HEALTH INSURANCE FUND OF W.A. (INC)

ABN 84 607 276 950

ANNUAL FINANCIAL REPORT

30 JUNE 2009

Contents **Page**

(a) Corporate structure

Health Insurance Fund of WA (the "Fund") is an incorporated association under the *Associations Incorporation Act 1987 (WA)* domiciled in Western Australia. The Fund has prepared a consolidated financial report incorporating the entities that it controlled during the financial year. The Fund was founded in Western Australia in 1954. The Fund was registered as a Registrable Australian Body (ARBN 128 302 161) as required by the *Private Health Insurance Act 2007 (Cth)* (the "PHI Act") on 2 November 2007. A subsequent amendment to the PHI Act requires the Fund to become a company limited by guarantee before 1 January 2010. To assist the Fund achieve this end, the Western Australian Government enacted the *Transfer of Incorporation (HBF and HIF) Act 2009 (WA)* (the ñTransfer of Incorporation Actò) on 29 June 2009, allowing the Fund to transfer its incorporation status from an incorporated association under the *Associations Incorporation Act 1987 (WA)* to a company limited by guarantee under the *Corporations Act 2001 (Cth)*. The Minister for Commerce (WA) should make an order under the Transfer of Incorporation Act if the Minister approves of the constitution of the company lodged under s. 5H(3) of the Corporations Act 2001 (Cth) and is satisfied that the Fund has complied with s. 5H(2) and (3) of the *Corporations Act 2001 (Cth)*. The Ministerôs order, which will be published in the *Gazette*, will deem the Fund a public company limited by guarantee registered under the *Corporations Act 2001 (Cth)* on a date that is before 1 January 2010 specified in the order.

(b) Nature of operations and principal activities

Principal activities of the Fund during the year comprised the provision of private health insurance including hospital, medical and general (ancillary) cover.

(c) Directors

M Dudley (Chairman)
G Airey
K M Brown (resigned 22 September 2008)
E Chapple
M L S Howard (appointed 22 September 2008)
T Smith
N J Timoney

(d) Secretary

G N Gibson

(e) Registered office and principal place of business

60 Stirling Street
Perth
Western Australia

(f) Solicitor

DLA Phillips Fox
44 St Georges Terrace
Perth
Western Australia

(g) Banker

Commonwealth Bank
150 St Georges Terrace
Perth
Western Australia

(h) External auditor

Ernst & Young
11 Mounts Bay Road
Perth
Western Australia

(i) Internal auditor

PricewaterhouseCoopers
QV1, 250 St Georges Terrace
Perth
Western Australia

(j) Appointed actuary

P Lurie
PricewaterhouseCoopers
QV1, 250 St Georges Terrace
Perth
Western Australia

		Consolidated		Health Insurance Fund of WA	
	Note	**2009**	2008	**2009**	2008
		$	$	**$**	$
Premium revenue	5	**57,227,229**	53,434,371	**57,227,229**	53,434,371
Net claims incurred	9	**(46,162,533)**	(43,551,391)	**(46,162,533)**	(43,551,391)
Movement in unexpired risk liability	23	**99,262**	(99,262)	**99,262**	(99,262)
Acquisition costs	17	**(2,859,637)**	(2,233,459)	**(2,859,637)**	(2,233,459)
Claims handling costs	10	**(1,052,473)**	(886,348)	**(1,052,473)**	(886,348)
Underwriting result		**7,251,848**	6,663,911	**7,251,848**	6,663,911
Sales		**636,391**	1,535,764	**-**	-
Cost of sales		**(211,468)**	(513,630)	**-**	-
Gross profit from sale of goods		**424,923**	1,022,134	**-**	-
Investment income	6	**2,307,945**	2,515,277	**2,314,969**	2,516,020
Fair value (losses) / gains on financial assets at fair value through profit or loss		**(1,532,448)**	(864,678)	**(1,532,448)**	(864,678)
Gain on sale of subsidiary	7	**-**	44,869	**-**	-
Other income / revenue	8	**403,498**	298,653	**442,642**	300,456
Other operating expenses	10	**(3,196,377)**	(3,873,884)	**(2,859,483)**	(3,059,822)
Result of operating activities		**5,659,389**	5,806,282	**5,617,528**	5,555,887
Finance costs	10	**(12,315)**	(21,682)	**(8,637)**	(12,161)
Profit before income tax		**5,647,074**	5,784,600	**5,608,891**	5,543,726
Income tax expense	11	**(2,765)**	(57,821)	**-**	-
Profit after income tax		**5,644,309**	5,726,779	**5,608,891**	5,543,726
Loss attributable to minority interest		**-**	4,274	**-**	-
Profit attributable to members of Health Insurance Fund of WA		**5,644,309**	5,731,053	**5,608,891**	5,543,726

The above income statement should be read in conjunction with the accompanying notes.

Balance sheet

As at 30 June 2009

	Note	Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
ASSETS					
Current assets					
Cash and cash equivalents	12	**40,414,469**	34,926,364	**40,363,329**	34,862,988
Receivables	13	**2,744,542**	2,372,728	**2,732,836**	2,340,560
Inventories	14	**5,306**	86,723	**-**	-
Financial assets at fair value through profit or loss	15	**251,392**	2,099,296	**251,392**	2,099,296
Deferred acquisition costs	17	**273,724**	85,598	**273,724**	85,598
		43,689,433	39,570,709	**43,621,281**	39,388,442
Non-current assets					
Financial assets at fair value through profit or loss	15	**5,805,477**	4,671,812	**5,805,477**	4,671,812
Investment in controlled entities	16	**-**	-	**1**	244,672
Property, plant and equipment	18	**6,689,090**	5,236,623	**6,670,605**	5,123,726
		12,494,567	9,908,435	**12,476,083**	10,040,210
Total assets		**56,184,000**	49,479,144	**56,097,364**	49,428,652
LIABILITIES					
Current liabilities					
Payables	19	**815,758**	592,916	**770,079**	543,486
Outstanding claims liability	20	**5,212,134**	6,031,747	**5,212,134**	6,031,747
Unearned premium liability	21	**6,676,577**	6,133,786	**6,676,577**	6,133,786
Unexpired risk liability	23	**-**	99,262	**-**	99,262
Provisions for employee entitlements	22	**252,859**	233,653	**226,804**	211,715
Current tax liability		**-**	1,595	**-**	-
		12,957,328	13,092,959	**12,885,594**	13,019,996
Non-current liabilities					
Provisions for employee entitlements	22	**386,824**	523,119	**378,869**	517,119
Total liabilities		**13,344,152**	13,616,078	**13,264,463**	13,537,115
Net assets		**42,839,848**	35,863,066	**42,832,901**	35,891,537
EQUITY					
Reserves attributable to the entity's members					
Reserves	24	**3,698,980**	2,366,507	**3,698,980**	2,366,507
Acquisition reserve	24	**(238,624)**	(238,624)	**-**	-
Retained earnings		**39,379,492**	33,735,183	**39,133,921**	33,525,030
Total equity		**42,839,848**	35,863,066	**42,832,901**	35,891,537

The above balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

As at 30 June 2009

Consolidated	**Attributable to the members of the entity**			**Minority interest**	
	Revaluation reserve	**Retained earnings**	**Acquisition Reserve**		**Total**
At 1 July 2007	**2,366,507**	**28,004,130**	**(238,624)**	**4,274**	**30,136,287**
Net profit for the period and total income / (expense) for the period	-	5,726,779	-	-	5,726,779
Share of loss of minority interest	-	4,274	-	(4,274)	-
At 30 June 2008	**2,366,507**	**33,735,183**	**(238,624)**	**-**	**35,863,066**
Fair value revaluation of land and buildings	1,332,473	-	-	-	1,332,473
Net profit for the period and total income / (expense) for the period	-	5,644,309	-	-	5,644,309
At 30 June 2009	**3,698,980**	**39,379,492**	**(238,624)**	**-**	**42,839,848**

Health Insurance Fund of WA	**Revaluation reserve**	**Retained earnings**	**Total**
At 1 July 2007	**2,366,507**	**27,981,304**	**30,347,811**
Net profit for the period and total income / (expense) for the period	-	5,543,726	5,543,726
At 30 June 2008	**2,366,507**	**33,525,030**	**35,891,537**
Fair value revaluation of land and buildings	1,332,473	-	1,332,473
Net profit for the period and total income / (expense) for the period	-	5,608,891	5,608,891
At 30 June 2009	**3,698,980**	**39,133,921**	**42,832,901**

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

Cash flow statement

As at 30 June 2009

	Note	Consolidated		Health Insurance Fund of WA	
		2009	2008	**2009**	2008
		$	$	**$**	$
Cash flows from operating activities					
Premiums received		**57,518,832**	53,889,529	**57,518,832**	53,889,529
Receipts from customers		**636,391**	1,535,764	**-**	-
Interest received		**2,358,761**	2,532,133	**2,365,785**	2,532,876
Other revenue received		**286,045**	47,263	**307,833**	93,377
Amounts received from / (paid to) the Risk Equalisation Trust Fund		**20,074**	234,320	**20,074**	234,320
Rent received		**297,238**	190,960	**297,238**	163,945
Claims paid		**(47,437,039)**	(42,441,929)	**(47,437,039)**	(42,441,929)
Interest and other costs of finance		**(186,772)**	(198,972)	**(183,094)**	(189,451)
Payments to suppliers and employees		**(6,812,027)**	(7,097,090)	**(6,021,578)**	(5,481,351)
Net cash flows from operating activities	25	**6,681,503**	8,691,978	**6,868,051**	8,801,316
Cash flows from investing activities					
Purchases of financial assets at fair value through profit and loss		**(3,000,000)**	(10,931,024)	**(3,000,000)**	(10,931,024)
Proceeds from sale of financial assets at fair value through profit and loss		**2,181,791**	13,925,076	**2,181,791**	13,925,076
Purchase of property, plant and equipment		**(384,513)**	(2,131,721)	**(383,805)**	(2,128,638)
Proceeds from sale of property, plant and equipment		**9,324**	-	**9,324**	-
Amounts paid to controlled entities		**-**	-	**(175,020)**	(75,000)
Amounts received from controlled entities		**-**	-	**-**	34,920
Proceeds from sale of investment in subsidiary		**-**	51	**-**	51
Net cash flows from / (used in) investing activities		**(1,193,398)**	862,382	**(1,367,710)**	825,385
Net increase in cash and cash equivalents		**5,488,105**	9,554,360	**5,500,341**	9,626,701
Cash and cash equivalents at beginning of period		**34,926,364**	25,372,004	**34,862,988**	25,236,287
Cash and cash equivalents at end of period		**40,414,469**	34,926,364	**40,363,329**	34,862,988

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

1 Summary of significant accounting policies

a) Basis of preparation

This general purpose financial report for the year ended 30 June 2009 has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and requirements of the Private Health Insurance Administration Council (PHIAC).

These financial statements have been prepared on a historical cost basis, except for land and buildings and financial assets at fair value through profit and loss, which have been measured at fair value.

