



The
Doctors' Health
Fund



Annual Report 2007

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Chairman's Report 2006-2007

During this year the Fund has been laying the foundations for future growth. This has included the appointment of a new Chief Executive Officer, investment in membership recruitment, and the introduction of new products with better benefits for members.

More than 80% of members have transferred to the new products introduced in December 2006, with many upgrading or adding ancillary services to their cover. Membership growth has been driven through advertising, hospital visits, medical meetings, direct mail and the Fund's new website. We have conducted staff training and improved our product information to assist members with choosing the level of cover most appropriate to their needs. We have also added the Access Gap Cover scheme to the 'Prime Choice' and 'Smart Starter' hospital products from 1 August 2007 to increase the attractiveness of these products to potential members.

Corporate governance is a continuing challenge for all smaller funds, both financially and in meeting the stringent standards and strict reporting requirements. The Doctors' Health Fund is fortunate to have the combination of three medical directors complementing three independent directors and a Chief Executive Officer with considerable expertise in financial matters and corporate management. Together they have implemented corporate governance practices and met the Private Health Insurance Administration Council's requirements.

The new Private Health Insurance Act commenced on 1 April 2007. It will drive considerable activity by funds during next year to align products and the underlying corporate structure of the funds with the new Act's requirements. We will be introducing services to prevent or substitute for hospital treatment, which the new Act allows us to cover. Sometimes referred to as 'broader health cover', an example is an early discharge program. Medical supervision and the patients agreement will be required on these services.

We end the year with greater membership growth than previous years, reserves stronger than ever, and a healthy strategic growth model. The Fund also bids farewell to Sabrina Gonslaves, who has resigned after 15 years with the Fund. We wish her well for the future.

Having been Chairman of the Fund since 2002, I have decided to stand down at this year's AGM. I have nominated Dr Paul Nisselle as my successor, and I hope to remain on the Board for a few years.



The Financial Report

For the year ended 30 June 2007, the Fund recorded a profit of \$566,161. Total equity has increased to \$11,418,797. The Fund maintains a conservative, highly liquid, well matched asset/liability position with the majority of assets invested in bank term deposits.

P C Arnold
Chairman

Governance at The Doctors' Health Fund

The Doctors' Health Fund (the Fund) is committed to implementing high standards of corporate governance.

Documents describing the Fund's governance framework and associated practices can be found on the website at www.doctorshealthfund.com.au/about-us

The powers and duties of the Fund are specified in the Constitution of the Fund, the Corporations Act 2001 (Cth), the Private Health Insurance Act 2007 (Cth) and other relevant legislation and law.

Board of directors and its committees

Composition of the Board

The Board should include a balance of directors so that the balance of skills and experience is appropriate for the requirements of the Fund.

The Board determines its size and composition subject to limits imposed by the Fund's Constitution which provides for a minimum of three directors and a maximum of seven directors. For the time being, the Board has determined that there shall be six directors, three of whom, including the Chairman, are medical practitioners.

Whenever necessary and appropriate, the Board may make arrangements to access skills externally where they are not available within the Board.

Board committees

The Board establishes standing and adhoc committees to assist it in carrying out its responsibilities. The directors chair and participate in those committees.

Each committee is provided with a charter by the Board setting out its role, composition, powers, responsibilities and any other relevant matters.

Currently there are three standing committees:

1. Audit, Risk and Compliance (ARCC)
2. Human Resource, Remuneration and Nominations (HRRNC)
3. Clinical Advisory (CAC)

Unless specifically empowered by the Board these committees are advisory committees. Matters requiring the Fund's decision are referred to the next meeting of the Board.

Role and responsibilities of the Board

The Board's role is to provide strategic guidance to the Fund within a framework of prudent and effective controls which enables risk to be assessed and managed. The Board sets the Fund's strategic aims, ensures that the necessary financial and human resources are in place for the Fund to meet its objectives and reviews the performance of management. The Board sets the Fund's values and standards and ensures that its obligations to the members of the Fund and others are understood and met.

In addition to committee meetings, the Board aims to meet at least six times a year.

The roles and responsibilities of the Chairman and the Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are strictly separate.

Role of the Chairman

The Chairman is responsible for leadership and effectiveness of the Board

The Chairman presides over the Board and general meetings of the Fund. This task includes making sure that the Board is well informed and that the directors have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper operation of the Board and the Fund.

The Chairman is responsible for meetings of the Board being conducted competently and is expected to provide effective leadership in formulating the strategic directions for the Fund.

The Chairman must ensure that general meetings of the Fund are conducted efficiently and that members of the Fund have adequate opportunity to air their views and obtain answers to their queries.

The Chairman is also the Board's representative in dealings with management and is responsible for communicating the Board's views to management clearly and accurately. He also acts as the primary counsellor to the Chief Executive Officer.

Role of the Chief Executive Officer

The Chief Executive Officer is appointed by and is responsible to the Board and is the general manager of the business.

The Chief Executive Officer is responsible for the management of the Fund in accordance with the directions of the Board. This includes responsibility for delivery on the strategy, policies and budgets approved by the Board.

Board and Chief Executive Officer appraisal

The Board considers the evaluation of its own and the Chief Executive Officer's performance as fundamental to establishing a culture of performance and accountability.

Conflicts of interest

A director who has a material personal interest in a matter relating to the affairs of the Fund or has any other interest which should be disclosed to avoid an actual or perceived conflict, may not be present and may not vote on such matter.

Audit, Risk and Compliance Committee

The role of the ARCC is to assist the Board in discharging its responsibilities in relation to all internal and external audit, risk and compliance matters.

Internal control and risk management framework

The Board has developed internal controls and risk management procedures and instituted compliance systems. The ARCC is responsible for overseeing these compliance systems and reporting them to the Board.

