westfund

Annual Report 2022-2023

Report from the Chair

I am pleased to present the Chair's Report for Westfund for the financial year ending 30 June 2023. It is with great pride that I share our organisation's accomplishments, milestones, and ongoing commitment to providing exceptional healthcare services to our valued members.

Overview and financial performance

Throughout the year, Westfund has continued to excel in its mission to deliver high-quality, accessible and affordable health insurance while also offering an increasing number of services to support members health and wellbeing. Despite the ongoing challenges posed by trying economic conditions and complexity in the healthcare industry, I am pleased to report that our financial performance has been strong. This has allowed us to enhance benefits and provide two member cash givebacks totalling over $11 million dollars while continuing to maintain an industry leading capital base.

Membership growth

Our membership base has continued to expand, reflecting the trust and confidence that our members place in Westfund. We are now proud to serve over 135,000 members, and we thank each and every one for choosing Westfund as their healthcare partner.

Investing in members' health

At Westfund, our members are at the heart of everything we do. We've focused on enhancing member experience and ensuring that the best possible support is provided. Key initiatives and investments made during the year include:

- **Expanding wellbeing services:** We have expanded our health and wellbeing offerings, including rolling out a skin check pilot, launching a SiSU health assessment kiosk and providing access to Valion's Connect Mental Health Coaching – a virtual care enabled support service offering participants high quality, personalised mental health care and support from the convenience of their own home.
- **Innovative digital solutions:** To simplify and enhance member interactions, we have introduced user-friendly digital platforms, allowing our members to access their policy information, make claims, and get personalised assistance with ease. We have recently provided our members with the option to put aside their plastic cards by utilising either Apple or Android Wallets to store details.

- **Member support:** Our dedicated member support team has been working diligently to address member queries promptly and provide exceptional service, reinforcing our commitment to putting members first. While other large organisations are withdrawing face to face services from rural and regional communities, we have been investing in improving our Care Centre network and adding services to help fill the ever increasing service gap.

Assistance to address the challenges faced by rural and regional communities

While there is universal acknowledgment from all stakeholders including governments, medical practitioners and healthcare groups that a significant problem exists in rural and regional communities accessing services, no one as yet has been able to agree on a solution. While we can't solve all these problems alone, we are committed to doing all in our power to assist with keeping our members and the communities we serve healthy. We have invested in quantifying the regional health gap for our member communities, and developing programs to help deliver solutions, either directly, through partnerships, or using technology where it makes sense to do so.

Community engagement and corporate social responsibility

Westfund remains deeply committed to giving back to the communities we serve. During the year we have actively engaged in various CSR initiatives and community partnerships, including:

Health and wellness programs

Collaborating with local organisations to promote health and wellness initiatives, focusing on preventive care and healthy lifestyle choices. This includes investing in programs that provide breakfast to local schools with disadvantaged families, as well as donating to local charities supporting community members who have fallen on hard times. We also bolstered member assistance programs including our financial hardship relief, the services offered to victims of domestic violence and member give back program.

Community Grants Program

We once again awarded multiple grants to community organisations that inspire the principles of Health and Wellbeing, Fit for Life and Family and Community. We also awarded three major grants to the following worthy organisations:

- **Coolamon Community:** Coolamon Community's purpose is to make a real difference at the very start of life for an Aboriginal child and their mother. They seek to keep babies with mothers and family, improve pregnancy, birthing and infancy health outcomes, actively support the unique Aboriginal mothering experience and empower respected decisions about their pregnancy.
- **Pink Flamingos:** The Pink Flamingos are a female cycling community that aims to promote the recreational sport of cycling. The Pink Flamingo community provides its members with bike handling skills, practical maintenance sessions, training sessions, and bunch riding practice to enhance their confidence on the road. Their vision is to empower and unite women of all ages on any type of bike.
- **PTSD Dogs Australia:** PTSD Dogs Australia rescue dogs and train them as Psychiatric Assistance Dogs for veterans and first responders suffering with PTSD. This program is aimed at relieving stress for our first responders, who are at higher risk of developing PTSD (10% diagnosed compared to 4% of the general population).

Sustainability efforts

Implementing environmentally conscious practices to minimise our ecological footprint, demonstrating our commitment to the wellbeing of both people and the planet. This has included adding solar power to our major operational offices, and establishing an Environment, Social, and Governance Committee to research how we can play our part in minimising any negative impact we and our partners have on the environment.

Report from the Chair

Corporate governance and compliance

As an organisation, we understand the significance of maintaining the highest standards of corporate governance and compliance. Throughout the year we have diligently adhered to all regulatory requirements, prioritising transparency, ethical conduct, and responsible decision-making. Pleasingly we were able to achieve ISO27001 certification, which is an international standard that enables organisations to establish an information security management system that makes information assets more secure.

Looking ahead

Westfund is poised to continue its journey as a leading healthcare provider. We remain focused on:

- **Innovation and technology:** Embracing advancements in technology to deliver better healthcare experiences and solutions for our members.
- **Member-centric approach:** Continuously seeking feedback from our members and using it to tailor our offerings and services to better meet their needs.
- **Sustainable growth:** Ensuring that our growth is sustainable and in line with our mission and values, while maintaining financial stability.

Gratitude

The Board recognises that the success of our business relies heavily on the contribution and dedication of our staff who have once again excelled in servicing and caring for our members. On behalf of the Board and all members, I would like to sincerely thank Westfund's employees. I would also like to acknowledge the efforts of our Chief Executive Officer Mark Genovese and our Executive team, who are responsible for ensuring that the business meets its objective of helping build healthier communities while at the same time fulfilling our commitment of being a socially responsible, member-owned health fund.

I would also like to extend my gratitude to my fellow Directors for their unwavering commitment to Westfund's vision. Finally, I would like to thank our members for their trust and loyalty, which motivates us to go above and beyond in delivering exceptional healthcare services.

Together, we look forward to a future that is bright and full of promise.

Graeme Osborne
Chair

Photo: Joan, Westfund Consultant for over five years.

Board of Directors

The Directors present their report, together with the financial statements on the company (referred to as the 'company', 'Westfund' or the 'Fund') for the year ended 30 June 2023.

Directors

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

Graeme Osborne
Phillip Burgett
Jenny Dawn
Brian Kelly
Michael Serong
Jordan Tilse
Geoffrey Wheeler
Bradley Williams
Noeline Woof

Company objectives

Westfund is on a mission to build a new kind of health care for collective good. We're focused on supporting members' long-term wellbeing through great-value health cover and expanding access to quality and affordable health care.

As a not-for-profit, we balance financial sustainability with providing long-term value for our members.

The company's short-term objectives are to:

- improve and promote the value of membership in the face of heightened price sensitivity, increased competition, reduced Government incentive and challenging economic conditions;
- maintain industry-leading member retention;
- continue development of sales and service channels;
- grow membership while maintaining sustainable products;
- retain a strong capital base;
- enhance employee wellbeing at work and attract and retain quality employees;
- invest in making communities healthier;
- expand access to affordable healthcare for members; and
- we are committed to ensuring Westfund is a conscientious and sustainable business. As the expectations from our stakeholders continue to evolve, it is important that we understand the Environmental, Social and Governance (ESG) opportunities and challenges Westfund faces. In FY23-24 we will take key steps in this regard, by developing a sustainability and ESG strategy that will protect and deliver on long term member value, expanding upon work already underway by Westfund in the areas of accessible healthcare, fostering an inclusive workforce and promoting vibrant healthy communities.

The company’s long-term objectives are to:

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

Strategy for achieving the objectives

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

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

Principal activities

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

Review of operations

The surplus for the company after providing for income tax amounted to $13,308,000 (30 June 2022: $1,652,000).

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2023 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.

Contribution on winding up

The company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that members undertake to contribute such amount as may be required not exceeding the sum of $1 each towards meeting any outstanding obligations of the company. As at 30 June 2023 there were 64,660 (2022: 62,931) members and the maximum amount liable to be contributed was $64,660 (2022: $62,931).

Board of Directors
Director profiles

Graeme Osborne
GAICD
Chair

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

Special responsibilities:
Chair of the Remuneration and Nomination Committee.

Phillip Burgett
BCOM, FCA, GAICD
Non-Executive Director

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

Special responsibilities:
Member of the Audit Committee.

