2022 Annual Report

hbf

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About HBF

HBF was founded more than 80 years ago in Perth and has provided private health insurance to generations of Western Australians. We have expanded to become Australia's second largest not-for-profit health fund, providing hospital and ancillary insurance to approximately 1.1 million members nationwide.

HBF is also becoming a more active participant in health services through the recent acquisition of physiotherapy business Life Ready, ongoing expansion of HBF Dental, our partnership with TerryWhite Chemmart outside of WA and an ongoing alliance with Pharmacy 777 in WA.

We are committed to actively connecting with and supporting the communities in which we operate as a trusted member-based organisation.

2022 at a glance

The addition of CUA Health added to HBF's ongoing membership growth in FY22, while our expansion into health services continued.

Members

1,099,478

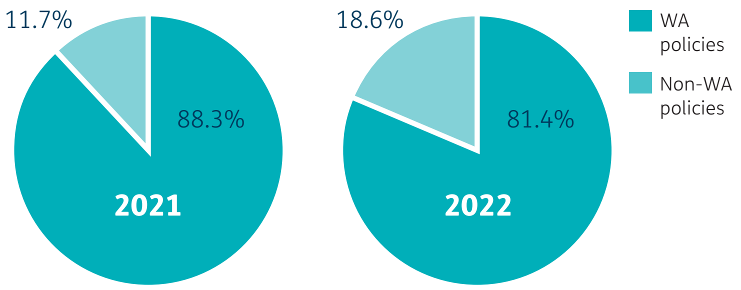
↑ 9.7%

Policies

555,232

↑ 9.9%

Diversifying our customer base



Market share

7.82%

↑ 52 basis points

At the end of FY22, HBF had recorded 25 months of consecutive policy growth

+3

HBF Dental centres

+27

physiotherapy clinics, plus mobile through the acquisition of Life Ready Physio + Pilates, welcoming 291 employees to HBF

+420

pharmacies in HBF Member Plus network through TerryWhite Chemmart partnership

New

digital member card

#1

app of the major health insurers on Apple and Android platforms

1.04 million

inquiries via telephone, email and in-branch (FY21: 1.02 million)

3 million

self-service digital transactions (↑21%)

Chair's report

The 2022 financial year was a significant one for HBF. We navigated an increasingly complex economic environment while still progressing our strategy to expand nationally, diversify into health services, and transform our technology for seamless member and provider experiences. This was not without its challenges. The Board knows the loyalty of our members and efforts of our people have been key in helping us to advance our strategy.

Private health insurance participation has grown during the COVID-19 pandemic. Australians took a more proactive interest in keeping themselves and their families well and sought to avoid public hospital waiting lists for elective surgery. At the same time, the health ecosystem has been challenged by the pandemic. COVID-19-related shutdowns, staffing shortages and, more recently, inflationary effects on input costs have created real headwinds in health.

Despite the challenging environment, HBF had great success in FY22 in continuing key strategic initiatives. This included making necessary changes to our product portfolio for the long-term benefit of the entire membership base and the fund itself. We recognise this did result in a negative impact for some members. HBF also increased its premiums in April 2022, a decision not taken lightly, particularly as many other health funds deferred their rate increases for a period. Our priority is to continue keeping our products competitively priced, as evidenced by HBF implementing some of the lowest premium increases in the industry over recent years. However, there will be certain years, such as 2022, where this will not always be possible.

HBF's focus remains on delivering value and quality service for our members, and, pleasingly, retention and consideration rates remained high this year. The Board was delighted to see the continued growth of the business from organic expansion initiatives to build HBF's brand outside of Western Australia. At the same time HBF's position within its home state was enhanced. With 25 consecutive months of policy growth and a record high policy retention rate, HBF's membership (excluding CUA Health) grew by 2.9% in FY22, slightly higher than the system overall.

HBF's fundamentals remain strong and we are well-capitalised. This has enabled significant strategic investment – in our transformation program (which will need to continue), the acquisitions of private health fund CUA Health and physiotherapy business Life Ready Health Group, and a 10% stake in our dental partner Pacific Smiles Group. Meanwhile, volatile markets impacted our investment returns. HBF's conservative stance and active management of the portfolio ensured we delivered a result better than market comparators, but it was a negative return nonetheless.

With the transfer of ownership of Life Ready to HBF, its team is being brought under HBF's wing, embedding an operational model under our HBF Wellness entity, developing a strategic plan, and aligning its governance to the wider HBF Group. The full integration of CUA Health within HBF will also be a focus in FY23 after the acquisition was completed in FY22.

With the community's expectations of large corporations rightly expanding, HBF made key steps in FY22 to understand further our Environmental, Social and Governance (ESG) risks and opportunities. We maintain an ongoing commitment to give back to the community, support our people, and build sustainable operating practises. The Board acknowledges that HBF has significant progress to make in this space and looks forward to reporting on this next year. We also implemented our inaugural Reconciliation Action Plan and in FY23 will be exploring further actions we can take, in partnership with Aboriginal and Torres Strait Islander leaders, to advocate for and influence positive change and outcomes for their people and communities.

It has been a very busy period for our people, who once again delivered on our values by working as one and making members their reason. I cannot imagine a more disrupted year. Tightening labour markets have driven higher turnover. There is definitely a war for talent – particularly in our member-facing and technology teams. Members are frustrated with COVID-19, cost-of-living pressures, and difficulties accessing the health system. Through this our people were amazing – especially in navigating COVID-19 restrictions to ensure our branches could remain open and member calls could be answered in line with our high standards.

Looking after our people through these challenges has been front of mind for the Board and Executive team. A flexible working standard was implemented, a working-from-home equipment allowance was granted, and fully-subsidised corporate hospital cover was introduced for eligible employees, including our colleagues at HBF Dental and Life Ready (effective 1 July 2022). The CPI salary cap was also removed from our new enterprise agreement, allowing those covered by the agreement – the majority of HBF's people – to benefit from a 5.1% increase from 1 July 2022 to support them with cost-of-living pressures.

A major change came in May 2022, when HBF announced that John Van Der Wielen would step down as Chief Executive Officer and Managing Director after five years. I would like to thank John for his leadership and contribution, particularly in establishing HBF as a recognised and trusted national not-for-profit brand which maintained a strong member focus. The Board has engaged an executive recruiting firm to ensure a thorough recruitment process is undertaken, with internal and external candidates being considered. Having stepped into the role of interim CEO, Simon Walsh has led an Executive team that has not stood still in progressing our strategy. We expect to be in a position to announce a new CEO before the end of the 2022 calendar year.

As flagged in the 2021 annual report, long-serving HBF director Tony Crawford also stood down as Chair in FY22 and, as a proud West Australian, I was delighted to accept the role of Chair of an iconic WA-headquartered business. Our thanks to Tony for his considerable contribution as Chair over five-and-a-half years and for agreeing to continue on as a Non-Executive Director until the end of CY22 as he continues sharing his deep knowledge of HBF during the CEO transition period. It was no small feat for Tony to lead the Board to endorse HBF's bold growth strategy, one which would take the organisation out of its comfort zone and challenge a cluttered market. Then came the challenge of an unpredictable and evolving pandemic, during which Tony's central focus remained on our members.

After such a significant year, thank you to my fellow Non-Executive Directors, the Executive team, and HBF's people for their considerable contributions.

With HBF's brand and scale growing nationally and a meaningful expansion into health services, it is clear HBF has now entered a new chapter in its long and proud history. I look forward to what FY23 brings as we continue to look after our members in the moments that matter.

Diane Smith-Gander AO
Chair

CEO's report

It is a complex task to simultaneously retain, re-invent and improve an 81-year-old organisation. In FY22, HBF acquired two businesses, achieved month-on-month policyholder growth for the second consecutive year, opened another three HBF Dental centres, secured new health partnerships, and progressed our major technology transformation program.

We did this while not losing sight of HBF's purpose of being a not-for-profit organisation that truly cares about its members, its people, and the communities it operates in. For example, when flooding impacted south-east Queensland and New South Wales, we joined with Ramsay Health Care and St John of God Health Care to contribute a combined $200,000 to the Australia Unites: Red Cross Flood Appeal to support relief and recovery efforts. And through our pharmacy partnerships, we helped the community stay well by delivering 49,500 flu vaccinations this year. We also improved our staff benefits relating to health insurance.

Importantly, we stayed true to our promise made to members at the start of the pandemic that HBF would not profit from COVID-19, with $41.9 million in COVID-19 savings returned to HBF policyholders and $3.7 million to CUA Health policyholders in FY22. In the year we saw an ongoing decline in claims due to the impact of COVID-19 on hospital capacity and staff resources, particularly in H2 FY22, and we have accordingly recognised significant deferred claims liabilities in our FY22 accounts that we expect to be returned to members in FY23 if those claims do not materialise.

We were pleased that over the year we added almost 100,000 new members, which included 68,000 members with CUA Health policies at the end of FY22 following our acquisition of CUA Health from Great Southern Bank. This drove growth in our national market share to 7.82% (FY21: 7.3%), with nearly 19% of our policies now held outside of Western Australia (FY21: 11.2%). Sixty-three CUA Health employees also joined HBF, and this has enabled us to establish a solid Queensland base which has helped make our operations more national. We were equally pleased to progress our entry into health services, with the expansion of HBF Dental centres, our partnership with Pacific Smiles Group (PSG), and the acquisition of Life Ready Health Group all further enhancing HBF's member offering.

Our transformation program has already delivered several capabilities such as our HBF app, digital member card, Amazon Web Services cloud and data platforms, and new budgeting and planning systems. Completion of this program will be an important step forward for HBF, delivering operational efficiencies and creating the platforms that we will use into the future to not only improve member and provider experiences but also allow us to anticipate member needs and enhance the value of private health insurance for our loyal members.

Our financial performance in the year was challenged by the costs of delivering on our strategy, in particular the transformation program. We were also impacted by volatile financial markets – our investment portfolio delivered a negative return of $15.2 million (excluding the performance of our 10% strategic investment in PSG), down substantially from prior years but in line with global markets – and the downward revaluation of Walburniny, our Perth head office, to $65.0 million, reflecting recent market evidence and our opinion that there are defects in the façade. The defects are the subject of litigation against the builder and other relevant parties.

These impacts combined in a net loss of $96.9 million in FY22 against a modest net profit of $17.7 million in FY21. Details are outlined further within this annual report.

HBF is proud of its strong ties to the community through supporting countless charitable organisations and

causes throughout our 81-year history. While COVID-19 has impacted some of our recent initiatives, including the HBF Run for a Reason, during FY22 we were still able to give our time and expertise through volunteering, donations of goods and services, and funding to health-related charities via our community engagement program, details of which are also outlined further within this annual report.

I would like to take this opportunity on behalf of our Executive team to recognise our previous Managing Director and Chief Executive Officer, John Van Der Wielen, for his tireless efforts in leading HBF over the last five years, and personally thank him for his assistance in our transition. We wish John well in his new endeavours. Our Executive team was strengthened in the year with the appointment of Sanjeev Gupta in February as Chief Information Officer, who will be a great asset as we continue our transformation program.

I would also like to thank our employees for their efforts this year – they are the heart and soul of HBF. I recognise that we have asked a lot of them over the past 12 months and they have responded as they always do; in line with our values and always focused on our members.

Looking ahead, we are targeting further national growth, the integration of our recent acquisitions, and, importantly, ongoing investment in the transformation program. HBF is well-placed to respond to continued economic pressures and we are committed and focussed on ensuring HBF provides ongoing value for our members.

Simon Walsh
Interim Chief Executive Officer

Our strategy

HBF's purpose, vision and values form the foundation of our strategy and articulate our commitment to put our members' interests first.

Our strategy represents an aspiration for HBF to be a leading private health insurer providing affordable health insurance with a high-quality experience for our members.

To be a world-class national private health insurer and achieve a geographically balanced portfolio of greater scale via sustainable growth, providing affordable health insurance and a quality experience to our members.

To enhance the capabilities needed for a more national and diverse insurance business, with a culture that is 'high performance with a heart', providing a unique and enduring competitive advantage.

To offer a range of health related products and services that provide value for members and complement our health insurance business by reducing claims costs, attracting and retaining members that reduce our age profile and generating returns to be re-invested in the PHI business.

In FY22, we made strong progress against our objectives of growing our membership base, diversifying into health services and uplifting our capabilities.

Our strategy builds on HBF's strength as a trusted and recognised not-for-profit organisation serving the interests of our members as both owners and customers. HBF doesn't generate profits for shareholders; instead, we work hard to create and return value to members through lower premiums, reducing healthcare costs and supporting the community.

Optimise & Grow

Key achievements in FY22 included:

- Increasing our market share to 7.82% through sound organic growth and the acquisition of CUA. Nearly 19% of our 555,232 policies are now held outside of WA, a significant increase from 11.2% in FY21
- We made significant investments to change our product portfolio to reduce complexity and offer a simpler range of products to provide health cover that is easy for members to understand. This also simplified our internal processes and reduced administrative costs, which in the long-term allows us to keep health insurance affordable

Diversify

Key achievements in FY22 included:

- Growing HBF Dental to six centres, with more than 24,000 appointments
- Acquiring Life Ready Health Group, with 27 physiotherapy and pilates clinics and a mobile service in Western Australia and Victoria
- Taking a 10% interest in Pacific Smiles Group to strengthen our relationship with one of our key strategic partners, whom we joined forces with in 2020 to provide comprehensive support for the management of our HBF Dental centres in WA and the provision of Member Plus benefits at their network of dental centres in NSW, Victoria, Queensland and the ACT
- Partnering with Terry White Chemmart on the east coast, increasing our reach to members via 400+ pharmacy outlets in Queensland, NSW, the ACT, Victoria, Tasmania and South Australia, in addition to our Pharmacy 777 alliance in WA

Enhance Capabilities

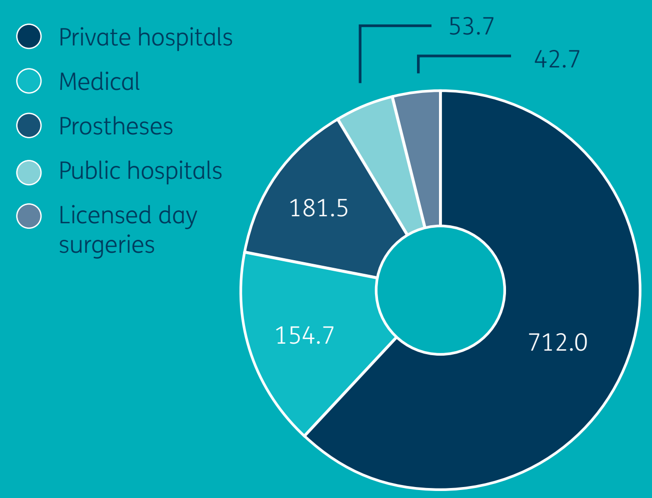
Key achievements in FY22 included:

- Our members becoming some of the first health insurance customers in the world to be able to make an extras claim using their smart phone and Apple Watch, with the launch of our digital member card in August 2021
- Launching a new provider search engine on our website
- Our Amazon Web Services cloud and data platforms going live in September 2021, making HBF officially cloud-based
- The launch of a social media monitoring tool in December 2021 to help us track, analyse and respond to member sentiment across our channels in real time
- An increase of 6% for leader-led support and encouragement of employee development in our most recent employee engagement survey

Our members

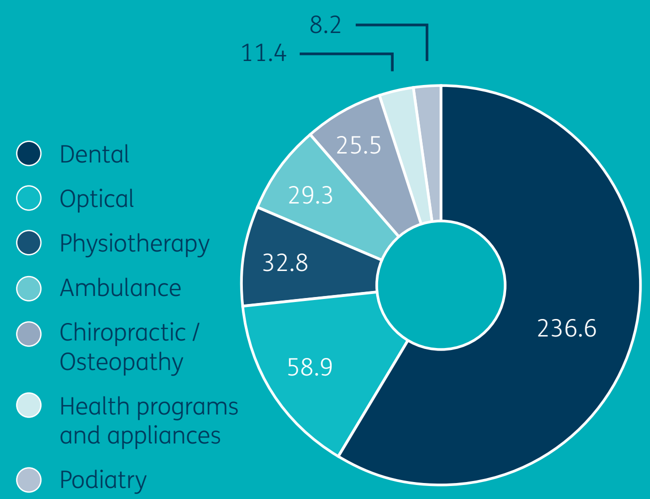
Members are the reason we exist and they're at the heart of everything we do. We recognise the responsibility we have to be more than just a trusted health insurer – to provide valuable products and high quality service, and to support our members' evolving health and wellbeing needs.

Major areas of hospital claims ($m)



Total = $1.15 billion

Major areas of treatment claims ($m)



Total = $402.7 million

Source: HBF claims data for date of benefit paid, 1 July 2021 to 30 June 2022. Data for HBF only (excluding CUA Health). Figures may not add up due to rounding.

We regularly review our health insurance product suite to ensure HBF's policies are affordable and also sustainable for all members. In FY22, we refined some of the hospital and extras policies on offer to make them less complex, clarify benefits and annual limits, and improve efficiency behind-the-scenes.

We expanded our programs to encourage members to be more proactive with their long-term health to avoid hospitalisation where possible and appropriate. COACH and Health Navigator have a long and successful history at HBF; two new personalised initiatives were introduced to further support those with a diagnosed condition or health risk.

Our move into service delivery through the acquisition of Life Ready Health Group, launch of additional HBF Dental centres, and alliances with pharmacy partners will also provide opportunities for our members to improve their physical wellbeing and health outcomes while adding value to their private health insurance.

Top five hospital claims areas

	FY20 ($m)	FY21 ($m)	FY22 ($m)
Orthopaedic	273.0	309.0	259.9
Cardiovascular	151.0	159.8	137.7
Digestive	97.1	110.2	95.5
Obstetrics	51.6	51.3	48.1
Eye	49.4	55.3	47.2

Source: HBF claims data, 1 July 2021 to 30 June 2022. Data includes accommodation, prostheses, medical and other hospital and medical services. Data for HBF only (excluding CUA Health).

Supporting the health of our members: HBF Dental

Delivering outstanding patient care and experience is central to helping HBF improve the oral health outcomes of the wider community. HBF Dental opened three new centres at Karrinyup, Carousel and Bull Creek during FY22.

Our members and the general public are also able to access conveniently located centres opened during 2021 at Joondalup, Morley and Mandurah. With centres open seven days a week and online bookings available, it means easy access to high quality dental care. Belmont and Floreat Forum are expected to open during the next financial year.

6
HBF Dental centres now open

7
days/week open for convenience

$6m+
revenue in FY22

Our dental centres are managed by Pacific Smiles Group, which is an HBF Member Plus provider nationally and gives members across Victoria, Queensland, New South Wales and the ACT access to 119 dental centres.

45
dentists engaged

63
centre leaders and dental assistants employed

83
highest net promoter score (April 2022)

Our partnership with Pacific Smiles means our dentists can focus purely on providing high quality clinical care. They have access to education, training and upskilling opportunities to ensure they remain at the forefront of dental practice, and our seven-day trading enables them to operate with flexible working arrangements.

24,000+
Appointments booked in FY22

"The team at HBF Dental has provided comprehensive support allowing me to focus on dentistry without the additional responsibilities of staff management or ongoing administrative work."

Dr Henri Do Van,
practitioner, HBF Dental Morley

27
Life Ready physiotherapy and pilates clinics

291
employees

93.3
highest net promoter score (Feb 2022)

275,000
Life Ready clinic consultations in FY22

34,547 (WA)
1,565 (VIC)
6,611 (hospital)
Life Ready mobile appointments in FY22

Expanding into physiotherapy services

In line with our strategy of expanding into health services and offering even greater value to our members, HBF acquired Life Ready Health Group in February 2022.

Life Ready offers physiotherapy, remedial massage, clinical pilates and other allied health services (such as exercise physiology, dietetics and occupational therapy) across 27 clinics in WA and Victoria, and through Life Ready Mobile, patients can receive treatment at work, at home, at a care facility, or at Mount Hospital.

$8.3m
total revenue since acquisition

$1.15m
in pharmacy benefits paid to members

Helping our members to stay well: pharmacy partnerships

Our members can access a range of health services and benefits through more than 460 pharmacies across Australia.

TerryWhite Chemmart pharmacies in Queensland, New South Wales and the ACT, Victoria, Tasmania and South Australia joined the HBF Member Plus network in March 2022.

Combined with our partnership with Pharmacy 777 in Western Australia, now three-years-old, this expands the reach of preventative health services for our members across the nation.

Eligible HBF members visiting one of these pharmacies will pay no out-of-pocket fees for an annual flu vaccination, dose administration aids (personalised medication packs), or a private health check (including body mass index, blood pressure and cholesterol measurements). It means delivering meaningful health outcomes built around the needs of every individual member.

In FY23, HBF and Pharmacy 777 intend to introduce new member benefits, including an out-of-hospital service providing patients with support post-discharge.

460+
HBF Member Plus pharmacies nationwide

900+
health checks

49,500
fully-covered flu vaccinations

25,323
dose administration aids

Supporting our members to get back to good health

We personalise a range of programs to better support our members' health and wellbeing, including those with a diagnosed condition or health risk.

Two new initiatives were introduced in FY22:

- **Stand up to Joint Pain** – members received a tailored physiotherapy treatment plan delivered in the comfort of their own home, online and via telehealth. The plan includes strategies to manage pain, build muscle strength, and increase mobility for eligible members managing osteoarthritis of the knee or hip
- **Health Check Plus** – members who receive a health check can now access follow-up support from qualified health coaches via telehealth, helping them to better understand their risks and empower them to undertake positive behavioural change

Other established programs continued to prove their efficacy at helping members to achieve better health outcomes:

- **COACH** – over six months, eligible members with a chronic condition receive monthly telephone calls from an experienced coach offering practical, customised advice to promote long-term health which helps members managing a chronic illness such as cardiovascular disease, diabetes or chronic obstructive pulmonary disease to achieve their health goals
- **Health Navigator** – members managing chronic illnesses receive assistance to navigate the complexities of the health system from a dedicated care co-ordinator who helps them to stay well and safe at home
- **Osteoarthritis Healthy Weight for Life** – over 18 weeks, members manage knee or hip osteoarthritis symptoms via a care support team which is available online or via telehealth and assists with weight loss, improved nutrition, pain management, and muscle strengthening and mobility exercises

7.5%

average weight loss of Osteoarthritis Healthy Weight for Life participants

209

members with a knee or hip replacement supported by a physiotherapy patient partner resulting in earlier discharge from hospital with rehabilitation support at home

10 years

of COACH data showed the program achieves clinically significant improvements in biomedical and lifestyle risk factors and reduces the 10-year mortality risk by almost 50%

Member story – the COACH program

Theodore

Age 59 | Male

Stent procedure

Long-term hypertension

Depression and anxiety

Session 1

- Established background information
- Provided education around blood results
- Discussed optimal blood pressure targets
- Recommended GP visit to discuss medicatons

Session 3

- Commenced new medication
- Discussed healthy eating principles
- Struggled with modest weight loss

Session 5

- Increased physical activity
- Continued weight loss
- Decreased blood pressure

Session 6

Triglyceride	Blood pressure	Weight loss	Increased physical activity intensity
18mmol/L ↓ 3.6mmol/L	138/80 mm Hg ↓ 110/70 mm Hg	6kgs	

Feedback survey results

Satisfaction	NPS
10	10

3,200+

members supported through health and wellbeing programs

790

health coaching calls

"This was the first time that I was confronted with the actual causes of my condition. (Coach) Mary was patient. I look and feel so much better. I would strongly recommend that you really try to get all cardiac patients onto this program."

Theodore, HBF member

Member story – Osteoarthritis Healthy Weight for Life

Lorraine

Age 77 | Female

Knee osteoarthritis

Managing excess weight

Regularly experiencing severe pain, mobility and functional issues in knee joint

At risk of requiring total knee replacement

Lorraine googled support programs for osteoarthritis and happened upon a provider website

She enrolled in the 18-week Osteoarthritis Healthy Weight for Life Program funded by HBF

Lorraine was supported throughout by the core support team via emails, text messages and phone calls

She reported her weights, waist and other measures regularly and moved through the three phases successfully

On week 18, Lorraine reported outstanding improvements

Weight loss 13kgs

Waist circumference reduction 13cms

Knee injury and osteoarthritis outcome scores

	Pre	Post
Pain	42	78
Symptoms	36	75

35% increase in individual perceived mental health scores

27% increase in individual perceived physical health scores

As a health fund with an 81-year history, we have members who've been with HBF for much of that time.

We invited those who've been with us for more than 50 years to morning tea at HBF Stadium in November 2021, recognising their loyalty after the prior year's event was cancelled due to COVID-19 restrictions.

The event reflects our value – 'members are our reason' – and was made possible by the hard work behind the scenes of 150 HBF volunteers.

"HBF efficiently handled all aspects of my claim during my cancer treatment program allowing me to focus on my health and recovery and not to have to worry about sending and following up on claims."

Brett, HBF member, Karrinyup

Delivering care your way

Continued advances in healthcare are enabling our members to be treated outside of the traditional hospital environment. Our long-standing funding arrangement with Chemo at Home is one example of how treatment for our members can be delivered in the comfort of home and HBF is proud to have been the first Australian health insurer to introduce this program.

Rehabilitation in the home is also an important focus and the acquisition of Life Ready Mobile provides an ideal partner to expand further into these services.

Investing in regional care

We understand that regional members struggle at times to access services close to home. In FY22, we supported the funding of specialist urology theatre equipment at Montserrat's Albany Day Hospital. It means urologists can increase the range of procedures they perform at the facility and patients in WA's Great Southern region are saved the time, cost and inconvenience of travelling to Perth for treatment. This is the first of several strategic initiatives HBF intends to introduce across regional centres to deliver complex procedures more cost effectively for members.

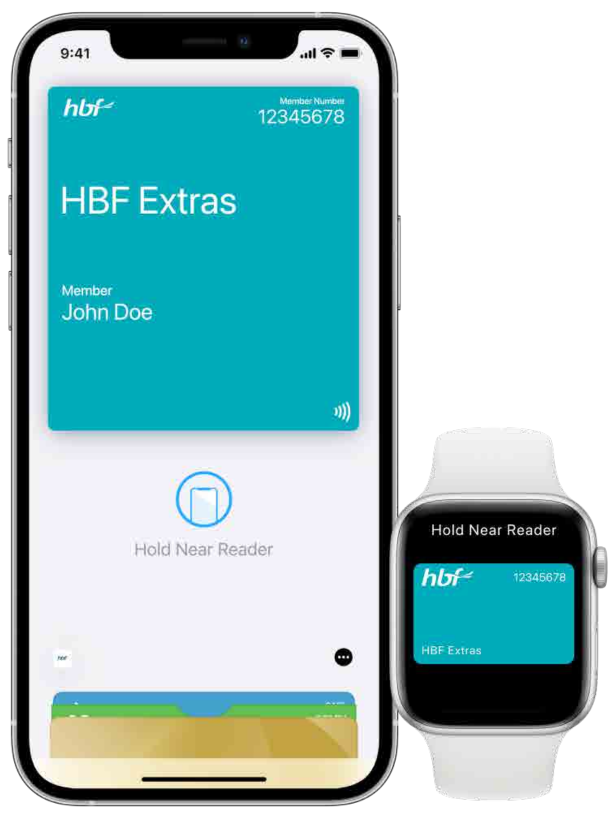
Perth Urology Centre pilot

We advanced a pilot with Perth Urology Centre to provide flexible cystoscopies in their licensed clinic for members with diagnosed overactive bladder. It saves patients from being admitted for a day or overnight hospital stay. Although COVID-19 restrictions initially impacted opportunities to promote the pilot, 72 members took part and each saved an average $274 in out-of-pocket costs, while HBF saved an average of $1,662 per procedure.

One For Women arrangement

HBF entered into an exclusive funding agreement with One For Women, a private maternity service which provides a continuous and centrally co-ordinated stream of care during pregnancy and after new mothers return home.

HBF paid increased benefits to provide a no-gap experience across the suite of services (including GP, midwife and obstetrician care) and enable greater access to, and interaction with, this multi-disciplinary team for our members. First year analysis of the pilot showed a shift away from caesarean to natural births and also resulted in a $100,000 saving in hospital benefit cost outlay.



"From the first phone call to enquire about the procedure for claiming, and which was promptly answered and succinctly explained, I have nothing but praise for the manner in which, as an octogenarian, the whole process was handled. Within a few days I was contacted to say that my claims had been processed. I have been a member of HBF for too many years to remember and would not consider any alternative."

Jane, HBF member, Hillarys

Member engagement with HBF

How our members engage with and experience HBF – be that through our branch network, member contact centres or digital communications channels – is one of our most important priorities. We continue to make significant investments in our capabilities as more members interact in the way that is most convenient for them.

Delivering service to our members, particularly given the uncertainty of COVID-19 and changing restrictions across the country, was a high priority in FY22. We maintained strong service levels with our flexible working standard notwithstanding the challenges presented by economic factors, which impacted on recruitment and turnover.

While our member contact centre has always traditionally been based in Perth, the acquisition of CUA Health (whose Brisbane-based employees all transferred to HBF) enabled us to adopt a national contact centre strategy to deliver greater flexibility to our members and our people.

When our branches had to close under government directions, employees were still able to service members via digital channels. In instances where the number of members visiting branches declined, those employees were able to assist the contact centre by answering inbound calls, thereby reducing wait times, and help with claims queues to reduce turnaround times. Where illness impacted branch staffing levels, we were able to move our people between locations to allow the doors to remain open.

Our member contact centre employees responded to more than 765,555 inquiries via telephone and email during FY22, while our branches attracted 275,055 visits. Members' satisfaction with the service they receive from HBF employees remains high.

Members are also embracing our technology. HBF members used our digital platforms to make more than three million self-service transactions, up 21% on the previous financial year, while almost half of new members joined HBF through our website.

Our HBF app maintained the highest (or equal highest) user ratings among major health insurers on both Apple iOS and Android platforms for every month of the financial year; the app is in active use by members on 200,000 unique devices.

HBF was excited to be part of a world-first launch of contactless digital health insurance cards in Apple Wallet during August 2021, making it easy to claim for Extras services at HICAPS terminals using an iPhone or Apple Watch. Members using an Android device were also able to begin accessing their digital member card via the HBF app. The digital member card was downloaded by more than 133,000 members during the remainder of the financial year, and these members used their digital cards to make more than 156,000 claims. We are now consistently seeing circa 20,000 digital member card claims per month, as members manage and use their health cover their way.