Accountability and audit

External audit

The Board ensures that the Fund is audited annually by a reputable professional accounting firm. The current external auditors are PricewaterhouseCoopers, having changed on 9 May 2007 from Deloitte Touche Tohmatsu.

Internal audit

The Fund has an outsourced internal audit function. An independent internal auditor conducts internal audit reviews and testing on a rotational basis. All audit reports are reviewed by the ARCC. The internal auditor reports directly to the ARCC and attends all committee meetings.

Human Resource, Remuneration and Nominations Committee

The role of the HRRNC is to assist the Board with the task of developing policies and procedures regarding conditions and remuneration of employees and directors. It considers the appropriate skills and qualifications needed for the Board and recommends suitable directors to fill casual vacancies.

Clinical Advisory Committee

The role of the CAC is to assist the Board in discharging its responsibilities in respect of medical and related clinical issues. The Chairman of the CAC is a medically qualified director of the Fund. A minimum of one other member from a panel of specialists in different fields is invited to provide expertise relevant to the matter the committee is to consider.

The Role of Members

The Board ensures that the members are informed of all major developments affecting the Fund's state of affairs. The Board's Annual Report is a major part of the communication to members about the state of affairs of the Fund. The Annual General Meeting is usually held within five months after the close of the financial year at a place the Board appoints.

The Board is the final level of appeal within the Fund, for matters handled pursuant to the Fund's Complaints Resolution Policy.

Remuneration of directors

Directors are paid by the Fund for their services. The amount is determined from time to time at Annual General Meetings. Proposals to change directors' remuneration are agreed to by the members as a lump sum at Annual General Meetings. The actual division of the lump sum between the directors is a matter for the Board. The Chair will normally receive slightly higher fees than other directors. The directors are each indemnified by the Fund against any liability they might incur in their capacity as a director, subject to Corporations Law limitations.

Directors' Report

The directors of The Doctors' Health Fund Limited submit herewith the annual financial report for the financial year ended 30 June 2007. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Fund during or since the end of the financial year are:

Name	Appointed
Dr P C Arnold	15 September 1993
Dr P R Douglas	25 October 1989
Mr A A Harris	27 November 2006
Mrs P M Mann	03 August 2005
Dr P Nisselle	23 October 2002
Mr B E Foy	03 May 2006

Particulars of current directors

Peter Arnold (non-executive chairman)

BSc MBCh BA (Politics, Philosophy, Economics)

Dr Arnold was appointed to The Doctors' Health Fund Board in 1993. He has been chairman since 2002, and is also a member of the Human Resource, Remuneration & Nominations Committee.

Dr Arnold currently serves on Impairment Panels of the Nurses' and Midwives' Registration Board of NSW. He is a member of the committees of the Medico-Legal Society of NSW, The Doctors' Health Advisory Service of NSW and the Steering Committee of the International Doctors' Health Conference 2007.

Dr Arnold was formerly chairman of the Federal Council of the Australian Medical Association, deputy president of the NSW Medical Board, president of the Australian Medical Association (NSW), president of the General Practitioners' Society in Australia and deputy chairman of the Acute Care Advisory Committee, operating under the aegis of the Commonwealth Department of Health and Ageing.

He has represented, respectively, the Australian Medical Association and the NSW Medical Board on numerous federal and state government committees and working parties. He was in general medical practice in suburban Sydney from 1966 until 1990.

Antony Harris (non-executive director)

B.Com LLB

Mr Harris was appointed to The Doctors' Health Fund Board on 27 November 2006, he was also a director from 3 August 2005 to 1 May 2006. He chairs the Human Resource, Remuneration & Nominations Committee.

Mr Harris has worked in the financial services industry for twenty years with firms including Jacksons, Bankers Trust and stockbrokers McIntosh Limited. For the last ten years he has been director of Institutional Equities with Merrill Lynch Australia, where he has also served as a director of the Staff Superannuation Fund for four years and as chairman for the last three years. His background also includes working in industrial relations for BHP at Port Kembla and practicing as a solicitor with Arkins, Gordon, Barkell & Lamb.

Paul Nisselle AM (non-executive director)

MBBS M.Hlth&MedLaw FRACGP

Dr Nisselle was appointed to The Doctors' Health Fund Board in 2002. He is also a member of the Audit, Risk & Compliance Committee.

Dr Nisselle is general manager, Clinical Risk Management at Avant, the medical defence organisation formed by the merger of the Medical Defence Association of Victoria and United Medical Protection. He also holds two ministerial appointments, he is a member of the Health Services Review Council which advises the Victorian Health Services Commissioner and is convenor of medical panels in Victoria's worker's compensation scheme.

He was a general practitioner for 18 years before commencing work in the medical indemnity industry in 1989. He has served on the Medical Practitioners Board of Victoria, the Councils of the RACGP, NAGPA, AMA (Federal) and AMA Victoria and is a former president and former chairman of AMA Victoria. He was a member of Medical Practitioners Board of Victoria in the late 1980s.

Dr Nisselle was made a Member of the Order of Australia (AM) in 2003, for services to medicine and the medical profession and was awarded the Australian Centenary Medal in the same year for services to injured workers.

Philip Douglas (non-executive director)

MBBS BSc (Med) FRACS

Dr Douglas was appointed to The Doctors' Health Fund Board in 1989. He is chairman of the Clinical Advisory Committee and is also a member of the Human Resource, Remuneration & Nominations Committee.

Dr Douglas is a colorectal surgeon and a visiting medical officer at Prince of Wales Hospital and Prince of Wales Private Hospital. He is also chairman of the Senior Medical Staff Association at Prince of Wales Hospital.