Jennifer Dawn
MBA, MPM, GAICD
Chair of Risk and Compliance Committee

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

Special responsibilities:
Chair of the Risk and Compliance Committee.

Brian Kelly
GAICD
Deputy Chair

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

Special responsibilities:
Member of the Risk and Compliance Committee.

Michael Serong
BA, LLB, GAICD
Non-Executive Director

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

Special responsibilities:
Member of the Risk and Compliance Committee.

Jordan Tilse
BA, LLB, GAICD
Non-Executive Director

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

Special responsibilities:
Member of the Remuneration and Nomination Committee.

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

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

Special responsibilities:
Member of the Remuneration and Nomination Committee.

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

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

Special responsibilities:
Member of the Audit Committee.

Noeline Woof
BEC, FIAA, GAICD
Chair of Audit Committee

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

Special responsibilities:
Chair of the Audit Committee.

Board of Directors

Company Secretary

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

Meetings of Directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

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

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

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

Executive leadership team

The following persons were members of the executive leadership team:

Mark Genovese
Chief Executive Officer

Liz Casmiri
Chief Health Care Services Officer

Deng Gichuru
Chief Risk Officer and Company Secretary

John Pallister
Chief Information Officer

Chris Phillips
Chief Finance Officer

Bill Sheffield
Chief People Officer

Positions held as at 30 June 2023.

Year in review
The Westfund difference

People before profit

We know many of our members have experienced financial hardship due to the rising cost of living. We were fortunate to be in a position for a second time this year to provide members with some relief. This May, we returned approximately $5.2 million, and again in August, our largest giveback of approximately $6 million – totalling up to $11.2 million in claims savings returned to members this year.

$11.2m

total giveback to members in support of the rising cost of living

6,610+

new members welcomed to the Westfund community

10.3

the average length of membership for hospital and combined cover is 10.3 years

92.6%

member retention rate

74

industy-leading net promoter score

4.6

rated 4.6/5 on Product Review

Figures as at 30 June 2023.

$227.8m

hospital and extras benefits paid to members

$1 → 84¢

for every dollar received we paid
84 cents in benefits for members

556,610

dental, optical and ancillary visits

58,700

hospital admissions

15,700

members visited over 15,700 of
our medical specialist partners

90.3%

medical services covered in
hospital and had no known gap

81%

of members made an extras claim

62,960

online claims paid

Year in review
The Westfund difference

Westfund Contact Centre

102,590

calls taken by our Contact Centre Team

50%

of phone enquiries were answered within a minute

6,740

hours spent speaking with members

Westfund Eye Care Centre

6,032

Westfund Eye Care Centre visits

87.3

world-class net promoter score

Westfund Dental Care Centre

5,971

Westfund Dental Care Centre visits

79.2

industry-leading net promoter score

Figures as at 30 June 2023.

Supporting the health and wellbeing of our communities

$138,840

Community Grants and defibrillators awarded to inspiring local community organisations

5

defibrillators donated to community organisations across regional Australia

30+

Aussie communities have benefited from the Westfund Community Grants Program

15

active Health and Wellbeing programs

293

members participated in a Health and Wellbeing program

Looking after our members

Depending on their level of cover, we paid for our members' planned and unexpected visits to hospital. We covered:

Benefit

$86,000

For a 81-year-old's treatment of type 2 diabetes.

Days in hospital

63

Benefit

$120,000

For the treatment and recovery of a paraplegic 72-year-old.

Days in hospital

154

when they need us most

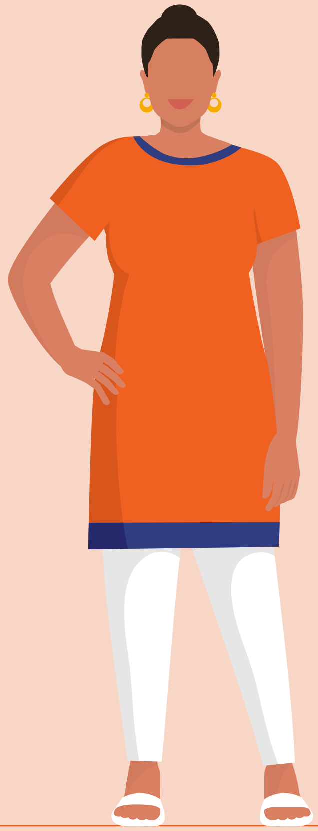
Benefit

$92,600

For a 80-year-old's treatment of respiratory failure.

Days in hospital

215



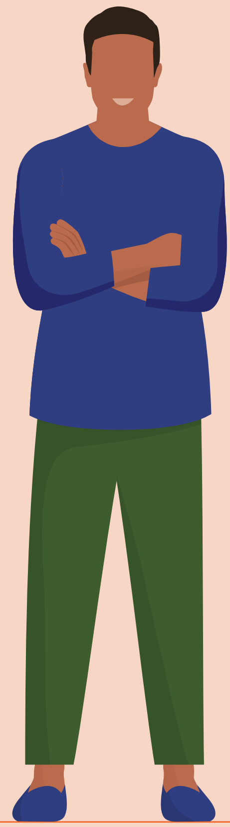
Benefit

$88,700

For a 57-year-old's treatment of lymphatic advanced brain cancer.

Days in hospital

97



Benefit

$128,600

For a 27-year-old's postural spinal surgery.

Days in hospital

23

Our communities in focus

In the face of financial hardship and healthcare challenges experienced in 2022/2023, Westfund has remained committed to providing accessible and valuable health and wellbeing services to members across Australia.

We're thankful to our members for their continued loyalty as we work towards building a new kind of healthcare for collective good.

We're proud of our people

We take immense pride in celebrating the achievements of our dedicated team of over 200 employees who truly care for our members and go above and beyond to support them.

We continued to encourage our staff to pursue their professional development. A number of staff have taken the opportunity to expand their knowledge, develop new skills, and enhance their expertise in the areas of General Insurance, Optical Dispensing, Dental Assisting and Financial Insurance through TAFE. We're delighted to share that during 2022/23, twenty staff across NSW and Queensland have completed their Cert IV in General Insurance through TAFE. Our staff's dedication and passion continues to inspire us.

We've celebrated some achievements and acknowledgements throughout 2022/23. These include:

- **Energy Australia Black Rose Excellence in Business Awards**
  Highly commended for Excellence in Large Business
- **Finder Health Insurance Awards**
  Category winner for top choice for Basic Extras Coverage
- **Sunshine Business Coast**
  Category finalist for Excellence in Large Business
- **Western NSW Regional Business Awards**
  Category finalist for Excellence in Large Business

We look forward to another year of shared accomplishments and continued growth.

Our regional communities

We have a long-standing history of supporting not only the health of our members but also the wellbeing of the communities we serve. This commitment has spanned over a century, showcasing our dedication to the betterment of both our members and the communities they call home.

This year, our Rockhampton and Townsville Care Centres underwent refurbishment, resulting in updated facilities that have been well received by our members, staff and the wider community. These refreshed centres have been thoughtfully designed to elevate the member experience, prioritise privacy, and provide a safe space for confidential conversations. It is truly rewarding to see the positive impact these renovations have had on these communities.

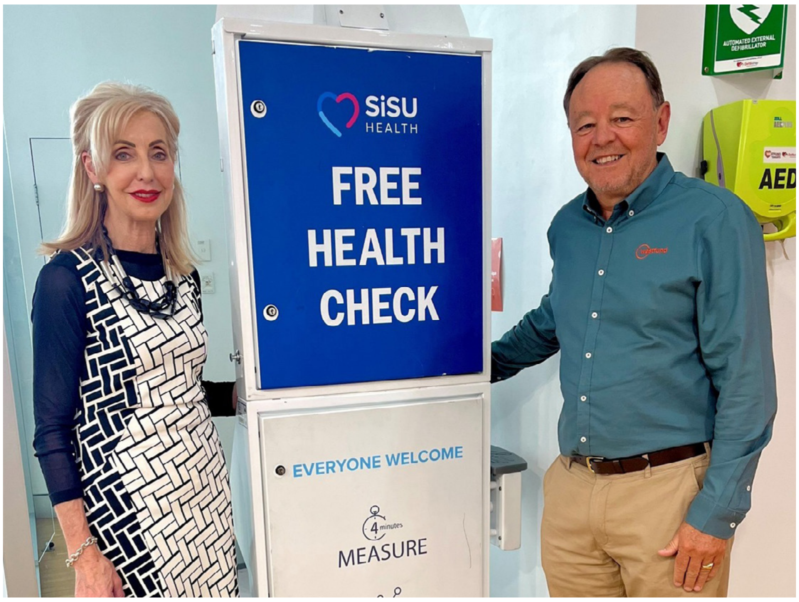
We've always taken pride in our grassroots support. Throughout this year, we've continued to be involved in regional events like the Bathurst Show, Orange Running Festival, Central West Rugby Union's Westfund Ferguson Cup and Westfund's Lithgow Show. We're also proud of our ongoing commitment to the School Breakfast Program, which helps provide a nutritious start to the day for students in need across the Lithgow LGA. Partnering with other prominent local businesses to grow the program, we're meeting a real need by allowing students to focus on getting the most from their schooling. We also continued to support LINC's Christmas hamper service, a wonderful initiative that supports families throughout the Lithgow district.

