HEALTH INSURANCE FUND OF W.A. (INC)

ABN 84 607 276 950

ANNUAL FINANCIAL REPORT

30 JUNE 2007

Contents

(a) Corporate structure

Health Insurance Fund of WA (the Fund) is an incorporated association that is domiciled in 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.

(b) Nature of operations and principal activities

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

(c) Directors

K M Brown (Chairman)
G Airey
E Chapple
M Dudley (appointed 1 June 2007)
H Seabrook (resigned 23 March 2007)
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) Solicitors

DLA Phillips Fox
44 St Georges Terrace
Perth
Western Australia

(g) Bankers

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) Actuary

PricewaterhouseCoopers
QV1, 250 St Georges Terrace
Perth
Western Australia

Health Insurance Fund of WA and its controlled entities
Income statement
For the year ended 30 June 2007

		Consolidated		Health Insurance Fund of WA	
	Notes	**2007**	2006	**2007**	2006
		$	$	**$**	$
Premium revenue	5	**48,466,033**	43,854,442	**48,466,033**	43,854,442
Net claims incurred	8	**(37,177,837)**	(33,025,789)	**(37,177,837)**	(33,025,789)
Acquisition costs	9	**(1,528,705)**	(1,286,963)	**(1,528,705)**	(1,286,963)
Claims handling costs	9	**(872,300)**	(725,429)	**(872,300)**	(725,429)
Underwriting expenses		**(2,401,005)**	(2,012,392)	**(2,401,005)**	(2,012,392)
Underwriting result		**8,887,191**	8,816,261	**8,887,191**	8,816,261
Sales		**1,679,493**	1,200,908	**-**	-
Cost of sales		**(536,586)**	(278,371)	**-**	-
Gross profit from sale of goods		**1,142,907**	922,537	**-**	-
Investment income	6	**1,886,648**	1,408,303	**1,882,505**	1,407,250
Fair value gains (losses) on financial assets at fair value through profit or loss		**347,264**	5,464	**347,264**	5,464
Other income / revenue	7	**251,563**	282,406	**256,931**	206,183
Other operating expenses	9	**(3,567,688)**	(3,260,126)	**(2,387,052)**	(2,327,210)
Result of operating activities		**8,947,885**	8,174,845	**8,986,839**	8,107,948
Finance costs	9	**(19,713)**	(19,774)	**(11,635)**	(9,926)
Profit before income tax		**8,928,172**	8,155,071	**8,975,204**	8,098,022
Income tax expense	10	**13,312**	(21,164)	**-**	-
Profit after income tax		**8,941,484**	8,133,907	**8,975,204**	8,098,022
Profit attributable to minority interest		**(10,172)**	(15,261)	**-**	-
Profit attributable to members of Health Insurance Fund of WA		**8,931,312**	8,118,646	**8,975,204**	8,098,022

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

Health Insurance Fund of WA and its controlled entities
Balance sheet
As at 30 June 2007

	Notes	Consolidated		Health Insurance Fund of WA	
		2007	2006	**2007**	2006
		$	$	**$**	$
ASSETS					
Current assets					
Cash and cash equivalents	11	**25,372,004**	18,391,474	**25,236,287**	18,255,465
Receivables	12	**2,222,766**	1,818,387	**2,234,532**	1,934,403
Inventories	13	**90,939**	85,234	**-**	-
Financial assets at fair value through profit or loss	14	**2,102,339**	2,221,250	**2,102,339**	2,221,250
Investment in controlled entities	15	**-**	-	**444,723**	200,052
Deferred acquisition costs	16	**169,041**	155,972	**169,041**	155,972
		29,957,089	22,672,317	**30,186,922**	22,767,142
Non-current assets					
Receivables	12	**-**	-	**38,740**	1,734
Financial assets at fair value through profit or loss	14	**8,527,507**	5,114,187	**8,527,507**	5,114,187
Property, plant and equipment	17	**3,326,195**	3,373,047	**3,113,003**	3,142,064
Deferred tax asset	10	**54,598**	27,919	**-**	-
		11,908,300	8,515,153	**11,679,250**	8,257,985
Total assets		**41,865,389**	31,187,470	**41,866,172**	31,025,127
LIABILITIES					
Current liabilities					
Payables	18	**743,241**	622,620	**569,056**	572,487
Outstanding claims liability	19	**4,455,136**	3,259,457	**4,455,136**	3,259,457
Unearned premium liability	20	**5,731,628**	5,198,400	**5,731,628**	5,198,400
Provisions for employee entitlements	21	**195,902**	178,827	**175,714**	135,416
Current tax liability		**13,368**	2,032	**-**	-
		11,139,275	9,261,336	**10,931,534**	9,165,760
Non-current liabilities					
Provisions for employee entitlements	21	**589,827**	486,760	**586,827**	486,760
Total liabilities		**11,729,102**	9,748,096	**11,518,361**	9,652,520
Net assets		**30,136,287**	21,439,374	**30,347,811**	21,372,607
EQUITY					
Reserves attributable to the entity's members					
Reserves	22	**2,366,507**	2,366,507	**2,366,507**	2,366,507
Acquisition reserve	22	**(238,624)**	-	**-**	-
Retained earnings		**28,004,130**	19,057,558	**27,981,304**	19,006,100
		30,132,013	21,424,065	**30,347,811**	21,372,607
Minority interest		**4,274**	15,309	**-**	-
Total equity		**30,136,287**	21,439,374	**30,347,811**	21,372,607

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

Health Insurance Fund of WA and its controlled entities
Statement of changes in equity
As at 30 June 2007