Currently, Dr Douglas is president of the Colorectal Surgical Society of Australia and New Zealand, a member and former chairman of the Training Board in Colon and Rectal Surgery of the Royal Australasian College of Surgeons and Colorectal Surgical Society of Australia and New Zealand, a member of the Panel of Clinical Experts, Prostheses and Devices Committee, Commonwealth Department of Health and Ageing.

He has previously been chairman of the Sydney Colorectal Surgical Society, a member of the Council of the AMA (NSW) and a director of the Sydney Endoscopy Centre.

Bruce Foy (non-executive director)

B.Com LLB FAICD

Mr Foy was appointed to The Doctors' Health Fund Board in 2006. He is a professional non-executive director being on a number of public and private boards including First State Superannuation Trustee Corporation, Transgrid Corporation, Citic Australia Trading Ltd, Financial Planning Association of Australia Ltd and AFMA Services Ltd.

Previously Mr Foy was managing director and country manager for Australia of ING Bank N.V., and over a banking career spanning some twenty-five years held a number of chief executive roles in wholesale and investment banking and stockbroking. Mr Foy was admitted as a barrister to the Supreme Court of New South Wales in 1989, he is a fellow of the Institute of Company Directors.

Patria Mann (non-executive director)

BEc CA MAICD

Mrs Mann was appointed to The Doctors' Health Fund Board in August 2005 and chairs the Audit, Risk & Compliance Committee.

Mrs Mann is a chartered accountant. She worked for the international accounting firm KPMG for seventeen years, including eight years in London. She spent many years as an auditor before moving to forensic accounting where her focus was on investigation and risk mitigation.

Since retiring as a partner of KPMG she has held a number of non executive roles.

Currently, Mrs Mann is a non executive director of First State Superannuation Trustee Corporation. She is also a non executive director of Perpetual Superannuation Limited and an independent

external member and chairman of Perpetual Investment Management Limited and Perpetual Trustee Services Limited compliance committees.

Mrs Mann is a member of the Institute of Chartered Accountants and the Institute of Company Directors.

Principal activities

The principal activities in the course of the financial year were the administration of a health benefits organisation under the terms and conditions of the Private Health Insurance Act 2007.

Review of operations

The operations of the Fund during the financial year and the results of those operations were as follows:

The net amount of the surplus for the financial year was \$566,161. In 2006 the surplus was \$958,371. The decrease in the surplus reflects an increase in claims and ambulance levy costs, plus the costs of restructuring to improve the Fund's long term financial performance. The restructuring has included the introduction of a new product range, the transition of members to the new products, and a marketing program which is increasing the number of new members.

The Doctors' Health Fund Limited is exempt under section 50-30 of the Income Tax Assessment Act 1997 from paying income tax.

Changes in state of affairs

During the financial year there was no significant change in the state of affairs of the Fund, either financially or in its operations. The Private Health Insurance Act 2007 came into force from 1 April 2007 imposing a number of new requirements on health insurers which have to be addressed before 1 July 2008. The Fund is already undertaking the process of re-registering under the Act.

Subsequent events

There has not been any matter or circumstance, other than that referred to in the financial statements or notes thereto, that has arisen since the end of the financial year, that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

Future developments

The Fund will be undertaking initiatives to increase the Fund's market profile and membership. Further information on likely developments in the operations of the Fund and the expected results of operations have not been included because the directors believe that it would likely result in unreasonable prejudice to the Fund.

Dividends

In accordance with the Memorandum and Articles of Association no dividend may be paid to the members of the Fund.

Environmental Regulation

The Fund has assessed whether there are any particular or significant environmental regulations which apply to it and has determined that there are none.

Company Secretary

The Company Secretary is Geoff Garside. He is a Fellow of the Chartered Institute of Secretaries. Mr Garside was appointed to the position of Company Secretary from 2 January 2007. He is also the Chief Executive Officer and Public Officer of The Doctors' Health Fund Limited.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001.

Meetings of directors and committees

The following table sets out the number of meetings of the Board of directors, the Audit, Risk & Compliance Committee (ARCC), the Human Resource Remuneration & Nominations Committee, (HRRNC) and the Clinical Advisory Committee (CAC) held during financial year ended 30 June 2007 and the numbers of meetings attended by each director. Mr A A Harris did not attend all meetings as he was appointed as a director on 27 November 2006.



Directors	Board of Directors		ARCC		HRRNC		CAC	
	H	A	H	A	H	A	H	A
Dr P C Arnold	5	4	-	-	4	4	-	-
Dr P R Douglas	5	5	-	-	4	4	1	1
Dr P Nisselle	5	5	5	4	-	-	-	-
Mr A A Harris	5	3	-	-	4	2	-	-
Mrs P M Mann	5	5	5	5	-	-	-	-
Mr B E Foy	5	5	5	3	4	4	-	-

Notes:

H = Held

A = Attended

Indemnifying directors and officers

During the year, the Fund purchased directors and officers liability insurance to provide cover in respect of claims made against the directors and officers in office at the date of this report, as far as is allowable by the Corporations Act 2001. The policy also covers the Fund for reimbursement of director's and officer's expenses associated with such claims if the defence to the claim is successful. The total amount of insurance premiums paid and the nature of the liability are not disclosed due to a confidentiality clause within the agreement. As at the date of this report, no amounts have been claimed or paid in respect of this indemnity and insurance, other than the premium referred to above. The directors are each indemnified by the Fund against any liability they might incur in their capacity as a director, subject to Corporations Law limitations.

Auditor

The Auditors, PricewaterhouseCoopers, Chartered Accountants, were appointed on 9 May 2007 to replace Deloitte Touche Tohmatsu.

Auditor's independence declaration

The auditor's independence declaration forms part of this report and is included on the following page.

Signed in accordance with a resolution of the directors made pursuant to Section 298(2) of the Corporations Act 2001.