All amounts are presented in Australian dollars, which is the Group's functional currency.

b) Statement of compliance

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 30 June 2009. The expected impact of the new or amended Standards and Interpretations on the Group has not yet been determined. The applicable Standards and Interpretations are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB Int. 15	Agreements for the Construction of Real Estate	This Interpretation requires that when the real estate developer is providing construction services to the buyer's specifications, revenue can be recorded only as construction progresses. Otherwise, revenue should be recognised on completion of the relevant real estate unit.	1 January 2009	1 July 2009
AASB Int. 16	Hedges of a Net Investment in a Foreign Operation	This Interpretation requires that the hedged risk in a hedge of a net investment in a foreign operation is the foreign currency risk arising between the functional currency of the net investment and the functional currency of any parent entity. This also applies to foreign operations in the form of joint ventures, associates or branches.	1 October 2008	1 July 2009
AASB Int. 17 and AASB 2008-13	Distributions of Non-cash Assets to Owners and consequential amendments to Australian Accounting Standards AASB 5 and AASB 110	The Interpretation outlines how an entity should measure distributions of assets, other than cash, as a dividend to its owners acting in their capacity as owners. This applies to transactions commonly referred to as spin-offs, split offs or demergers and in-specie distributions.	1 July 2009	1 July 2009

1 Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB Int. 18	Transfers of Assets from Customers	This Interpretation provides guidance on the transfer of assets such as items of property, plant and equipment or transfers of cash received from customers. The Interpretation provides guidance on when and how an entity should recognise such assets and discusses the timing of revenue recognition for such arrangements and requires that once the asset meets the condition to be recognised at fair value, it is accounted for as an ëexchange transactionô Once an exchange transaction occurs the entity is considered to have delivered a service in exchange for receiving the asset. Entities must identify each identifiable service within the agreement and recognise revenue as each service is delivered.	Applies prospectively to transfer of assets from customers received on or after 1 July 2009	1 July 2009
AASB 8 and AASB 2007-3	Operating Segments and consequential amendments to other Australian Accounting Standards	New Standard replacing AASB 114 *Segment Reporting*, which adopts a management reporting approach to segment reporting.	1 January 2009	1 July 2009
AASB 1039 (revised)	Concise Reporting	AASB 1039 was revised in August 2008 to achieve consistency with AASB 8 *Operating Segments*. The revisions include changes to terminology and descriptions to ensure consistency with the revised AASB 101 *Presentation of Financial Statements*.	1 January 2009	1 July 2009
AASB 123 (Revised) and AASB 2007-6	Borrowing Costs and consequential amendments to other Australian Accounting Standards	The amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised.	1 January 2009	1 July 2009
AASB 101 (Revised), AASB 2007-8 and AASB 2007-10	Presentation of Financial Statements and consequential amendments to other Australian Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	1 July 2009

1 Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2008-1	Amendments to Australian Accounting Standard ï Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of ñvesting conditionsò, introducing the term ñnon-vesting conditionsò for conditions other than vesting conditions as specifically defined and prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.	1 January 2009	1 July 2009
AASB 2008-2	Amendments to Australian Accounting Standards ï Puttable Financial Instruments and Obligations arising on Liquidation	The amendments provide a limited exception to the definition of a liability so as to allow an entity that issues puttable financial instruments with certain specified features, to classify those instruments as equity rather than financial liabilities.	1 January 2009	1 July 2009
AASB 3 (Revised)	Business Combinations	The revised Standard introduces a number of changes to the accounting for business combinations, the most significant of which includes the requirement to have to expense transaction costs and a choice (for each business combination entered into) to measure a non-controlling interest (formerly a minority interest) in the acquiree either at its fair value or at its proportionate interest in the acquireeôs net assets. This choice will effectively result in recognising goodwill relating to 100% of the business (applying the fair value option) or recognising goodwill relating to the percentage interest acquired. The changes apply prospectively.	1 July 2009	1 July 2009
AASB 127 (Revised)	Consolidated and Separate Financial Statements	There are a number of changes arising from the revision to AASB 127 relating to changes in ownership interest in a subsidiary without loss of control, allocation of losses of a subsidiary and accounting for the loss of control of a subsidiary. Specifically in relation to a change in the ownership interest of a subsidiary (that does not result in loss of control) ï such a transaction will be accounted for as an equity transaction.	1 July 2009	1 July 2009
AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	Amending Standard issued as a consequence of revisions to AASB 3 and AASB 127. Refer above.	1 July 2009	1 July 2009

1 Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2008-5	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	The improvements project is an annual project that provides a mechanism for making non-urgent, but necessary, amendments to IFRSs. The IASB has separated the amendments into two parts: Part 1 deals with changes the IASB identified resulting in accounting changes; Part II deals with either terminology or editorial amendments that the IASB believes will have minimal impact. This was the first omnibus of amendments issued by the IASB arising from the Annual Improvements Project and it is expected that going forward, such improvements will be issued annually to remove inconsistencies and clarify wording in the standards. The AASB issued these amendments in two separate amending standards; one dealing with the accounting changes effective from 1 January 2009 and the other dealing with amendments to AASB 5, which will be applicable from 1 July 2009 [refer below AASB 2008-6].	1 January 2009	1 July 2009
AASB 2008-6	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	This was the second omnibus of amendments issued by the IASB arising from the Annual Improvements Project. Refer to AASB 2008-5 above for more details.	1 July 2009	1 July 2009
AASB 2008-7	Amendments to Australian Accounting Standards ï Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to AASB 127 deleting the ñcost methodò and requiring all dividends from a subsidiary, jointly controlled entity or associate to be recognised in profit or loss in an entity's separate financial statements (i.e., parent company accounts). The distinction between pre- and post-acquisition profits is no longer required. However, the payment of such dividends requires the entity to consider whether there is an indicator of impairment. AASB 127 has also been amended to effectively allow the cost of an investment in a subsidiary, in limited reorganisations, to be based on the previous carrying amount of the subsidiary (that is, share of equity) rather than its fair value.	1 January 2009	1 July 2009

1 Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2008-8	Amendments to Australian Accounting Standards ï Eligible Hedged Items	The amendment to AASB 139 clarifies how the principles underlying hedge accounting should be applied when (i) a one-sided risk in a hedged item is being hedged and (ii) inflation in a financial hedged item existed or was likely to exist.	1 July 2009	1 July 2009
AASB 2008-9**	Amendments to AASB 1049 for consistency with AASB 101	Reflects the revised requirements of AASB 101 and AASB 2007-8 with clarification to apply the requirements in a government context.	1 January 2009	1 July 2009
AASB 2008-11	Amendments to Australian Accounting Standard ï Business Combinations Among Not-for-Profit Entities [AASB 3]	The amendment requires not-for-profit entities to apply the revised AASB 3 except where there is common control.	1 July 2009	1 July 2009
AASB 2009-1**	Amendments to Australian Accounting Standards ï Borrowing Costs of Not-for-Profit Public Sector Entities [AASB 1, AASB 111 & AASB 123]	This Standard amends AASB 123 to reintroduce the option to expense borrowing costs in the period in which they are incurred. Subject to the requirements in AASB 1049 *Whole of Government and General Government Sector Financial Reporting*, an entity would therefore be able to choose whether it expenses or capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. AASB 111 is also amended to specify that costs that may be attributable to contract activity in general and that can be allocated to specific contracts include borrowing costs only when the contractor capitalises borrowing costs in accordance with AASB 123.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009	1 July 2009

1 Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-2	Amendments to Australian Accounting Standards – Improving Disclosures about Financial Instruments [AASB 4, AASB 7, AASB 1023 & AASB 1038]	The main amendment to AASB 7 requires fair value measurements to be disclosed by the source of inputs, using the following three-level hierarchy: • quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1); • inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and • inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). These amendments arise from the issuance of *Improving Disclosures about Financial Instruments (Amendments to IFRS 7)* by the IASB in March 2009. The amendments to AASB 4, AASB 1023 and AASB 1038 comprise editorial changes resulting from the amendments to AASB 7.	Annual reporting periods beginning on or after 1 January 2009 that end on or after 30 April 2009.	1 July 2009
AASB 2009-4	Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to IFRIC 16 which allows qualifying hedge instruments to be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements in AASB 139 that relate to a net investment hedge are satisfied. More hedging relationships will be eligible for hedge accounting as a result of the amendment. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The amendments pertaining to IFRS 5, 8, IAS 1,7, 17, 36 and 39 have been issued in Australia as AASB 2009-5 (refer below).	1 July 2009	1 July 2009

1 Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139]	The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting. The main amendment of relevance to Australian entities is that made to AASB 117 by removing the specific guidance on classifying land as a lease so that only the general guidance remains. Assessing land leases based on the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible v property, plant and equipment) needs to be determined. These amendments arise from the issuance of the IASB's *Improvements to IFRSs*. The AASB has issued the amendments to IFRS 2, IAS 38, IFRIC 9 as AASB 2009-4 (refer above).	1 January 2010	1 July 2010
AASB 2009-7	Amendments to Australian Accounting Standards [AASB 5, 7, 107, 112, 136 & 139 and Interpretation 17]	These comprise editorial amendments and are expected to have no major impact on the requirements of the amended pronouncements.	1 July 2009	1 July 2009

1 Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Application date for Group*
Amendments to International Financial Reporting Standards***	Amendments to IFRS 2	The amendments clarify the accounting for • the scope of AASB 2; and • the interaction between IFRS 2 and other standards. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. A "group" has the same meaning as in IAS 27 *Consolidated and Separate Financial Statements*, that is, it includes only a parent and its subsidiaries. The amendments also incorporate guidance previously included in IFRIC 8 *Scope of IFRS 2* and IFRIC 11 *IFRS 2—Group and Treasury Share Transactions*. As a result, IFRIC 8 and IFRIC 11 have been withdrawn.	1 January 2010	1 July 2010

* designates the beginning of the applicable annual reporting period unless otherwise stated
** only applicable to not-for-profit / public sector entities
*** pronouncements that have been issued by the IASB and IFRIC but have not yet been issued by the AASB.

The financial report complies with Australian Accounting Standards. The financial report also complies with International Financial Reporting Standards (IFRS).

Adoption of new accounting standard

The Group has adopted all of the new and revised standards and interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2008. The adopted standards and interpretations did not result in any changes to the accounting policies adopted by the Group and did not have any impact on the figures reported in the financial statements.

1 Summary of significant accounting policies (continued)

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Fund and its controlled entities as at 30 June each year (the Group).

The financial statements of the controlled entities are prepared for the same reporting period as the parent entity, using consistent accounting policies.

In preparing the consolidated financial statements, all inter-entity balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Investments in controlled entities held by the Fund are accounted for at cost in the separate financial statements of the parent entity less any impairment charges.

d) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Premium Revenue

Premium revenue comprises amounts charged to the policyholders, excluding taxes collected on behalf of third parties.

Premium revenue is recognised in the income statement from the attachment date, over the period of contract on a daily basis. Where time does not appropriate the pattern of risk previous claims experience is used to derive the incidence of risk.

The proportion of premium received or receivable not earned in the income statement at the reporting date is recognised in the balance sheet as an unearned premium liability.

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Rendering of services

Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

Interest

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

1 Summary of significant accounting policies (continued)

e) Claims expense

Claims expense represents payment for claims and the movement in outstanding claims liabilities [Note 1(j)].

f) Risk EqualisationTrust Fund levies / recoveries

Under the provisions of the Private Health Insurance Act 2007 (Cth), all health insurers must participate in the Risk Equalisation Trust Fund, which charges a levy to all health insurers and shares a proportion of the hospital claims of all persons aged 55 years and over and those memberships with claims in excess of $50,000 in the current and preceding three quarters to all health insurers.