Consolidated	Attributable to the members of the entity			Minority interest	
	Revaluation reserve	Retained earnings	Acquisition Reserve		Total
At 1 July 2005	**1,295,739**	**10,346,026**	**-**	**49**	**11,641,814**
AASB 1023: Recognition of deferred acquisition costs	-	154,149	-	-	154,149
AASB 139: Reclassification of investments	(445,452)	445,452	-	-	-
AASB 139: Change in fair value measurement	-	(6,715)	-	-	(6,715)
	(445,452)	592,886	-	-	147,434
Revaluation of land and buildings	1,516,220	-	-	-	1,516,220
Net income recognised directly in equity	1,516,220	-	-	-	1,516,220
Net profit for the period	-	8,133,907	-	-	8,133,907
Total recognised income and expense for the period	1,516,220	8,133,907	-	-	9,650,127
Share of profit of minority interest	-	(15,261)	-	15,261	-
At 30 June 2006	**2,366,507**	**19,057,558**	**-**	**15,309**	**21,439,374**
Acquisition of minority interest	-	15,260	(238,624)	(21,256)	(244,620)
Minority shareholder contribution	-	-	-	49	49
Net profit for the period	-	8,941,484	-	-	8,941,484
Share of profit of minority interest	-	(10,172)	-	10,172	-
At 30 June 2007	**2,366,507**	**28,004,130**	**(238,624)**	**4,274**	**30,136,287**

Health Insurance Fund of WA	Revaluation reserve	Retained earnings	Total
At 1 July 2005	**1,295,739**	**10,315,192**	**11,610,931**
AASB 1023: Recognition of deferred acquisition costs	-	154,149	154,149
AASB 139: Reclassification of investments	(445,452)	445,452	-
AASB 139: Change in fair value measurement	-	(6,715)	(6,715)
	(445,452)	592,886	147,434
Revaluation of land and buildings	1,516,220	-	1,516,220
Net income recognised directly in equity	1,516,220	-	1,516,220
Net profit for the period	-	8,098,022	8,098,022
Total recognised income and expense for the period	1,516,220	8,098,022	9,614,242
At 30 June 2006	**2,366,507**	**19,006,100**	**21,372,607**
Net profit for the period	-	8,975,204	8,975,204
At 30 June 2007	**2,366,507**	**27,981,304**	**30,347,811**

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

Cash flow statement

As at 30 June 2007

	Notes	Consolidated 2007 $	Consolidated 2006 $	Health Insurance Fund of WA 2007 $	Health Insurance Fund of WA 2006 $
Cash flows from operating activities					
Premiums received		**48,668,302**	44,154,508	**48,668,302**	44,154,508
Receipts from customers		**1,679,493**	1,200,908	**-**	-
Interest received		**1,814,106**	1,402,673	**1,809,963**	1,401,620
Other revenue received		**117,541**	224,726	**280,067**	74,085
Amounts received from / (paid to) the Risk Equalisation Trust Fund		**(445,476)**	(513,554)	**(445,476)**	(513,554)
Rent received		**126,935**	121,623	**99,566**	95,494
Claims paid		**(35,569,770)**	(32,845,066)	**(35,569,770)**	(32,845,066)
Interest and other costs of finance		**(172,302)**	(177,535)	**(164,224)**	(167,687)
Reinsurance trust fund benefit paid					
Payments to suppliers and employees		**(5,956,871)**	(5,268,840)	**(4,353,563)**	(3,986,060)
Net cash flows from operating activities	23	**10,261,958**	8,299,443	**10,324,865**	8,213,340
Cash flows from investing activities					
Purchases of financial assets at fair value through profit and loss		**(10,892,282)**	(3,284,181)	**(10,892,282)**	(3,284,181)
Proceeds from sale of financial assets at fair value through profit and loss		**7,945,138**	3,000,308	**7,945,138**	3,000,308
Purchase of property, plant and equipment		**(111,093)**	(131,725)	**(99,026)**	(122,530)
Proceeds from sale of property, plant and equipment		**21,380**	35,455	**18,891**	35,455
Minority shareholder contribution		**49**	-	**-**	-
Investment in subsidiary		**-**	-	**(51)**	-
Acquisition of minority interest		**(244,620)**	-	**(244,620)**	-
Net cash flows (used in) / from investing activities		**(3,281,428)**	(380,143)	**(3,271,950)**	(370,948)
Cash flows from financing activities					
Amounts paid to controlled entities		**-**	-	**(88,827)**	-
Amounts received from controlled entities		**-**	-	**16,734**	9,791
Net cash flows from / (used in) financing activities		**-**	-	**(72,093)**	9,791
Net increase / (decrease) in cash and cash equivalents		**6,980,530**	7,919,300	**6,980,822**	7,852,183
Cash and cash equivalents at beginning of period		**18,391,474**	10,472,174	**18,255,465**	10,403,282
Cash and cash equivalents at end of period		**25,372,004**	18,391,474	**25,236,287**	18,255,465

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 2007 has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group interpretations corresponding to the interpretations approved by the International Accounting Standards Board (IASB), 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 2007. These are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 *Financial Instruments: Disclosures.*	1-Jan-07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1-Jul-07
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 *Interim Financial Reporting and Impairment* .	1-Mar-07	As the Group does not have share based payments it is expected that this Interpretation will have no impact on its financial report.	1-Jul-07
AASB 2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, AASB 117, AASB 118, AASB 120, AASB 121, AASB 127, AASB 131 & AASB 139]	Amending standard issued as a consequence of AASB Interpretation 12 *Service Concession Arrangements* .	1-Jan-08	As the Group currently has no service concession arrangements or public-private-partnerships (PPP), it is expected that this Interpretation will have no impact on its financial report.	1-Jul-08
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8 *Operating Segments* .	1-Jan-09	This is not expected to have an impact on the Group as it is not a listed entity.	1-Jul-09