On behalf of the directors

Sydney

Date: 21 September 2007

P C Arnold
Chairman

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Auditor's Independence Declaration

As lead auditor for the audit of The Doctors' Health Fund Limited for the year ended 30 June 2007, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- and
- no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Doctors' Health Fund Limited.

W M Russell

**Partner
PricewaterhouseCoopers**

**Newcastle
21 September 2007**

Independent auditor's report to the members of

The Doctors' Health Fund Limited

Report on the financial report

We have audited the accompanying financial report of The Doctors' Health Fund Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for The Doctors' Health Fund.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control 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, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion on the financial report

In our opinion:

- (a) the financial report of The Doctors' Health Fund Limited is in accordance with the Corporation Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

PricewaterhouseCoopers

Wayne Russell
Partner

Newcastle
21 September 2007

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Directors' Declaration

In the directors' opinion:

- (a) the financial statements and notes as set out from page 17 to 44 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standards, the Corporation Regulations 2001 and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

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

On behalf of the directors

Sydney
Date: 21 September 2007

Peter Arnold
Chairman

Income Statement

for the Financial Year Ended 30 June 2007

	Note	2007 \$	2006 \$
Premium revenue		13,604,340	12,172,070
Direct claims expense		(13,565,850)	(11,594,334)
Ambulance levies		(193,161)	(182,675)
HBRTF / RETF recoveries	I(h)	2,262,903	1,299,311
Claims handling costs		(766,031)	(563,910)
Net claims incurred		(12,262,139)	(11,041,608)
Other underwriting expenses	5	(1,758,308)	(1,017,078)
Underwriting result		(416,107)	113,384
Investment income		982,268	844,987
Profit before income tax expense		566,161	958,371
Income tax expense	6	-	-
Profit after income tax expense	16	566,161	958,371
Net Profit attributable to the members		566,161	958,371

The income statement should be read in conjunction with the accompanying notes to the financial statements

Balance Sheet

as at 30 June 2007

	Note	2007 \$	2006 \$
Current assets			
Cash and cash equivalents		1,113,987	515,456
Trade and other receivables	9	1,782,719	1,195,753
Financial assets at fair value through profit and loss	10	8,250,000	6,800,000
Total current assets		11,146,706	8,511,209
Non-current assets			
Financial assets at fair value through profit and loss	11	6,750,000	7,550,000
Plant and equipment	12	141,800	135,024
Total non-current assets		6,891,800	7,685,024
TOTAL ASSETS		18,038,506	16,196,233
Current liabilities			
Trade and other payables		602,152	155,664
Unearned premium liability	13	4,463,915	3,738,839
Unexpired risk liability	14	-	48,000
Gross outstanding claims liability	15	1,437,000	1,313,000
Provision for employee benefits		67,106	60,000
Total current liabilities		6,570,173	5,315,503
Non-current liabilities			
Provision for employee benefits		49,536	28,094
Total non-current liabilities		49,536	28,094
TOTAL LIABILITIES		6,619,709	5,343,597
NET ASSETS		11,418,797	10,852,636
Equity			
Retained profits	16	11,418,797	10,852,636
General reserve	17	-	-
TOTAL EQUITY		11,418,797	10,852,636

The balance sheet should be read in conjunction with the accompanying notes to the financial statements

Statement of Changes in Equity

for the Financial Year Ended 30 June 2007

	2007 \$	2006 \$
Total equity at the beginning of the Financial year	10,852,636	9,894,265
Profit for the year	566,161	958,371
Total recognised net income and expense for the year	566,161	958,371
Total equity at the end of the financial year	11,418,797	10,852,636

The Statement of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements

Cash Flow Statement

for the Financial Year Ended 30 June 2007

	Note	2007 Inflows (Outflows) \$	2006 Inflows (Outflows) \$
Cash flows from operating activities			
Premium revenue		14,149,841	12,387,755
Receipts from Health Benefits Reinsurance Trust Fund		1,893,641	1,261,311
Payments to suppliers and employees		(2,836,124)	(1,456,791)
Claims and ambulance levies paid		(12,847,276)	(11,260,009)
Net cash flows from operating activities	19	<u>360,082</u>	<u>932,266</u>
Cash flows from investing activities			
Interest received		935,065	833,423
Payments for plant and equipment		(46,616)	(39,536)
Proceeds from disposal of financial assets at fair value through profit & loss		2,600,000	-
Payments for financial assets at fair value through profit & loss		(3,250,000)	(1,750,000)
Net cash flows from investing activities		<u>238,449</u>	<u>(956,113)</u>
Net increase/(decrease) in cash and cash equivalents		598,531	(23,847)
Cash and cash equivalents at the beginning of the financial year		<u>515,456</u>	<u>539,303</u>
Cash and cash equivalents at the end of the financial year	19	<u>1,113,987</u>	<u>515,456</u>

The Cash Flow Statement should be read in conjunction with the accompanying notes to the financial statements

for the Financial Year Ended 30 June 2007

NOTE 1: Summary of accounting policies

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

Basis of preparation

This general purpose financial report covers The Doctors' Health Fund Limited (the Fund) as a single entity and has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group (UIG) interpretations corresponding to the Interpretations approved by the International Accounting Standards Board (IASB) and the Corporations Act 2001. Australian Accounting Standards include A-IFRS. Compliance with A-IFRS ensures that the financial statements and notes of the Fund comply with International Financial Reporting Standards (IFRS).

This financial report is prepared in accordance with the fair value basis of accounting with certain exceptions as described in the accounting policies below. Previous year figures have been regrouped in the Income Statement and the supporting notes, wherever it is necessary, to comply with reporting requirements.

The preparation of financial statements in conformity with A-IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements have been disclosed in Note 2.