In collaboration with HealthShare, we also launched a new provider search tool for the HBF website, for which unique pageviews have more than doubled since launch. Users are also finding the providers they are looking for 43% faster than with the previous tool.

Case study – fraudulent claims

1. Member raised a concern about a contact lens claim when they did not wear them and had not purchased contact lenses
2. HBF analysis of optometrist's claims data identified an unusual number of members, many of them elderly, were claiming contact lenses with their spectacles
3. HBF contacted members who had visited the optical store to discuss their visit; it was revealed many had been similarly charged
4. HBF conducted an onsite audit at the store
5. We confirmed our members were being charged for services that did not occur, the optometrist had falsified patient records, claims for dependants were processed where no service was provided, and quotes had been processed as claims – all without member knowledge
6. The optometrist was deregistered as an HBF provider and we sought to recover the claims

Protecting our members' funds

HBF works hard to ensure the authenticity of provider and member payments. Assessing, preventing and recovering improper claims and identifying waste, abuse and error protects our members' funds and reduces pressure on premiums. In FY22, we continued to focus on reducing fraud and overcharging to ensure benefits were paid only on legitimate claims. Our payment integrity team's loss mitigation initiatives included the use of data management and analytics to identify trends and areas of concern, desktop and onsite audits, and education programs for our employees and providers.

30,000+
individual member claims reviewed

400+
providers and practices investigated

152
providers subject to financial recovery

40
compliance notices issued

15
providers deregistered due to inappropriate and fraudulent claiming

Our people

Our unique culture is driven by our wonderful people and their commitment to being there for our members in the moments that matter.

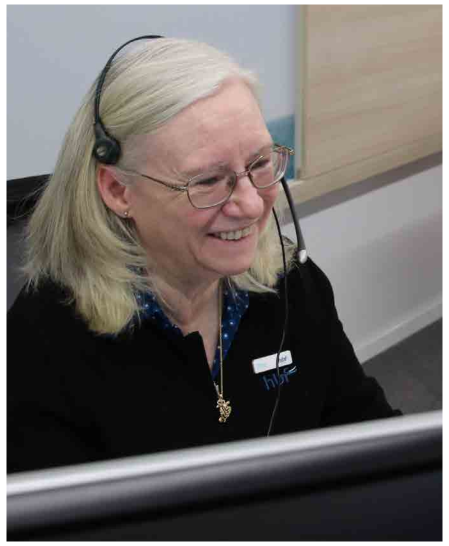
We are connected
Our strong connection to one another, our work, our members and the community creates a truly human experience. Our leaders communicate openly and transparently, and we feel like we all belong.

We have flexibility
We recognise that we all have a different 'rhythm of life' and require different flexible working options. We're supported to have a healthy work-life balance, and we're empowered with the autonomy and support to work in a way that allows us to flourish.

We are supported
It's our priority to look after ourselves, our families and each other's wellbeing. And, we're guided and supported whenever we need it.

We are invested
Our strong alignment to our values, purpose and vision gives us a sense of pride in the work we do. We know how it contributes to better outcomes for our members and our communities in the moments that matter.

We are valued
We're encouraged and supported to grow, both professionally and personally. We look to develop and retain our people and we're supported to achieve our best work. And, our contribution is recognised, appreciated and rewarded.



Our values reflect that with members as our reason, we must be brave, work as one, and do the right thing. The core principles form the foundation that guides how we act as individuals and as an organisation each and every day.

In asking our people to commit to this, what do we offer in return? The HBF People Promise.

Developed through conversations across HBF and insight from our engagement surveys and international trends, our People Promise goes beyond the traditional employee value proposition to create a more human relationship between the organisation and the people who work with us. After an initial soft launch in FY22, we look forward to strengthening this in FY23 to demonstrate that we not only care about what we do but we also care about each other's lives as a whole and support a sense of belonging and empowerment, with the chance to grow personally and professionally.

Our People Promise: being human at HBF.

An engaging experience

We know that employees do their best work when they feel heard and valued. That's why we tune in regularly to what our people have to say. Our in-depth employee engagement surveys help us understand our people and gauge motivation and sentiment, capturing valuable feedback to ensure we're continuously working to elevate our people's experience.

This year, we achieved the highest participation rate ever for HBF – 88% – and saw an uplift against the five areas of our People Promise. We celebrated an improvement in our overall employee engagement score and a step up against our industry benchmark. However, there is still room for improvement, and in FY23 we will remain focused on initiatives that help us reach the top industry quartile for our overall engagement score.

Employee engagement

↑ 15%*

Empowered flexibility – our people have the autonomy and support to work in a way that allows them to flourish

↑ 9%*

Personal growth – our people are encouraged and supported to grow, both professionally and personally

*percentage increase since 2020

300

employees are part of our HBF Social Club

190

employees were supported through our employee assistance program in FY22, accessing confidential coaching to address work, personal or family-related concerns

Free

Insight Timer meditation app

Prioritising our health and wellbeing

We recognise that wellbeing is not just about physical health and fitness. Wellbeing at HBF is about finding balance across the many important areas of our lives.

Our holistic wellbeing framework includes six key elements: physical, emotional, community, social, financial and career.

Working flexibly

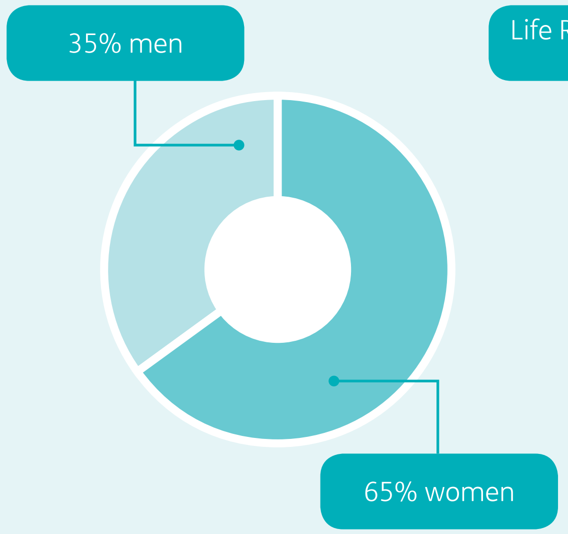
All of our people have a different 'rhythm of life', so we enable them to make choices in areas such as when and where they work so that they can feel empowered, included and valued at all times.

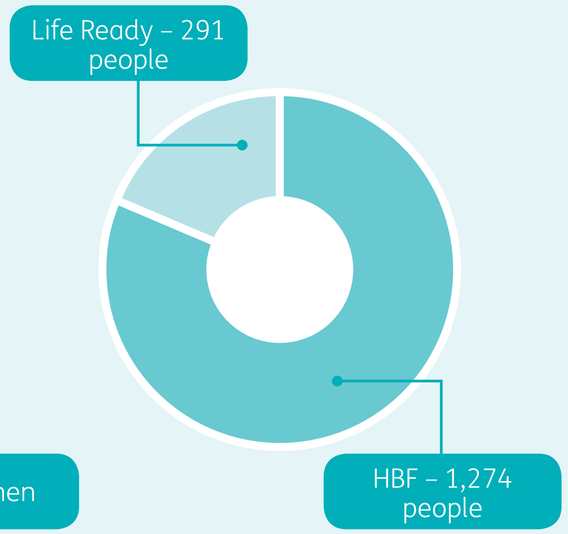
We've adjusted how we connect with each other to ensure it is inclusive and accessible. We now offer more virtual touch points, events and sessions so that our people can stay up to date, no matter their circumstance or location.

A $500 allowance was provided to all HBF employees this year, including those on parental leave – a welcomed gesture which helped cover working-from-home costs.

Our workforce

We've grown through our acquisition of CUA Health and Life Ready, with a combined workforce of 1,565 people.





A diverse and inclusive bunch

Following the launch of our Reconciliation Action Plan for employees, we:

- Rolled out cultural awareness learning and training opportunities for our employees
- Launched a new Indigenous employment program – 'Dookatj' (meaning 'clever person' in Noongar language)

More detail is available within the Sustainability section of this annual report.

Our newly established Inclusion Committee comprises diversity 'champions' driving initiatives to promote cultural learning and understanding, such as:

- An HBF privacy room, which can be booked by our people for prayers, given the diversity of our workforce
- Gender-neutral toilet signage
- Including pronouns within employee profiles on our intranet
- The addition of religious and cultural days to our corporate calendar, such as Pride Month, International Women's Day, Wear it Purple Day, 16 Days and White Ribbon Day, and Harmony Day

We recorded an overall diversity and inclusion score of 8.6 in our most recent employee engagement survey.

Learning and growth opportunities

We're creating a culture of achievement that not only promotes long-term growth but is also developing our future generation of leaders.

In FY22, we improved our efforts across learning and development, including a stronger focus on encouraging our people to step into the many opportunities on offer at HBF to grow and develop their careers.

We also launched a bespoke suite of leadership programs, an enhanced performance management framework, and a new and contemporary learning platform.

Benefits and offers for everyone

We recognise, appreciate and reward our people for their contribution to HBF's success. We're really proud of our extensive benefits and offers, which help to reinforce our strong values and culture. In FY22, we:

- Announced the removal of the CPI salary cap for employees covered by the Enterprise Bargaining Agreement, allowing them to benefit from a 5.1% pay increase from 1 July 2022
- Introduced fully-subsidised corporate hospital cover to take effect in July 2022
- Doubled the amount of domestic violence leave days available to our people from 10 to 20 (and five days available to any employees supporting a loved one)

Other benefits include:

- 14 weeks' paid parental leave (in addition to the legislated 18 weeks)
- Three paid 'wellness' days each year
- Two volunteering days each year
- Flu vaccinations and health checks
- Salary packaging options
- Dollar-for-dollar matching of employee charity donations through the HBF Workplace Giving program
- An opportunity to join the HBF Angels, a dedicated band of employees organising fundraising events and charity donation drives

As a part of our People Promise, we will be uplifting our policies to include cultural leave, allowing employees to utilise floating public holidays to celebrate a cultural day more aligned to their beliefs. Our parental leave policy will also become more inclusive with the removal of the dated language of 'primary and secondary' carers, allowing for both parents to take time off to spend with their children.

↑7%

In internal promotions

33%

of HBF roles were filled by internal candidates (an improvement from 17% in FY21)

181

The majority of our leaders took part in our new suite of leadership programs, Step In and Step Up

Sustainability and social responsibility

HBF is committed to operating in a way that looks after our members, our people, and the communities we operate in.

As the expectations from our stakeholders continue to evolve, it is important that we understand the Environmental, Social and Governance (ESG) opportunities and challenges HBF faces. In FY22 we made key steps in this regard, such as undertaking a benchmarking analysis that will shape our strategic approach to ESG, launching our first carbon footprint assessment, and delivering on our inaugural Reconciliation Action Plan. These initiatives provide a platform for HBF to build on in future years to enhance our sustainable operating practises.

Supporting the United Nations Sustainable Development Goals

The United Nations outlines 17 interlinked global goals to promote prosperity while protecting the planet. Its Sustainable Development Goals (SDGs) address challenges faced by all countries, including poverty, inequality, climate change, environmental degradation, peace and justice. HBF is committed to supporting and driving awareness of these priorities and aspirations.

The six goals with the most relevance to HBF's business activity include:

- 3 GOOD HEALTH AND WELL-BEING — ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES
- 5 GENDER EQUALITY — ACHIEVE GENDER EQUALITY AND EMPOWER ALL WOMEN AND GIRLS
- 8 DECENT WORK AND ECONOMIC GROWTH — PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT AND DECENT WORK FOR ALL
- 10 REDUCED INEQUALITIES — REDUCE INEQUALITY WITHIN AND AMONG COUNTRIES
- 12 RESPONSIBLE CONSUMPTION AND PRODUCTION — ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS
- 13 CLIMATE ACTION — TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

8.6 [+0.3]
[from Nov 2021]
Overall diversity and inclusion score – in the top 25% of benchmark

8.8 [+0.6]
Diversity score – in the top 10% of benchmark

8.3 [+0.6]
Inclusion score – in the mid-range of benchmark

8.1 [+0.8]
I feel like I am valued as a person at HBF
(in the mid-range of benchmark)

8.9 [+0.7]
At HBF, people of all backgrounds are accepted for who they are
(in the mid-range of benchmark)

8.0 [+0.5]
I feel a sense of belonging at HBF
(in the mid-range of benchmark)

5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES

Diversity, equity and inclusion

We're proud to provide a safe, supportive and respectful workplace to enable our people to thrive. In late 2021, we created an Inclusion Committee to implement our 2022-23 Diversity, Equity and Inclusion (DEI) action plan and at the same time address SDGs 5, 8 and 10. The plan outlines key initiatives to improve cultural learning and understanding, and these are detailed within the Our People section of this annual report. The committee also formed three working groups focused on:

- Cultural diversity
- LGBTQIA+
- Disability

Another working group focusing on gender diversity will also be established.

Our May 2022 employee engagement survey revealed improved attitudes towards DEI from our people. While there have been improvements since our November 2021 survey and there are many results to celebrate, there are others that require a deeper focus, as evidenced by our benchmark positioning. We acknowledge that if we want to become an employer of choice, we must do more in these areas.

Gender diversity and equality at HBF

Our gender equality indicators, as reported to the Workplace Gender Equality Agency (WGEA) as at 31 March 2022, show that females accounted for:

- 65% of our workforce
- 39% of our executives
- 49% of senior managers
- 39% of all manager promotions
- 57% of all non-manager promotions

In addition to what is required to be reported to WGEA, we note that at 30 June 2022, females accounted for 57% of the Board and 35% of Councillors (excluding Board Councillors).

Our gender pay gap, as defined by the *Workplace Gender Equality Act 2012*, was 26% (FY21: 27%) – higher than the national gender pay gap of 14.6% in 2020-21 and 15.0% in 2019-20. The gender pay gap measures the difference between the average earnings of women and men in the workforce.

The DEI action plan will also include a focus on how to balance our workforce gender composition and reduce our gender pay gap.

3 GOOD HEALTH AND WELL-BEING

Giving back to the community

The community's expectations of large corporations are rightly growing and HBF recognises the role we must play. Our community program ranges from larger sponsorships and community partnerships through to small grants, in-kind donations, workplace giving, as well as contributions of time from our people, such as volunteering. The focus of the program is engaging our people and targeting initiatives that improve community health.

Reconciliation Action Plan

During FY22, we implemented our inaugural 'Reflect' Reconciliation Action Plan (RAP), laying the foundation in governance and employee engagement to create change and raise awareness internally. Our inaugural RAP governance group was formed and three working groups were also established to bring a business-wide lens necessary to deliver on the implementation of RAP actions.

These passionate employees have helped to drive the reconciliation agenda at HBF, including:

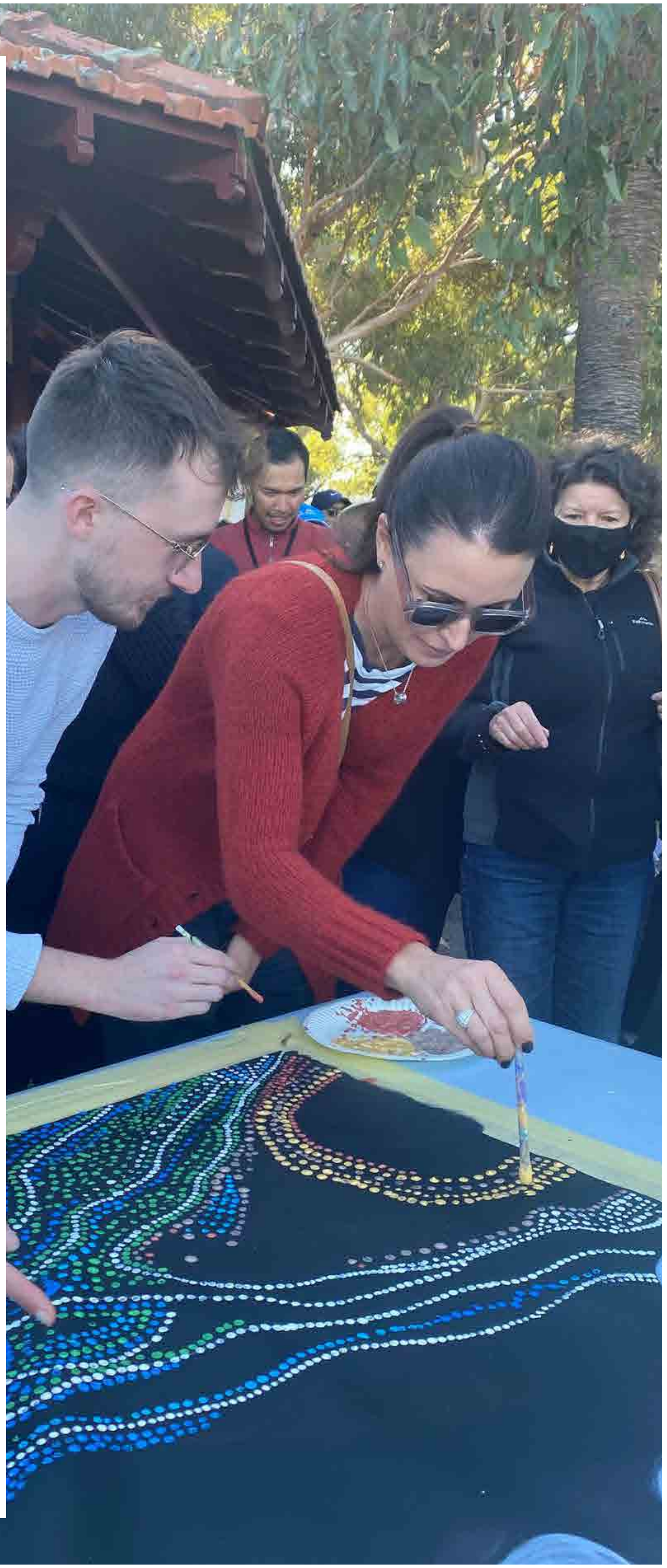
- The pilot of 'Dookatj' (the Noongar word for 'clever person'), a supported employment program to create targeted opportunities for Aboriginal and Torres Strait Islander people in our member contact centre
- Joining the Supply Nation supplier database
- Face-to-face cultural awareness training for our branch leaders with Kambarang Services Director Danny Ford
- Offering our people the opportunity to learn how to deliver an authentic Acknowledgement of Country
- Presenting a RAP progress report to the Reconciliation Western Australia Reflect RAP Ring networking group

200

employees participated in National Reconciliation Week activities

1,306

completed an online cultural awareness induction



Responding to climate change

In FY22 we focused on accurately understanding the climate-related risks and opportunities relevant to our organisation.

Financial risk

As per APRA's guidance, our risk and compliance team identified and assessed the financial risks of climate change to HBF and is considering how best to mitigate them. An 'introduction to climate change risk and opportunities' workshop was also held to upskill key people within our organisation as we take the first steps to achieve best practice and implement the Task Force on Climate-Related Financial Disclosure framework.

Carbon footprint assessment

In FY22, we undertook our first carbon footprint assessment across our operational portfolio. This included surveying more than 200 employees about their commuting and working from home habits which contribute to our carbon footprint. Understanding this data is an essential foundation to developing a reduction action plan as we continue to respond to climate change.

Environmental initiatives

We contribute to SDGs 12 and 13 by:

- Maintaining the current five-star National Australian Built Environment Rating System (NABERS) Energy Base Building rating at our Perth head office and complying with environmental management system certification (ISO 14001) and the sustainable e-waste management standard (AS/NZS 5377)
- Converting to a more sustainable fleet of electric as well as hybrid vehicles
- Updating our waste management system at our head office and empowering our people through education – we aim to improve our waste diversion rate from landfill from 33% to 75%. Between the May 2022 launch of the new waste initiative and the end of the financial year, HBF's diversion rate had improved to 46%
- Supporting sustainable behaviours, including providing reusable bamboo coffee cups for all employees, supporting an Indigenous business supplier

Our ethical business commitment

Rejecting modern slavery

HBF recognises that modern slavery is an umbrella term which covers many activities, including slavery, servitude, human trafficking, forced marriage, forced labour, debt bondage, child labour, and deceptive recruiting for labour or services, which affects every business, sector and country. HBF rejects any form of modern slavery. In FY22, we developed our second Modern Slavery statement in accordance with the *Australian Modern Slavery Act 2018*. We understand that we have an obligation to do the right thing by our members, stakeholders and the broader community, by operating responsibly and to the highest ethical standards.

Supplier diversity

During the year, HBF commenced its journey to better understanding and implementing supplier diversity. With a focus on increasing indigenous procurement, HBF has joined Supply Nation, a national indigenous business supplier database, which will allow us to better understand how we can move the needle on supplier diversity.

Our investments

As a major Australian health fund, HBF recognises the importance of being financially sustainable as well as being environmentally and socially responsible. Our investment portfolio is managed in a way which supports the health and community values of HBF and reflects our commitment to social responsibility, while maintaining investment principles and objectives.

We maintain a Responsible Investment Statement within our Investment Management Standard and are identifying the material risks associated with ESG factors in order to develop an integrated Responsible Investment/ESG strategy. Our investment managers are signatories to the internationally-recognised UN Principles for Responsible Investment, and our investment advisor monitors and reports upon the degree to which our investment managers integrate ESG within their investment processes, also ensuring they align with HBF's strategy and vision, values and purpose.

Data privacy and cyber security

As mentioned in our material business risks table within the Operating and Financial Review of this annual report, protecting the sensitive personal information we collect from our members is paramount. We continue to review and improve our security including cyber resilience and privacy controls.

Transparency

HBF is committed to operating in an open manner that goes beyond what is legally required of a not-for-profit entity. For example, in our annual report we remain committed to providing the remuneration details of our Directors and CEO, adhering to standards similar to an ASX-listed company but beyond what HBF is required to do. We believe it is important to be transparent with our members about how HBF is managed.

2022 community highlights

465

lives saved through blood donations

270,000

Direct Advice for Dads website page views

1,500+

hours volunteered by our employees to make a difference in the community and help administer our community engagement program

$4,190

Raised from the sale of plush quokka toys for the Rottnest Foundation in May/June 2022

$225,000

raised for Telethon

$461,439

collective community contribution through donations, volunteering, raffles and workplace giving

Each year we undertake a significant three-year partnership with an organisation making a tangible difference to the health of our community.

Community partnerships

The final year of our inaugural partnership, awarded in 2019 to Australian Red Cross Lifeblood, was marked with the successful establishment of Western Australia's first public faecal microbiome transplant (FMT) facility. The facility is supplying Fiona Stanley Hospital with a regular and reliable supply of faecal microbiota to transplant into patients suffering from a debilitating condition known as recurrent or refractory Clostridium difficile infection. The hospital treated its first patient with locally-manufactured FMT in September 2021 and the facility met its target to manufacture the first 100 FMTs in May 2022.

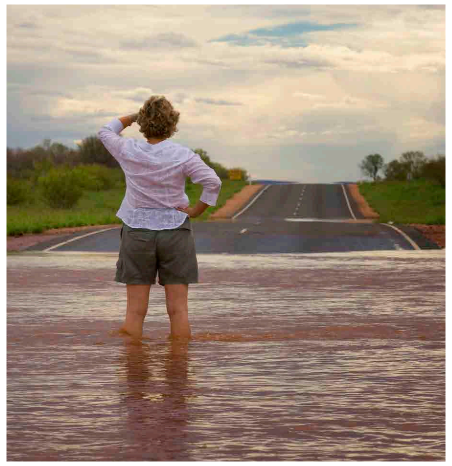
At June 2022, 46 treatments had been given to 32 patients at five hospitals across Australia.

The facility has the potential to support novel clinical trials across research areas such as gastrointestinal diseases, oncology and psychiatry and to also develop new products that are safer and easier for patients to use, such as capsules.

Our other partnership is with the University of Western Australia's Young Lives Matter Foundation to conduct a clinical trial in tandem with Meeting for Minds. The trial is analysing whether pharmacogenomics – the study of how a person's genetic make-up influences how they metabolise medications – is more effective at treating severe depression than a general 'trial and error' approach. HBF provided $100,000 in FY22 – the second year of a three-year partnership.

During the last 12 months, researchers and people with lived experiences (PLEX) in mental illness have met to co-design the trial protocol to sustainably meet participant and clinical research outcomes. The trial has received ethics and governance approvals and is now recruiting participants in WA.

While HBF did not award a partnership in FY22, we will be announcing two partnerships in FY23.



Flood recovery funding

We joined with Ramsay Health Care and St John of God Health Care to donate a combined $200,000 to the Australia Unites: Red Cross Flood Appeal to support communities in south-east Queensland and New South Wales to recover from widespread flooding.

Members impacted by the floods were offered three months' premium relief on their health insurance under a disaster relief package.

Workplace giving

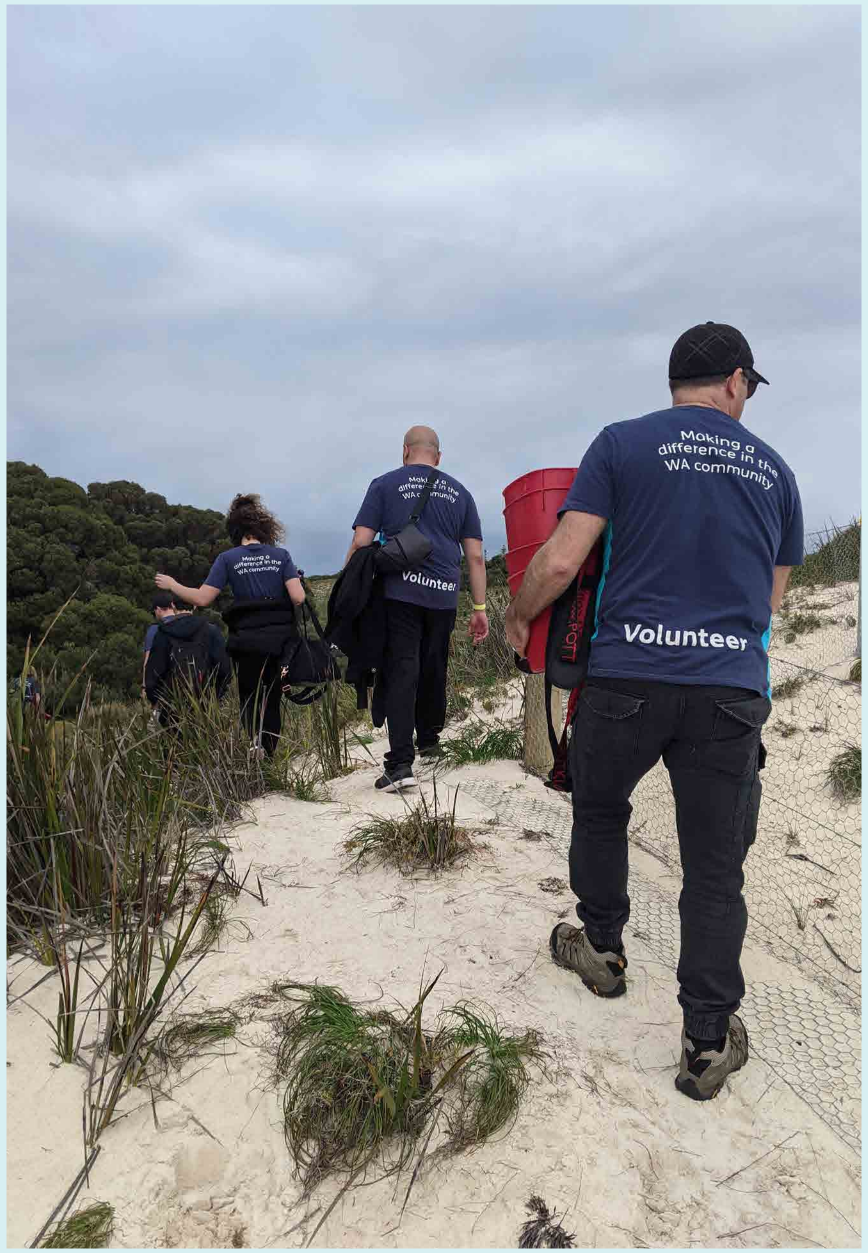
Four times a year, HBF employees are invited to nominate a charity to receive up to $5,000 through our Workplace Giving program.

$55,000 was granted to a range of charities in FY22 including Lionheart Camp for Kids, Pets of the Homeless, The Black Dog Institute, Telethon, and Australia Unites: Red Cross Flood Appeal.

Volunteering

Our employees dedicated 870 hours to the community through our volunteering program. Activities included assembling flatpack furniture for an Anglicare WA housing initiative, preparing stationery packs for Give Write WA to recycle, repackage and re-gift to students in need, and conservation work at a range of sites, including Rottnest Island (which supports the world's largest known quokka population). Forty-five HBF employees travelled to Rottnest Island in teams over three days, contributing to the Longreach Link revegetation project to stabilise the dune system by redirecting pedestrian traffic and strengthening a habitat corridor. Our team planted 6,775 endemic seedlings which were propagated by the Rottnest Island nursery volunteers.

Additionally, our HBF Angels contributed 220 hours for a range of charitable initiatives and employees who are members of our Community Committee gave 110 hours of their time to support HBF's community engagement program.



HBF Angels

A dedicated team of employees co-ordinates fundraising events and donation drives for local charities. In FY22, the Angels' activities included:

- An HBF gift collection for, and volunteering at, Wanslea's 2021 Christmas party for children in foster care and those under the guardianship of their grandcarers
- A raffle at our 2021 end-of-year celebration for West Australian-based employees, raising nearly $5,000 for EON Foundation, which builds edible gardens in remote Aboriginal schools and communities in WA and the Northern Territory
- A 'pay if forward' initiative in January 2022 encouraging random acts of kindness
- Collecting secondhand football boots for charity and giving reusable water bottles to Fair Game
- An online raffle to raise $2,380 for eastern states communities affected by floods and raising nearly $2,200 through the sale of superseded HBF merchandise to employees

Community grants

Each quarter, HBF allocates small grants of up to $10,000 to organisations involved in community health initiatives.

$106,100 was donated to 13 organisations in FY22, including to support wellness activities for people with cystic fibrosis and their carers, a youth advisory group for Lifeline WA to guide policy and provide input into services, the creation of video material to prepare children for their experience in hospital, and a project run by Northcliffe Family and Community Centre to teach youth about resilience and mental health.