We're also proud to grow our Community Grants Program, with applications growing year on year. We're privileged to support a diverse range of initiatives through the Program, which we've highlighted later in the report.

Photo: Michael, Westfund member for thirteen years at a local Honey stand.

Our communities in focus

Heather from Lithgow Lions Club and Caitlin, Westfund Eye Care Manager.



SiSU Health Station at Lithgow Care Centre – Maree Statham, Mayor of City of Lithgow and Mark Genovese, Westfund Chief Executive Officer.

Feel good eye care

Our optical teams across Lithgow, Orange, Dubbo and Mackay have been active supporters of the Recycle for Sight program run by Lions Clubs Australia. Multiple times a year, our dedicated teams collect pre-loved glasses and donates new frames to the program. For over 26 years, this initiative has delivered more than 7 million pairs of refurbished quality glasses to men, women and children in need. We take great pride in our contribution towards creating greater access to optical care.

Addressing health care inequality

Access to quality and timely healthcare services in regional Australia is an ongoing challenge and something we're heavily invested in addressing. The Westfund Regional Health Gap Report, completed in partnership with Insight Actuaries, examined the health-risk distribution, access to care and costs of treatment across eight regional locations of Westfund's membership from January 2016 to May 2023. From this research, we've trialed preventative health services in selected Care Centres across NSW and Queensland.

We introduced a SiSU Health Station to our Lithgow Care Centre in December last year. The medical grade health station offers quick and easy health checks for important health issues, such as heart, stress and diabetes risks. Since its installation, more than 190 people have utilised the service, with 82 of these people referred to their GP for risk factors detected in the screening.

We also partnered with Spotscreen – Australia's onsite skin cancer screening specialists. Providing full body skin cancer screening for our members from our Care Centres has been a service we've been working on for some time. The initial trial took place at our Lithgow, Maroochydore and Moranbah Care Centres. The response from our members exceeded our expectations, leading us to extend the screening appointments to accommodate the demand. Out of 118 appointments 51 of these members were referred to their GP for risk factors detected in their screening. We're currently in the process of expanding this essential service to our other Care Centres.

This is just the beginning of a number of initiatives being explored to help Westfund members and their communities to stay healthy.

Products to meet a changing market

Constant innovation in the health space means that we need to make sure our products are suiting the needs of our members and potential members. With consumers having access to more information than ever, it's important that we offer flexibility while still providing quality cover.

This year, our Product Team designed a new extras cover that gives our members greater 'choice'. With Choice Extras Cover, members have more control over how they use their limit for certain services such as vitamins, hypnotherapy, chiro, physio and massage. Plus, members are guaranteed 50% back on benefits, subject to annual group limits.

We understand that every family is unique. That's why in August 2022, we enhanced our product offering for established families by increasing the age adult dependents can stay on their family's policy. We extended the age limit from 25 to 31 years, allowing more members to utilise healthcare services for longer. This age extension is just one of the ways we're working to improve access to more affordable healthcare for all Australians.

In our commitment to providing the best care for our members, we also partnered with emergency medical assistance provider, Allianz Global Assistance. Members can travel with confidence knowing If they need help whilst travelling, Allianz's team of case managers, registered nurses, and doctors, all based in Australia, are ready to provide immediate assistance.

Janet, Lesley, Janine and Juliet from Westfund Sunshine Coast Team.

Feels good to give back

In the midst of the ongoing challenges brought about by the cost of living crisis and the pandemic's enduring impact, the Westfund Community Grants Program has remained committed to supporting regional communities.

With reduced volunteer numbers and competition for funding at a high, being able to support grassroots organisations who are driving meaningful change is a privilege. This year, we proudly awarded three major grants, demonstrating our commitment to catalysing positive change. Applicants were able to apply for a one-off major grant of $20,000 or one of two $10,000 grants. The profound importance of mental health advocacy was once again highlighted, with many worthy applications from community groups and organisations making a difference in this space. Our Program reached a diverse range of audiences including community cycling and sporting organisations, early childhood education, domestic violence prevention and support, and animal rescue and therapy groups.

Our major grant of $20,000 was awarded to Coolamon Community, an amazing team dedicated to the empowering cause of supporting indigenous mothers and their precious babies. This initiative is a testament to our commitment to inclusivity, respect for cultural diversity, and the profound impact that dedicated support can have on vulnerable communities.

Our two $10,000 grants were awarded to Pink Flamingos and PTSD Dogs.

As we reflect on the past year's endeavours, we are humbled and inspired by the resilience, creativity, and unwavering determination demonstrated by the communities we serve. Throughout FY22/23 we awarded 34 grants, including 3 major, and 5 defibrillators.

Family and Community

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

Health and Wellbeing

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

Fit for Life

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

Community Grants
Our successful applicants

Coolamon Community, Major Grant recipient

PTSD Dogs Australia Ltd

Throughout FY22/23 we awarded 34 grants, including 3 major, and 5 defibrillators.

Defibrillators

- Capricorn Football Cub
- Rotary Club of Dapto
- Quirindi Football Club
- Landsborough Community Kindergarten
- Breakaway Toowoomba Inc

Pink Flamingos

Suncoast Spinners Wheelchair Basketball Inc.

Grants

- Hearts of Purple
- Escabags
- The Outback Mind Foundation
- Lily House
- Hoofbeats Sanctuary (Kanyini Connections)
- Dance for Parkinsons
- John's Vision Inc
- Mental Health Support Group
- Ngana Barangarai (Black Wallaby)
- Suncoast Spinners Wheelchair Basketball Inc.
- Eugowra Community Children's centre
- Doin It For Rural Aussie Kids
- Coolamon Community Inc.
- Habana Rural Fire Service
- Baby Give Back
- True Hearts Community Inc
- Cycling Without Age Orange
- CQ Healthy Families
- Wiradjuri Wellington Aboriginal Town Common (Aboriginal Corporation)
- Cittamani Hospice Service Ltd
- Central Queensland Rural Health
- Veritas House
- PTSD Dogs Australia Ltd
- Rainbow Lithgow
- A Splash of Colour Swimming
- Horse Talk (Central Queensland) Incorporated
- Oasis Lounge
- Windang SLSC
- RACQ Life Flight
- Pink Flamingos

Westfund Limited
Financial statements
30 June 2023

Contents

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

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

Westfund Limited
59 Read Avenue
Lithgow NSW 2790

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 September 2023. The Directors have the power to amend and reissue the financial statements.

Directors' report

Indemnification of Directors

During or since the financial year, the company has paid premiums in respect of contracts insuring any past, present or future Directors, Secretaries and other officers of the company against certain liabilities. In accordance with common commercial practices, the insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

Indemnification of auditor

To the extent permitted by law, the company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year ended 30 June 2023.