1 Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	The standard is a result of the AASB decision that, in principle, all accounting policy options currently existing in IFRS should be included in the Australian equivalents to IFRS and the additional Australian disclosures should be eliminated, other than those considered particularly relevant in the Australian reporting environment.	1-Jul-07	As the Group does not anticipate changing any of its accounting policy choices as a result of the issue of AASB 2007-4 this standard will have no impact on the amounts included in the Group's financial statements. Changes to disclosure requirements will have no direct impact on the amounts included in the Group's financial statements. However the new standard may have an impact on the disclosures included in the Group's financial report.	1-Jul-07
AASB 2007-6	Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]	Amending standard issued as a consequence of AASB 123 (revised) Borrowing Costs.	1-Jan-09	As the Group does not currently construct or produce any qualifying assets which are financed by borrowings the revised standard will have no impact.	1-Jul-09
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standard issued as a consequence of AASB 2007-4	1-Jul-07	Refer to AASB 2007-4 above.	1-Jul-07
AASB 7	*Financial Instruments: Disclosures*	New standard replacing disclosure requirements of AASB 132.	1-Jan-07	Refer to AASB 2005-10 above.	1-Jul-07
AASB 8	*Operating Segments*	This new standard will replace AASB 114 *Segment Reporting* and adopts a management approach to segment reporting.	1-Jan-09	Refer to AASB 2007-3 above.	1-Jul-09
AASB 101 (revised October 2006)	Presentation of Financial Standards	Many of the disclosures from previous GAAP and all of the guidance from previous GAAP are not carried forward in the October 2006 version of AASB 101. The revised standard includes some text from IAS 1 that is not in the existing AASB 101 and has fewer additional Australian disclosure requirements than the existing AASB 101.	1-Jan-07	AASB 101 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the revised standard may result in changes to the disclosures included in the Group's financial report.	1-Jul-07

1 Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for Group*
AASB 123 (revised June 2007)	Borrowing Costs	AASB 123 previously permitted entities to choose between expensing all borrowing costs and capitalising those that were attributable to the acquisition, construction, or production of a qualifying asset. The revised version of AASB 23 requires borrowing costs to be capitalised if they are directly attributable to the acquisition, construction, or production of a qualifying asset.	1-Jan-09	Refer to AASB 2007-6 above.	1-Jul-09
AASB Interpretation 10	*Interim Financial Reporting and Impairment*	Addresses an inconsistency between AASB 134 *Interim Financial Reporting* and the impairment requirements relating to goodwill in AASB 136 *Impairment of Assets* and equity instruments classified as available for sale in AASB 139 *Financial Instruments: Recognition and Measurement*.	1-Nov-06	As the Group does not report interim financial statements, AASB 134 is not expected to have any impact on the Group's financial report.	1-Jul-07
AASB Interpretation 11	*Group and Treasury Share Transactions*	Specifies that a share-based payment transaction in which an entity receives services as consideration for its own equity instruments shall be accounted for as equity-settled.	1-Mar-07	Refer to AASB 2007-1 above.	1-Jul-07
AASB Interpretation 12	*Service Concession Arrangements*	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1-Jan-07	Refer to AASB 2007-2 above.	1-Jul-07
AASB Interpretation 129 (revised June 2007)	Service Concession Arrangements: Disclosures	The revised interpretations was issued as a result of the issue of Interpretation 12 and requires specific disclosures about service concession arrangements entered into by an entity, whether as a concession provider or a concession operator.	1-Jan-08	Refer to AASB 2007-2 above.	1-Jul-08
IFRIC Interpretation 13	Customer Loyalty Programmes	Deals with the accounting for customer loyalty programmes, which are used by companies to provide incentives to their customers to buy their products or use their services.	1-Jul-08	The Group does not have any customer loyalty programmes and as such this interpretation is not expected to have any impact on the Group's financial report.	1-Jul-08
IFRIC Interpretation 14	IAS 19 – The Asset Ceiling: Availability of Economic Benefits and Minimum Funding Requirements	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan	1-Jan-08	The Group does have a defined benefit pension plan and as such this interpretation may have an impact on the Group's financial report. The Group has not yet determined the extent of the impact, if any.	1-Jul-08

*designates the beginning of the applicable annual reporting period

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). The financial report also complies with International Financial Reporting Standards (IFRS).

1 Summary of significant accounting policies (continued)

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Health Insurance Fund of WA 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.

Minority interests represent the portion of profit or loss and net assets in Better Optical Solutions Limited not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet. The minority interest in the opening balance sheet represented the minority interest in Maximeyes Optical Unit Trust which was acquired on 1 February 2007. The minority interest in the income statement includes the pre-acquisition profit attributable the minority unitholder of Maximeyes Optical Unit Trust.

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 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 / recoverie

Under the provisions of the Private Health Insurance Act 2007, all health insurers must participate in the Risk EqualisationTrust 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) include commission paid to intermediaries and other direct costs incurred in relation to tl 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 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 follow

Cash assets - at face value of the amounts deposited;
Listed, government and semi government securities - by reference to quoted bid price; and
Unlisted securities - at valuation based on recent arm’s length transactions, reference to other instruments that have substantially the same characteristics, discounted cash flow analysis and other pricing models.

(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.

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 dispos and the net proceeds on disposal.

Owner occupied properties 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.

Valuations are performed every three years and are based on external property valuation reports. All owner occupied 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 a 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 deb 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 services. 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 t 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 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 realit

(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 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 allowing f

(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.

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 and consolidated into two health insurance classes, i.e. hospital including medical and general. 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

	2007		2006	
a) Inflation and discount rates	**Next 12 months % p.a.**	**Later % p.a.**	**Next 12 months % p.a.**	**Later % p.a.**
Inflation rates				
Normal	3.5%	3.5%	3.5%	3.5%
Superimposed				
Hospital	0.0%	0.0%	0.0%	0.0%
Medical	0.0%	0.0%	0.0%	0.0%
General	4.4%	4.4%	0.0%	0.0%
Discount rates	6.5%	6.6% - 6.2%	6.0%	5.8% - 5.9%

	2007	2006
b) Weighted average expected term to settlement		
	Months	**Months**
Gross central estimate	1.51	1.62
Reinsurance recoveries	1.16	1.28
Other recoveries	-	-
Net central estimate	1.51	1.62
	Percent	**Percent**
c) HIF expense rate	11.0%	11.0%
d) Risk margin	6.2%	6.2%
e) Average claim size		
Hospital	$1,333.00	$1,212.00
Medical	$59.00	$56.00
General	$48.00	$43.00

(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 t 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 reinsurance.