Direct Advice for Dads (DAD)

An HBF-created website providing information and advice for new and expectant fathers is becoming increasingly popular.

The DAD website, which contains more than 300 blogs written by fathers for fathers, received 270,000 page views and attracted almost 85,000 social media followers. According to podcast measurement company Chartable, DAD was the 35th-ranked parenting podcast in Australia. The FY22 season of podcasts received nearly 90,000 downloads and special guests included cricketer Justin Langer, singer Guy Sebastian, television presenter Barry Du Bois and comedian Pete Rowsthorn.

"Great to see some fellow dads speaking up about the struggles we face. Not enough men speak up about their struggles but also celebrating the awesome parts of being a dad."

benjham28, DAD audience member

Helping children ahead of hospital stay

The Association for the Welfare of Children in Hospital WA was granted $5,000 to help it create a short film to prepare children for their experience as a patient. By 30 June 2022, the organisation had conducted 145 screenings with a reach of 3,600 children.

"It is the most fantastic program for breaking the stigma surrounding going to hospital and having surgery. The most important thing in education is making experiences true to their daily life, authentic and realistic, and this video ticks all those boxes. It was brilliant to see the Perth Children's Hospital in action... The way that the video introduced the hospital, its amenities, and walked/talked our children through the process of being at hospital was absolutely brilliant. I can confidently say that this video will help and assist all of my children in the future."

Whitney Worster
Manning Primary School teacher

WA Day

As an organisation with a proud history which began in Western Australia, HBF proudly joined the WA Day Festival at Burswood Park in June 2022. Buddy's Juice bar served some healthy drinks alongside information about the benefits of a healthy lifestyle and being an HBF member.

Telethon

We continued our support for sick West Australian children and their families by raising $225,000 for Telethon through a range of initiatives in FY22. In addition to supporting Telethon through our workplace giving program, we also sponsored the HBF Active Zone at the Telethon Family Festival, where our employees joined with corporate partners and community members to ride stationary bikes for six hours to raise funds for the charity as part of the HBF Fitness Challenge.

Ten dollars from the sale of every plush quokka toy sold in our West Australian branches from July until October 2022 will be donated directly to Telethon.

Workplace blood donors

HBF employees spent 310 hours donating blood and plasma, helping Australian Red Cross Lifeblood to save 465 lives in FY22.

Our employees are granted time out from their work day to do so.

Brand partnerships

We enhance the fitness of our members and the WA community by proudly partnering with VenuesWest for the naming rights to three premier sporting and recreation centres: HBF Stadium, HBF Arena and HBF Park.

- We offered members an exclusive offer of five free passes to use at either the gym, group fitness classes or swimming pool at HBF Stadium and HBF Arena
- Collectively, the three venues hosted 115 sporting groups and 628 community events over the past year. The venues were home to WA's elite athletes, who logged an incredible 7,290 training hours given it was an Olympic year
- The three venues collectively attracted more than 2.2 million patrons during the year
- Nearly 33,000 HBF members utilised $180,690 in discounts from the three venues through exclusive, 'always-on' offers

"Earbus Foundation values its professional partnerships very highly... thank you for supporting us to deliver vital ear health services to the most vulnerable children in our state."

Karen Hickling
Earbus Foundation of WA Partnerships Manager

Giving to school students

Not-for-profit organisation Give Write recycles, repackages and regifts donations of new and pre-loved stationery to WA children in need who start the school year with nothing. HBF donated 250 neoprene laptop cases for Give Write to share with Karratha Senior High School and Derbarl Yerrigan Health Service.

"They were desperate for packs for their kids who were sent home in isolation with COVID. Sometimes families of up to eight would have to isolate for weeks at a time as COVID went through the family, and they had nothing to do to keep up with their schooling or alleviate boredom. Your bags were wonderful because we could fill them up with lots of goodies for the larger families and they are very durable. We were able to combine them also with a bunch of ex-library books we received from St John's School in Scarborough to make a great package."

Anita Bell
Give Write founder

Operating and financial review

The financial performance of HBF in the year ended 30 June 2022 reflects the ongoing impact of COVID-19 on the provision of healthcare, our continued investment in technology and health adjacency initiatives to improve our members' experience, negative investment returns during global economic uncertainty and the revaluation of HBF's head office building.

While the net loss is disappointing, our business continues to grow faster than the market and remains well-capitalised, resilient, and well-positioned to make the most of these strategic investments.

We have recognised significant deferred claims liabilities which we expect to pass on to members if the return of claims does not materialise – in line with our promise not to profit from COVID-19.

Group income statement

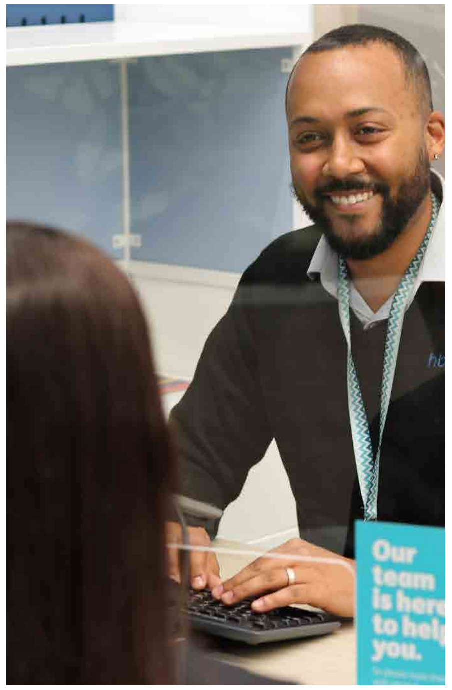
Year ended 30 June 2022	2022 $m	2021 $m
Health insurance premium revenue	1,843.3	1,627.5
Net claims expense	(1,611.5)	(1,459.1)
Underwriting margin	231.8	168.4
Health insurance operating expenses	(225.2)	(187.9)
Transformation program	(44.5)	(56.2)
Health insurance operating result	(37.9)	(77.3)
Health & Wellness revenue	11.8	0.3
Health & Wellness operating expenses	(16.9)	(5.7)
Health & Wellness operating result	(5.1)	(5.4)
Net investment (losses)/income	(28.4)	80.0
Other net (losses)/income	(24.6)	18.8
Income tax expense	(0.9)	-
(Loss)/profit	(96.9)	17.7

The Group loss of $96.9 million is a markedly different result to the prior year profit of $17.7 million. The health insurance business delivered a $37.9 million operating loss. While a $39.4 million improvement on FY21, the negative result reflected our continued investment in our transformation program to create the platforms that deliver value to members through modernised technology such as a new mobile app (which is proving popular with members), website, staff console and core insurance system. The improved health insurance result was offset by further investment in our Health and Wellness segment, which includes our expansion into dental and physiotherapy, generating additional losses of $8.9 million.

We also reported a loss from the investment portfolio and other strategic investments of $28.4 million due to challenging financial markets, compared to a positive return of $80.0 million in FY21.

As a result of the headwinds in FY22 as well as the continued investment in growth, diversification and transformation, HBF's management expense metric, which is used to benchmark efficiency of spend, has increased. HBF is well-positioned to leverage these investments to implement productivity initiatives to improve efficiency into the future.

Further detail of FY22 spend and key drivers of our results are outlined further in this report.



Premium revenue in FY22 increased by $215.8 million (13%) compared to the prior year, partly due to the acquisition of Queensland-based private health insurance business CUA Health Pty Ltd (CUA or CUA Health), which contributed $111.4 million to our FY22 premium. The remaining year-on-year increase of $104.4 million is due to premium increases and organic growth in HBF's policies. Excluding policy growth through the CUA acquisition, HBF continued to organically grow its book by 2.9% in the 12-month period. The quokka marketing campaign is building awareness and consideration of HBF outside of Western Australia; almost 19% of our total policies are held outside WA (FY21: 11.2%).

Net claims expense for the Group includes the cost of claims paid to members, hospitals, and medical and ancillary providers. We have provided for claims incurred but not yet received by the fund, and also for claims that are 'missing' as a result of COVID-19 disruptions that are expected to occur in future. The total claims expense for the year is $1,611.5 million, and $84.6 million relates to the CUA Health fund and so is not comparable to the prior year. The claims relating to HBF of $1,526.9 million are $67.7 million - 5% lower than prior year due to the industry-wide disruptions following the pandemic.

Group claims incurred by the funds represent 87.4% of premiums (FY21: 89.7%). This margin reflects a significant depression in total claims as COVID-19 disruptions, hospital capacity issues, and member hesitancy continue to put pressure on members' ability and willingness to seek medical treatment. The claims expense includes a provision set aside for deferred claims of $76.5 million in FY22 to ensure we either have adequate coverage for the claims that could return or to return funds to members when appropriate.

Health insurance operating expenses include employee costs and the costs of marketing and growth initiatives as well as other IT and corporate operating costs. Costs increased by $37.3 million in FY22, partly due to the integration of the CUA Health business within HBF and partly due to the continued investment in our national growth strategy and in our people and business capabilities. $3.8 million was spent during the year to integrate CUA Health and Life Ready into the Group.

Transformation expenses for the year reflect the continuation of the program with some significant design and build milestones reached. Spend on the transformation program in FY22 was $84.7 million with $44.7 million expensed and $40.0 million capitalised as part of work-in-progress intangible assets on the balance sheet.

During the year, the new cloud platform was delivered with HBF's new data platform being the first production workload to be successfully built in the cloud. The team also migrated its first application to the cloud platform in February 2022.

In line with accounting policy guidance issued late in FY21 relating to expensing Software as a Service costs, HBF has recognised an increasing proportion of the program spend within the profit and loss account rather than as capital. This has increased the Group loss for the period.

The transformation program is key to HBF's strategy and remains the number one priority of the business but due to the complexity of the build, together with other factors such as resourcing pressures, delivery of the program has been delayed and expected cost to complete has increased.

Health and Wellness operating results reflect 12 months of operations of the dental business and four months of the Life Ready physiotherapy business. HBF Dental opened three new clinics in 2022 with the sixth clinic opening in Bull Creek, WA, in May 2022. Despite significant challenges in generating revenue due to COVID-19 restrictions and difficulties in recruiting dentists to WA practices while borders were closed, the operating results are in line with expectations of the Group and are on track for planned improvements as clinic utilisation improves.

Life Ready includes 27 physio clinics and a fleet of 20 mobile physio units. In the four months to June, the business reported an operating loss before tax of $0.3 million as clinics continued to struggle with staffing shortages and patient cancellations due to COVID-19.

Net investment losses of $28.4 million were largely recognised in the final quarter of the financial year as volatility in the equity markets impacted our portfolio. HBF's strategic investment in Pacific Smiles Group recorded a loss of $13.2 million and HBF's and CUA's investment portfolios recorded losses of $11.6 million and $3.7 million respectively. Despite a challenging investment environment, HBF's investment portfolio outperformed its benchmark and is well-positioned to benefit from rising interest rates in FY23.

Other net losses include the cost of the downward revaluation of the HBF Perth head office building, Walburniny, to $65.0 million as a result of recent market evidence and HBF's opinion that there is a defect with the facade. The total write-off is $30.4 million with $24.3 million expensed in the P&L, net of the loss taken to reserves.

Group balance sheet

Year ended 30 June 2022	2022 $m	2021 $m
Cash	164.0	276.8
Investments	1,406.1	1,489.8
Intangible assets	229.7	67.2
Property, plant and equipment	122.0	130.8
Deferred acquisition costs	40.0	22.9
Other assets	94.1	93.5
Total assets	2,055.9	2,081.0
Unearned premium liability	250.1	224.2
Outstanding claims liability	135.4	117.9
Deferred claims liability	97.5	40.1
GapSaver	89.4	89.4
Trade and other payables	45.8	95.5
Other liabilities	51.1	23.8
Total liabilities	669.3	590.9
Net assets	1,386.6	1,490.1

Cash reduced in FY22 due to investments in the CUA Health fund and Life Ready as well as the continued investment in the development of technology assets under the transformation program.

Investments movements in FY22 relate to the consumption of capital to fund strategic investments which deliver on our strategy to grow our business through national expansion and diversification into health services, as well as valuation losses due to the instability of equity markets. Even with the acquisition of the CUA portfolio worth $68.2 million on acquisition in September 2021, the investment environment has been extremely challenging and the HBF Group portfolio has declined by $83.7 million (6%) year-on-year. While FY22 has not been conducive to favourable investment outcomes, defensive assets have been positioned to benefit from rising interest rates in FY23.

Intangibles the increase in intangible assets of $162.5 million reflects the goodwill acquired as part of the CUA Health fund acquisition of $82.3 million and CUA customer contract intangible assets of $30.3 million, as well as goodwill of $28.1 million on the acquisition of Life Ready and additional transformation build costs of $23.9 million.

Property, plant and equipment includes the HBF Perth head office building at $65.0 million, which has been revalued down by $30.4 million since FY21 due to ongoing issues with the building façade.

Deferred claims liability increased significantly to reflect the gap between forecast and actual claims over the final six months of the financial year. During the period, HBF has seen a significant decline in claims due to COVID-19 disruptions as well as hospital capacity issues driven by staffing shortages and member hesitancy. As a result, we have set aside an additional provision to be able to cover these claims if and when they are incurred. Any permanent savings are expected to be returned to members.

Trade and other payables represent operating payables, largely relating to HBF's transformation program. The balance has decreased since FY21 when the balance included $41.9 million relating to deferred claims that was paid back to members in July and August 2021.

Capital management

HBF's fundamentals remain strong and we are well capitalised and in a solid financial position. At 30 June 2022, assets for both health insurance funds HBF and CUA exceeded the Australian Prudential Regulation Authority's (APRA) minimum capital requirement. For the combined health insurance businesses, capital coverage of minimum requirements was 2.1 (FY21: 2.1). As a not-for-profit health fund, HBF does not have access to capital markets and consequently holds a higher level of capital to ensure members' needs are protected.

In doing this, HBF looks to maintain a balance between providing value to members and maintaining its financial sustainability.

APRA's revised capital framework is due to be implemented in July 2023, which will result in lower excess capital for HBF. The forecast capital position is monitored closely under both current standards and APRA's draft new standards, as capital is invested in the delivery of the strategic initiatives.

The portfolio's diversification and dynamic positioning were the two key drivers of protection against equity market volatility but were not sufficient to protect against losses this year.

Mark Barnaba
Chair, Management Investment Committee

Investment management

The Management Investment Committee has navigated a very challenging investment environment over the year to limit portfolio losses despite many stock markets around the world recording large negative returns. Against this volatile backdrop, HBF's portfolio recorded a loss of $11.6 million for the full year, equivalent to a negative return of 0.7%, and representing an improvement above the portfolio's benchmark of 0.5%. CUA's investment income recorded a loss of $3.7 million for the year and HBF's strategic investment in the ASX-listed Pacific Smiles Group decreased in value by $13.2 million.

The historically low interest rate environment leading into the start of the calendar year was replaced with a determined interest rate tightening cycle as supply chain disruptions due to COVID-19 lockdowns and the war in Ukraine led to the highest inflation readings since the early 1980s.

High inflation and rising interest rates combined to negatively impact consumer and investor sentiment resulting in many stock markets around the world entering 'bear markets' with falls of over 20%. Fixed income investments, which historically have provided a buffer of positive returns in down markets, offered little protection due to the rising interest rate environment. The portfolio's strategic diversification into global unlisted infrastructure and dynamic positioning away from fixed income to cash were the two key drivers of protection against equity market volatility.

Despite the challenging conditions, I'm pleased to report the HBF investment portfolio has outperformed the benchmark over the past one year, three years and five years. The portfolio exists to provide a stable base on which long-term business and pricing decisions can be made to the ultimate benefit of members. Looking forward, the Committee has actively positioned the portfolio's defensive assets to benefit from rising interest rates in FY23 which will reduce the reliance on riskier assets to generate returns.

In addition to managing the portfolio, the Committee has overseen a program of process and governance improvements in FY22. The appointment of a custodian and uplift of the internal control environment has improved HBF's investment operations, implementation, performance monitoring and compliance and risk reporting capabilities. A new asset consultant has also been appointed and we have commenced a review of the long-term strategic asset allocation.

Material business risks

HBF faces risks inherent to the private health insurance (PHI) industry and within the strategic direction it has chosen. Macroeconomic conditions and geopolitical uncertainty and disruption have been emerging trends for some time; exacerbated by the COVID-19 pandemic, this will continue to impact HBF's material and strategic business risks. HBF continues to monitor and manage the impact on its risk profile, in both financial and non-financial risk. The categories of risk assessed as potentially material to HBF, and the approach to manage these risks, are summarised in the following table.

Risk category	Risk management approach
Strategic risks There is risk inherent to the PHI industry, the broader financial sector, and in the macroeconomic environment which may impact HBF's ability to achieve our strategic objectives and execute strategic initiatives and projects on target and on time to support our goals.	HBF's strategic risks are identified and assessed as part of our annual strategic and business planning process. Key strategic risks identified include the loss of private health insurance members due to affordability, increasing healthcare costs and utilisation, regulatory risk, and execution of non-private health insurance growth. HBF continues its multi-year technology transformation to replace ageing technology – which will deliver a more advanced and intuitive digital experience and seamless claims processing that provides an enhanced member experience and supports growth objectives. These risks influence the prioritisation of investments in the strategic business plan. In their consideration of strategic risk, the Board confirmed that HBF's current business strategy remains relevant.
Operational risks From time to time, internal processes and control failures may lead to financial loss, reputational damage or a less than optimal member experience. Like many companies, HBF faces operational risks from inadequate or failed internal processes, people and systems or from external events.	HBF has established risk management policies and procedures, supported by a Board-approved risk management framework, that are designed to identify, assess, treat, and report operational risks. HBF continues to operate its quality assurance, risk monitoring and oversight, and internal audit procedures which are designed to ensure effective risk management and to enable continuous business improvement.
Financial and credit risk HBF is exposed to financial and credit risk through its investment portfolio, the need to maintain minimum levels of cash assets and capital reserves, and through the buying and claiming patterns of our insured member base.	HBF limits its exposure to financial risk through rigorous investment disciplines set out within the Investment Management Standard, which is administered by the Management Investment Committee. To ensure satisfactory levels of cash and capital, the Board has established minimum liquidity and capital holding requirements, which are set out within the Risk Appetite Statement and Capital Management Policy. Adherence to these requirements is measured monthly.
Conduct risk At HBF, we aim to conduct business impartially and ethically, ensuring integrity in our business practices to protect our members and the broader community. When dealing with our members, it is possible that on occasion we have not done, or may be perceived to have not done, the right thing.	As part of our commitment to better member outcomes, HBF has a Code of Conduct and whistle blower policy and program to ensure all staff have a clear understanding of what acceptable conduct means and to ensure we are 'doing the right thing' by members. During FY22 we closed out conduct-related vulnerabilities in our business, raised from the management-initiated Member Promises Review, and established a dedicated Conduct and Remediation function to monitor conduct risk and support HBF to identify, investigate and advise on the implementation of preventative and corrective solutions. If we find we have fallen short, we will correct our mistakes.

Risk category	Risk management approach
Insurance risk HBF's core insurance activities primarily involve the underwriting of policies and claims management. The combination of PHI participation in the community, claiming patterns of members, competitiveness of products and the composition of the member base has the potential to create risk in HBF's insurance business.	For HBF to achieve sustainable profitable growth in the delivery of PHI to members, insurance risk is managed across product development, product pricing, and claims management. Together these elements ensure we balance the composition of our existing policy base (through retention, lapse and cancellation management), sales (by acquiring new policies and switchers from other funds), and claims (to achieve a sustainable underwriting margin). Insurance risk is a key part of regular portfolio monitoring; treatment plans are developed and implemented in response to potential deviation from optimum measures. HBF's emerging Health Strategy is an important initiative which introduces programs intended to improve member health and claims outcomes.
Regulatory non-compliance risk HBF operates in a highly regulated sector of the financial services industry. There continue to be changes in the prudential standards framework within which HBF operates, and from time to time, there is a risk HBF may not fully meet (or be able to demonstrate it has met) all prudential requirements. HBF accepts that to operate as a PHI carries a level of sovereign risk, whereby the government of the day has control over policies and legislation which govern the financial services and private health insurance sector directly or indirectly.	HBF structures its business across the 'three lines of defence' risk assurance model to implement its risk management and compliance frameworks. Accountability for compliance with prudential standards is allocated across functional lines (first line) and it is required that compliance against the standards is demonstrated annually. This position is validated by the second line of defence (from within the Compliance function). The extent of regulatory and policy change, and the impact to HBF, is monitored by HBF's Legal and Compliance functions, and the assessed risk confirmed with the Risk function. Management of regulatory non-compliance risk is overseen by the Executive Risk Committee and Board Risk Committee.
Technology and information security including cyber resilience and privacy risk To provide our core insurance services, we collect, process and manage significant amounts of personal and sensitive health information. Protecting this information from internal and external threats is critical if HBF is to protect its reputation. Like all companies, HBF must continue to be vigilant to ensure its systems protect against the ever-evolving threat of cyber-attack. These threats continually evolve and there is a risk that vulnerabilities are exploited in HBF systems.	HBF continues to evolve information security practices and controls in its technology architecture and in its approach to system design. HBF has a dedicated information security (including cyber resilience) risk function and Privacy Office. HBF continues to invest, review, and improve its information technology security including cyber resilience and privacy controls as HBF continues its multi-year technology transformation to replace ageing technology and enhances our members' experiences.

Governance report

HBF Health Limited (HBF) is committed to aligning itself with corporate governance principles such as those found in contemporary Australian and international standards, and the Australian Securities Exchange Corporate Governance Principles and Recommendations.

HBF applies these principles in a manner consistent with its governance structure and status as a not-for-profit, membership-based organisation, to lay solid foundations for management and oversight of operational activities, promote ethical and responsible decision-making, and to structure the Board to add value while identifying and managing risk.

Governance structure

HBF has established a Council of member representatives, which, together with the Board of Directors, plays an important role in the oversight, governance and performance of HBF. Corporate governance processes are detailed in the *HBF Constitution, Governance Regulations, Council Charter* and *Board Charter* which are available on the HBF website.

Council

HBF is a membership-based organisation operating under mutual principles. Councillors are appointed as the 'formal members' of the company. The Council generally meets twice annually, and its role is to appoint individuals to Board positions, ensure director remuneration is appropriate, and oversee the long-term sustainability of HBF for the benefit of the organisation and its policyholders.

The HBF Council comprises:

- Elected Councillors who are elected by a ballot of registered policyholders
- General Councillors who are elected by General Councillors
- Board Councillors comprising the Board Chair and five longest-serving directors

To hold a position on the Council, all individuals must continuously meet the eligibility criteria and independence requirements as outlined within the *HBF Constitution*.

The following individuals held the office of Councillor during the financial year unless otherwise stated:

Elected Councillors	General Councillors	Board Councillors
David Brown	Steven Cole	Diane Smith-Gander
David Carvosso	Andrew Cook	Tony Crawford
Charlotte Dunn	Stephen Jones	Richard England
Anthony Evans	Jodie Meadows	Helen Kurincic
Susan Milos	Fiona Kalaf	Gai McGrath
Moira Watson	Peter Moore	Brent Stewart
	Wendy Newman	Rodney Moore**
	Will Moncrieff	
	Kenneth Perry	
	Brian Roche	
	Chris Ryan	
	Valerie Davies*	

**Ceased role as General Councillor on 14 September 2021*

***Ceased role as a Director and Board Councillor on 27 October 2021*

Roles and responsibilities of the Board

The role of the Board is to provide leadership and strategic guidance to HBF and its subsidiaries and oversee the implementation of HBF's strategic initiatives by management.

The Board, through the application of good governance principles, is responsible for the effective oversight of the organisation and remains accountable to members via the Council for the performance of HBF. The Board has overall responsibility for the corporate governance of HBF and its subsidiaries, including ensuring that HBF complies with its legal and regulatory obligations.

The role, responsibilities, structure and processes of the Board are detailed in the *Board Charter*.

Roles and responsibilities of management

The *HBF Constitution* permits the Board to delegate any powers exercisable by it to the Chief Executive Officer. As such, the Board has established a delegation framework in which responsibility for the operational and administrative management of HBF has been given to the CEO and other positions within the organisation.

Specific responsibilities have been retained by the Board in the areas of strategy, governance, executive appointments, financial approvals and risk management.

Structure and composition of the Board

The *HBF Constitution* requires the Board to have a minimum of six and no more than nine members, of whom a majority must be independent, while allowing the Board to also appoint the CEO to be an additional director. As at the date of this report, the Board comprised an independent Non-Executive Chair and six independent Non-Executive Directors. Professional biographies for each director, including their length of service, can be found in the Directors' Report.

The Chair is responsible for leading the Board and providing support and guidance for individual directors and the CEO. The Chair is also responsible for fostering a positive and constructive relationship with members and other stakeholders, while representing and communicating the Board's position on relevant matters. The Company Secretary is directly responsible to the Board, through the Chair, for all matters relating to the proper functioning of the Board.

Independence

In meeting their responsibilities, directors are required to ensure they are free from any interest or other relationship which could, or could reasonably be perceived to, materially interfere with their ability to act in the best interests of the organisation. The Board assesses the independence of directors on appointment and annually by an attestation by each director. When reviewing the independence of directors on an annual basis, the Board applies best practice principles and relevant criteria prescribed by APRA and other regulators.

Appointment and re-election of Directors

Directors are appointed, reappointed and removed from the Board of HBF in accordance with the *HBF Constitution*. The Board may appoint an individual to fill a director vacancy by ordinary resolution for a term which expires on commencement of the next annual general meeting, after which the individual is eligible for re-appointment.

Upon appointment, each non-executive director enters into a written agreement with HBF setting out the terms of their appointment, remuneration, time commitment, and other arrangements and obligations.

The Nominations Committee assists and advises the Board in relation to board composition, board renewal and succession planning for the Board and CEO. This includes making recommendations to the Board in relation to changes to board composition and the removal of directors. When recruiting new directors, and before recommending a candidate for appointment, checks are performed to confirm relevant eligibility criteria, including independence, have been met.

Director induction, education and access to information

Newly-appointed directors participate in an induction program which includes meeting with Executives, taking a tour of facilities, and the issuing of relevant reading materials. Directors commit to continuing professional development in keeping with the minimum membership requirements of the Australian Institute of Company Directors.

All directors have unrestricted access to organisational records and information during their tenure and after retirement for the longer of seven years or the completion of any action, inquiry or hearing in which they are involved, via an access and indemnity deed with HBF. Directors have unfettered access to the CEO, Executive General Managers and the Company Secretary, and regularly consult with and request information from management. Directors may also source external professional advice in respect of any matter connected with the discharge of their responsibilities as considered necessary, at the expense of HBF, subject to prior consultation with the Chair.

Board skills mix

The HBF Constitution requires the Board to have the necessary skills, experience and knowledge to guide the business of the HBF Group and ensure it meets its legal and prudential obligations. This includes experience and knowledge in the areas of health services, insurance, commerce, finance, accounting, corporate and general management, corporate governance, marketing and law.

The Nominations Committee is responsible for formulating a skills matrix for the Board which consists of skill categories and competencies that align with the strategic objectives and direction, regulatory obligations, and risk profile of the HBF Group. The Nominations Committee is also responsible for identifying opportunities to strengthen specific skills, diversity, experience and competencies during succession and renewal processes.

Board performance evaluation

The Board has established a process to regularly assess and review its composition and performance, including performance of its sub-committees, while seeking opportunities for continuous improvement. The Nominations Committee is responsible for maintaining and reporting on the annual board-performance assessment process.

The Board assesses the performance of the CEO and Executives against key corporate, strategic and operational objectives as determined in its annual planning and review cycle.

Sub-Committees of the Board

The Board has established five standing sub-committees to assist in fulfilling its obligations. Each sub-committee, its role and its members as at the date of this report are set out below.

The Charter for each committee is available on the HBF website. Each committee comprises Non-Executive Directors and has an independent Chair. The committees meet in accordance with an annual meeting schedule while additional meetings are called as required.

Audit Committee

Role: Oversight of financial reporting, internal and external audits, and actuarial performance.

Members:

Jennifer Seabrook *(Chair since January 2022)*, Richard England *(Chair until January 2022)*, Helen Kurincic, Dr Rod Moore *(retired 27 October 2021)*, Diane Smith-Gander

People, Culture and Remuneration Committee

Role: Oversight of the remuneration framework, people management and culture obligations.

Members:

Gai McGrath *(Chair since May 2022)*, Tony Crawford *(member and Chair until May 2022)*, Richard England, Helen Kurincic

Risk Committee

Role: Oversight of risk management, internal control, compliance and insurance.

Members:

Helen Kurincic (Chair), Richard England, Gai McGrath, Brent Stewart

Transformation Committee

Role: Oversight of the adequacy and effectiveness of the business transformation program.

Members:

Brent Stewart (Chair), Gai McGrath, Diane Smith-Gander

Nominations Committee

Role: Oversight of board composition, board renewal and succession planning for the Board and CEO.

Members:

Diane Smith-Gander (Chair), Helen Kurincic, Gai McGrath, Tony Crawford, Jenny Seabrook, Brent Stewart, Richard England

The individual attendance of directors at the various standing committee meetings held during the year is set out on page 55 of the annual report.

Executive Committee

The Executive Committee comprises of the CEO and the Executive Officers of HBF. The Executive Committee Charter sets out the roles and responsibilities of the Executive Committee, and has been approved by the CEO and endorsed by the Board.

The following individuals are the Executive Officers of HBF as at the date of this report:

Mr Simon Walsh
Interim Chief Executive Officer (appointed May 2022)
Chief Transformation Officer (until May 2022)

Ms Donna Carrington
Chief Financial Officer

Mr Sanjeev Gupta*
Chief Information Officer (appointed February 2022)

Dr Daniel Heredia
Executive General Manager Health

Ms Amy Stanley
Executive General Manager People and Corporate Affairs

Mr Adam Stock**
Executive General Manager Governance, Risk and Pricing

Ms Selina Torrance
Executive General Manager Member Experience

**Following Simon Walsh's appointment as Interim Chief Executive Officer, from 24 May 2022, HBF's transformation program team and technology team were brought together under the leadership of Sanjeev Gupta, the Chief Information Officer. This means that there is no longer a stand-alone Chief Transformation Officer role.*

***Mr Stock resigned from HBF effective 14 August 2022. General Manager Risk and Compliance Tracey Warren is acting in this role until a permanent appointment is made.*

Ethical standards

All Board members, executives and employees are required to observe the highest standards of ethical, moral and legal business conduct. Directors adhere to the principles set out in the *Australian Institute of Company Directors Code of Conduct* and the *HBF Code of Conduct,* while the Board also requires directors to properly manage any actual, potential or perceived conflicts of interest.

