2024 Annual Report

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About HBF

Founded in Perth more than 80 years ago, HBF is a not-for-profit health fund and one of Australia's biggest insurers, holding a dominant market share in WA and a growing national footprint.

HBF is becoming a more active participant in health services, such as dental and physiotherapy, as well as holding pharmacy partnerships across Australia.

HBF is committed to actively connecting with and supporting communities in which it operates, as a trusted member-based organisation.

On the cover:

HBF Run for a Reason had a record-breaking year with 37,000 participants raising over $1.3 million for more than 280 charities, bringing the total amount raised since 2010 to over $12.8 million.

2024 at a glance

Members

1,179,699

(as at 30 June 2024)

▲ **6.8%** on FY23

Policies

599,880

(as at 30 June 2024)

▲ **7.0%** on FY23

Growing national membership base

76.2% WA members

23.8% non-WA members

Market share

8.05%

(as at 30 June 2024)

▲ **31 basis points**

Total claims paid

$1.84 billion

▲ **7.9% on FY23**

$1.3m

raised through
HBF Run for a Reason

Australia's best health fund

Finder's Health Insurance Awards 2024

see-u by hbf

launched
see-u brand

Launched HBF Physio, with five clinics rebranded and a new clinic opened in Bull Creek

Chair's report

I am pleased to present HBF's annual report for the 2023-24 financial year. As we entered FY24 we anticipated it would be a difficult year to navigate, with economic headwinds building. I am proud of the successes we had in the final year of our five-year strategy, positioning HBF for the future while keeping true to our ethos as a not-for-profit organisation focused on our members.

HBF's national expansion, continued in FY24 with more than 75,000 members joining the fund. This was underpinned by our acquisition of Queensland Country Health (QCH) Fund, which formally merged with HBF on 30 June 2024. QCH now operates and reports as one with HBF, while continuing to interact with members as its own unique brand, based out of Townsville.

HBF ended FY24 with almost 1.2 million members and a market share of 8.05%, our highest year-end level in 20 years. Today, almost one-quarter of our members live outside of Western Australia compared to around one-in-ten when our national expansion strategy was launched in 2018.

To support this growth, HBF must provide members in new markets a differentiated value proposition from other health insurers.

Enter 'see-u', a new brand unveiled in the year that pays homage to CUA Health, the Brisbane-based fund acquired by HBF in 2022. The see-u brand launched in April 2024 with an updated mobile app, a comprehensive product suite of hospital and extras cover tailored towards younger Australians, enhanced online member services, and an unwavering commitment to our members. In addition to direct sales via our call centre, see-u has partnered with Compare the Market to attract new members, with success to build on in FY25.

We made strides diversifying into health services. We launched HBF Physio in FY24 through the rebrand of five of our existing Life Ready clinics and the opening of a new HBF Physio clinic in Perth's southern suburbs in November 2023. I tested out HBF Physio first-hand after having shoulder surgery in the year. The physiotherapists were great, providing quality treatment as well as exercises to do at home that were stored in an easy-to-use app with clear instructions, videos, and (constant) reminders to keep me diligently on top of my rehab every day, assisting my recovery.

HBF Dental also continued to grow apace in FY24, with appointments up 54% on FY23 to almost 60,000. Our focus in the year was to enhance utilisation of our eight dental centres through recruiting dentists and increasing practitioner hours. Looking ahead to FY25, we plan to launch two new centres in Perth's eastern and southern suburbs.

A key element of our strategy has been to enhance HBF's capabilities, headlined by our multi-year transformation program to modernise HBF's technology, systems, and processes. As stated in my FY23 report, the Executive team took a considered approach in switching over to our new systems on what has been a major program of work. This meant 'Go-live' was delayed slightly to August 2024 to ensure the least possible disruption to our members, providers, and employees.

Financially, HBF had an improved year with net profit after tax of $44.2 million following two consecutive years of losses. FY24 earnings – delivered off $2.26 billion in revenue, representing a net profit margin of circa 2% – were driven by improved earnings from our core insurance business and bolstered by another year of strong investment income of $75.3 million (FY23: $75.6 million).

I welcomed Sami Yalavac and Mary Anne Stephens as Non-Executive Directors during the year. Mr Yalavac joined the HBF Board in September 2023 and has an impressive track record in leading cyber security programs combined with strong expertise in digital innovation. Ms Stephens commenced in October 2023, bringing a depth of experience in insurance and health, having worked at a number of not-for-profit organisations. My sincere appreciation to Tony Crawford, Richard England, and Helen Kurincic – who resigned as Non-Executive Directors in the year – for their significant contributions and dedication over many years on the HBF Board. Thanks also to my fellow Directors for their support in the year.

With our five-year strategy ending, CEO Dr Lachlan Henderson along with the Executive team, senior leaders, and the HBF Board have started planning on a range of new initiatives to implement over the next five years. The principles for HBF's next phase are to build on the value we already provide HBF members, with a focus on enhancing members' health, while continuing to use members' funds prudently.

