Health Insurance Fund of WA

HEALTH INSURANCE FUND OF W.A. (INC)

ABN 84 607 276 950

ANNUAL FINANCIAL REPORT

30 JUNE 2008

Contents

(a) Corporate structure

Health Insurance Fund of WA (the Fund) which is an incorporated association under the Associations Incorporation Act 1987 (WA) is domiciled in Western Australia. The Fund was registered as a Registrable Australian Body (ARBN 128 302 161) as required by the Private Health Insurance Act 2007 (Cth) on 2 November 2007. 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 comprised the provision of private health insurance including hospital, medical and general (ancillary) cover.

(c) Directors

K M Brown (Chairman)
G Airey
E Chapple
M Dudley
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

	Notes	Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
Premium revenue	5	**53,434,371**	48,466,033	**53,434,371**	48,466,033
Net claims incurred	9	**(43,551,391)**	(37,177,837)	**(43,551,391)**	(37,177,837)
Movement in unexpired risk liability	23	**(99,262)**	-	**(99,262)**	-
Acquisition costs	10	**(2,233,459)**	(1,528,705)	**(2,233,459)**	(1,528,705)
Claims handling costs	10	**(886,348)**	(872,300)	**(886,348)**	(872,300)
Underwriting expenses		**(3,119,807)**	(2,401,005)	**(3,119,807)**	(2,401,005)
Underwriting result		**6,663,911**	8,887,191	**6,663,911**	8,887,191
Sales		**1,535,764**	1,679,493	**-**	-
Cost of sales		**(513,630)**	(536,586)	**-**	-
Gross profit from sale of goods		**1,022,134**	1,142,907	**-**	-
Investment income	6	**2,515,277**	1,886,648	**2,516,020**	1,882,505
Fair value (losses) / gains on financial assets at fair value through profit or loss		**(864,678)**	347,264	**(864,678)**	347,264
Gain on sale of subsidiary	7	**44,869**	-	**-**	-
Other income / revenue	8	**298,653**	251,563	**300,456**	256,931
Other operating expenses	10	**(3,873,884)**	(3,567,688)	**(3,059,822)**	(2,387,052)
Result of operating activities		**5,806,282**	8,947,885	**5,555,887**	8,986,839
Finance costs	10	**(21,682)**	(19,713)	**(12,161)**	(11,635)
Profit before income tax		**5,784,600**	8,928,172	**5,543,726**	8,975,204
Income tax expense	11	**(57,821)**	13,312	**-**	-
Profit after income tax		**5,726,779**	8,941,484	**5,543,726**	8,975,204
Loss / (Profit) attributable to minority interest		**4,274**	(10,172)	**-**	-
Profit attributable to members of Health Insurance Fund of WA		**5,731,053**	8,931,312	**5,543,726**	8,975,204

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 2008

	Notes	Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
ASSETS					
Current assets					
Cash and cash equivalents	12	**34,926,364**	25,372,004	**34,862,988**	25,236,287
Receivables	13	**2,372,728**	2,222,766	**2,340,560**	2,234,532
Inventories	14	**86,723**	90,939	**-**	-
Financial assets at fair value through profit or loss	15	**2,099,296**	2,102,339	**2,099,296**	2,102,339
Deferred acquisition costs	17	**85,598**	169,041	**85,598**	169,041
		39,570,709	29,957,089	**39,388,442**	29,742,199
Non-current assets					
Receivables	13	**-**	-	**-**	38,740
Financial assets at fair value through profit or loss	15	**4,671,812**	8,527,507	**4,671,812**	8,527,507
Investment in controlled entities	16	**-**	-	**244,672**	444,723
Property, plant and equipment	18	**5,236,623**	3,326,195	**5,123,726**	3,113,003
Deferred tax asset	11	**-**	54,598	**-**	-
		9,908,435	11,908,300	**10,040,210**	12,123,973
Total assets		**49,479,144**	41,865,389	**49,428,652**	41,866,172
LIABILITIES					
Current liabilities					
Payables	19	**592,916**	743,241	**543,486**	569,056
Outstanding claims liability	20	**6,031,747**	4,455,136	**6,031,747**	4,455,136
Unearned premium liability	21	**6,133,786**	5,731,628	**6,133,786**	5,731,628
Unexpired risk liability	23	**99,262**	-	**99,262**	-
Provisions for employee entitlements	22	**233,653**	195,902	**211,715**	175,714
Current tax liability		**1,595**	13,368	**-**	-
		13,092,959	11,139,275	**13,019,996**	10,931,534
Non-current liabilities					
Provisions for employee entitlements	22	**523,119**	589,827	**517,119**	586,827
Total liabilities		**13,616,078**	11,729,102	**13,537,115**	11,518,361
Net assets		**35,863,066**	30,136,287	**35,891,537**	30,347,811
EQUITY					
Reserves attributable to the entity's members					
Reserves	24	**2,366,507**	2,366,507	**2,366,507**	2,366,507
Acquisition reserve	24	**(238,624)**	(238,624)	**-**	-
Retained earnings		**33,735,183**	28,004,130	**33,525,030**	27,981,304
		35,863,066	30,132,013	**35,891,537**	30,347,811
Minority interest		**-**	4,274	**-**	-
Total equity		**35,863,066**	30,136,287	**35,891,537**	30,347,811

