Annual Report 2021/22

The What if… edition

In the spirit of reconciliation, we acknowledge the Nyungar Nation, the traditional custodians of this Whadjuk Nyungar boodja, where we stand, and their connection to land, sea and community.

We pay respect to Elders past, present and emerging and to all Aboriginal and Torres Strait Islander peoples.

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to help members live healthy lives

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to renew community confidence

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Accountability

Our strategy:

Vision	Renewing Community Confidence		
Strategic Drivers	Members' Interests Come First	Choice and Access	
Strategic Pillars	People and Culture	Simplification	Enhanced Capability
	Attracting, developing and retaining the right talent. Support our people supporting our Members	Back to Basics and Process Excellence. Overhauling processes, legacy systems and simplifying our messaging.	Complementary Digital. Technology and systems that enables and protects.
Hygiene	Financial Sustainability and Risk Management		
Values	Community · Value & Affordability · Integrity · Member for Life · Accountability		
Purpose	Helping our members live healthy lives		

What if … we told you a bit about ourselves

Our story began back in 1954 as the Western Australian Government Railways Employees Hospital and Medical Benefits Fund Inc.

It's not the catchiest of names, we admit. We sought to fix that 24 years later when we became the Health Insurance Fund of WA before, in June 2010, settling on Health Insurance Fund of Australia to reflect our growing nationwide membership.

Some 68 years on, we stand tall amongst our competitors as an ethical, member-focused health fund offering health, pet and travel cover.

Unlike many Australian health funds, we do not have shareholders. Moreover, cash dividends are not paid directly to our fund members. Instead, we return any surpluses to our members in the form of lower premiums, increased benefits and new services. That's just our way of rewarding our loyal members.

Our philosophy is to give members the freedom to choose when it comes to their healthcare providers. It's why everything we do is centred on providing choice and access to help our members and their dependants lead healthy and happy lives.

We also support causes that matter to our members.

HIF has covered same-sex couples for decades and was the first Australian health insurer to support Australian Marriage Equality. We welcome members who are trans or non-binary and have specific policies in place to ensure the experience of our trans, non-binary and gender diverse members is welcoming, safe and seamless.

Australia's State of the Environment Report was released by the Federal Government in July this year and the results were pretty damning. It's why we remain as committed as ever to doing our bit to protect the world around us.

HIF was Australia's first carbon neutral health fund, as certified by the Carbon Reduction Institute (CRI) on 25 September 2008, thanks to initiatives such as encouraging staff to ride to our offices in the Perth CBD – where we have secure bicycle parking facilities and showers – or take public transport.

We don't have a fleet of company vehicles and our one and only office building was designed and built to the National Australian Built Environment Rating System (NABERS) 4-star standards.

Our business is also largely paperless, and we are continuingly looking at ways to ensure our internal processes are electronic and produce very little waste. We also encourage our members to opt-in for electronic communications and encourage our staff to recycle their waste.

Our efforts were rewarded this year when we were named the first ever Green Health Insurer of the Year in the Finder Green Awards. But don't worry, we won't be resting on our laurels. We will continue to do our bit to champion sustainability and pave the way for a greener future.

A future that is firmly focused on doing what's right – by our members and by our community.

Our philosophy is to give members the freedom to choose when it comes to their healthcare providers.

HIF was the first Australian health insurer to support Australian marriage equality and is a proud supporter of the LBGTQIA+ community.

A word from our Chairman

The past 12 months have delivered positive results for HIF and our members on the back of a challenging 2020/21.

We closed out the financial year with 103,104 adults and their dependants who we are delighted have put their trust in HIF to take care of their health insurance needs.

In 2021/22 we processed 497,407 claims across all products and paid out $137,919,939 in health claims, which is evidence HIF's members are continuing to appreciate the benefits of private health insurance in these uncertain times.

However, there is no denying the private health insurance industry is still feeling the ripples from the waves of COVID-19. Australian Prudential Regulation Authority (APRA) figures show almost 29,000 Australians ditched their cover in the three months to June 2020, at a time when the Federal Government introduced lockdown measures and it became harder to claim benefits.

Two years on, our industry continues to face the challenge of falling membership among younger people and growing membership in older age groups. As Australians begin to feel the pinch of the rising cost of living, there is further pressure to demonstrate the value of private health insurance.

So how can we renew the public's confidence in private health insurance and deliver peace of mind to our members that they are gaining the most from their policy? By, as always, remaining committed to our values and purpose to help members live healthy lives.

This past year, we have listened and given back to our members and their dependants wherever we can. From our lowest premium rate increase in eight years to policy suspensions; from covering the cost of members' urgent care consultations at St John Urgent Care centres to paying benefits on flu vaccines, as a not-for-profit, it is our way of rewarding our loyal members.

I am proud to chair an organisation that is not just committed to its members but also to the broader community.

We continue to acknowledge, respect and learn from Aboriginal and Torres Strait Islander people and have made great progress on our Reflect Reconciliation Action Plan; while we continue to champion equality for the LGBTIQ+ community when it comes to accessing the appropriate health care. Furthermore, as the newly crowned – and first – Finder Green Health Insurer of the Year – we have an even higher duty of care to ensure we live by our word in doing our bit for the planet.

Spearheading all of this has been our CEO Justin James, who has now been in the role for two years and transformed how we go about our business. On behalf of the Board, I would like to thank Justin and his entire team for their contribution to the organisation.

In addition, and most importantly of course, thank you to our members, many of whom HIF has been with for their entire private health insurance journey. Thank you sincerely for your loyalty and for providing us with your recommendations on how we can do things better for you. We at HIF value your trust in us and we will continue to keep you at the forefront of our thoughts and actions to serve your best interests.

Richard Homsany
Chairman

As the newly crowned – and first – Finder Green Health Insurer of the Year – we have an even higher duty of care to ensure we live by our word in doing our bit for the planet.

A word from our CEO

What if ... after a global pandemic we came out the other side with confidence; braver and more resilient than ever as an organisation?

Since March 2020, we have remained committed to not profiting from COVID-19. To make good on that promise, we delayed our 1 April 2020 premium increase for six months and, in December 2021, returned $2.785m (to members in premium refunds).

This year, we will be giving back a further $3m (to members in premium refunds) in recognition of continued reduced access to services during the pandemic.

The last year may not have been without its challenges, but we are proud of what we achieved in 2021/22.

Over the past 12 months, we have been quietly committed to providing choice and access for members. We have done this through a variety of ways, including a new simplified suite of Extras cover, improving accessibility on our website and introducing Extras benefits quoting through our Online Member Centre (OMC), meaning members can find out how much they will get back before, not after they claim.

Enhancing our digital capability by increasing self-serve functionality and simplifying our processes has transformed the online member experience and we are proud to say, we now have more than 70% of our members using the OMC to manage their health insurance.

As a not-for-profit, our priority is to support our members. We've done that this past financial year by delivering our lowest premium rate increase (3.20%) in the past eight years.

When flooding devastated communities in parts of Queensland and New South Wales, we offered our impacted members Mental Health Navigator support and the option of suspending policies for those in need. We also pledged $25,000 to GIVIT to support our members and the broader community on the ground and where needed.

This commitment to providing choice, access and support for our members flows through our partnerships with the Australian Medical Association (AMA (WA)), Perth Wildcats, St John WA and Little Green Pharma.

We are continuing to work with St John WA to cover the cost of urgent care consultations at any of their six Urgent Care Centres, meaning our members don't have to visit the emergency department when they don't need to.

A further highlight to this year has been our openness to alternative treatment pathways. We already offer benefits on medicinal cannabis and discounts through our partnership with Little Green Pharma. However, I have also been talking publicly about emerging therapies such as psilocybin and MDMA and their potential in combating mental health conditions such as chronic depression and PTSD. Ketamine is already being used to help people with treatment-resistant depression, marking a new era in medicine and providing fresh hope for those suffering with mental illness.

While it may be some time before any of these treatments are available in Australia, we want to be ahead of the curve when it comes to any therapy that has the potential to improve the quality of life of our members.

Another urgent conversation we need to have, is around sleep. A 2018-2019 Parliamentary Inquiry into sleep health determined it was a national emergency and called on the government to prioritise sleep health as a matter of urgency. Yet, it's still not getting enough attention.

It's why, we are investing in a sleep program to track how our members – and the wider community – are sleeping so we can implement ways to ensure everyone gets a better night's sleep and, as a result, better health outcomes.

We will do all this under our new brand umbrella, 'What if', which we launched back in August 2021 and reflects our commitment to choice, access and putting members interests first.

What if ... a question with infinite possibilities we're looking forward to exploring over the next 12 months and beyond.

Justin James
CEO

$3M
in COVID-19 claims savings paid back to members in 2022

The year in review

103,104
Adults and their dependants covered by HIF

672
Pets insured

$29,522,243
paid on overnight hospital stays assisted by HIF

$27,461,837
Private

$2,060,406
Public

50,940
Member policies

$1,755,894
Paid out in Ambulance cover

497,407
Claims processed

30,366
Hospital

79,085
Medical

387,956
Extras

$137,919,939

In claims paid to
HIF Members

$37,098,715

In Extras claims

Dental:	$25,273,217
Optical:	$6,904,210
Physio:	$2,963,495
Chiropractic:	$1,957,793

How we've helped our members

We are here for our members no matter how serious the situation.

When they've needed it the most ...

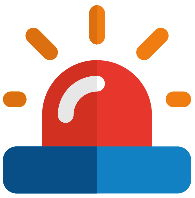
- **$121,656** was paid for an 88-year-old member who needed treatment for a malignant neoplasm of the skin
- **$91,449** was paid for a 63-year-old member with a serious lung condition that needed treatment
- **$82,853** was paid to help a 35-year-old with lower back pain

To make life that bit easier ...

- Launched a new suite of **Extras**
- Launched an **accessibility widget** on our website
- Partnered with AMA (WA) to **help increase accessibility** of Rapid Antigen Tests
- Partnered with Oska Wellness to pay benefits on **PEMF pain management devices**
- Partnered with Valion Health to provide access to **virtual cancer support program**
- Introduced Extras benefits **quoting online**
- Provided access to benefits for **flu vaccinations**
- Covered the cost of members' **urgent care consultations** at St John Urgent Care centres

During COVID ...

- Gave **$2.78 million** back to members as part of our COVID-19 relief payment
- Made Mental Health Navigator **free and accessible** for all members aged 18 and over
- Offered **Telehealth services** for members impacted by lockdowns



In times of emergency ...

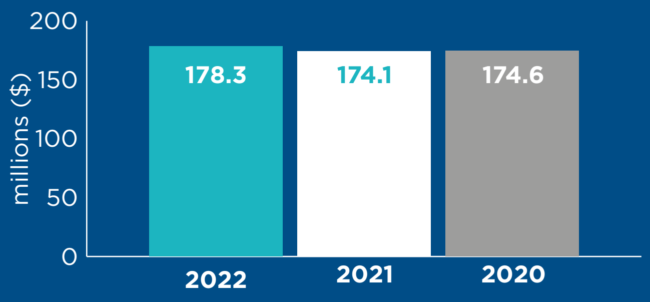
In February and March, 2022, parts of Australia's east coast were inundated by floodwaters. Months later the recovery is continuing in affected areas with thousands of people still living in emergency or temporary accommodation.

By donating **$25,000** to GIVIT – an online not-for-profit connecting those who have with those who need – **we helped people impacted by the floods** on the road to recovery.

A total of **359, 955** items and services have been provided to flood-impacted communities to date while **240 organisations** have received assistance.

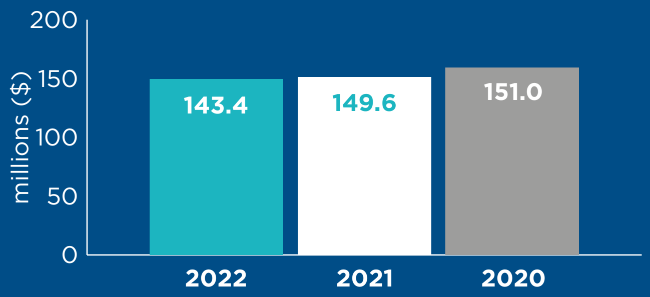
Financial summary

Revenue



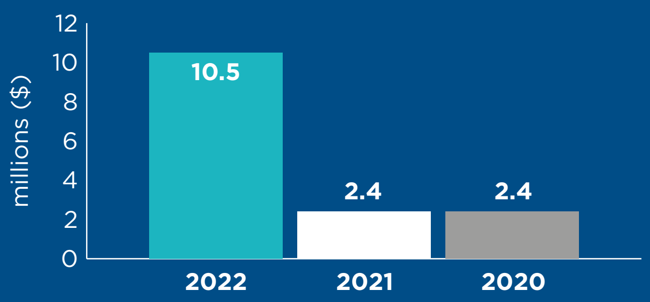
Premium revenue for the year was **$178.3 million** against a budgeted **$174.1 million**.

Net claims



Net claims incurred in 2022 were **$143.4 million** against a budgeted **$148.4 million**.

Net margin



Net margin (operating surplus before investment income) was **$10.5 million** in 2022 compared to a budgeted **$1.4 million**.

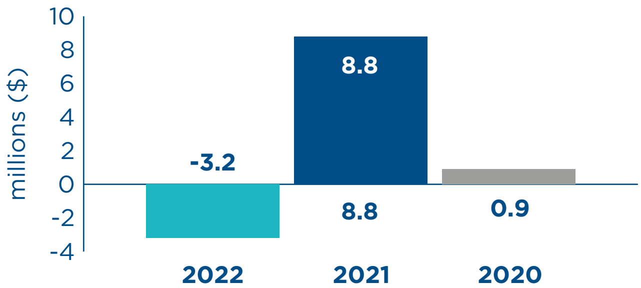
HIF's membership continues to be made up of

59% Western Australian based members and 41% members based in other Australian states.

The domestic member base decreased by 0.1% compared to an increase of 0.5% in 2021.

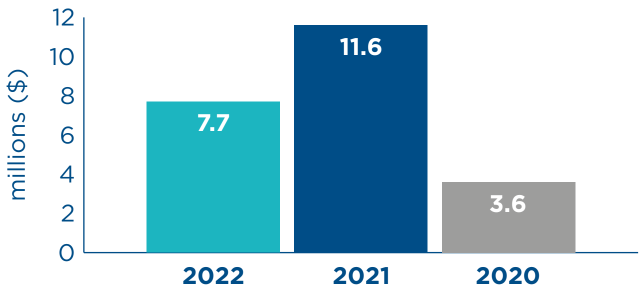
Overseas visitor membership **declined by 25%** in 2022 due to internal border restrictions throughout the year.

Investment results



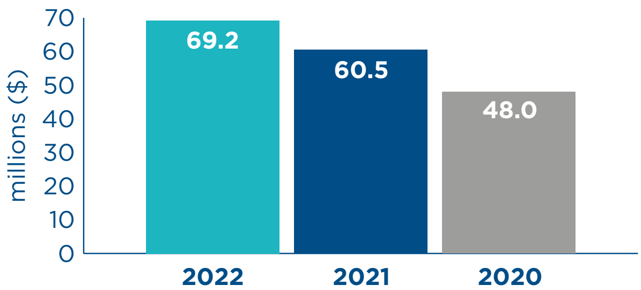
Investment income and fair value (losses)/gains in 2022 was **-$3.2 million** compared to a budgeted **$2.9 million**.

Consolidated surplus



Consolidated surplus in 2022 was **$7.7 million** against a budgeted **$4.6 million**.

Capital adequacy



Capital in excess of the regulatory requirement in 2022 was **$69.2 million** compared to a budgeted **$61 million**.

Our community

HIF Kiosk

After an interrupted schedule during 2020/21, it was great to get the HIF Kiosk back on the road to showcase our brand and products at shopping centres across Perth.

Delivering against the refreshed kiosk strategy, locations aligned to centres with multiple healthcare providers (optical, physio and dental) and frequency of visitors.