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 ($)			
		2007		2006	
Variable	**Movement in variable**	**Gross of reinsurance**	**Net of reinsurance**	**Gross of reinsurance**	**Net of reinsurance**
Number of late reported claims	10% decrease	260,243	262,198	155,181	157,031
	10% increase	(260,243)	(262,198)	(155,181)	(157,031)
Claims management expense	1% decrease	39,522	39,819	28,677	29,019
	1% increase	(39,522)	(39,819)	(28,677)	(29,019)
Discount rate	1% decrease	(5,189)	(5,228)	(4,071)	(4,120)
	1% increase	5,257	5,297	4,128	4,177
Inflation	1% decrease	7,133	7,186	5,480	5,545
	1% increase	(7,177)	(7,231)	(5,510)	(5,576)
Superimposed inflation	1% decrease	7,133	7,186	5,480	5,545
	1% increase	(7,177)	(7,231)	(5,510)	(5,576)
Sufficiency margin	Increase coefficient of variation from 7.5% to 10%	(83,690)	(84,318)	(60,244)	(60,962)
	Decrease coefficient of variation from 7.5% to 5%	85,054	85,693	61,226	61,956

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. Notes on the Group's policies and procedures in respect of managing these risks are set out in this note.

a) Fund risk management roles and responsibilities

The Board of Directors of the Health Insurance Fund of WA is responsible for the corporate governance of the Grour The Board of Directors determines the Group's overall risk appetite and approves the management strategies, policie 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, our 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 consideratio such as the benchmarking of operational key performance indicators.

The Audit and Risk Committee is responsible for:

- monitoring the Risk Management Plan,
- reviewing the audit plans of the internal and external auditor,
- monitoring and appraising the activities of the internal and external auditor,
- 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:

- approval of the strategic plan, which encompasses the Group's vision, mission and strategy statement, designed to meet stakeholders' needs and manage business risk;
- 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) 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 the maximisation of 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:

- the maintenance and use of sophisticated management information systems that provide up-to-date, reliable da on the risks to which the business is exposed at any point in time;
- the use of actuarial models based on historical data to calculate premiums and monitor claims patterns.

4 Risk management (continued)

(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.

c) 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.

(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.

(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 Board sets limits on the minimum proportion of maturing funds available to meet such calls and to cover claims at unexpected levels of demand.

d) 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.

5 Premium revenue

	Consolidated			Health Insurance Fund of WA		
	Hospital Tables $	General Tables $	Total $	Hospital Tables $	General Tables $	Total $
Premium revenue has been arrived at after including:						
2007 premium revenue						
Premiums received including federal government rebates	**31,406,946**	**17,261,356**	**48,668,302**	**31,406,946**	**17,261,356**	**48,668,302**
+/- premiums in arrears	**149,619**	**83,169**	**232,788**	**149,619**	**83,169**	**232,788**
+/- unearned premium liability	**(338,181)**	**(195,047)**	**(533,228)**	**(338,181)**	**(195,047)**	**(533,228)**
+/- amount receivable from the Federal Government Rebate Incentives Scheme	**63,381**	**34,790**	**98,171**	**63,381**	**34,790**	**98,171**
Total premium revenue	**31,281,765**	**17,184,268**	**48,466,033**	**31,281,765**	**17,184,268**	**48,466,033**
2006 premium revenue						
Premiums received including federal government rebates	28,225,268	15,929,240	44,154,508	28,225,268	15,929,240	44,154,508
+/- premiums in arrears	(14,306)	(10,218)	(24,524)	(14,306)	(10,218)	(24,524)
+/- unearned premium liability	(269,828)	(106,029)	(375,858)	(269,828)	(106,029)	(375,858)
+/- amount receivable from the Federal Government Rebate Incentives Scheme	64,150	36,165	100,315	64,150	36,165	100,315
Total premium revenue	28,005,284	15,849,158	43,854,442	28,005,284	15,849,158	43,854,442

6 Investment income (net)

	Consolidated		Health Insurance Fund of WA	
	2007 $	2006 $	**2007 $**	2006 $
Interest	**1,886,648**	1,408,303	**1,882,505**	1,407,250

Consolidated proceeds from maturity of investments of $ 7,945,138 ($ 2,750,651 in 2006) 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 Other income/revenue

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	$	$
Profit from sale of property, plant & equipment	**6,650**	7,194	**6,650**	7,194
Rental revenue	**126,935**	121,623	**99,566**	95,494
Other revenue	**117,978**	153,589	**150,715**	103,495
	251,563	282,406	**256,931**	206,183

8 Net Claims incurred

2007	Current year $	Prior years $	Total $
Gross claims expense			
Gross claims incurred - undiscounted	**37,054,610**	**(275,638)**	**36,778,972**
Discount movement	**29,469**	**(21,131)**	**8,338**
	37,025,141	**(254,507)**	**36,770,634**
Reinsurance revenue			
Reinsurance revenue - undiscounted	**(411,813)**	**4,647**	**(407,166)**
Discount movement	**(202)**	**239**	**37**
	(411,611)	**4,408**	**(407,203)**
Net claims incurred	**37,436,752**	**(258,915)**	**37,177,837**
2006			
Gross claims expense			
Gross claims incurred - undiscounted	33,357,166	(729,602)	32,627,564
Discount movement	21,051	(16,832)	4,219
	33,336,115	(712,770)	32,623,345
Reinsurance revenue			
Reinsurance revenue - undiscounted	(390,031)	(12,653)	(402,684)
Discount movement	(232)	(8)	(240)
	(389,799)	(12,645)	(402,444)
Net claims incurred	33,725,914	(700,125)	33,025,789

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 claim management expense allowance over the year is disregarded for consistency with the Income Statement. The Health Insurance Fund of WA values are the same as the consolidated values.