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 2008

Consolidated	Attributable to the members of the entity			Minority interest	
	Revaluation reserve	Retained earnings	Acquisition Reserve		Total
At 1 July 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**
Net profit 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**

Health Insurance Fund of WA	Revaluation reserve	Retained earnings	Total
At 1 July 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**
Net profit for the period	-	5,543,726	5,543,726
At 30 June 2008	**2,366,507**	**33,525,030**	**35,891,537**

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

Health Insurance Fund of WA and its controlled entities
Cash flow statement
As at 30 June 2008

		Consolidated		Health Insurance Fund of WA	
	Notes	**2008**	2007	**2008**	2007
		$	$	**$**	$
Cash flows from operating activities					
Premiums received		**53,889,529**	48,668,302	**53,889,529**	48,668,302
Receipts from customers		**1,535,764**	1,679,493	**-**	-
Interest received		**2,532,133**	1,814,106	**2,532,876**	1,809,963
Other revenue received		**47,263**	117,541	**93,377**	280,067
Amounts received from / (paid to) the Risk Equalisation Trust Fund		**234,320**	(445,476)	**234,320**	(445,476)
Rent received		**190,960**	126,935	**163,945**	99,566
Claims paid		**(42,441,929)**	(35,569,770)	**(42,441,929)**	(35,569,770)
Interest and other costs of finance		**(198,972)**	(172,302)	**(189,451)**	(164,224)
Payments to suppliers and employees		**(7,097,090)**	(5,956,871)	**(5,481,351)**	(4,353,563)
Net cash flows from operating activities	23	**8,691,978**	10,261,958	**8,801,316**	10,324,865
Cash flows from investing activities					
Purchases of financial assets at fair value through profit and loss		**(10,931,024)**	(10,892,282)	**(10,931,024)**	(10,892,282)
Proceeds from sale of financial assets at fair value through profit and loss		**13,925,076**	7,945,138	**13,925,076**	7,945,138
Purchase of property, plant and equipment		**(2,131,721)**	(111,093)	**(2,128,638)**	(99,026)
Proceeds from sale of property, plant and equipment		**-**	21,380	**-**	18,891
Amounts paid to controlled entities		**-**	-	**(75,000)**	(88,827)
Amounts received from controlled entities		**-**	-	**34,920**	16,734
Minority shareholder contribution		**-**	49	**-**	-
Proceeds from sale / (purchase) of Investment in subsidiary		**51**	-	**51**	(51)
Acquisition of minority interest		**-**	(244,620)	**-**	(244,620)
Net cash flows from / (used in) investing activities		**862,382**	(3,281,428)	**825,385**	(3,344,043)
Net increase / (decrease) in cash and cash equivalents		**9,554,360**	6,980,530	**9,626,701**	6,980,822
Cash and cash equivalents at beginning of period		**25,372,004**	18,391,474	**25,236,287**	18,255,465
Cash and cash equivalents at end of period		**34,926,364**	25,372,004	**34,862,988**	25,236,287

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 2008 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 2008. These are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB Int. 12 and AASB 2007-2	Service Concession Arrangements and consequential amendments to other Australian Accounting Standards	Clarifies how operators recognise the infrastructure as a financial asset and/or an intangible asset – not as property, plant and equipment.	1-Jan-08	Unless the Group enters into service concession arrangements or public-private-partnerships (PPP), the amendments are not expected to have any impact on the Group's financial report.	1-Jul-08
AASB Int. 4 (Revised)	Determining whether an Arrangement contains a Lease	The revised Interpretation specifically scopes out arrangements that fall within the scope of AASB Interpretation 12.	1-Jan-08	Refer to AASB Int. 12 and AASB 2007-2 above.	1-Jul-08
AASB Int. 129	Service Concession Arrangements: Disclosures	Requires disclosure of provisions or significant features necessary to assist in assessing the amount, timing and certainty of future cash flows and the nature and extent of the various rights and obligations involved. These disclosures apply to both grantors and operators.	1-Jan-08	Refer to AASB Int. 12 and AASB 2007-2 above.	1-Jul-08
AASB Int. 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
AASB Int. 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	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 not have a defined benefit pension plan and as such this interpretation has no impact on the Group's financial report.	1-Jul-08