This year, the kiosk travelled 284kms visiting shopping centres across WA, including Bunbury, Booragoon, Ellenbrook and Warwick, along with the AMA (WA)'s annual conference, MEDCON.

HIF Branch & Community Lounge

Our branch is located at 100 Stirling Street, Perth and is a walk-in storefront for members who wish to speak to someone face-to-face regarding their health cover.

We also invite members to pop in for a tea or coffee and share their HIF story with us in our Community Lounge, located on Level 2 of our office.

Reconciliation Action Plan

At HIF, we remain committed to acknowledging, respecting and learning from Aboriginal and Torres Strait Islander people and have made great progress on our Reflect Reconciliation Action Plan (RAP).

We continue to increase employees' understanding of the purpose and significance behind cultural protocols, including Acknowledgement of Country and Welcome to Country, and have demonstrated respect to the traditional custodians on the lands on which our office stands by selecting culturally appropriate names for our office and meeting rooms.

National Reconciliation Week is a time for all Australians to learn about our shared histories, cultures and achievements and to explore how each of us can contribute to achieving reconciliation in Australia. The theme for 2022 – Be Brave. Make Change – was a timely reminder for us to encourage all our members to make change, beginning with brave actions in their daily lives, where they live, work, play and socialise.

To mark National Reconciliation Week, we organised online and in-person activities to build understanding of Aboriginal and Torres Strait Islander culture, including a National Reconciliation Week breakfast, Walk on Country with Barry McGuire, online lunch with respected Aboriginal leaders Dr Robert Isaacs AM and Alison Page, and Yarning Circles at WA Museum Boola Bardip.

We also raised awareness and shared information among our members and employees about the meaning of NAIDOC Week (3 July – 10 July). Embracing the 2022 theme Get Up! Stand Up! Show Up! we encouraged all our employees to participate in at least one external event, shared short cultural awareness videos throughout the week, and set up colouring-in stations with information on the meaning of colours used by the Noongar community.

"National Reconciliation Week is a time for all Australians to learn about our shared histories, cultures and achievements."

Our people

What if … we focused on our workplace culture?

This year saw the merge of people experience and member experience to form Team Culture. At HIF we believe that by investing in our people, our members will enjoy a better experience through quality conversations and knowledgeable advice.

In the same way that we focus on our member's health and wellbeing, we prioritise the physical and mental health of our people. Our 'Summer of Health campaign' included on-site skin checks, step challenges, office visits from our Employee Assistance Program and an in-house vaccination program that made it easy for our team to protect themselves and our community against COVID-19 and the flu. We also evolved our hybrid-work model to ensure our people could work safely during the peak waves of the pandemic in WA from the comfort of their home – with all the tools required for a seamless member experience.

We invite feedback from our team regularly through culture audits, pulse checks and an annual engagement survey. Something our team tell us frequently – which we take very seriously – is that we'll retain them if we develop and cross-skill them. The focus is always on how we can empower our team to provide solutions for our members and this year we provided leadership training to all our people leaders, process training that saves our members from waiting for simple policy changes and claims training that enables more of our teams to process our members claims.

We also appreciate that our team work hard for our members, in a tight talent market and economic climate where inflation is on the rise. Our team have told us they feel the 5% average salary increase made them feel valued and appreciated, and we know that mental and physical health is supported by financial health.

So, who are our team? Well, the majority of our workforce is female (61% of our management team and 78% of our general team) and we are a very diverse community. We've built our policy framework with this in mind, providing paid parental leave, cultural leave, community service and volunteer leave, Sorry leave, family and domestic violence leave and – a team favourite – birthday leave.

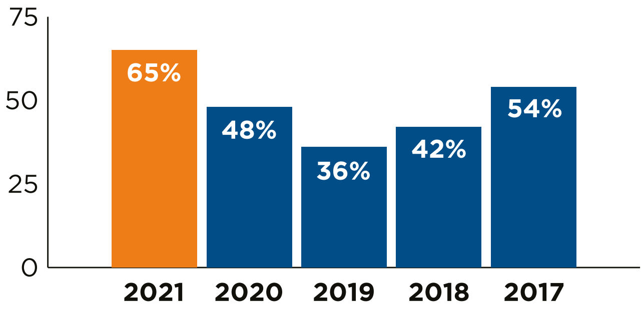
"I really love working for HIF and doing my absolute best every day, as it makes me feel good to assist the members and my colleagues. I always give 100%."





"I am very happy working at HIF and I give 100% every day. I am valued and always wish to challenge myself by learning new skills each day."

HIF's employee engagement journey



We are also on the first year of our Diversity and Inclusion Plan focusing on the key areas of:

- **Community:** The wider community, our HIF community and the environment we operate within
- **Ethical spending:** The opportunities HIF provides to diverse operators through procurement practices, sponsorships and partnerships
- **Education:** The ongoing learning opportunities for the HIF team
- **Frameworks:** The working groups and plans that provide the foundation of inclusive practices

We look forward to continuing to support and build a team that reflects the diverse needs of our members.

Closing the gender pay gap

At HIF, we are always looking at ways in which we can do things better.

The gender pay gap measures the difference between the average earnings of women and men in the workforce. It is an internationally established measure of women's position in the economy in comparison to men.

In 2022, Australia's gender pay gap rose to **14.1%**.

HIF have been committed to providing a flexible work environment that encourages equal participation for many years now and we are proud to say, as of 30 July 2022, our pay gap is significantly below the national average at **4.7%**.

In line with their development plans, we promoted several of our female team members, ensuring wage parity with male counterparts of similar seniority.

Our approach to flexible working and supportive leave policies also provides extra encouragement for our team to engage with senior roles.

Our HIF Leadership Team

Glenn Oellermann
Financial Leader

Belinda Goosen
Risk Leader

Nikesh Hirani
Data & Proposition Leader

Jessica Blackwell
Culture Leader

Elizabeth Lefort
Marketing Leader

Trudy Adams
Strategy Leader

Our brand

What if ... we got serious about selling ourselves?

As our organisation has evolved, so too has our branding. Over the course of the past 68 years, our approach has become simpler, friendlier, more modern and more human.

In August 2021, we rolled out a new marketing campaign that reflected our move towards owning territories of choice, access and putting members interests first.

'What if?' with the tagline 'Freedom to choose' was chosen to replace the existing HIF campaign 'Your health's best friend'.

The creative device of 'What if' allows the brand name to be visible even without the logo and challenges people to consider HIF while also enforcing value with existing members.

'What if' challenges the core promise of 'choice' in a way that strongly links this message to the HIF brand/logo and is an expression that captures the sense that HIF members enjoy a higher degree of freedom and flexibility compared to others.

The tagline 'Freedom to choose' reinforces HIF's focus, point of difference and builds further brand equality into the active human, which is required as we start to move away from Hif the dog (although our furry friend remains loyal to pet insurance).

We are also aligning with our brand and reinforcing the drivers of choice, access and ethics in the digital space to ensure our members have as much access to information about their insurance as possible.

We have introduced an accessibility widget which makes everything on our site easier to read or listen to and allows members to change colours, contrast, fonts, images and much more.

Sponsorship framework

In April we signed off on a new sponsorship framework outlining the importance of HIF sponsorships and how our existing sponsorships align with the overall company and marketing strategies.

This comprehensive framework allows us to put more structure around how we evaluate existing sponsorships, assess potential new sponsorships, align ourselves with organisations that share our values, give HIF additional platforms to access engaged audiences and position HIF as a thought leader.

Our annual Brand Tracker survey will help us gauge where we are and what part our sponsorships have played.

Making an impression online

We're a predominately digital brand, so when it comes to our website, first impressions count.

When prospective and existing members click on **hif.com.au**, we want them to have a clear understanding straight away of our business – and our brand.

A strong website builds credibility and confidence and allows us stand out from the competition.

Approximately 60% of new members come to us through **hif.com.au** so it's important our website is easy to find, easy to use and a valuable resource for members and non-members alike.

When people ask Google about anything health or health insurance related, we want HIF to be at the top of the search page and a click away from providing a clear and informative response.

Continuing to invest in our website means we're confident about converting opportunities generated from our investment into building awareness and interest in HIF.

The following insights, showcase ways prospective and existing members have engaged with hif.com.au over the last 12 months (June 2021-June 2022):

14%
increase in visitors to the website

2.6m
page views
(up 4% on previous year) with hospital cover the most popular page

57%
accessed the website via mobile

30%
of website visitors were 25-34yrs*

9%
increase in people purchasing a policy online at hif.com.au

56%
of website visitors were female**

**of 29% of total users that can be measured*

***of 30% of total users that can be measured*

"We are aligning with our brand and reinforcing the drivers of choice, access and ethics in the digital space."

Our partnerships

What if … we supported causes that are important to our members?

At HIF, it's important for us to show our members that value isn't only received when they make a claim.

We work hard to ensure our sponsorships closely align with our brand and strategy.

Sponsorships play an essential role in providing additional platforms and access to engaged audiences for HIF to consistently communicate how the member experience lives up to the promise.

All HIF sponsorships look beyond logo placement to create meaningful experiences, increasing brand awareness and demonstrating how HIF helps members live healthier lives.

HIF measures brand awareness and consideration directly attributed to sponsorships through the annual brand tracker.

All sponsorships align with organisations that have strong ties to HIF's strategic drivers (choice, access and ethics) and values (community), ensuring ample opportunity to remind existing members why they chose HIF, and show prospective members why they should join.

HIF partners with organisations who share the same target audience and values, ensuring HIF reaches its key audience in an authentic way and reinforces the overall brand experience.

We currently enjoy partnerships with:

- St John Ambulance WA
- Perth Wildcats
- Little Green Pharma
- Australian Medical Association WA (AMA (WA))

HIF partners with organisations who share the same target audience and values.

Picture: Richard Polden

St John

St John Ambulance WA

St John WA is a charitable, non-profit, humanitarian organisation teaching first aid to the community and delivering the State's ambulance service while also shaping and leading the sector nationally. St John has been servicing and operating as an integral part of the Western Australian community for more than 130 years.

Our sponsorship of St John Ambulance WA covers Urgent Care centres and St John Giving – of which, HIF is a founding partner. Together with St John, we work to support critical healthcare initiatives in WA and help close the gap to accessible healthcare services to all.

St John Urgent Care centres are designed to take some of the pressure off the public hospital system by treating injuries and illnesses that are urgent but don't require a trip to the emergency department. Our partnership with St John means our members can access after-hours care at six Urgent Care centres across Perth – and we cover the cost of their consultation fee.

We are also proud to support the Community Transport Service (CTS), which provides an essential service to ensure patients in the South-West of WA can get to their medical appointments. Each year around 120 people are transported by CTS in the South-West, which covers an average 7,200km annually.

Recognising children are some of our most precious and important callers to Triple Zero, we made a $15,000 philanthropic donation to St John Giving to provide first aid training to more than 3,000 students across six schools in Perth.

In 2021/22 we also purchased 1,500 first aid kits for our members – a small token of appreciation for their ongoing loyalty to HIF.

Little Green Pharma

At HIF our goal is to ensure our members have choice and access to the best cover to suit their lifestyle. We recognise, in order to do that, we sometimes need to think outside the box.

In 2021, we made a very public stand to support the use of medicinal cannabis in Australia. We announced we would pay for benefits for eligible members looking to use medicinal cannabis and invested, alongside our partner Little Green Pharma, in a world first quality-of-life research study, the QUEST Initiative.

Leveraging our partnership with Little Green Pharma, and with the support of its subsidiary Reset Mind Sciences, we have taken the conversation further and begun to discuss emerging therapies such as psilocybin and MDMA and the impact they are having in treating mental health conditions such as depression and post-traumatic stress disorder.

Mental illness and suicide costs Australia **$600 million** a day.[1]

Mental illness and suicide costs Australia a conservative $220 billion a year – or $600 million a day[1]. The current solution seems to be to prescribe anti-depressants, with prescription rates doubling over the past 10 years. One in seven Australian adults are taking antidepressants daily and they are on them for an average of four years.

Clearly something is not working.

Studies in the US have shown treatment using psilocybin is a promising therapeutic approach that could lead to significant and durable improvements in depression while MDMA, when paired with counselling, can bring marked relief in just hours for patients with severe post-traumatic stress disorder.

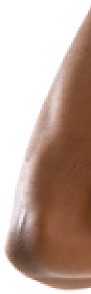
Given the potential of psychedelics, governments have a huge incentive to push ahead with their legalisation for medicinal use and we, as insurers have additional incentives to cover psychedelic-based therapy if it means saving on treatment costs.

One in five hospital claims from Australians aged under 30 with private health care are for the hospital treatment and care of patients with psychiatric, mental, addiction or behavioural disorders[2].

It's why Justin put his head above the parapet and spoke publicly about the issue at the Health Insurance Summit in Sydney and MEDCON, the AMA (WA) annual conference.

While it will be some time before treatment is available in Australia, we want to be open to any opportunity to improve the quality of life of our members.

We look forward to continuing these conversations and determining what role private health insurers can play in bringing about the change needed to support these new emerging, and so often life-changing, therapies.



1 Productivity Commission Report into mental health, November 2020

2 Private Healthcare Australia

Perth Wildcats

In Australian basketball and in WA, the Perth Wildcats are synonymous with success with 10 NBL championships under their belt – more than any other team in the league.

We have been a proud sponsor of Perth Wildcats since 2013 and as their Diamond Partner our logo has prime position on the back of all player (and fan purchased) jerseys.

With 10,000+ members and 13,000+ weekly home game attendees – along with 121,000 Facebook and 60,000 Instagram followers – the Perth Wildcats have a huge army of supporters, and we are proud to be part of their family.

Australian Medical Association (AMA (WA))

As well as partnering with the AMA (WA) to provide access to Rapid Antigen Tests at a discounted rate for members, HIF was once again a Diamond Sponsor of its MEDCON conference, held at Crown Perth.

This unique inter-college medical conference, developed by doctors for doctors, provided HIF with an opportunity to interact with medical professionals and learn about the health issues that are topical and of interest to the Western Australian medical community.

HIF not only took the Kiosk to MEDCON, sharing the booth with Little Green Pharma, but also led a session on Emerging Therapies in the Treatment of Mental Health, hosted by Dr Niall Campbell. Justin was joined by Edith Cowan University senior lecturer in drug studies, Dr Stephen Bright, and Head of the UWA Division of Psychiatry in the Medical School, Professor Sean Hood, to discuss medicinal cannabis and psychedelics and how and why they may offer an alternative therapeutic approach for mental health patients currently underserved by what's on offer.

And let's not forget...

Oska Wellness

We have teamed up with Oska Wellness to lock in a 10% discount for members when purchasing an Oska Pulse device. The Oska Pulse is a pain management device that uses Pulsed Electromagnetic Fields (PEMF) to help relieve pain at the source. It mimics the natural electro-chemical activity produced by the body to promote recovery. Compact, portable and non-invasive, it is a drug-free alternative to the long-term use of pain killer medication.

Valion Health

Cancer is one of the most common diseases facing Australians today with one in two Australian men and women diagnosed with cancer by the age of 85. To support our members who are fighting cancer, we are now providing access to Valion's virtual cancer support program that helps participants maintain physical wellness and manage side effects after cancer treatment.

What's on the horizon

What if … we championed sleep?

Sleep is an essential function that allows our bodies and minds to recharge, leaving us refreshed and alert when we wake up. It also helps the body remain healthy, stave off diseases and is just as important as having a balanced, nutritious diet and exercising.

However, a 2018-2019 Parliamentary Inquiry into sleep health declared it a national emergency and called on the government to prioritise sleep as a matter of urgency.