A director who has a material personal interest in a matter which relates to the affairs of HBF, or one of its subsidiaries, must provide the Board with notice of such interest. The Company Secretary maintains a register of standing director declarations of interest and reports these to each Board meeting. A director who has a material personal interest in a matter being considered at a meeting is not permitted to be present at the meeting while the matter is being considered or vote on the matter except as permitted by the *Corporations Act 2001 (Cth)*.

Executives and employees are required to act with honesty and integrity at all times and in accordance with the *HBF Code of Conduct, HBF policies and procedures,* and any applicable laws, regulations and industry codes of practice. Executives and employees are required to report any actual, potential or perceived conflicts of interest between their duties and responsibilities to HBF or any of its subsidiaries and personal interests. These include personal relationships, other employment, membership of social or sporting groups, or ownership of shares or companies. Where there is a conflict of interest, HBF may remove the individual from the decision-making process or ensure additional steps are taken to maintain impartiality.

All Board members, executives and employees are required to comply with legal, ethical and other obligations related to privacy and confidentiality. Executives and employees undertake not to disclose or make use of confidential information, unless expressly authorised or required by law. They must also maintain proper and secure custody of all confidential information.

Diversity

HBF values diversity, where everyone – including colleagues, members, suppliers or other third parties – are treated with respect, equality and dignity. By valuing diversity internally and acknowledging the differences individuals bring to the workplace, HBF can better understand and meet our members' needs.

Our commitment to equality is documented in organisation-wide policies related to recruitment and retention of employees, promotion, talent identification and provision of training and development. HBF provides individuals equal opportunity regardless of ethnicity, nationality, pregnancy or family responsibilities, race, religion, gender, age, sexual orientation or preference, physical or mental impairment, political stance or any other protected attribute. HBF does not tolerate behaviours which could be considered harassment (sexual or otherwise), bullying (including cyber bullying), direct or indirect discrimination or other inappropriate behaviour that causes offence to another individual.

HBF's Gender Equality Indicators are reported to the Workplace Gender Equality Agency annually in accordance with the *Workplace Gender Equality Act 2012*. At 30 June 2022, females accounted for:

- 65% of the workforce
- 39% of executives
- 49% of senior managers
- 39% of all manager promotions
- 57% of all non-manager promotions

As at the date of this report, four out of seven Board members are female.

Integrity of financial reporting

The Board has a strong commitment to the integrity and quality of its financial reporting and its systems for financial risk management, compliance and internal control.

The Audit Committee provides a non-executive review of the effectiveness of HBF's financial reporting framework, and assists the Board in carrying out its accounting, auditing, and financial reporting responsibilities.

Audit Committee members are appointed based on their qualifications and experience to ensure the Committee can adequately discharge its duties. At least one Audit Committee member is also a member of the Risk Committee. Representatives from management, the internal auditor, the Appointed Actuary, and external Appointed Auditors are invited to attend scheduled Audit Committee meetings.

Financial reporting assurances

The preparation of the full-year financial statements is subject to a detailed process of review and approval by the Board and supported by the Audit Committee.

In line with good governance practice, HBF seeks to align its financial governance practices with those detailed in the *Corporations Act 2001 (Cth)* in relation to financial reporting assurance, specifically section 295A. The CEO and Chief Financial Officer provide the Board with a declaration confirming the financial records of HBF have been properly maintained, and the financial statements and notes comply with accounting standards and give a true and fair view of the consolidated entity's financial position and performance for the financial period. The declaration indicates the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively in all material respects in relation to financial reporting risks.

This declaration was received by the Board prior to approving the financial statements for the full year ended 30 June 2022.

HBF's external auditor is Ernst & Young (EY). EY attends HBF's annual general meeting and is available to answer any questions Councillors may have in relation to the audit and financial statements.

Internal audit

HBF maintains an internal audit function managed by the Head of Internal Audit to provide an independent and objective review of the adequacy and effectiveness of HBF's risk management framework and related internal control systems. In order to maintain independence of the function, the annual Internal Audit Plan is reviewed and approved by the Audit Committee. The annual Internal Audit Plan is developed using a risk-based approach and is informed by HBF's strategic plan and risk profile. The Head of Internal Audit has full access to all records, properties and personnel of HBF and reports to the Audit Committee.

Risk management framework

Material business risks are identified and appropriately managed in accordance with an enterprise-wide risk management framework. This framework is in place throughout the organisation including in strategic and business planning and performance reporting, ensuring a consistent approach is adopted.
The framework complies with all regulatory obligations, including the APRA Prudential Standard *CPS 220 Risk Management (CPS 220),* and is aligned to *AS/NZS ISO 31000:2018 Risk Management.*

The Risk Management Framework, reviewed on an annual basis, includes the *Risk Appetite Statement,* the *Risk Management Strategy,* the *Capital Management Standard* and the relevant documents and resources required for the management of HBF's material risks. The Board sets the HBF Risk Appetite including risk tolerance, risk limits and triggers.

The *Risk Management Strategy* facilitates successful delivery of HBF strategic and operational business objectives. The strategy is reviewed annually as part of strategic and business planning to ensure material risks and actions to treat or control the risks are identified. The strategy also sets out risk culture objectives designed to guide operational activities to continuously improve risk culture.

HBF's material business risks are provided in the Material Business Risks section of the Operating and Financial Review within the annual report.

The Risk Committee assists the Board through the regular review of the risk management framework, confirming the appropriateness and effectiveness of the implementation and internal control systems to adequately identify, assess, manage and report on the risks which could prevent HBF from achieving its objectives, or have a material impact on the business.

Risk Committee members are appointed based on their qualifications and experience to ensure the committee can adequately discharge its duties. At least one Risk Committee member is also a member of the Audit Committee. Representatives of management, the internal auditor, Appointed Actuary, and the external Appointed Auditors are invited to attend Risk Committee meetings.

Directors' report

The Directors of HBF Health Limited (HBF) present their report on the consolidated entity consisting of HBF and its controlled entities (HBF Group) for the year ended 30 June 2022.

Directors

The following individuals were Directors in office for the 12 months preceding the date of this report unless otherwise stated:

Diane Smith-Gander AO
Chair *(since 5 May 2022)*

BEcon, MBA, FAICD, FGIA, FAIM

Diane Smith-Gander was appointed a Director of HBF in May 2020. Diane is a member of the HBF subsidiary board CUA Health Pty Ltd, a member of the HBF Audit Committee and Transformation Committee, Chair of the HBF Nominations Committee, and a member of the CUA Health Audit Committee.

Diane assumed the Chair of the HBF Board and the CUA Health Board in early May 2022. Her depth of experience and proven track record make her an excellent selection as Chair and ideally placed to lead HBF through the next phase of its growth strategy.

She currently serves as the National Chair of the Committee for Economic Development of Australia, Chair of DDH1 Limited/DDH1 Group Holdings Pty Ltd and Zip Co Ltd. She is also a Non-Executive Director of ASX-listed AGL Energy Limited.

Diane's previous directorships include Wesfarmers Limited, CBH and Keystart Loans. Prior to becoming a professional Non-Executive Director, Diane started her career in banking and was a Partner at McKinsey & Company in the United States.

Diane is an advocate for gender equality and is a past president of Chief Executive Women. In the 2019 Queen's Birthday Honours, Diane was made an Officer of the Order of Australia (AO) in recognition of her "distinguished service to business, to women's engagement in executive roles, to gender equality, and to the community". In 2015, Diane was awarded an Honorary Doctor of Economics by the University of Western Australia, where she is an Adjunct Professor in Corporate Governance.

Tony Crawford
Chair *(until 4 May 2022)*

LLB, BA, FAICD

Tony Crawford was appointed to the Board of HBF in August 2014. Tony is a member of the HBF subsidiary board CUA Health Pty Ltd and a member of the HBF Nominations Committee. He served as Chair of the HBF Board from November 2016 until May 2022. During that time, he also chaired the People, Culture and Remuneration Committee and was a member of the Audit, Risk and Transformation Committee. Prior to its migration into HBF, Tony was also a Director of HealthGuard Health Benefits Fund Limited from 2013 until June 2015.

Tony currently serves as Chair of the Energy and Water Ombudsman in New South Wales, Chair of Heart Research Australia, and Chair of NSW Rugby Union. He was previously the independent Chair of Grant Thornton Australia and a Non-Executive Director of Konekt Limited.

Tony practiced as a solicitor for 30 years, specialising in insurance law and commercial dispute resolution. From 1996 to 2010, he held senior leadership and executive positions at national law firm Phillips Fox (now DLA Piper), including the role of CEO from 2000 until his retirement from the firm in 2010.

Tony is a graduate of the OPM Program at Harvard Business School, a Fellow of the Australian Institute of Company Directors, and an associate member of the Law Society of NSW.

John Van Der Wielen

Chief Executive Officer and Managing Director
(until 27 May 2022)

MBA, FAICD

John Van Der Wielen commenced his role as Chief Executive Officer in May 2017.

Prior to this, John spent more than 30 years in insurance, wealth management, private banking, and investments, including executive positions within several global financial services groups.

John's most recent executive role was the CEO of Friends Life UK and International in London and prior to this he served as Managing Director Wealth at ANZ Bank in Sydney and CEO of Clerical Medical and Halifax Life in the United Kingdom.

John has been a Senior Advisor for The Blackstone Group Inc. in the financial services arena and an independent non-executive on several boards.

He is a board member of the University of Western Australia's Business School, a Director of the Royal Flying Doctor Service WA, and Chair of the State Government's Future Health Research and Innovation Fund Advisory Council.

John holds an MBA from the University of Western Australia and has studied at London Business School and Oxford University. He is a Fellow of the Australian Institute of Company Directors.

Richard England

FCA, MAICD

Richard England was appointed as a Director of HBF in February 2015. Richard is a member of the HBF subsidiary board CUA Health Pty Ltd. He is a member of the HBF Audit Committee, People, Culture and Remuneration Committee, Risk Committee, and Nominations Committee. He is also a member of the CUA Health Audit Committee and Risk Committee.

For the past 25 years, Richard has served as a Non-Executive Director and Chair of various listed and unlisted companies, as well as not-for-profit organisations.

Richard currently serves as Chair of Hobart International Airport Pty Ltd. He is a Non-Executive Director of Friendly Society Medical Association Limited and a Non-Executive Director of Gardior Pty Ltd, the trustee of The Infrastructure Fund "TIF". He previously served as Chair of QANTM Intellectual Property Limited and Automotive Holdings Group and was a Non-Executive Director of Bingo Industries Limited, Nanosonics Limited and Japara Healthcare Limited.

Prior to embarking on his career as a Director, Mr England was a Chartered Accountant in public practice. He is a former partner of Peat Marwick and Ernst & Young, where he practiced principally in the fields of insolvency and reconstruction.

Mr England is a Fellow of Chartered Accountants Australia & New Zealand and a member of the Australian Institute of Company Directors.

Helen Kurincic

MBA, FAICD, FGIA

Helen Kurincic was appointed a Director of HBF in February 2016. She is a member of the HBF subsidiary board CUA Health Pty Ltd and serves as Chair of the HBF Risk Committee. Helen is also a member of the HBF Audit Committee, People, Culture and Remuneration Committee, and Nominations Committee, as well as a member of the CUA Health Audit Committee and Chair of the CUA Health Risk Committee.

Helen currently serves as Chair of Integral Diagnostics Limited (ASX:IDX) and Chair of McMillan Shakespeare Limited (ASX:MMS). She also serves as a Non-Executive Director of Estia Health Limited (ASX:EHE) and the Victorian Clinical Genetics Service and is a senior advisor to global and local investment funds in the healthcare sector.

Previously, Helen held various executive and non-executive healthcare sector roles including Non-Executive Director of DCA Group Limited, AMP Capital Investors Domain Principal Group, Melbourne Health and Orygen Research Centre, and was CEO of Benetas. She was formerly the Chief Operating Officer and Director of Genesis Care from its earliest inception – creating and developing the first and largest radiation oncology and cardiology services business across Australia.

Helen has been actively involved in government healthcare policy reform, including appointments by Health Ministers as Chair of the Professional Programs and Services Committee for the Fourth Community Pharmacy Agreement and as a member of the Minister's Implementation Taskforce and Minister's Reference Group for the Long-Term Reform of Aged Care.

Helen is a Fellow of the Australian Institute of Company Directors, holds an MBA from Victoria University, and has studied at Harvard Business School.

Gai McGrath

BA, LLB, LLM, GAICD

Gai McGrath was appointed a Director of HBF in May 2019. Gai is a member of the HBF subsidiary board CUA Health Pty Ltd and serves as Chair of the HBF People, Culture and Remuneration Committee. She is also a member of the HBF Risk Committee, Transformation Committee, Nominations Committee and the CUA Health Risk Committee.

Gai is a skilled Non-Executive Director with 36 years' experience across Australia, the UK and New Zealand including with the Westpac Group as a senior executive in retail banking, superannuation, investments, life and general insurance, and wealth management. In 2015, she left Westpac and has since built a diverse board portfolio.

Gai currently serves as Chair of BT Super and Humanitix. She is also a Non-Executive Director of Steadfast Group (ASX: SDF), Genworth Mortgage Insurance Australia (ASX: GMA), and Toyota Finance Australia. Gai was previously a Non-Executive Director of IMB Bank, Investa Office Fund, and Landcom.

Gai is a highly respected executive and was awarded Australia's Corporate Lawyer of the Year (2003), Customer Service Executive of the Year (2009), and Asian Banker's Best Retail Banker of the Year – Asia Pacific (2015).

Gai holds a Bachelor of Laws (Hons) and Bachelor of Arts from the University of Sydney as well as a Master of Laws (Distinction) from the London School of Economics and Political Science at the University of London, is a Graduate of the Australian Institute of Company Directors, and has studied at INSEAD, Wharton and Harvard Business Schools.

Jennifer Seabrook

(appointed 19 July 2021)

BCom, FCA, FAICD

Jennifer Seabrook was appointed to the Board of HBF in July 2021. She is a member of the HBF subsidiary board CUA Health Pty Ltd and serves as Chair of the HBF Audit Committee. Jennifer is also a member of the HBF Nominations Committee and the Management Investment Committee, an HBF executive sub-committee, as well as a member of the CUA Health Audit Committee.

Jennifer is a highly experienced director and has extensive expertise in financial services as a senior executive working across capital markets, mergers and acquisitions, and accounting at firms including Gresham, Hartley Poynton (now Euroz Hartleys), and Touche Ross (now Deloitte).

She is currently Chair of Deterra Royalties Limited, Non-Executive Director of BGC Group, and Non-Executive Director of Australian Rail Track Corporation.

Jennifer was previously Non-Executive Director of ASX-listed companies including Iluka Resources Limited, IRESS Limited, Amcor Limited, West Australian Newspapers Holdings Limited, and MMG Limited, unlisted companies including Bank of Western Australia Limited and MG Kailis Holdings Pty Ltd, and government organisations including WA Treasury Corporation, Export Finance Insurance Corporation, Australian Postal Corporation, and Western Power Corporation. She was also a member of ASIC's External Advisory Group and the Takeovers Panel.

Jennifer has a Bachelor of Commerce from the University of Western Australia and is a Fellow of Chartered Accountants Australia and New Zealand as well as the Australian Institute of Company Directors.

Brent Stewart

Deputy Chair

(since 2 December 2021)

BSc, BPsych, FAICD

Brent Stewart was appointed a Director of HBF in November 2015 and as Deputy Chair in December 2021. He serves as Chair of the HBF Transformation Committee and is also a member of the Risk Committee and Management Investment Committee.

Brent is currently Executive Chair of Waveride Capital Limited, Chair of Etherington Inc. and more recently Chair to the Advisory Board of Hesperia Holdings Pty Ltd. He also serves as a Non-Executive Director of Paragon Care Limited (ASX: PGC) and Argonaut Limited.

Previously, Brent occupied a variety of board roles in both the public and private sector. He was founder and Chief Executive of Market Equity Pty Limited from 1992 until 2005, when the business was acquired by Aegis PLC and merged into its global market research business, Synovate. He continued as a global Chief Executive of Synovate until retiring from executive life in 2011.

Brent has served on numerous West Australian government committees and working groups and has occupied national board roles for industry-based organisations. He has been a regular guest speaker for many industry associations and universities in strategy, marketing and market research. Brent is a Fellow of the Australian Institute of Company Directors.

Dr Rod Moore

(retired 27 October 2021)

MBBS, Grad DipSpMed, FAICD

Rod Moore was appointed a Director of HBF in October 2012 and retired on 27 October 2021. He continues to serve as a Non-Executive Director of CUA Health Pty Ltd.

Rod is a Non-Executive Director of The Young Lives Matter Foundation at the University of Western Australia. He was formerly Chair of MDA National Limited (a major Australian medical indemnity provider) and MDA National Insurance Ltd. Rod is also a member of the Human Research Ethics Committee at the University of Western Australia.

As a Graduate of the UWA Medical School, Rod began his career in general practice and has been in specialist sports medicine and musculoskeletal practice since 1995. He is the founding principal of two of Western Australia's leading multi-disciplinary sports medicine centres.

He has previously served as a Member of the Physiotherapy Registration Board, a Member of the AMA-Law Society Medico Legal Committee, and on the WA Chamber of Commerce and Industry Primary Health Care Committee.

Rod is a Fellow of the Australian Institute of Company Directors.

Company Secretary

Nadia Mansour LLB, BCom, ADipCom
(Appointed February 2022)

Nadia joined HBF as Chief Legal Counsel in July 2019 and was appointed Company Secretary of HBF and its subsidiaries in February 2022.

Nadia has more than 20 years' experience in banking, financial services, technology, and projects. Nadia holds a Bachelor of Law and a Bachelor of Commerce and is a practising Western Australian solicitor. She is a member of the Law Society of WA's IP and Technology Committee and a member of the Association of Corporate Counsel Australia.

Prior to Ms Mansour's appointment as Company Secretary, Adam Simpson was Company Secretary of HBF from October 2018 and Company Secretary for the HBF subsidiary companies from January 2019 until his resignation in February 2022.

Principal activities

The principal activities of HBF during the year involved the underwriting of health insurance risk, the provision of dental and physiotherapy services, and related investment activities.

Objectives

As a not-for-profit health insurer, HBF's core objective is to deliver value to its members through high quality, affordable health insurance products which provide access to appropriate healthcare solutions. HBF continues to look for opportunities to sustainably grow its membership base nationally, and expand and diversify its business, while remaining the leading provider of health insurance in Western Australia.

Performance measures

HBF assesses its performance by measuring and monitoring key performance indicators relating to specific objectives regarding risk management, people, financial results, members, and processes and systems.

Review of operations

Information on the operations and financial position of the HBF Group along with an outline of the strategy and the organisation's future prospects is set out in the Operating and Financial Review on pages 36 to 43 of this annual report.

Dividends

The *HBF Constitution* states the entity (being HBF Health, the Parent entity) shall not make distributions to members by way of dividends and no such payments have been made during the financial year up to the date of this signed report, nor are any planned. HBF's partially-owned ancillary businesses may make dividend payments. The portion paid to non-controlling interest holders during the financial year is reflected in the consolidated statement of changes in equity.

Share options

HBF is limited by guarantee and no options for shares in the entity were issued during the financial year nor in previous years.

Significant changes in the state of affairs

On 30 September 2021, HBF acquired Brisbane-based health insurer CUA Health Pty Ltd from Great Southern Bank, adding nearly 40,000 policies primarily across New South Wales, Queensland and Victoria on acquisition. On 28 February 2022, HBF acquired Life Ready Health Group, which operates 27 physiotherapy clinics and provides mobile physiotherapy services.

There were no other significant changes in the state of affairs of the HBF Group during the year.

Significant events after reporting date

There have been no significant events since the reporting date.

Indemnification and insurance of Directors and Officers

During the financial year, HBF paid a premium in respect of a contract insuring the Directors and Officers of HBF and its subsidiaries against liability incurred for conduct, other than conduct involving a wilful breach of duty, to the extent permitted by the Corporations Act 2001. Details of the premium paid, and nature of the liability, are not disclosed as this is prohibited by the insurance contract.

Indemnification of auditors

To the extent permitted by law, HBF has agreed to indemnify its auditors Ernst & Young as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Directors' benefits

Since the end of the previous financial year, no Director has received or has become entitled to receive a benefit in connection with the management of the affairs of the entity other than a benefit included in the aggregate amount of emoluments received or due and receivable by the Directors shown in the accounts in Note 23, and their eligibility for a reduction in insurance premiums, by reason of a contract entered into by the entity or a related corporation with a Director, a firm of which a Director is a member, or an entity in which a Director has submitted a financial interest.

Directors' meetings

Attendance at scheduled Board and Committee meetings held during the financial year, including additional meetings called, is noted below for each Director during their respective term of office:

	Board		Audit Committee		People, Culture and Remuneration Committee		Risk Committee		Transformation Committee		Nominations Committee	
	Scheduled (7)	Additional (6)	Scheduled (6)	Additional (–)	Scheduled (5)	Additional (4)	Scheduled (4)	Additional (2)	Scheduled (5)	Additional (–)	Scheduled (1)	Additional (–)
Mr T Crawford	7	6	6*	–	5	4	3*	2*	5*	–	1	–
Mr R England	7	5	6	–	5	4	4	2	1*	–	–	–
Ms H Kurincic	7	6	6	–	5	4	4	2	1*	–	1	–
Ms G McGrath	7	6	1*	–	5	4	4	2	5	–	1	–
Dr R Moore[1]	3	3	2	–	5*	–	1*	–	1*	–	–	–
Ms D Smith-Gander	7	6	6	–	–	–	–	–	5	–	1	–
Mr B Stewart	7	6	1*	–	–	–	3	2	5	–	1	–
Ms J Seabrook	7	5	5	–	–	–	2*	1*	2*	–	1	–
Mr J Van Der Wielen[2]	6	6	5*	–	3*	3*	–	–	3*	–	1	–

** Indicates the Director attended the Committee by invitation*
[1] Indicates the Director retired as of 27 October 2021
[2] Indicates the Director resigned effective 27 May 2022

In addition to the Board Committee meetings, the Management Investment Committee met six times in FY22.

Other corporate information

HBF is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the Company is wound up, the constitution states that each member, per Schedule 1 'Initial Members' of the Constitution, undertakes to contribute a maximum of $1 towards any debts and liabilities of the Company and of the costs, charges and expenses of winding up.

Environmental regulations

The HBF Group's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest $100,000 (where rounding is applicable) under the option available to HBF under *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*. HBF is an entity to which the instrument applies.

Auditor's independence and non-audit services

The non-audit services provided by HBF's auditor Ernst & Young are reported in Note 20 of the Operating and Financial Review. The Directors are satisfied the provision of non-audit services by Ernst & Young is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means auditor independence was not compromised.

The auditors have provided their independence declaration which can be found on page 117 and forms part of this report.

This report is signed in accordance with a resolution of the Directors.

Diane Smith-Gander AO
Perth, 31 August 2022

Executive team

Simon Walsh

Interim Chief Executive Officer

BEng (Electronic), MBA, GAICD

Formerly: Chief Transformation Officer, HBF

Simon Walsh was appointed interim Chief Executive Officer in May 2022 after five years with HBF in several senior Executive roles. Most recently, Simon has led HBF's transformation program in the role of Chief Transformation Officer; prior to this he was the Executive General Manager Strategy and Ventures, leading the development of the strategy that HBF pursues today.

Simon is an experienced senior Executive and Board member with more than 30 years' professional experience across a broad range of industries including banking and insurance, utilities, management consulting, transport, and building and construction across Australia and in Hong Kong.

He has extensive experience in strategy development and execution, mergers and acquisitions, business improvement, project and program management, leadership, and change, including across companies undergoing periods of significant growth, change and new market expansion.

His board roles have included HBF Dental Services, Whitecoat, HBF Pharmacy, the Bank of Western Australia, Australian Bankers Association, Unisys West, Uberia Asia, Westgate Financial Services, Curtin Business School Advisory Board, and the WA Arts Foundation.

Simon holds a Bachelor of Engineering and Masters of Business Administration. He is a graduate member of the Australian Institute of Company Directors.

Donna Carrington

Chief Financial Officer

BCom, CA

Donna Carrington joined HBF in September 2019 and leads the finance, strategy, business development, data analytics, project management and investments functions. Donna has also previously overseen the actuarial, provider relations and property procurement functions at HBF.

She has a broad range of experience gained from 20 years in external auditing, financial reporting, transaction advice and finance advisory services in Australia, Europe and Asia.

Prior to joining HBF, Donna led the finance advisory practice of Deloitte in Perth, working with CFOs and finance organisations across Western Australia, leading projects to address complex issues including preparing finance functions for the work of the future, leveraging technology and automation. Her early career experience included providing external audit and transaction services to global mining and oil and gas companies.

Donna is a Chartered Accountant, a member of Chief Executive Women, and a graduate of Leadership WA. She holds a Bachelor of Commerce in Accounting and Business Law from Curtin University.

Sanjeev Gupta

Chief Information Officer

BTech (Hons), MBA

Appointed: February 2022

In this newly-created position, Sanjeev Gupta is responsible for leading HBF's technology – including technology strategy and architecture, solutions, cloud engineering, delivery, infrastructure and operations, and technology risk – as well as managing HBF's core technology platforms and driving improvements to enhance workplace practices and member value. He took responsibility for HBF's transformation program in May 2022 when Simon Walsh was appointed interim CEO.

Mr Gupta has more than 25 years' experience leading large and diverse teams at organisations including HCF, Greenstone Financial Services, Cover-More Group, Wesfarmers Insurance and Fuji Xerox Australia. He has delivered several significant and complex digital transformation programs and is passionate about leveraging data, analytics and technology to achieve business strategy.

In addition to his role at HBF, Mr Gupta is a Non-Executive Director of Living My Way, which provides services to people with disabilities, and is a member of the advisory board for the Business Information Management Program at the University of South Australia's School of Computer and Information Science.

Mr Gupta holds a Bachelor of Technology (Hons) from the Indian Institute of Technology, Kharagpur, and a Master of Business Administration (Technology Management) from Deakin University.

Dr Daniel Heredia

Executive General Manager, Health

MBBS (Hons), MBA (Distinction), Dip. Public Health, GAICD, FRACMA, FCHSM

Daniel Heredia has extensive experience in health management, medical regulation and clinical governance and is responsible for HBF's health strategy, health programs, hospital contracting, claims integrity and clinical advice. He also oversees HBF's clinical businesses under the HBF Wellness banner including HBF Dental and the Life Ready Health Group.

Before joining HBF Health, Daniel was the Deputy CEO and Medical Director at Hollywood Private Hospital, one of the largest private hospitals in Australia. Daniel was also involved in leading the WA COVID-19 response as the Deputy Chief Executive COVID-19 Health Operations and has previously worked as a Medical Advisor to Medicare Australia.

Daniel sits on the Medical Board of Australia and is a Board Member of the WA Country Health Service (where he also chairs the Safety and Quality Board Subcommittee). He is a former Councillor of the Australian Medical Association WA and Postgraduate Medical Council of WA.

Daniel has completed a Bachelor of Medicine and Bachelor of Surgery with Honours, an MBA with Distinction, and a Diploma of Public Health. He is a Graduate of the Australian Institute of Company Directors, Fellow of the Royal Australasian College of Medical Administrators and Fellow of the Australasian College of Health Service Management.

Amy Stanley

Executive General Manager, People and Corporate Affairs

BA (Hons), GradDipHR

Amy Stanley was appointed to this newly-created role in April 2020. With extensive experience in human resources strategy, team leadership and people development gained through senior roles in large multinational and global businesses, Amy brings capability and structure to meet the challenges associated with aligning HBF's people, community and communications initiatives at an executive level.

Amy was previously the General Manager Human Resources, Corporate Affairs and Customer Engagement at ATCO Australia from September 2015 to April 2020, and prior to this was the HR Director at Coca-Cola South Pacific. She has also had experience in the banking and insurance sectors.

Amy holds a Bachelor of Arts (Hons) – Political Science and Government and Graduate Diploma in Human Resources, and is a member of Chief Executive Women.

Selina Torrance

Executive General Manager, Member Experience

BBus, PGradDipHRM, MBA, GAICD

Selina Torrance is responsible for HBF's marketing, digital, retail and corporate distribution, member propositions, and back-office operations.

Prior to joining HBF, she held several executive positions with both Bankwest and P&N Bank. She has a proven track record in senior leadership roles across diverse functions and industries with a unique combination of skills and experience in strategic planning, finance, marketing, digital, product development and management, business process excellence, and organisational development.

Selina has an MBA (Exec), a Post Graduate Diploma in Human Resource Development, and a Bachelor of Business from Curtin University. She is a graduate member of the Australian Institute of Company Directors and a graduate of Leadership WA. In 2004, Selina was recognised as the City of Perth award winner in the WA Business News 40Under40 awards. In 2020, Selina received the Telstra Business Women's Award for the medium to large business category in WA.

Board and Executive Director remuneration report

During FY22 we continued our focus to become Australia's most trusted and valued member-based organisation. We delivered on major initiatives aligned to our strategy, which is underpinned by three key pillars:

Optimise and grow

- Achieved 25 months of consecutive growth increasing the member base to 1.1 million members and more than 555,000 policies
- Completed the CUA acquisition increasing national market share to 7.82%

Diversify

- Increased non-WA PHI revenue to approximately 19%
- Grew HBF Dental to six centres
- Acquired leading physiotherapy group Life Ready
- Grew pharmacy and health partnerships by signing an agreement with TerryWhite Chemmart in the eastern states while retaining the existing relationship with Pharmacy 777 in Western Australia

Enhance capabilities

- Improved HBF's learning and development capabilities to upskill our people
- Established an APRA-compliant cyber risk function
- Retained HBF's position as the top-rated PHI app in the Apple store

These achievements lay the foundation that will position HBF for a sustainable future. In FY22, HBF recorded a net loss of $96.9 million due to the costs of delivering on our strategy, in particular the costs of our technology transformation program, coupled with a negative return on our investment portfolio in line with the challenging global financial markets and the revaluation of HBF's head office building.

While the financial performance was disappointing, the fund remains in a strong position to continue delivering for members, with over $1.4 billion in net assets and capital per policy remaining well above many of our peers.