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 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-Jan-09	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements.	1-Jul-09
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-Jan-09	These amendments to AASB 123 require that all borrowing costs associated with a qualifying asset be capitalised. The Group has no borrowing costs associated with qualifying assets and as such the amendments are not expected to have any impact on the Group's financial report.	1-Jul-09
AASB 101 (Revised) and AASB 2007-8	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-Jan-09	These amendments are only expected to affect the presentation of the Group’s financial report and will not have a direct impact on the measurement and recognition of amounts disclosed in the financial report. The Group has not determined at this stage whether to present a single statement of comprehensive income or two separate statements.	1-Jul-09
AASB 2008-1	Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations	The amendments clarify the definition of 'vesting conditions', introducing the term 'non-vesting conditions' 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-Jan-09	The Group does not have share-based payment arrangements that may be affected by these amendments.	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 2008-2	Amendments to Australian Accounting Standards – 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-Jan-09	These amendments are not expected to have any impact on the Group's financial report as the Group does not have on issue or expect to issue any puttable financial instruments as defined by the amendments.	1-Jul-09
AASB 3 (Revised)	Business Combinations	The revised standard introduces a number of changes to the accounting for business combinations, the most significant of which allows entities 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 acquiree's 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-Jul-09	The Group may enter into some business combinations during the next financial year and may therefore consider early adopting the revised standard. The Group has not yet assessed the impact of early adoption, including which accounting policy to adopt.	1-Jul-09
AASB 127 (Revised)	Consolidated and Separate Financial Statements	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1-Jul-09	If the Group changes its ownership interest in existing subsidiaries in the future, the change will be accounted for as an equity transaction. This will have no impact on goodwill, nor will it give rise to a gain or a loss in the Group's income statement.	1-Jul-09
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.	1-Jul-09	Refer to AASB 3 (Revised) and AASB 127 (Revised) above.	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
Amendments to International Financial Reporting Standards	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	The main amendments of relevance to Australian entities are those made to IAS 27 deleting the 'cost method' 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-Jan-09	Recognising all dividends received from subsidiaries, jointly controlled entities and associates as income will likely give rise to greater income being recognised by the parent entity after adoption of these amendments. In addition, if the Group enters into any group reorganisation establishing new parent entities, an assessment will need to be made to determine if the reorganisation meets the conditions imposed to be effectively accounted for on a 'carry-over basis' rather than at fair value.	1-Jul-09
Amendments to International Financial Reporting Standards	Improvements to IFRSs	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.	1 January 2009 except for amendments to IFRS 5, which are effective from 1 July 2009.	The Group has not yet determined the extent of the impact of the amendments, if any.	1-Jul-09
IFRIC 15	Agreements for the Construction of Real Estate	This interpretation proposes 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-Jan-09	The Group does not enter into agreements to provide construction services to the buyer's specifications and as such this interpretation is not expected to have any impact on the Group's financial report.	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
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	This interpretation proposes 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-Jan-09	The Interpretation is unlikely to have any impact on the Group since it does not significantly restrict the hedged risk or where the hedging instrument can be held.	1-Jul-09

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 AASB7 Financial Instruments: Disclosures and all consequential amendments that became applicable on 1 July 2007. The adoption of this standard has only affected the disclosures in these financial statements. There has been no affect on the profit and loss or the financial position of the entity.

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.

The minority interest in the opening balance sheet represented the minority interest in Better Optical Solutions Limited which was sold on 31 May 2008. The minority interest in the income statement includes the pre-disposal loss attributable to the minority shareholder of Better Optical Solutions Limited.

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 - 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, 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.

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.

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

Provision for Impairment

The provision 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

	2008		2007	
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	2.4%	2.4%	0.0%	0.0%
Medical	0.0%	0.0%	0.0%	0.0%
General (Ancillary)	5.1%	5.1%	4.4%	4.4%
Discount rates	7.1%	6.8% - 6.3%	6.5%	6.6% - 6.2%

	2008	2007
b) Weighted average expected term to settlement		
	Months	**Months**
Gross central estimate	1.39	1.51
Risk equalisation recoveries	1.09	1.16
Other recoveries	-	-
Net central estimate	1.39	1.51
	Percent	**Percent**
c) HIF expense rate	7.5%	11.0%
d) Risk margin	6.2%	6.2%
e) Average claim size		
Hospital	$1,365.00	$1,333.00
Medical	$58.00	$59.00
General (Ancillary)	$49.00	$48.00

(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 ($)			
		2008		2007	
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	389,399	385,003	260,243	262,198
	10% increase	(389,399)	(385,003)	(260,243)	(262,198)
Claims management expense	1% decrease	57,438	56,790	39,522	39,819
	1% increase	(57,438)	(56,790)	(39,522)	(39,819)
Discount rate	1% decrease	(6,553)	(6,479)	(5,189)	(5,228)
	1% increase	6,634	6,559	5,257	5,297
Inflation	1% decrease	9,067	8,965	7,133	7,186
	1% increase	(9,127)	(9,024)	(7,177)	(7,231)
Superimposed inflation	1% decrease	9,067	8,965	7,133	7,186
	1% increase	(9,127)	(9,024)	(7,177)	(7,231)
Sufficiency margin	Increase coefficient of variation from 7.5% to 10%	(115,461)	(114,157)	(83,690)	(84,318)
	Decrease coefficient of variation from 7.5% to 5%	117,344	116,019	85,054	85,693

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

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	
	2008	2007	**2008**	2007
	$	$	**$**	$
Financial assets				
Units in investment trusts	**2,258,931**	2,855,908	**2,258,931**	2,855,908

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	
	2008	2007	**2008**	2007
	$	$	**$**	$
+ 10% S&P/ASX 300 Index	**225,893**	285,591	**225,893**	285,591
- 10% S&P/ASX 300 Index	**(225,893)**	(285,591)	**(225,893)**	(285,591)

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	
	2008	2007	**2008**	2007
	$	$	**$**	$
Financial assets				
Cash and cash equivalents	**34,926,364**	25,372,004	**34,862,988**	25,236,287
Commercial notes	**3,670,588**	6,449,092	**3,670,588**	6,449,092
Government bonds	**841,589**	1,303,021	**841,589**	1,303,021
	39,438,541	33,124,117	**39,375,165**	32,988,400

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	
	2008	2007	**2008**	2007
	$	$	**$**	$
+ 1% (100 basis points)	**394,385**	331,241	**393,752**	329,884
- .5% (50 basis points)	**(197,193)**	(165,621)	**(196,876)**	(164,942)

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 2008 than in 2007 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 2008. 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 2008.