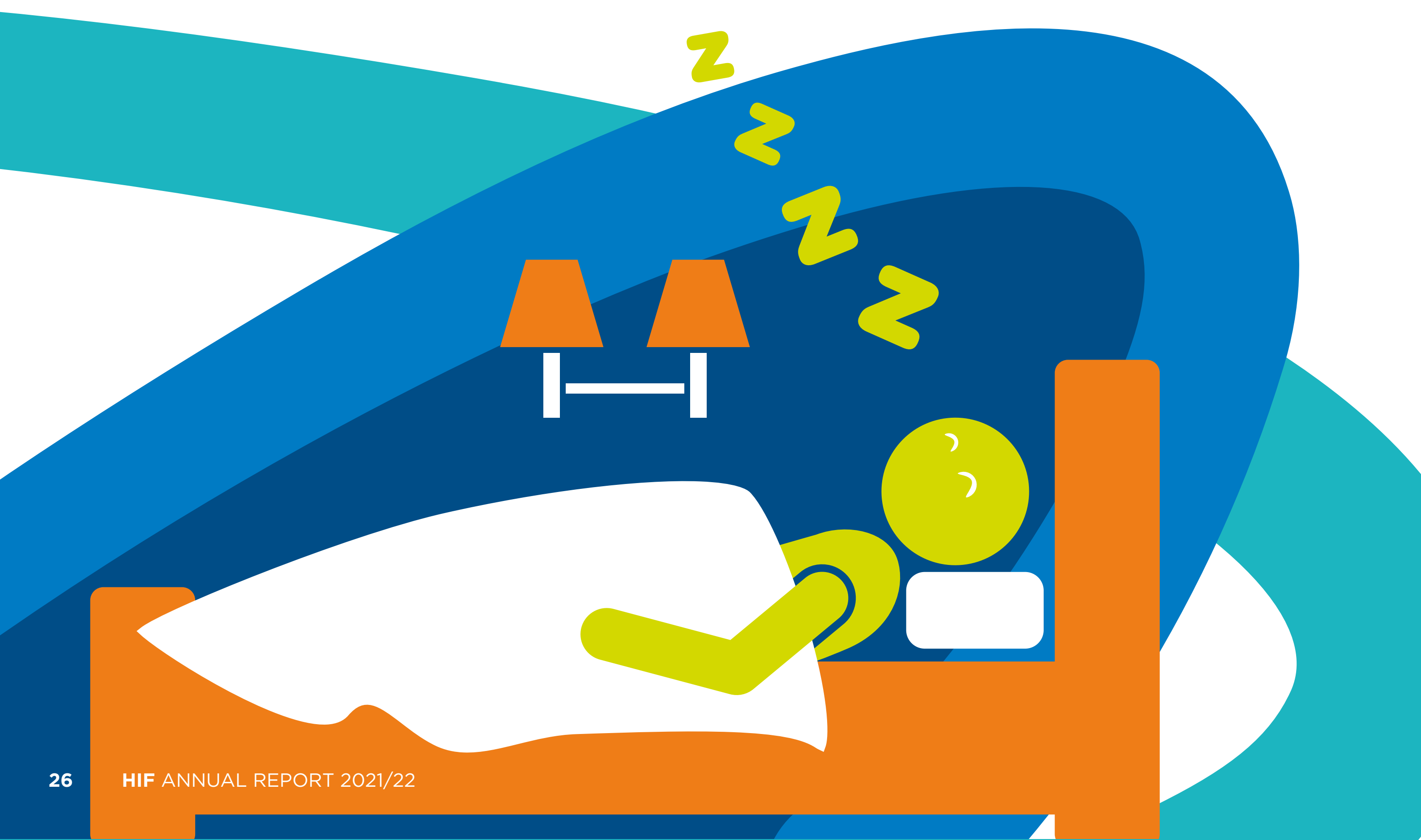
The Committee Chair, Mr Trent Zimmerman MP, stated: "The importance of sleep is often overlooked but it is one of the pillars of a healthy lifestyle. Regularly getting inadequate sleep is linked to a range of serious physical and mental health conditions such as diabetes, heart disease and dementia."

Sleep fell off the radar in 2020 when State and Federal governments had to shift their focus to tackling COVID-19 but thanks to the likes of the Sleep Health Foundation – Australia's leading advocacy group for sleep health – it's very much back on the agenda, and we want to be part of the conversation.

We want to do everything we can to ensure our members – and the broader Australian community – get a good night's sleep every night for their own health and those around them.

To do this, in 2022 we will be rolling out a three-year sleep program that will encourage members to say goodnight to bad sleeping habits, promote the importance of sleep and offer insight, support and real solutions.

The sleep program will not only offer tangible outcomes for our members but cement HIF as a thought leader and trailblazing health insurance provider.



"The importance of sleep is often overlooked but it is one of the pillars of a healthy lifestyle."

Material Business Risks

HIF's Risk Management Framework ('RMF') defines the systems, structures, policies, procedures and processes used by the Company to identify, measure, evaluate, monitor, report and mitigate the material risks that may affect its ability to meet its obligations to members.

The Board has developed a three-year rolling strategic plan that sets out its desired approach for the implementation of HIF's strategic objectives. The strategic plan organises HIF's strategic objectives and deliverables under three strategic pillars, namely: People and Culture, Simplification and Enhanced Capability. These pillars are underpinned by Financial Sustainability and Risk Management. Risk management is fully integrated into the strategic planning cycle, providing an opportunity to annually review strategic objectives and to assess the impact of any changes on HIF's risk profile.

The Board accepts a certain amount of risk in pursuit of the Company's strategic objectives and in achieving its vision of renewing community confidence. The Board will however only accept material business risks that have been carefully assessed and for which it has geared itself to accept, including through operating effective controls to avoid unwelcome risk, mitigating the likelihood of this risk occurring, and reducing the resulting impact of this risk.

The following table outlines HIF's material risks under each strategic pillar:

Strategic Pillar	Risk	Risk Description
People and Culture	**Conduct Risk**	The risk that HIF's organisational behaviours and culture do not align with its core values and the ethical expectations of the community in which it operates, resulting in diminished brand loyalty and stakeholder confidence.
	People Risk	The risk of not having the right people, capability and workforce composition negatively impacting the achievement of the overall strategy.
Simplification	**Poor Member Value Proposition Risk**	The risk of failing to proactively communicate and deliver on value proposition to current and prospective members with evolving expectations, leading to limited market competitiveness and increased member churn.
	Service Delivery Risk	The risk of delivering inadequate levels of service resulting in member dissatisfaction and attrition.
Enhanced Capability	**Cyber Security Risk**	The risk of failure, unauthorised or erroneous use of information systems resulting in financial loss, disruption or damage to HIF's reputation.
	Enabling Technology Risk	The risk of inadequate technology and infrastructure for servicing members resulting in operational disruptions, poor member experience and loss of business.

Strategic Pillar	Risk	Risk Description
Financial Sustainability and Risk Management	**Regulatory Intervention and Sovereign Risk**	The risk of HIF's inability to respond to private health insurance related Government or Regulatory changes/ reforms resulting in financial or reputational loss.
	Brand and Reputation Risk	The risk of potential losses in financial capital, community confidence and/or market share resulting from damage to HIF's brand and reputation.
	Third Party Risk	The risk of dependency on and inadequate management of third-party service providers resulting in poor service delivery, regulatory non-compliance and financial loss.
	Insurance Risk	The risk of an unexpected increase in claims, changes in member and product mix and product competitiveness negatively impacting affordability, financial viability and sustainability.
	Capital and Liquidity Risk	The risk that HIF cannot meet its financial commitments as and when they become due and has insufficient assets to cover its prudent liabilities and regulatory capital requirements.
	Investment Risk	The risk that HIF's investment portfolio produces insufficient income and/or a loss in capital value due to negative investment market factors including equity prices, interest rates, currency and credit risks.

Cyber security risk

At HIF we value the privacy and security of our members' data. To help ensure it remains secure, we continue to invest in and uplift our cyber security capabilities. Over the past twelve months we have further developed our ability to detect and respond to cyber threats with the introduction of a 24/7/365 Security Operations Centre and deployed an advanced security AI on our network to identify even minor changes in activity that could be suspicious. Both solutions continuously monitor for threats and are empowered to quickly respond to and defend against malicious threats.

Due to emails being the number one source of malicious attacks we have upgraded our email security platform to automatically analyse all attachments and links for threats before they reach the mailbox.

Additionally, to limit the potential for an attack to compromise the network we have also invested in uplifting our vulnerability management solution to identify and patch threats in a timely manner.

We use a number of tools to monitor the performance of our external cyber security posture.

One such solution, UpGuard monitors the performance of website security, network security, brand and reputation risk, email security, and phishing and malware. UpGuard monitors these factors daily and provides a comparison against other Australian health insurance providers.

We are proud to report that consistently over the past 12 months HIF has outperformed all nine of the organisation's closest competitors monitored by the platform in terms of external cyber security risks.

HIF Financial report

Corporate information

Directors

R. Homsany (Chairman)

S. V. Blake

P. L. Hersey

K. Laufmann

T. W. Shackleton

Company secretary

K. L. J. Garvey

Registered office and principal place of business

100 Stirling Street, Perth
Western Australia

Whadjuk Country
GPO Box X2221
Perth WA 6847

Solicitor

Lavan

Level 20, 1 William Street, Perth
Western Australia

Banker

National Australia Bank

Level 28, 500 Bourke Street, Melbourne
Victoria

External auditor

Deloitte Touche Tohmatsu

Level 9, Grosvenor Place
225 George Street, Sydney
New South Wales

Internal auditor

PricewaterhouseCoopers

Brookfield Place,
125 St Georges Terrace, Perth
Western Australia

Appointed actuary

J. Reid – Finity Consulting

Level 7, 68 Harrington Street, Sydney
New South Wales

Directors' report

The board of directors (**Board**) of Health Insurance Fund of Australia Limited (**the Company**) submit herewith the Directors' report for the year ended 30 June 2022 in accordance with the *Corporations Act 2001* (Cth).

Information about the Directors

The directors of the Company (**Directors**) during or since the end of the year ended 30 June 2022 are:

Mr R. Homsany *LLB (Hons), BCom, Grad Dip App Fin & Inv* **Chairman**	Mr Homsany was appointed to the Board in June 2010. Mr Homsany is Executive Vice President, Australia of Mega Uranium Ltd, a TSX listed company and is an experienced corporate lawyer having been admitted as a solicitor for over 20 years. Mr Homsany is also the principal of Cardinals Lawyers and Consultants. Previously he was Partner, Corporate and Commercial, of DLA Phillips Fox (now DLA Piper) and prior to that was a partner of Gadens Lawyers. Mr Homsany has also worked for an ASX top 50-listed internationally diversified resources company in operations, risk management and corporate. Mr Homsany is a Certified Practising Accountant (CPA) with CPA Australia, a fellow of the Financial Services Institute of Australasia (FINSIA) and a member of the Australian Institute of Company Directors. Mr Homsany has a Commerce Degree and Honours Degree in Law from the University of Western Australia and a Graduate Diploma in Finance and Investment from FINSIA. Mr Homsany has significant board experience with public listed companies including as Chairman of ASX listed Redstone Resources Ltd and TSX-V listed Central Iron Ore Limited, and as Executive Chairman of ASX listed Toro Energy Ltd, Chairman of ASX listed Galan Lithium Limited and as a Non-Executive Director of ASX Listed Brookside Energy Limited. Mr Homsany is a member of the Audit Committee, Risk Committee and the Investment Committee; and Chairman of the Nomination and Remuneration Committee.

Ms S. V. Blake *MMkt, Grad Dip Comm, BComm Mkt & PR, GAICD* **Non-executive Director**	Ms Blake was appointed to the Board in September 2016. Ms Blake has significant experience as a consultant in building marketing strategies for clients, including in financial and professional services, utility, government, retail, hospitality, non-government and member-based organisations. Ms Blake has held senior marketing leadership positions in several organisations, involving national promotions and communications strategy and product development, and lectured in marketing and professional practice at Curtin University, and she is a former partner at strategy consulting firm Black House. Ms Blake is the former founding director of Glue Marketing Consulting, a firm specialising in marketing, brand and digital communication and channel strategy development. She was the Chief Marketing Officer for a global technology company, Tape Ark. Currently Ms Blake is a Lead Business Consultant at IBM Consulting in Energy and Utilities. She is also a Councillor of Scotch College. Ms Blake is a member of the Audit Committee and Chairman of the Risk Committee.
Mr P. L. Hersey *BSc, MBA, MAICD* **Non-executive Director**	Mr Hersey was appointed to the Board in June 2019. Mr Hersey has extensive experience in the health, insurance, government, not for profit and financial services sectors as a senior executive and external consultant. Mr Hersey's early career involved working as a management consultant in London, primarily within the health and finance sector. Mr Hersey held roles in quality healthcare and as a project director in the Asia-Pacific region, as a senior executive of the Company, program manager for Ramsay Health, executive manager in health partnerships for a private health insurer and as a director within PricewaterhouseCoopers' health and government practice, working for clients in federal and state health departments, aged care, community and treasury, not-for-profit entities, private hospital groups and health insurers. Mr Hersey was Chief Executive Officer of 360 Health and Community, a not-for-profit primary healthcare organisation until 2017 before becoming a founding director of the Mavuno Group, a wealth, advisory and investments consultancy. Mr Hersey has held board positions within both the not for profit and private sectors, including at Pat Thomas House, Moorditj Koort Aboriginal Health and Wellness Centre and Intium Energy. Mr Hersey is a member of the Investment Committee and Chairman of the Audit Committee.

Mr K. B. Laufmann *BEcon, Dip Fin Plan, GAICD* **Non-executive Director**	Mr Laufmann was appointed to the Board in April 2020. Mr Laufmann is a Financial Advisor at Ord Minnett. Preceding his current role, Mr Laufmann was the Western Australian State Manager, Equity Partner and National Compliance Committee member of EL&C Baillieu Ltd, one of Australia's oldest share brokerage firms. Mr Laufmann has worked in financial markets for the past 25 years, holding positions with Salomon Smith Barney Inc., Citigroup Inc. and HSBC, focusing on capital raising, portfolio management and corporate advice. Throughout his career, Mr Laufmann has advised and funded several ASX resource companies from early-stage venture capital, through to IPO, and discovery. Previously Mr Laufmann was a non-executive director at NxGold Ltd, which held assets in WA and North America and was a member of its Audit Committee. Mr Laufmann is a member of the Risk Committee and the Nomination and Remuneration Committee and Chairman of the Investment Committee.
Mr T. W. Shackleton *BSc, Grad Dip HSM* **Non-executive Director**	Mr Shackleton was appointed to the Board in June 2020. Mr Shackleton has extensive experience as an executive and non-executive director in the public, private and non-government health sectors in WA. Currently employed as Chief Executive Officer (CEO) of Rural Health West (an non-government organisation dedicated to improving access to health care for people in rural and remote regions of WA), his previous experience includes CEO of the Royal Flying Doctor Service, Regional Director for Health in the Pilbara, Gascoyne and Wheatbelt Regions, General Manager of the Murchison Health Service and Executive Director of the Asthma Foundation of WA. In 2011, Mr Shackleton also established health consultancy firm Virtual Health, which he operated successfully until joining Rural Health West in 2016. In addition to his executive experience, Mr Shackleton has a strong background in board directorship. Previous appointments include Chair of the Western Australian Regional Development Council, Chair of the Wheatbelt Development Commission and Chair of WA General Practice Education and Training Pty Ltd. In addition to his position on the Board of HIF, Mr Shackleton is currently Chair of the Western Australian Pastoral Lands Board and Non-Executive Director of the Royal Flying Doctor Service WA. Mr Shackleton has a bachelor's degree in Human Movement and a Post Graduate Diploma in Health Service Administration.

The Directors held office during the whole of the year ended 30 June 2022.

Company Secretary

Ms K. L. J. Garvey LLB, BA, MAICD is an experienced corporate and commercial lawyer and is presently Legal Counsel and Company Secretary at Toro Energy Limited and a Senior Associate at Cardinals Lawyers and Consultants. Ms Garvey is also Company Secretary of ASX listed companies Brookside Energy Limited and Aerison Group Limited and of TSX-V listed company Central Iron Ore Limited. Ms Garvey is a member of the Australian Institute of Company Directors.