9 Other expenses

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	**$**	$
a) Other operating expenses				
Commission	**129,390**	123,099	**129,390**	123,099
Information technology	**303,733**	303,668	**299,225**	303,615
Depreciation	**143,215**	148,625	**115,846**	124,923
Employee costs	**3,005,245**	2,558,410	**2,334,584**	2,053,165
Legal fees	**53,294**	20,840	**37,426**	20,628
Postage and telephone	**224,590**	198,222	**192,483**	161,323
Printing and stationery	**96,923**	68,596	**96,288**	68,339
Rental and property expenses	**294,624**	254,426	**113,322**	105,511
Advertising	**673,914**	610,952	**652,069**	562,969
Other expenses	**891,176**	827,919	**664,835**	658,269
	5,816,104	5,114,757	**4,635,468**	4,181,841
Less: Acquisition costs	**(1,440,702)**	(1,196,760)	**(1,440,702)**	(1,196,760)
Claims handling costs	**(807,714)**	(657,871)	**(807,714)**	(657,871)
	3,567,688	3,260,126	**2,387,052**	2,327,210
b) Finance costs				
Financial charges and taxes	**172,302**	177,535	**164,224**	167,687
Less: Acquisition costs	**(88,003)**	(90,203)	**(88,003)**	(90,203)
Claims handling costs	**(64,586)**	(67,558)	**(64,586)**	(67,558)
	19,713	19,774	**11,635**	9,926

10 Income tax

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	$	$
Income tax expense				
Current tax	**13,367**	24,274	**-**	-
Deferred tax	**(26,679)**	(6,924)	**-**	-
Under (over) provided in prior years	**-**	3,814	**-**	-
Total tax expense charged to income statement	**(13,312)**	21,164	**-**	-
Reconciliation between net profit before tax and tax expense				
Profit before income tax expense	**8,928,172**	8,155,071	**8,975,204**	8,098,022
Tax at the Australian tax rate of 30% (2006 - 30%)	**2,678,452**	2,446,521	**2,692,561**	2,429,407
Exempt income of parent entity	**(2,692,561)**	(2,429,407)	**(2,692,561)**	(2,429,407)
	(14,109)	17,114	**-**	-
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	**797**	236	**-**	-
Under / (over) provision in prior years	**-**	3,814	**-**	-
Tax charge for the year	**(13,312)**	21,164	**-**	-

	Balance sheet		Income statement	
Consolidated	**2007**	2006	**2007**	2006
	$	$	$	$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Bad debts	**-**	-	**-**	(137)
Accelerated depreciation for tax purposes	**127**	(79)	**(206)**	(46)
	127	(79)		
Deferred tax assets				
Prepayments	**24**	321	**297**	161
Provision for impairment	**15,751**	14,064	**(1,687)**	(7,051)
Provision for employee entitlements	**6,957**	13,023	**6,066**	(487)
Sundry accruals	**7,041**	590	**(6,451)**	636
Losses available for offset against future taxable income	**24,698**	-	**(24,698)**	-
	54,471	27,998		
			(26,679)	**(6,924)**

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	$	$
11 Cash and cash equivalents				
Cash on hand	**25,924**	26,452	**25,417**	25,977
Cash at bank and on call	**3,910,621**	2,558,245	**3,775,411**	2,422,711
Short-term deposits	**21,435,459**	15,806,777	**21,435,459**	15,806,777
	25,372,004	18,391,474	**25,236,287**	18,255,465

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	**$**	$
12 Receivables				
Current				
Contributions in arrears	**444,038**	211,250	**444,038**	211,250
Investment income receivable	**175,198**	102,656	**175,198**	102,656
Amounts due from the Federal Government Rebate Incentives Scheme	**1,256,052**	1,157,882	**1,256,052**	1,157,882
Amounts receivable from controlled entities	**-**	-	**126,612**	180,710
Current tax receivable	**12,190**	11,087	**-**	-
Other amounts receivable	**335,288**	335,512	**186,604**	270,964
Commercial loan - controlled entity	**-**	-	**46,028**	10,941
	2,222,766	1,818,387	**2,234,532**	1,934,403
Non-current				
Commercial loan - controlled entity	**-**	-	**38,740**	1,734
	-	-	**38,740**	1,734

The commercial loan - controlled entity (MaximEyes) is repayable in monthly instalments of $4,017.42. Interest is earned at the rate of 8.0% per annum (2006: 9.5% per annum). The amounts receivable are current and settled on a 30 - 90 day basis.

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	**$**	$
13 Inventories				
Finished goods (at cost)	**90,939**	85,234	**-**	-

14 Financial assets at fair value through profit or loss

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	**$**	$
Current				
Commercial notes	**1,650,302**	1,971,354	**1,650,302**	1,971,354
Government bonds	**452,037**	249,896	**452,037**	249,896
	2,102,339	2,221,250	**2,102,339**	2,221,250
Non-current				
Commercial notes	**4,798,790**	1,509,620	**4,798,790**	1,509,620
Government bonds	**850,984**	1,332,062	**850,984**	1,332,062
Units in investment trusts	**2,855,908**	2,234,312	**2,855,908**	2,234,312
Shares in listed companies	**21,825**	38,193	**21,825**	38,193
	8,527,507	5,114,187	**8,527,507**	5,114,187

15 Investments in controlled entities

		Consolidated		Health Insurance Fund of WA	
		2007	2006	**2007**	2006
		$	$	**$**	$
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**	-
Maximeyes Optical Unit Trust		**-**	**-**	**444,671**	**200,051**
HIF Financial Services Pty Ltd		**-**	-	**1**	1
Better Optical Solutions Ltd				**51**	-
		-	-	**444,723**	200,052

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

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

16 Deferred acquisition costs

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	**$**	$
Deferred acquisitions costs as at 1 July	**155,972**		**155,972**	
Impact of adoption of AIFRS	**-**	154,149	**-**	154,149
Acquisition costs deferred	**1,541,774**	1,288,786	**1,541,774**	1,288,786
Amortisation charged against income	**(1,528,705)**	(1,286,963)	**(1,528,705)**	(1,286,963)
Deferred acquisitions costs as at 30 June	**169,041**	155,972	**169,041**	155,972

17 Property, plant and equipment

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	**$**	$
Land at revaluation	**2,125,000**	2,125,000	**2,125,000**	2,125,000
Buildings at revaluation	**675,000**	675,000	**675,000**	675,000
Less: accumulated depreciation	**16,875**	-	**16,875**	-
	2,783,125	2,800,000	**2,783,125**	2,800,000
Plant and equipment	**29,818**	29,818	**-**	-
Less: accumulated depreciation	**20,014**	14,051	**-**	-
	9,804	15,767	**-**	-
Office furniture and equipment - at cost	**1,015,781**	977,153	**792,804**	756,109
Less: accumulated depreciation	**564,330**	468,295	**521,824**	441,561
	451,451	508,858	**270,980**	314,548
Motor vehicles - at cost	**123,503**	102,934	**86,256**	71,837
Less: accumulated depreciation	**41,688**	54,513	**27,358**	44,321
	81,815	48,421	**58,898**	27,516
Total property, plant and equipment	**3,326,195**	3,373,047	**3,113,003**	3,142,064

The basis of valuation for land and buildings is the fair value based on existing use. The Fund directors are 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 June 2006. The valuation was based on the fair market value of the property 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).