Significant accounting policies

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions and other events is reported.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

a) Accounting for health benefits organisations under General Insurance Contracts

The Fund complies with AASB 1023 'General Insurance Contracts'. Under AASB 1023 the financial statements must include all assets, liabilities, revenues, expenses and accumulated funds attributable to

the members of the Fund. Therefore the Fund's financial report includes total statutory and accumulated funds of the health insurance business.

b) Insurance contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

The Fund has determined that all current contracts with policy holders are insurance contracts.

c) Investments

As part of its investment policy the Fund actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from health insurance liabilities.

Investments include assets backing insurance liabilities.

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investments.

Investments are subsequently re-measured at fair value as described in Note 1(d).

d) Assets backing insurance liabilities

All investments held by the Fund, with the exception of property, plant and equipment, have been determined to be assets backing insurance liabilities, and accordingly are designated as 'at fair value through profit or loss'. These are initially recorded at cost and subsequently re-measured at fair value. All related realised and unrealised gains or losses are included in investment income. Interest earned is included in investment income.

e) Insurance contract liabilities

Health insurance outstanding claims liabilities

Health insurance outstanding claims liabilities are measured as the central estimate of the present value of expected future payments against claims incurred but not settled at the balance sheet date, whether reported or not, together with allowances for Health

Benefit Reinsurance Trust Fund / Risk Equalisation Trust Fund related claims handling costs and an additional risk margin to allow for the inherent uncertainty in the central estimate.

Unearned premium and unexpired risk liability

The proportion of written premiums, attributable to subsequent periods is deferred as unearned premium. The change in the liability for unearned premium is taken to the income statement in the order that revenue is recognised over the period of risk.

The liability adequacy test is required to be performed to assess the adequacy of the unearned premium liability by considering current estimates of all expected future cash flows relating to future claims covered by current insurance contract. If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability then the unearned premium liability is deemed to be deficient.

As the Fund has a constructive obligation to renew policies and contribution rates cannot be changed before 1 April 2008, an additional test is conducted on the additional premiums expected to be earned in the period from 30 June 2007 to 1 April 2008.

Liability adequacy testing did not result in any deficiency.

f) Claims

Health insurance claims incurred include all claim losses occurring during the year, whether reported or not, including the related handling costs and any adjustments to claims outstanding from previous years.

Claims handling costs include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to claims function.

g) Revenue recognition

Premium revenue

Premium revenue is recognised in the income statement, as soon as there is a basis on which it can be reliably measured. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract.

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.

Disposal of assets

Revenue from the sale of assets is recognised when the Fund has transferred to the buyer the significant risks and rewards of ownership of the assets.

h) Health Benefits Reinsurance Trust Fund (HBRTF) / Risk Equalisation Trust Fund (RETF) recoveries

Until 31 March 2007, under the provisions of the National Health Act 1953, all health insurers participated in the HBRTF, which charged a levy to all health insurers and shared a proportion of the hospital claims of all persons aged 65 years and older and on those memberships with more than 35 days of hospitalisation in any one year to all health insurers.

From 1 April 2007, under the provisions of the Private Health Insurance Act 2007, all health insurers must participate in the RETF, which charges a levy to all health insurers and shares a proportion of the hospital claims of all persons aged 55 years and older and those with high cost claims to all health insurers.

The amounts payable to and receivable from the HBRTF / RETF 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.

i) 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.

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in short term money market instruments.

k) Trade payables and other payables

Trade payables and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

l) Acquisition of assets

Assets acquired are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition plus costs incidental to the acquisition.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

m) Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation.

Depreciation is calculated on a straight-line basis over the estimated useful life of the property, plant and equipment between three and six years.

n) Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and is capable of being measured reliably.

Provisions made in respect of wages and salaries, annual leave and long service leave expected to be settled within twelve months, are measured at their nominal values, using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of annual leave and long service leave which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the Fund in respect of services provided by employees up to the reporting date.

o) Goods and Services Tax

Expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) for receivables and payables which are recognised inclusive of GST.

The net amount of GST receivable from the taxation authority is included as part of receivables.

p) Income tax

The Fund is exempt from tax under Section 50-30 of the Income Tax Assessment Act, 1997.

q) Trade receivables and other receivables

Trade receivables and other receivables are recorded at amounts due less any allowance for doubtful debts.

r) Impairment of assets

At each reporting date, the Fund reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order

to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the Fund estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

s) Provisions

Provisions are recognised when the Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is probable that the recovery will be received and the amount of the receivable can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

t) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Fund's assessment of these new standards and interpretations is set out below:

- (i) AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 and AASB 1038]

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Fund has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the fund's financial instruments.

- (ii) AASB 2007-4 Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023, 1038]

AASB 2007-4 is applicable to annual reporting periods beginning on or after 1 July 2007. The Fund has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements.

NOTE 2: Critical accounting judgments and estimates

No critical accounting judgments have been made in the year. There is only one area in which critical estimates are applied, namely the ultimate liability arising from claims made under insurance contracts.

Provision for outstanding claims is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Fund.

The estimated cost of claims includes direct expenses to be incurred in settling claims gross of the expected value of salvage and other recoveries. The Fund takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

NOTE 3: Actuarial assumptions and methods

The following actuarial assumptions and processes are used in the preparation of these accounts.

Outstanding claim liabilities

The chain ladder approach has been applied to the claims data separately for hospital, medical and ancillary claims. Where deemed necessary, manual adjustments were made to the outstanding claims by service month to produce an appropriate estimate of incurred claims for the service month.

Expense rate

The administration component, applied to the gross outstanding claims liability, is based on the Fund's estimate of claims handling expenses expressed as a percentage of total benefits plus HBRTF/RETF recoveries for the last 12 months. The allocation is Hospital 3% (2006: 3%), Medical 6% (2006: 6%) and Ancillary 6% (2006: 6%).