Principal Activities

The principal activity of the Company is the provision, as an underwriter, of private health insurance in Australia by operating as a registered private health insurer in accordance with the *Private Health Insurance Act 2007* (Cth) (Act). Private health insurance provided by the Company includes coverage for Australian citizens and permanent residents who are entitled to Medicare benefits under Complying Health Insurance Products (CHIP) for:

- Hospital treatment – inpatient, day patient and in-the-home services.
- General treatment (extras) – ancillary health services (including dental, optical, physiotherapy and chiropractic).

Collectively, these categories of health insurance are health insurance business as this term is defined in the Act or in the rules referred to in the Act.

The Company provides, as an underwriter, non-CHIP private health insurance, including hospital treatment and/or general treatment, to overseas visitors who temporarily reside in Australia, including Temporary Skill Shortage visa holders (health related business). The Company also provides travel and pet insurance under agency agreements with third party underwriters.

The Company's principal activities include providing present and future contributors (as that term is defined in the Company's constitution) to the fund operated by the Company and their dependents (Members) access to a wide range of competitively priced healthcare treatments and services that are intended to be used to support healthy lives and lifestyles.

Objectives

The Company's purpose is to help present and future Members lead healthy lives by:

- Providing them choice and access to relevant and high-quality healthcare facilities, providers, treatments and services.
- Informing them about their health cover and relevant healthcare issues.
- Providing them attractive benefits and rebates.
- Keeping their premiums affordable and valuable.
- Providing them the highest standards of service.

The Company's objectives involve:

- Acquiring financial and non-financial benefits to increase value for Members.
- Gaining greater prominence, relevance and reputation amongst Members, consumers, government, regulators and other stakeholders in the community.
- Building confidence with Members to increase their loyalty.
- Growing long term relationships with key healthcare providers and other stakeholders.

The Company leverages its membership of stakeholder groups, including the Australian Health Services Alliance Ltd for purchasing medical services and access to over 541 private hospitals and a limited number of general treatment benefits, and HAMB Systems Ltd for core insurance application services and related electronic and digital information, technology and communications solutions.

The Company's vision is to create lasting relationships with Members through confidence, by providing them value that matters to them.

To support its purpose and vision, the Company believes in its core values of Community, Member Value and Affordability, Integrity, Member for Life and Accountability.

Performance Measures

The Company measures its performance in many ways, including by measuring, monitoring and analysing:

- Size, distribution and composition of its Member base.
- Member loyalty, effort, experience and satisfaction.
- How motivated Members are to recommend the Company and its products and services.
- Member acquisition and retention and the related costs.
- Cost and effort to serve Members.
- Premium revenue, claim benefit outlays and out-of-pockets.
- Capital adequacy and solvency strength.
- Efficiency and effectiveness of financial and non-financial resources.
- Staff engagement and culture.
- Income from investments and other activities.

Risk management

The Company also measures its performance by monitoring its governance and risk management frameworks and its ability, using capital and the gearing of its operational resources, to support the Company's strategy and key objectives for performance and development whilst building financial resilience and sustainability.

Financial Results

Profit

The consolidated profit for the year ended 30 June 2022 was $7.7 million compared to $11.6 million in 2021. Premium revenue for the year was $178.3 million compared to $174.1 million in 2021, an increase of 2.4%.

The profit this year reflects the Company's lower than expected net claims incurred, offset by fair value losses in the investment portfolio.

In response to the Company's commitment to not benefit financially from COVID-19, the Company returned premium of $2.8 million to policyholders in December 2021. The amount returned to policyholders ranged between $15 to $90 depending on the type of cover.

Comprehensive income

Consolidated total comprehensive income for the year was $7.7 million compared to $11.6 million in 2021. This year, the Directors of the Company adopted the Directors' estimate of fair value at 30 June 2022 of the carrying values of its commercial properties.

Claims incurred and underwriting

Net claims incurred was $143.4 million compared to $149.6 million in 2021, a decrease of 4.1%. The relatively larger decrease in the net claims incurred compared to the 0.9% decrease in net claims incurred in the prior year, reflects changes in the product mix combined with the impact of COVID-19.

Underlying this year's net claims incurred, of which 68.4% is hospital treatment policies related, was a 10.3% increase in the number of hospital claims assessed and a 2.9% decrease in the number of medical claims assessed. The increase in hospital claims assessed was due to faster claims processing and a catch-up of the claims backlog at 30 June 2021. The decrease in medical claims assessed was due to COVID-19 disruptions to the provision of medical services during the year. Extras claims assessed in 2022 were in line with the prior year.

In accordance with APRA's guidance issued on 21 March 2022, the Company has provided for 90% / 60% of the hospital treatment claims less than / greater than 12 months, 80% of the general treatment claims within the current benefit year and 20% from prior benefit years, that did not proceed due to COVID-19 restrictions, totalling $8.8 million, to be caught-up and incurred in the future.

The decrease in net claims incurred that resulted from lower utilisation of treatments over the year resulted in the Company consuming 80.4% of this year's premium revenue towards the net claims incurred, compared to 85.9% in 2021.

Investment income and fair value gains/(losses)

Investment income for the 2022 year was $4.2 million compared to $1.1 million in 2021. This included investment fund distributions of $4.0 million and interest income of $0.2 million. Interest income reflects the historically low average cash rate of 0.2% in 2022.

The fair value (unrealised) loss on financial assets (i.e. the investment portfolio) at fair value was $7.3 million compared to a (unrealised) gain of $7.7 million in 2021. Investment markets performed well below expectations, particularly equities with the Australian All Ordinaries Index falling by 5.4% compared to an increase of 26.4% during 2021.

Overheads

Total overheads for the year were $24.4 million (13.7% of premium revenue) compared to $22.1 million (12.7% of premium revenue) in 2021. The main drivers of the increase in the cost of overheads were the $1.6 million increase in acquisition expenses and $0.5 million increase in other operating expenses.

Acquisition costs increased from 5.9% of premium revenue in 2021 to 6.7% in 2022 as a result of the launch of a new advertising campaign and commission paid for increased sales through brokers. The net deferral of acquisition costs in 2022 was an increase of $0.3 million which was the same as the increase in deferred acquisition expenses in 2021.

Other operating expenses for the year were $9.5 million compared to $9.0 million in 2021. The main driver of the 6.0% increase in these expenses was a $0.7 million increase in employment benefits expense.

Capital management

The Company's capital management framework including a capital management policy, a pricing philosophy and a capital management plan (**CMP**), guide management's practices to ensure that the Company has enough capital to support the risks it undertakes and to meet its liabilities, including in the event of adverse circumstances.

The pricing philosophy establishes target gross and net margins that must be considered when making decisions affecting the prices of policies. Consideration of the target net margins in pricing decisions helps the Company's management and Board fulfil the obligation to hold adequate economic capital.

The CMP is aligned to the Board's risk appetite which evolves through regular reviews. The reviews involve assessing the required levels of internal risk capital and related trigger points and action plans.

The Company's investment policy contains investment rules and guidelines to ensure the appropriate investment of the Company's financial and non-financial assets and that investments align with the Board's risk appetite.

In 2022 the Company reviewed and enhanced its recovery plan to strengthen the Company's risk management capability, particularly, if the Company were to experience sustained and extremely adverse circumstances impacting on its capital.

Risk management

The Company's risk management capability is supported by the operation of a risk management framework that among other uses, allows the Board to monitor on an ongoing basis the Company's exposure to the key risks identified by the Board and the effectiveness of risk management processes and practices of management.

Review of Operations

Member growth

The Member base covered by CHIP's decreased by 0.1% compared to an increase of 0.5% in 2021 and 2.7% net growth in the industry for 2022. Overseas visitor Members declined by 25% in 2022 due to international border restrictions throughout the year. The proportion of the total Member base from non-traditional markets (states/territories other than Western Australia) at 30 June 2022 was 41% compared to 41% 12 months earlier.

The Board considers net growth in the industry will be subdued due to the increasing affordability issues for lower and middle income earners as inflation outpaces wage growth; and limited effectiveness of stimuli for young Australians to take out private health cover for the first time.

The Board considers its growth prospects in the short to medium term will be slightly positive, reflecting its strategy to improve Member confidence and resulting retention and its resonance with consumers looking for choice and access with an ethical insurer.

Affordability

The Minister for Health approved, for deployment on 1 April 2022, a weighted average 3.20% increase to Members' premiums, compared to a 2.70% weighted average increase for the industry (including the Company). The Company's increase this year reflected the need to keep pace with the increased prices charged by health providers and suppliers and to correct certain CHIP prices in some of the markets in which the Company operates. Postponing the 2020 premium increase by six months and allowing the suspension of premiums due to financial hardship has provided premium relief of approximately $6.8 million for Members since the start of the COVID-19 pandemic. The estimated net financial relief provided to Members in response to COVID-19 including premium relief, givebacks and access to additional mental health support is $9.7 million to date.

The Board considers part of the solution to addressing affordability is for the government to address prostheses reforms, public hospitals charging patients with private health insurance and to restore the 30% rebate for low and middle income earners. Without a positive change in government policy towards funding arrangements for private health insurance, the rebate which is now below 25%, will continue to be eroded.

Choice and convenience

The Company's strong stance on choice aligns with the understood consumer preference for them to remain in control when it comes to choosing their health cover and their service provider. This means that Members retain the freedom to choose any level of hospital and/or extras cover from the Company's generous range of covers and go to their family health provider without being financially disadvantaged.

Personalised service and convenience

The Company's priority is to develop its culture, people and processes to ensure Members get access to service-delivery from friendly, qualified, skilled and experienced staff when and in the form they want it. The Company remains focussed on building a Member experience model that provides access to relevant and smart digital transaction processing and communication solutions, including self-service options. The Company believes that its Members will benefit from cost savings resulting in a higher allocation of available reserves for increased benefits and more affordable premiums.

Investments

Investments underperformed during the year, driven by the negative impact of COVID-19, increasing CPI and other international events. Returns from fixed interest funds and bank term deposits remained near historical lows as the Reserve Bank of Australia's official cash rate remained at 0.10% for most of the year, increasing by 0.25% in May 2022 and a further 0.50% in June 2022. Income from investments of $4.1 million in 2022 increased by $3.0 million compared to the $1.1 million earned in 2021 reflecting a $4.0 million distribution from managed funds. The Company recorded a $7.3 million fair value (unrealised) loss on financial assets at fair value in 2022 compared to an (unrealised) gain of $7.7 million in 2021.

The investment portfolio (excluding cash and cash equivalents) increased from $103.4 million at 30 June 2021 to $112.1 million at 30 June 2022, an increase of 8.4% for the year. The additional cash invested in bank term deposits was drawn from operating surpluses and a reduction in cash and cash equivalents from $15.5 million at 30 June 2021 to $13.9 million at 30 June 2022.

Property

The Company leases one floor of the Company's head office premises at 100 Stirling Street under a commercial tenancy. All other floors are occupied by the Company.

The Company owns an investment property at 60 - 62 Stirling Street, Perth to earn commercial property rent. This property was fully tenanted for the year ended 30 June 2022.

Other Developments

Digital and Technology

The Company has refreshed its Digital Strategy and Roadmap to enhance foundational infrastructure, deliver member experiences that are intelligent, intuitive and value adding, and accelerate our data strategy. This has been done in line with ethical aspirations and in the spirit of simplicity and providing choice and access.

Products

Significant progress has been made in improving the product suite available to members. These enhancements support simplification as well as increasing choice and access.

Code of conduct

The Company subscribes to the Australian private health insurance industry's peak representative body, Private Healthcare Australia (**PHA**). The Company subscribes to and complies with the PHA's Code of Conduct (**Code**) which is audited regularly. The Company remains compliant with the Code.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the Company during the year ended 30 June 2022.

Significant Matters or Circumstances after 30 June 2022

At its meeting on 31 August 2022, the Board approved the refund of $3.0 million in premiums to Members impacted by the lack of access to health services due to COVID-19 restrictions and lockdowns. The Company is committed to not benefitting financially from COVID-19.

No other matters or circumstances including COVID-19 restrictions and lockdowns have arisen since 30 June 2022 which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future years.

Environmental Regulations

The Company's operations are not subject to any environmental regulation under a law of the Commonwealth or of a State or Territory.

The Company is certified NoCO2 by the Carbon Reduction Institute Pty Ltd. Certification confirms the Company's financial contribution, by purchasing carbon offsets, towards reducing carbon emissions.

Indemnification of Officers and Auditors

During the year ended 30 June 2022, the Company paid a premium in respect of a contract insuring the Directors, Secretary and all Executive Officers of the Company and of any related body corporate of the Company against a liability incurred as such by a Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001* (Cth). The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify its Auditor, Deloitte Touche Tohmatsu (Deloitte), as part of the terms of its audit engagement agreement (Engagement) against certain claims by third parties arising from the audit work as that term is defined in the Engagement (for an unspecified amount). No payment has been made to indemnify Deloitte during or since the financial year ended 30 June 2022.

The Company has not, during or since the financial year ended 30 June 2022, indemnified or agreed to indemnify an Officer or Auditor of the Company or of any related body corporate against a liability incurred as such an Officer or Auditor.

Directors' Meetings

The following table sets out the number of Directors' meetings (including meetings of committees established by the Directors) held during the year ended 30 June 2022 and the number of meetings attended by each Director (including committee meetings attended by them as committee members). During the year ended 30 June 2022, eleven Board meetings, two Audit Committee meetings, four Risk Committee meetings, five Nomination and Remuneration Committee and five Investment Committee meetings were held.

	Board of Directors		Audit Committee		Risk Committee		Nomination and Remuneration Committee		Investment Committee	
Directors	**Held**	**Att.**	**Held**	**Att.**	**Held**	**Att.**	**Held**	**Att.**	**Held**	**Att.**
Ms S. V. Blake	11	11	2	2	4	4	-	-	-	-
Mr P. L. Hersey	11	10	2	2	-	-	5	5	5	5
Mr R. Homsany	11	11	2	2	4	4	5	5	5	5
Mr K. B. Laufmann	11	10	-	-	4	4	5	5	5	5
Mr T. W. Shackleton	11	10	-	-	-	-	-	-	-	-

Att. – Attended

Auditor's Independence Declaration to the Directors of Health Insurance Fund of Australia Limited

The Company has obtained an independence declaration from the Auditor, Deloitte, which is set out on the following page and forms part of this Directors' report for the year ended 30 June 2022.

Signed in accordance with a resolution of the Directors.

R. Homsany
Chairman

Perth, 27 September 2022

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Sydney NSW 2000
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Sydney NSW 1220 Australia

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Board of Directors
Health Insurance Fund of Australia Limited
100 Stirling Street
PERTH WA 6000

27 September 2022

Dear Board Members

Auditor's Independence Declaration to Health Insurance Fund of Australia Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Health Insurance Fund of Australia Limited.