The amounts payable to and receivable from the Risk Equalisation Trust Fund are determined by the Private Health Insurance Administration Council after the end of each quarter. Estimated provisions for amounts payable and income receivable are recognised on an accrual basis.

g) Acquisition costs

Acquisition costs incurred in obtaining health insurance contracts 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 the income statement in subsequent reporting periods.

Deferred acquisition costs (DAC) includes commission paid to intermediaries and other direct costs incurred in relation to the acquisition or renewal of health insurance contracts. Acquisition costs incurred are amortised in accordance with the expected pattern of the incidence of risk under the health insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue.

h) Unearned premium liabilities

Unearned premium liability is determined by apportioning the premium written over the period of the policy from date of attachment of risk.

i) Unexpired risk liability

Liability adequacy testing is performed in order to recognise any deficiencies in the income statement arising from the carrying amount of the unearned premium liability less any related deferred acquisition costs and intangible assets not meeting the estimated future claims under current health insurance contracts.

Liability adequacy testing is performed at the level of a portfolio of contracts that are subject to broadly similar risks and are managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims plus the anticipated administration costs attributable to processing the claims and additional risk margin to reflect the inherent uncertainty in the central estimate, exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, then the shortfall requires an unexpired risk liability to be recognised.

j) Outstanding claims liability

The liability for outstanding claims is measured as the central estimate of the present value of future projected claims payments and associated claims handling costs in respect of claims reported but not yet paid, claims incurred but not reported (IBNR) and claims incurred but not enough reported (IBNER).

Standard actuarial methods are applied to assess the net central estimate of outstanding claims liabilities. Features and trends of claim experience including claim frequencies, average claim sizes and individual claim estimates are analysed and assumptions about the future are selected. Projected future payments include an allowance for inflation and superimposed inflation and are discounted to present value.

A risk margin is added to the central estimate in determining the outstanding claims liabilities. The risk margin is designed to increase the probability of the outstanding claims liabilities proving ultimately to be adequate.

1 Summary of significant accounting policies (continued)

k) Financial assets at fair value through profit or loss

(i) Financial assets backing health insurance liabilities

Assets backing health insurance liabilities are segregated from other assets.

Financial assets are held to back health insurance liabilities on the basis that these assets are valued at fair value in the balance sheet, and consist of liquid and high quality investments such as cash and fixed income securities.

The management of financial assets and health insurance liabilities are closely monitored to ensure that investments are appropriate, given the expected pattern of future cash flows arising from health insurance liabilities.

Financial assets backing health insurance liabilities are designated at fair value through profit or loss. Initial recognition is at cost and subsequent measurement is at fair value in the balance sheet with any resultant unrealised profits and losses recognised in the income statement.

The Group does not have any other category of investment.

(ii) Determination of fair value

Fair value for the various types of financial assets is determined as follows:

(a) Cash assets - at face value of the amounts deposited;
(b) Listed, government and semi-government securities - by reference to quoted bid price; and
(c) Unlisted securities - based on redemption value per unit as reported by the fund managers using valuation techniques. Such valuation techniques include the use of recent arm's length transactions, reference to other instruments that have substantially the same characteristics, discounted cash flow analysis or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(iii) Recognition and de-recognition

All purchases and sales of financial assets that require delivery of the asset within the time frame established by regulation or market convention are recognised at trade date, being the date on which the Group commits to buy or sell the asset. In cases where the period between trade and settlement exceeds this time frame, the transaction is recognised at settlement date.

Financial assets are de-recognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all risks and rewards of ownership.

l) Investment in controlled entities

Investments in controlled entities are carried at cost, less provision for impairment.

m) Impairment of financial assets

The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

(i) Financial assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value (because its fair value cannot be reliably measured), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the current market rate of return for a similar financial asset.

1 Summary of significant accounting policies (continued)

n) Property, plant and equipment

Fixed assets, excluding buildings and freehold land, are depreciated over their estimated useful lives using the reducing balance method. The building is depreciated on a straight line basis to write off the net cost or revalued amount over its expected useful life. Depreciation rates are as follows:

Freehold buildings	2.5%
Plant and equipment	9%- 50%
Motor vehicles	22.5%

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Buildings and freehold land are valued using the revaluation model whereby measurement subsequent to initial recognition is at fair value at the date of the latest revaluation less any subsequent accumulated depreciation and accumulated impairment losses.

Every third year the valuations are based on external property valuation reports. In the intervening years, valuations are based on management estimates. All properties are valued simultaneously.

When a revaluation increases the carrying value of a property, the increase is credited directly to equity under the heading of revaluation reserve. However, an increase is recognised in profit or loss to the extent that it reverses a revaluation decrease of the same asset previously recognised in the income statement.

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the income statement. However, any decrease is debited directly to equity under the heading of revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Any remaining balance on the revaluation reserve is credited to retained earnings when the corresponding property is de-recognised.

o) Cash and cash equivalents

Cash and short term deposits in the balance sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

p) Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

Amounts due from policyholders and intermediaries are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated to by taking the initially recognised amount and reducing it for impairment as appropriate.

An allowance for doubtful debts is made when there is objective evidence that the entity will not be able to collect the debts. Financial difficulties of the debtor, default payments or debts more than 90 days overdue are considered objective evidence of doubtful debts. Bad debts are written off when identified.

Amounts due under the Federal Government Rebate Incentives Scheme are stated at the net amount expected to be collected.

q) Inventories

Inventories comprise goods for resale and are valued at the lower of cost and net realisable value.

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

1 Summary of significant accounting policies (continued)

r) Taxation

(I) Income tax

In accordance with Section 50 - 30 of the Income Tax Assessment Act 1997, the income of the Fund is exempt from income tax. The profit of the controlled entity, which is included in the consolidated statements of the Fund, has been determined after providing for taxation expense at 30% of the controlled entity's pre-tax operating profit, adjusted for exempt income and non-deductible expenses.

(ii) Deferred tax

Deferred tax is provided in full, using the Balance Sheet approach, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Balance Sheet.

Deferred tax assets and liabilities are recognised at the tax rates expected to apply when the assets are recovered or liabilities are settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred taxes attributable to amounts recognised directly in equity are recognised in equity.

(iii) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST). Receivables and payables are stated inclusive of GST. The net amount of GST recoverable from, or payable to, the tax authority is included as part of receivables and payables.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

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

s) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Any resultant write-down is recognised as an expense in the reporting period in which it occurs, unless the asset had previously been revalued, in which case the previous revaluation is written back with any excess being expensed.

The recoverable amount is the higher of an asset's fair value, less direct selling costs, and its value in use. In assessing the value-in-use of assets, the relevant cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or company of assets.

For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable operational cash flows (cash generating units).

1 Summary of significant accounting policies (continued)

t) Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and serv ices. Trade payables, generally have 30 - 90 day terms.

u) Employee benefits

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave, rostered days off and long service leave and they are measured at their nominal value, except the liability for long service leave which is measured as the present value of the expected payments to be made in respect of services provided by employees up to the reporting date.

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yield as at the reporting date on national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

2 Critical accounting estimates and judgements

Estimates and judgements are made by the Fund to arrive at certain key asset and liability amounts disclosed in the financial statements. These estimates and judgements are continually being evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas of significant judgement and the methodologies used to determine key assumptions are set out below.

Uncertainty over estimate of claims expense provision arising from health insurance contracts

Actuarial estimates are obtained after analysis of past claims experience. From these analyses, models of the claim payment process can be established and used to project future payments on claims outstanding at the balance date.

The estimates of outstanding claims obtained in this manner are estimates in the sense that there is a degree of uncertainty as to the difference which will ultimately arise between the estimates and the final result of the experience. This uncertainty arises from four sources:

(a) the nature of the claims process is not fully understood, it might be that none of the valuation models used is an entirely accurate representation of reality;

(b) there are components of randomness in the claims process, it is not possible to estimate the parameters of that process with complete precision even if complete confidence were felt in the nature of the model;

(c) any erroneous data will similarly have introduced uncertainties into the estimates of those parameters;

(d) even if the parameters could be estimated with precision, it would not be possible to predict outstanding claims with the same precision because of the random component in future experience.

Errors associated with (b) and (d) can be quantified in a formal way (estimation and statistical errors). However a large part of the uncertainty is associated with (a) (model specification error), and it is not possible to quantify this component.

The investigation and application of different models to the data is intended to reduce the model specification error, although the extent to which this is achieved is unknown.

The initial estimates obtained from the calculations are central estimates in the sense that they incorporate no deliberate bias towards over or under estimation. By definition, the estimates are intended to have about an even chance of ultimately turning out to be sufficient.

The nature of health insurance claims is such that the actual value of the liabilities is unknown because claims experience is subject to random fluctuations. The amount of the claim liability cannot be estimated with certainty. Also it is very difficult to determine the central estimate with a reasonable degree of precision. For this reason the inherent uncertainty in the central estimate must also be considered.

The provisions adopted in the Fund's accounts are greater than the central estimate and the difference is referred to as a prudential margin. The prudential margin allows for some part of the uncertainties in the claim process and it also ensures that as far as possible that the surplus is not released until it is reasonably certain that the surplus is real.

The estimated liability for outstanding claims has been calculated as the present value of the liability after allowing for:

(a) future increases prior to payment, due to claims inflation;

(b) discounting to take into account investment return attributable to the assets backing the provisions during the run-off period;

(c) expenses associated with administering claims during the run-off period.

Allowance for Impairment

The allowance for impairment in investment in subsidiary is calculated using a discounted cash flow valuation model. The valuation model applies an earnings multiple to the forecast cash flows of the business and is subject to a degree of uncertainty.

3 Actuarial methods and assumptions

Claims estimates for the health insurance classes are derived from an analysis of two different actuarial models. Ultimate number of claims incurred are projected based on past reporting patterns. Payments experience is analysed based on averages paid per claim incurred and per claim reported. The resulting projected payments from these models are analysed along with benchmarks for average claim size and other statistics, in order to determine the final estimate of outstanding claims. The analysis and projection work is done for three valuation categories i.e. hospital, medical and general (ancillary) and consolidated into two health insurance classes, i.e. hospital including medical and general (ancillary). The exposure period is month of service.

Claims inflation is built into the resulting projected payments, to allow for both general economic inflation and superimposed inflation detected in the modelling of payment experience. Superimposed inflation arises from non-economic factors such as increased use of new medical technologies and changes in claimant behaviour. It is determined separately for each health insurance class.

Projected payments are discounted to allow for the time value of money.

