2018 Medical %	2018 General treatment %	2017 Hospital %	2017 Medical %	2017 General treatment %
Assumed portion paid to date	**88.92**	**89.59**	**96.52**	87.57	89.33	96.28
Expense rate	**3.65**	**3.65**	**3.65**	2.85	5.70	5.70
Risk equalisation rate	**(9.40)**	**(9.40)**	-	(4.00)	(4.00)	-
Risk margin	**9.00**	**9.00**	**9.00**	9.00	9.00	9.00

The risk margin of 9% (2017: 9%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2017: 75%).

Process used to determine assumptions

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. An increase in the proportion assumed paid to date, would lead to more claims being paid earlier and therefore a decrease in the liability.
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 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 historically was a net contributor to the risk equalisation pool, however, it has been a net recipient from the pool for the last three 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% (2017: 75%). An increase/decrease in the risk margin would have a corresponding effect on the claims expense.

Notes to the Financial Statements
30 June 2018

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.

Impact on key variables

Variables	Movement in variable %	Adjustments on surplus/ (deficit) $'000	Adjustments on equity $'000
Chain ladder development factors	2.0%	(3,538)	(3,538)
	(2.0%)	3,698	3,698
Bornhuetter-Ferguson unpaid factors	1.0%	(152)	(152)
	(1.0%)	152	152
Discount rate	1.0%	-	-
	(1.0%)	-	-
Expense rate	1.0%	-	-
	(1.0%)	-	-
Risk equalisation	2.5%	(348)	(348)
	(2.5%)	348	348
Risk margin	1.0%	(144)	(144)
	(1.0%)	144	144

Note 4. Other revenue

	2018 $'000	2017 $'000
Eye care centres revenue	**3,117**	2,774
Dental centres revenue	**4,153**	3,871
Rental income	**280**	308
Other revenue	**228**	7
	7,778	6,960

Note 5. Expenses

	2018 $'000	2017 $'000
Surplus before income tax includes the following specific expenses:		
Depreciation		
Land and buildings	555	535
Leasehold improvements	440	347
Plant and equipment	733	739
Motor vehicles	170	143
Total depreciation	1,898	1,764
Amortisation		
Computer software	327	324
Total depreciation and amortisation	2,225	2,088
Rental expense relating to operating leases		
Minimum lease payments	947	564
Employee costs		
Employee benefits	16,510	12,041
Defined contribution superannuation expense	1,317	1,170
Total employee costs	17,827	13,211

Note 6. Current assets – trade and other receivables

	2018 $'000	2017 $'000
Trade receivables	317	142
Premiums in arrears	355	303
Less: Provision for impairment of premiums in arrears	(110)	(104)
	245	199
Medicare rebates	3,493	3,446
RETF refund	3,469	3,474
Investment income receivable	997	1,598
	8,521	8,859

Notes to the Financial Statements
30 June 2018

Note 6. Current assets – trade and other receivables (continued)

Impairment of premiums in arrears

The company has recognised a loss of $5,000 (2017: $58,000) in profit or loss in respect of impairment of premiums in arrears for the year ended 30 June 2018.

The ageing of the impaired premiums in arrears provided for above are as follows:

	2018 $'000	2017 $'000
Over 60 days overdue	110	104

Movements in the provision for impairment of receivables are as follows:

	2018 $'000	2017 $'000
Opening balance	104	103
Additional provisions recognised	6	1
Closing balance	110	104

Past due but not impaired

Customers with balances past due but without provision for impairment of receivables amount to $241,000 as at 30 June 2018 ($197,000 as at 30 June 2017).

The company did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	2018 $'000	2017 $'000
Under 31 days overdue	156	120
31-60 days overdue	85	77
	241	197

Note 7. Current assets – financial assets

	2018 $'000	2017 $'000
Term deposits	137,012	126,102
Cash at call	23,362	16,566
Security deposits	38	132
	160,412	142,800

Note 8. Current assets – other

	2018 $'000	2017 $'000
Prepayments	341	157
Unclosed business	609	515
	950	672

Note 9. Non-current assets – financial assets

	2018 $'000	2017 $'000
Mortgage backed securities	1,830	1,830
Managed funds	12,910	12,929
	14,740	14,759