HBRTF/RETF recoveries

To estimate the HBRTF/RETF component a factor of -14% (2006: -14%) was applied to the gross outstanding claims provision for hospital and medical benefits. This factor was determined as the ratio of the HBRTF/RETF recoveries to total hospital and medical benefits for the 12 months to 31 March 2007.

Risk margin

A risk margin of 9.5% (2006: 6.3%), to provide a 75% (2006: 75%) probability of adequacy, was added to the central estimate.

The total net outstanding claims provision was then determined as the sum of the gross outstanding claims provision, the expense rate, the HBRTF/RETF recoveries component and the risk margin.

Sensitivity analysis – insurance contracts

a) Summary

The Fund conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed 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:

Variable	Impact of movement in variable
Assumed outstanding claims by service month as a percentage of total incurred claims by service month	An increase, (decrease), in the assumed outstanding claims by service month as a percentage of total incurred claims by service month would result in an increase, (decrease), in claims expense.
Expense rate	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.

b) Impacts of changes in key variables

		Profit \$'000	Equity \$'000
Recognised amounts per the financial statements		566	11,419
<hr/>			
Variable	Movement in variable	Adjusted amounts	
Assumed outstanding claims by service month as a percentage of total incurred claims by service month	+1%	557	11,410
	-1%	575	11,428
Expense rate	+1%	552	11,405
	-1%	580	11,433

NOTE 4: Insurance contracts – risk management policies and procedures

The financial condition and operation of the Fund are affected by a number of key risks including insurance risk, interest rate risk, currency risk, credit risk, market risk, liquidity risk, financial risk, compliance risk, fiscal risk and operational risk. Notes on the Fund's policies and procedures in respect of managing these risks are set out in this note.

Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Fund manages risk by:

- establishing an Audit, Risk and Compliance Committee to assist the Board in the execution of its responsibilities;
- maintaining a robust risk management framework;
- the application of actuarial standards for solvency and capital adequacy established by the Private Health Insurance Administration Council; and
- the Fund's internal policies and procedures designed to mitigate such risks.

The responsibilities of the Audit, Risk and Compliance Committee include:

- reviewing the annual reports and other financial information distributed externally;
- assisting the Board to review the effectiveness of the Fund's system of internal control;
- monitoring the risk management system;
- monitoring the activities of the internal audit function; and
- reviewing the nomination and performance of the external auditor.

The Board, both directly and through the Audit, Risk and Compliance Committee, and senior management of the Fund have developed, implemented and maintain a sound and prudent Risk Management Policy.

Annually, the Fund, as a registered health benefits organisation certifies to the Private Health Insurance Administration Council that;

- the organisation has referred to the Australian Standard for Risk Management (AS/NZ 4360) as an accepted measure of appropriate risk management processes;

- the Board has approved the risk management system in place and understands its contents;
- the risk management system in place has been formulated from a framework for establishing the context, identification, analysis, evaluation treatment, monitoring and communication of risk;
- the system in place includes comprehensive written policies and procedures and adequate control systems to measure, monitor and manage risk;
- the Board reviews the policies and procedures, at least annually, to assess their implementation, effectiveness, and to endorse them;
- the Board receives regular reports on the operation of the risk management system and is satisfied with the level of adherence to those policies and procedures; and
- the Board has ensured that there has been, at all times, appropriate directors and officers insurance cover in place.

The solvency and capital adequacy standards are established under the Private Health Insurance Act 2007, (the Act), and are an integral component of the prudential reporting and management regime for registered health benefits organisations under the Act.

The Act specifies a two tier capital requirement for the health benefits fund with each tier considering the capital requirements in a different set of circumstances. The first tier is intended to ensure the basic solvency of the health benefits fund (the solvency standard). It is expected that in most circumstances the second tier will provide an excess of capital above the minimum solvency requirement.

The purpose of the solvency standard is to prescribe the minimum capital requirement of a health benefits fund to ensure that under a range of adverse circumstances, the organisation would be expected to be in a position to meet its existing obligations to the contributors and other creditors of the Fund.

The purpose of the Capital Adequacy Standard is to prescribe the capital requirement of a health benefits fund to ensure that the obligations to, and reasonable expectations of, contributors and creditors are able to be met under a range of adverse circumstances, in the context of a viable ongoing operation.

Insurance risk

The provision of private health insurance in Australia is governed by the Act which is premised on the fundamental principal of community rating.

Community rating is the system by which premiums for Australian private health insurance are set. In principle, this is a system where the premium charged for a particular group of people does not depend on the risk profile of that particular group. The intention is to achieve one premium rate irrespective of age, gender, occupation, health status, smoking status, number of dependents, pre-existing illness or other common risk-rating factors. The 'principles of community rating' are referred to in the Act.

Development of claims

The outstanding claims liability recognises that claims are fully developed within 12 months of being incurred.

Credit risk

Financial assets and liabilities arising from insurance and risk equalisation contracts are stated in the balance sheet at the amount that best represents the maximum credit risk exposure at balance date.

There are no significant concentrations of credit risk.

NOTE 5: Other underwriting expenses

	2007	2006
	\$	\$
Expenses by function		
Claims handling costs	766,031	563,910
Other underwriting expenses	1,758,308	1,017,078
Total expenses	2,524,339	1,580,988
Expenses by nature		
Advertising & marketing expenses	323,674	39,944
Australian Health Service Alliance fees	106,069	97,773
Consultants fees	117,447	130,925
Depreciation	39,840	33,875
Directors' fees	191,530	94,425
Employee benefits expenses	1,083,283	559,298
HAMBS and other computer expenses	175,161	166,086
Printing, postage and stationery	82,498	104,460
Rental expense	85,984	80,871
Other expenses	318,853	273,331
Total expenses	2,524,339	1,580,988

NOTE 6: Income tax

The Fund is exempt from tax under Section 50-30 of the Income Tax Assessment Act 1997.