(i) Assumptions

	2009		2008	
a) Inflation and discount rates	**Next 12 months % p.a.**	**Later % p.a.**	**Next 12 months % p.a.**	**Later % p.a.**
Inflation rates				
Normal	3.0%	3.0%	3.5%	3.5%
Superimposed				
Hospital	5.4%	5.4%	2.4%	2.4%
Medical	1.9%	1.9%	0.0%	0.0%
General (Ancillary)	0.4%	0.4%	5.1%	5.1%
Discount rates	3.4%	4.8% - 6.1%	7.1%	6.8% - 6.3%

	2009	2008
b) Weighted average expected term to settlement		
	Months	**Months**
Gross central estimate	1.49	1.39
Risk equalisation recoveries	1.09	1.09
Net central estimate	1.50	1.39
	Percent	**Percent**
Claims handling expense rate	6.9%	7.5%
d) Risk margin	6.2%	6.2%
e) Average claim size		
Hospital	$1,449.00	$1,365.00
Medical	$58.00	$58.00
General (Ancillary)	$49.00	$49.00

(ii) Processes used to determine assumptions

Average weighted term to settlement
The average term to settlement is calculated separately by class of business and is based on historic payment patterns.

Future claim reports (IBNR)
Future claim reports are analysed using the ratio of late reported claims to reported claims over future development periods.

3 Actuarial methods and assumptions (continued)

Average claim size

Average claim size is a benchmark being the outcome of the month of service blend of actuarial methods described above.

Expense rate

Claims handling expenses were calculated by analysis of the Fund's actual expenses from income statements over the last 12 months.

Discount rates

Discount rates are derived as the one-year forward rates implied by the Commonwealth Government Bond yield curve as at the balance date.

Inflation rates

Economic inflation assumptions have been set by reference to current economic indicators.

Superimposed inflation

Superimposed inflation being the real increase after adjusting for normal inflation, usually due to non-economic effects e.g. changes in / new treatments and increased use of new medical technologies. The superimposed inflation rates assumed considered the Fund's own real cost increases.

Sufficiency margin

The inherent uncertainty in the estimated claim liability means that there is a range of possible outcomes. An analysis of the variation of the expected results lead to adoption of a 7.5% co-efficient of variation and the lognormal distribution. This distribution is then used to calculate the risk margin required to increase the level of sufficiency of the central estimate from 50% to 80%.

Risk margin

Uncertainty was analysed for each portfolio taking into account potential uncertainties relating to the actuarial models and assumptions, the data quality, the health insurance environment and the impact of legislative reform.

As the Fund is a single portfolio comprising two correlated classes of risk, no allowance is made for diversification when setting the risk margin.

The risk margin is applied to increase the level of adequacy of the central estimate to 80%.

3 Actuarial methods and assumptions (continued)

(iii) Sensitivity analysis - insurance contracts

The Fund conducts sensitivity analyses to quantify the exposure risk of changes in the key underlying variables and assumptions, as described above. The movement in any key variable will impact the performance and equity of the Fund.

The tables below describe how a change in each assumption will affect the insurance liabilities and hence the profit / (loss) and the equity both gross and net of risk equalisation.

Variable	Impact of movement in variable
Average weighted term to settlement	Does not directly affect the insurance liabilities.
Number of late reported claims	Used to determine the level of claims incurred but not reported (IBNR). An increase or decrease in lodgements have a corresponding impact on claims expense.
Expense rate	An increase or decrease in the expense rate assumption has a corresponding impact on claims expense.
Discount rate	The insurance liabilities are calculated by reference to expected future payments, discounted for the time value of money. An increase or decrease in the assumed rate of discount has an opposing impact on claims expense.
Inflation and superimposed inflation rates	Expected future payments are inflated to take account of both economic and non-economic inflationary pressures as described above under assumptions. An increase or decrease in the normal and / or superimposed inflation rate assumptions has a corresponding impact on claims expense.
Sufficiency margin	An increase or decrease in the coefficient of variation has a corresponding impact of the sufficiency margin and hence on the actuarial provision.
Average claim sizes	Average claim size is determined by the valuation, see above, and is used as a benchmark. Hence it is not sensitivity tested.
Risk margin	Used to increase the level of adequacy of the central estimate to 80%. An increase or decrease in the risk margin will have a corresponding impact on claims expense.

3 Actuarial methods and assumptions (continued)

Impact of changes in key variables

		Increase / (decrease) in profit and equity ($)			
		2009		2008	
Variable	**Movement in variable**	**Gross of risk equalisation**	**Net of risk equalisation**	**Gross of risk equalisation**	**Net of risk equalisation**
Number of late reported claims	10% decrease	224,983	222,822	389,399	385,003
	10% increase	(224,983)	(222,822)	(389,399)	(385,003)
Claims management expense	1% decrease	49,739	49,261	57,438	56,790
	1% increase	(49,739)	(49,261)	(57,438)	(56,790)
Discount rate	1% decrease	(6,308)	(6,247)	(6,553)	(6,479)
	1% increase	6,391	6,330	6,634	6,559
Inflation	1% decrease	8,094	8,017	9,067	8,965
	1% increase	(8,144)	(8,066)	(9,127)	(9,024)
Superimposed inflation	1% decrease	8,094	8,017	9,067	8,965
	1% increase	(8,144)	(8,066)	(9,127)	(9,024)
Sufficiency margin	Increase coefficient of variation from 7.5% to 10%	(99,602)	(98,645)	(115,461)	(114,157)
	Decrease coefficient of variation from 7.5% to 5%	101,226	100,254	117,344	116,019

4 Risk management

The Group's financial condition and operating activities are affected by a number of key financial risks including interest rate risk, credit risk, market risk, liquidity risk and fiscal risk and non-financial risks including insurance risk, compliance risk and operational risk. The Group's policies and procedures in respect of managing financial and insurance risks are set out in this note.

a) Corporate governance framework

The Board of Directors of the Fund is responsible for the corporate governance of the Group. The Board of Directors of the Fund determines the Group's overall risk appetite and approves the management strategies, policies and practices to ensure that risks, including compliance risks, are identified and managed within the context of this appetite.

The Audit and Risk Committee is a sub-committee of the Board of Directors of the Fund. PricewaterhouseCoopers, the Fund's outsourced internal auditor, operates under a charter adopted by the Board. It is the Board's responsibility to ensure that an effective internal control framework exists within the Group. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, together with the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators.

The Audit and Risk Committee is responsible for:
(1) monitoring the Risk Management Plan;
(2) reviewing the audit plans of the internal and external auditor;
(3) monitoring and appraising the activities of the internal and external auditor;
(4) recommending the appointment of the external auditor, and reviewing and recommending the adoption of the statutory accounts to the Board.

The Board has appointed itself as the Investment Committee and the Remuneration Committee. The Board is responsible for determining investment policy and reviewing investment performance. The Board utilises specialised investment management services for the management of the investment portfolio. The Board is responsible for determining and reviewing compensation arrangements for the Chief Executive Officer and other key management personnel.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the committee referred to above, these mechanisms include the following:

(1) approval of the strategic plan, which encompasses the Group's vision, mission and strategy statement, designed to meet stakeholders' needs and manage business risk;
(2) implementation of operating plans and budgets by management and monitoring of progress against budget by the Board which includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes.

b) Capital management framework

Capital comprises the total equity as reflected in the balance sheet. The Fund operates within the regulatory environment established by the Private Health Insurance Act 2007 (Cth) (the "Act"). The regulatory body for the Private Health Insurance industry is the Private Health Insurance Council (PHIAC). The Fund is subject to the Solvency and Capital Adequacy Standards applied by the Act and regulated by PHIAC. The Fund is required to submit quarterly returns to PHIAC as well as an annual audited return that is used to establish whether the Fund complies with the standards. The Fund has exceeded the required Solvency and Capital Adequacy reserves throughout the year.

4 Risk management (continued)

The Fund makes use of the Financial Condition Report (FCR) prepared by its Appointed Actuary to inform the Board of Directors about decisions on capital management issues. The FCR is a medium term projection of the overall financial position of the business under a variety of economic and operating scenarios, allowing for new business. The FCR considers a number of key performance indicators in addition to solvency and capital requirements. The FCR enables the Fund to assess a range of risks to which the business is exposed, their evolution over time, and the impact of the mitigating actions that might be taken.

Other tools the Fund utilises to manage its capital requirements are the annual premium submission to the Department of Health and Ageing, forecasts, the annual budget and monthly management accounts. The annual premium submission considers the financial impact of the Fund's plans over the next two years and the impact on capital adequacy and solvency. The annual premium submission is checked by the Fund's Appointed Actuary and approved by the Minister for Health and Ageing.

c) Insurance risk - health insurance activities

The Fund's insurance activities primarily involve the underwriting of risks and claim management. The Fund employs a disciplined approach to underwriting and risk management that emphasises maximising member benefits rather than a premium, volume or market share oriented approach.

(i) Risk management objectives and policies for mitigating insurance risk

The risk management activities include prudent underwriting, pricing, acceptance and management of risk process, together with claim management, reserving and investment. The objective of these disciplines is to enhance the financial performance of the Fund's overall health insurance operations.

The key policies in place to mitigate risks arising from writing health insurance contracts include the following:

(a) the maintenance and use of management information systems that provide up-to-date, reliable data on the risks to which the business is exposed at any point in time;
(b) the use of actuarial models based on historical data to calculate premiums and monitor claims patterns;
(c) the mix of assets invested in is matched to the term of the insurance liabilities to maximise the investment performance;
(d) the diversification of business over two classes of insurance and a large number of uncorrelated individual risks seeks to reduce variability in loss experience.

(*ii) Terms and conditions of health insurance business*

The terms and conditions attaching to health insurance contracts affect the level of insurance risk accepted by the Fund. There are no special terms and conditions in any non-standard contracts that have a material impact on the financial statements.

(iii) Concentration of insurance risk

The Group's exposure is concentrated in Western Australia.

(iv) Claims management and claims provisioning risks

The Group's approach to determining the outstanding claims provision is set out in note 3. The Fund's Appointed Actuary provides the Group's outstanding claims provision reported at balance date.

4 Risk management (continued)

d) Risk equalisation risk

PHIAC administers the Risk Equalisation Trust Fund (RETF) in terms of the Private Health Insurance Act 2007(Cth). All private health insurance funds in Australia are required to submit their quarterly eligible claims data to PHIAC for inclusion in an age based and high cost claims pool. The pool is divided by the total number of single equivalent units (SEU's) across all funds. The SEU rate is then applied to the number of SEU's in the fund and compared to the fund's actual risk equalisation eligible claims for the quarter. Each fund then either contributes their shortfall to or receives a payment for their surplus from the RETF. This arrangement spreads the risk of high cost claims and higher claiming older members across all funds in Australia.

e) Financial risk

The Group is exposed to a number of forms of financial risk, the most significant being market risk. This section provides an explanation of the other aspects in which the Group is affected by financial risks.

(i) Market risk
The Group takes on exposure to market risks including, fair value interest risk and price risk. Market risks arise from open positions in interest rates and equity products, all of which are exposed to general and specific market movements. The market risks that the Group primarily faces are equity risk and interest rate risk, due to the nature of its investments and liabilities.

Investment activity for the Group is undertaken in accordance with an investment policy established by the Board of Directors. The policy stipulates cash flow requirements, liquidity management, authorised investments and maximums, composition of portfolio, performance benchmarks and credit structure.

At 30 June, the Group had the following mix of financial assets exposed to equities price risk:

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
Financial assets				
Investment in unit trusts	**1,752,242**	2,258,931	**1,752,242**	2,258,931

The unit trusts primarily invest in companies listed on the Australian Stock Exchange (ASX).