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	
	2008	2007	**2008**	2007
	$	$	**$**	$
3 months or less	594,511	756,609	543,486	569,056
>3-6 months	-	-	-	-
>6-12 months	-	-	-	-
>1-5 years	-	-	-	-
Over 5 years	-	-	-	-
	594,511	**756,609**	**543,486**	**569,056**

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 2008**	**≤3 months** **$**	**>3-6 months** **$**	**>6-12 months** **$**	**>1-5 years** **$**	**>5 years** **$**	**Total** **$**
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 2008**	**≤3 months $**	**>3-6 months $**	**>6-12 months $**	**>1-5 years $**	**>5 years $**	**Total $**
Financial assets						
Cash and cash equivalents	**34,862,988**	**-**	**-**	**-**	**-**	**34,862,988**
Receivables	**2,340,560**	**-**	**-**	**-**	**-**	**2,340,560**
Financial assets at fair value through profit or loss	**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 2008	**5,587,095**	**338,956**	**118,429**	**29,607**	**-**	**6,074,088**
Year ended 30 June 2007	4,125,853	250,306	87,455	21,864	-	4,485,478

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 2008 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 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**

Year ended 30 June 2007	AAA $	AA $	A $	BBB $	BB $	Not rated $	Total $
Consolidated							
Cash and cash equivalents	-	13,277,169	-	12,068,911	-	25,924	25,372,004
Receivables	1,268,242	175,198	-	-	-	779,326	2,222,766
Financial assets at fair value through profit or loss	2,953,323	2,806,385	1,001,235	991,170	-	2,877,733	10,629,846
Total	4,221,565	16,258,752	1,001,235	13,060,081	-	3,682,983	38,224,616

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. Cash and cash equivalents with a BBB rating reflect 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:			
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**
2007 premium revenue			
Premiums received including Federal Government rebates	31,406,946	17,261,356	48,668,302
+/- premiums in arrears	149,619	83,169	232,788
+/- unearned premium liability	(338,181)	(195,047)	(533,228)
+/- amount receivable from the Federal Government Rebate Incentives Scheme	63,381	34,790	98,171
Total premium revenue	31,281,765	17,184,268	48,466,033

6 Investment income (net)

	Consolidated		Health Insurance Fund of WA	
	2008	2007	**2008**	2007
	$	$	**$**	$
Interest	**2,515,277**	1,886,648	**2,516,020**	1,882,505

Consolidated proceeds from maturity of investments of $ 13,925,076 ($ 7,945,138 in 2007) 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	
	2008	2007	**2008**	2007
	$	$	**$**	$
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	
	2008	2007	**2008**	2007
	$	$	$	$
Profit from sale of property, plant and equipment	**-**	6,650	**-**	6,650
Rental revenue	**190,960**	126,935	**163,945**	99,566
Other revenue	**107,693**	117,978	**136,511**	150,715
	298,653	251,563	**300,456**	256,931

9 Net Claims incurred

	Consolidated and Health Insurance Fund of WA		
	Current year	**Prior years**	**Total**
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**
Reinsurance revenue			
Reinsurance 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**
2007			
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

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	
	2008	2007	**2008**	2007
	$	$	**$**	$
a) Other operating expenses				
Loss from write-off of property, plant & equipment	**74,651**	-	-	-
Commission	**136,052**	129,390	**136,052**	129,390
Information technology	**352,933**	303,733	**351,367**	299,225
Depreciation	**140,436**	143,215	**117,915**	115,846
Impairment of investment in subsidiary and receivable	**-**	-	**508,547**	-
Employee costs	**3,342,054**	3,005,245	**2,801,016**	2,334,584
Legal fees	**11,518**	53,294	**9,701**	37,426
Postage and telephone	**239,635**	224,590	**210,852**	192,483
Printing and stationery	**69,628**	96,923	**69,570**	96,288
Rental and property expenses	**317,259**	294,624	**105,383**	113,322
Advertising	**846,973**	673,914	**827,236**	652,069
Other expenses	**1,285,262**	891,176	**864,700**	664,835
	6,816,401	5,816,104	**6,002,339**	4,635,468
Less: Acquisition costs	**(2,134,546)**	(1,440,702)	**(2,134,546)**	(1,440,702)
Claims handling costs	**(807,971)**	(807,714)	**(807,971)**	(807,714)
	3,873,884	3,567,688	**3,059,822**	2,387,052
b) Finance costs				
Financial charges and taxes	**198,972**	172,302	**189,451**	164,224
Less: Acquisition costs	**(98,913)**	(88,003)	**(98,913)**	(88,003)
Claims handling costs	**(78,377)**	(64,586)	**(78,377)**	(64,586)
	21,682	19,713	**12,161**	11,635