NOTE 7: Key management personnel remuneration

Directors:

The directors of the Fund during the year were

Dr P C Arnold
Dr P R Douglas
Dr P Nisselle
Mr A A Harris
Mrs P M Mann
Mr B E Foy

Key management personnel

The Chief Executive Officer of the Fund, Mr Geoff Garside, was appointed on 2 January 2007. Mrs Sabrina Gonsalves was a General Manager throughout the financial year.

Directors and key management personnel compensation

The compensation paid to the directors, Chief Executive Officer and the General Manager, being the key management personnel of the Fund, is set out below:

	2007	2006
	\$	\$
Short-term employee benefits	443,520	239,945
Post employment benefits	39,917	21,395
Other long-term employee benefits	-	-
	<u>483,437</u>	<u>261,340</u>

NOTE 8: Remuneration of auditors

	2007	2006
	\$	\$
Audit of the financial report		
PricewaterhouseCoopers	41,900	-
Deloitte Touche Tohmatsu	-	33,050
Other Assurance Services		
PricewaterhouseCoopers - Audit of regulatory returns	8,500	-
Deloitte Touche Tohmatsu - Audit of regulatory returns	-	11,600
Deloitte Touche Tohmatsu - Taxation services	-	3,708
Internal auditor	22,575	14,025
	<u>72,975</u>	<u>62,383</u>

NOTE 9: Current assets - Trade and other receivables

	2007	2006
	\$	\$
Interest accrued	348,510	301,307
Receivable from HBRTF / RETF	758,262	389,000
Receivable for GST	38,378	32,591
Government 30% rebate	458,300	329,168
Premiums in arrears	179,269	143,687
	<u>1,782,719</u>	<u>1,195,753</u>

NOTE 10: Current assets - Financial assets at fair value through profit & loss

	2007	2006
	\$	\$
Term deposits	8,250,000	6,050,000
Real property mortgage	-	750,000
	<u>8,250,000</u>	<u>6,800,000</u>

NOTE 11: Non-current assets - Financial assets at fair value through profit & loss

	2007	2006
	\$	\$
Term deposits	6,750,000	7,550,000
	<u>6,750,000</u>	<u>7,550,000</u>

NOTE 12: Non-current assets - Plant and equipment

	2007	2006
	\$	\$
Gross carrying amount - at cost		
Balance at beginning of financial year	232,602	207,701
Additions	46,616	39,536
Disposals	(999)	(14,635)
Balance at end of financial year	278,219	232,602
Accumulated depreciation		
Balance at beginning of financial year	(97,578)	(78,338)
Disposals	999	14,635
Depreciation expense	(39,840)	(33,875)
Balance at end of financial year	(136,419)	(97,578)
Net book value		
Balance at the beginning of financial year	135,024	129,363
Balance at the end of financial year	141,800	135,024

NOTE 13: Unearned premium liability

	2007	2006
	\$	\$
Unearned premium liability at the beginning of the year	3,738,839	3,216,390
Deferral of premiums on contract written in the year	4,463,915	3,738,839
Earning of premiums written in previous year	(3,738,839)	(3,216,390)
Unearned premium liability at the end of the year	4,463,915	3,738,839

NOTE 14: Unexpired risk liability

	2007	2006
	\$	\$
Unexpired risk liability		
Unexpired risk liability at beginning of financial year	48,000	294,000
Recognition of additional unexpired risk liability in the period	-	-
Release of unexpired risk liability recorded in previous periods	(48,000)	(246,000)
Unexpired risk liability at end of financial year	-	48,000
Deficiency recognised in the income statement		
Gross movement in unexpired risk liability	(48,000)	(246,000)
Net movement in unexpired risk liability	(48,000)	(246,000)

A risk margin of 2% has been applied in the calculation of the unexpired risk liability as at 30 June 2007. The process for determining the overall risk margin, including the way in which diversification of risks has been allowed for is discussed in Note 1(e). As with outstanding claims, the overall risk margin is intended to achieve a 75% probability of adequacy.

NOTE 15: Outstanding claims liability

	2007	2006
	\$	\$
Central estimate of the expected present value of future payments for claims incurred	1,411,000	1,322,000
Risk margin (9.5% in 2007, 6.3% in 2006)	125,000	78,000
HBRTF / RETF recoveries component	(160,000)	(143,000)
Claims handling costs	61,000	56,000
Gross outstanding claims liability	1,437,000	1,313,000

No discount was used in the above calculation since most claims are settled within three months. Above risk margin has been estimated to equate to a 75% probability of adequacy.

NOTE 16: Retained surplus

	2007	2006
	\$	\$
Balance at beginning of financial year	10,852,636	9,832,265
Transfer from general reserve	-	62,000
Surplus for the year	566,161	958,371
Balance at end of financial year	<u>11,418,797</u>	<u>10,852,636</u>

NOTE 17: General reserve

	2007	2006
	\$	\$
Balance at beginning of financial year	-	62,000
Movements (transfer to retained surplus)	-	(62,000)
Balance at end of financial year	<u>-</u>	<u>-</u>

NOTE 18: Related party disclosures

As required under the Articles of Association the directors are members of the Fund. Their membership is on the same terms and conditions as all other members. However, the directors are remunerated for their services as mentioned in Note 7.