At 30 June, if the S&P/ASX 300 Index had moved, as illustrated in the table below, with all other variables held constant, post tax profit/equity would have been affected as follows:

	Post tax profit/equity higher/(lower)			
	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
+ 10% S&P/ASX 300 Index	**175,224**	225,893	**175,224**	225,893
- 10% S&P/ASX 300 Index	**(175,224)**	(225,893)	**(175,224)**	(225,893)

4 Risk management (continued)

(ii) Interest rate risk

The Group manages its exposure to interest rate risk through a diversified portfolio of investments including property and equity investments in addition to interest bearing assets. The interest bearing assets are further diversified in type and duration.

At balance date, the Group had the following mix of financial assets and liabilities exposed to Australian variable interest rate risk:

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
Financial assets				
Cash and cash equivalents	**40,414,469**	34,926,364	**40,363,329**	34,862,988
Commercial notes	**3,530,565**	3,670,588	**3,530,565**	3,670,588
Government bonds	**774,062**	841,589	**774,062**	841,589
	44,719,096	39,438,541	**44,667,956**	39,375,165

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax profit and hence equity would have been affected as follows:

	Post tax profit/equity higher/(lower)			
	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
+ 1% (100 basis points)	**425,668**	371,825	**425,156**	371,191
- .5% (50 basis points)	**(212,834)**	(185,912)	**(212,578)**	(185,595)

The movements in profit/equity are due to higher/lower interest income from variable rate cash and term deposit balances and the fair value movement of the fixed interest rate securities. The sensitivity is higher in 2009 than in 2008 because of an increase in cash and cash equivalents.

The movement in fixed interest rate securities (the commercial notes and government bonds) reflect the change in the fair value of the securities due to movement in the underlying interest rate.

(iii) Liquidity risk

The Group is exposed to daily calls on its available cash resources from policy claims. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. The Fund's Board sets limits on the minimum proportion of maturing funds available to meet such calls and to cover claims at unexpected levels of demand.

The following table reflects all contractually fixed pay-offs and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2009. The undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2009.

4 Risk management (continued)

The remaining contractual maturities of the Group's and the Fund's financial liabilities are:

	Consolidated		**Health Insurance Fund of WA**	
	2009	2008	**2009**	2008
	$	$	**$**	$
3 months or less	815,758	594,511	770,079	543,486
>3-6 months	-	-	-	-
>6-12 months	-	-	-	-
>1-5 years	-	-	-	-
Over 5 years	-	-	-	-
	815,758	**594,511**	**770,079**	**543,486**

Where there is no specific contractual terms of payment the liability is considered to be payable on demand.

Maturity analysis of financial assets and liabilities based on management's expectations

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Payables and other financial liabilities mainly originate from the ongoing operations of the Group such as overhead expenses and investments in working capital eg inventories and trade receivables. To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its various business units that reflects expectations of management of expected settlement of financial assets and liabilities.

Consolidated **Year ended 30 June 2009**	**≤ 3 months** **$**	**>3-6 months** **$**	**>6-12 months** **$**	**>1-5 years** **$**	**>5 years** **$**	**Total** **$**
Financial assets						
Cash and cash equivalents	**40,414,469**	**-**	**-**	**-**	**-**	**40,414,469**
Receivables	**2,744,542**	**-**	**-**	**-**	**-**	**2,744,542**
Financial assets at fair value through profit or loss	**2,003,634**	**-**	**-**	**4,053,235**	**-**	**6,056,869**
	45,162,645	**-**	**-**	**4,053,235**	**-**	**49,215,880**
Financial liabilities						
Payables	**815,758**	**-**	**-**	**-**	**-**	**815,758**
Net maturity	**44,346,887**	**-**	**-**	**4,053,235**	**-**	**48,400,122**
Year ended 30 June 2008						
Financial assets						
Cash and cash equivalents	34,926,364	-	-	-	-	34,926,364
Receivables	2,372,728	-	-	-	-	2,372,728
Financial assets at fair value through profit or loss	2,858,328	1,499,900	-	2,412,880	-	6,771,108
	40,157,420	1,499,900	-	2,412,880	-	44,070,200
Financial liabilities						
Payables	594,511	-	-	-	-	594,511
Net maturity	39,562,909	1,499,900	-	2,412,880	-	43,475,689

4 Risk management (continued)

Health Insurance Fund of WA **Year ended 30 June 2009**	**≤ 3 months** **$**	**>3-6 months** **$**	**>6-12 months** **$**	**>1-5 years** **$**	**>5 years** **$**	**Total** **$**
Financial assets						
Cash and cash equivalents	**40,363,329**	**-**	**-**	**-**	**-**	**40,363,329**
Receivables	**2,732,836**	**-**	**-**	**-**	**-**	**2,732,836**
Financial assets at fair value through profit or loss	**2,003,634**	**-**	**-**	**4,053,235**	**-**	**6,056,869**
	45,099,799	**-**	**-**	**4,053,235**	**-**	**49,153,034**
Financial liabilities						
Payables	**770,079**	**-**	**-**	**-**	**-**	**770,079**
Net maturity	**44,329,720**	**-**	**-**	**4,053,235**	**-**	**48,382,955**
Year ended 30 June 2008						
Financial assets						
Cash and cash equivalents	34,862,988	-	-	-	-	34,862,988
Receivables	2,340,560	-	-	-	-	2,340,560
Financial assets at fair value	2,858,328	1,499,900	-	2,412,880	-	6,771,108
	40,061,876	1,499,900	-	2,412,880	-	43,974,656
Financial liabilities						
Payables	543,486	-	-	-	-	543,486
Net maturity	39,518,390	1,499,900	-	2,412,880	-	43,431,170

Maturity analysis of the Funds undiscounted outstanding claims liability on insurance contracts is as follows:

	≤ 3 months **$**	**>3-6 months** **$**	**>6-12 months** **$**	**>1-5 years** **$**	**>5 years** **$**	**Total** **$**
Year ended 30 June 2009	**4,789,395**	**283,115**	**127,243**	**31,811**	**-**	**5,231,563**
Year ended 30 June 2008	5,587,096	338,956	118,429	29,607	-	6,074,088

Fair value
The methods for estimating fair value are outlined in the relevant notes to the financial statements.

f) Credit risk

The credit risk on financial assets of the Group is generally the carrying amount, net of any provisions for doubtful debts. Credit risk is mitigated by close management review of outstanding amounts which are regularly followed up and collected.

The table on the following page provides information regarding the credit risk exposure of the Group at 30 June 2009 by classifying assets according to the Standard and Poors credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

The Fund manages credit risk by setting investment limits based on counterparty credit ratings and the duration of investments. The compliance with these limits is reported to the Fund's Board of Directors on a monthly basis.

4 Risk management (continued)

Year ended 30 June 2009	**AAA $**	**AA $**	**A $**	**BBB $**	**BB $**	**Not rated $**	**Total $**
Consolidated							
Cash and cash equivalents	**-**	**40,395,619**	**-**	**-**	**-**	**18,850**	**40,414,469**
Receivables	**2,082,989**	**87,646**	**-**	**-**	**-**	**573,907**	**2,744,542**
Financial assets at fair value through profit or loss	**774,062**	**3,530,565**	**-**	**-**	**-**	**1,752,242**	**6,056,869**
Total	**2,857,051**	**44,013,830**	**-**	**-**	**-**	**2,344,999**	**49,215,880**

Year ended 30 June 2008	**AAA $**	**AA $**	**A $**	**BBB $**	**BB $**	**Not rated $**	**Total $**
Consolidated							
Cash and cash equivalents	-	21,905,084	-	13,002,290	-	18,990	34,926,364
Receivables	1,508,921	158,342	-	-	-	705,465	2,372,728
Financial assets at fair value through profit or loss	841,589	1,296,750	998,104	499,409	876,325	2,258,931	6,771,108
Total	2,350,510	23,360,176	998,104	13,501,699	876,325	2,983,386	44,070,200

The AAA rated receivable reflected above is due from Medicare Australia which is a body administered and managed by the Federal Government. The Fund's policy does not permit investment in any security rated below Standard and Poors' long-term A rating. The investments with BB and BBB ratings reflected above are the result of credit downgrades of certain investments during the year 2008. Cash and cash equivalents with a BBB rating reflected short-term deposits with an Australian Deposit-taking Institution.

g) Currency risk

All financial assets and liabilities of the Group are denominated in Australian Dollars.

5 Premium revenue

	Consolidated and Health Insurance Fund of WA		
	Hospital Tables	General Tables	Total
	$	$	$
Premium revenue has been arrived at after including:			
2009 premium revenue			
Premiums received including Federal Government rebates	**36,874,744**	**20,644,088**	**57,518,832**
+/- premiums in arrears	**80,277**	**37,533**	**117,810**
+/- unearned premium liability	**(365,929)**	**(173,214)**	**(539,143)**
+/- amount receivable from the Federal Government Rebate Incentives Scheme	**83,178**	**46,552**	**129,730**
Total premium revenue	**36,672,270**	**20,554,959**	**57,227,229**
2008 premium revenue			
Premiums received including Federal Government rebates	34,495,750	19,393,779	53,889,529
+/- premiums in arrears	(117,968)	(60,544)	(178,512)
+/- unearned premium liability	(258,892)	(143,266)	(402,158)
+/- amount receivable from the Federal Government Rebate Incentives Scheme	80,392	45,120	125,512
Total premium revenue	34,199,282	19,235,089	53,434,371

6 Investment income (net)

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
Interest	**2,307,945**	2,515,277	**2,314,969**	2,516,020

Consolidated proceeds from maturity of investments of $ 2,181,791 (2008: $ 13,925,076) have not been included within revenue because they arise predominantly from the sale and re-investment of fixed interest securities and do not constitute revenue.

7 Gain on sale of subsidiary

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
Share of loss 1 July 2007 to 31 May 2008 / Cost of investment	**-**	44,920	**-**	51
Sale consideration	**-**	51	**-**	51
Net gain on sale	**-**	44,869	**-**	-

On 31 May 2008 the Fund sold its 51% investment in Better Optical Solutions Limited to the minority shareholder for $51.

8 Other income / revenue

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	$	$
Rental revenue	**297,238**	190,960	**297,238**	163,945
Other revenue	**106,260**	107,693	**145,404**	136,511
	403,498	298,653	**442,642**	300,456

9 Net Claims incurred

	Consolidated and Health Insurance Fund of WA		
	Current year	**Prior years**	**Total**
2009	**$**	**$**	**$**
Gross claims expense			
Gross claims incurred - undiscounted	**47,177,972**	**(602,081)**	**46,575,891**
Discount movement	**19,332**	**(42,522)**	**(23,190)**
	47,158,640	**(559,559)**	**46,599,081**
Risk equalisation revenue			
Risk equalisation revenue - undiscounted	**452,832**	**(16,562)**	**436,270**
Discount movement	**154**	**(432)**	**(278)**
	452,678	**(16,130)**	**436,548**
Net claims incurred	**46,705,962**	**(543,429)**	**46,162,533**
2008			
Gross claims expense			
Gross claims incurred - undiscounted	43,780,852	352,420	44,133,272
Discount movement	42,240	(29,607)	12,633
	43,738,612	382,027	44,120,639
Risk equalisation revenue			
Risk equalisation revenue - undiscounted	483,911	85,971	569,882
Discount movement	430	204	634
	483,481	85,767	569,248
Net claims incurred	43,255,131	296,260	43,551,391

Current year amounts relate to risks borne in the current financial year. Prior period amounts relate to a reassessment of the risks borne in all previous financial years.