17 Property, plant and equipment (continued)

	Land & Buildings	Plant & Equipment	Office Furniture & Equipment	Motor Vehicles	Total
	$	$	$	$	$
Reconciliation of property, plant and equipment 2007 - consolidated					
Carrying amount at 1 July 2006	**2,800,000**	**15,767**	**508,858**	**48,422**	**3,373,047**
Revaluation	**-**	**-**	**-**	**-**	**-**
Additions	**-**	**-**	**55,897**	**55,196**	**111,093**
Disposals	**-**	**-**	**(4,150)**	**(10,580)**	**(14,730)**
Assets written off during the year	**-**	**-**	**-**	**-**	**-**
Depreciation expense	**(16,875)**	**(5,963)**	**(109,154)**	**(11,223)**	**(143,215)**
Carrying amount at 30 June 2007	**2,783,125**	**9,804**	**451,451**	**81,815**	**3,326,195**
Reconciliation of property, plant and equipment 2007 - Health Insurance Fund of WA					
Carrying amount at 1 July 2006	**2,800,000**	**-**	**314,548**	**27,516**	**3,142,064**
Revaluation	**-**	**-**	**-**	**-**	**-**
Additions	**-**	**-**	**49,980**	**49,046**	**99,026**
Disposals	**-**	**-**	**(1,661)**	**(10,580)**	**(12,241)**
Assets written off during the year	**-**	**-**	**-**	**-**	**-**
Depreciation expense	**(16,875)**	**-**	**(91,887)**	**(7,084)**	**(115,846)**
Carrying amount at 30 June 2007	**2,783,125**	**-**	**270,980**	**58,898**	**3,113,003**
Reconciliation of property, plant and equipment 2006 - consolidated					
Carrying amount at 1 July 2005	1,296,214	16,924	499,196	89,652	1,901,986
Revaluation	1,516,220	-	-	-	1,516,220
Additions	3,860	4,513	103,095	20,257	131,725
Disposals	-	-	-	(28,261)	(28,261)
Assets written off during the year	-	-	-	-	-
Depreciation expense	(16,294)	(5,670)	(93,434)	(33,226)	(148,624)
Carrying amount at 30 June 2006	2,800,000	15,767	508,858	48,422	3,373,047
Reconciliation of property, plant and equipment 2006 - Health Insurance Fund of WA					
Carrying amount at 1 July 2005	1,296,214	-	296,362	63,922	1,656,498
Revaluation	1,516,220	-	-	-	1,516,220
Additions	3,860	-	98,413	20,257	122,530
Disposals	-	-	-	(28,261)	(28,261)
Assets written off during the year	-	-	-	-	-
Depreciation expense	(16,294)	-	(80,227)	(28,402)	(124,923)
Carrying amount at 30 June 2006	2,800,000	-	314,548	27,516	3,142,064

18 Payables

	Consolidated 2007 $	Consolidated 2006 $	Health Insurance Fund of WA 2007 $	Health Insurance Fund of WA 2006 $
Amounts due to the Health Benefits Reinsurance Trust Fund	**105,472**	138,560	**105,472**	138,560
Trade creditors	**294,730**	194,197	**186,027**	165,836
Other creditors	**343,039**	284,531	**277,557**	268,092
Security bond	**-**	5,333	**-**	-
	743,241	622,620	**569,056**	572,488

19 Outstanding claims liability

a) Outstanding claims liability

		Consolidated 2007 $	Consolidated 2006 $	Health Insurance Fund of WA 2007 $	Health Insurance Fund of WA 2006 $
Central estimate	**(A)**	**3,812,670**	2,792,679	**3,812,670**	2,792,679
Discount to present value		**(30,342)**	(22,040)	**(30,342)**	(22,040)
		3,782,328	2,770,639	**3,782,328**	2,770,639
Claims handling costs	**(B)**	**412,402**	300,546	**412,402**	300,546
Risk margin	**(C)**	**260,406**	188,272	**260,406**	188,272
Gross outstanding claims liability		**4,455,136**	3,259,457	**4,455,136**	3,259,457
Gross claims incurred - undiscounted	**(A)+(B)+(C)**	**4,485,478**	3,281,497	**4,485,478**	3,281,497

b) Reconciliation of movement in discounted outstanding claims liability

		Consolidated 2007 $	Consolidated 2006 $	Health Insurance Fund of WA 2007 $	Health Insurance Fund of WA 2006 $
Brought forward	**(D)**	**3,259,457**	3,461,804	**3,259,457**	3,461,804
Effect of changes in assumptions		**(267,112)**	(691,318)	**(267,112)**	(691,318)
Increase in claims incurred / recoveries anticipated over the year		**4,412,975**	3,209,191	**4,412,975**	3,209,191
Incurred claims recognised in income statement	**(E)**	**4,145,863**	2,517,873	**4,145,863**	2,517,873
Claim payments / recoveries during the year	**(F)**	**2,950,184**	2,720,220	**2,950,184**	2,720,220
Carried forward	**(D)+(E)-(F)**	**4,455,136**	3,259,457	**4,455,136**	3,259,457

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 97.5% of the Fund's claims are resolved within one year, the claims development table has not been included.