11 Income tax

	Consolidated		Health Insurance Fund of WA	
	2008	2007	**2008**	2007
	$	$	$	$
Income tax expense				
Current tax	**3,223**	13,367	**-**	-
Deferred tax	**54,598**	(26,679)	**-**	-
Total tax expense charged to income statement	**57,821**	(13,312)	**-**	-
Reconciliation between net profit before tax and tax expense				
Profit before income tax expense	**5,784,600**	8,928,172	**5,543,726**	8,975,204
Tax at the Australian tax rate of 30% (2007 - 30%)	**1,735,380**	2,678,452	**1,663,118**	2,692,561
Exempt income of parent entity	**(1,663,118)**	(2,692,561)	**(1,663,118)**	(2,692,561)
	72,262	(14,109)	**-**	-
Tax effect of amounts which are not deductible in calculating taxable income	**-**	797	**-**	-
Deferred tax asset not recognised on loss in subsidiary	**96,986**	**-**	**-**	-
Provision for impairment	**(152,564)**	**-**	**-**	-
Tax effect of gain on sale of subsidiary	**(13,461)**	**-**	**-**	-
Write-off of deferred tax asset previously recognised	**54,598**	**-**	**-**	-
Tax charge (credit) for the year	**57,821**	(13,312)	**-**	-

	Balance sheet		Income statement	
Consolidated	**2008**	2007	**2008**	2007
	$	$	$	$
Deferred income tax				
Deferred income tax at 30 June relates to the following:				
Deferred tax liabilities				
Bad debts	**-**	-	**-**	-
Accelerated depreciation for tax purposes	**-**	127	**127**	(206)
	-	127		
Deferred tax assets				
Prepayments	**-**	24	**24**	297
Provision for impairment	**-**	15,751	**15,751**	(1,687)
Provision for employee entitlements	**-**	6,957	**6,957**	6,066
Sundry accruals	**-**	7,041	**7,041**	(6,451)
Losses available for offset against future taxable income	**-**	24,698	**24,698**	(24,698)
	-	54,471	**54,598**	(26,679)

12 Cash and cash equivalents

	Consolidated		Health Insurance Fund of WA	
	2008	2007	**2008**	2007
	$	$	$	$
Cash on hand	**18,990**	25,924	**18,500**	25,417
Cash at bank and on call	**8,399,468**	3,910,621	**8,336,582**	3,775,411
Short-term deposits	**26,507,906**	21,435,459	**26,507,906**	21,435,459
	34,926,364	25,372,004	**34,862,988**	25,236,287

13 Receivables

	Consolidated		Health Insurance Fund of WA	
	2008	2007	**2008**	2007
	$	$	**$**	$
Current				
Contributions in arrears	**265,527**	444,038	**265,527**	444,038
Amounts due from the Risk Equalisation Trust Fund	**127,357**	-	**127,357**	-
Investment income receivable	**158,342**	175,198	**158,342**	175,198
Amounts due from the Federal Government Rebate Incentives Scheme	**1,381,564**	1,256,052	**1,381,564**	1,256,052
Amounts receivable from controlled entities	**-**	-	**191,618**	126,612
Impairment	**-**	-	**(183,698)**	
Current tax receivable	**-**	12,190	**-**	-
Other amounts receivable	**439,938**	335,288	**399,850**	186,604
Commercial loan - controlled entity	**-**	-	**124,848**	46,028
Impairment	**-**	-	**(124,848)**	-
	2,372,728	2,222,766	**2,340,560**	2,234,532
Non-current				
Commercial loan - controlled entity	**-**	-	**-**	38,740

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 [Maximeyes Optical Unit Trust] (MaximEyes) is repayable in monthly instalments of $4,017.42. Interest is earned at the rate of 8.0% per annum (2007: 8.0% per annum). MaximEyes was unable to meet all the repayments in the second half of the financial year and a further $75,000 working capital loan was extended to MaximEyes by the Fund to provide funding to meet its commitments. At 30 June 2008 the full outstanding loan amount as well as the inter-company debtor balance was provided against for possible impairment.

14 Inventories

	Consolidated		Health Insurance Fund of WA	
	2008	2007	**2008**	2007
	$	$	**$**	$
Finished goods (at cost)	**86,723**	90,939	**-**	-

15 Financial assets at fair value through profit or loss

	Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
Current				
Commercial notes	**1,999,309**	1,650,302	**1,999,309**	1,650,302
Government bonds	**99,987**	452,037	**99,987**	452,037
	2,099,296	2,102,339	**2,099,296**	2,102,339
Non-current				
Commercial notes	**1,671,279**	4,798,790	**1,671,279**	4,798,790
Government bonds	**741,602**	850,984	**741,602**	850,984
Units in investment trusts	**2,258,931**	2,855,908	**2,258,931**	2,855,908
Shares in listed companies	**-**	21,825	**-**	21,825
	4,671,812	8,527,507	**4,671,812**	8,527,507

16 Investments in controlled entities

		Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
Subordinated loan - Maximeyes Optical Unit Trust	(i)	**-**	-	**200,000**	200,000
Impairment				**(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		**-**	**-**	**244,671**	**444,671**
HIF Financial Services Pty Ltd		**-**	-	**1**	1
Better Optical Solutions Ltd	(iii)			**-**	51
		-	-	**244,672**	444,723

(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.