For prior years, the movement in claims management expense allowance over the year is disregarded for consistency with the income statement. The Fund values are the same as the consolidated values.

10 Other expenses

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
a) Other operating expenses				
Loss from write-off of property, plant & equipment	**9,210**	74,651	**9,210**	-
Commission	**158,177**	136,052	**158,177**	136,052
Information technology	**345,512**	352,933	**345,512**	351,367
Depreciation	**162,962**	140,436	**150,865**	117,915
Impairment of investment in and receivable from a subsidiary	**183,841**	-	**483,321**	508,547
Employee costs	**3,217,976**	3,342,054	**2,984,703**	2,801,016
Legal fees	**176,741**	11,518	**163,571**	9,701
Postage and telephone	**229,532**	239,635	**217,831**	210,852
Printing and stationery	**86,143**	69,628	**86,059**	69,570
Rental and property expenses	**299,498**	317,259	**151,465**	105,383
Advertising	**1,283,617**	846,973	**1,275,613**	827,236
Other expenses	**968,946**	1,201,819	**758,934**	781,257
	7,122,155	6,732,958	**6,785,261**	5,918,896
Less: Acquisition costs	**(2,952,374)**	(2,051,103)	**(2,952,374)**	(2,051,103)
Claims handling costs	**(973,404)**	(807,971)	**(973,404)**	(807,971)
	3,196,377	3,873,884	**2,859,483**	3,059,822
b) Finance costs				
Financial charges and taxes	**186,772**	198,972	**183,094**	189,451
Less: Acquisition costs	**(95,388)**	(98,913)	**(95,388)**	(98,913)
Claims handling costs	**(79,069)**	(78,377)	**(79,069)**	(78,377)
	12,315	21,682	**8,637**	12,161

11 Income tax

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	$	$
Income tax expense				
Current tax	**2,765**	3,223	**-**	-
Deferred tax	**-**	54,598	**-**	-
Total tax expense charged to income statement	**2,765**	57,821	**-**	-
Reconciliation between net profit before tax and tax expense				
Profit before income tax expense	**5,647,074**	5,784,600	**5,608,891**	5,543,726
Tax at the Australian tax rate of 30% (2008 - 30%)	**1,694,122**	1,735,380	**1,682,667**	1,663,118
Exempt income of parent entity	**(1,682,667)**	(1,663,118)	**(1,682,667)**	(1,663,118)
	11,455	72,262	**-**	-
Deferred tax asset not recognised on loss in subsidiary	**136,308**	96,986	**-**	-
Provision for impairment	**(144,998)**	(152,564)	**-**	-
Tax effect of gain on sale of subsidiary	**-**	(13,461)	**-**	-
Write-off of deferred tax asset previously recognised	**-**	54,598	**-**	-
Tax charge for the year	**2,765**	57,821	**-**	-

	Balance sheet		Income statement	
Consolidated	**2009**	2008	**2009**	2008
	$	$	$	$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Accelerated depreciation for tax purposes	**-**	-	**-**	127
	-	-		
Deferred tax assets				
Prepayments	**-**	-	**-**	24
Provision for impairment	**-**	-	**-**	15,751
Provision for employee entitlements	**-**	-	**-**	6,957
Sundry accruals	**-**	-	**-**	7,041
Losses available for offset against future taxable income	**-**	-	**-**	24,698
	-	-	**-**	(26,679)

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	$	$
12 Cash and cash equivalents				
Cash on hand	**18,850**	18,990	**18,500**	18,500
Cash at bank and on call	**3,020,639**	8,399,468	**2,969,849**	8,336,582
Short-term deposits	**37,374,980**	26,507,906	**37,374,980**	26,507,906
	40,414,469	34,926,364	**40,363,329**	34,862,988

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
13 Receivables				
Current				
Contributions in arrears	**384,767**	265,527	**384,767**	265,527
Amounts due from the Risk Equalisation Trust Fund	**562,176**	127,357	**562,176**	127,357
Investment income receivable	**107,526**	158,342	**107,526**	158,342
Amounts due from the Federal Government Rebate Incentives Scheme	**1,511,295**	1,381,564	**1,511,295**	1,381,564
Amounts receivable from controlled entities	**-**	-	**254,588**	191,618
Impairment	**-**	-	**(247,328)**	(183,698)
Other amounts receivable	**178,778**	439,938	**159,812**	399,850
Commercial loan - controlled entity	**-**	-	**299,868**	124,848
Impairment	**-**	-	**(299,868)**	(124,848)
	2,744,542	2,372,728	**2,732,836**	2,340,560

Other amounts receivable for 2008 includes a deposit of $69,484 paid for an office refurbishment project due to commence in August 2008 and a GST claim including the purchase of land and buildings of $160,524.

The commercial loan - controlled entity is represented by working capital loans extended to Maximeyes Optical Unit Trust (MaximEyes). Interest is earned at an average rate of 6.3% per annum (2008: 8.0% per annum). During the 2009 financial year, $175,000 in working capital loans were extended to MaximEyes by the Fund to provide funding to meet MaximEyes' commitments. At 30 June 2009 the full outstanding loan amount as well as the inter-company debtor balance was provided against for possible impairment.

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
14 Inventories				
Finished goods (at cost)	**106,125**	86,723	-	-
Impairment	**(100,819)**	-	-	-
Finished goods at cost or net realisable value whichever is lower	**5,306**	86,723	**-**	-

15 Financial assets at fair value through profit or loss

	Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Current				
Commercial notes	**-**	1,999,309	**-**	1,999,309
Government bonds	**251,392**	99,987	**251,392**	99,987
	251,392	2,099,296	**251,392**	2,099,296
Non-current				
Commercial notes	**3,530,565**	1,671,279	**3,530,565**	1,671,279
Government bonds	**522,670**	741,602	**522,670**	741,602
Investment in unit trusts	**1,752,242**	2,258,931	**1,752,242**	2,258,931
	5,805,477	4,671,812	**5,805,477**	4,671,812

16 Investments in controlled entities

		Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Subordinated loan - Maximeyes Optical Unit Trust	(i)	**-**	-	**200,000**	200,000
51 "A" class units in unit trust - Maximeyes Optical Unit Trust		**-**	-	**51**	51
49 "B" class units in unit trust - Maximeyes Optical Unit Trust	(ii)	**-**	-	**244,620**	244,620
Maximeyes Optical Unit Trust		**-**	**-**	**444,671**	**444,671**
Impairment				**(444,671)**	(200,000)
HIF Financial Services Pty Ltd		**-**	-	**1**	1
		-	-	**1**	244,672

(i) The subordinated loan does not bear interest and does not have a repayment term. The Fund does not intend to recall the loan in the near future.

(ii) The Fund acquired the remaining 49% in Maximeyes Optical Unit Trust as at 1 February 2007.

17 Deferred acquisition costs

	Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Deferred acquisition costs as at 1 July	**85,598**	169,041	**85,598**	169,041
Acquisition costs deferred	**3,047,763**	2,150,016	**3,047,763**	2,150,016
Amortisation charged against income statement	**(2,859,637)**	(2,233,459)	**(2,859,637)**	(2,233,459)
Deferred acquisition costs as at 30 June	**273,724**	85,598	**273,724**	85,598

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
18 Property, plant and equipment				
Land at revaluation	**5,185,000**	4,159,402	**5,185,000**	4,159,402
Buildings at revaluation	**965,000**	675,000	**965,000**	675,000
	6,150,000	4,834,402	**6,150,000**	4,834,402
Plant and equipment	**31,311**	30,936	**-**	-
Less: accumulated depreciation	**29,044**	26,160	**-**	-
	2,267	4,776	**-**	-
Office furniture and equipment - at cost	**1,221,129**	924,527	**1,102,455**	806,185
Less: accumulated depreciation	**696,803**	629,302	**666,156**	605,280
Less: Impairment	**83,022**	-	**-**	-
	441,304	295,225	**436,299**	200,905
Motor vehicles - at cost	**171,523**	164,458	**140,426**	133,361
Less: accumulated depreciation	**76,004**	62,238	**56,120**	44,942
	95,519	102,220	**84,306**	88,419
Total property, plant and equipment	**6,689,090**	5,236,623	**6,670,605**	5,123,726

The basis of valuation for land and buildings is the fair value based on existing use. The Fund's Board of Directors is of the opinion that this basis provides a reasonable estimate of recoverable amount. There was a revaluation of the Fund's freehold land and buildings in May 2009. The valuation was based on the fair market value of the two properties at that date and was conducted in accordance with independent valuations. The valuation was performed by Steven L Kish who is a Certified Practising Valuer (Licensed Valuer # 498). Management does not believe that the fair market value of the properties has changed materially since the May 2009 valuation. The historic cost of the revalued land and buildings was $2,501,645.

On 7 April 2008 the Fund acquired land at a cost of $2,068,152. The fair value of this land was increased to $2,150,000 as a result of the independant valuation referred to above. It is management's intention to develop a commercial property on this land for use by the Fund as its head office and to earn rental income in the future. This is expected to take place in the next 24 - 36 months. Until the development is complete all costs related to the development will be capitalised as capital work in progress.

18 Property, plant and equipment (continued)

Reconciliation of property, plant and equipment 2009 - consolidated

	Land & Buildings $	Plant & Equipment $	Office Furniture & Equipment $	Motor Vehicles $	Total $
Carrying amount at 1 July 2008	**4,834,402**	**4,776**	**295,225**	**102,220**	**5,236,623**
Revaluation	**1,332,473**	**-**	**-**	**-**	**1,332,473**
Additions	**-**	**375**	**356,816**	**27,322**	**384,513**
Disposals	**-**	**-**	**(252)**	**(6,894)**	**(7,146)**
Assets written off during the year*	**-**	**-**	**(11,388)**	**-**	**(11,388)**
Impairment**	**-**	**-**	**(83,022)**	**-**	**(83,022)**
Depreciation expense	**(16,875)**	**(2,884)**	**(116,075)**	**(27,129)**	**(162,963)**
Carrying amount at 30 June 2009	**6,150,000**	**2,267**	**441,304**	**95,519**	**6,689,090**

Reconciliation of property, plant and equipment 2009 - Health Insurance Fund of WA

	Land & Buildings $	Plant & Equipment $	Office Furniture & Equipment $	Motor Vehicles $	Total $
Carrying amount at 1 July 2008	**4,834,402**	**-**	**200,905**	**88,419**	**5,123,726**
Revaluation	**1,332,473**	**-**	**-**	**-**	**1,332,473**
Additions	**-**	**-**	**356,483**	**27,322**	**383,805**
Disposals	**-**	**-**	**(252)**	**(6,894)**	**(7,146)**
Assets written off during the year*	**-**	**-**	**(11,388)**	**-**	**(11,388)**
Depreciation expense	**(16,875)**	**-**	**(109,449)**	**(24,541)**	**(150,865)**
Carrying amount at 30 June 2009	**6,150,000**	**-**	**436,299**	**84,306**	**6,670,605**

Reconciliation of property, plant and equipment 2008 - consolidated

	Land & Buildings $	Plant & Equipment $	Office Furniture & Equipment $	Motor Vehicles $	Total $
Carrying amount at 1 July 2007	2,783,125	9,804	451,451	81,815	3,326,195
Revaluation	-	-	-	-	-
Additions	2,068,152	1,118	15,346	47,105	2,131,721
Disposals	-	-	-	-	-
Assets written off during the year *	-	-	(74,651)	-	(74,651)
Disposal of subsidiary	-		(876)	(5,330)	(6,206)
Depreciation expense	(16,875)	(6,146)	(96,045)	(21,370)	(140,436)
Carrying amount at 30 June 2008	4,834,402	4,776	295,225	102,220	5,236,623

Reconciliation of property, plant and equipment 2008- Health Insurance Fund of WA

	Land & Buildings $	Plant & Equipment $	Office Furniture & Equipment $	Motor Vehicles $	Total $
Carrying amount at 1 July 2007	2,783,125	-	270,980	58,898	3,113,003
Revaluation	-	-	-	-	-
Additions	2,068,152	-	13,381	47,105	2,128,638
Disposals	-	-	-	-	-
Assets written off during the year	-	-	-	-	-
Depreciation expense	(16,875)	-	(83,456)	(17,584)	(117,915)
Carrying amount at 30 June 2008	4,834,402	-	200,905	88,419	5,123,726

* The write-off of office furniture and equipment in the 2009 financial year relates to office furniture and fittings replaced as a result of the refurbishment of the HIF head office. The write-off in financial year 2008 reflects the assets of one optical store that was closed during the year.