Note 10. Non-current assets – property, plant and equipment

	2018 $'000	2017 $'000
Land and buildings – at cost	**12,971**	15,857
Less: Accumulated depreciation	**(1,711)**	(1,900)
	11,260	13,957
Leasehold improvement – at cost	**2,957**	2,410
Less: Accumulated depreciation	**(2,067)**	(1,539)
	890	871
Plant and equipment – at cost	**8,317**	7,837
Less: Accumulated depreciation	**(6,350)**	(5,639)
	1,967	2,198
Motor vehicles – at cost	**1,028**	935
Less: Accumulated depreciation	**(551)**	(380)
	477	555
	14,594	17,581

Reconciliations

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

	Land and buildings $'000	Leasehold improvement $'000	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Balance at 1 July 2016	15,750	1,205	1,705	321	18,981
Additions	4,155	13	1,232	392	5,792
Disposals	-	-	-	(15)	(15)
Revaluation decrements or impairment	(683)	-	-	-	(683)
Transfers to investment properties (note 11)	(4,730)	-	-	-	(4,730)
Depreciation expense	(535)	(347)	(739)	(143)	(1,764)
Balance at 30 June 2017	13,957	871	2,198	555	17,581
Additions	132	393	506	92	1,123
Disposals	-	-	(4)	-	(4)
Revaluation decrements or impairment	(1,478)	-	-	-	(1,478)
Transfers to investment properties (note 11)	(796)	66	-	-	(730)
Depreciation expense	(555)	(440)	(733)	(170)	(1,898)
Balance at 30 June 2018	11,260	890	1,967	477	14,594

Valuations of land and buildings

Refer to note 18 for details on the revaluation of land and buildings. The net revaluation decrease has been recognised fully in profit or loss as there is no revaluation surplus available in reserves to offset the revaluation decrease.

Notes to the Financial Statements
30 June 2018

Note 11. Non-current assets – investment properties

	2018 $'000	2017 $'000
Investment properties – fair value	5,760	4,730

Reconciliation

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

	2018	2017
Opening fair value	4,730	-
Revaluation increments	300	-
Transfer from property, plant and equipment (note 10)	730	4,730
Closing fair value	5,760	4,730

Valuations of investment properties

Refer to note 18 for details on the fair value of investment properties.

Rental income and expenses

Investment properties are leased out on operating leases. Rental income amounts to $280,000 (2017: $308,000) included within other revenue. Refer to note 4. Direct lessor property expenses of $85,000 (2017: $37,000) payable by the lessor were reported within other expenses, of which $45,000 (2017: $19,000) was incurred on vacant properties that did not generate rental income.

	2018 $'000	2017 $'000
Lessor commitments		
Minimum lease commitments receivable but not recognised in the financial statements:		
Within one year	283	279
One to five years	1,145	1,115
More than five years	126	424
	1,554	1,818

Note 12. Non-current assets – intangibles

	2018 $'000	2017 $'000
Goodwill – at cost	527	527
Computer software – at cost	3,250	2,724
Less: Accumulated amortisation	(2,644)	(2,317)
	606	407
	1,133	934

Reconciliations

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

	Goodwill $'000	Computer software $'000	Total $'000
Balance at 1 July 2016	527	489	1,016
Additions	-	242	242
Amortisation expense	-	(324)	(324)
Balance at 30 June 2017	527	407	934
Additions	-	526	526
Amortisation expense	-	(327)	(327)
Balance at 30 June 2018	527	606	1,133

Impairment testing

Goodwill is assessed for impairment on an annual basis as per note 1. The entire business has been assessed as a single cash generating unit as the eye care and dental centres have been established for the benefit of the members.

The recoverable amount of the company's goodwill has been determined by a value-in-use calculation using a discounted cash flow model. Based on the cash flow model, the recoverable amount exceeded the carrying amount of goodwill and therefore no impairment was required.

Note 13. Current liabilities – trade and other payables

	2018 $'000	2017 $'000
Trade payables	5,537	1,051
Accrued expenses	175	190
	5,712	1,241

Refer to note 17 for further information on financial instruments and insurance risks.