As lead audit partner for the audit of the financial report of Health Insurance Fund of Australia Limited for the financial year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountant

Statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

		Consolidated		Health Insurance Fund of Australia	
	Note	**2022 $**	2021 $	**2022 $**	2021 $
Premium revenue	5	**178,287,594**	174,055,389	**178,287,594**	174,055,389
Net claims incurred	9	**(143,370,771)**	(149,551,905)	**(143,370,771)**	(149,551,905)
Acquisition expenses	16	**(11,921,026)**	(10,343,605)	**(11,921,026)**	(10,343,605)
Claims handling expenses	10	**(2,939,767)**	(2,737,368)	**(2,939,767)**	(2,737,368)
Underwriting result		**20,056,030**	11,422,511	**20,056,030**	11,422,511
Investment income	6	**4,151,718**	1,135,412	**4,151,718**	1,135,412
Fair value (losses) / gains on financial assets at fair value through profit or loss	7	**(7,296,875)**	7,680,105	**(7,296,875)**	7,680,105
Other income	8	**358,488**	319,215	**358,488**	319,215
Other operating expenses	10a	**(9,506,691)**	(8,965,570)	**(9,506,691)**	(8,965,570)
Result of operating activities		**7,762,670**	11,591,673	**7,762,670**	11,591,673
Finance costs	10b	**(22,761)**	(32,580)	**(22,761)**	(32,536)
Profit before income tax		**7,739,909**	11,559,093	**7,739,909**	11,559,137
Income tax expense	11	**-**	-	**-**	-
PROFIT FOR THE YEAR		**7,739,909**	11,559,093	**7,739,909**	11,559,137
Other comprehensive income		**-**	-	**-**	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,739,909**	11,559,093	**7,739,909**	11,559,137

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Health Insurance Fund of Australia Ltd and its controlled entity

Statement of financial position

As at 30 June 2022

		Consolidated		Health Insurance Fund of Australia	
	Note	**2022 $**	2021 $	**2022 $**	2021 $
ASSETS					
Current assets					
Cash and cash equivalents	12	**13,940,680**	15,535,959	**13,940,680**	15,535,959
Trade and other receivables	13	**4,928,157**	4,558,968	**4,897,399**	4,528,210
Other financial assets	14	**44,755,405**	32,771,959	**44,755,405**	32,771,959
Deferred acquisition costs	16	**1,892,503**	1,572,517	**1,892,503**	1,572,517
		65,516,745	54,439,403	**65,485,987**	54,408,645
Non-current assets					
Other financial assets	14	**67,305,414**	70,643,863	**67,305,414**	70,643,863
Investment in controlled entities	15	**-**	-	**1**	1
Property, plant and equipment	17	**13,070,249**	13,483,234	**13,070,249**	13,483,234
Investment property	18	**4,000,000**	4,000,000	**4,000,000**	4,000,000
		84,375,663	88,127,097	**84,375,664**	88,127,098
Total assets		**149,892,408**	142,566,500	**149,861,651**	142,535,743
LIABILITIES					
Current liabilities					
Trade and other payables	19	**2,553,787**	4,596,179	**2,553,788**	4,596,180
Claims liabilities	20	**27,857,530**	26,688,762	**27,857,530**	26,688,762
Unearned premium liability	21	**27,563,876**	27,308,397	**27,563,876**	27,308,397
Provisions	22	**1,440,886**	1,185,411	**1,440,886**	1,185,411
		59,416,079	59,778,749	**59,416,080**	59,778,750
Non-current liabilities					
Provisions	22	**106,094**	157,425	**106,094**	157,425
		106,094	157,425	**106,094**	157,425
Total liabilities		**59,522,173**	59,936,174	**59,522,174**	59,936,175
Net assets		**90,370,235**	82,630,326	**90,339,477**	82,599,568
EQUITY					
Reserves attributable to the entity's members					
Reserves	24	**488,080**	488,080	**488,080**	488,080
Retained earnings		**89,882,155**	82,142,246	**89,851,397**	82,111,488
Total equity		**90,370,235**	82,630,326	**90,339,477**	82,599,568

The above statement of financial position should be read in conjunction with the accompanying notes.

Health Insurance Fund of Australia Ltd and its controlled entity

Statement of changes in equity

For the year ended 30 June 2022

	Revaluation reserve	Retained earnings	Total
	$	$	$
Consolidated			
At 1 July 2020	**488,080**	**70,583,153**	**71,071,233**
Profit for the year	-	11,559,093	11,559,093
Total comprehensive income for the year	-	11,559,093	11,559,093
At 30 June 2021	**488,080**	**82,142,246**	**82,630,326**
Profit for the year	-	7,739,909	7,739,909
Total comprehensive income for the year	-	7,739,909	7,739,909
At 30 June 2022	**488,080**	**89,882,155**	**90,370,235**
Health Insurance Fund of Australia			
At 1 July 2020	**488,080**	**70,552,351**	**71,040,431**
Profit for the year	-	11,559,137	11,559,137
Total comprehensive income for the year	-	11,559,137	11,559,137
At 30 June 2021	**488,080**	**82,111,488**	**82,599,568**
Profit for the year	-	7,739,909	7,739,909
Total comprehensive income for the year	-	7,739,909	7,739,909
At 30 June 2022	**488,080**	**89,851,397**	**90,339,477**

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

Statement of cash flows

For the year ended 30 June 2022

	Note	Consolidated 2022 $	Consolidated 2021 $	Health Insurance Fund of Australia 2022 $	Health Insurance Fund of Australia 2021 $
Cash flows from operating activities					
Premiums received		**178,785,818**	175,419,081	**178,785,818**	175,419,081
Interest and unit distributions received		**4,078,616**	1,197,532	**4,078,616**	1,197,532
Other income received		**918,128**	10,969	**918,128**	41,728
Amounts paid to the Risk Equalisation Special Account		**(8,249,931)**	(11,747,056)	**(8,249,931)**	(11,747,056)
Rent received		**348,815**	245,879	**348,815**	245,879
Claims paid		**(135,483,102)**	(134,605,193)	**(135,483,102)**	(134,605,193)
Ambulance levy paid		**(534,335)**	(544,778)	**(534,335)**	(544,778)
Interest and other finance payments		**(434,955)**	(434,447)	**(434,955)**	(434,403)
Payments to suppliers and employees		**(24,737,578)**	(21,126,656)	**(24,737,578)**	(21,126,657)
Net cash from operating activities	25	**14,691,476**	8,415,331	**14,691,476**	8,446,133
Cash flows from investing activities					
Payments to acquire financial assets		**(27,049,866)**	(96,205,700)	**(27,049,866)**	(96,205,700)
Proceeds on sale of financial assets		**11,107,996**	87,010,631	**11,107,996**	87,010,631
Purchases of property, plant and equipment		**(439,806)**	(748,073)	**(439,806)**	(748,073)
Proceeds from disposal of property, plant and equipment		**94,922**	108,908	**94,922**	108,908
Net cash used in investing activities		**(16,286,754)**	(9,834,234)	**(16,286,754)**	(9,834,234)
Net cash flows from financing activities		**-**	-	**-**	-
Net decrease in cash and cash equivalents		**(1,595,279)**	(1,418,903)	**(1,595,279)**	(1,388,101)
Cash and cash equivalents at beginning of year		**15,535,959**	16,954,862	**15,535,959**	16,924,060
Cash and cash equivalents at end of year	12	**13,940,680**	15,535,959	**13,940,680**	15,535,959

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

Notes to the Financial Statements

For the year ended 30 June 2022

1 Summary of significant accounting policies

a) General information

Health Insurance Fund of Australia Limited ('the Company') is a company limited by guarantee incorporated in Australia. The address of its registered office and principal place of business is disclosed in the corporate information on page 32. The principal activities of the Company and its subsidiaries ('the Group') are described in the Directors' Report on page 36.

b) Application of new and revised Australian Accounting Standards

b.1) New and amended Accounting Standards that are effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and are effective for the current financial reporting period beginning 1 July 2021.

New and revised Standards and amendments thereof and interpretations effective for the current year that are relevant to the Group include:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform* – Phase 2
- AASB 2021-3 *Amendments to Australian Accounting Standards – Covid-19 Related Rent Concessions beyond 30 June 2021*

The impact of the adoption of these Standards and Interpretation did not have a material impact on the Group.

b.2) New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ending 30 June 2022.

Management is in the process of assessing the impact of the adoption of these standards and interpretations on the Group:

Notes to the Financial Statements

For the year ended 30 June 2022

1 Summary of significant accounting policies (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 17 *Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts*	1 January 2023	30 June 2024
• Extension of the Temporary Exemption from Applying AASB 9 (Amendments to AASB 4)	1 January 2023	30 June 2024
• AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current*	1 January 2023	30 June 2024
• AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments*	1 January 2022	30 June 2023
• AASB 2020-6 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date*	1 January 2022	30 June 2023
• AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023	30 June 2024

AASB 17 Insurance Contracts

AASB 17 *Insurance Contracts* (AASB 17) is a comprehensive new accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure which was adopted by the AASB in July 2017. In June 2020, the IASB issued Amendments to IFRS 17 which deferred the effective date from 1 January 2021 to 1 January 2023 and made significant amendments to the standard in response to feedback from, and implementation issues raised by, stakeholders. These amendments were adopted by the AASB in July 2020. The Group will adopt AASB 17 for the financial year ending 30 June 2024.

(i) Measurement models

AASB 17 introduces a new general measurement model for the recognition and measurement of insurance contracts. The liability for remaining coverage which represents future insurance coverage to be provided after the reporting date and is measured as the sum of:

- the present value of expected future cash flows, including an explicit risk adjustment (collectively referred to as the 'fulfilment cash flows'); and
- a contractual service margin representing unearned profit, which is recognised in the Statement of profit or loss and other comprehensive income to reflect services provided over the coverage period.

1 Summary of significant accounting policies (continued)

AASB 17 permits the use of a simplified measurement model, the premium allocation approach (PAA), which is similar to the current basis on which general insurance is brought to account under AASB 1023. The PAA can be used if the liability for remaining coverage under the simplified approach is not expected to materially differ from that under the general model, or if the coverage period of the contracts is less than one year. The Group has completed a detailed impact assessment of AASB 17 and has determined that the Group will be eligible to apply the PAA to all insurance contracts.

For groups of contracts accounted for under the PAA and that have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. The Group does plan to apply this option.

(ii) Risk adjustment

The measurement of insurance contract liabilities will include a risk adjustment which replaces the risk margin under AASB 1023. The risk margin under AASB 1023 reflects the inherent uncertainty in the net discounted central estimate, whereas the risk adjustment is defined as the compensation required for bearing the uncertainty that arises from non-financial risk. Similar to the risk margin, the risk adjustment includes the benefit of diversification. AASB 17 requires the disclosure of the confidence level that corresponds to the risk adjustment used in the measurement of insurance contract liabilities. Determination of the compensation the Group requires for bearing non-financial risk requires significant judgement and the industry interpretation of this requirement is still subject to change and therefore the financial impact cannot currently be reasonably estimated.

(iii) Discount rates

AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used. The Group expects to apply a top-down approach which uses a suitably identified market yield on a reference portfolio of relevant assets and adjusts to eliminate factors that are not relevant to the liability, such as market and credit risk. The methodology and impact of eliminating the non-relevant factors within discount rates requires significant judgement and therefore the financial impact cannot currently be reasonably estimated.

(iv) Onerous contracts

AASB 17 requires the identification of 'groups' of onerous contracts and recognition of losses arising on these contracts. The Group is currently developing the methodology to be applied to identify and measuring onerous contract losses. Onerous contract losses are required to be recognised in the Statement of profit or loss and other comprehensive income on a gross basis when the expected fulfilment cash flows exceed the carrying value of the contract, or group of contracts. Given the judgemental nature of the measurement of onerous contract losses and evolving industry practice, the Group is still determining the financial impact of the onerous contract requirements.

(iv) Transition

AASB 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach may be applied. Based on an assessment performed by the Group, the Group expects to be able to fully apply the retrospective approach.

1 Summary of significant accounting policies (continued)

(v) AASB 17 implementation progress

The Group has performed an impact assessment which identified the key areas of expected impact. Accounting policy decisions and application methodologies are being developed and implemented. Financial reporting systems are being updated to deliver the requirements of AASB 17. The key areas of change are in our actuarial models and processes, and in our financial systems and reporting processes.

(vi) Presentation and disclosure

AASB 17 introduces several significant changes to the presentation of and disclosures in insurers' financial statements.

Existing insurance contract line items on the Statement of financial position will be replaced and allocated to single line items representing portfolios of insurance contract assets, and separately liabilities. Insurance contract liabilities under AASB 17 include all cash flows that relate to the fulfillment of insurance contracts including direct costs (such as acquisition, claims settlement and policy administration and maintenance costs) and other costs that are attributable to the fulfilment of insurance contract (such as overheads costs). Insurance contract liabilities, and separately assets, include portfolios of direct insurance contracts issued.

In the Statement of profit or loss and other comprehensive income, gross earned premium will be replaced by insurance contract revenue reflecting the amount that the Group expects to receive for the services it has provided in the period. Claims incurred, including recoveries other than those from reinsurers, and attributable operational expenses will be combined into a single line item for the insurance service expenses. The total of insurance contract revenue less the insurance service expense will represent the insurance service result. The effect of the time value of money on the expected cash flows of insurance contract assets and liabilities is presented as insurance finance income or expense.

Given the significant areas of judgement required to apply AASB 17 and the ongoing development of industry interpretation the financial impact of adopting AASB 17 cannot currently be reasonably estimated.

c) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001* (Cth), Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group and Company. For the purposes of preparing the consolidated financial statements, the Company is a not-for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the directors on 27 September 2022.

Notes to the Financial Statements

For the year ended 30 June 2022

1 Summary of significant accounting policies (continued)

d) Basis of preparation

The consolidated financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and requirements of the Australian Prudential Regulation Authority (APRA).

These financial statements have been prepared on a historical cost basis, except for land and buildings, investment property and financial assets at fair value through profit and loss, which have been measured at fair value, as explained in the accounting policies below.

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

Historical cost is generally based on the fair value of the consideration given in exchange for assets.

e) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entity controlled by the Company. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

f) Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a service to a customer as it satisfies the performance obligation.

Premium revenue

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

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

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

1 Summary of significant accounting policies (continued)

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.

Rental income

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Commission income

Commission income from referrals to third party pet and travel insurers is recognised when received.

g) Claims expense

Claims expense represents payment for claims and the movement in outstanding and COVID-19 deferred claims liabilities [Note 1(l)].

h) Risk Equalisation Special Account levies / recoveries

Under the provisions of the *Private Health Insurance Act 2007* (Cth), all health insurers must participate in the Risk Equalisation Special Account (RESA). The RESA shares a proportion of the hospital claims of all persons aged 55 years and over and those persons with claims in excess of $50,000 in the current and preceding three quarters, amongst all health insurers based upon the number of policy holders. Individual health insurers are required to pay in to the RESA or receive a payment from the RESA for the difference between their proportional share and their actual claims paid.

The amounts payable to and receivable from the Risk Equalisation Special Account are determined by APRA 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.

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.

j) 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.

1 Summary of significant accounting policies (continued)

k) 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 DAC 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 DAC, then the shortfall is first offset against related DAC and then to the extent necessary a separate unexpired risk liability is recognised.

l) 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 seasonality, service type mix, claims ratios and claims processing are analysed and assumptions about the future are selected.

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.

m) 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 Statement of financial position, 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 Statement of financial position with any resultant unrealised profits and losses recognised in the Statement of profit or loss and other comprehensive income.

1 Summary of significant accounting policies (continued)

(ii) Determination of fair value

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

(a) Cash and term deposits – at face value of the amounts deposited;

(b) Unlisted securities – based on redemption value per unit as reported by the fund managers using valuation techniques.

Such valuation techniques include the use of recent arm's length transactions, reference to other instruments that have substantially the same characteristics, discounted cash flow analysis or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

(iii) Recognition and de-recognition

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

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

n) Impairment of financial assets

The Group assesses at each Statement of financial position 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.

o) Property, plant and equipment

Property, plant and equipment, excluding buildings and freehold land, are depreciated over their estimated useful lives using the reducing balance and straight line methods. Buildings are depreciated on a straight line basis to write off the net cost or revalued amount over their expected useful lives. Depreciation rates are as follows:

Freehold buildings	2.5%
Office furniture and equipment	5.0% – 33.3%
Motor vehicles	20.0%

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

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

1 Summary of significant accounting policies (continued)

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

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

When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Statement of profit or loss and other comprehensive income. 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.

Properties in the course of construction for administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

p) Cash and cash equivalents

Cash and short term deposits 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.

q) Receivables

Trade receivables, which generally have 15-30 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 by taking the initially recognised amount and reducing it for impairment as appropriate.

An allowance for doubtful debts or expected credit losses 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.

r) Taxation

(i) Income tax

In accordance with Section 50 – 30 of the *Income Tax Assessment Act 1997* (Cth), the income of the Company is exempt from income tax. The profit of the controlled entity, which is included in the consolidated statements of the Group, 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.

1 Summary of significant accounting policies (continued)

(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 statement of financial position.

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 statement of cash flow on a gross basis.

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).

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. Payables generally have 15 – 30 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.