** The impairment of office furniture and equipment relates to the planned closure of the two remaining optical stores.

19 Payables

	Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Trade creditors	**466,447**	299,744	**421,366**	248,164
Other creditors	**349,311**	293,172	**341,950**	290,483
Amounts payable to controlled entities	**-**	-	**6,763**	4,839
	815,758	592,916	**770,079**	543,486

20 Outstanding claims liability

a) Outstanding claims liability

		Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Central estimate	**(A)**	**4,607,086**	5,320,501	**4,607,086**	5,320,501
Discount to present value		**(19,428)**	(42,341)	**(19,428)**	(42,341)
		4,587,658	5,278,160	**4,587,658**	5,278,160
Claims handling costs	**(B)**	**319,824**	401,028	**319,824**	401,028
Risk margin	**(C)**	**304,652**	352,559	**304,652**	352,559
Gross outstanding claims liability		**5,212,134**	6,031,747	**5,212,134**	6,031,747
Gross claims incurred - undiscounted	**(A)+(B)+(C)**	**5,231,562**	6,074,088	**5,231,562**	6,074,088

b) Reconciliation of movement in discounted outstanding claims liability

		Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Brought forward	**(D)**	**6,031,747**	4,455,136	**6,031,747**	4,455,136
Effect of changes in assumptions		**(564,093)**	285,899	**(564,093)**	285,899
Increase in claims incurred / recoveries anticipated over the year		**5,178,247**	5,996,674	**5,178,247**	5,996,674
Incurred claims recognised in income statement	**(E)**	**4,614,154**	6,282,573	**4,614,154**	6,282,573
Claim payments / recoveries during the year	**(F)**	**5,433,767**	4,705,962	**5,433,767**	4,705,962
Carried forward	**(D)+(E)-(F)**	**5,212,134**	6,031,747	**5,212,134**	6,031,747

c) Claims development tables

The claims development table is not required where uncertainty about amount and timing is typically resolved within one year. As greater than 99.0% of the Fund' s claims are resolved within one year, the claims development table has not been included.

19 Payables

	Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Trade creditors	**466,447**	299,744	**421,366**	248,164
Other creditors	**349,311**	293,172	**341,950**	290,483
Amounts payable to controlled entities	**-**	-	**6,763**	4,839
	815,758	592,916	**770,079**	543,486

20 Outstanding claims liability

a) Outstanding claims liability

		Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Central estimate	**(A)**	**4,607,086**	5,320,501	**4,607,086**	5,320,501
Discount to present value		**(19,428)**	(42,341)	**(19,428)**	(42,341)
		4,587,658	5,278,160	**4,587,658**	5,278,160
Claims handling costs	**(B)**	**319,824**	401,028	**319,824**	401,028
Risk margin	**(C)**	**304,652**	352,559	**304,652**	352,559
Gross outstanding claims liability		**5,212,134**	6,031,747	**5,212,134**	6,031,747
Gross claims incurred - undiscounted	**(A)+(B)+(C)**	**5,231,562**	6,074,088	**5,231,562**	6,074,088

b) Reconciliation of movement in discounted outstanding claims liability

		Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Brought forward	**(D)**	**6,031,747**	4,455,136	**6,031,747**	4,455,136
Effect of changes in assumptions		**(564,093)**	285,899	**(564,093)**	285,899
Increase in claims incurred / recoveries anticipated over the year		**5,178,247**	5,996,674	**5,178,247**	5,996,674
Incurred claims recognised in income statement	**(E)**	**4,614,154**	6,282,573	**4,614,154**	6,282,573
Claim payments / recoveries during the year	**(F)**	**5,433,767**	4,705,962	**5,433,767**	4,705,962
Carried forward	**(D)+(E)-(F)**	**5,212,134**	6,031,747	**5,212,134**	6,031,747

c) Claims development tables

The claims development table is not required where uncertainty about amount and timing is typically resolved within one year. As greater than 99.0% of the Fund's claims are resolved within one year, the claims development table has not been included.

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
21 Unearned premium liability				
Unearned premium liability at beginning of the period	**6,133,786**	5,731,628	**6,133,786**	5,731,628
Deferral of premiums on contracts paid in the period	**6,676,577**	6,133,786	**6,676,577**	6,133,786
Earning of premiums paid in previous periods	**(6,133,786)**	(5,731,628)	**(6,133,786)**	(5,731,628)
Unearned premium liability at the end of the period	**6,676,577**	6,133,786	**6,676,577**	6,133,786

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
22 Provisions for employee entitlements				
Current				
Annual leave	**189,688**	176,305	**163,633**	154,367
Long service leave	**63,171**	57,348	**63,171**	57,348
	252,859	233,653	**226,804**	211,715
Non-current				
Long service leave	**44,838**	24,974	**36,883**	18,974
Fund directors' retirement	**341,986**	498,145	**341,986**	498,145
	386,824	523,119	**378,869**	517,119

Fund directors' retirement liability represents monies held in an AMP Linked Investment Plan. These monies are held jointly in the Fund's name and the individual director's name and may be paid out at the discretion of the Fund's Board upon retirement by a director of the Fund. An equal and opposite receivable has been recognised as an asset, included in "Investment in unit trusts" (refer note 15).

23 Unexpired risk liability

(a) Unexpired risk liability

	Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Unexpired risk liability opening balance	**99,262**	-	**99,262**	-
Recognition / (release) of unexpired risk liability in the period	**(99,262)**	99,262	**(99,262)**	99,262
Unexpired risk liability closing balance	**-**	**99,262**	**-**	**99,262**

(b) Calculation of deficiency

	Consolidated 2009 $	Consolidated 2008 $	Health Insurance Fund of WA 2009 $	Health Insurance Fund of WA 2008 $
Unearned premium liability	**4,370,893**	4,001,316	**4,370,893**	4,001,316
Less related deferred acquisition costs*	**158,509**	-	**158,509**	-
	4,212,384	4,001,316	**4,212,384**	4,001,316
Central estimate of present value of expected future cash flows arising from future claims including risk equalisation and policy handling expenses	**3,966,168**	3,805,291	**3,966,168**	3,805,291
Risk margin	**246,216**	295,287	**246,216**	295,287
	4,212,384	4,100,578	**4,212,384**	4,100,578
Unexpired risk liability	**-**	99,262	**-**	99,262

At 30 June 2009, the liability adequacy test identified a surplus for each of the portfolios of Hospital and General (Ancillary) contracts that are subject to broadly similar risks that are managed together as a single portfolio. Accordingly, the provision for the unexpired risk liability identified in the hospital insurance portfolio of contracts at June 2008 was released to the income statement. The process for determining the overall risk margin, as with outstanding claims, is intended to achieve an 80% probability of adequacy.

*At 30 June 2008 the related deferred acquisition costs were reduced to nil due to the existence of an unexpired risk liability. At 30 June 2009 deferred acquisition costs were recognised to the extent of the surplus.

As health insurance contracts have no end date, unlike a general insurance contract, health funds are obliged to keep offering and renewing their products to members thus giving rise to a constructive obligation. The constructive obligation is required to be included when performing the liability adequacy test to determine the unexpired risk liability. It is generally recognised that whilst health insurance contracts have no end date, a health fund will be able to alter its product's prices at least annually (from 1 April), thus limiting the impact of the constructive obligation. The liability adequacy test did not determine that any unexpired risk liability was required for the constructive obligation as at 30 June 2009.

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
24 Reserves				
Reserves comprise revaluation of:				
Land and buildings	**3,698,980**	2,366,507	**3,698,980**	2,366,507

The reserves of the Fund meet the requirements of The Private Health Insurance (Health Benefits Fund Administration) Rules 2007 - Solvency Standard. The Fund had net Health Benefits Fund Capital of $42,833,000 compared to the required Solvency Reserve of $5,923,024.

Acquisition reserve	**(238,624)**	(238,624)	**-**	-

HIF acquired the remaining 49% minority interest in Maximeyes Optical Unit Trust as at 1 February 2007. The acquisition reserve reflects the excess of the consideration paid of $244,620 over the carrying value of $5,996.

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
25 Reconciliation of net cash provided by operating activities to profit or loss				
Net profit from ordinary activities after tax	**5,644,309**	5,726,779	**5,608,891**	5,543,726
Adjustments for:				
Depreciation	**162,962**	140,436	**150,865**	117,915
Loss on write-off of property, plant and equipment	**9,210**	74,651	**9,210**	-
Deferred acquisition costs	**(188,126)**	83,443	**(188,126)**	83,443
Other non-cash transactions	**1,615,471**	870,892	**2,015,769**	1,373,232
	7,243,826	6,896,201	**7,596,609**	7,118,316
Increase in unearned premium liability	**542,791**	402,158	**542,791**	402,158
Increase / (decrease) in unexpired risk liability	**(99,262)**	99,262	**(99,262)**	99,262
(Increase) / decrease in contributions in arrears	**(119,240)**	178,511	**(119,240)**	178,511
Increase / (decrease) in outstanding claims	**(819,613)**	1,576,611	**(819,613)**	1,576,611
(Decrease) in employee entitlements	**(117,089)**	(28,957)	**(123,161)**	(33,707)
Increase / (decrease) in other assets	**81,417**	58,814	**-**	-
(Increase) in other debtors	**(303,390)**	(345,380)	**(387,482)**	(531,121)
Increase / (decrease) in creditors	**221,247**	(162,098)	**226,593**	(25,570)
Decrease in interest receivable	**50,816**	16,856	**50,816**	16,856
Cash flows from operating activities	**6,681,503**	8,691,978	**6,868,051**	8,801,316

26 Related party disclosures

The names of each person holding the position of director of the Fund during the financial year are:

M Dudley (Chairman), G Airey, K M Brown (resigned 22 September 2008), L Chapple, M L S Howard (appointed 22 September 2008), T Smith and N J Timoney.