20 Unearned premium liability

	Consolidated 2007 $	Consolidated 2006 $	Health Insurance Fund of WA 2007 $	Health Insurance Fund of WA 2006 $
Unearned premium liability at beginning of the period	**5,198,400**	4,822,543	**5,198,400**	4,822,543
Deferral of premiums on contracts paid in the period	**5,731,628**	5,198,400	**5,731,628**	5,198,400
Earning of premiums paid in previous periods	**(5,198,400)**	(4,822,543)	**(5,198,400)**	(4,822,543)
Unearned premium liability at the end of the period	**5,731,628**	5,198,400	**5,731,628**	5,198,400

21 Provisions for employee entitlements

	Consolidated 2007 $	Consolidated 2006 $	Health Insurance Fund of WA 2007 $	Health Insurance Fund of WA 2006 $
Current				
Annual leave	**140,172**	153,431	**119,984**	110,020
Long service leave	**55,730**	25,396	**55,730**	25,396
	195,902	178,827	**175,714**	135,416
Non-current				
Long service leave	**19,351**	12,738	**16,351**	12,738
Fund directors' retirement	**570,476**	474,022	**570,476**	474,022
	589,827	486,760	**586,827**	486,760

Fund directors' retirement liability represents monies held in an AMP Linked Investment Plan. These monies are held in the Fund's name and are paid out at the discretion of the Fund's Board upon retirement by the directors of the Fund. An equal and opposite receivable has been recognised as an asset, included in "Units in investment trusts" (refer note 14).

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	**$**	$
22 Reserves				
Reserves comprise revaluation of:				
Land and buildings	**2,366,507**	2,366,507	**2,366,507**	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 total admissable assets of $41,866,027 compared to the solvency requirement of $16,931,545 .

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

During the year, HIF acquired the remaining 49% 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	
	2007	2006	**2007**	2006
	$	$	**$**	$
23 Reconciliation of net cash provided by operating activities to profit or loss				
Net profit from ordinary activities after tax	**8,941,484**	8,133,907	**8,975,204**	8,098,022
Adjustments for:				
Depreciation	**143,215**	148,625	**115,846**	124,923
Profit on sale of property, plant & equipment	**(6,650)**	(7,194)	**(6,650)**	(7,194)
Deferred acquisition costs	**(13,069)**	(1,823)	**(13,069)**	(1,823)
Other non-cash transactions	**(347,264)**	(5,464)	**(347,264)**	(5,464)
	8,717,716	8,268,051	**8,724,067**	8,208,464
Increase in unearned premium liability	**533,228**	375,857	**533,228**	375,857
(Increase) / decrease in contributions in arrears	**(232,788)**	24,524	**(232,788)**	24,524
Increase / (decrease) in outstanding claims	**1,195,679**	(202,347)	**1,195,679**	(202,347)
Increase in employee entitlements	**120,142**	9,336	**140,365**	7,714
Increase in other assets	**(32,384)**	(21,130)	**-**	-
(Increase) / decrease in other debtors	**(99,050)**	(58,820)	**40,288**	(147,154)
Increase / (decrease) in creditors	**131,957**	(90,398)	**(3,432)**	(48,088)
Increase in investment interest receivable	**(72,542)**	(5,630)	**(72,542)**	(5,630)
Cash flows from operating activities	**10,261,958**	8,299,443	**10,324,865**	8,213,340

24 Related party disclosures

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

K Brown (Chairman), G Airey, L Chapple, M Dudley, T Smith, N Timoney and H Seabrook.

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

Transactions with related entities

Purchases

Rent of $48,000 (2006: $48,000) was paid by the Fund to MaximEyes for the sub-rent of space at the Subiaco, Fremantle and Kingsway branches.

Fees for Services

The Fund provided accounting services to Maximeyes Optical Unit Trust for a fee of $66,000 (2006: $27,500) and management and administrative services to HIF Financial Services Pty Ltd for a fee of $79,200 (2006: $72,000).

Loans

The subordinated loan value to Maximeyes Optical Unit Trust (MaximEyes) as at 30 June 2007 was $200,000 (2006: $200,000). An amount of $30,000 was advanced to MaximEyes by the Fund as a commercial loan in 2005. Repayments of $7,072 (2006: $9,813) in principal and $665 (2006: $1,793) of interest have been made during the year in respect of this loan. During the current year a further $88,827 was advanced to MaximEyes by the Fund as a commercial loan. Repayments of $6,873 in principal and $1,162 of interest have been made during the year in respect of this loan.

Receivables

An amount of $27,500 (2005: $55,000) is owed by the Maximeyes Optical Unit Trust for consulting services provided by the Fund during the 2004 financial year.

Transactions with director related entities

A director, Mr N Timoney, is a partner in the firm of Stables Scott, Barristers & Solicitors. Stables Scott has provided legal services to the Fund during the year. The total amount of legal fees invoiced by Stables Scott during the year ended 30 June 2007 was $1,533 (2006: $6,493).

Remuneration of directors and other key management personnel

	Consolidated		Health Insurance Fund of WA	
Remuneration of directors	**2007** $	**2006** $	**2007** $	**2006** $
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 - $ 29,999	**1**	1	**1**	1
Total income received or due and receivable by all directors				
Short-term	**75,488**	76,302	**75,488**	76,302
Other long-term	**30,000**	24,000	**30,000**	24,000
	105,488	100,302	**105,488**	100,302

	Consolidated		Health Insurance Fund of WA	
	2007	2006	**2007**	2006
	$	$	**$**	$

24 Related party disclosures (continued)

Remuneration of other key management personnel

G N Gibson	Chief Executive Officer
G C Oellermann	Commercial Manager
K Faull	Operations Manager

	Consolidated 2007 $	Consolidated 2006 $	Health Insurance Fund of WA 2007 $	Health Insurance Fund of WA 2006 $
Total remuneration	**339,419**	346,722	**339,419**	346,722

All remuneration is in the nature of short term employment benefits.