Rounding of amounts

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

Auditor's independence declaration

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

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

On behalf of the Directors

Graeme Osborne
Chair

Noeline Woof
Director

27 September 2023
Lithgow

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Auditor's independence declaration to the directors of Westfund Limited

As lead auditor for the audit of the financial report of Westfund Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

David Jewell

David Jewell
Partner
27 September 2023

Statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Premium revenue		274,010	259,970
Claims expense		(234,843)	(212,687)
Risk equalisation trust fund income		9,464	8,563
State levies		(3,218)	(3,082)
Net claims incurred		(228,597)	(207,206)
Gross margin before claims and underwriting expenses		45,413	52,764
Claims handling expenses		(21,471)	(20,697)
Other underwriting expenses		(11,759)	(10,566)
Underwriting expenses		(33,230)	(31,263)
Underwriting result		12,183	21,501
Other revenue	4	6,187	5,530
Interest income		7,310	5,922
Gain/(loss) on the revaluation of financial instruments at fair value through profit or loss		1,925	(24,893)
Depreciation and amortisation expense	5	(3,195)	(2,912)
(Impairment)/reversal of impairment on land and buildings	11	(2,118)	1,683
Fair value (loss)/gain on investment properties	12	(1,260)	1,815
Cost of goods sold		(2,697)	(2,370)
Fund administration expenses		(4,934)	(4,572)
Finance costs	5	(93)	(52)
Total other income and expenses		1,125	(19,849)
Surplus before income tax expense		13,308	1,652
Income tax expense		-	-
Surplus after income tax expense for the year attributable to the members of Westfund Limited		13,308	1,652
Other comprehensive income/(loss)			
Items that will not be reclassified subsequently to profit or loss:			
Loss/(gain) on the revaluation of land and buildings through other comprehensive income, net of tax	11,19	(243)	243
Other comprehensive income/(loss) for the year, net of tax		(243)	243
Total comprehensive income for the year attributable to the members of Westfund Limited		13,065	1,895

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 2023

Assets	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents		**2,565**	2,718
Trade and other receivables	6	**8,236**	6,484
Inventories		**206**	182
Financial assets at fair value through profit or loss	7	**45,122**	32,782
Deferred acquisition costs	8	**1,295**	1,913
Other assets	9	**2,851**	2,002
Total current assets		**60,275**	46,081
Non-current assets			
Financial assets at fair value through profit or loss	10	**175,144**	167,313
Deferred acquisition costs	8	**1,432**	1,701
Property, plant and equipment	11	**16,377**	16,792
Investment properties	12	**6,332**	8,960
Right-of-use assets	13	**4,942**	3,870
Intangibles	14	**951**	1,248
Total non-current assets		**205,178**	199,884
Total assets		**265,453**	245,965
Liabilities			
Current liabilities			
Trade and other payables	15	**1,405**	1,934
Lease liabilities	16	**709**	628
Employee benefits		**4,138**	4,016
Provisions	17	**31,029**	28,929
Other liabilities	18	**32,207**	28,720
Total current liabilities		**69,488**	64,227
Non-current liabilities			
Lease liabilities	16	**4,481**	3,353
Employee benefits		**869**	835
Total non-current liabilities		**5,350**	4,188
Total liabilities		**74,838**	68,415
Net assets		**190,615**	177,550
Equity			
Reserves	19	**-**	243
Retained surpluses		**190,615**	177,307
Total equity		**190,615**	177,550

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 2023

	Asset revaluation reserve $'000	Retained surpluses $'000	Total equity $'000
Balance at 1 July 2021	-	175,655	175,655
Surplus after income tax expense for the year	-	1,652	1,652
Other comprehensive income for the year, net of tax	243	-	243
Total comprehensive income for the year	243	1,652	1,895
Balance at 30 June 2022	243	177,307	177,550
Balance at 1 July 2022	243	177,307	177,550
Surplus after income tax expense for the year	-	13,308	13,308
Other comprehensive income for the year, net of tax	(243)	-	(243)
Total comprehensive income for the year	(243)	13,308	13,065
Balance at 30 June 2023	-	190,615	190,615

The asset revaluation reserve is used to recognise changes in the fair value of land and buildings, excluding investment properties. The revaluation decrement during the current year was recognised in other comprehensive income to the extent that it offsets any previous revaluation surplus of the same asset, resulting to $nil asset revaluation reserve as at 30 June 2023 (2022: $243,000).

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 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts of premiums		277,604	256,181
Claims and Levies paid		(228,597)	(207,206)
Other receipts from customers		6,179	4,755
Payments to Suppliers & employees		(40,702)	(39,398)
Finance costs paid		(93)	(52)
Net cash from operating activities	29	14,391	14,280
Cash flows from investing activities			
Investments in term deposits		(12,340)	(14,308)
Purchase of managed funds and other investments		(5,905)	(597)
Payments for property, plant and equipment	11	(3,271)	(2,928)
Payments for intangibles	14	(440)	(749)
Payments for security deposits		(24)	(30)
Proceeds from disposal of property, plant and equipment		1,013	88
Interest received		7,061	5,914
Net cash used in investing activities		(13,906)	(12,610)
Cash flows from financing activities			
Repayment of lease liabilities	27	(638)	(651)
Net cash used in financing activities		(638)	(651)
Net (decrease)/increase in cash and cash equivalents		(153)	1,019
Cash and cash equivalents at the beginning of the financial year		2,718	1,699
Cash and cash equivalents at the end of the financial year		2,565	2,718

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

Notes to the financial statements
30 June 2023

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.

These general purpose financial statements have been prepared on a going concern basis.

The financial statements incorporate the published views from ASIC and APRA on the measurement and recognition of a deferred claims liability in response to the unique circumstances arising from the COVID-19 pandemic. ASIC published an FAQ on "COVID-19 implications for financial reporting and audit" regarding the financial years ended 30 June 2020 and 30 June 2021, stating "Private health insurers should recognise a claims liability where an insured person who knows that they have a condition is likely to continue their cover until the surgical procedure has been performed", in effect requiring a provision at each reporting date for the backlog of medical procedures that were expected to occur from March 2020 to 30 June 2022, but did not due to COVID-19.

APRA has published the "Application of the Capital Framework for COVID-19 Related Disruptions" which endorsed the recognition of a deferred claims liability and further outlined guidance for its measurement. APRA issued measurement guidance to all private health insurers on 22 June 2020 specifying the treatment of the deferred claims liability for prudential reporting to APRA as at 30 June 2020. APRA's most recent updated guidance prior to the reporting date was issued on 21 March 2022. APRA's guidance was adopted by the Company for both prudential reporting to APRA and financial reporting. Further detail on the company's deferred claims liability is provided below.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets 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.

Voluntary change in accounting policies

In the current financial year, the company has changed the basis of preparation of the Statement of cash flows and now reports cash flows from operating activities using the direct method, whereby major classes of gross cash receipts and gross cash payments are disclosed. The company previously applied the indirect method. The change in method has been applied to the comparative period. The Directors believe that the direct method provides reliable and more relevant information to users of the financial statement as it is useful in estimating future cash flows. The company continues to present operating cash flows using the indirect method in note 29.

Revenue recognition

The company recognises revenue as follows:

Premium revenue

Premium revenue comprises premiums from private health insurance contracts held by policyholders. Premium revenue is recognised when it has been earned. Premium revenue is recognised from the attachment date over the period of the contract. The attachment date is from when the insurer accepts the risk from the insured under the insurance contract. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract.

The proportion of the premium received or receivable not earned in profit or loss at the reporting date is recognised in the statement of financial position as a liability. Any non-current portion is discounted based on expected settlement dates. Premiums on unclosed business are brought to account using estimates based on payment cycles nominated by the policyholder.

Revenue from contracts with customers

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

Eye care centres revenue

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

Dental centres revenue

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

Rental income

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

Other revenue

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

Interest

Interest income from financial assets at fair value through profit or loss is accounted for on a contractual rate basis and recognised as interest income as it is earned in the statement of profit or loss and other comprehensive income.

Claims expense

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

Notes to the financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

Risk equalisation

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

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

Income tax

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

Current and non-current classification

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

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

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

Cash and cash equivalents

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

Trade and other receivables

Trade receivables are initially recognised at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value. Subsequently they are measured at amortised cost, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days. The company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

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

Deferred acquisition costs

Direct acquisition costs incurred in obtaining health insurance contracts, including broker commissions, are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in profit or loss in subsequent reporting periods. Deferred acquisition costs are amortised on a straight-line basis in accordance with the expected pattern of the incidence of risk.