(iii) The Fund disposed of its 51% share in Better Optical Solutions Limited as at 31 May 2008 at face value.

17 Deferred acquisition costs

	Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
Deferred acquisition costs as at 1 July	**169,041**	155,972	**169,041**	155,972
Acquisition costs deferred	**2,150,016**	1,541,774	**2,150,016**	1,541,774
Amortisation charged against income	**(2,233,459)**	(1,528,705)	**(2,233,459)**	(1,528,705)
Deferred acquisition costs as at 30 June	**85,598**	169,041	**85,598**	169,041

18 Property, plant and equipment

	Consolidated		Health Insurance Fund of WA	
	2008	2007	**2008**	2007
	$	$	**$**	$
Land at revaluation	**4,193,152**	2,125,000	**4,193,152**	2,125,000
Buildings at revaluation	**675,000**	675,000	**675,000**	675,000
Less: accumulated depreciation	**33,750**	16,875	**33,750**	16,875
	4,834,402	2,783,125	**4,834,402**	2,783,125
Plant and equipment	**30,936**	29,818	**-**	-
Less: accumulated depreciation	**26,160**	20,014	**-**	-
	4,776	9,804	**-**	-
Office furniture and equipment - at cost	**924,527**	1,015,781	**806,185**	792,804
Less: accumulated depreciation	**629,302**	564,330	**605,280**	521,824
	295,225	451,451	**200,905**	270,980
Motor vehicles - at cost	**164,458**	123,503	**133,361**	86,256
Less: accumulated depreciation	**62,238**	41,688	**44,942**	27,358
	102,220	81,815	**88,419**	58,898
Total property, plant and equipment	**5,236,623**	3,326,196	**5,123,726**	3,113,003

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 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). Management does not believe that the fair market value of the property has changed materially since the June 2006 valuation. The historic cost of the revalued land and buildings was $433,493.

On 7 April 2008 the Fund acquired land at a cost of $2,068,152. The fair value of the land has not materially changed since the acquisition. 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 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

Reconciliation of property, plant and equipment 2007 - consolidated

	Land & Buildings $	Plant & Equipment $	Office Furniture & Equipment $	Motor Vehicles $	Total $
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

	Land & Buildings $	Plant & Equipment $	Office Furniture & Equipment $	Motor Vehicles $	Total $
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

* The write-off of office furniture and equipment reflects the assets of one optical store that was closed during the year.

19 Payables

	Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
Amounts due to the Risk Equalisation Trust Fund	**-**	105,472	**-**	105,472
Trade creditors	**299,744**	294,730	**253,003**	186,027
Other creditors	**293,172**	343,039	**290,483**	277,557
	592,916	743,241	**543,486**	569,056

20 Outstanding claims liability

a) Outstanding claims liability

		Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
Central estimate	**(A)**	**5,320,501**	3,812,670	**5,320,501**	3,812,670
Discount to present value		**(42,341)**	(30,342)	**(42,341)**	(30,342)
		5,278,160	3,782,328	**5,278,160**	3,782,328
Claims handling costs	**(B)**	**401,028**	412,402	**401,028**	412,402
Risk margin	**(C)**	**352,559**	260,406	**352,559**	260,406
Gross outstanding claims liability		**6,031,747**	4,455,136	**6,031,747**	4,455,136
Gross claims incurred - undiscounted	**(A)+(B)+(C)**	**6,074,088**	4,485,478	**6,074,088**	4,485,478

b) Reconciliation of movement in discounted outstanding claims liability

		Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
Brought forward	**(D)**	**4,455,136**	3,259,457	**4,455,136**	3,259,457
Effect of changes in assumptions		**285,899**	(267,112)	**285,899**	(267,112)
Increase in claims incurred / recoveries anticipated over the year		**5,996,674**	4,412,975	**5,996,674**	4,412,975
Incurred claims recognised in income statement	**(E)**	**6,282,573**	4,145,863	**6,282,573**	4,145,863
Claim payments / recoveries during the year	**(F)**	**4,705,962**	2,950,184	**4,705,962**	2,950,184
Carried forward	**(D)+(E)-(F)**	**6,031,747**	4,455,136	**6,031,747**	4,455,136

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.

	Consolidated		Health Insurance Fund of WA	
	2008	2007	**2008**	2007
	$	$	**$**	$
21 Unearned premium liability				
Unearned premium liability at beginning of the period	**5,731,628**	5,198,400	**5,731,628**	5,198,400
Deferral of premiums on contracts paid in the period	**6,133,786**	5,731,628	**6,133,786**	5,731,628
Earning of premiums paid in previous periods	**(5,731,628)**	(5,198,400)	**(5,731,628)**	(5,198,400)
Unearned premium liability at the end of the period	**6,133,786**	5,731,628	**6,133,786**	5,731,628

	Consolidated		Health Insurance Fund of WA	
	2008	2007	**2008**	2007
	$	$	**$**	$
22 Provisions for employee entitlements				
Current				
Annual leave	**176,305**	140,172	**154,367**	119,984
Long service leave	**57,348**	55,730	**57,348**	55,730
	233,653	195,902	**211,715**	175,714
Non-current				
Long service leave	**24,974**	19,351	**18,974**	16,351
Fund directors' retirement	**498,145**	570,476	**498,145**	570,476
	523,119	589,827	**517,119**	586,827

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 "Units in investment trusts" (refer note 15).