Total remuneration of directors and other key management personnel

	Consolidated 2007 $	Consolidated 2006 $	Health Insurance Fund of WA 2007 $	Health Insurance Fund of WA 2006 $
Short-term	**414,907**	423,024	**414,907**	423,024
Other long-term	**30,000**	24,000	**30,000**	24,000
	444,907	447,024	**444,907**	447,024

25 Remuneration of external auditor

	Consolidated 2007 $	Consolidated 2006 $	Health Insurance Fund of WA 2007 $	Health Insurance Fund of WA 2006 $
Remuneration of external auditor for audit of the Financial Statements of the Fund and controlled entities	**68,510**	59,000	**68,510**	59,000
Remuneration of external auditor for technical advice - Australian International Financial Reporting Standards (AIFRS)	**-**	23,390	**-**	23,390
	68,510	82,390	**68,510**	82,390

26 Financial instruments

Consolidated 2007	**Notes**	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	11	**3,910,621**	**-**	**-**	**25,924**	**3,936,545**
Contributions in arrears	12	**-**	**-**	**-**	**444,038**	**444,038**
Other receivables	12	**-**	**-**	**-**	**1,603,530**	**1,603,530**
Investment income receivable	12	**-**	**-**	**-**	**175,198**	**175,198**
Financial assets at fair value through profit and loss	11,14	**21,435,459**	**2,102,339**	**5,649,774**	**2,877,733**	**32,065,305**
		25,346,080	**2,102,339**	**5,649,774**	**5,126,423**	**38,224,616**
Weighted average interest rate		**6.23%**	**6.48%**	**6.83%**		
Financial liabilities						
Payables	18	**-**	**-**	**-**	**743,241**	**743,241**
Current tax liability					**13,368**	**13,368**
		-	**-**	**-**	**756,609**	**756,609**
Net financial assets		**25,346,080**	**2,102,339**	**5,649,774**	**4,369,814**	**37,468,007**

Consolidated 2006	**Notes**	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	11	2,558,245	-	-	26,452	2,584,697
Contributions in arrears	12	-	-	-	211,250	211,250
Other receivables	12	-	-	-	1,504,481	1,504,481
Investment income receivable	12	-	-	-	102,656	102,656
Financial assets at fair value through profit and loss	11,14	15,806,777	2,221,250	2,841,682	2,272,505	23,142,215
		18,365,022	2,221,250	2,841,682	4,117,344	27,545,299
Weighted average interest rate		5.77%	6.01%	6.19%		
Financial liabilities						
Payables	18	-	-	-	622,620	622,620
Current tax liability					2,031	2,031
		-	-	-	624,651	624,651
Net financial assets		**18,365,022**	**2,221,250**	**2,841,682**	**3,492,693**	**26,920,647**

26 Financial instruments (continued)

Health Insurance Fund of WA 2007	**Notes**	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	11	**3,775,411**	**-**	**-**	**25,417**	**3,800,828**
Contributions in arrears	12	**-**	**-**	**-**	**444,038**	**444,038**
Other receivables	12	**-**	**-**	**-**	**1,654,036**	**1,654,036**
Investment income receivable	12	**-**	**-**	**-**	**175,198**	**175,198**
Financial assets at fair value through profit and loss	11,14	**21,435,459**	**2,102,339**	**5,649,774**	**2,877,733**	**32,065,305**
		25,210,870	**2,102,339**	**5,649,774**	**5,176,422**	**38,139,405**
Weighted average interest rate		**6.23%**	**6.48%**	**6.83%**		
Financial liabilities						
Payables	18	**-**	**-**	**-**	**569,056**	**569,056**
		-	**-**	**-**	**569,056**	**569,056**
Net financial assets		**25,210,870**	**2,102,339**	**5,649,774**	**4,607,366**	**37,570,349**

Health Insurance Fund of WA 2006	**Notes**	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	11	2,422,711	-	-	25,977	2,448,688
Contributions in arrears	12	-	-	-	211,250	211,250
Other receivables	12	-	-	-	1,622,231	1,622,231
Investment income receivable	12	-	-	-	102,656	102,656
Financial assets at fair value through profit and loss	11,14	15,806,777	2,221,250	2,841,682	2,272,505	23,142,214
		18,229,488	2,221,250	2,841,682	4,234,619	27,527,040
Weighted average interest rate		5.77%	6.01%	6.19%		
Financial liabilities						
Payables	18	-	-	-	572,488	572,488
		-	-	-	572,488	572,488
Net financial assets		**18,229,488**	**2,221,250**	**2,841,682**	**3,662,131**	**26,954,552**

26 Financial instruments (continued)

Reconciliation of net financial assets to net assets

		Consolidated		Health Insurance Fund of WA	
	Notes	**2007** **$**	2006 $	**2007** **$**	2006 $
Net financial assets	26	**37,468,007**	26,920,647	**37,570,349**	26,954,551
Inventories	13	**90,939**	85,234	**-**	-
Investment in controlled entities	15	**-**	-	**444,723**	200,052
Deferred acquisition costs	16	**169,041**	155,972	**169,041**	155,972
Property, plant and equipment	17	**3,326,195**	3,373,047	**3,113,003**	3,142,064
Deferred tax asset	10	**54,598**	27,919	**-**	-
Provisions	19,20,21	**(10,382,666)**	(8,636,685)	**(10,362,478)**	(8,593,272)
Non-current liabilities	21	**(589,827)**	(486,760)	**(586,827)**	(486,760)
Net assets per the balance sheet		**30,136,287**	21,439,374	**30,347,811**	21,372,607

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.

27 Segment information

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

28 Subsequent events

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the 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)

THE DIRECTORS' DECLARATION

In the opinion of the Directors of Health Insurance Fund of W.A.(Inc) the financial statements, set out on pages 1 to 36, for the year ended 30 June 2007, present fairly the financial position of the Fund at 30 June 2007 and the results and cash flows of its operations for the year then ended and are in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group interpretations corresponding to the interpretations approved by the International Accounting Standards Board (IASB), and requirements of the Private Health Insurance Administration Council (PHIAC).

Dated at Perth this 24TH day of SEPTEMBER 2007

K M Brown - Director

N J Timoney - Director

ERNST & YOUNG

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Independent auditor's report to the members of Health Insurance Fund of Western Australia

We have audited the accompanying financial report of Health Insurance Fund of Western Australia ("the Fund") which comprises the balance sheet as at 30 June 2007, 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 that complies 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 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

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 the 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.

ERNST & YOUNG

Auditor's Opinion

In our opinion:

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

   (i) giving a true and fair view of the financial position of Health Insurance Fund of Western Australia and the consolidated entity at 30 June 2007 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 disclosed in Note 1.

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth

24 September 2007