Inventories

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

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

Investments and other financial assets

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

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

Financial assets at amortised cost

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

Financial assets at fair value through profit or loss

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

Impairment of financial assets at amortised cost

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

Assets backing private health insurance liabilities

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

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

Notes to the financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

Investment properties

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

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

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

Property, plant and equipment

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

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

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

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

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

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

Right-of-use assets

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

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

Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

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

Intangible assets

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

Computer software

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

Impairment of non-financial assets

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

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

Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Lease liabilities

At the commencement date of the lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating the lease, if the lease term reflects the company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Notes to the financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

The company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Unexpired risk liability

At each reporting date, the adequacy of the unearned premium liability is assessed by considering current estimates of all expected future cash flows relating to future claims against current private health insurance contracts.

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

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

Provisions

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

Outstanding claims provision

A provision is made for outstanding claims at the reporting date, measured as the central estimate of the expected payments against claims incurred but not settled under insurance contracts. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported, together with allowances for RETF consequences and claims handling expenses.

Deferred claims provision

A provision is made for claims deferred as a result of Government imposed restrictions on elective surgeries and other health services due to Coronavirus (COVID-19) pandemic. The provision is estimated based on actual claims versus expected claims during the period in which the services were restricted. On 21 March 2022, APRA advised that the deferred claims liability ('DCL") will be determined by the insurer. APRA observed that the pandemic has affected each insurer, state and region differently. Accordingly, it is appropriate for each insurer to reflect these differences in the DCL calculation for both the regulatory balance sheet and the Capital Adequacy Requirement. This places onus on Westfund to estimate the liability, manage the risks and ensure this is done prudently. The DCL Policy was approved by the Board.

The June 2022 DCL balance of $9.9 million was fully written back to zero by June 2023 in line with the DCL Policy.

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

- incurred claim estimates recognised as at the reporting date as part of the outstanding claims provisioning;

- incurred claim forecasts prepared prior to COVID-19 impacting claims activity;
- the percentage of 'missing claims' estimated to be deferred (rather than permanently avoided); and
- the length of time over which to unwind the provision.

Employee benefits

Short-term employee benefits

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

Other long-term employee benefits

The liabilities for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

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

Fair value measurement

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

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

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

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

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

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

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

Notes to the financial statements 30 June 2023

Note 1. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included in other receivables or other payables in the statement of financial position.

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

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

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2023. The company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the company, are set out below.

AASB 17 Insurance Contracts

On 19 July 2017, Australian Accounting Standard Board (AASB) issued accounting standard AASB 17 Insurance Contracts (AASB 17). As a result of amendments made in July 2020, the effective implementation date of AASB 17 was deferred to the effective date of 1 January 2023. Westfund will apply AASB 17 for the first time for the year ending 30 June 2024 with the comparatives being restated.

The key considerations of the standard as applicable to Westfund are summarised below.

Measurement models

AASB 17 introduces a General Measurement Model (GMM) for the recognition and measurement of insurance contracts. The GMM involves estimating future cash flows and risks from existing policies and taking profit to account over the policy period, adjusting the profit over the life of the contract when actual experience varies from expected.

AASB 17 permits the use of the simplified Premium Allocation Approach (PAA) where either:

- the contract boundary of each contract within the portfolio is one year or less; or
- the measurement of the liability for remaining coverage at inception of a contract is not materially different than if applying GMM.

The majority of the Westfund's insurance contracts have a contract period of one year or less. Westfund has assessed the eligibility of contracts within the portfolio with one year or less to apply the simplified approach.

The PAA operates in a manner similar to the way private health insurance contracts are accounted for under AASB 1023 General Insurance Contracts (AASB 1023). The liability for incurred claims (LFIC) is consistent under the GMM and the PAA and due to the accounting policy choices made by Westfund is expected to be materially unchanged from outstanding claims provision under AASB 1023.The LFIC is primarily made up of the best estimate outstanding claims provision, expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at the reporting date.

The liability for remaining coverage (LFRC) under the PAA is valued at initial recognition based on premium received, less any directly attributable acquisition costs deferred. In subsequent periods, the LFRC is amortised to recognise the revenue and insurance expenses (insurance acquisition cash flows) on a passage of time basis over the coverage period. If certain acquisition cash flows paid on new contracts are allocated to future renewals, outside the boundary of the current contract, the deferred portion is recognised in the carrying amount of the related portfolio of the insurance contract issued.

The company has determined that deferred claims liabilities recognised under the existing financial reporting framework are not able to be recognised under AASB 17.

Risk adjustment

Under AASB 17, a risk adjustment is included in the measurement of insurance contract liabilities that reflects the compensation that an entity requires for bearing the uncertainty about the amount and timing of the cash flows associated with non-financial risks. Under the PAA, a risk adjustment is recognised on all LFIC balances and LFRC balances for onerous contracts issued. Having evaluated the pricing philosophy and historical practice of utilising a confidence level technique, Westfund has determined that the use of a confidence level technique to estimate the risk adjustment is appropriate. We expect the impact of this will be materially in line with the risk margin under AASB 1023.

Insurance acquisition cashflows

For the contracts that apply the simplified approach and have a coverage period of one year or less, Westfund has the option to expense directly attributable acquisition costs as incurred, as opposed to deferring and amortising directly attributable acquisition costs over the coverage period of the insurance. Westfund does not plan to apply this option and expects to amortise acquisition costs over the coverage period of the related insurance contracts.

Discount rates

Under the PAA, discounting is optional for the LFRC carrying amount. Westfund's position is not to discount.

Level of aggregation and onerous contracts

AASB 17 defines a portfolio of insurance contracts as 'Insurance contracts subject to similar risks and managed together'.

Under the PAA, a portfolio is the level at which policyholder assets and liabilities are presented in the statement of financial position. Further segmentation is required into Westfund's contracts for the identification of onerous contracts, including annual cohorts of contracts that are either onerous, no significant possibility of being onerous and other. There is a presumption under the PAA that no contracts are onerous unless there are clear facts and circumstances that indicate otherwise.

In contemplating the facts and circumstances, management undertake monitoring of product profitability on a quarterly basis. The projection model is Westfund's most up-to-date estimation of future profitability and performance. Having the projection process automatically identify onerous contracts at the product and state level is the most effective method of identifying onerous contracts. Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed, and any loss component is valued using the estimated fulfilment cashflows for Westfund of insurance contracts including an assessment of the risk adjustment determined for the LFRC. As a consequence of onerous contracts testing occurring at a more granular level, there may be more loss components recognised under AASB 17 than unexpired risk provisions recognised following liability adequacy testing under AASB 1023.

Presentation and disclosure

The standard introduces substantial changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the statement of financial position and statement of comprehensive income and increased disclosure requirements compared with existing reporting requirements. Existing insurance and reinsurance contract line items on the balance sheet (including premium receivable, unearned premium liability, deferred acquisition costs, gross outstanding claims) will be replaced with insurance contract assets and liabilities.

Transition

AASB 17 will be applied retrospectively to all of Westfund's insurance contracts on transition except to the extent that it is impracticable to do so, in which case either a modified retrospective or fair value approach may be applied. Given the short term nature of Westfund's contracts, Westfund will apply the full retrospective approach.

Notes to the financial statements
30 June 2023

Note 1. Significant accounting policies (continued)

Financial impact

Based on the above policy decisions Westfund's total equity at transition on 1 July 2022 is expected to increase on transition to AASB17 by an estimated range of $5- $10m. This is primarily due to net impact of the derecognition of the deferred claims liability at 1 July 2022 and the recognition of a 'loss component' in respect of onerous business. Whilst the changes to assets and liabilities are individually larger, many of these individual movements are offsetting between the two.

Other amending accounting standards

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

Note 2. Critical accounting judgements, estimates and assumptions

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

Provision for outstanding claims

As disclosed in note 1, a liability for outstanding claims is recognised at the reporting date, measured based on the central estimate of the expected payments against claims incurred but not settled at the reporting date. This central estimate of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered and a risk margin is added. The estimated cost of claims includes allowances for the RETF consequences and claims handling expense. Given the inherent uncertainty in establishing claims provisions, it is likely that actual results will differ from the original estimate.

The company uses estimation techniques in calculating the estimated cost of unpaid claims based upon statistical analysis of historical data. Allowance is made, however, for changes or uncertainties which may distort the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including changes to the company's processes which might accelerate or slow down the notification and/or recording of paid or incurred claims, compared with statistics from previous periods. The core estimate was determined taking into account benefits paid as at the reporting date.