23 Unexpired risk liability

The liability adequacy test has identified an unexpired risk liability in the hospital insurance portfolio of contracts. The portfolio is based on contracts that have broadly similar risks that are managed together.

	Consolidated		Health Insurance Fund of WA	
	2008	2007	**2008**	2007
	$	$	**$**	$
(a) Unexpired risk liability				
Unexpired risk liability opening balance	**-**	-	**-**	-
Recognition of additional unexpired risk liability in the period	**99,262**	-	**99,262**	-
Unexpired risk liability closing balance	**99,262**	**-**	**99,262**	**-**
(b) Calculation of deficiency				
Unearned premium liability	**4,001,316**	-	**4,001,316**	-
Less related deferred acquisition costs*	-	-	-	-
	4,001,316		**4,001,316**	
Central estimate of present value of expected future cash flows arising from future claims including risk equalisation and policy handling expenses	**3,805,291**	-	**3,805,291**	-
Risk margin	**295,287**	-	**295,287**	-
	4,100,578	-	**4,100,578**	-
Unexpired risk liability	**99,262**	-	**99,262**	-

The liability adequacy test has identified a surplus for the portfolio of General (Ancillary) contracts that are subject to broadly similar risks that are managed together as a single portfolio. The process for determining the overall risk margin, as with outstanding claims, is intended to achieve an 80% probability of adequacy.

*The related deferred acquisition costs have been reduced to nil due to the existence of the unexpired risk liability.

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 2008.

	Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
24 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 $48,572,930 compared to the solvency requirement of $18,045,049.

	Consolidated 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
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 2008 $	Consolidated 2007 $	Health Insurance Fund of WA 2008 $	Health Insurance Fund of WA 2007 $
25 Reconciliation of net cash provided by operating activities to profit or loss				
Net profit from ordinary activities after tax	**5,726,779**	8,941,484	**5,543,726**	8,975,204
Adjustments for:				
Depreciation	**140,436**	143,215	**117,915**	115,846
Loss / (Profit) on write-off of property, plant and equipment	**74,651**	(6,650)	**-**	(6,650)
Deferred acquisition costs	**83,443**	(13,069)	**83,443**	(13,069)
Other non-cash transactions	**870,892**	(347,264)	**1,373,232**	(347,264)
	6,896,201	8,717,716	**7,118,316**	8,724,067
Increase in unearned premium liability	**402,158**	533,228	**402,158**	533,228
Increase in unexpired risk liability	**99,262**		**99,262**	
(Increase) / decrease in contributions in arrears	**178,511**	(232,788)	**178,511**	(232,788)
Increase / (decrease) in outstanding claims	**1,576,611**	1,195,679	**1,576,611**	1,195,679
Increase / (decrease) in employee entitlements	**(28,957)**	120,142	**(33,707)**	140,365
Increase in other assets	**58,814**	(32,384)	**-**	-
(Increase) / decrease in other debtors	**(345,380)**	(99,050)	**(531,121)**	40,288
Increase / (decrease) in creditors	**(162,098)**	131,957	**(25,570)**	(3,432)
(Increase) / decrease in interest receivable	**16,856**	(72,542)	**16,856**	(72,542)
Cash flows from operating activities	**8,691,978**	10,261,958	**8,801,316**	10,324,865

26 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 and N 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 $48,000 (2007: $48,000) was paid by the Fund to MaximEyes for the sub-rent of space at its Subiaco, Fremantle and Kingsway branches.

Payables
Commission of $4,839 (2007: $12,646) was owed to HIF Financial Services Pty Ltd as at 30 June 2008.

Fees for Services

The Fund provided accounting services to Maximeyes Optical Unit Trust for a fee of $50,000 (2007: $66,000) and management and administrative services to HIF Financial Services Pty Ltd for a fee of $86,400 (2006: $79,200).

Loans

The subordinated loan value to MaximEyes as at 30 June 2008 was $200,000 (2007: $200,000). An amount of $88,827 was advanced to MaximEyes by the Fund as a commercial loan in 2007. Repayments of $34,920 (2007: $7,737) have been made during the year in respect of this loan. During the current year a further $75,000 was advanced to MaximEyes by the Fund as a commercial loan. No repayments have been made during the year in respect of this loan. A provision for impairment has been raised for the full amount of these loans as at 30 June 2008.

Receivables
An amount of $183,698 (2007: $112,092) is owed by Maximeyes for consulting fees, accounting fees and other inter-company charges. A provision for impairment has been raised against this receivable as at 30 June 2008. An amount of $7,920 (2007: $14,520) is owed by HIF Financial Services Pty Ltd for management fees.

Transactions with director related entities

A director, Mr N 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 2008 was $5,077 (2007: $1,533).