1 Summary of significant accounting policies (continued)

Liabilities arising in respect of wages and salaries, annual leave, personal 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.

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

v) Leasing

(i) The Group as lessee

The Group assesses whether a contract is, or contains, a lease, at inception of the contract. The Group has determined that it does not have any contracts where the Group is a lessee.

(ii) The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

w) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

2 Critical accounting estimates and judgements

Estimates and judgements are made by the Group 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.

2 Critical accounting estimates and judgements (continued)

The provisions adopted in the Group's accounts are greater than the central estimate and the difference is referred to as a risk margin. The risk 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 after allowing for expenses associated with administering claims during the run-off period. Given the short weighted mean term of the liability (less than two months) no explicit allowances have been made for inflation and discounting.

A claims liability has been recorded for deferred claims that related to the restriction of health services for Members as a result of COVID-19. The Group has an obligation to settle these claims over future periods when the deferred claims are incurred.

Actuarial methods and assumptions

All actuarial methods and assumptions are discussed in Note 3.

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 changes in claimant behaviour over time and past reporting patterns. Payments experience is analysed based on trends in ultimate incurred by month and paid chain ladder. The resulting projected payments from these models and payments in July 2022 relating to June 2022 and earlier service months are used to determine the final estimate of outstanding claims. The analysis and projection work is done for three valuation categories i.e. hospital, medical and general and consolidated into two health insurance classes, i.e. hospital including medical and general. The exposure period is month of service.

(i) Assumptions

	2022	2021
a) Weighted average expected term to settlement	**Months**	**Months**
Gross central estimate	1.63	1.37
Risk equalisation recoveries	1.55	1.30
Net central estimate	1.63	1.36
	Percent	**Percent**
b) Claims handling expense rate	2.00%	2.00%
c) Risk margin	5.10%	5.10%

(ii) Processes used to determine assumptions

Average weighted term to settlement

The average term to settlement is calculated separately by class of business 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.

Expense rate

Claims handling expenses were calculated by analysis of the Company's actual expenses from profit and loss statements over the last 12 months.

Risk 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 5.9% 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%.

3 Actuarial methods and assumptions (continued)

(iii) Sensitivity analysis – insurance contracts

The Company 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 Company.

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.
Adopted reporting rates	Used to determine the level of claims IBNR. An increase or decrease in lodgements has a corresponding impact on claims expense.
Incurred cost in latest two service months	A change in the ultimate claims cost incurred for the most recent two service months will have a disproportionate impact on the outstanding claims amount due to the claim payments made to date.
Risk margin	An increase or decrease in the coefficient of variation has a corresponding impact on the risk margin and hence on the actuarial provision.
Claims handling expenses	An increase or decrease in the expense rate assumption has a corresponding impact on claims expense.

Impact of changes in key variables

		Increase / (decrease) in profit and equity ($)			
		2022		2021	
Variable	**Movement in variable**	**Gross of risk equalisation**	**Net of risk equalisation**	**Gross of risk equalisation**	**Net of risk equalisation**
Adopted reporting rates	1% decrease	70,201	79,028	74,848	85,006
	1% increase	(70,094)	(78,907)	(74,733)	(84,874)
Incurred cost of latest two service months	1% decrease	255,504	279,852	259,318	286,700
	1% increase	(255,504)	(279,852)	(259,318)	(286,700)
Sufficiency margin	1% decrease	122,957	138,368	160,008	182,072
	1% increase	(122,957)	(138,368)	(160,008)	(182,072)
Claims management expenses	1% decrease	126,694	126,694	164,871	164,871
	1% increase	(126,694)	(126,694)	(164,871)	(164,871)

4 Risk management

The Company's financial condition and operating activities are affected by a number of key financial and non-financial risks. Financial risks include capital and liquidity risk, investment risk and insurance risk. Non-financial risks include strategic and operational risks. The Company's approach to managing these financial and non-financial risks are set out in this note.

a) Corporate governance framework

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

Audit Committee

The Audit Committee is a sub-committee of the Board. The Audit Committee oversees the financial reporting process and the controls in place to ensure the transparency and integrity of internal and published financial information and the circumstances under which the Company's business funding could become inadequate or restricted. The Audit Committee's role includes: reviewing the effectiveness of the Company's financial reporting and advising the Board on the quality and reliability of financial information; overseeing the external audit, internal audit and appointed actuary functions including making recommendations to the Board on the appointment, evaluation and removal of the Appointed Auditor, Internal Auditor and Appointed Actuary; and ensuring there is a whistleblowing process in place, including suitable policies and procedures, for the confidential reporting of concerns about the Company's accounting practices, controls, compliance, audit and other matters.

Risk Committee

The Risk Committee is a sub-committee of the Board. The Risk Committee oversees the implementation and operation of the Company's risk management framework (RMF). The Risk Committee's role includes: overseeing and ensuring that an appropriate framework of policies, procedures, internal controls, reporting, ethical standards and management accountability are established for risk management and legal and regulatory compliance and are consistently maintained and adhered to.

The Risk Committee's responsibilities include to:

(i) review the Board's risk appetite and risk appetite statement for consideration and approval by the Board;

(ii) oversee the Company's current and future risk position relative to the Board's risk appetite and capital strength;

(iii) ensure the Company has established and maintains an appropriate policy and process to identify, assess, manage and report on the risks that could materially affect the business of the Company;

(iv) monitor the appropriateness and effectiveness of the RMF and internal controls ensuring that where any major deficiencies or breakdown in controls have been identified, appropriate and prompt action is taken by management;

(v) monitor the alignment of the capital and liquidity requirements within the Company's risk profile having regard to the Board's appetite for risk and risk tolerances and reviewing policies and procedures required to be authorised by the Board to support the RMF;

4 Risk management (continued)

(vi) oversee management's implementation of the risk management strategy;

(vii) ensure management has established and maintains systems, processes and procedures for compliance with relevant legal and regulatory requirements; and

(viii) oversee senior management's promotion, and staff awareness and understanding, of a risk-based culture that properly and effectively balances risk and reward for the risks accepted.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is a sub-committee of the Board. The Nomination and Remuneration Committee is responsible for overseeing the Board's renewal, Director nomination, independence, performance assessment and remuneration processes to support the Board in fulfilling its corporate governance responsibilities.

Investment Committee

The Investment Committee is a sub-committee of the Board. The Investment Committee is responsible for monitoring and reviewing the effectiveness of the Company's investment policies and processes in achieving an optimum return relative to the Board's risk appetite; authorising investment decisions on behalf of the Board; and monitoring legislative compliance in relation to the solvency and capital adequacy implications of investment decisions. The Investment Committee utilises specialised investment management services for the management of the investment portfolio.

Board

The Board is responsible for the overall governance and performance of the Company, by providing strategic guidance and effective oversight of management, as well as satisfying other regulatory and ethical expectations and obligations. The Board is also responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board has a number of mechanisms in place to ensure this is achieved. In addition to the establishment of the Committees referred to above, these mechanisms include the following:

(a) providing strategic direction through constructive engagement in the development, execution and modification of the Company's strategy;

(b) actively promoting and reinforcing the Company's values and desired culture of acting lawfully, ethically and responsibly; and

(c) assessing business performance against Board approved budgets, targets and strategies.

4 Risk management (continued)

b) Financial Risks

Capital and Liquidity Risk

Capital comprises the total equity as reflected in the Statement of financial position. The Company 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 APRA. The Company is subject to the Solvency and Capital Adequacy Standards applied by the Act and regulated by APRA. The Company is required to submit quarterly returns to APRA as well as an annual audited return that is used to establish whether the Company complies with the standards. The Company has exceeded the required Solvency and Capital Adequacy reserves throughout the year.

The Company makes use of the Financial Condition Report (FCR) prepared by its Appointed Actuary to inform the Board 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 Company 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 Company utilises to manage its capital requirements are the annual premium submission to the Department of Health, forecasts, the annual budget and monthly management accounts. The annual premium submission considers the financial impact of the Company's plans over the next two years and the impact on capital adequacy and solvency. The annual premium submission, which is reviewed by the Company's Appointed Actuary, is approved by the Minister for Health.

With regards to liquidity risk management, refer to note 28.

Insurance risk

The Company's insurance activities primarily involve the underwriting of risks and claim management. The Company 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

Risk management activities include prudent underwriting, pricing, claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance of the Company'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 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.

Notes to the Financial Statements

For the year ended 30 June 2022

4 Risk management (continued)

(ii) Terms and conditions of health insurance business

The terms and conditions attached to health insurance contracts affect the level of insurance risk accepted by the Company. 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 Company's exposure is concentrated in Western Australia where 59% of its policyholders reside. This concentration risk will change as the Company expands its business in other States and Territories.

(iv) Claims management and claims provisioning risks

The Company's approach to determining the outstanding claims liability is set out in Note 3. The Company's Appointed Actuary determines the Company's outstanding claims liability, that is reported at balance date, using an approved actuarial methodology.

Investment Risk

With regards to investment risk management, including market risk and interest rate risk, refer to note 28.

c) Non-Financial Risks

The Company's material non-financial risks comprise of both strategic and operational risks. Strategic risks include Poor Member Value Proposition Risk; Regulatory Intervention and Sovereign Risk; Brand and Reputation Risk; and Conduct Risk. Operational risks include Cyber Security Risk; Enabling Technology Risk; Third Party Risk; People Risk; and Service Delivery Risk.

The Board accepts a certain amount of risk in pursuit of the Company's strategic objectives and in achieving its vision of renewing community confidence. The Board will however only accept material business risks that have been carefully assessed and for which it has geared itself to accept, including through operating effective controls to avoid unwelcome risk, mitigating the likelihood of this risk occurring, and reducing the resulting impact of this risk.

Notes to the Financial Statements

For the year ended 30 June 2022

5 Premium revenue

	Consolidated and Health Insurance Fund of Australia		
	Hospital Tables $	**General Tables $**	**Total $**
Premium revenue has been determined after including:			
2022 premium revenue			
Premiums received including Federal Government rebates	**123,259,504**	**55,287,776**	**178,547,280**
+/- premiums in arrears	**(37,589)**	**(7,222)**	**(44,811)**
+/- unearned premium liability	**(149,973)**	**(111,613)**	**(261,586)**
+/- amount receivable from the Federal Government Rebate Incentives Scheme	**32,511**	**14,199**	**46,710**
Total premium revenue	**123,104,453**	**55,183,140**	**178,287,594**
2021 premium revenue			
Premiums received including Federal Government rebates	122,181,437	53,237,644	175,419,081
+/- premiums in arrears	55,489	26,351	81,840
+/- unearned premium liability	(1,047,974)	(510,978)	(1,558,952)
+/- amount receivable from the Federal Government Rebate Incentives Scheme	79,084	34,336	113,420
Total premium revenue	121,268,036	52,787,353	174,055,389

The Group assessed the disaggregation of the revenue by geographical region and type of policies. This is information regularly reviewed by the Board to evaluate the financial performance of the Group. The Group's revenue from external customers by geographical location and type of policy are detailed below.

	Consolidated		Health Insurance Fund of Australia	
Geographical region	**2022 $**	2021 $	**2022 $**	2021 $
Australian Capital Territory	**1,212,348**	1,257,515	**1,212,348**	1,257,515
New South Wales	**17,800,252**	17,811,171	**17,800,252**	17,811,171
Northern Territory	**223,733**	202,912	**223,733**	202,912
Queensland	**15,821,825**	15,738,250	**15,821,825**	15,738,250
South Australia	**4,272,806**	4,135,457	**4,272,806**	4,135,457
Tasmania	**961,648**	971,223	**961,648**	971,223
Victoria	**27,649,116**	26,837,615	**27,649,116**	26,837,615
Western Australia	**110,345,866**	107,101,246	**110,345,866**	107,101,246
	178,287,594	174,055,389	**178,287,594**	174,055,389

Notes to the Financial Statements

For the year ended 30 June 2022

5 Premium revenue (continued)

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Type of policy				
Complying Health Insurance Products	**176,239,759**	171,284,513	**176,239,759**	171,284,513
Overseas Visitor Cover	**2,047,835**	2,770,876	**2,047,835**	2,770,876
	178,287,594	174,055,389	**178,287,594**	174,055,389

6 Investment income (net)

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Investment income	**4,151,718**	1,135,412	**4,151,718**	1,135,412

Investment income includes interest income and distribution income from unit trust investments.

7 Fair value (losses) / gains on financial assets at fair value through profit or loss

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Unrealised fair value (loss) / gain	**(7,296,875)**	7,680,105	**(7,296,875)**	7,680,105

Fair value (losses) / gains represent movements on equity and fixed interest unit trust investments.

8 Other income

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Profit from sale of property, plant and equipment	**14,358**	16,986	**14,358**	16,986
Rental revenue	**317,105**	245,879	**317,105**	245,879
Other revenue	**27,025**	56,350	**27,025**	56,350
	358,488	319,215	**358,488**	319,215

Notes to the Financial Statements

For the year ended 30 June 2022

9 Net claims incurred

	Consolidated and Health Insurance Fund of Australia		
	Current year $	Prior years $	Total $
2022			
Gross claims expense			
Gross claims incurred – undiscounted	**146,082,937**	**(9,542,835)**	**136,540,102**
Discount movement	**-**	**-**	**-**
	146,082,937	**(9,542,835)**	**136,540,102**
Ambulance levies	**533,939**	**-**	**533,939**
Risk equalisation expense			
Risk equalisation expense – undiscounted	**4,815,033**	**1,481,697**	**6,296,730**
Discount movement	**-**	**-**	**-**
	4,815,033	**1,481,697**	**6,296,730**
Net claims incurred	**151,431,909**	**(8,061,138)**	**143,370,771**
2021			
Gross claims expense			
Gross claims incurred – undiscounted	147,667,619	(11,348,063)	136,319,556
Discount movement	-	-	-
	147,667,619	(11,348,063)	136,319,556
Ambulance levies	543,459	-	543,459
Risk equalisation revenue			
Risk equalisation revenue – undiscounted	14,844,634	(2,155,744)	12,688,890
Discount movement	-	-	-
	14,844,634	(2,155,744)	12,688,890
Net claims incurred	163,055,712	(13,503,807)	149,551,905

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.

The Company values are the same as the consolidated values.

Notes to the Financial Statements

For the year ended 30 June 2022

10 Other expenses

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
a) Other operating expenses				
Commission	**962,714**	803,037	**962,714**	803,037
Information technology	**1,785,270**	1,722,580	**1,785,270**	1,722,580
Depreciation	**772,227**	797,708	**772,227**	797,708
Post-employment benefits	**1,145,814**	996,435	**1,145,814**	996,435
Other employee benefits	**12,314,643**	11,470,525	**12,314,643**	11,470,525
Legal fees	**16,296**	74,508	**16,296**	74,508
Postage and telephone	**542,287**	558,869	**542,287**	558,869
Printing and stationery	**130,708**	111,721	**130,708**	111,721
Rental and property expenses	**434,763**	522,121	**434,763**	522,121
Advertising	**4,254,904**	3,148,841	**4,254,904**	3,148,841
Other expenses	**1,915,650**	1,769,572	**1,915,650**	1,769,572
	24,275,276	21,975,917	**24,275,276**	21,975,917
Reclassification to deferred acquisition costs	**(12,013,546)**	(10,444,411)	**(12,013,546)**	(10,444,411)
Reclassification to claims handling expenses	**(2,755,039)**	(2,565,936)	**(2,755,039)**	(2,565,936)
	9,506,691	8,965,570	**9,506,691**	8,965,570
b) Finance costs				
Financial charges and taxes	**434,955**	434,447	**434,955**	434,403
Reclassification to deferred acquisition costs	**(227,466)**	(230,435)	**(227,466)**	(230,435)
Reclassification to claims handling expenses	**(184,728)**	(171,432)	**(184,728)**	(171,432)
	22,761	32,580	**22,761**	32,536

Notes to the Financial Statements

For the year ended 30 June 2022

11 Income tax

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Income tax expense				
Deferred tax	**-**	-	**-**	-
Total tax expense charged to profit or loss	**-**	-	**-**	-
Reconciliation between net profit before tax and tax expense				
Profit / (Loss) before income tax expense	**7,739,909**	11,559,093	**7,739,909**	11,559,137
Tax at the Australian tax rate of 30% (2021: 30%)	**2,321,973**	3,467,728	**2,321,973**	3,467,741
Exempt income of parent entity	**(2,321,973)**	(3,467,741)	**(2,321,973)**	(3,467,741)
Deferred tax liability not recognised on profit in subsidiary	**-**	13	**-**	-
Tax expense for the year	**-**	-	**-**	-

12 Cash and cash equivalents

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Cash on hand	**282**	1	**282**	1
Cash at bank and on call	**13,940,398**	15,535,958	**13,940,398**	15,535,958
	13,940,680	15,535,959	**13,940,680**	15,535,959

13 Receivables

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Current				
Premiums in arrears	**262,519**	307,734	**262,519**	307,734
Investment income receivable	**98,515**	25,413	**98,515**	25,413
Amounts due from the Federal Government Rebate Incentives Scheme	**3,320,185**	3,273,476	**3,320,185**	3,273,476
Other amounts receivable	**1,246,938**	952,345	**1,216,180**	921,587
	4,928,157	4,558,968	**4,897,399**	4,528,210

Notes to the Financial Statements

For the year ended 30 June 2022

14 Other financial assets

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Current				
Term deposits	**44,755,405**	32,771,959	**44,755,405**	32,771,959
Non-current				
Investments in unit trusts	**67,305,414**	70,643,863	**67,305,414**	70,643,863

The group holds investments in unit trusts carried at fair value through profit or loss (FVTPL).