The risk margin is based on an analysis of the past experience of the company. The analysis examined the volatility of the past payments that has not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility. The central estimates are calculated gross of any risk equalisation recoveries. A separate estimate is made of the amounts that will be recoverable from the RETF based upon the gross provision.

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

Unexpired risk liability

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

No deficiency was identified as at 30 June 2023 and 30 June 2022 that resulted in an unexpired risk liability needing to be recognised. This test is also extended beyond the recognised unearned premium liability to include premiums renewable until the next repricing review, usually 1 April each year.

Direct acquisition costs

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

The company re-performs this analysis at least annually for reassessment. For the year ended 30 June 2023, the average member contract life has been assessed as four (2022: four) years. This did not change the pattern of acquisition costs expensed in profit or loss. The recoverability of the related deferred acquisition costs is also considered as part of the liability adequacy test performed. As described in note 17, the company has no deficiency in the unearned premium liability as at 30 June 2023 and 30 June 2022.

Lease term

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

Employee benefits provision

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

Notes to the financial statements
30 June 2023

Note 3. Actuarial assumptions and methods

Outstanding claims provision

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

Actuarial assumptions – outstanding claims provision

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

Variables	2023 Hospital %	2023 Medical %	2023 General treatment %	2022 Hospital %	2022 Medical %	2022 General treatment %
Assumed portion paid to date	**87.41**	**89.26**	**97.27**	90.09	90.35	97.06
Expense rate	**1.25**	**1.25**	**1.25**	1.30	1.30	1.30
Risk equalisation rate	**(5.50)**	**(5.50)**	**(5.50)**	(5.00)	(5.00)	(5.00)
Risk margin	**11.00**	**11.00**	**11.00**	11.00	11.00	11.00

The risk margin of 11% (2022: 11%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2022: 75%).

Process used to determine assumptions – outstanding claims provision

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

Factor	
Chain ladder development factors	Chain ladder development factors were selected based on observations of historical claim payment experience. Particular attention was given to the development of the most recent 12 months. An increase/decrease would lead to a higher/lower projection of the ultimate liability and a corresponding increase/decrease in claims expense respectively.
Bornhuetter-Ferguson unpaid factors	Bornhuetter-Ferguson unpaid factors were selected based on historical patterns of payment (by notification) to ultimate incurred claims. Essentially, the proportion of ultimate incurred claims to be paid by notification month is selected based on observations from the historical notification. The "unpaid proportion" is then multiplied by a prior forecast of incurred claims for each service month to determine the outstanding claims estimate. An increase/decrease would lead to a higher/lower projection of the ultimate liability and a corresponding increase/decrease in claims expense respectively.
Discount rate	As insurance claims for the company are generally settled within one year, no discounting of claims is usually applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material.
Expense rate	Claims handling expenses were calculated by reference to past experience of total claims handling costs as a percentage of total past payments. An increase/decrease in this expense rate would have a corresponding effect on the claims expense.
Risk equalisation allowance	Risk equalisation is a mechanism designed to help support community rating. The company has been a net recipient from the pool for the last five financial years. This allowance represents the expected receipt from the pool in respect of the outstanding claims.
Risk margin	The risk margin has been based on an analysis of the past experience of the company. This analysis examined the volatility of past payments that has not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility and has been set at a level estimated to equate to a probability of adequacy of 75% (2022: 75%). An increase/decrease in the risk margin would have a corresponding effect on the claims expense.

Notes to the financial statements
30 June 2023

Note 3. Actuarial assumptions and methods (continued)

Sensitivity analysis – insurance contracts

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

Impact on key variables

Key variables	Movement in variable %	2023 Adjustments on surplus/ (deficit) $'000	2023 Adjustments on equity $'000	2022 Adjustments on surplus/ (deficit) $'000	2022 Adjustments on equity $'000
Chain ladder development factors	10.0% (10.0%)	(680) 690	(680) 690	(474) 496	(474) 496
Bornhuetter-Ferguson unpaid factors	10.0% (10.0%)	(1,843) 1,843	(1,843) 1,843	(1,140) 1,140	(1,140) 1,140
Expense rate	1.0% (1.0%)	(233) 233	(233) 233	(170) 170	(170) 170
Risk equalisation	1.0% (1.0%)	218 (218)	218 (218)	155 (155)	155 (155)
Risk margin	1.0% (1.0%)	(134) 134	(134) 134	(165) 165	(165) 165

Note 4. Other revenue

	2023 $'000	2022 $'000
Eye care centres revenue	2,939	2,618
Dental centres revenue	2,760	2,436
Rental income	488	476
	6,187	5,530

All revenue is recognised over time and generated in Australia.

Note 5. Expenses

	2023 $'000	2022 $'000
Surplus before income tax includes the following specific expenses:		
Depreciation		
Building structures and improvements (note 11)	457	319
Leasehold improvements (note 11)	192	155
Plant and equipment (note 11)	842	555
Motor vehicles (note 11)	192	135
Right-of-use assets	775	719
Total depreciation	2,458	1,883
Amortisation		
Computer software (note 14)	737	1,029
Total depreciation and amortisation	3,195	2,912
Finance costs		
Interest and finance charges paid/payable on lease liabilities	93	52
Employee costs		
Salaries, wages and employment entitlements	19,771	18,516
Payroll tax	1,122	932
Superannuation	1,986	2,055
Other	692	568
Total employee costs	23,571	22,071

Notes to the financial statements
30 June 2023

Note 6. Trade and other receivables

	2023 $'000	2022 $'000
Current assets		
Trade receivables	-	7
Premiums in arrears	383	325
Less: allowance for expected credit losses of premiums in arrears	(80)	(46)
	303	286
Medicare rebates	5,262	5,248
RETF refund	2,671	950
	8,236	6,484

Allowance for expected credit losses

The company has recognised an additional provision of $34,000 (2022: $9,000) in profit or loss in respect of impairment of premiums in arrears. There was $nil impairment of trade receivables during the year (2022: $nil).

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

	Expected credit loss rate		Carrying amount		Allowance for ECLs	
	2023 %	2022 %	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Not overdue	-	-	-	7	-	-
Over 6 months overdue and premiums in arrears	20.8%	14.3%	383	325	80	46
			383	332	80	46

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

	2023 $'000	2022 $'000
Opening balance	46	37
Increase/(decrease) in provisions recognised	34	9
Closing balance	80	46

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

	2023 $'000	2022 $'000
Current assets		
Bank deposits	45,122	32,782

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

Note 8. Deferred acquisition costs

	2023 $'000	2022 $'000
Current assets		
Deferred acquisition costs	1,295	1,913
Non-current assets		
Deferred acquisition costs	1,432	1,701

Movements in deferred acquisition costs

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

	2023 $'000	2022 $'000
Opening balance	3,614	4,283
Additions	1,234	1,578
Amortisation	(2,121)	(2,247)
Carrying amount at the end of the year	2,727	3,614

Note 9. Other assets

	2023 $'000	2022 $'000
Current assets		
Accrued interest on term deposits	257	8
Prepayments	1,526	929
Security deposits	271	247
Other deposits	-	1
Unclosed business	797	817
	2,851	2,002

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

	2023 $'000	2022 $'000
Non-current assets		
Mortgage backed securities	-	1,075
Managed funds	175,144	166,238
	175,144	167,313

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

Notes to the financial statements
30 June 2023

Note 11. Property, plant and equipment

	2023 $'000	2022 $'000
Non-current assets		
Land, building structures and improvements	14,150	15,278
Less: Accumulated depreciation	(2,446)	(1,987)
	11,704	13,291
Leasehold improvements	3,508	2,712
Less: Accumulated depreciation	(2,255)	(2,065)
	1,253	647
Plant and equipment	6,768	5,416
Less: Accumulated depreciation	(4,712)	(3,929)
	2,056	1,487
Motor vehicles	1,036	940
Less: Accumulated depreciation	(392)	(491)
	644	449
Capital – work in progress – at cost	720	918
	16,377	16,792