Board changes

As highlighted in the Chair's report, past Chair Tony Crawford will continue as a member of the People, Culture and Remuneration (PCR) Committee until the end of the 2022 calendar year. I am very grateful to Tony for his valuable contribution to the important work of the PCR Committee. We have an immensely qualified new Board Chair in Diane Smith-Gander, and, with the appointment of Jennifer Seabrook in July 2021 as a Non-Executive Director who also serves on the Investment and Audit Committees, our Board is well-placed to lead HBF through the next phase of our growth strategy.

As we progress the appointment of a new Chief Executive Officer in the new calendar year, I express my thanks to our former CEO, John Van Der Wielen, for his service to the organisation and the considerable progress on people, culture and remuneration matters that was made under his leadership. We are very well served by Simon Walsh as interim CEO* and we have not lost momentum in these important areas.

On behalf of the Board, I am pleased to present our 2022 Board and Executive Director remuneration report.

Gai McGrath
Chair, HBF People, Culture and Remuneration Committee

**Simon Walsh is not acting in an Executive Director capacity.*

1. HBF's remuneration philosophy

HBF's remuneration philosophy aligns to the strategic pillars of optimise and grow, diversify and enhance capabilities. The philosophy is described in four statements, each underpinned by a set of key principles the Board defined to guide remuneration decisions for all employees. Our remuneration framework is designed to link reward to business outcomes, individual performance and behaviour (values), and to support HBF's long-term financial soundness and risk management framework.

The values that we live and breathe every day – Members Are Our Reason; We Do The Right Thing; We Are Brave; and We Work As One – inspire us to do the right thing by our members, employees and the community.

HBF's Strategic Pillars

Optimise and Grow | **Diversify** | **Enhance Capabilities**

HBF's Remuneration Philosophy

Market competitive

Attracting, motivating and retaining our people (the best talent in financial services and healthcare) through market competitive remuneration

- Align the interests of our people and HBF by ensuring there is a clear link between remuneration and HBF's performance
- Be market competitive and support our broader People Promise
- Remuneration arrangements are aligned to the impact of the role on HBF business performance

High performance culture

Rewarding a culture of high performance where the member is at the centre of everything we do

- Reward sustainable outperformance across a balance of financial and non-financial measures over the short, medium and long term
- Support HBF's risk management framework and culture, by encouraging appropriate risk behaviours and setting clear performance goals

How and what

Rewarding our people with a focus on 'how' goals are achieved (by using gateways relating to conduct behaviour, risk and compliance outcomes) as much as 'what' is achieved

- Ensure performance and therefore reward are assessed on both 'what' is achieved and 'how' it is achieved with appropriate differentiation applied

Fair, transparent and simple

Ensuring reward is fair, transparent and simple to understand

- Ensure the purpose and value of each element of remuneration is communicated and understood by our people

2. Remuneration governance

HBF has a robust governance framework in place to ensure that our remuneration and performance practices are fair and aligned with the requirements outlined in our risk management framework. Our governance framework also considers regulatory compliance, member outcomes, community expectations and the delivery of sustainable value creation for our members.

The role of the Board in remuneration

HBF Board
Review and approval

People, Culture and Remuneration Committee
Company-wide remuneration framework and policy
Executive and Non-Executive Director (NED) remuneration outcomes

Executive Director
Recommendations on remuneration outcomes for Executives

Management
Implementing remuneration policies

Remuneration advisors
External and independent remuneration advice and information

While there are four permanent members of the PCR Committee, a standing invitation exists to all Non-Executive Directors to attend meetings. The CEO and Executive General Manager People and Corporate Affairs are also invited to attend PCR Committee meetings, except where matters associated with their own performance or remuneration are considered. Further information regarding the PCR Committee members can be found in the Governance Report. For PCR Committee meeting attendance information, please refer to the Directors' Report.

The PCR Committee Charter outlines the responsibilities delegated to the Committee by the Board. The Charter can be found on the HBF website and details the role of the Committee, its responsibilities, membership and operation. The key responsibilities include:

- People – establishing and monitoring our key people strategies to enable the execution of our organisational strategic plan. This includes establishing a diversity and inclusion framework and setting measurable objectives on achieving gender diversity
- Culture – establishing principles for managing and promoting an appropriate risk and performance culture, which is aligned to our strategy and vision, values and purpose
- Remuneration – developing and recommending to the Board to consider and adopt a remuneration framework which supports our strategic objectives, promotes behaviours which support our risk management framework and long-term financial soundness, and meets relevant prudential regulatory requirements. Ongoing monitoring of the implementation of the framework includes making recommendations to the Board on the remuneration of the CEO, direct reports to the CEO, other persons who in the Committee's opinion may affect the financial soundness of HBF, categories of persons covered by the Remuneration Policy and any other person specified by APRA
- Succession planning (Management) – considering and approving succession and related plans for the Executive General Managers and other Responsible Persons as identified in the Fit and Proper Policy for consideration by the Board

The PCR Committee is able to engage the services of an external independent remuneration advisor, to provide guidance on the application of the Remuneration Policy where required. The external advisor has supported the PCR Committee by providing data and reports on various remuneration matters without undue influence from HBF management.

Remuneration policy

The Remuneration Policy sets out our remuneration philosophy and principles which underpin our Remuneration Framework, reflecting the remuneration outcomes for our people. The Policy also establishes various instruments used to manage remuneration within the Remuneration Framework and supports our Performance Management Framework and Risk Management Framework.

As outlined in the Performance Management Framework, at the outset of each performance year, the Board determines the measures against which the CEO will be assessed. The measures are a combination of HBF (Company) and role-specific performance measures that are aligned to the achievement of our strategy. At the completion of the performance year, the Board assesses the performance of the CEO against these measures as well as the values and behaviours we expect of all our employees, including the risk gateway.

The Remuneration Policy is subject to annual review by the PCR Committee to ensure remuneration practices within HBF are effective in meeting the objectives of the policy.

Variable reward governance

Notwithstanding any other provision of the Short-Term Incentive (STI) or Long-Term Incentive (LTI) and regardless of whether any performance condition has been met, the Board, following a recommendation from the PCR Committee may, in its absolute discretion, adjust any variable remuneration before delivery (malus) or reclaim after delivery (clawback) within two years if an adjustment event occurs.

Adjustment events are specified in the STI and LTI Plan rules and may include any material misstatement in the audited consolidated accounts of the company, or if a participant's actions or conduct have amounted to a failure of risk management, fraud or gross misconduct.

The Board retains the right to alter the list of adjustment events in respect of future awards.

3. Overview of Executive Director remuneration

Executive performance and remuneration policy

In applying the principles of our remuneration philosophy, we aim to reward Executives with a level and mix of fixed and variable at-risk remuneration that is appropriate to their position, responsibilities and performance in a way that supports our business strategy and vision.

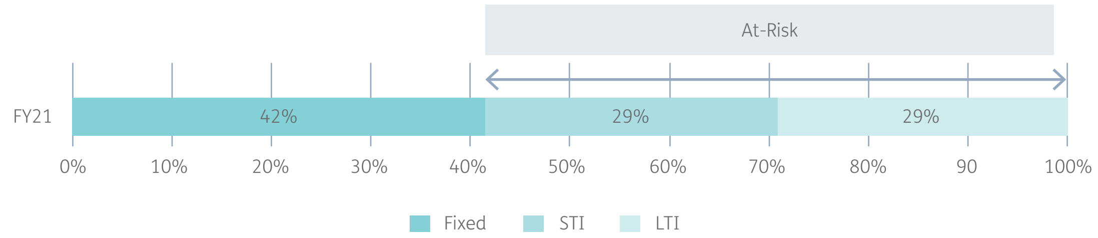
Executive Director remuneration framework

The Executive Director remuneration includes a combination of fixed and variable components. The weighting of each component of remuneration is carefully constructed to be competitive, encourage decision-making over the medium- and long-term, and align with the risk profile and value created for our members.

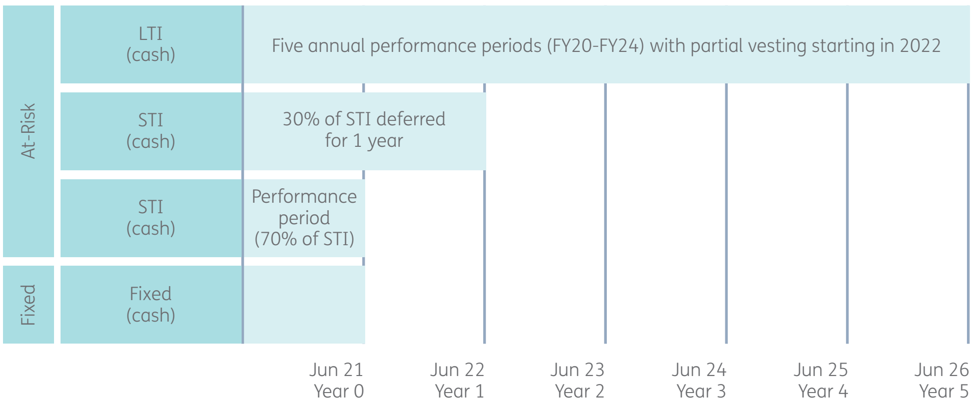
	Component	Performance measure	Performance range	Vehicle[1]
FIXED	Fixed	Local market review of comparable roles in similar companies based on scope of the Executive Director's role	Actual payments reflect individual skill, qualifications, experience and market conditions	Component consists of cash, statutory superannuation where applicable, and other non-monetary benefits
RISK	Short-Term Incentive (STI)[1]	Performance against Board pre-agreed weighted financial and non-financial Key Performance Indicators (KPIs) (i.e. balanced scorecard 90% corporate, 10% individual) with a **risk gateway** applied	0% to 110% of target STI Target STI equals 70% of fixed remuneration	Cash: 70% of award paid October following performance period; 30% deferred for 12 months
RISK	Long-Term Incentive (LTI)[1]	LTI is assessed against two equally-weighted measures: 1. Diversification: Percentage non-WA PHI revenue and percentage non-PHI revenue 2. Financial: Management Expense Ratio (MER) in average of top six health funds and WA market share	Maximum annual LTI equals 70% of fixed remuneration	Cash: Achievement is assessed annually, post year-end throughout the performance period (FY20-24) If annual performance targets are met, the cash payment is deferred for three years with partial vesting commencing at end of FY22

Note 1: As a not-for-profit entity, HBF does not issue shares or options to any Director, Executive or employee, and all remuneration, fixed or variable, is cash-based.

The Executive Director's on target remuneration mix for FY22 is:



The components of remuneration are assessed across multiple horizons to encourage sound long-term decision-making:



Note: Payment of STI and LTI occurs in October post the end of the relevant 30 June performance period, subject to meeting any deferred periods as applicable.

4. Linking remuneration and performance for FY22

Short-term incentive outcome for FY22

At the outset of each performance year, the Board considers a number of financial and non-financial performance measures to be appropriate metrics with an appropriate level of stretch for achievement. These measures are applied to the CEO and other participants of the STI Plan.

STI awards take into account the performance outcomes of these financial and non-financial metrics, along with the performance of the individual. The performance of the individual is based on a reflection of the key performance indicators relevant to their areas of responsibility and role within the HBF Group, and HBF's values.

The table overleaf summarises performance versus target against each FY22 STI component for both financial and non-financial measures based on 30 June 2022 actuals.

	Weighting	Threshold	Target	Stretch	STI award	Comments
Financial						
Group revenue	15%				14.68%	A revenue performance close to target, alongside achieving the Group admin ratio for STI purposes, resulted in a category performance award of 30.79% out of 50.0%. The stretch outcome for the Group admin ratio is as compared to budgeted outcomes, which include higher expected spend due to transformation. The Group surplus threshold was not achieved due to external factors impacting investment returns.
Group admin ratio	15%				16.11%	
Group surplus	20%				0.00%	
Performance assessment – financial measures	50%				30.79%	
Non-financial						
Consideration amongst national members	15%				14.59%	The targets for each of the non-financial measures were narrowly missed for STI purposes, resulting in a category performance award of 46.49% out of 50%.
Ombudsman complaints	15%				13.50%	
Employee engagement score	20%				18.40%	
Performance assessment – non-financial measures	50%				46.49%	
Total assessment/overall outcome	100%				77.3%	

Note 1: Risk gateway was assessed as passed.

Note 2: Adjusted for accounting treatment of transformation program deliverables to ensure compliance with *AASB 138 Intangible Assets.*

Note 3: Excludes Life Ready acquired during the year.

Note 4: The outcome of the performance indicators determines 90% of the STI award for the Executive Director, while 10% is assessed on the individual KPIs which includes an assessment against HBF values. For the Interim CEO, the determination of the STI award is based on 80% financial and non-financial measures, and 20% individual performance.

Long-term incentive outcome for FY22

The LTI is aligned to HBF's performance based on long-term organisational strategy and a five-year measurement and reporting cycle from FY20-24. If annual performance targets are met, the cash payment is deferred for three years, with partial vesting commencing at end of FY22.

The table below summarises performance versus target against each component of the LTI scorecard for both financial and non-financial measures based on 30 June 2022 actuals. As the threshold was not met, no LTI Awards were made.

	Weighting	Target	LTI award	Comments
Financial				
% Non-WA PHI revenue	25%		4.25%	Target was not met for Financial performance measures.
% Non-PHI revenue	25%		0.16% - 0.41%	
Performance assessment – financial measures	50%		4.41% - 4.66%	
Non-financial				
MER in average of top six health funds	25%		3.58%	Target was not met for Non-Financial performance measures
WA market share	25%		12.15%	
Performance assessment – non-financial measures	50%		15.73%	
Total assessment/overall outcome	100%		20.14% - 20.39%	

4. Executive Director and Interim Chief Executive Officer performance pay outcomes 2022

HBF is committed to aligning with best practice corporate governance principles such as those found in the ASX Corporate Governance Council's Principles and Recommendations (4th Edition). In the spirit of transparency for our members and users of this report, the Directors present the Remuneration Report for the Board and the Executive Director for the year ended 30 June 2022.

Awarded performance pay for the Executive Director in FY22

The Executive Director, John Van Der Wielen, stepped down from the role on 27 May 2022. The actual performance pay awarded to the Executive Director in FY22 is presented below.

Executive Director	Year	On target $	Achieved %	Total incentive amount Note 4 $	Cash $	Deferred cash $
John Van Der Wielen	FY22	836,040	–	701,200	205,722	–
	FY21	810,377	84.6%	685,741	480,019	205,722

Note 1: Target STI opportunity is 70% of fixed remuneration.

Note 2: No short-term or long-term incentive was awarded for the FY22 performance period.

Note 3: Cash component relates to the deferred amount from the FY21 performance period.

Note 4: The STI consists of $480,019 relating to FY21 incentive, FY20 STI deferred component of $221,101.

Note 5: Payment on the termination was $205,722 which related to the FY21 STI deferred component.

Awarded performance pay for the Interim Chief Executive Officer for time in role during FY22

The Interim CEO was appointed as at 4 May 2022. The actual performance pay awarded to the Interim CEO is presented below.

Interim CEO	Year	On target $	Achieved %	Total incentive amount $	Cash $	Deferred cash $
Simon Walsh	FY22	94,983	82%	77,660	54,362	23,298

Note 1: Target STI opportunity is 50% of fixed remuneration and is pro-rated for the time in interim CEO role.

Note 2: The STI incentive awarded is for the period 4 May 2022 to 30 June 2022. 70% of the FY22 incentive will be paid in October 2022.

Note 3: 30% of the FY22 incentive will be deferred for 12 months.

Note 4: The interim CEO does not undertake the Executive Director role.

5. Executive Director actual remuneration 2022

The actual remuneration paid to the Executive Director is presented below:

		Fixed			Variable		
Executive Director CEO	Year	Cash salary Note 1 $	Non-monetary benefits Note 2 $	Super Contrib. $	Short-term Incentives Note 3 $	Long-term Incentives Note 4 $	Total remuneration $
John Van Der Wielen	FY22	1,126,879	4,184	23,568	906,842	–	2,061,473
	FY21	1,179,679	3,655	21,694	754,290	–	1,959,318

Note 1: The Executive Director received a 3% increase to fixed remuneration in FY22.

Note 2: The Executive Director was provided with a car parking bay at an estimated value of $4,184 per annum in FY22 and was eligible for a subsidy toward HBF insurance premiums (as is the case for all employees).

Note 3: The STI consists of $480,019 relating to FY21 incentive and FY20 STI deferred component of $221,101. Payment on termination was $205,722 which related to the FY21 STI deferred component.

Note 4: On stepping down from the Executive Director position, a period of one-month consultancy work was provided for which the individual was paid $99,066 (this amount is not included in the table above).

The actual remuneration paid to the Interim CEO for time in the role is presented below:

		Fixed			Variable		
Interim CEO	Year	Cash salary Note 1 $	Non-monetary benefits Note 2 $	Super Contrib. $	Short-term Incentives Note 3 $	Long-term Incentives $	Total remuneration $
Simon Walsh	FY22	160,849	4,184	2,241	54,362	–	167,274

Note 1: This is reflective from 4 May 2022 when appointed to interim CEO role.

Note 2: The Executive Director was provided with a car parking bay at an estimated value of $4,184 per annum in FY22 and was eligible for a subsidy toward HBF insurance premiums (as is the case for all employees).

Note 3: The STI awarded is for the period 4 May 2022 to 30 June 2022. 70% of the FY22 incentive will be paid in October 2022.

6. Non-Executive remuneration

HBF's Non-Executive Director (NED) fee arrangements are structured and set by reference to the following key considerations:

- To attract and appropriately compensate suitably qualified Directors, with experience and expertise appropriate to an unlisted, APRA-regulated, not-for-profit, member-based entity
- To reflect the time commitment expected in fulfilling their Board responsibilities and their contribution to committees and
- To acknowledge Australian market practice and governance expectations for comparable companies

In 2007, the HBF Council approved the creation of a fee pool from which NED fees are paid, providing the HBF Board with the flexibility to manage director fees for membership on the HBF Board, its standing committees and subsidiary boards. At the 2019 AGM, the Council approved the current maximum fee pool of $1.65 million.

The PCR Committee periodically reviews whether fees are appropriate having regard to information provided by independent remuneration consultants. This review was last undertaken in 2019 with an adjustment to fees effective 1 November 2019. Other than CPI, directors' fee levels have remained unchanged from this date.

HBF NED fees consist of a base fee plus committee fees, recognising the additional time commitment required for members of the subsidiary boards and committees while the HBF Board Chair receives a composite fee. NEDs are not entitled to participate in any performance-based awards.

NEDs are engaged under a letter of appointment and are subject to election and rotation requirements as stipulated within the HBF Constitution. NEDs are entitled to be reimbursed for all travel and related expenses reasonably incurred in performing their duties and are eligible for a subsidy towards HBF insurance premiums.

The following table shows applicable fees (inclusive of superannuation) for HBF's Board and committees in FY22.

Board	**Chair**	**Member**
HBF	$295,429	$128,448
Subsidiary Board	$25,690	$12,845
Committee		
Audit	$25,689	$12,845
People, Culture and Remuneration	$25,689	$12,845
Risk	$25,689	$12,845
Transformation	$25,689	$12,845
Wellness	-	$40,000
Dental	-	$20,000
Management Investment (Attendee)	-	$12,845

The actual remuneration earned by the Non-Executive Directors in FY22 is presented below:

		Fixed			
Name	Year	Cash salary and fees $	Non-monetary benefits $	Superannuation contributions $	Total remuneration $
Tony Crawford	**FY22**	**246,104**	**-**	**22,679**	**268,783**
	FY21	273,226	-	21,694	294,920
Richard England	**FY22**	**162,034**	**-**	**16,203**	**178,237**
	FY21	164,299	-	15,608	179,907
Helen Kurincic	**FY22**	**162,034**	**-**	**16,203**	**178,237**
	FY21	164,299	-	15,608	179,907
Gai McGrath	**FY22**	**152,347**	**-**	**15,235**	**167,581**
	FY21	153,346	-	14,568	167,914
Rod Moore[1]	**FY22**	**54,366**	**-**	**5,437**	**59,803**
(retired as Director 27 October 2021)	FY21	169,688	-	16,120	185,808
Diane Smith-Gander AO	**FY22**	**182,627**	**-**	**3,375**	**186,002**
(elected Chair 4 May 2022)	FY21	157,395	-	3,578	160,973
Brent Stewart	**FY22**	**162,034**	**-**	**16,013**	**178,047**
	FY21	153,827	-	14,614	168,441
Jennifer Seabrook *(commenced 19 July 2021)*	**FY22**	**131,334**	**-**	**13,133**	**144,467**
Total Non-Executive Directors	**FY22**	**1,252,880**	**-**	**108,278**	**1,361,158**
Total Non-Executive Directors	FY21	1,236,081	-	101,791	1,337,871

Note 1: Dr R Moore's salary is reflective of his time in role as Director.

HBF Health Limited

Financial report

For the year ended 30 June 2022

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HBF Health Limited
Consolidated statement of comprehensive income
Year ended 30 June 2022

	Notes	2022 $m	2021 $m
Revenue			
Health insurance premium revenue	5(a)	1,843.3	1,627.5
Health services revenue		11.8	0.3
		1,855.1	**1,627.8**
Other income	7	2.4	25.8
Expenses			
Net claims expense	5(a)	(1,611.5)	(1,459.1)
Health services expense		(5.1)	-
Employee benefits expense	17(b)	(143.5)	(122.9)
Depreciation and amortisation		(20.8)	(8.3)
Impairment	14	(24.3)	-
Marketing expense		(25.1)	(23.3)
Professional services fees		(49.3)	(67.0)
IT expenses		(20.4)	(15.1)
Office and administration expenses		(14.8)	(10.6)
Other expenses		(10.3)	(9.6)
		(1,925.1)	**(1,715.9)**
Loss before net investment result and income tax		**(67.6)**	**(62.3)**
Net investment (loss)/income	8	(28.4)	80.0
(Loss)/profit for the year before income tax		**(96.0)**	**17.7**
Income tax expense	19(a)	(0.9)	-
(Loss)/profit for the year		**(96.9)**	**17.7**
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Revaluation of land and buildings	14	(6.3)	(0.2)
Total comprehensive (loss)/income for the year		**(103.2)**	**17.5**
Attributable to:			
Entity's members		(103.3)	17.5
Non-controlling interests		0.1	-
		(103.2)	**17.5**

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

HBF Health Limited
Consolidated statement of financial position
At 30 June 2022

	Notes	2022 $m	2021 $m
Assets			
Current assets			
Cash and cash equivalents		164.0	276.8
Receivables	11(a)	91.2	89.7
Financial assets at fair value	9	1,283.1	1,379.5
Deferred acquisition costs	6	10.0	8.3
Assets held for sale		2.9	3.8
Total current assets		**1,551.2**	**1,758.1**
Non-current assets			
Financial assets at fair value	9	123.0	110.3
Intangible assets	13	229.7	67.2
Property, plant and equipment	14	122.0	130.8
Deferred acquisition costs	6	30.0	14.6
Total non-current assets		**504.7**	**322.9**
Total assets		**2,055.9**	**2,081.0**
Liabilities			
Current liabilities			
Trade and other payables	11(b)	45.8	95.5
Insurance liabilities	5(b)	520.8	423.3
Lease liabilities	15	6.9	2.9
Financial liabilities	16	6.6	-
Employee benefits	17(a)	15.6	12.5
Total current liabilities		**595.7**	**534.2**
Non-current liabilities			
Insurance liabilities	5(b)	51.6	48.3
Lease liabilities	15	12.1	5.9
Employee benefits	17(a)	3.7	2.5
Deferred tax liabilities	19(c)	6.2	-
Total non-current liabilities		**73.6**	**56.7**
Total liabilities		**669.3**	**590.9**
Net assets		**1,386.6**	**1,490.1**
Equity			
General reserve	12	111.5	111.5
Retained earnings	12	1,266.1	1,363.1
Asset revaluation reserve	12	9.2	15.5
Purchase commitment for NCI shares reserve	12	(6.6)	-
Equity attributable to the entity's members		**1,380.2**	**1,490.1**
Non-controlling interests		6.4	-
Total equity		**1,386.6**	**1,490.1**

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

HBF Health Limited
Consolidated statement of changes in equity
Year ended 30 June 2022

	Notes	Retained earnings $m	Reserves $m	Total $m	Non-controlling interests $m	Total $m
At 30 June 2020		1,345.4	127.2	1,472.6	-	1,472.6
Profit for the year		17.7	-	17.7	-	17.7
Other comprehensive loss		-	(0.2)	(0.2)	-	(0.2)
Total comprehensive income		17.7	(0.2)	17.5	-	17.5
At 30 June 2021	12	**1,363.1**	**127.0**	**1,490.1**	**-**	**1,490.1**
(Loss)/profit for the year		(97.0)	-	(97.0)	0.1	(96.9)
Dividends paid		-	-	-	(0.3)	(0.3)
NCI arising on acquisition, subject to purchase commitment		-	(6.6)	(6.6)	6.6	-
Other comprehensive loss		-	(6.3)	(6.3)	-	(6.3)
Total comprehensive loss		(97.0)	(12.9)	(109.9)	6.4	(103.5)
At 30 June 2022	12	**1,266.1**	**114.1**	**1,380.2**	**6.4**	**1,386.6**

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

HBF Health Limited
Consolidated statement of cash flows
Year ended 30 June 2022

	Notes	2022 $m	2021 $m
Operating activities			
Receipt of health insurance premium revenue		1,839.6	1,631.7
Receipt of health services revenue		11.8	0.3
Receipt of other income		3.4	25.4
Payment of claims		(1,666.3)	(1,555.1)
Cash give back to members		(45.6)	-
Risk equalisation receipts		115.9	106.4
Payments to suppliers and employees		(246.7)	(224.0)
Payments to suppliers and employees for transformation expenses		(36.6)	(56.2)
Income taxes paid		(1.1)	-
Interest received		2.3	9.5
Payment of interest portion of lease liabilities		(0.4)	(0.2)
Goods and services tax received (net)		16.1	14.6
Net cash flows used in operating activities	11(c)	**(7.6)**	**(47.6)**
Investing activities			
Acquisition of property, plant and equipment		(19.6)	(17.1)
Payment for transformation asset development		(40.0)	(36.4)
Proceeds on sale of property, plant and equipment		0.4	0.6
Payment for purchase of businesses, net of cash acquired	18	(178.8)	-
Proceeds on sale of business		16.9	-
Redemption of financial assets		587.4	1,223.5
Purchase of financial assets		(492.7)	(924.7)
Distributions received		24.9	17.8
Net cash flows (used in)/from investing activities		**(101.5)**	**263.7**
Financing activities			
Dividends paid to non-controlling interests		(0.3)	-
Payment of principal portion of lease liabilities		(3.4)	(1.6)
Net cash flows used in financing activities		**(3.7)**	**(1.6)**
Net (decrease)/increase in cash and cash equivalents		(112.8)	214.5
Cash and cash equivalents at beginning of year		276.8	62.3
Cash and cash equivalents at end of year		**164.0**	**276.8**

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

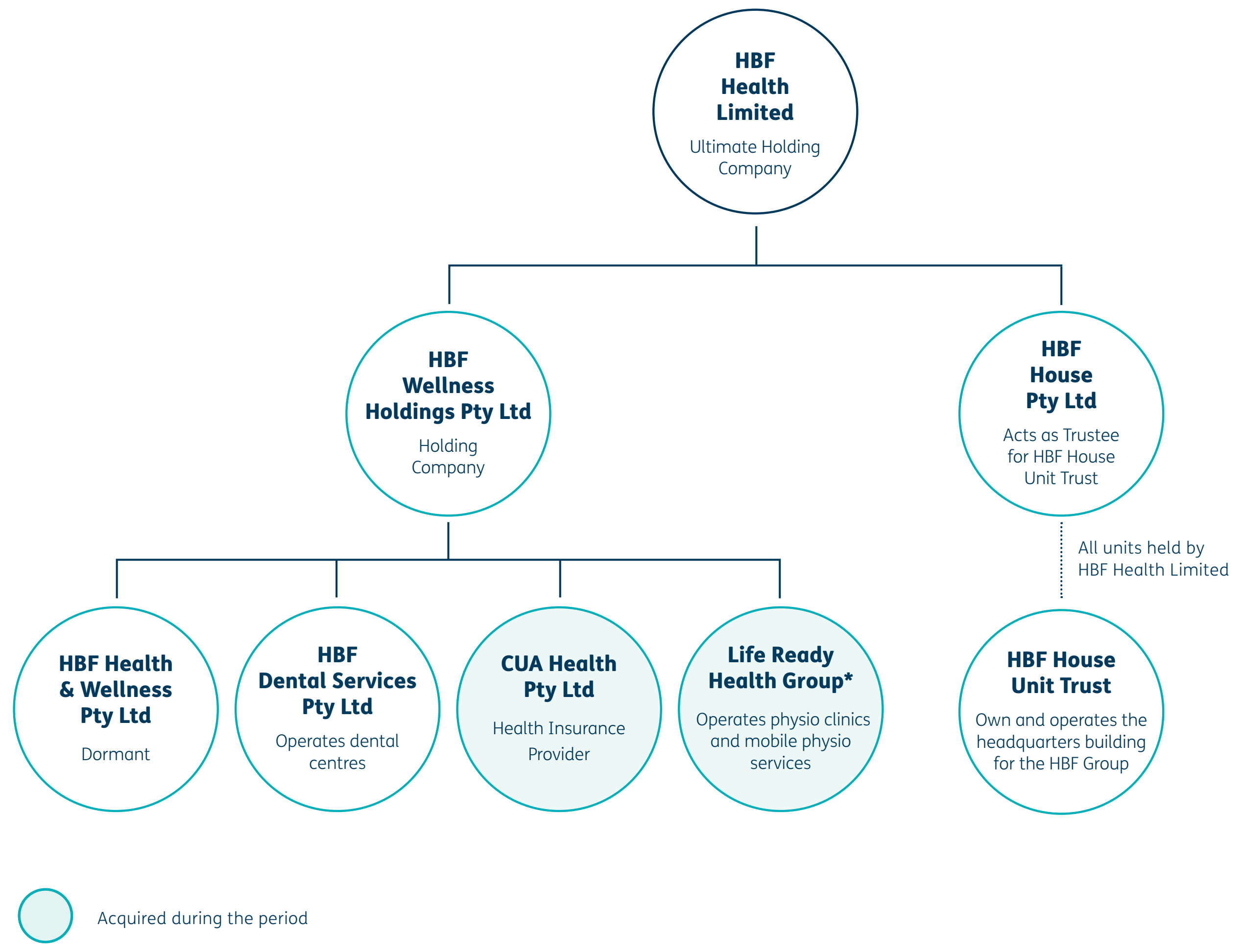
HBF Health Limited
Notes to the financial statements
Year ended 30 June 2022

Section 1: Basis of preparation

1 Entity information

HBF Health Limited (the “Parent”) and its subsidiaries listed in Note 22 of the financial statements (collectively, the “Group”) is a not-for-profit Group limited by guarantee, incorporated and domiciled in Australia. The registered office is located at 570 Wellington Street, Perth WA 6000.