15 Investments in controlled entities

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Health Insurance Australia Pty Ltd	**-**	-	**1**	1
	-	-	**1**	1

The subsidiary company is 100% owned by Health Insurance Fund of Australia Limited.

16 Deferred acquisition costs

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Deferred acquisition costs at 1 July	**1,572,517**	1,241,276	**1,572,517**	1,241,276
Acquisition costs deferred	**12,241,012**	10,674,846	**12,241,012**	10,674,846
Recognised in income statement	**(11,921,026)**	(10,343,605)	**(11,921,026)**	(10,343,605)
Deferred acquisition costs at 30 June	**1,892,503**	1,572,517	**1,892,503**	1,572,517

Notes to the Financial Statements

For the year ended 30 June 2022

17 Property, plant and equipment

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Land at fair value	**3,000,000**	3,000,000	**3,000,000**	3,000,000
Buildings at fair value	**9,919,641**	9,906,041	**9,919,641**	9,906,041
Less: accumulated depreciation	**949,788**	683,103	**949,788**	683,103
	11,969,853	12,222,938	**11,969,853**	12,222,938
Office furniture and equipment – at cost	**5,826,277**	5,456,025	**5,826,277**	5,456,025
Less: accumulated depreciation	**4,869,130**	4,404,063	**4,869,130**	4,404,063
	957,147	1,051,962	**957,147**	1,051,962
Motor vehicles - at cost	**198,605**	264,547	**198,605**	264,547
Less: accumulated depreciation	**55,356**	56,213	**55,356**	56,213
	143,249	208,334	**143,249**	208,334
Total property, plant and equipment	**13,070,249**	13,483,234	**13,070,249**	13,483,234

The basis of valuation for land and buildings is the fair value based on existing use. The Company's Board is of the opinion that this basis provides a reasonable estimate of the recoverable amount. There was a revaluation of the Company's freehold land and buildings in June 2020. The valuation was based on the fair market value of the property at that date by reference to several methodologies including capitalisation method, discounted cash flow and direct comparison approach and was conducted in accordance with independent valuation standards. The valuation was performed by David Lang of Knight Frank Australia Pty Ltd who is a Certified Practising Valuer (Licensed Valuer # 44506). Management does not believe the fair market value of the properties has changed materially since the June 2020 valuation. The next independent valuation will be conducted in June 2023. The historic cost of the revalued land and buildings was $2,068,152.

Notes to the Financial Statements

For the year ended 30 June 2022

17 Property, plant and equipment (continued)

	Land & Buildings	Office Furniture & Equipment	Motor Vehicles	Total
	$	$	$	$
Reconciliation of property, plant and equipment 2022 – consolidated				
Carrying amount at 1 July 2021	**12,222,938**	**1,051,962**	**208,334**	**13,483,234**
Additions	**13,600**	**368,764**	**57,442**	**439,806**
Disposals	**-**	**-**	**(80,564)**	**(80,564)**
Depreciation expense	**(266,685)**	**(465,067)**	**(40,475)**	**(772,227)**
Carrying amount at 30 June 2022	**11,969,853**	**955,659**	**144,737**	**13,070,249**
Reconciliation of property, plant and equipment 2021 - consolidated				
Carrying amount at 1 July 2020	12,300,000	1,190,306	134,485	13,624,791
Additions	159,975	384,972	203,126	748,073
Disposals	-	(1,825)	(90,097)	(91,922)
Depreciation expense	(237,037)	(521,491)	(39,180)	(797,708)
Carrying amount at 30 June 2021	12,222,938	1,051,962	208,334	13,483,234
Reconciliation of property, plant and equipment 2022 - Health Insurance Fund of Australia				
Carrying amount at 1 July 2021	**12,222,938**	**1,051,962**	**208,334**	**13,483,234**
Additions	**13,600**	**368,764**	**57,442**	**439,806**
Disposals	**-**	**-**	**(80,564)**	**(80,564)**
Depreciation expense	**(266,685)**	**(465,067)**	**(40,475)**	**(772,227)**
Carrying amount at 30 June 2022	**11,969,853**	**955,659**	**144,737**	**13,070,249**
Reconciliation of property, plant and equipment 2021 - Health Insurance Fund of Australia				
Carrying amount at 1 July 2020	12,300,000	1,190,306	134,487	13,624,793
Additions	159,975	384,972	203,126	748,073
Disposals	-	(1,825)	(90,099)	(91,924)
Depreciation expense	(237,037)	(521,491)	(39,180)	(797,708)
Carrying amount at 30 June 2021	12,222,938	1,051,962	208,334	13,483,234

Notes to the Financial Statements

For the year ended 30 June 2022

18 Investment property

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Fair value				
Investment property	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Balance at beginning of year	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Additions	**-**	-	**-**	-
Balance at end of year	**4,000,000**	4,000,000	**4,000,000**	4,000,000

All of the Group's investment property is held under freehold interests.

The fair value of the Group's investment property as at 30 June 2022 has been arrived at on the basis of a valuation carried out in June 2020 by David Lang of Knight Frank Australia Pty Ltd who is an independent valuer not related to the Group. Mr Lang is a member of the Institute of Valuers of Australia, and has appropriate qualifications and recent experience in the valuation of properties in the relevant location. The valuation was based on the fair market value of the property at that date by reference to several methodologies including capitalisation method, discounted cashflow method and direct comparison approach and was conducted in accordance with independent valuation standards. In estimating the fair value of the properties, the highest and best use of the property is its current use. Management does not believe that the fair market value of the properties has changed materially since the June 2020 valuation. The next independent valuation will be conducted in June 2023.

19 Trade and other payables

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Amounts due to the Risk Equalisation Special Account	**1,300,655**	3,253,856	**1,300,655**	3,253,856
Trade payables	**399,388**	664,172	**399,388**	664,172
Other creditors	**853,744**	678,151	**853,745**	678,152
	2,553,787	4,596,179	**2,553,788**	4,596,180

The average credit period on purchases is 30 days. No interest is charged on the trade payables for the first 30 days from the date of the invoice.

Notes to the Financial Statements

For the year ended 30 June 2022

20 Claims liabilities

	Note	Consolidated		Health Insurance Fund of Australia	
		2022 $	2021 $	**2022 $**	2021 $
Outstanding claims liability – central estimate	**(A)**	**13,595,728**	17,893,468	**13,595,728**	17,893,468
Claims handling costs	**(B)**	**241,093**	313,741	**241,093**	313,741
Risk margin	**(C)**	**705,677**	928,566	**705,677**	928,566
Gross outstanding claims liability		**14,542,498**	19,135,775	**14,542,498**	19,135,775
COVID-19 deferred claims liability (refer note d below)		**8,836,215**	5,622,775	**8,836,215**	5,622,775
Outstanding claims payable		**4,478,817**	1,930,212	**4,478,817**	1,930,212
Claims liabilities		**27,857,530**	26,688,762	**27,857,530**	26,688,762
Gross claims incurred – undiscounted	**(A)+(B)+(C)**	**14,542,498**	19,135,775	**14,542,498**	19,135,775

a) Reconciliation of movement in gross outstanding claims liability

Brought forward	**(D)**	**19,135,775**	11,761,050	**19,135,775**	11,761,050
Effect of changes in assumptions		**(2,724,233)**	(1,749,931)	**(2,724,233)**	(1,749,931)
Increase in claims incurred / recoveries anticipated over the year		**14,542,499**	19,135,775	**14,542,499**	19,135,775
Incurred claims recognised in income statement	**(E)**	**11,818,266**	17,385,844	**11,818,266**	17,385,844
Claim payments / recoveries during the year	**(F)**	**16,411,543**	10,011,119	**16,411,543**	10,011,119
Carried forward	**(D)+(E)-(F)**	**14,542,498**	19,135,775	**14,542,498**	19,135,775

b) Claims development tables

The claims development table is not required where uncertainty about amount and timing is typically resolved within one year. As greater than 99.9% of the Company's claims are resolved within one year, the claims development table has not been included.

c) Risk margins

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 Company is a single portfolio comprising two correlated classes of risk, no allowance is made for diversification when setting the risk margin. The risk margin applied to increase the level of adequacy of the central estimate to 80% is 5.1%.

20 Claims liabilities (continued)

d) COVID-19 deferred claims liability

The Company holds a liability for claims that have been deferred as members were unable to access treatment prior to 30 June 2022 as a result of restricted access to service providers in response to the COVID-19 pandemic.

The liability comprises the following components:

1) 'Claims that did not occur' from March 2020 to June 2022, split by hospital treatment and general treatment.

   This was determined by:

   - Estimating the hospital and general treatment claims that would have occurred in those service months if COVID-19 had not happened.
   - Subtracting the estimated hospital and general treatment claims that ultimately did occur, based on payments to date and the outstanding claims liability for those service months.

2) For the 'claims that did not occur' the Company has provided for 90% of the hospital treatment claims less than 12 months, 60% of the hospital treatment claims greater than 12 months, 80% of the general treatment claims within the current benefit year and 20% of the general treatment claims from prior benefit years.

Claims handling expenses and risk margins are implicitly included in the hospital and general treatment factors prescribed above, although a separate allowance is made for risk equalisation.

The reserve is estimated to have a level of sufficiency consistent with the APRA guidance at 98% (2021: 95%).

21 Unearned premium liability

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Unearned premium liability at beginning of the period	**27,308,397**	25,760,699	**27,308,397**	25,760,699
Deferral of premiums on contracts paid in the period	**27,563,876**	27,308,397	**27,563,876**	27,308,397
Earning of premiums paid in previous periods	**(27,308,397)**	(25,760,699)	**(27,308,397)**	(25,760,699)
Unearned premium liability at the end of the period	**27,563,876**	27,308,397	**27,563,876**	27,308,397

22 Provisions for employee entitlements

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Current				
Annual leave	**861,743**	734,510	**861,743**	734,510
Long service leave	**579,143**	450,901	**579,143**	450,901
	1,440,886	1,185,411	**1,440,886**	1,185,411
Non-current				
Long service leave	**106,094**	157,425	**106,094**	157,425

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For the year ended 30 June 2022

23 Unexpired risk liability

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
(a) Unexpired risk liability				
Unexpired risk liability closing balance	**-**	-	**-**	-
(b) Calculation of deficiency				
Contributions in advance (CIA)				
Unearned premium liability	**27,826,395**	27,676,788	**27,826,395**	27,676,788
Less: related deferred acquisition costs	**1,892,503**	1,572,517	**1,892,503**	1,572,517
	25,933,892	26,104,271	**25,933,892**	26,104,271
Future claims*	**24,693,979**	25,429,998	**24,693,979**	25,429,998
Risk margin	**654,390**	674,273	**654,390**	674,273
	25,348,369	26,104,271	**25,348,369**	26,104,271
Unexpired risk liability – CIA	**-**	-	**-**	-
Constructive obligation (CO)				
Unearned premium liability	**110,328,319**	102,322,997	**110,328,319**	102,322,997
Less: related deferred acquisition costs	**9,528,826**	5,536,508	**9,528,826**	5,536,508
	100,799,493	96,786,489	**100,799,493**	96,786,489
Future claims*	**98,197,266**	94,286,495	**98,197,266**	94,286,495
Risk margin	**2,602,227**	2,499,994	**2,602,227**	2,499,994
	100,799,493	96,786,489	**100,799,493**	96,786,489
Unexpired risk liability – CO	**-**	-	**-**	-
Unexpired risk liability – CIA and CO	**-**	-	**-**	-

** Central estimate of present value of expected future cash flows arising from future claims including risk equalisation and policy handling expenses*

The liability adequacy test identified a surplus (2021: surplus) for the combined portfolio of Hospital and General contracts that are subject to broadly similar risks that are managed together as a single portfolio. The process for determining the overall risk margin of 2.65%, is based on a coefficient of variation of 4.0% at 75% level of sufficiency.

The related deferred acquisition costs were recognised only to the extent of the surplus in the current year and in the prior year.

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.

Notes to the Financial Statements

For the year ended 30 June 2022

24 Reserves

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Reserves comprise revaluation of:				
Land and buildings	**488,080**	488,080	**488,080**	488,080

The land and buildings revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties' revaluation reserve that relates to that asset, and that is effectively realised, is transferred directly to retained earnings. The land and building at 100 Stirling St was revalued at 30 June 2020 resulting in a write down in value of $361,920 against the reserve.

25 Reconciliation of profit for the year to net cash flows from operating activities

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Net profit from ordinary activities after tax	**7,739,909**	11,559,093	**7,739,909**	11,559,137
Adjustments for:				
Depreciation of property, plant and equipment	**772,227**	797,708	**772,227**	797,708
Profit on sale of property, plant and equipment	**(14,358)**	(16,986)	**(14,358)**	(16,986)
Fair value losses / (gains) on financial assets	**7,296,875**	(7,680,105)	**7,296,875**	(7,680,105)
Operating cash flows before movements in working capital	**15,794,653**	4,659,710	**15,794,653**	4,659,754
Increase in deferred acquisition costs	**(319,986)**	(331,241)	**(319,986)**	(331,241)
Increase in unearned premium liability	**255,479**	1,547,699	**255,479**	1,547,699
Decrease / (increase) in contributions in arrears	**45,215**	(81,934)	**45,215**	(81,934)
Increase in claims liabilities	**1,168,768**	1,714,363	**1,168,768**	1,714,363
Increase / (decrease) in employee entitlements	**204,144**	(214,358)	**204,144**	(214,358)
(Increase) / decrease in other debtors	**(341,303)**	50,869	**(341,303)**	81,627
(Decrease) / increase in creditors	**(2,042,392)**	1,008,103	**(2,042,392)**	1,008,103
(Increase) / decrease in interest receivable	**(73,102)**	62,120	**(73,102)**	62,120
Net cash generated by operating activities	**14,691,476**	8,415,331	**14,691,476**	8,446,133

As the Group does not have any debt, there is no changes in the Group's liabilities arising from financing activities.

26 Related party disclosures

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

S. V. Blake, P. L. Hersey, R. Homsany, K. Laufmann and T .W. Shackleton.

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

Transactions with related entities

There were no transactions with related entities in the current financial year.