Reconciliations

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

	Land, building structures and improvements $'000	Leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
Balance at 1 July 2021	11,108	240	1,202	400	242	13,192
Additions	515	562	938	237	676	2,928
Disposals	-	-	(37)	(53)	-	(90)
Reversal of impairment of assets	1,683	-	-	-	-	1,683
Revaluation	243	-	-	-	-	243
Transfers	61	-	(61)	-	-	-
Depreciation expense	(319)	(155)	(555)	(135)	-	(1,164)
Balance at 30 June 2022	13,291	647	1,487	449	918	16,792
Additions	858	798	1,412	401	(198)	3,271
Disposals	(7)	-	(1)	(14)	-	(22)
Revaluation	(2,361)	-	-	-	-	(2,361)
Transfers from investment properties (note 12)	380	-	-	-	-	380
Depreciation expense	(457)	(192)	(842)	(192)	-	(1,683)
Balance at 30 June 2023	11,704	1,253	2,056	644	720	16,377

Valuations of land and buildings

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

Note 12. Investment properties

	2023 $'000	2022 $'000
Non-current assets		
Investment properties – fair value	**6,332**	8,960

Reconciliation

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

	2023 $'000	2022 $'000
Opening fair value	**8,960**	7,145
Disposals	**(988)**	-
Revaluation (decrements)/increments	**(1,260)**	1,815
Transfer to property, plant and equipment (note 11)	**(380)**	-
Closing fair value	**6,332**	8,960

Valuations of investment properties

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

Rental income and expenses

Rental income amounts to $488,000 (2022: $476,000) included within other revenue, as detailed in note 4. Direct lessor property expenses of $203,000 (2022: $217,000) payable by the lessor were reported within other expenses, of which $nil (2022: $nil) was incurred on vacant properties that did not generate rental income.

Lessor entitlements

	2023 $'000	2022 $'000
Minimum lease commitments receivable but not recognised in the financial statements:		
1 year or less	**175**	422
Between 1 and 2 years	**-**	175
	175	597

Notes to the financial statements
30 June 2023

Note 13. Right-of-use assets

	2023 $'000	2022 $'000
Non-current assets		
Land and buildings – right-of-use	7,566	5,734
Less: Accumulated depreciation	(2,624)	(1,864)
	4,942	3,870

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

Reconciliations

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

	Land and buildings $'000
Balance at 1 July 2021	1,717
Additions	2,895
Disposals	(23)
Depreciation expense	(719)
Balance at 30 June 2022	3,870
Additions	1,847
Depreciation expense	(775)
Balance at 30 June 2023	4,942

For other lease related disclosures, refer to the following:

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

Note 14. Intangibles

	2023 $'000	2022 $'000
Non-current assets		
Computer software – at cost	5,232	4,792
Less: Accumulated amortisation	(4,281)	(3,544)
	951	1,248

Reconciliations

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

	Computer software $'000
Balance at 1 July 2021	1,528
Additions	749
Amortisation expense	(1,029)
Balance at 30 June 2022	1,248
Additions	440
Amortisation expense	(737)
Balance at 30 June 2023	951

Note 15. Trade and other payables

	2023 $'000	2022 $'000
Current liabilities		
Trade payables	318	1,010
Accrued expenses	1,087	924
	1,405	1,934

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

Notes to the financial statements
30 June 2023

Note 16. Lease liabilities

	2023 $'000	2022 $'000
Current liabilities		
Lease liability	709	628
Non-current liabilities		
Lease liability	4,481	3,353

Refer to note 21 for the maturity analysis of lease liabilities.

Note 17. Provisions

	2023 $'000	2022 $'000
Current liabilities		
Lease make good	101	101
Deferred claims	-	9,941
Outstanding claims	24,839	18,208
Member refunds	6,089	679
	31,029	28,929

Movements in provisions

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

2023	Lease make good $'000	Deferred claims $'000	Outstanding claims $'000	Member refunds $'000
Carrying amount at the start of the year	101	9,941	18,208	679
Additional provisions recognised	-	-	-	6,000
Amounts used	-	-	-	(590)
Amounts unused	-	(9,941)	-	-
Claims incurred	-	-	233,609	-
Claims paid	-	-	(226,978)	-
Carrying amount at the end of the year	101	-	24,839	6,089

Lease make good

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

Members refund

The $6,000,000 ex-gratia payment provided for in June 2023 will be paid out in August 2023. The Lifetime Health Cover (LHC) loading provision reduced from $679,000 (June 2022) to $89,000 (June 2023) as a result of reviewing member's LHC balances.

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.

	2023 $'000	2022 $'000
Outstanding claims – central estimate of the expected future payment for claims incurred	**23,284**	16,957
Claims handling expense	**291**	221
Outstanding claims – expected payments from the RETF in relation to the central estimate	**(1,198)**	(775)
Risk margin	**2,462**	1,805
Net outstanding claims liability	**24,839**	18,208

Notes to the financial statements
30 June 2023

Note 17. Provisions (continued)

Provision for unexpired risk liability

2023	Unearned premium $'000	Unearned unclosed business $'000	Constructive obligation $'000	Total $'000
Inflows				
Hospital and general treatment combined premium	31,234	797	207,189	239,220
Outflows				
Central estimate of future benefits	(26,393)	(673)	(175,075)	(202,141)
Central estimate of future management expenses	(2,311)	(59)	(15,332)	(17,702)
Risk margin	(1,249)	(32)	(7,616)	(8,897)
Total outflows	(29,953)	(764)	(198,023)	(228,740)
Net surplus	1,281	33	9,166	10,480

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

The total unexpired risk liability was $nil (2022: $nil).

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

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

The risk margin of 4% (2022: 4%) applied to the benefits, risk equalisation, state levies and claims related expenses cash flows has been estimated to equate to a probability of adequacy of approximately 75% (2022: 75%).

Note 18. Other liabilities

	2023 $'000	2022 $'000
Current liabilities		
Deferred commissions payable	176	287
Unearned unclosed business	797	817
Unearned premiums	31,234	27,616
	32,207	28,720

Note 19. Reserves

	2023 $'000	2022 $'000
Gain on revaluation of land and buildings through other comprehensive income reserve	-	243

Assets revaluation reserve

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

The asset revaluation reserve is used to recognise changes in the fair value of land and buildings, excluding investment properties. The revaluation decrement during the current year was recognised in other comprehensive income to the extent that it offsets any previous revaluation surplus of the same asset, resulting to $nil asset revaluation reserve as at 30 June 2023 (2022: $243,000).

Movements in reserves

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

	Revaluation surplus $'000
Balance at 1 July 2021	243
Balance at 30 June 2022	243
Fair value loss	(243)
Balance at 30 June 2023	-

Notes to the financial statements 30 June 2023

Note 20. Capital management

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

APRA Prudential Standard HPS 110 'Capital Adequacy'

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

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

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

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

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

APRA Prudential Standard HPS 100 'Solvency Standard'

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

The company has a Board endorsed liquidity management plan in place and all liquidity requirements were met as at 30 June 2023 and 30 June 2022.

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

Note 21. Financial instruments and insurance risks

Financial risk management objectives

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

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

Market risk

Price risk

The following table illustrates sensitivities to the company's exposures to changes in equity prices. The table indicates the impact on how profit or loss and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Average price increase			Average price decrease		
2023	% change	Impact on net result for the year	Impact on equity	% change	Impact on net result for the year	Impact on equity
Equity price movement	5%	2,733	2,733	(5%)	(2,733)	(2,733)
2022						
Equity price movement	5%	2,754	2,754	(5%)	(2,754)	(2,754)

Interest rate risk

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

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

	2023 $'000	2022 $'000
Cash at bank	**2,565**	2,718
Cash at call	**45,122**	32,782
Mortgage backed securities	**-**	1,075
Managed funds	**175,144**	166,238
Net exposure to interest rate risk	**222,831**	202,813

An official increase/decrease in interest rates of 50 (2022: 50) basis points would have a favourable/adverse effect on surplus before tax and retained surpluses of $1,144,000 (2022: $1,014,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Notes to the financial statements
30 June 2023

Note 21. Financial instruments and insurance risks (continued)

Credit risk

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

The company has adopted a lifetime expected loss allowance in estimating expected credit losses to premiums in arrears and trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the company based on historical collection rates and forward-looking information that is available. Generally, premiums in arrears and trade receivables are written off when there is no reasonable expectation of recovery. Refer to note 6.

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

Investment asset allocation

The target asset allocation for the investment portfolio is 27.5% +/- 5% (2022: 30% +/- 5%) growth assets, with the balance in defensive assets.