Remuneration of directors and other key management personnel

	Consolidated		Health Insurance Fund of WA	
Remuneration of directors	**2008** $	**2007** $	**2008** $	**2007** $
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	**75,488**	75,488	**75,488**	75,488
Other long-term	**31,500**	30,000	**31,500**	30,000
	106,988	105,488	**106,988**	105,488

26 Related party disclosures (continued)

Remuneration of other key management personnel

G N Gibson	Chief Executive Officer
G C Oellermann	Commercial Manager
S Lee	Business Development Manager (Appointed: 02/07/2007, Resigned: 04/04/2008)
K Faull	Operations Manager (Resigned: 11/04/2008)
J Budrovich	Operations Manager (Appointed: 31/03/2008)

	Consolidated		Health Insurance Fund of WA	
	2008 $	2007 $	**2008 $**	2007 $
Total remuneration	**463,707**	339,419	**463,707**	339,419

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

Total remuneration of directors and other key management personnel

	Consolidated		Health Insurance Fund of WA	
	2008 $	2007 $	**2008 $**	2007 $
Short-term	**539,195**	414,907	**539,195**	414,907
Other long-term	**31,500**	30,000	**31,500**	30,000
	570,695	444,907	**570,695**	444,907

27 Remuneration of external auditor

	Consolidated		Health Insurance Fund of WA	
	2008 $	2007 $	**2008 $**	2007 $
Remuneration of the external auditor for audit of the consolidated financial statements of the Fund and regulatory reporting	**71,950**	68,510	**71,950**	68,510
Remuneration of the external auditor for technical advice	**7,500**	-	**7,500**	-
	79,450	68,510	**79,450**	68,510

28 Financial instruments

Consolidated 2008	**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	**34,907,374**	**-**	**-**	**18,990**	**34,926,364**
Contributions in arrears	12	**-**	**-**	**-**	**265,527**	**265,527**
Other receivables	12	**-**	**-**	**-**	**1,948,859**	**1,948,859**
Investment income receivable	12	**-**	**-**	**-**	**158,342**	**158,342**
Financial assets at fair value through profit and loss	11,14		**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	18	**-**	**-**	**-**	**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**

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	12	25,346,080	-	-	25,924	25,372,004
Contributions in arrears	13	-	-	-	444,038	444,038
Other receivables	13	-	-	-	1,603,530	1,603,530
Investment income receivable	13	-	-	-	175,198	175,198
Financial assets at fair value through profit and loss	12,15	-	2,102,339	5,649,774	2,877,733	32,065,305
		25,346,080	2,102,339	5,649,774	5,126,423	59,660,075
Weighted average interest rate		6.23%	6.48%	6.83%		
Financial liabilities						
Payables	19	-	-	-	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**	**58,903,466**

28 Financial instruments (continued)

Health Insurance Fund of WA 2008	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	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	12,15	**-**	**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**

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	12	25,210,870	-	-	25,417	25,236,287
Contributions in arrears	13	-	-	-	444,038	444,038
Other receivables	13	-	-	-	1,654,036	1,654,036
Investment income receivable	13	-	-	-	175,198	175,198
Financial assets at fair value through profit and loss	12,15	-	2,102,339	5,649,774	2,877,733	32,065,305
		25,210,870	2,102,339	5,649,774	5,176,422	59,574,864
Weighted average interest rate		6.23%	6.48%	6.83%		
Financial liabilities						
Payables	19	-	-	-	569,056	569,056
		-	-	-	569,056	569,056
Net financial assets		**25,210,870**	**2,102,339**	**5,649,774**	**4,607,366**	**59,005,808**

28 Financial instruments (continued)

Reconciliation of net financial assets to net assets

		Consolidated		Health Insurance Fund of WA	
	Notes	**2008 $**	2007 $	**2008 $**	2007 $
Net financial assets	28	**43,475,689**	37,468,007	**43,431,170**	37,570,349
Inventories	14	**86,723**	90,939	**-**	-
Investment in controlled entities	16	**-**	-	**244,672**	444,723
Deferred acquisition costs	17	**85,598**	169,041	**85,598**	169,041
Property, plant and equipment	18	**5,236,623**	3,326,195	**5,123,726**	3,113,003
Deferred tax asset	11	**-**	54,598	**-**	-
Provisions	20,21,22,23	**(12,498,448)**	(10,382,666)	**(12,476,510)**	(10,362,478)
Non-current liabilities	22	**(523,119)**	(589,827)	**(517,119)**	(586,827)
Net assets per the balance sheet		**35,863,066**	30,136,287	**35,891,537**	30,347,811

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

There has not arisen in the interval between 30 June 2008 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 44, for the year ended 30 June 2008, present fairly the financial position of the Fund at 30 June 2008 and the results and cash flows of its operations for the year then ended and are in accordance with International Financial Reporting Standards (IFRS), 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 in Perth this 22 day of SEPTEMBER 2008

K M Brown - Director

N J Timoney - Director

Ernst & Young Building
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
www.ey.com/au

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 2008, 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) and the *Associations Incorporation Act 1987 (WA)*. 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 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 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.

Auditor's Opinion

In our opinion:

1. the financial report of Health Insurance Fund of W.A. (Inc.) 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 W.A. (Inc.) and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and

   ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations).

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

Ernst & Young

Ernst & Young

F Drummond
Partner
Perth
22 September 2008

FD:MJ:HIF:063