Key management personnel compensation

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Short-term employee benefits	**2,672,911**	2,336,233	**2,672,911**	2,336,233
Post-employment benefits	**242,435**	186,185	**242,435**	186,185
	2,915,346	2,522,418	**2,915,346**	2,522,418

27 Remuneration of auditors

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Deloitte and related network firms				
– Audit or review of financial reports for Group and subsidiaries	**150,150**	141,750	**150,150**	141,750
– Other Services	**-**	-	**-**	-
Other auditor (PricewaterhouseCoopers) and their related network firms				
– Internal audit services	**131,938**	138,750	**131,938**	138,750
	282,088	280,500	**282,088**	280,500

Notes to the Financial Statements

For the year ended 30 June 2022

28 Financial instruments

a) 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 risk, 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 Australia	
	2022 $	2021 $	**2022 $**	2021 $
Financial assets				
Investment in unit trusts	**67,305,414**	70,643,863	**67,305,414**	70,643,863

The unit trusts invest in companies listed on Australian and international stock exchanges.

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 Australia	
	2022 $	2021 $	**2022 $**	2021 $
+ 10% S&P/ASX 300 Index	**2,825,356**	3,390,494	**2,825,356**	3,390,494
– 10% S&P/ASX 300 Index	**(2,825,356)**	(3,390,494)	**(2,825,356)**	(3,390,494)

Notes to the Financial Statements

For the year ended 30 June 2022

(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 Australia	
	2022 $	2021 $	**2022 $**	2021 $
Financial assets				
Cash and cash equivalents	**13,940,680**	15,535,959	**13,940,680**	15,535,959
Term deposits	**44,755,405**	32,771,959	**44,755,405**	32,771,959
	58,696,085	48,307,918	**58,696,085**	48,307,918

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 Australia	
	2022 $	2021 $	**2022 $**	2021 $
+ 1.0% (100 basis points)	**977,479**	850,468	**977,479**	850,468
- 0.5% (50 basis points)	**(488,740)**	(425,234)	**(488,740)**	(425,234)

The movements in profit / equity are due to higher / lower interest income from variable rate cash and term deposit balances.

(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 Company'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 at 30 June 2022. 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 2022.

28 Financial instruments (continued)

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. 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. The financial assets at fair value through profit and loss categorised as maturing in less than or equal to 3 months have been categorised as such because there is no maturity date, however, they are disclosed as non current assets on the Statement of Financial Position as it is the intention to hold these investments for greater than 12 months.

	≤ 3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Total
Consolidated	**$**	**$**	**$**	**$**	**$**	**$**
Year ended 30 June 2022						
Financial assets						
Cash and cash equivalents	**13,940,680**	**-**	**-**	**-**	**-**	**13,940,680**
Term deposits	**21,577,313**	**21,266,077**	**2,010,530**	**-**	**-**	**44,853,920**
Receivables	**4,829,642**	**-**	**-**	**-**	**-**	**4,829,642**
Financial assets at fair value through profit or loss	**67,305,414**	**-**	**-**	**-**	**-**	**67,305,414**
	107,653,049	**21,266,077**	**2,010,530**	**-**	**-**	**130,929,656**
Financial liabilities						
Payables	**(2,553,787)**	**-**	**-**	**-**	**-**	**(2,553,787)**
Net maturity	**105,099,262**	**21,266,077**	**2,010,530**	**-**	**-**	**128,375,869**
Year ended 30 June 2021						
Financial assets						
Cash and cash equivalents	15,535,959	-	-	-	-	15,535,959
Term deposits	18,239,288	14,558,084	-	-	-	32,797,372
Receivables	4,533,555	-	-	-	-	4,533,555
Financial assets at fair value through profit or loss	70,643,863	-	-	-	-	70,643,863
	108,952,665	14,558,084	-	-	-	123,510,749
Financial liabilities						
Payables	(4,596,179)	-	-	-	-	(4,596,179)
Net maturity	104,356,486	14,558,084	-	-	-	118,914,570

Notes to the Financial Statements

For the year ended 30 June 2022

28 Financial instruments (continued)

	≤ 3 months	>3-6 months	>6-12 months	>1-5 years	>5 years	Total
Health Insurance Fund of Australia	**$**	**$**	**$**	**$**	**$**	**$**
Year ended 30 June 2022						
Financial assets						
Cash and cash equivalents	**13,940,680**	**-**	**-**	**-**	**-**	**13,940,680**
Term deposits	**21,577,313**	**21,266,077**	**2,010,530**	**-**	**-**	**44,853,920**
Receivables	**4,798,884**	**-**	**-**	**-**	**-**	**4,798,884**
Financial assets at fair value through profit or loss	**67,305,414**	**-**	**-**	**-**	**-**	**67,305,414**
	107,622,291	**21,266,077**	**2,010,530**	**-**	**-**	**130,898,898**
Financial liabilities						
Payables	**(2,553,788)**	**-**	**-**	**-**	**-**	**(2,553,788)**
Net maturity	**105,068,503**	**21,266,077**	**2,010,530**	**-**	**-**	**128,345,110**
Year ended 30 June 2021						
Financial assets						
Cash and cash equivalents	15,535,959	-	-	-	-	15,535,959
Term deposits	18,239,288	14,558,084	-	-	-	32,797,372
Receivables	4,502,797	-	-	-	-	4,502,797
Financial assets at fair value through profit or loss	70,643,863	-	-	-	-	70,643,863
	108,921,907	14,558,084	-	-	-	123,479,991
Financial liabilities						
Payables	(4,596,180)	-	-	-	-	(4,596,180)
Net maturity	104,325,727	14,558,084	-	-	-	118,883,811

Maturity analysis of the Company's 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 2022	**17,355,803**	**1,147,449**	**414,452**	**103,613**	**-**	**19,021,316**
Year ended 30 June 2021	18,717,866	1,974,165	299,166	74,791	-	21,065,988

Fair value

The methods for estimating fair value are outlined in Note 1(m) Financial assets at fair value through profit or loss.

Notes to the Financial Statements

For the year ended 30 June 2022

28 Financial instruments (continued)

Liquidity and interest risk tables

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	Non interest bearing	Total
Consolidated 2022		**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	12	**13,940,398**	**-**	**-**	**282**	**13,940,680**
Term deposits	14	**-**	**44,755,405**	**-**	**-**	**44,755,405**
Premiums in arrears	13	**-**	**-**	**-**	**262,519**	**262,519**
Other receivables	13	**-**	**-**	**-**	**4,567,123**	**4,567,123**
Investment income receivable	13	**-**	**-**	**-**	**98,515**	**98,515**
Financial assets at fair value through profit and loss	14	**-**	**-**	**-**	**67,305,414**	**67,305,414**
		13,940,398	**44,755,405**	**-**	**72,233,853**	**130,929,656**
Weighted average interest rate		**0.11%**	**1.31%**			
Financial liabilities						
Payables	19	**-**	**-**	**-**	**(2,553,787)**	**(2,553,787)**
Net financial assets		**13,940,398**	**44,755,405**	**-**	**69,680,066**	**128,375,869**

Notes to the Financial Statements

For the year ended 30 June 2022

28 Financial instruments (continued)

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	Fixed interest maturing in: 1 to 5 years	Non interest bearing	Total
Consolidated 2021		$	$	$	$	$
Financial assets						
Cash and cash equivalents	12	15,535,958	-	-	1	15,535,959
Term deposits	14	-	32,771,959	-	-	32,771,959
Premiums in arrears	13	-	-	-	307,734	307,734
Other receivables	13	-	-	-	4,225,821	4,225,821
Investment income receivable	13	-	-	-	25,413	25,413
Financial assets at fair value through profit and loss	14	-	-	-	70,643,863	70,643,863
		15,535,958	32,771,959	-	75,202,832	123,510,749
Weighted average interest rate		0.07%	0.26%			
Financial liabilities						
Payables	19	-	-	-	(4,596,179)	(4,596,179)
Net financial assets		15,535,958	32,771,959	-	70,606,653	118,914,570

Notes to the Financial Statements

For the year ended 30 June 2022

28 Financial instruments (continued)

Liquidity and interest risk tables

			Fixed interest maturing in:			
	Notes	Floating interest rate	1 year or less	1 to 5 years	Non interest bearing	Total
Health Insurance Fund of Australia 2022		$	$	$	$	$
Financial assets						
Cash and cash equivalents	12	13,940,398	-	-	282	13,940,680
Term deposits	14	-	44,755,405	-	-	44,755,405
Premiums in arrears	13	-	-	-	262,519	262,519
Other receivables	13	-	-	-	4,536,365	4,536,365
Investment income receivable	13	-	-	-	98,515	98,515
Financial assets at fair value through profit and loss	14	-	-	-	67,305,414	67,305,414
		13,940,398	44,755,405	-	72,203,095	130,898,898
Weighted average interest rate		0.11%	1.31%			
Financial liabilities						
Payables	19	-	-	-	(2,553,788)	(2,553,788)
Net financial assets		13,940,398	44,755,405	-	69,649,307	128,345,110

Notes to the Financial Statements

For the year ended 30 June 2022

28 Financial instruments (continued)

	Notes	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	Non interest bearing	Total
Health Insurance Fund of Australia 2021		**$**	**$**	**$**	**$**	**$**
Financial assets						
Cash and cash equivalents	12	15,535,958	-	-	1	15,535,959
Term deposits	14	-	32,771,959	-	-	32,771,959
Premiums in arrears	13	-	-	-	307,734	307,734
Other receivables	13	-	-	-	4,195,062	4,195,062
Investment income receivable	13	-	-	-	25,413	25,413
Financial assets at fair value through profit and loss	14	-	-	-	70,643,863	70,643,863
		15,535,958	32,771,959	-	75,172,073	123,479,990
Weighted average interest rate		0.07%	0.26%			
Financial liabilities						
Payables	19	-	-	-	(4,596,180)	(4,596,180)
Net financial assets		15,535,958	32,771,959	-	70,575,893	118,883,810

28 Financial instruments (continued)

b) 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 below provides information regarding the credit risk exposure of the Group at 30 June 2022 by classifying assets according to the Standard and Poor's 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 Group 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 Company's Board on a monthly basis.

	AAA	AA	A	BBB	Not rated	Total
Year ended 30 June 2022	$	$	$	$	$	$
Consolidated						
Cash and cash equivalents	-	13,940,398	-	-	282	13,940,680
Term deposits	-	44,755,405	-	-	-	44,755,405
Receivables	3,320,185	98,515	-	-	1,509,457	4,928,157
Financial assets at fair value through profit or loss	-	-	-	-	67,305,414	67,305,414
Total	3,320,185	58,794,318	-	-	68,815,153	130,929,656

	AAA	AA	A	BBB	Not rated	Total
Year ended 30 June 2021	$	$	$	$	$	$
Consolidated						
Cash and cash equivalents	-	15,535,958	-	-	1	15,535,959
Term deposits	-	32,771,959	-	-	-	32,771,959
Receivables	3,273,476	25,413	-	-	1,260,079	4,558,968
Financial assets at fair value through profit or loss	-	-	-	-	70,643,863	70,643,863
Total	3,273,476	48,333,330	-	-	71,903,943	123,510,749

The AAA rated receivables reflected above are due from Medicare Australia, a body administered and managed by the Federal Government. The Group's policy does not permit investment in any security rated below Standard and Poor's long-term A rating.

c) Currency risk

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

28 Financial instruments (continued)

Reconciliation of net financial assets to net assets

	Note	Consolidated		Health Insurance Fund of Australia	
		2022 $	2021 $	**2022 $**	2021 $
Net financial assets	28a)	**128,375,869**	118,914,570	**128,345,110**	118,883,811
Investment in controlled entities	15	**-**	-	**1**	1
Deferred acquisition costs	16	**1,892,503**	1,572,517	**1,892,503**	1,572,517
Property, plant and equipment	17	**13,070,249**	13,483,234	**13,070,249**	13,483,234
Investment property	18	**4,000,000**	4,000,000	**4,000,000**	4,000,000
Current liabilities	20,21,22	**(56,862,292)**	(55,182,570)	**(56,862,292)**	(55,182,570)
Non-current liabilities	22	**(106,094)**	(157,425)	**(106,094)**	(157,425)
Net assets per the Statement of financial position		**90,370,235**	82,630,326	**90,339,477**	82,599,568

Net fair value of financial assets and liabilities per the Statement of financial position

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Year ended 30 June 2022	**$**	**$**	**$**	**$**
Financial assets at fair value through profit or loss	**-**	**67,305,414**	**-**	**67,305,414**

	Level 1	Level 2	Level 3	Total
Year ended 30 June 2021	**$**	**$**	**$**	**$**
Financial assets at fair value through profit or loss	-	70,643,863	-	70,643,863

28 Financial instruments (continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets / financial liabilities	Fair value as at 30 June 2022 $	Fair value as at 30 June 2021 $	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Property, plant and equipment – land and buildings	**11,969,853**	12,222,938	Level 3	Capitalisation Method, Discounted Cash Flow and Comparable Sales Method	N/A	N/A
Investment property	**4,000,000**	4,000,000	Level 3	Capitalisation Method, Discounted Cash Flow and Comparable Sales Method	N/A	N/A
Other financial assets – unit trusts	**67,305,414**	70,643,863	Level 2	Stated at the redemption price quoted by the trust managers as at the reporting date	N/A	N/A

There were no transfers between Levels 1,2 and 3 during the period.

29 Lease arrangements

The Group owns two properties located at 60-62 Stirling Street and at 100 Stirling Street, Perth. Lease receivables relates to both properties owned by the Group.

60-62 Stirling Street, Perth, has a lease term of 1 year, which ends on 31 March 2023. The lessee does not have an option to purchase the property at the expiry of the lease period.

The tenancy on level one of 100 Stirling Street, Perth, has a lease term of 5 years, with an end date of 21 January 2026. The tenant has an option to renew for a further 5 years to 2031. The remainder of the property is occupied by the Group.

The property rental income earned by the Group from its properties, which are leased out under operating leases, amounted to $317,104 (2021: $245,879). Direct operating expenses arising on the investment properties in the period amounted to $289,074 (2021: $239,534).

Non-cancellable lease receivables

	Consolidated		Health Insurance Fund of Australia	
	2022 $	2021 $	**2022 $**	2021 $
Not later than 1 year	**271,413**	312,641	**271,413**	312,641
Later than 1 year and not longer than 5 years	**243,353**	487,183	**243,353**	487,183
Later than 5 years	**-**	-	**-**	-
	514,766	799,824	**514,766**	799,824

30 Subsequent events

At its meeting on 31 August 2022, the Board approved the refund of $3.0 million in premiums to Members impacted by the lack of access to health services due to COVID-19 restrictions and lockdowns. The Company is committed to not benefitting financially from COVID-19.

There has not arisen in the interval between 30 June 2022 and the date of this report, any other item, transaction or event, of a material and unusual nature likely, in the opinion of the Board of Directors of the Company, 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 AUSTRALIA LIMITED
DIRECTORS' DECLARATION

The Directors declare that in the Directors' opinion:

(a) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* (Cth), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the group;

(c) the financial statements and notes thereto are in compliance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 (c).

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

On behalf of the Directors

R. Homsany
Director

Perth, 27 September 2022

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Independent Auditor's Report to the Members of Health Insurance Fund of Australia Limited

Opinion

We have audited the financial reports of Health Insurance Fund of Australia Limited (the "Entity") and its subsidiaries (the "Group") which comprise the Group and the Entity's statements of financial position as at 30 June 2022, the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial reports of the Group and the Entity are in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group and the Entity's financial position as at 30 June 2022 and of their financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001.*

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity (the "directors"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022, but does not include the financial reports and our auditor's report thereon.

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

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In connection with our audit of the financial reports, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial reports or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Reports

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

In preparing the financial reports, the directors are responsible for assessing the ability of the Group and the Entity to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Reports

Our objectives are to obtain reasonable assurance about whether the financial reports as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial reports.

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

- Identify and assess the risks of material misstatement of the financial reports, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group or the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group or the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial reports or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the Entity to cease to continue as going concerns.

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- Evaluate the overall presentation, structure and content of the financial reports, including the disclosures, and whether the financial reports represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

David Gaudreault

David Gaudreault
Partner
Chartered Accountants

Sydney, 27 September 2022

Freedom to choose

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