The target allocation limit is:

Allocation type	Asset	Target allocation %	Minimum allocation %	Maximum allocation %
Defensive	Cash	5.00	-	100.00
	Fixed interest	67.50	60.00	72.50
Growth	Australian equities	13.75	10.00	18.75
	International equities	13.75	10.00	18.75

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

Allocation type	Asset	2023 $'000	2023 %	2022 $'000	2022 %
Defensive	Cash	-	-	-	-
	Fixed interest	**120,480**	**69**	111,164	67
Growth	Australian equities	**27,135**	**15**	27,738	17
	International equities	**27,529**	**16**	27,336	16
Total		**175,144**	**100**	166,238	100

Acceptable investments include:

11am call deposits

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

Term deposits

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

Bank bills

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

Commonwealth and Semi Government bonds

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

Sector specific pooled managed funds

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

Diversified pooled managed funds

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

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

Asset	2023 $'000	2022 $'000
Cash at call	**21,122**	22,790
Term Deposits	**24,000**	10,000
Mortgage Backed Securities	**-**	1,075
Total	**45,122**	33,865

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

At the end of the reporting period the maximum amount held with one financial institution was $19,931,000 (2022: $18,002,000). Given the conservative nature of the portfolio the company expects all counterparties to meet their obligations.

Liquidity risk

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

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

Notes to the financial statements
30 June 2023

Note 21. Financial instruments and insurance risks (continued)

Remaining contractual maturities

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

2023	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	318	-	-	-	318
Other liabilities	32,207	-	-	-	32,207
Interest-bearing – fixed rate					
Lease liability	1,050	1,066	2,444	6,118	10,678
Total non-derivatives	33,575	1,066	2,444	6,118	43,203

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

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

Insurance risk

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

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

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

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

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

(a) the principle of community rating. This principle prevents private health insurers from discriminating between people on the basis of their health status, age, race, sex, sexuality, the frequency that a person needs treatment, or claims history;

(b) risk equalisation which supports the principle of community rating. Private health insurance averages out the cost of hospital treatment across the industry. The risk equalisation scheme transfers money from private health insurers with younger healthier members with lower average claims payments to those insurers with an older and less healthy membership and which have higher average claims payments;

(c) the Private Health Insurance Act 2007 limits the types of treatments that private health insurers are able to offer as part of their health insurance business; and

(d) premiums for health insurance can only be changed with the approval of the Minister for Health.

Insurance risks are managed through the following:

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

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

Ability to vary premium rates – The company can vary future premium rates subject to (d) to the left.

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

Notes to the financial statements
30 June 2023

Note 22. Fair value measurement

Fair value hierarchy

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

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

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

Level 3 – Unobservable inputs for the asset or liability

2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Term deposits	-	24,000	-	24,000
Cash at call	21,122	-	-	21,122
Managed funds	-	175,144	-	175,144
Land and buildings	-	-	11,704	11,704
Investment properties	-	-	6,332	6,332
Total assets	21,122	199,144	18,036	238,302

2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Term deposits	-	10,000	-	10,000
Cash at call	22,790	-	-	22,790
Mortgage backed securities	-	1,075	-	1,075
Managed funds	-	166,238	-	166,238
Land and buildings	-	-	13,291	13,291
Investment properties	-	-	8,960	8,960
Total assets	22,790	177,313	22,251	222,354

There were no transfers between levels during the financial year.

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

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

1. All land and buildings including investment properties were independently valued by Herron Todd White Ltd and Blue Mountains-Lithgow-Oberon-Property Valuations in May 2023. The valuation was performed using the discounted cash flows (DCF) method.
2. Mortgage backed securities and managed funds at fair value are revalued monthly based on current market price provided by the custodian.
3. Term deposits are valued using the DCF method.

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Significant unobservable inputs	Range (weighted average)	Sensitivity
Land and buildings	Rental yield	7.5% (2022: 7.5%)	0.75% change would increase/(decrease) fair value by $966,000/ ($790,000)
	Discount rate	6.25% (2022: 6.25%)	0.5% change would (decrease)/ increase fair value by ($790,000)/$673,000
Investment properties	Rental yield	7.5% (2022: 7.5%)	0.75% change would increase/(decrease) fair value by $522,000/ ($427,000)
	Discount rate	6.25% (2022: 6.25%)	0.5% change would (decrease)/ increase fair value by ($427,000)/$364,000

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long-term vacancy rate.

Notes to the financial statements
30 June 2023

Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the auditor of the company, and unrelated firms:

	2023 $	2022 $
Audit services – Grant Thornton		
Audit or review of the financial statements	**45,860**	105,000
Other services – Grant Thornton		
Audit of APRA returns	**-**	12,600
Other assurance related services	**9,760**	25,900
	9,760	38,500
	55,620	143,500
Audit services – Ernst & Young		
Audit or review of the financial statements	**115,000**	-
Other services – Ernst & Young		
Audit of APRA returns	**24,000**	-
Other assurance related services	**11,000**	-
	35,000	-
	150,000	-
Total remuneration of auditors	**205,620**	143,500

Note 24. Contingent liabilities and commitments

The company has given bank guarantees as at 30 June 2023 of $265,000 (2022: $234,000) to various landlords.

The company has no contingent liabilities as at 30 June 2023 and 30 June 2022.

Note 25. Related party transactions

Key management personnel

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

Transactions with related parties

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

Receivable from and payable to related parties

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

Loans to/from related parties

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

Note 26. Key management personnel disclosures

Compensation

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

	2023 $	2022 $
Short-term employee benefits	**2,685,257**	2,541,395
Superannuation	**284,473**	250,907
	2,969,730	2,792,302

Note 27. Changes in liabilities arising from financing activities

	Lease liabilities $'000
Balance at 1 July 2021	1,760
Net cash used in financing activities	(674)
Acquisition of leases (note 13)	2,895
Balance at 30 June 2022	3,981
Net cash used in financing activities	(638)
Acquisition of leases (note 13)	1,847
Balance at 30 June 2023	5,190

Note 28. Events after the reporting period

No matter or circumstance has arisen since 30 June 2023 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.

Notes to the financial statements
30 June 2023

Note 29. Reconciliation of surplus after income tax to net cash from operating activities

	2023 $'000	2022 $'000
Surplus after income tax expense for the year	13,308	1,652
Adjustments for:		
Depreciation and amortisation	3,195	2,912
Impairment/(reversal of impairment) of property, plant and equipment	2,118	(1,683)
Net revaluation (increments)/decrements of right-of-use assets	(83)	-
Net fair value loss/(gains) on investment properties	1,260	(1,815)
(Gain)/loss on the revaluation of financial instruments at fair value through profit or loss	(1,925)	24,893
Amortisation of deferred acquisition costs	2,121	2,247
Interest income	(7,310)	(5,922)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,752)	(90)
Decrease/(increase) in inventories	(24)	72
Increase in prepayments	(597)	(149)
Increase in other operating assets	(1,134)	(1,841)
Decrease in trade and other payables	(660)	(132)
Increase in employee benefits	156	550
Increase/(decrease) in other provisions	2,100	(2,957)
Increase/(decrease) in other operating liabilities	3,618	(3,457)
Net cash from operating activities	14,391	14,280

Directors' declaration
30 June 2023

In the Directors' opinion:

- the financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the financial statements and notes give a true and fair view of the company's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

Graeme Osborne
Chair

Noeline Woof
Director

27 September 2023
Lithgow

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Independent auditor's report to the members of Westfund Limited

Opinion

We have audited the financial report of Westfund Limited (the Company), which comprises the statement of financial position as at 30 June 2023, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 30 June 2023 and of its financial performance for the year ended on that date; and

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

Basis for opinion

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

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

Emphasis of matter – Private Health Insurance Basis of Accounting

We draw your attention to 'Note 1 Significant Accounting Policies (Provisions)' to the Financial Statements. This Note identifies the incorporation of the published views of the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on the measurement and recognition of a previous deferred claims liability in response to the unique circumstances arising from the COVID-19 pandemic.

In our view, this matter is fundamental to the users' understanding of the Financial Report and the financial position and performance of the Company. Our Opinion is not modified with respect to this matter.

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

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Ernst & Young

Ernst & Young

David Jewell

David Jewell
Partner
Sydney
27 September 2023

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