NOTE 19: Notes to the statement of cash flows

	2007	2006
	\$	\$
Reconciliation of cash and cash equivalents		
Cash on hand and cash in bank	1,113,987	515,456
Reconciliation of net cash flow from operating activities		
Operating profit after income tax	566,161	958,371
Interest received	(935,065)	(833,423)
Depreciation	39,840	33,875
(Increase) / Decrease in other current assets	(586,966)	6,022
Increase / (Decrease) in unearned premium liability	725,076	276,449
Increase / (Decrease) in other operating liabilities	398,488	81,922
Increase / (Decrease) in other provisions	152,548	409,050
Net cash flow from operating activities	360,082	932,266

Cash and cash equivalents consist of cash on hand and cash in bank only.

NOTE 20: Financial instruments

Financial risk management objectives

The objective of the Investment Policy is to set out the guidelines for investments which maximise returns, whilst minimising risk to the capital of the Fund and policy liabilities of members.

The main aims of the Investment Policy are:

- to structure deposits to create a portfolio that addresses the long-term capital requirements of the Fund whilst maintaining liquidity of cash flow, and
- to implement an investment strategy in compliance with any requirements of the Risk Management Policy.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligation resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with credit worthy counterparties and obtaining sufficient collateral on other security where appropriate, as a means of mitigating the risk of financial loss from defaults. The Fund measures credit risk on a fair value basis.

The Fund does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Fund's maximum exposure to credit risk without taking account of the value of any collateral or other security obtained.

Maturity profile of financial instruments

The following table details the Fund's exposure to interest rate risk as at the reporting date.

2007	Average	Variable
	Interest Rate	Interest Rate
	(%)	(\$)
Financial Assets		
Cash	5.90	1,113,987
Term deposit	6.16	-
Term deposit	6.45	-
Term deposit	6.47	-
Other current assets	-	-
	-	1,113,987
Financial Liabilities		
Trade and other payables	-	-
Unearned premium liability	-	-
Unexpired risk liability	-	-
Gross outstanding claims	-	-
Other current provisions	-	-
Non-current provisions	-	-
	-	-
2006		
2006	Average	Variable
	Interest Rate	Interest Rate
	(%)	(\$)
Financial Assets		
Cash	5.15	515,456
Term deposit	5.82	-
Term deposit	5.91	-
Term deposit	6.19	-
Other current assets	-	-
Real property mortgage	9.00	-
	-	515,456
Financial Liabilities		
Trade and other payables	-	-
Unearned premium liability	-	-
Unexpired risk liability	-	-
Gross outstanding claims	-	-
Other current provisions	-	-
Non-current provisions	-	-
	-	-

reporting date.

Fixed Interest Maturity			Non Interest Bearing	Total
Less Than 1 yr	1-2 years	2-3 years		
(\$)	(\$)	(\$)	(\$)	(\$)
-	-	-	-	1,113,987
8,250,000	-	-	-	8,250,000
-	4,550,000	-	-	4,550,000
-	-	2,200,000	-	2,200,000
-	-	-	1,782,720	1,782,720
8,250,000	4,550,000	2,200,000	1,782,720	17,896,707

-	-	-	602,152	602,152
-	-	-	4,463,915	4,463,915
-	-	-	-	-
-	-	-	1,437,000	1,437,000
-	-	-	67,106	67,106
-	-	-	49,536	49,536
-	-	-	6,619,709	6,619,709

Fixed Interest Maturity			Non Interest Bearing	Total
Less Than 1 yr	1-2 years	2-3 years		
(\$)	(\$)	(\$)	(\$)	(\$)
-	-	-	-	515,456
6,050,000	-	-	-	6,050,000
-	5,700,000	-	-	5,700,000
-	-	1,850,000	-	1,850,000
-	-	-	1,195,753	1,195,753
750,000	-	-	-	750,000
6,800,000	5,700,000	1,850,000	1,195,753	16,061,209

-	-	-	155,664	155,664
-	-	-	3,738,839	3,738,839
-	-	-	48,000	48,000
-	-	-	1,313,000	1,313,000
-	-	-	60,000	60,000
-	-	-	28,094	28,094
-	-	-	5,343,597	5,343,597

NOTE 21: Solvency requirement

To comply with statutory requirements at 30 June 2007, the Fund has 76.1% (2006: 88.7%) of its available capital as surplus to the required solvency margin.

NOTE 22: Segment information

The Doctors' Health Fund Limited operates in the business of providing private health insurance in Australia.

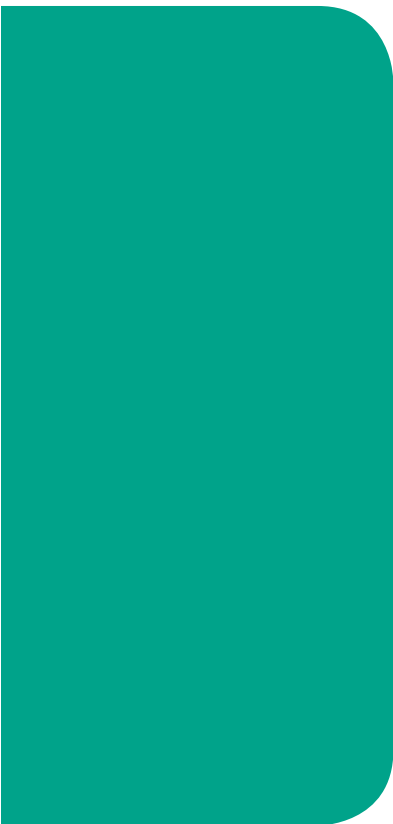
NOTE 23: Additional fund information

The Doctors' Health Fund Limited is a public company limited by guarantee, incorporated and operating in Australia as a registered health benefits organisation.

Registered office and principal place of business

Level 5, 69 Christie Street
ST LEONARDS NSW 2065

The Financial Report was authorised for issue by the directors on 21 September 2007. The company has the power to amend and reissue the financial report.



THE DOCTORS' HEALTH FUND LIMITED
A registered health benefits organisation
ABN 68 001 417 527