HBF Health Limited has prepared a consolidated financial report incorporating the below entities. All entities, unless otherwise stated, are 100% owned and controlled.



* A number of subsidiaries of the Life Ready Health Group (Life Ready) are partially owned entities. A full list of subsidiaries and the ownership interests are listed in Note 22 of the financial statements.

The principal activities during the year of entities within the HBF Group were:
- Provision of health insurance.
- Provision of dental services.
- Provision of physiotherapy services; Life Ready acquired on 28 February 2022.

The HBF Group had 1,565 employees as at 30 June 2022 (2021: 1,197 employees).

2 Basis of preparation

a) Basis of preparation

The financial report is a general-purpose financial report that has been prepared in accordance with Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board, and the Corporations Act 2001. Management has also incorporated the published views expressed by the Australian Securities and Investment Commission (ASIC) and Australian Prudential Regulation Authority (APRA) on certain matters in its application of accounting standards as they specifically relate to the recognition of the deferred claims liability (DCL) set out in Note 5(b)(iii).

The financial report has been prepared in accordance with the historical cost convention, except for financial assets, financial liabilities and certain classes of property, plant and equipment and assets held for sale, which are measured at fair value. Cost in relation to assets represents the cash amount paid or fair value of the assets given in exchange. Liabilities are stated at amortised cost.

The financial report includes, where necessary, updates to prior year comparatives for changes in classification of amounts in the current reporting period.

The financial report is presented in Australian dollars and all values have been rounded to the nearest hundred thousand dollars, except where specified otherwise, under the option available under ASIC Corporations (Rounding in Financials/Director's Reports) Instrument 2016/191.

b) Statement of compliance

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS), including having incorporated the published views from ASIC on financial reporting under COVID-19 conditions and from APRA on the measurement and recognition of a DCL in response to the unique circumstances arising from the COVID-19 pandemic.

ASIC has previously published guidance stating "private health insurers should recognise a claims liability where an insured person who knows that they have a condition is likely to continue their cover until the surgical procedure has been performed". The guidance advised that "the liability estimate should typically have regard to the pattern of claims in prior periods compared to the pattern of claims in the current year." This is consistent with the guidance provided for the 30 June 2020 and 30 June 2021 financial years and, in effect, still requires a provision at 30 June 2022 for the backlog of medical procedures that were expected to occur during the financial year but did not due to COVID-19 and related government control measures.

APRA has progressively relaxed its guidance and moved to a principles-based approach as data has emerged on the impact of the pandemic, and valuation techniques have evolved. This places greater reliance on insurers to manage their specific risks, to calculate their DCL and ensure this is done prudently. The valuation approach and coverage of the considerations from APRA's guidance have been considered by the Appointed Actuary in determining the deferred claims liability.

c) Basis of consolidation

The consolidated financial statements comprise the financial statements of HBF Health Limited and its subsidiaries as at 30 June 2022. Control is achieved when the HBF Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the HBF Group controls an investee if and only if the HBF Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

HBF Health Limited
Notes to the financial statements
Year ended 30 June 2022

c) Basis of consolidation (continued)

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangements with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The HBF Group re-assess 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. Consolidation of a subsidiary begins when the HBF Group obtains control over the subsidiary and ceases when the HBF Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the HBF Group gains control until the date the HBF Group ceases to control the subsidiary. Investments in controlled entities are carried at cost less provision for impairment if any. All controlled entities have a June financial year-end.

3 Critical accounting judgements and estimates

Significant estimates and judgements are made by the HBF 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, as well as new actuarial modelling techniques.

The key areas involving significant judgement and the methodologies used to determine key assumptions are disclosed in the following notes:

Note 5: Insurance underwriting result
Note 9: Financial assets at fair value
Note 13: Intangible assets
Note 14: Property, plant and equipment
Note 16: Financial liabilities
Note 18: Business combinations and acquisition of non-controlling interests

Section 2: Operating performance

4 Segment information

For management purposes, the Group is organised into business units based on its products and services and has two reportable segments, as follows:

Health Insurance
Offers private health insurance products including hospital cover and ancillary cover, as stand-alone products or packaged products that combine the two. Hospital cover provides members with health cover for hospital treatments, whereas ancillary cover provides members with health cover for healthcare services such as dental, optical and physiotherapy.

Health & Wellness
Wellness derives its revenue from HBF dental centres and providing physiotherapy services through a network of clinics and mobile physiotherapy services to retail clients as well as corporate clients, such as nursing homes, hospitals and rehabilitation facilities.

Segment Reporting Accounting Policy
The Chief Executive Officer (CEO) is the Chief Operating Decision Maker (CODM) and monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Year ended 30 June 2022	Health Insurance $m	Health & Wellness $m	Total segments $m	Adjustments & eliminations[1] $m	Consolidated $m
Revenue	1,843.3	11.8	1,855.1	-	1,855.1
Operating income/(expenses)					
Net claims expense	(1,611.5)	-	(1,611.5)	-	(1,611.5)
Employee benefits	(137.9)	(5.6)	(143.5)	-	(143.5)
Depreciation and amortisation expenses	(15.2)	(2.3)	(17.5)	(3.3)	(20.8)
Other operating expenses[2]	(112.8)	(12.8)	(125.6)	0.7	(124.9)
Segment (loss)/profit	**(34.1)**	**(8.9)**	**(43.0)**	**(2.6)**	**(45.6)**

Year ended 30 June 2021	Health Insurance $m	Health & Wellness $m	Total segments $m	Adjustments & eliminations[1] $m	Consolidated $m
Revenue	1,627.5	0.3	1,627.8	-	1,627.8
Operating income/(expenses)					
Net claims expense	(1,459.1)	-	(1,459.1)	-	(1,459.1)
Employee benefits	(122.0)	(0.9)	(122.9)	-	(122.9)
Depreciation and amortisation expenses	(8.0)	(0.3)	(8.3)	-	(8.3)
Other operating expenses[2]	(114.1)	(4.5)	(118.6)	1.4	(117.2)
Segment (loss)/profit	**(75.7)**	**(5.4)**	**(81.1)**	**1.4**	**(79.7)**

1. Consolidation adjustments and eliminations losses of $2.6 million (2021: $1.4 million profit) include items such as amortisation of customer contracts intangible assets of $2.2 million (2021: nil) not allocated to segments.

2. Health Insurance other operating expenses includes transformation expenses of $44.7 million (2021: $56.2 million).

4 Segment information (continued)

Segment operating profit or loss
A reconciliation of the operating profit from continuing operations to the profit for the year before income tax from continuing operations of the Group is as follows:

	Notes	2022 $m	2021 $m
Total segment operating loss		(45.6)	(79.7)
Unallocated to operating segments:			
General insurance and life insurance expenses (i)		(0.1)	(8.4)
Net investment (loss)/income (ii)	8	(28.4)	80.0
Other income (iii)		2.4	25.8
Impairment expense (iv)	14	(24.3)	-
(Loss)/profit for the year before income tax		**(96.0)**	**17.7**

Other items
Segment operating profit excludes the following:

(i) General insurance and life insurance expenses as HBF exited the general insurance distribution arrangement in June 2021 when it sold its general insurance renewal rights to Insurance Australia Group Limited.

(ii) Net investment loss of $28.4 million (2021: income of $80.0 million) which comprises interest and distributions from other corporations and fair value movements on financial assets. This arises from investments which are managed by a central treasury function.

(iii) Other income of $2.4 million (2021: $25.8 million) which do not relate to trading activities of the Group's segment.

(iv) Impairment expense of $24.3 million which does not relate to the Group's reportable segments.

Segment assets and segment liabilities
Segment assets and liabilities are not reported to the CEO for the purpose of making strategic decisions, and therefore information relating to the segment assets and liabilities has not been disclosed.

Geographic information
The Group derives all of its revenues from its Australian operations.

5 Insurance underwriting result

(a) Insurance underwriting result

	Notes	2022 $m	2021 $m
Gross written premiums		1,869.2	1,634.7
Movement in unearned premiums		(25.9)	(7.2)
Health insurance premium revenue	5(b)	1,843.3	1,627.5
Claims expenses		(1,720.7)	(1,574.7)
Risk equalisation		109.2	115.6
Net claims expense		(1,611.5)	(1,459.1)
Gross underwriting margin		231.8	168.4
Claims handling expenses		(35.1)	(33.3)
Acquisition costs	6	(29.8)	(24.4)
Other underwriting costs		(201.0)	(186.4)
Underwriting expenses		(265.9)	(244.1)
Underwriting result after expenses		**(34.1)**	**(75.7)**

Health insurance premium revenue recognition accounting policy
Health insurance premium revenue is recognised in the consolidated statement of comprehensive income when the amount can be reliably measured, and it is probable that future economic benefits will flow to the entity. Health insurance premium revenue is measured at the fair value of the consideration received or receivable and is recognised on a straight-line basis between the date HBF accepts the risk from the insured under the insurance contract and the date the premium has been paid up to. Health insurance premium revenue is classified as an unearned premium liability in the consolidated statement of financial position when it relates to future financial periods.

The Australian Government contributes a rebate towards an eligible policyholder's premium and pays this directly to HBF. This rebate is recognised within premium revenue in the consolidated statement of comprehensive income. Rebates due from the government but not received at the balance date are recognised as trade and other receivables.

Claims expenses accounting policy
Claims expenses consists of amounts paid and payable to members, hospital, medical and ancillary providers, changes in claims liabilities, and applicable state levies. Claims liabilities (outstanding and deferred claims) are discussed in Note 5(b).

Risk equalisation accounting policy
Risk equalisation relates to amounts recoverable from the Risk Equalisation Special Account (RESA) which is administered by APRA. The RESA is a scheme to subsidise health insurers for high cost claims and age-based claims amongst health insurers. Risk equalisation is recognised based on the amounts received during the year and the amount receivable at financial year end as calculated by APRA.

5 Insurance underwriting result (continued)

(b) Insurance liabilities

	Notes	2022 $m	2021 $m
Unearned premium liability	(i)	250.1	224.2
Outstanding claims liability	(ii)	135.4	117.9
Deferred claims liability	(iii)	97.5	40.1
GapSaver	(iv)	89.4	89.4
		572.4	471.6
Current		520.8	423.3
Non-current		51.6	48.3
		572.4	471.6

(i) Unearned premium liability

	Notes	2022 $m	2021 $m
Unearned premium at beginning of year		224.2	217.0
Additions through business combinations	18	10.9	-
Premium written during the year		1,858.3	1,634.7
Premium earned during the year	5(a)	(1,843.3)	(1,627.5)
Unearned premium at end of year		250.1	224.2
Current		249.7	223.8
Non-current		0.4	0.4
		250.1	224.2

Unearned premium accounting policy
Premiums received in advance are reflected as a provision that is based on an assessment of each individual member's contribution date and paid-to-date for all contribution periods. The proportion of premium received that has not been earned at the end of each reporting period is recognised in the consolidated statement of financial position as unearned premium liability.

Unexpired risk liability accounting policy
A liability adequacy test (LAT) is required to be performed in respect of the unearned premium liability and insurance contracts renewable before the next pricing review (constructive obligation). The purpose of the test is to determine whether the insurance liability, net of related deferred acquisition costs, is adequate to cover the present value of expected cash outflows relating to future claims arising from rights and obligations under current insurance contracts. An additional risk margin is included in the test to reflect the inherent uncertainty in the central estimate. The LAT is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio.

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

The entire deficiency is recorded immediately in the statement of comprehensive income. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the consolidated statement of financial position as an unexpired risk liability.

5 Insurance underwriting result (continued)
(b) Insurance liabilities (continued)
(i) Unearned premium liability (continued)

The probability of sufficiency (POS) adopted in performing the LAT is set at 75% (2021: 80%). The percentile adopted was changed by the HBF Board with consideration of risk appetite, aligning with regulatory requirements and prudent industry practice. Being a test of adequacy, the LAT is intended to highlight deficiencies in portfolio pricing following an analysis of underwriting and associated expense margins. The change in POS reduces the estimates of future claims but does not alter the result of the LAT at 30 June 2022.

Liability adequacy testing did not result in the identification of any deficiency as at 30 June 2022 or 30 June 2021. The LAT did not include the DCL at 30 June 2022 or 30 June 2021.

(ii) Outstanding claims liability

	Notes	2022 $m	2021 $m
Central estimate of outstanding claims liabilities		137.6	121.7
Claims handling expenses		3.0	2.6
Risk margin		6.1	4.0
Risk equalisation		(11.3)	(10.4)
		135.4	117.9

Reconciliation of movement in claims liabilities

	Notes	2022 $m	2021 $m
Opening balance		117.9	115.9
Additions through business combinations	18	10.0	-
Claims incurred during the period		1,671.9	1,576.6
Claims paid during the period		(1,666.3)	(1,555.1)
Adjustments to claims incurred in prior years		0.8	(21.4)
Claims handling costs		0.2	-
Risk margin		1.2	0.6
Risk equalisation		(0.3)	1.3
Closing balance		135.4	117.9

Outstanding claims liability accounting policy
The outstanding claims liability provides for claims received but not assessed and claims incurred but not received. It is based on an actuarial assessment that considers historical patterns of claim incidence and processing. It is measured as the central estimate of expected future payments arising from claims incurred at the end of each reporting period under insurance cover issued by HBF, plus a risk margin reflecting the inherent uncertainty in the central estimate.

The liability also allows for an estimate of claims handling costs, which comprise all direct expenses of the claims department and general administrative costs directly attributable to the claims function.

All outstanding claims liabilities are expected to be settled within one year.

Deferred claims are not included in the calculation of the outstanding claims liability. The DCL is presented separately in Note 5 (b)(iii).

5 Insurance underwriting result (continued)
(b) Insurance liabilities (continued)
(ii) Outstanding claims liability (continued)

Key estimates related to valuation of the outstanding claims liability
The outstanding claims liability as at 30 June 2022 covers the estimated cost of claims incurred but not settled at the reporting date, including the cost of claims incurred but not reported to the HBF Group. This provision comprises a central estimate, estimated claims handling expenses and a risk margin that is added to the central estimate to increase the probability that the provision will be adequate. The outstanding claims liability is in large part determined with reference to claims patterns in the months immediately preceding year-end.

(a) Central estimate
The central estimate is an estimate of the level of claims liability.

Central estimates for each class of business are determined by reference to statistical analysis of historical experience which assumes an underlying pattern of claims development and payment. A separate estimate is made of risk equalisation funds payable to or receivable from the Private Health Insurance RESA.

In estimating the central estimate consideration is generally given to historical trends in the speed of settlement of claims, trends in claim characteristics such as frequency and average size, and changes in the size of exposure measured by number of persons covered, earned premiums and product benefits.

(b) Claims handling expenses
Claims handling expenses were calculated by analysis of actual expenses over the last 12 months. The allowance for claims handling expenses applies a rate of 2.2% (2021: 2.1%) to the outstanding claims liabilities.

(c) Risk margin
The determination of the appropriate level of risk margin takes into account the inherent uncertainty or variability of the central estimate. The risk margin increases the probability that the estimate of the net liability is adequate to a minimum of 80% (2021: 80%) i.e. such that four in five years enough provision has been made to cover the liabilities. The risk margin applied to increase the level of sufficiency of the central estimate to 80% is 5.1% (2021: 3.6%). HBF's risk margin has increased to reflect both the recent higher volatility in hospital claims processing patterns, and the acquisition of CUA Health Pty Limited (CUAH).

The measurement of variability uses techniques similar to those used in determining the central estimate to estimate theoretical claims over different periods. These techniques determine a range of possible outcomes of future payments and compare it to actual outcomes. The use of a range of outcomes allows a determination of the risk margin required to provide an estimate at a given POS.

(d) Risk equalisation
Risk equalisation was calculated by analysis of actual claims and risk equalisation received over the last 12 months. The allocation of risk equalisation applies a rate of 8.2% (2021: 9.1%) to the hospital outstanding claims liabilities.

(e) Discounting
Given the short weighted mean term of the liability (less than two months), no explicit allowances for discounting have been deemed necessary.

5 Insurance underwriting result (continued)
(b) Insurance liabilities (continued)
(ii) Outstanding claims liability (continued)

Impact of changes in key variables on the outstanding claims provision
The central estimate, claims handling expenses and risk margin are the key outstanding claims variables. The following sensitivity analysis shows the impact on profit if the central estimate and other key outstanding claims variables including risk margin and claims handling expenses had moved, with all other variables held constant.

	Movement in variable	Profit/ (loss) $m
30 June 2022		
Central estimate	+10%	(13.8)
	-10%	13.8
Risk margin and claims handling expenses	+1%	(0.1)
	-1%	0.1
30 June 2021		
Central estimate	+10%	(12.2)
	-10%	12.2
Risk margin and claims handling expenses	+1%	(0.1)
	-1%	0.1

(iii) Deferred claims liability

	Notes	2022 $m	2021 $m
Opening balance		40.1	94.3
Additions through business combinations	18	17.6	-
Additional deferred claims recognised		76.5	23.3
DCL utilised / claims avoided		(32.5)	(36.8)
Claims handling expenses		1.2	(1.2)
Risk equalisation adjustment		(5.4)	3.0
Transfer to payables for payment to members		-	(42.5)
Closing balance		97.5	40.1

At the start of the COVID-19 pandemic between March and June 2020, HBF's claims experience was aligned to the rest of the industry.

From 30 June 2020, there has been a material difference between the experience of HBF and other health insurer's primarily driven by HBF's large membership base in WA with its unique COVID-19 management (extended closed borders) and experience. This led to lower impacts of COVID-19 in the year ended 30 June 2021 and a different pattern of member givebacks.

At 30 June 2021, a liability of $40.1 million was recognised as an estimate for these deferred claims that were still likely to return (with a separate payment to members for surplus COVID-19 deferred claims of $42.5m recorded in Trade and other payables).

During the current reporting period, the Delta and Omicron waves and easing of border restrictions has resulted in more significant variations between expected and actual claims i.e. claims that may either be deferred or permanently avoided.

HBF Health Limited
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5 Insurance underwriting result (continued)
(b) Insurance liabilities (continued)
(iii) Deferred claims liability (continued)

In order to ensure the Group has adequate coverage of the claims that could return, a provision of $97.5 million has been recognised at 30 June 2022.

While it is difficult to precisely determine the level of sufficiency due to the one-off nature of the risk, the DCL is considered to be adequate at a minimum of 80% (2021: 80%). The central estimate is $38.8 million (2021: $29.6 million) and the risk margin is $58.7 million (2021: $10.5 million)

Deferred claims liability accounting policy
The DCL is calculated with regard to the claims that were expected to occur during the current and previous financial periods but did not eventuate due to the ongoing impacts of the pandemic. Consideration has been given to forecast claims adjusted for changes in membership volumes, age and product mix, other business or strategic changes such as product and provider contract changes; the level of claims considered to have returned to date; and the proportion of claims that are not expected to return. Management will continue to monitor claims utilisation patterns to determine the appropriate level of DCL to be maintained.

Key estimates related to valuation of the deferred claims liability
The key risks surrounding this estimate and recommended provision are the accuracy of the baseline HBF underwriting forecast, and assumptions for the portion of missing claims from each time period which are assumed to return in future, as opposed to being permanently avoided.

The estimation of the DCL at 30 June 2022 is highly judgemental given the unprecedented nature of the pandemic and its ongoing impact in Australia. The actuarial analysis has estimated the remaining provision with reference to:

(i) Pre-COVID-19 baseline forecast, adjusted for changes in the business, membership volumes and profile;
(ii) Identification of total claims difference between baseline forecast and actual claims results in different time periods;
(iii) Detailed analysis of claims by category with comparison to (i) to (ii) above;
(iv) Expected percentage return of claims over time with reference to experience of claims returning from earlier periods of COVID-19 restrictions, APRA guidance and industry benchmarks.

There is significant uncertainty relating to the proportion of deferred claims that will return in the future. Hospital capacity has been reduced with the latest Omicron waves, which is impacting members' ability to catch up from deferred procedures. Most of the liability relates to lower than expected experience from the last six months, with limited data available on the amount of these claims returning. To achieve a similar level of adequacy, the risk margin required at 30 June 2022 is $58.7 million (2021: $10.5 million).

5 Insurance underwriting result (continued)
(b) Insurance liabilities (continued)
(iii) Deferred claims liability (continued)

Impact of changes in key variables on the deferred claims liability
The key variable in the DCL estimate is the portion of deferred claims that will return. The following sensitivity analysis shows the impact on profit if the portion of deferred claims expected to return had moved, with all other variables held constant.

	Movement in variable	Profit/ (loss) $m
30 June 2022		
Claims deferred, expected to return	+10%	(10.0)
	-10%	10.0
30 June 2021		
Claims deferred, expected to return	+10%	(4.4)
	-10%	4.4

(iv) GapSaver liability

	2022 $m	2021 $m
Movement in provisions		
Balance at beginning of year	89.4	91.3
Member deposits	47.6	49.1
Member withdrawals	(45.8)	(52.6)
Present value adjustment	(2.9)	0.2
Adjustment for cancellations	1.1	1.4
Balance at end of year	89.4	89.4
Current	38.2	40.7
Non-current	51.2	48.7
	89.4	89.4

GapSaver liability accounting policy
Contributions received for the GapSaver option are brought to account in line with that member's product. The GapSaver provision is reduced when it is utilised to cover the gap on a member's claim (the difference between the amount charged for treatment and the benefit payable on that treatment). The balance of the GapSaver provision (i.e. the excess of GapSaver contributions made over GapSaver contributions utilised) is subject to discounting based on actuarial calculations.

Key estimates related to valuation of the GapSaver liability
In estimating the valuation of the GapSaver liability, consideration is given to the projected hospital and general treatment benefits per policy and the cancellation rate. The GapSaver product is no longer available for new members and increases therefore only occur to due existing member deposits.

6 Deferred acquisition costs

	Notes	2022 $m	2021 $m
Deferred acquisition costs at beginning of year		22.9	5.8
Acquisition costs incurred		46.9	41.5
Acquisition costs charged to profit and loss	5(a)	(29.8)	(24.4)
Deferred acquisition costs at end of year		40.0	22.9
Current		10.0	8.3
Non-current		30.0	14.6
		40.0	22.9

(a) Acquisition costs charged to profit and loss

	Notes	2022 $m	2021 $m
Amortisation of deferred acquisition costs		(8.4)	(5.2)
Brand and distribution costs expensed		(21.4)	(19.2)
	5(a)	(29.8)	(24.4)

Deferred acquisition costs accounting policy
Acquisition costs incurred in obtaining insurance contracts are expensed immediately, except where they can be specifically attributed to policy acquisition and product growth in which case they are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to revenue that will be recognised in the statement of comprehensive income in subsequent reporting periods.

Deferred acquisition costs are amortised systematically in accordance with the expected pattern of the incidence of risk under the insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding premium revenue. The HBF Group amortises these costs on a straight line basis over a period of 5 years (2021: 5 years).

7 Other income

	2022 $m	2021 $m
Commission income	-	10.3
Sale of general insurance distribution arrangement (i)	-	15.0
Rental revenue	0.4	0.3
Other non-operating revenue	2.0	0.2
	2.4	25.8

(i) HBF exited the general insurance distribution arrangement effective 30 June 2021 when it sold its general insurance renewal rights to Insurance Australia Group Limited for $15.0 million.

Section 3: Investment portfolio and capital

8 Net investment result

	2022 $m	2021 $m
Unrealised (loss)/gain on change in fair value of investment portfolio	(44.0)	55.5
Unrealised loss on change in fair value of strategic investments	(13.2)	-
Interest from other corporations	3.9	6.7
Distributions from other corporations	24.9	17.8
	(28.4)	80.0

During the period, HBF made a strategic equity related investment in Pacific Smiles Group Limited (PSG). The investment further strengthens the relationship with a key strategic partner after signing a 10-year partnership agreement in 2020 to support HBF's expansion into dental services. The investment in PSG, which is considered strategic in nature, is not managed under the Investment Management Standard and has been excluded from the portfolio composition.

Investments accounting policy

Unrealised gains and losses reflect the change in the fair value of the investment portfolio that has yet to be realised. Interest revenue is recognised as it accrues using the effective interest rate method. Distributions represent realised gains, dividends and other distributions received or receivable from fund managers in association with the investment portfolio. They are recognised as revenue as they become due.

9 Financial assets at fair value

	2022 $m	2021 $m
Defensive		
Cash investments	698.0	546.5
Fixed interest	33.2	42.4
Global absolute return bonds	130.1	271.5
Short duration credit	97.5	244.8
Growth		
Equity related investments	295.5	274.3
Global unlisted infrastructure	123.0	110.3
Strategic		
Equity related investment - Pacific Smiles Group Limited	28.8	-
	1,406.1	1,489.8
Current	1,283.1	1,379.5
Non-current	123.0	110.3
	1,406.1	1,489.8

All financial assets other than global unlisted infrastructure assets are considered to be current as they are redeemable within one year of the reporting date. Unlisted infrastructure is typically redeemable within one to three years and is therefore classified as a non-current asset.

The Group's investments are comprised of two investment portfolios, HBF (the "Parent") and CUAH. Each portfolio is managed in accordance with the respective Investment Management Standard and prescribed strategic asset allocations. Both portfolios have a long-term strategic asset allocation of 30% growth and 70% defensive assets in line with the investment beliefs and risk appetite.

As a major Australian health fund, HBF recognises the importance of being financially sustainable as well as being environmentally and socially responsible. In line with this, HBF's investment portfolio is managed in a way which supports the health and community values of HBF and reflects its commitment to social responsibility.

9 Financial assets at fair value (continued)

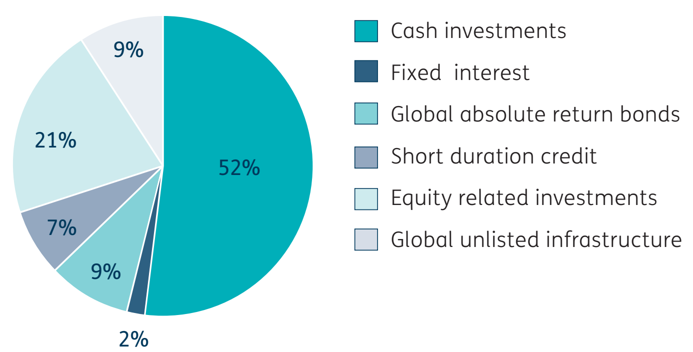
Investments are managed in accordance with HBF's Investment Management Standard and prescribed strategic asset allocation, as presented in the portfolio composition below:

Portfolio composition (excluding strategic investments):

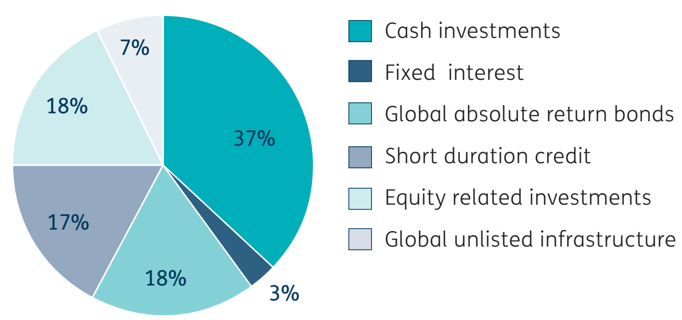
	Benchmark	Allowable range [1]	2022	2021
Defensive				
Cash investments	65.0%	35.0% - 100.0%	51.6%	36.7%
Australian fixed interest	2.5%	0.0% - 20.0%	2.4%	2.8%
Global absolute returns bonds	2.5%	0.0% - 20.0%	9.3%	18.2%
Short duration credit	0.0%	0.0% - 20.0%	6.9%	16.4%
	70.0%	**60.0% - 100.0%**	**70.2%**	**74.2%**
Growth				
Equity related investments	18.0%	0.0% - 20.0%	21.0%	18.4%
Global unlisted infrastructure	6.0%	0.0% - 12.0%	8.8%	7.4%
Australian direct property	6.0%	0.0% - 12.0%	-	-
	30.0%	**0.0% - 40.0%**	**29.8%**	**25.8%**

1. The allowable ranges are those prescribed for the HBF investment portfolio only. Portfolio composition outside the allowable ranges is due to the combination of the HBF and CUAH investment portfolios; however, individually each investment portfolio is within its prescribed allowable range.

30 June 2022



30 June 2021



9 Financial assets at fair value (continued)

Accounting policy

Assets backing insurance liabilities
As required under AASB 4 *Insurance Contracts* and AASB 1023 *General Insurance Contracts* all investments with the exception of 'Investment in Controlled Entities', 'Investment in Associates' and 'Non-current Assets Held for Sale' are deemed to back insurance liabilities and are valued at fair value through the profit and loss.

Investments accounting policy
HBF Group's financial assets were measured at fair value through profit or loss throughout the reporting period. When financial assets are recognised initially, they are measured at fair value in the statement of financial position with any resultant unrealised profits and losses recognised in the statement of comprehensive income.

HBF holds investments in cash, term deposits with banks, listed equities, units in unlisted unit trusts which invest in financial instruments and equities, and infrastructure investments funds. Cash investments are cash which is invested in call accounts or term deposits with an HBF-approved Authorised Deposit Taking Institutions (ADI). Fixed interest comprises corporate bonds, global absolute return bonds and short duration credit.