Directors of the Fund are entitled to receive health benefits at subsidised rates applicable to all employees.

Transactions with related entities

Purchases

Rent of $38,671 (2008: $48,000) was paid by the Fund to Maximeyes Optical Unit Trust for the sub-rent of space at its Subiaco, Fremantle and Kingsway stores.

Payables

Commission of $3,829 (2008: $4,839) was owed to HIF Financial Services Pty Ltd and rent of $2,934 (2008: $ nil) was owed to Maximeyes Optical Unit Trust as at 30 June 2009.

Fees for Services

The Fund provided accounting services to Maximeyes Optical Unit Trust for a fee of $50,004 (2008: $50,000) and management and administrative services to HIF Financial Services Pty Ltd for a fee of $79,200 (2008: $86,400).

Loans

The subordinated loan value to Maximeyes Optical Unit Trust (MaximEyes) as at 30 June 2009 was $200,000 (2008: $200,000). A total amount of $175,020 was advanced to MaximEyes by the Fund as commercial loans in financial year 2009 (2008: $75,000). No repayments (2008: $34,920) have been made during the year in respect of these loans. The balance outstanding at 30 June 2009 was $299,868 (2008: $124,848). A provision for impairment has been raised for the full amount of these loans as at 30 June 2009 (2008: $124,848).

Interest

Interest income of $9,615 (2008: $4,886) was charged against the MaximEyes commercial loans during the financial year.

Receivables

An amount of $247,328 (2008: $183,698) is owed by Maximeyes for consulting fees, accounting fees and other inter-company charges. An allowance for impairment of $247,328 (2008: $183,698) has been made against this receivable as at 30 June 2009. An amount of $7,260 (2008: $7,920) is owed by HIF Financial Services Pty Ltd for management fees.

Transactions with director related entities

A director, Mr N J Timoney, is a partner in the firm of Stables Scott, Barristers & Solicitors. Stables Scott provided legal services to the Fund during the year. The total amount of legal fees paid to Stables Scott during the year ended 30 June 2009 was $133 (2008: $5,077).

Remuneration of directors and other key management personnel

	Consolidated		Health Insurance Fund of WA	
Remuneration of directors	**2009** $	2008 $	**2009** $	2008 $
Directors' income				
The number of directors whose income from the Fund falls within the following bands:				
$ 10,000 - $ 19,999	**5**	5	**5**	5
$ 20,000 - $ 39,999	**1**	1	**1**	1
Total income received or due and receivable by all directors				
Short-term	**80,455**	75,488	**80,455**	75,488
Other long-term	**33,075**	31,500	**33,075**	31,500
	113,530	106,988	**113,530**	106,988

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
26 Related party disclosures (continued)				
Remuneration of other key management personnel				
G N Gibson — Chief Executive Officer				
G C Oellermann — Commercial Manager				
J Budrovich — Operations Manager				
Total remuneration	**431,299**	463,707	**431,299**	463,707
All remuneration is in the nature of short term employment benefits.				
Total remuneration of directors and other key management personnel				
Short-term	**511,754**	539,195	**511,754**	539,195
Other long-term	**33,075**	31,500	**33,075**	31,500
	544,829	570,695	**544,829**	570,695

	Consolidated		Health Insurance Fund of WA	
	2009	2008	**2009**	2008
	$	$	**$**	$
27 Remuneration of external auditor				
Remuneration of the external auditor for audit of the consolidated financial statements of the Fund and regulatory reporting	**76,700**	71,950	**76,700**	71,950
Remuneration of the external auditor for technical advice	**-**	7,500	**-**	7,500
	76,700	79,450	**76,700**	79,450

28 Financial instruments

Consolidated 2009	**Note**	Floating interest rate $	Fixed interest maturing in: 1 year or less $	1 to 5 years $	Non interest bearing $	Total $
Financial assets						
Cash and cash equivalents	12	**40,395,619**	**-**	**-**	**18,850**	**40,414,469**
Contributions in arrears	13	**-**	**-**	**-**	**384,767**	**384,767**
Other receivables	13	**-**	**-**	**-**	**2,252,249**	**2,252,249**
Investment income receivable	13	**-**	**-**	**-**	**107,526**	**107,526**
Financial assets at fair value through profit and loss	15		**251,392**	**4,053,235**	**1,752,242**	**6,056,869**
		40,395,619	**251,392**	**4,053,235**	**4,515,634**	**49,215,880**
Weighted average interest rate		**3.88%**	**5.73%**	**4.43%**		
Financial liabilities						
Payables	19	**-**	**-**	**-**	**815,758**	**815,758**
Current tax liability					**-**	**-**
		-	**-**	**-**	**815,758**	**815,758**
Net financial assets		**40,395,619**	**251,392**	**4,053,235**	**3,699,876**	**48,400,122**

Consolidated 2008	**Note**	Floating interest rate $	Fixed interest maturing in: 1 year or less $	1 to 5 years $	Non interest bearing $	Total $
Financial assets						
Cash and cash equivalents	12	34,907,374	-	-	18,990	34,926,364
Contributions in arrears	13	-	-	-	265,527	265,527
Other receivables	13	-	-	-	1,948,859	1,948,859
Investment income receivable	13	-	-	-	158,342	158,342
Financial assets at fair value through profit and loss	15		2,099,296	2,412,881	2,258,931	6,771,108
		34,907,374	2,099,296	2,412,881	4,650,649	44,070,200
Weighted average interest rate		7.37%	7.21%	6.55%		
Financial liabilities						
Payables	19	-	-	-	592,916	592,916
Current tax liability					1,595	1,595
		-	-	-	594,511	594,511
Net financial assets		**34,907,374**	**2,099,296**	**2,412,881**	**4,056,138**	**43,475,689**

28 Financial instruments (continued)

Health Insurance Fund of WA 2009	Note	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Fixed interest maturing in: 1 to 5 years $	Non interest bearing $	Total $
Financial assets						
Cash and cash equivalents	12	**40,344,829**	**-**	**-**	**18,500**	**40,363,329**
Contributions in arrears	13	**-**	**-**	**-**	**384,767**	**384,767**
Other receivables	13	**-**	**-**	**-**	**2,240,543**	**2,240,543**
Investment income receivable	13	**-**	**-**	**-**	**107,526**	**107,526**
Financial assets at fair value through profit and loss	15	**-**	**251,392**	**4,053,235**	**1,752,242**	**6,056,869**
		40,344,829	**251,392**	**4,053,235**	**4,503,578**	**49,153,034**
Weighted average interest rate		**3.88%**	**5.73%**	**4.43%**		
Financial liabilities						
Payables	19	**-**	**-**	**-**	**770,079**	**770,079**
		-	**-**	**-**	**770,079**	**770,079**
Net financial assets		**40,344,829**	**251,392**	**4,053,235**	**3,733,499**	**48,382,955**

Health Insurance Fund of WA 2008	Note	Floating interest rate $	Fixed interest maturing in: 1 year or less $	Fixed interest maturing in: 1 to 5 years $	Non interest bearing $	Total $
Financial assets						
Cash and cash equivalents	12	34,844,488	-	-	18,500	34,862,988
Contributions in arrears	13	-	-	-	265,527	265,527
Other receivables	13	-	-	-	1,916,691	1,916,691
Investment income receivable	13	-	-	-	158,342	158,342
Financial assets at fair value through profit and loss	15	-	2,099,296	2,412,881	2,258,931	6,771,108
		34,844,488	2,099,296	2,412,881	4,617,991	43,974,656
Weighted average interest rate		7.37%	7.21%	6.55%		
Financial liabilities						
Payables	19	-	-	-	543,486	543,486
		-	-	-	543,486	543,486
Net financial assets		**34,844,488**	**2,099,296**	**2,412,881**	**4,074,505**	**43,431,170**

28 Financial instruments (continued)

Reconciliation of net financial assets to net assets

		Consolidated		Health Insurance Fund of WA	
	Notes	**2009 $**	2008 $	**2009 $**	2008 $
Net financial assets	28	**48,400,122**	43,475,689	**48,382,955**	43,431,170
Inventories	14	**5,306**	86,723	**-**	-
Investment in controlled entities	16	**-**	-	**1**	244,672
Deferred acquisition costs	17	**273,724**	85,598	**273,724**	85,598
Property, plant and equipment	18	**6,689,090**	5,236,623	**6,670,605**	5,123,726
Provisions	20,21,22,23	**(12,141,570)**	(12,498,448)	**(12,115,515)**	(12,476,510)
Non-current liabilities	22	**(386,824)**	(523,119)	**(378,869)**	(517,119)
Net assets per the balance sheet		**42,839,848**	35,863,066	**42,832,901**	35,891,537

Net fair value of financial assets and liabilities per the balance sheet

The net fair value of financial assets and liabilities approximate their carrying value.

29 Segment information

The Group pre-dominantly operates in the health insurance business. The Group operates in Australia only.

30 Subsequent events

Subsequent to the year end the Western Australian Government enacted the *Transfer of Incorporation (HBF and HIF) Act 2009 (WA)* allowing the Fund to transfer its incorporation status from an incorporated association under the Associations Incorporation Act 1987 (WA) to a company limited by guarantee under the Corporations Act 2001 (Cth). The Minister for Commerce (WA) should make an order under the Transfer of Incorporation Act if the Minister approves of the constitution of the company lodged under s. 5H(3) of the Corporations Act 2001 (Cth) and is satisfied that the Fund has complied with s. 5H(2) and (3) of the Corporations Act 2001 (Cth). The Minister's order, which will be published in the Gazette, will deem the Fund a public company limited by guarantee registered under the Corporations Act 2001 (Cth) on a date that is before 1 January 2010 specified in the order.

Other than as noted above,there has not arisen in the interval between 30 June 2009 and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Board of Directors of the Fund, to effect significantly the operations of the Group, the results of its operation, or the state of affairs of the Group in future years, other than the matters disclosed in this report.

HEALTH INSURANCE FUND OF W.A. (INC)

DIRECTORS' DECLARATION

In the opinion of the Board of Directors of Health Insurance Fund of W.A. (Inc) the financial statements, set out on pages 1 to 47, for the year ended 30 June 2009, give a true and fair view of the financial position of the Fund at 30 June 2009 and the results and cash flows of its operations for the year then ended and are in accordance with Australian Accounting Standards and International Financial Reporting Standards (IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, requirements of the Private Health Insurance Administration Council (PHIAC) and Associations Incorporation Act 1987 (WA).

Dated in Perth this 21st day of SEPTEMBER 2009

M Dudley - Director

N J Timoney - Director

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Independent auditor's report to the members of Health Insurance Fund of W.A. (Inc)

We have audited the accompanying financial report of Health Insurance Fund of W.A. (Inc) (the Fund), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the fund and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the Fund are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), in accordance with the Associations Incorporation Act 1987 (WA) and the Fund's constitution. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of Australian Professional Accounting bodies. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Health Insurance Fund of W.A. (Inc) is in accordance with *Associations Incorporation Act 1987 (WA)*, including:

    i giving a true and fair view of the financial position of Health Insurance Fund of W.A. (Inc) and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and

    ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Associations Incorporation Act 1987 (WA)*.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Ernst & Young

Ernst & Young
Perth
21 September 2009