Note 14. Current liabilities – provisions

	2018 $'000	2017 $'000
Lease make good	91	91
Outstanding claims	15,748	16,639
	15,839	16,730

Movements in provisions

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

2018	Lease make good $'000	Outstanding claims $'000
Carrying amount at the start of the year	91	16,639
Additional provisions recognised	-	159,942
Amounts used	-	(160,833)
Carrying amount at the end of the year	91	15,748

Notes to the Financial Statements
30 June 2018

Note 14. Current liabilities – 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.

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.

	2018 $'000	2017 $'000
Outstanding claims – central estimate of the expected future payment for claims incurred	**13,893**	14,678
Claims handling expense	**555**	587
Risk margin	**1,300**	1,374
Net outstanding claims liability	**15,748**	16,639

Provision for unexpired risk liability

2018	Unearned premium $'000	Unearned unclosed business $'000	Constructive obligation $'000	Total $'000
Hospital and general treatment combined premium (a)	30,806	609	149,475	180,890
Outflows				
Central estimate of future benefits	25,435	503	123,411	149,349
Central estimate of future management expenses	1,008	20	4,894	5,922
Risk margin	1,017	20	4,936	5,973
Total outflows (b)	27,460	543	133,241	161,244
Net surplus (a) - (b)	3,346	66	16,234	19,646

2017	Unearned premium $'000	Unearned unclosed business $'000	Constructive obligation $'000	Total $'000
Hospital and general treatment combined premium (a)	30,654	515	135,173	166,342
Outflows				
Central estimate of future benefits	25,063	421	110,519	136,003
Central estimate of future management expenses	951	16	4,196	5,163
Risk margin	1,002	17	4,421	5,440
Total outflows (b)	27,016	454	119,136	146,606
Net surplus (a) - (b)	3,638	61	16,037	19,736

The total unexpired risk liability was $nil (2017: $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 9% (2017: 9.0%) 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% (2017: 75%).

Note 15. Current liabilities – other

	2018 $'000	2017 $'000
Unearned unclosed business	**609**	515
Premiums in advance	**30,806**	30,653
	31,415	31,168

Note 16. 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 the Australian Prudential Regulation Authority ('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 internal and external 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 at 30 June 2018 and 30 June 2017.

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

Notes to the Financial Statements
30 June 2018

Note 17. 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 the Risk 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 in order to comply with APRA's requirements.

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 is 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 fair value interest rate risk.

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

	2018 $'000	2017 $'000
Cash at bank	**334**	291
Cash at call	**23,362**	16,566
Mortgage backed securities	**1,830**	1,830
Managed funds	**12,910**	12,929
Net exposure to cash flow interest rate risk	**38,436**	31,616

An official increase/decrease in interest rates of 50 (2017: 50) basis points would have an favourable/adverse effect on surplus before tax and retained surpluses of $192,000 (2017: $158,000) 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 provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The company does not hold any collateral.

Management monitors credit risk by actively assessing the rating quality and liquidity of counter parties. The below table demonstrates the translation of grading used to assess the investments held by the company.

APRA grade	Maximum exposure*	Standard & Poor's	Moody's	AM Best
1	0 - 100%	AAA, AA+, AA, AA-	Aaa, Aa1, Aa2, Aa3	A++, A+
2	20 - 50%	A+, A, A-, BBB+, BBB, BBB-	A1, A2, A3, Baa1, Baa2, Baa3	A, A-, B++, B+
3	5%	BB+, BB, BB-, B+, B, B-	Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, B-,
4	5%	Below B-	Below B3	Below B-
Unrated	5%	-	-	-

*Maximum allowable per the company's investment policy.

Analysis of Standard & Poor's ratings:

AAA to AA-	Encompasses the major Australian banks and the Australian government
A+ to A-	Enables exposure to the regional Australian banks that offer good risk/rewards
BBB+ to BBB-	Provides for greater exposure to regional Australian banks and hybrid securities, but a maximum of 20% is set as a prudent level when combined with liquidity requirements
Unrated	Enables access to a wide range of ASX Listed instruments and non-bank securities such as credit unions and building societies

The investment policy adopted by the company is designed to meet the standards set by APRA. Below is an analysis of the company's credit risk as at the reporting date.