A financial asset is derecognised when the rights to receive cash flows from the asset have expired or HBF Group retains the right to receive cash flows from the asset and either HBF Group has transferred substantially all the risks and rewards of the asset or HBF Group has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Fair value hierarchy
The fair value of HBF Group investments are measured according to the following fair value measurement hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;
Level 2: quoted market prices in an active market (that are unadjusted) for identical assets or liabilities;
Level 3: valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For financial instruments that are recognised at fair value on a recurring basis, HBF Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Key estimates related to the valuation of level 2 and 3 investments
Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such funds, adjusted for any factors likely to impact the redemption price to reflect fair value based on a likely exit price if the units were to be sold in the market. The value of the underlying investments within the unit trusts that are traded in active markets is determined by the fund managers based on their quoted market prices at the reporting date. The value of investments that are not traded in an active market is determined by the fund managers using valuation techniques. Such techniques include the use of recent arm's length transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow technique or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. The nature of such investments requires a degree of judgement and estimation based on information available at the time of deriving a valuation. The fair value of such investments is therefore subject to a level of uncertainty not present in actively traded markets.

The estimated fair values of the investments in infrastructure are determined by the fund manager at each valuation date. HBF's interest in these investments is based on its proportionate ownership. Such investments may include direct investments in infrastructure assets, partnership interests or other interests in infrastructure-related assets. As part of the fund manager's valuation process, infrastructure assets are valued by independent appraisers on a quarterly basis. Asset valuations and the salient valuation-sensitive assumptions of each interest are reviewed by the fund manager. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. There are three valuation techniques that can be used: the market, income or cost approach; the appropriateness of each approach depends on the type of assets or business being valued.

9 Financial assets at fair value (continued)
Fair value hierarchy (continued)

The following table presents HBF Group's financial assets measured and recognised at fair value on a recurring basis:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
As at 30 June 2022				
Cash investments	698.0	-	-	698.0
Fixed interest	-	33.2	-	33.2
Global absolute return bonds	-	130.1	-	130.1
Short duration credit	-	97.5	-	97.5
Equity related investments	129.0	195.3	-	324.3
Global unlisted infrastructure	-	-	123.0	123.0
	827.0	456.1	123.0	1,406.1
As at 30 June 2021				
Cash investments	546.5	-	-	546.5
Fixed interest	-	42.4	-	42.4
Global absolute return bonds	-	271.5	-	271.5
Short duration credit	-	244.8	-	244.8
Equity related investments	112.5	161.8	-	274.3
Global unlisted infrastructure	-	-	110.3	110.3
	659.0	720.5	110.3	1,489.8

There were no transfers between levels during the 30 June 2022 or 30 June 2021 financial years.

Level 2 fair value
The level 2 fair value investments are valued at quoted market prices provided by fund managers at the reporting date.

Reconciliation of level 3 fair value

	2022 $m	2021 $m
Opening balance	110.3	100.2
Purchases	-	-
Fair value gains recognised in profit and loss	12.7	10.1
Closing balance	123.0	110.3

9 Financial assets at fair value (continued)
Fair value hierarchy (continued)

The following table provides quantitative information about significant unobservable inputs related to level 3 fair value movements:

Asset classification	Fair Value $m	Valuation technique	Unobservable Input	Range
JP Morgan Infrastructure Investments Fund	59.1	Income Approach	Discount rate	6.0%-14.3%
IFM International Infrastructure Fund	63.9	Discounted Cash Flow	Discount rate	8.0%-15.6%
	123.0			

Significant increases or decreases in any of these inputs in isolation would result in significantly lower or higher fair value measurements.

A 10% increase/ decrease in the fair value of global unlisted infrastructure would result in a $12.3 million decrease/increase to profit or loss (2021: $11.0 million).

10 Risk management

HBF Health Limited has a comprehensive enterprise-wide risk management framework and processes that are consistent with the ISO 31000; risk management.

(a) Governance framework
The HBF Board has overall responsibility for corporate governance of HBF Health Limited and its subsidiaries. This includes authority to determine, review and approve policies, practices, management performance and financial operations. All Non-Executive Directors are independent.

HBF's Corporate Governance Statement is informed by contemporary Australian standards including the Australian Stock Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations. HBF applies such principles in a manner consistent with its status as a not-for-profit member organisation.

The directors execute their responsibility directly and via participation in Board Committees. Each Committee has a charter approved by the HBF Board that details its purpose, focus, powers and authority. This includes the Audit Committee, the Risk Committee, the People, Culture and Remuneration Committee, the Transformation Committee and the Nomination Committee.

The Audit Committee oversees the compliance of financial reporting practices, accounting practices and audit and assurance. The Risk Committee oversees the implementation of the risk management framework of the HBF Group. The role of the People, Culture and Remuneration Committee is to assist the HBF Board in overseeing people, culture and remuneration policies and practices across the Group. The primary objective of the Transformation Committee is to assist the Board in fulfilling its responsibilities relating to governance of the HBF business Transformation program, including providing oversight of the adequacy and effectiveness of the Business transformation program and the key initiatives within it.

This is supplemented by a clear organisational structure with approved delegated authorities and responsibilities for the Board, executive management and senior managers. More detailed information can be found in the Governance Report.

10 Risk management (continued)

(b) Capital management framework
HBF Health Limited has a Capital Management Policy (which includes a Capital Management Policy and a Liquidity Management Plan) endorsed by the Board as part of the annual planning and budgeting cycle. The Capital Management Policy incorporates APRA's minimum requirement for a capital management policy and minimum considerations for a liquidity management plan.

The Capital Management Standard of HBF Health Limited establishes the framework and guidelines for the management and governance of capital and liquidity. It also addresses the capital and liquidity needs of HBF Health Limited with reference to the objects and risk appetite of the Board, and the explicit link between capital, pricing, investments and liquidity.

(c) Insurance contracts risk
HBF provides private health insurance products including hospital cover and extras cover, as stand-alone products or packaged products that combine the two. Insurance risks and the holding of capital in excess of prudential requirements are managed through the following measures:

(i) Claims management and claims provisioning risks
Strict claims management ensures the timely and correct payment of claims in accordance with the policy conditions and provider contracts. HBF Group's approach to determining the outstanding claims provision is set out in Note 5. The Chief Actuary assesses the HBF Group's outstanding claims provision reported at reporting date.

(ii) Experience monitoring
Monthly financial and operational results, including portfolio profitability and prudential capital requirements, are reported to management committees and the Board. Results are also monitored against industry for insurance risks and experience trends as published by the regulator, APRA.

(iii) Prudential capital requirements
All private health insurers must comply with prudential capital requirements to provide a buffer against certain levels of adverse experience. The HBF Board has a target level of capital which exceeds the regulatory requirement.

(iv) Ability to vary premium rates
Actuarial-based methods and models use historical data to calculate premiums and monitor claims patterns. HBF requires regulatory approval prior to implementing annual rate increases.

(v) Risk equalisation
Private health insurance legislation requires resident private health insurance contracts to meet community rating requirements. This prohibits discrimination between people on the basis of their health status, gender, race, sexual orientation, religious belief, age (except as allowed under Lifetime Health Cover provisions), increased need for treatment or claims history. To support these restrictions, all private health insurers must participate in the RESA.

(vi) Concentration of insurance risk
HBF Group minimises concentration of risk in relation to premiums receivable by undertaking transactions with a large number of customers and terminating policies in cases of non-payment. Although members predominantly reside in Western Australia, the main insurance claims risk for the health insurance business relates to the ageing demographic. This risk is mitigated somewhat through participation in the RESA.

10 Risk management (continued)

(d) Financial risk management

The key objectives of the HBF Group's capital management strategy are to maintain appropriate levels of regulatory capital, ensure sufficient liquidity to meet the HBF Group's working capital obligations, including the settlement of insurance liabilities, and to optimise investment returns.

(i) Cash flow and liquidity risk

Cash flow and liquidity risk is the risk that HBF Group cannot meet or generate sufficient cash resources to meet its payment obligations in full as they fall due. It may result from either an inability to sell financial assets quickly at their fair value, or a counterparty failing on repayment of a contractual obligation, or insurance liability falling due for payment earlier than expected, or inability to generate cash inflows as anticipated. HBF Group prudentially manages liquidity risk by maintaining sufficient working capital. In the event surplus cash exists, these funds are added to the entity's investment portfolio. In line with the Capital Management Policy and Liquidity Management Plans, a minimum level of cash at bank is held and term deposits are matured on a regular basis to cover any projected working capital shortfalls.

The financial liabilities exposed to cash flow and liquidity risk are trade and other payables, insurance claims provisions and the liability recorded to reflect the commitment to purchase shares held by non-controlling-interest (NCI) holders in the Life Ready Health physio clinics. Trade and other payables mature within three months of the balance date. Outstanding claims mature within one year of the balance sheet date. The purchase commitment for NCI shares liability does not contain a fixed amount or timing and are based on the conditions existing at balance sheet date.

(ii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of a change in market factors, comprising currency risk, interest rate risk and price risk. HBF Group has policies that limit the amount of exposure to any one fund manager and class of investment asset thereby minimising market concentration risk. Independent consultants annually measure fund manager performance and periodically review the investment asset allocation.

(iii) Currency risk

Investments in foreign currency denominated assets, such as international equities and fixed interest, carry the potential for currency movements (relative to the Australian dollar) to impact returns and volatility, both positively and negatively. Exposure to foreign currencies is to be managed at both an asset class and fund manager allocation level through the percentage of exposure which is hedged back to Australian dollars and unhedged.

It is expected that decisions regarding the preferred long-term currency exposure for an asset class will consider the purpose of the investment, the characteristics of the asset class, the long-term relationship between asset class returns and currency movements as well as any potential benefits or risks.

	Movement in variable	Exposure $m	Profit/ (loss) $m
30 June 2022			
Unhedged			
International equities	+10%	70.5	7.0
	-10%	70.5	(7.0)
International fixed interest	+10%	27.4	2.7
	-10%	27.4	(2.7)
30 June 2021			
Unhedged			
International equities	+10%	41.9	4.2
	-10%	41.9	(4.2)
International fixed interest	+10%	-	-
	-10%	-	-

10 Risk management (continued)
(d) Financial risk management (continued)

(iv) Price risk

HBF Group is exposed to price risk on fixed interest-related investments, equity-related investments and global unlisted infrastructure. This arises from investments held on the statement of financial position and classified at fair value through profit or loss. The Board approves limits on the proportion of the investment portfolio held in fixed interest, international equities, domestic equities and infrastructure thereby limiting exposure to price risk.

The analysis below demonstrates the impact on profit before tax of a movement in market prices with all other variables (including interest rates and currency risk) held constant.

	Movement in variable	Exposure $m	Profit/ (loss) $m
30 June 2022			
Fixed interest	+10%	33.2	3.3
	-10%	33.2	(3.3)
Global absolute return bonds	+10%	130.1	13.0
	-10%	130.1	(13.0)
Short duration credit	+10%	97.5	9.8
	-10%	97.5	(9.8)
Equity-related investments	+10%	324.3	32.4
	-10%	324.3	(32.4)
Global unlisted infrastructure	+10%	123.0	12.3
	-10%	123.0	(12.3)
30 June 2021			
Fixed interest	+10%	42.4	4.2
	-10%	42.4	(4.2)
Global absolute return bonds	+10%	271.5	27.2
	-10%	271.5	(27.2)
Short duration credit	+10%	244.8	24.5
	-10%	244.8	(24.5)
Equity-related investments	+10%	274.3	27.4
	-10%	274.3	(27.4)
Global unlisted infrastructure	+10%	110.3	11.0
	-10%	110.3	(11.0)

10 Risk management (continued)
(d) Financial risk management (continued)

(v) Credit risk

Credit risk is the risk of potential default of a counterparty, with a maximum exposure equal to the carrying amount of the financial asset. The nature of HBF Group's insurance business does not expose it to credit risk concentrations from its products and services. HBF Group considers credit exposure when entering significant counterparty contracts with suppliers and intermediaries.

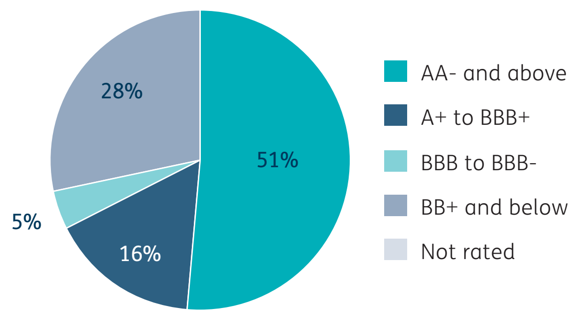
To limit investment portfolio exposure to credit risk for direct investment in cash, a minimum long-term credit rating from Standard and Poor's BBB- is required prior to investment. To control the overall credit quality of direct investments in cash, HBF Group applies a credit framework limit of 100% (AA- and above), 45% (A+ to BBB+), 15% (BBB to BBB-) and 0% (BB+ and below). If the credit rating of an ADI is downgraded and no longer meets the minimum long-term requirement, no further investments will be made, however existing investments will be held until maturity.

The table below provides information regarding the credit risk exposure according to the entity's categorisation of counterparties by Standard and Poor's credit rating.

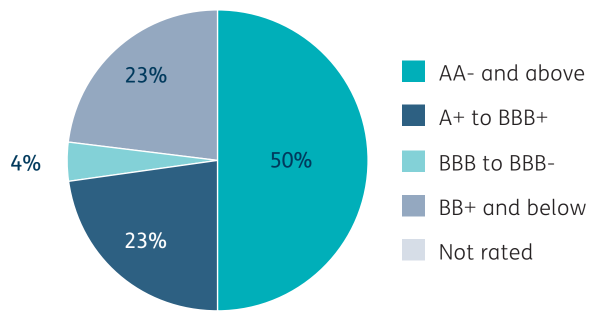
	Notes	AA- and above $m	A+ to BBB+ $m	BBB to BBB- $m	BB+ and below $m	Not rated[1] $m	Total $m
As at 30 June 2022							
Cash and cash equivalents		164.0	-	-	-	-	164.0
Financial assets at fair value	9	618.4	258.7	82.7	6.7	439.6	1,406.1
Government rebate receivable	11(a)	40.3	-	-	-	-	40.3
Risk equalisation receivable on paid claims	11(a)	23.1	-	-	-	-	23.1
Premium receivable	11(a)	-	-	-	-	3.4	3.4
Trade and other receivables	11(a)	-	-	-	-	1.1	1.1
Sundry debtors and prepayments	11(a)	2.0	-	-	-	20.6	22.6
Related party receivable	11(a)	-	-	-	-	0.7	0.7
		847.8	258.7	82.7	6.7	465.4	1,661.3
As at 30 June 2021							
Cash and cash equivalents		276.8	-	-	-	-	276.8
Financial assets at fair value	9	592.2	422.0	76.0	2.3	397.3	1,489.8
Government rebate receivable	11(a)	34.8	-	-	-	-	34.8
Risk equalisation receivable on paid claims	11(a)	29.2	-	-	-	-	29.2
Premium receivable	11(a)	-	-	-	-	2.9	2.9
Sundry debtors and prepayments	11(a)	2.1	0.2	-	0.1	20.4	22.8
		935.1	422.2	76.0	2.4	420.6	1,856.3

1. Not rated largely pertains to equity related investments and global unlisted infrastructure.

30 June 2022



30 June 2021



11 Working Capital

(a) Receivables

	2022 $m	2021 $m
Government rebate receivable	40.3	34.8
Risk equalisation receivable on paid claims	23.1	29.2
Premium receivable	3.4	2.9
Trade and other receivables	1.1	-
Other debtors and prepayments	22.6	22.8
Related party receivable	0.7	-
Total gross receivables	91.2	89.7
Allowance for impairment loss	-	-
Net receivables	91.2	89.7

All receivables are due within 12 months and the carrying value approximates the fair value.

The following table provides information regarding the carrying amount of the HBF Group's financial assets ageing:

	Neither past due nor impaired $m	Past due but not impaired: 0 to 3 months $m	Past due but not impaired: 3 to 12 months $m	Past due and impaired $m	Total $m
As at 30 June 2022					
Government rebate receivable	40.3	-	-	-	40.3
Risk equalisation receivable on paid claims	23.1	-	-	-	23.1
Premium receivable	-	3.4	-	-	3.4
Trade and other receivables	1.1	-	-	-	1.1
Other debtors and prepayments	22.5	-	0.1	-	22.6
Related party receivable	0.7	-	-	-	0.7
	87.7	3.4	0.1	-	91.2
As at 30 June 2021					
Government rebate receivable	34.8	-	-	-	34.8
Risk equalisation receivable on paid claims	29.2	-	-	-	29.2
Premium receivable	-	2.9	-	-	2.9
Trade and other receivables	-	-	-	-	-
Other debtors and prepayments	22.8	-	-	-	22.8
	86.8	2.9	-	-	89.7

11 Working Capital (continued)
(a) Receivables (continued)

Government rebate receivable accounting policy
Government Rebate receivable represents the rebate component of members' insurance cover owed and expected to be received from Services Australia. Contributions (rebates) from Services Australia are recognised as income in the period to which they relate.

Risk equalisation receivable accounting policy
Risk equalisation relates to amounts recoverable from the RESA which is administered by the APRA. The RESA is a scheme to subsidise health insurers for high cost claims and age-based claims amongst health insurers. The RESA is an estimated accrual based upon an industry survey of eligible claims. The final amounts receivable from the RESA are determined by APRA after the end of each calendar quarter. Estimated provisions for amounts payable and income receivable are recognised on an accruals basis.

Premium receivable accounting policy
Premiums receivable represent monies owed and expected to be received for insurance policies during the financial year. Premiums receivable are recognised initially at fair value and subsequently measured at amortised cost less an allowance for impairment. Due to their short-term nature they are not discounted.

(b) Trade and other payables

	2022 $m	2021 $m
Trade creditors and accrued expenses	26.3	31.6
Employee-related payables	12.0	12.2
Other payables	7.5	9.2
Payment to members for surplus COVID-19 deferred claims (i)	-	42.5
	45.8	95.5

(i) Despite the absence of member payable balance at 30 June 2022, HBF remains committed to not financially benefiting from the COVID-19 pandemic. A member return amount, if any, has yet to be determined at balance sheet date.

The carrying value of trade and other payables approximates fair value.

Trade and other payables accounting policy
Trade and other payables are carried at amortised cost and as they are expected to mature within three months they are not discounted. They represent liabilities for goods and services provided to the HBF Group prior to the end of the financial year that are unpaid and arise when the HBF Group becomes obliged to make future payments in respect of the purchase of these goods and services.

11 Working Capital (continued)
(c) Reconciliation of operating (loss)/profit after tax to the net cash flows used in operations

	2022 $m	2021 $m
Operating (loss)/profit	(96.9)	17.7
Depreciation and amortisation	20.8	8.3
Loss on disposal of assets	-	(0.6)
Net unrealised loss/(gain) on financial assets	57.2	(55.5)
Distributions received	(24.9)	(17.8)
Impairment of property, plant and equipment	24.3	-
Changes in assets and liabilities:		
Decrease/(increase) in trade and other receivables	6.6	(13.2)
Increase in net deferred tax assets/liabilities	1.3	-
Increase in deferred acquisition costs	(17.1)	(17.2)
Decrease in other operating assets	0.9	-
(Decrease)/increase in trade and other payables	(44.5)	76.5
Increase in unearned premiums	15.0	5.2
Increase in outstanding claims	7.5	2.0
Increase/(decrease) in deferred claims	39.8	(54.2)
Increase in employee entitlements	2.4	1.2
Net cash flows used in operating activities	(7.6)	(47.6)

Cash and cash equivalents accounting policy
Cash and cash equivalents are stated at amortised cost which approximates fair value and include cash on hand, short-term deposits and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant change in value. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include all cash assets, net of outstanding bank overdrafts.

12 Reserves and retained earnings

	2022 $m	2021 $m
Attributable to HBF Health Limited		
General reserve (i)	111.5	111.5
Retained earnings	1,266.1	1,363.1
Asset revaluation reserve (ii)	9.2	15.5
Purchase commitment for NCI shares reserve (iii)	(6.6)	-
	1,380.2	1,490.1

The Private Health Insurance Act 2007 requires health benefit organisations to maintain sufficient reserves so that, at any time, the value of the assets of the fund is sufficient to meet the obligations of the fund, at that date, to policyholders and creditors referable to the fund, under adverse conditions. The reserves of HBF Health Limited met the requirements of the Private Health Insurance (Prudential Supervision) Act 2015 and the Solvency Standard and Capital Adequacy Standard contained therein as at 30 June 2022 and 30 June 2021.

(i) The General reserve was created by the merger between HBF Health Limited and HealthGuard Health Benefits Fund Limited.

(ii) The asset revaluation reserve is used to record increments and decrements on revaluation of non-current assets as described in Note 14.

12 Reserves and retained earnings (continued)

(iii) The reserve for the purchase commitment for NCI shares has arisen due to the shareholders agreement between Life Ready Physio clinic partners holding a NCI in the Life Ready Clinics. The clinic partners (put-option holders) can require the Life Ready Group (the other clinic shareholder) to acquire their shareholding in the clinics at a future date under certain circumstances (e.g. retirement, insolvency event etc). The Life Ready Group recognises a financial liability for this option in accordance with AASB 132, being the estimate of the fair value of the consideration to acquire the NCI shares that are subject to the purchase commitment, and records the valuation in a separate reserve in equity. As described in Note 16, the fair value is estimated using a market approach technique which considers market multiples of comparable companies and EBITDA forecasts.

13 Intangible assets

	Notes	Customer contracts $m	Goodwill $m	Transformation program $m	Computer software $m	Work in progress $m	Total $m
30 June 2022							
Cost							
Opening balance		-	-	6.7	24.0	60.2	90.9
Additions		-	-	-	-	40.0	40.0
Additions through business combinations	18	32.5	110.4	-	-	-	142.9
Transfers from work in progress		-	-	14.8	-	(14.8)	-
Reclassification to expenses		-	-	-	-	(8.1)	(8.1)
Reclassification to PPE		-	-	-	(1.6)	(4.4)	(6.0)
Closing balance		32.5	110.4	21.5	22.4	72.9	259.7
Amortisation							
Opening balance		-	-	2.2	21.5	-	23.7
Amortisation		2.2	-	3.6	0.7	-	6.5
Reclassification to PPE		-	-	-	(0.2)	-	(0.2)
Closing balance		2.2	-	5.8	22.0	-	30.0
Net book value at end of the year		30.3	110.4	15.7	0.4	72.9	229.7
30 June 2021							
Cost							
Opening balance		-	-	4.3	22.0	28.1	54.4
Additions		-	-	-	-	36.5	36.5
Transfers from work in progress		-	-	2.4	2.0	(4.4)	-
Closing balance		-	-	6.7	24.0	60.2	90.9
Amortisation							
Opening balance		-	-	0.4	20.6	-	21.0
Amortisation		-	-	1.8	0.9	-	2.7
Closing balance		-	-	2.2	21.5	-	23.7
Net book value at end of the year		-	-	4.5	2.5	60.2	67.2

Work in progress (WIP) largely relates to HBF's ongoing transformation program. For the purposes of impairment testing at Note 13(c) the WIP intangible asset is allocated to the Health Insurance cash-generating-unit (CGU).

13 Intangible assets (continued)
(a) Intangible assets accounting policy

Customer contracts
Customer contracts acquired as part of a business combination are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis over the expected useful life (10 years) and is recognised in depreciation and amortisation expense in the consolidated statement of comprehensive income. The customer contract intangible asset is allocated to the Health Insurance CGU for the purposes of impairment testing at Note 13(c).

Goodwill
The Group has recognised goodwill of $82.3 million in respect of the acquisition of CUAH and $28.1 million in respect of the acquisition of Life Ready during the period. Refer to Note 18 Business Combinations for further information. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

Transformation Program
HBF continues to progress with its business transformation program which includes the building and replacement of HBF's IT systems environment to support the business changes and provide the best digital experience for members, providers and employees. HBF has engaged leading software vendors and implementation partners, combined with internal subject matter experts, to deliver the program.

Costs incurred, in relation to the build up of the IT systems environment that will contribute to future period financial benefits through revenue generation and/or cost reduction, are capitalised. Costs that do not generate future benefits are classified as operating expenses. Costs capitalised include external direct costs of materials and services and direct payroll and payroll-related costs of employees' time spent directly on the transformation program. HBF has spent $88.7 million in 2022 with $40.0 million being capitalised as part of work-in-progress intangibles and $44.7 million expensed.

Assets generated from the transformation program are measured at cost less accumulated amortisation and impairment losses. The transformation program assets do not deliver benefits independent of other operating assets and are therefore tested as part of a CGU for impairment purposes. The assets have been allocated to the Health Insurance CGU as they are being developed primarily for the benefit of this CGU. Amortisation is calculated on a straight-line basis over the expected useful life of the program assets. Amortisation is recognised in other operating and administration expenses in the statement of comprehensive income.

To date HBF have brought into use the mobile app, member portal, the HBF website, the cyber encryption program and the cloud service platform. These are currently being amortised over a useful life of 3 - 8 years.

(b) Impairment accounting policy
Intangible assets with a defined useful life, are assessed for impairment by HBF whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (called CGUs). Goodwill is allocated to the CGU, or group of CGUs, at which the goodwill is monitored and where the synergies of the combination are expected.

As part of its impairment assessment, the HBF Group estimates the recoverable value of a CGU and compares this against the carrying value of the CGU's assets to calculate if an impairment loss should be charged to the income statement. The recoverable amount is the higher of an CGU's fair value less costs of disposal and its value in-use. In assessing value-in-use, the CGU's estimated future 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 CGU. Any impairment loss is recognised for the amount by which the carrying amounts of the CGU's assets exceed the recoverable amount.

13 Intangible assets (continued)

(c) Impairment assessment - goodwill

Below is a CGU level summary of the Group's goodwill and other intangible assets and the key assumptions made in determining the recoverable amounts. The impact of reasonably possible changes to the more significant variables in the value in use (VIU) calculations has also been presented below. This reflects the sensitivity of the recoverable amounts to each key assumption on its own. It is possible that more than one change may occur at the same time.

Goodwill and other intangible assets included in the CGU's that are subject to impairment testing:

30 June 2022	Goodwill allocation $m	Intangible assets allocation $m	Total allocation $m
Health Insurance	82.3	117.7	200.0
Physiotherapy	28.1	-	28.1
Total	110.4	117.7	228.1

Key assumptions in determining the recoverable amounts:

				Consequential impact of a 1% adverse movement			
30 June 2022	Terminal growth rate %	Pre-tax discount rate %	Amount by which VIU exceeds carrying value of CGU $m	Terminal growth rate $m	Pre-tax discount rate $m	Forecast margin result[1] $m	Forecast operating expenses $m
Health Insurance	2.5%	10.3%	187.4	(63.1)	(82.0)	(53.0)	(41.7)
Physiotherapy	2.5%	12.7%	12.5	(5.1)	(5.8)	(0.5)	(2.9)
Total			199.9	(68.2)	(87.8)	(53.5)	(44.6)

The recoverable amounts for all CGUs at 30 June 2022 were based on value in use, using management's latest four-year extended financial outlook. These are discounted cash flow projections over four years. The forecast is then extrapolated into perpetuity using a long-term growth rate to compute a terminal value, which comprises the majority of the value in use.

Key assumptions

- Underwriting margin result (health insurance CGU), EBITDA margin result (physiotherapy CGU) and operating expenses
- Discount rate
- Terminal growth rates used to extrapolate cash flows beyond the forecast period

Growth rates and discount rates

The growth rate disclosed above represents the weighted average growth rate used to extrapolate cash flows beyond the four year forecast period. The long-term growth rates have been based on expected growth of the CGUs and considers the respective industry long-term growth outlooks. In performing the recoverable amount calculations for each CGU, the Group's estimated future cashflows 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 relevant CGU.

Change in key assumptions

The following table gives the percentage change in key assumptions that would reduce the headroom of CGUs to nil.

30 June 2022	Terminal growth rate %	Pre-tax discount rate %	Forecast margin result[1] %	Forecast operating expenses %
Health Insurance	(204.3%)	43.3%	(3.5%)	4.5%
Physiotherapy	(129.2%)	29.3%	(23.5%)	4.4%

[1] The forecast margin result reflects the underwriting margin result for the health insurance CGU and the EBITDA result for the physiotherapy CGU.

14 Property, plant and equipment

	Land and buildings $m	Right-of-use assets $m	Plant and Equipment $m	Motor vehicles $m	Leasehold improvements $m	Work in progress $m	Total $m
30 June 2022							
Cost or valuation							
Opening balance	98.8	10.0	11.4	-	24.5	3.3	148.0
Additions	-	6.4	0.1	-	0.2	12.9	19.6
Additions through business combinations	-	7.8	0.6	0.4	1.7	-	10.5
Revaluations	(6.3)	(0.1)	-	-	-	-	(6.4)
Transfer out of work in progress	-	-	12.8	-	4.0	(16.8)	-
Reclassification from intangible assets	-	-	1.6	-	-	4.4	6.0
Transfer from assets held for sale	0.6	-	-	-	-	-	0.6
Disposals	(0.4)	(0.2)	-	-	-	-	(0.6)
Closing balance	92.7	23.9	26.5	0.4	30.4	3.8	177.7
Depreciation and impairment							
Opening balance	-	1.8	7.2	-	8.2	-	17.2
Depreciation expense	3.5	4.4	3.3	-	3.1	-	14.3
Impairment	24.3	-	-	-	-	-	24.3
Reclassification from intangible assets	-	-	0.2	-	-	-	0.2
Depreciation on disposals	(0.1)	(0.2)	-	-	-	-	(0.3)
Closing balance	27.7	6.0	10.6	-	11.3	-	55.7
Net book value at end of year	**65.0**	**17.9**	**15.9**	**0.4**	**19.1**	**3.8**	**122.0**
30 June 2021							
Cost or valuation							
Opening balance	4.8	1.1	10.6	-	20.8	2.1	39.4
Additions	-	9.6	-	-	-	7.3	16.9
Revaluations	(0.2)	-	-	-	-	-	(0.2)
Transfer out of work in progress	-	-	1.8	-	4.3	(6.1)	-
Transfer from assets held for sale	98.8	-	-	-	-	-	98.8
Transfer to assets held for sale	(3.8)	-	-	-	-	-	(3.8)
Disposals	(0.8)	(0.7)	(1.0)	-	(0.6)	-	(3.1)
Closing balance	98.8	10.0	11.4	-	24.5	3.3	148.0
Depreciation							
Opening balance	-	0.6	6.8	-	6.5	-	13.9
Depreciation expense	-	1.9	1.4	-	2.3	-	5.6
Depreciation on disposals	-	(0.7)	(1.0)	-	(0.6)	-	(2.3)
Closing balance	-	1.8	7.2	-	8.2	-	17.2
Net book value at end of year	**98.8**	**8.2**	**4.2**	**-**	**16.3**	**3.3**	**130.8**

Property, plant and equipment accounting policy

Property, plant and equipment, except land and buildings, are carried at cost, less accumulated depreciation and any impairment losses.

Land and buildings are measured at fair value using the revaluation model, less accumulated depreciation on buildings and any impairment losses recognised since the date of last revaluation. Valuations are performed with sufficient frequency to ensure that the carrying amount of a revalued asset does not differ materially from its fair value.

A revaluation surplus is recorded in other comprehensive income and credited to the assets revaluation reserve in equity. However, to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss, the increase is recognised in profit and loss. An impairment is recognised in the statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

14 Property, plant and equipment (continued)

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is retained in the asset revaluation reserve in equity.

Depreciation is provided on a straight-line basis on all owner-occupied property, plant and equipment, other than freehold land as follows:

Buildings:	1.5% - 2.5%
Plant and equipment:	5% - 25%
Building / branch renovations:	6.7% - 25%
Motor vehicles	12.5%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the item is derecognised.

Revaluation of land and buildings
The revalued land and buildings consist of the Walburniny building, HBF's head office at 570 Wellington St Perth. In valuing Walburniny at 30 June 2022, the directors have adopted a fair value based on value in use. The value in use reflects recent market evidence and HBF's opinion that there are defects in the façade of the building which are the subject of ongoing investigation.

HBF has taken the circumstances and uncertainty into consideration in determining the fair value of Walburniny. The key assumptions, to which the valuation is sensitive, are as follows:
- the timing and costs of facade remediation
- market capitalisation rate of 6.25%
- discount rate of 6.5%

In light of the valuation exercise performed at 30 June 2022, Walburniny has been revalued to $65.0 million, resulting in an impairment expense of $24.3 million recognised in profit or loss and a $6.1 million reduction recorded in the asset revaluation reserve (recognised in equity through other comprehensive income).

Impairment of assets accounting policy
The HBF Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the HBF Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the CGU to which it belongs. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset or CGU is considered impaired and is written down to its recoverable amount. Any impairment loss is recorded in the statement of comprehensive income.

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14 Property, plant and equipment (continued)

Reconciliation of level 3 fair value

	2022 $m	2021 $m
Opening balance	98.8	4.8
Disposals	(0.3)	(0.8)
Impairment	(24.3)	-
Depreciation for the year	(3.5)	-
Level 3 revaluation loss - reclassified from equity	(6.3)	(0.2)
Transfer from assets held for sale	0.6	98.8
Transfer to assets held for sale	-	(3.8)
Closing balance	65.0	98.8

The revaluation of land and buildings resulted in a decrease of $6.3 million to the asset revaluation reserve for the year ended 30 June 2022 (2021: $0.2 million).

If land and buildings were measured using the cost model, the carrying amounts would be as follows:

	2022 $m	2021 $m
Cost	105.2	105.2
Accumulated depreciation	(15.7)	(12.4)
Impairment	(24.5)	-
Net carrying amount	65.0	92.8

15 Leases

The table below sets out the carrying amounts of the right-of-use assets and the movements during the year.

	Notes	2022 $m	2021 $m
Balance at 1 July		8.2	0.5
Additions		6.4	9.6
Additions through business combinations	18	7.8	-
Revaluation		(0.1)	-
Depreciation expense		(4.4)	(1.9)
Balance at 30 June		17.9	8.2

The table below sets out the carrying amounts of the lease liabilities and the movements during the year.

	Notes	2022 $m	2021 $m
Balance at 1 July		8.8	0.4
Additions		5.8	10.0
Additions through business combinations	18	7.8	-
Accretion of interest		0.4	0.2
Lease payments		(3.8)	(1.8)
Balance at 30 June		19.0	8.8
Current		6.9	2.9
Non-current		12.1	5.9
		19.0	8.8

Maturity analysis - contractual undiscounted cash flows

	2022 $m	2021 $m
Less than one year	5.9	3.2
One to five years	12.2	6.2
More than five years	2.1	-
Total undiscounted cash flows	20.2	9.4

Leases accounting policy

Group as a lessee
HBF Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises right-of-use assets representing its rights to use to underlying leased assets, and lease liabilities representing its obligation to make future lease payments.

(i) Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

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15 Leases (continued)

The depreciation methods adopted by the Group are shown in the table below:

Buildings:	1 - 9 years
Plant and equipment:	3 years
Motor vehicles	3 - 5 years

(ii) Lease liabilities
At the commencement date of the lease, HBF Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the incremental borrowing rate at the lease commencement date is used because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accreditation of interest and reduced for the lease payments made.

(iii) Short-term leases and leases of low-value assets
The short-term lease recognition exemption (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value recognition exemption are applied. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

16 Financial liabilities

The following tables detail the Group's liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical liabilities that the entity can access at the measurement date;
Level 2: Inputs other than quoted prices included within level 1 that are observable for liability, either directly or indirectly; and
Level 3: Unobservable inputs for the liability.

The following table presents HBF Group's financial liabilities measured and recognised at fair value on a recurring basis:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
As at 30 June 2022				
Purchase commitment for NCI shares	-	-	6.6	6.6
	-	-	6.6	6.6

Purchase commitments for NCI shares accounting policy
A financial liability at fair value of $6.6 million was recognised at the acquisition date, as under the purchase agreement, Life Ready physio clinic partners who hold a NCI in the Life Ready clinics can require the Life Ready Group (the other clinic shareholder) to acquire their NCI shareholding at a future date under certain circumstances. A financial liability for this purchase commitment is recognised and revalued in accordance with AASB 139, being the estimate of the fair value of the consideration to acquire the clinic partners shares that are subject to the commitment, and records the valuation in a separate reserve in equity. The financial liability is valued at each reporting date based on the likely settlement amount. At 30 June 2022, the fair value of the liability has been assessed to be equal to the fair value of the liability at the date of acquisition (28 February 2022).

16 Financial liabilities (continued)

The following table provides quantitative information about significant unobservable inputs related to level 3 fair value liabilities:

Financial liability	Fair Value $m	Valuation technique	Unobservable Input	Range
Purchase commitment for NCI shares	6.6	Market approach	EBITDA multiple	4.0x - 5.0x

A 10% increase/decrease in the fair value of the purchase commitment would result in a $0.7 million decrease/increase to profit or loss (2021: Nil).

17 Employee benefits

	2022 $m	2021 $m
(a) Employee benefits liability		
The aggregate employee benefit liability is comprised of:		
Annual leave	8.6	6.8
Long service leave	10.6	8.2
Other employee related provisions	0.1	-
	19.3	15.0
Current	15.6	12.5
Non-current	3.7	2.5
	19.3	15.0

	2022 $m	2021 $m
(b) Employee benefits expense		
Included in HBF's employee benefits expense are the following:		
Employee costs (excluding superannuation plan expenses)	131.9	113.9
Defined contribution superannuation plan expenses	11.6	9.0
	143.5	122.9

Employee benefits accounting policy
Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries and any other short-term employee benefit expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates 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 outflows 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 interest rates attaching to government bonds that have terms to maturity approximating the terms of the related liabilities are used.

Employee benefit expenses arising in respect of the wages and salaries, non-monetary benefits, annual leave, long service leave and other leave entitlements are charged against profits in their respective categories. The contributions made to employee accumulation superannuation funds are brought to account as an expense when salaries and wages are paid or accrued.

Section 5: Other

18 Business combinations and acquisition of non-controlling interests

Acquisitions in 2022

(a) Acquisition of CUA Health Pty Limited

On 30 September 2021 HBF Wellness Pty Limited (a wholly owned subsidiary of HBF Health Limited) acquired 100% of the shares in CUA Health Pty Limited, a non-listed private health insurance entity based in Queensland, from Great Southern Bank (formerly known as Credit Union Australia Limited) for total consideration of $154.3 million.

CUAH is based in Brisbane and at acquisition served approximately 79,000 customers with 40,000 policies predominantly on the east coast of Australia.

The acquisition aligns with HBF's strategy to expand our national footprint and will strengthen our presence outside of Western Australia. HBF has also entered an agreement to utilise Great Southern Bank as a distribution partner for HBF Health Insurance policies. This agreement has been separated from the acquisition agreement as the acquirer HBF Wellness, is not party to the distribution agreement.

On acquisition, a customer relationships intangible asset reflecting the insurance portfolio of CUAH has been recognised for $32.5 million.

Details of the purchase consideration are as follows:

Purchase consideration	**$m**
Cash	154.3
Total purchase consideration	**154.3**

The fair value of the identifiable assets and liabilities of CUA Health Pty Limited as at the date of acquisition were:

	Notes	Fair value $m
Assets		
Cash and cash equivalents		14.2
Receivables		6.3
Financial assets measured at fair value		68.2
Intangible assets	13	32.5
		121.2
Liabilities		
Trade and other payables		3.4
Income tax payable		1.7
Provision for outstanding claims	5(b)(ii)	10.0
Unearned premium liability	5(b)(i)	10.9
Provision for deferred claims liability	5(b)(iii)	17.6
Provision for employee liabilities		0.7
Net deferred tax liability		4.9
		49.2
Total identifiable net assets at fair value		**72.0**
Goodwill arising on acquisition	13	82.3
Purchase consideration transferred		**154.3**

18 Business combinations and acquisition of non-controlling interests (continued)

The goodwill is attributable to the future profitability of the acquired business. None of the goodwill is deductible for tax purposes.

From the date of acquisition, CUAH contributed $111.4 million of revenue and $9.8 million to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $150.7 million and profit before tax from continuing operations for the Group would have been $15.1 million.

a) Acquisition related costs
These costs relate to costs for due diligence and legal fees. Total acquisition related costs were $3.4 million, of which $0.1 million has been incurred in the current reporting period (2021: $3.3 million) and are included in other expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

b) Intangible assets
CUAH establishes relationships with its customers through contracts. Customer contracts directly provide CUAH with future revenues and together with high levels of customer retention this arrangement indicates the existence of an intangible asset to be recognised at fair value. The fair value has been determined through an independent external valuation using the Excess Earnings method at valuation date i.e., the present value of the incremental forecast earnings arising from the intangible asset. This asset will be amortised over 10 years based on average customer retention.

c) Provision for outstanding claims
Consistent with the application of AASB 1023, CUAH's outstanding claims liabilities are measured using a central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate. This value was determined by CUAH's Appointed Actuary on acquisition date. The resulting carrying value reflects the best estimates based on historical claims data and approximates fair value.

d) Unearned premium liability
Unearned premiums represent the obligation to provide insurance coverage in the future (within 12 months). The amount deferred relates to cash received in advance for insurance policies, based on market prices for such services.

The fair value of this obligation has been determined with reference to the expected cost to discharge the services (as discharging the obligation with cash reimbursement is unlikely to be adopted by a market participant due to adverse commercial and reputational implications). The expected cost of providing the coverage is equal to approx. 95% of the premiums received. As such, the carrying value of the unearned premium liability is a reasonable approximate of fair value, reflecting an estimate of the costs to fulfil the obligation plus a reasonable profit margin.

e) Provision for deferred claims liability
Consistent with industry practice and guidance issued by APRA to private health insurers, CUAH has recognised a liability for claims deferred due to COVID-19. The basis of the estimate is as per APRA's capital adequacy requirement at 30 September 2021 (i.e., the value of missing claims is multiplied by 95% for hospital claims and 85% for extras claims) and is consistent with the valuation approach adopted in the June 2020 and June 2021 reporting periods, prior to acquisition. The obligation is expected to be settled by way of future claims when services/access resumes or by way of refunds to members, so as to not profit from COVID-19. The DCL at acquisition was valued by the Appointed Actuary. The existing book value of the DCL is considered to approximate the fair value.

Purchase consideration – cash outflow

Outflow of cash to acquire business, net of cash acquired	**$m**
Cash consideration	154.3
Less: cash balances acquired	(14.2)
Outflow of cash – investing activities	**140.1**

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18 Business combinations and acquisition of non-controlling interests (continued)

(b) *Acquisition of Life Ready Health Group*
On 28 February 2022, HBF Wellness Pty Limited (a wholly owned subsidiary of HBF Health) acquired 100% of the shares in Life Ready, comprising of 23 wholly and partially owned physiotherapy clinics, a mobile and community physiotherapy arm and a work health service offering for corporate clients (recognised as an 'asset held for sale' on acquisition because it was divested shortly thereafter).

Details of the purchase consideration are as follows:

Purchase consideration	**$m**
Cash	41.0
Total purchase consideration	**41.0**

The fair value of the identifiable assets and liabilities of Life Ready as at the date of acquisition were:

	Notes	**Fair value $m**
Assets		
Cash and cash equivalents		2.3
Receivables		1.4
Plant and equipment	14	2.7
Right-of-use assets	15	7.8
Asset held for sale	(b)	16.9
Deferred tax asset		0.1
		31.2
Liabilities		
Trade and other payables		1.7
Income tax payable		1.1
Provision for employee liabilities		1.1
Lease liabilities	15	7.8
Financial liabilities - purchase commitment for NCI shares	16, (c)	6.6
		18.3
Total identifiable net assets at fair value		**12.9**
Non-controlling interest measured at fair value	(c)	(6.6)
Purchase commitment for NCI shares equity reserve	12, (c)	6.6
Goodwill arising on acquisition	13	28.1
Purchase consideration transferred		**41.0**

The goodwill is largely attributable to expected synergies arising from the acquisition, managing partners goodwill, the scale and network of clinics and the assembled workforce. None of the goodwill is deductible for tax purposes.

From the date of acquisition, Life Ready contributed $8.3 million of revenue and $0.3 million loss before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been $24.7 million and profit before tax from continuing operations for the Group would have been $1.7 million.

a) Acquisition related costs
Total acquisition costs of $0.8 million have all been incurred in the current reporting period and are included in other expenses in the consolidated statement of comprehensive income and in operating cash flows in the consolidated statement of cash flows.

b) Asset held for sale
Prior to the acquisition, HBF committed to sell the Work Health business component of Life Ready as it did not align with the HBF strategy of providing benefits to members. Settlement was reached on 14 April 2022 and consequently, the business and its related assets and liabilities were recognised as a disposal group on acquisition at their fair value less costs to sell, in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinuing Operations.*

18 Business combinations and acquisition of non-controlling interests (continued)

c) Financial liabilities - purchase commitments for NCI shares
A financial liability at fair value of $6.6 million was recognised at the acquisition date, as under the purchase agreement, Life Ready physio clinic partners who hold a NCI in the Life Ready clinics can require the Life Ready Group (the other clinic shareholder) to acquire their NCI shareholding at a future date under certain circumstances. (e.g. retirement, insolvency event etc.) A financial liability has been recognised in accordance with AASB 132, being the estimate of the fair value of the consideration to acquire the clinic partners shares that are subject to the purchase commitment and records the valuation in a separate reserve in equity. The fair value of the liability and NCI has been estimated by applying a market approach technique which includes significant inputs that are not observable in the market. The fair value estimate is based on an EBITDA multiple of 4.0x-5.0x using market multiples of comparable companies and the EBITDA forecasts of the partially owned clinics.

Purchase consideration – cash outflow

Outflow of cash to acquire business, net of cash acquired	$m
Cash consideration	41.0
Less: cash balances acquired	(2.3)
Outflow of cash – investing activities	**38.7**

19 Taxation

	2022 $m	2021 $m
(a) Income tax expense		
Current tax	0.2	-
Deferred tax	0.4	-
Adjustment for tax of prior period	0.3	-
Income tax expense reported in the statement of comprehensive income	0.9	-

	2022 $m	2021 $m
(b) Reconciliation of tax expense to prima facie tax on accounting profit		
Total (loss)/profit before income tax	(96.0)	17.7
		-
Tax at the Australian tax rate of 30% (2021: 30%)	(28.8)	5.3
Tax effect of tax-exempt entity	21.2	(5.3)
Non-deductible expenses for tax purposes:		
Impairment of building	7.3	-
Other non-deductible expenses	1.2	-
Aggregate income tax expense	0.9	-

	2022 $m	2021 $m
(c) Deferred tax assets and liabilities		
Deferred tax balances comprise temporary differences relating to the following:		
Tax losses	1.8	-
Intangible assets	(9.1)	-
Property, plant and equipment	(4.0)	-
Employee entitlements	0.1	-
Provisions & accruals	5.2	-
Other liabilities	(0.2)	-
Net deferred tax liability	(6.2)	-

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19 Taxation (continued)

Tax consolidation legislation
HBF Health Limited is exempt from income tax in accordance with section 50(30) of the Income Tax Assessment Act 1997. Despite being a tax-exempt entity, the subsidiaries of HBF Health Limited, including the newly acquired entities CUAH and Life Ready are for profit and subject to corporate taxation giving rise to the current and deferred tax consequences in the current period.

HBF Wellness Holdings Pty Limited and its wholly-owned Australian controlled entities are members of a tax consolidated group. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements. The entities in the tax consolidated group entered into a tax sharing agreement which limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, HBF Wellness Holdings Pty Ltd.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate HBF Wellness Holdings Pty Limited for any current tax payable and are compensated by HBF Wellness Holdings Pty Limited for any current tax receivable.

Income tax accounting policy

Current taxes
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities at the tax rates and tax laws enacted or substantively enacted at the reporting date.

Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred taxes
Deferred income tax liabilities are recognised for all taxable temporary differences. Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise them.

The carrying amount of deferred income tax assets is reviewed at the reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to utilise them.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences at reporting date between accounting carrying amounts and the tax bases of assets and liabilities, other than for the following:

1) where they arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
2) where taxable temporary differences relate to investments in subsidiaries, associates and interests in joint ventures:
   a) Deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
   b) Deferred tax assets are not recognised if it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will not be available to utilise the temporary differences.

Deferred tax liabilities are not recognised on recognition of goodwill. Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

19 Taxation (continued)

Offsetting balances

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Goods and Services Tax (GST) accounting policy

Revenues, expenses and assets are recognised net of the amount of GST except receivables and payables are stated with the amount of GST included. The amount of GST recoverable from or payable to the Australian Taxation Office (ATO) is included as part of receivables or payables in the statement of financial position. Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing activities, which is recoverable from, or payable to, the ATO are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the ATO.

20 Auditor's remuneration

	2022 $	2021 $
Amounts received or due and receivable by Ernst & Young for:		
Audit of the financial reports	623,500	347,217
Other assurance services for regulatory reporting	204,300	115,104
Audit & assurance services	827,800	462,321
Consulting advice	56,900	17,270
Taxation compliance	31,465	20,575
Due diligence	-	363,000
Other services	88,365	400,845
Total auditors' remuneration	916,165	863,166

Non-audit services accounted for 9.6% of total auditor's remuneration (2021: 46.4%). In the opinion of the Board there has been no impairment of independence of the external auditors as a result of the provision of these services.

21 Commitments

	2022 $m	2021 $m
Commitments		
Within one year	21.9	10.5
After one year but not more than five years	9.9	4.1
More than five years	-	-
	31.8	14.6

As at 30 June 2022, HBF had $30.0 million (2021: $14.6 million) in contractual commitments for the transformation program, $1.8 million relates to committed fit out costs within the Dental business. These commitments are not recognised as liabilities as the assets or services have not yet been received.

22 Group Structure

Subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	% equity interest 2022	2021
HBF Health Limited	Ultimate Holding Company	100%	100%
HBF Wellness Holdings Pty Ltd	Holding Company	100%	100%
HBF Health and Wellness Pty Ltd	Dormant	100%	100%
HBF Dental Services Pty Limited	Dental	100%	100%
HBF House Pty Ltd	Trustee for HBF House Unit Trust	100%	100%
HBF House Unit Trust	Own and operate the headquarters building for the HBF Group	100%	100%
CUA Health Pty Limited	Health insurance	100%	-
Life Ready Health Group Pty Ltd	Physiotherapy	100%	-
Life Ready Baldivis Pty Ltd	Physiotherapy	100%	-
Life Ready Butler Pty Ltd	Physiotherapy	100%	-
Life Ready Camberwell Pty Ltd	Physiotherapy	100%	-
Life Ready Rockingham Pty Ltd	Physiotherapy	100%	-
Life Ready Mobile Pty Ltd	Physiotherapy	100%	-
Life Ready Cockburn Pty Ltd	Physiotherapy	80%	-
Life Ready Floreat Pty Ltd	Physiotherapy	50%*	-
Life Ready Marangaroo Pty Ltd	Physiotherapy	50%*	-
Life Ready Maribyrnong Pty Ltd	Physiotherapy	50%*	-
Life Ready Midland Pty Ltd	Physiotherapy	50%*	-
Life Ready Point Cook Pty Ltd	Physiotherapy	50%*	-
Life Ready Bayswater Pty Ltd	Physiotherapy	50%*	-
Life Ready Busselton Pty Ltd	Physiotherapy	50%*	-
Life Ready Spearwood Pty Ltd	Physiotherapy	50%*	-
Life Ready Studio Pty Ltd	Physiotherapy	50%*	-
Life Ready Warwick Pty Ltd	Physiotherapy	50%*	-
Life Ready Yokine Pty Ltd	Physiotherapy	50%*	-
Life Ready Canning Vale Pty Ltd	Physiotherapy	50%*	-
Mandurah Physiotherapy Pty Ltd	Physiotherapy	50%*	-
Trinh Scarborough Pty Ltd	Physiotherapy	50%*	-
Trinh & Garvey Pty Ltd (Perth CBD)	Physiotherapy	50%*	-
Trinh & Harrington Pty Ltd (South Perth)	Physiotherapy	50%*	-
Trinh & Thomas Pty Ltd (Inglewood)	Physiotherapy	50%*	-

* The HBF Group consolidates this entity based on control. See Note 2(c) for more details.

23 Related party disclosures

(a) The following individuals were in office during the financial year unless otherwise stated:

Directors:
Mr T Crawford (Chair until 4/05/2022)
Mr J Van Der Wielen (Director and CEO until 27/05/2022)
Mr R England
Ms H Kurincic
Ms G McGrath
Mr R Moore (retired as Director 27/10/2021)
Mr B Stewart
Ms D Smith-Gander (Chair since 5/05/2022)
Ms J Seabrook (commenced 19/07/2021)

Executives and senior management:
Mr S Walsh (Chief Transformation Officer to 03/05/2022; appointed Interim CEO effective 04/05/2022)
Ms S Torrance
Mr A Simpson (resigned 11/02/2022)
Ms N Mansour (elected as Chief Legal Counsel and Company Secretary 02/02/2022)
Mr A Stock (resigned 14/08/2022)
Ms D Carrington
Ms A Stanley
Dr D Heredia
Mr S Gupta (commenced 01/02/2022)
Mr M Barnaba

Key management personnel were in office for the entire financial year unless otherwise stated.

(b) Related party transactions
Certain key management personnel hold director positions in other entities, some of which transacted with the HBF Group during FY22. All transactions were in the normal course of business. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis. There have been no loans to directors, executives or senior management during the current or prior financial years.

(c) Key management personnel remuneration

	2022 $	2021 $
Directors		
Short-term benefits	3,209,360	3,170,050
Superannuation	131,846	123,485
Termination benefits	77,241	-
	3,418,447	3,293,535
Other key management personnel		
Short-term employee benefits	4,415,857	3,192,561
Superannuation	200,339	146,047
Long-term employee benefits	-	-
Termination benefits	56,307	-
	4,672,503	3,338,608
Total	**8,090,950**	**6,632,143**

23 Related party disclosures (continued)

(d) Balances with other related parties

Note 22 provides information about the Group's structure, including details of the subsidiaries and the holding company. The following table provides the total amount of outstanding balances with related parties.

		2022 $m	2021 $m
Outstanding balances with related parties			
Amounts receivable from related parties	11	0.7	-

24 Information relating to HBF Health Limited (the parent)

(a) Summary financial information

	2022 $m	2021 $m
Current assets	1,514.8	1,841.9
Non-current assets	468.8	244.4
Total assets	1,983.6	2,086.3
Current liabilities	520.9	552.8
Non-current liabilities	81.4	50.8
Total liabilities	602.3	603.6
Net assets	**1,381.3**	**1,482.7**
General reserve	111.5	111.5
Retained earnings	1,260.6	1,361.8
Asset revaluation reserve	9.2	9.4
Total equity	**1,381.3**	**1,482.7**

	2022 $m	2021 $m
(Loss)/profit of the parent entity	(101.2)	19.8
Revaluation of land and buildings	(0.2)	(0.2)
Total comprehensive (loss)/income of the parent entity	**(101.4)**	**19.6**

(b) Guarantees entered into by parent entity
The parent entity has not entered into any guarantees in relation to the debts of its subsidiaries.

(c) Contingent liabilities of the parent entity
The parent entity has no contingent assets or liabilities as at 30 June 2022 (2021: nil)

(d) Contractual commitments of the parent entity
The parent entity has contractual obligations to purchase plant, equipment and software for $30.0 million (2021: $14.6 million).

25 Significant events after reporting date

There have been no significant events since the reporting date.

26 New accounting standards and interpretations not yet adopted

The HBF Group has not elected to early adopt any new standards or amendments that are issued but not yet effective. New standards or amendments will be adopted when they become effective. The Group's assessment of the impact of these new standards is set out below.

AASB 9, and relevant amending standards Financial Instruments (application date of 1 July 2023)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement.

Except for certain trade receivables, an entity initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs.

Debt instruments are subsequently measured at FVTPL, amortised cost, or fair value through other comprehensive income (FVOCI), on the basis of their contractual cash flows and the business model under which the debt instruments are held.

There is a fair value option (FVO) that allows financial assets on initial recognition to be designated as FVTPL if that eliminates or significantly reduces an accounting mismatch.

Equity instruments are generally measured at FVTPL. However, entities have an irrevocable option on an instrument-by- instrument basis to present changes in the fair value of non-trading instruments in other comprehensive income

(OCI) without subsequent reclassification to profit or loss.

For financial liabilities designated as FVTPL using the FVO, the amount of change in the fair value of such financial liabilities that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation in OCI of the fair value change in respect of the liability's credit risk would create or enlarge an accounting mismatch in profit or loss.

All other AASB 139 classification and measurement requirements for financial liabilities have been carried forward into AASB 9, including the embedded derivative separation rules and the criteria for using the FVO.

The incurred credit loss model in AASB 139 has been replaced with an expected credit loss model in AASB 9.

The requirements for hedge accounting have been amended to more closely align hedge accounting with risk management, establish a more principle-based approach to hedge accounting and address inconsistencies in the hedge accounting model in AASB 139.

The HBF Group has elected to apply the temporary exemption from AASB 9 as per AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts. The Group qualifies to apply the temporary exemption as it has not previously applied any version of AASB 9 and its activities are predominantly connected with insurance. Insurance liabilities within the scope of IFRS 4 comprise more than 85 per cent of the total carrying amount of the Group's liabilities.

Note 10 provides information regarding the credit risk exposure of the HBF Group's financial assets according to the entity's categorisation of counterparties by Standard and Poor's credit rating. As at 30 June 2021 and 30 June 2022 all financial assets were considered to have a low credit risk with no significant credit risk concentration.

The fair value of financial assets (refer Note 9) would not be materially impacted by the recognition of expected credit losses if AASB 9 were applied.

26 New accounting standards and interpretations not yet adopted (continued)

AASB 17 Insurance Contracts (application date of 1 July 2023)

AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for for-profit entities. AASB 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entity that issues them, as well as to certain guarantees and financial instruments with discretionary participation features.

In contrast to the requirements in AASB 4, which are largely based on grandfathering previous local accounting policies, AASB 17 provides a comprehensive accounting model for insurance contracts. The core of AASB 17 is the general model, supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts

The main features of the new accounting model for insurance contracts are as follows:

- The measurement of the present value of future cash flows, incorporating an explicit risk adjustment, remeasured every reporting period (the fulfilment cash flows)
- The concept of a Contractual Service Margin (CSM), representing the unearned profit on the insurance contracts to be recognised in profit or loss over the service period
- Certain changes in the expected present value of future cash flows are adjusted against the CSM and thereby recognised in profit or loss over the remaining service period
- The effect of changes in discount rates are reported in either profit or loss or other comprehensive income, determined by an accounting policy choice
- The presentation of insurance revenue and insurance service expenses in the statement of comprehensive income based on the concept of services provided during the period
- Amounts that are paid to a policyholder in all circumstances, regardless of whether an insured event happens (nondistinct investment components), are not presented in the income statement, but are recognised directly on the balance sheet

Entities are required to adopt AASB 17 using the full retrospective approach, however, if this is impracticable for a group of insurance contracts, either the modified retrospective approach or fair value approach may be used.

Earlier application is permitted, provided that the entity also applies AASB 9 on or before the date it first applies AASB 17.

The HBF Group is still completing its assessment of the impact of AASB 17 adoption on its financial statements. The Group is in the process of determining a transition plan and its transition balances at 1 July 2022 that will be reported as opening balances in the restated comparatives for the 30 June 2024 Financial Statements.

Other accounting standards or amendments that will become applicable in future reporting periods are not expected to have a material impact on the Group's accounting policies or on the consolidated financial report.

HBF Health Limited
Directors' declaration
Year ended 30 June 2022

In accordance with a resolution of the directors of HBF Health Limited, I state that:
In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001 ;

(b) the financial statements and notes also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as disclosed in Note 2; and

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

On behalf of the Board

Diane Smith-Gander AO
Perth. 31 August 2022

HBF Health Limited
Auditor's independence declaration

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Auditor's independence declaration to the Directors of HBF Health Limited

As lead auditor for the audit of the financial report of HBF Health Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of HBF Health Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

T M Dring
Partner
31 August 2022

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Independent auditor's report to the members of HBF Health Limited

Opinion

We have audited the financial report of HBF Health Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b. 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 report* 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 and 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 report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of matter – Private Health Insurance Basis of Accounting

We draw your attention to Note 2 to the financial statements. This note describes the incorporation of the published views of the Australian Securities and Investment Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on the measurement and recognition of a deferred claims liability in response to the unique circumstances arising from COVID-19 pandemic.

In our view, this matter is fundamental to the users' understanding of the consolidated financial report and the financial position and performance of the Group. Our conclusion is not modified with respect to this matter.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial report and our auditor's report thereon.

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

HBF Health Limited
Independent auditor's report

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 report

The directors of the Company are responsible for the preparation of the financial report that gives 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 report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, 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'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'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 report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up

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to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents 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 financial report. We are responsible for the direction, supervision and performance of the Group 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.

Ernst & Young

Ernst & Young

T M Dring
Partner
Melbourne
31 August 2022