2018	APRA grading 1 $'000	APRA grading 2 $'000	APRA grading 3 $'000	APRA grading 4 $'000	Unrated $'000	Total $'000
Cash and cash equivalents	-	334	-	-	35	369
Loans and receivable	-	-	-	-	8,521	8,521
Term deposits, cash at call and security deposits	155,412	5,000	-	-	-	160,412
Mortgage backed securities	-	1,830	-	-	-	1,830
Managed funds	-	12,910	-	-	-	12,910
	155,412	20,074	-	-	8,556	184,042
% of total	84%	11%	-	-	5%	100%

2017	APRA grading 1 $'000	APRA grading 2 $'000	APRA grading 3 $'000	APRA grading 4 $'000	Unrated $'000	Total $'000
Cash and cash equivalents	-	291	-	-	34	325
Loans and receivables	-	-	-	-	8,859	8,859
Term deposits, cash at call and security deposits	137,800	5,000	-	-	-	142,800
Mortgage backed securities	-	1,830	-	-	-	1,830
Managed funds	-	12,929	-	-	-	12,929
	137,800	20,050	-	-	8,893	166,743
% of total	83%	12%	-	-	5%	100%

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.

Notes to the Financial Statements
30 June 2018

Note 17. Financial instruments and insurance risks (continued)

2018	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	5,537	-	-	-	5,537
Other liabilities	-	31,415	-	-	-	31,415
Total non-derivatives		36,952	-	-	-	36,952

2017	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,051	-	-	-	1,051
Other liabilities	-	31,168	-	-	-	31,168
Total non-derivatives		32,219	-	-	-	32,219

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 uninsured events and claim settlements relative to expectations.

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.

(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 Act 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.

Note 18. 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 entity 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

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Land and buildings	-	-	11,260	11,260
Investment properties	-	-	5,760	5,760
Mortgage backed securities	-	1,830	-	1,830
Managed funds	-	12,910	-	12,910
Total assets	-	14,740	17,020	31,760

2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Land and buildings	-	-	13,957	13,957
Investment properties	-	-	4,730	4,730
Mortgage backed securities	-	1,830	-	1,830
Managed funds	-	12,929	-	12,929
Total assets	-	14,759	18,687	33,446

There were no transfers between levels during the financial year.

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

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

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

Land and building was independently valued Herron Todd White Ltd as at 30 June 2018. 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.

The 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. The fair value was independently valued by Herron Todd White Ltd in May 2018.

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 2018

Note 19. 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:

	2018	2017
Audit services – Grant Thornton		
Audit or review of the financial statements	79,600	77,300
Other services – Grant Thornton		
Audit of APRA returns	10,600	10,300
Other assurance related services	14,200	11,900
	24,800	22,200
	104,400	99,500

Note 20. Remuneration of auditors

The company has given bank guarantees as at 30 June 2018 of $165,000 (2017: $157,000) to various landlords.

Note 21. Commitments

	2018 $'000	2017 $'000
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	486	531
One to five years	458	514
	944	1,045

Operating lease commitments includes contracted amounts for premises, for the operation of health care centres, under non-cancellable operating leases expiring within 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.

Lessor commitments are detailed in note 11.

Note 22. 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 23.

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 23. 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:

	2018	2017
Short-term employee benefits	**2,249,942**	2,112,842
Post-employment benefits	**206,021**	205,335
Termination benefits	**223,323**	1,137,548
	2,679,286	3,455,725

Note 24. Events after the reporting period

No matter or circumstance has arisen since 30 June 2018 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.

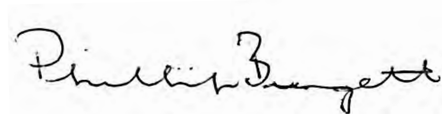
Directors’ Declaration
30 June 2018

In the directors’ opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the company’s financial position as at 30 June 2018 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



Howard Fisher AM
Chairman

Phillip Burgett
Director

24 September 2018
Lithgow

Independent Auditor's Report
To the Members of Westfund Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Westfund Limited (the Company), which comprises the statement of financial position as at 30 June 2018, 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 2018 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.

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 2018, 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.

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Independent Auditor's Report
To the Members of Westfund Limited

Responsibilities of the Directors for the financial report

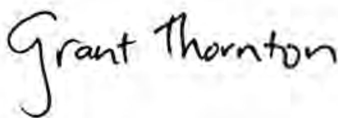
The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes such internal control as the Directors determine is necessary 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.

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: http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
Chartered Accountants

A G Rigele
Partner – Audit & Assurance

24 September 2018
Sydney