Thank you to our people for their unwavering dedication to our members and your contributions to HBF's success in FY24. I am confident HBF is well positioned to meet the needs of our members as we navigate the opportunities and challenges in an evolving healthcare landscape and economy.

Diane Smith-Gander AO
Chair

CEO's report

As cost-of-living pressures impact household budgets, HBF continues to focus on the value we provide for members as a not-for-profit organisation. In FY24, we launched new initiatives aimed at improving members' health and wellbeing and kept our 2024 premium increase as low as possible. At the same time, difficult decisions were made regarding how we best allocate funds to sustainably support our members over the long-term.

Amongst many highlights this year, HBF launched a fully covered initial physiotherapy consultation for eligible members attending one of our HBF Physio clinics. This complements the popular no-gap "check-up and clean" treatment launched at HBF Dental last year, with 20,000 eligible members taking up the offer. Our dental and physiotherapy businesses, grew with close to 400,000 consultations and appointments, 15% up on the prior year.

In addition to our dental and physio initiatives, HBF launched a new wellbeing program, HBF Mind Matters, supporting eligible members with personalised mental health recovery plans delivered by health professionals from Mind Australia. HBF now has six preventive health programs in place to support members' health and wellbeing. Other recent innovations include a partnership with Verve Mobility, offering members access to world leading pre- and post-op "rehabilitation in the home" programs for knee and hip replacement surgery.

We also partnered with the new Esus Centre in Perth to provide integrated and coordinated treatment for people with eating disorders.

In April, HBF announced an average premium increase of 3.95% to cover expected growth in claims in the context of the rising cost of healthcare delivery. We continue to work hard to minimise cost increases for members and notably our premium increase this year was lower than in 2023, despite the high inflation environment. In addition, HBF's average premium increase over a five-year period is lower than all the major health funds.

Following years of claims volatility due to the impact of COVID-19 – during which HBF returned $257.5 million in surplus funds to our members to meet our commitment to not profit from the pandemic – HBF paid $1.84 billion in claims in FY24, up 7.9% on the prior year. While ancillary claims largely returned to pre-pandemic levels, hospital claims remained relatively subdued.

HBF is proud of its track record in maintaining a claims payout ratio higher than average for the private health insurance industry and well above the standard for general and life insurance. While our payout ratio was 84.0 cents in FY24, in the five years prior HBF returned between 87.2-89.2 cents in claims to members for every dollar in premiums we received, and this remains our target payout range. The aim is to keep member out-of-pocket costs as low as possible while continuing to support the hospital providers and health practitioners who deliver these services.

At the time of writing, financial issues facing private hospital operators are the subject of a Federal Department of Health review. As a former GP who has also been a private hospital CEO, I was pleased to be invited to participate on the CEO Steering Committee to oversee this review. Government, insurers, hospitals, and health practitioners all have a role to play to ensure a high quality and sustainable private health system. With cost-of-living pressures in mind, maintaining affordable private health insurance and minimising member out of pocket costs are both critical to the outcome of this review.

In an environment where rising costs, increased regulation and cyber security are impacting all businesses, HBF continues to focus on the cost of doing business to support our members. Following a significant review in FY24, we have reduced many of our costs including marketing and sponsorships and have a plan in place to deliver ongoing cost savings over the next two years.

In addition, we responded to the changing way our members are interacting with HBF, making the difficult decision to close five branches in Western Australia during the year. While cognisant of the impact on our members, these changes are in the context of HBF's digital channels accounting for almost 80% of all interactions with members. Branch visits account for 5.3% of member interactions, down from 9.3% just three years ago. To support members affected by these closures, we established a dedicated support line in our Perth-based call centre. We also supported our people with redeployment opportunities offered to 37 of 40 employees impacted by the branch closures.

HBF also continues to play an important role in the community. Our headline event, HBF Run for a Reason, broke participation and fundraising records in its 12th iteration in May 2024, with over 37,000 registrations and $1.3 million in donations to almost 300 charities.

Looking ahead, we are busy developing a new strategy which builds on our successful national expansion across our brands (HBF, QCH and see-u) while leveraging our investments in our dental and physiotherapy clinics and new technology platforms. We continue to explore new opportunities to support members' health and wellbeing, while providing quality, affordable health insurance products. Leading the new strategy will be a refreshed executive team, with HBF welcoming William Brown (Chief Risk Officer), Sarah Graf (Chief Financial Officer), Jarod Avila (Group Executive Member Services), and Jan O'Keefe (Chief Commercial Officer) over the past 12 months. I was also pleased to see Hannes Boshoff relocate to Townsville as General Manager, QCHF.

I thank our members, HBF staff, Board members and industry partners for their support over the last year. HBF will continue to innovate and invest in products and services to enhance members health and wellbeing, while continuing to provide trusted support and advice when access to health services is required.

Dr Lachlan Henderson
Chief Executive Officer

Our members

Our members.

Beyond insurance, we continue to invest in the health of our members, reinforcing our dedication to improving the well-being of all Australians. Our ongoing commitment to affordability, transparency, and member satisfaction emphasises our position as a leading choice in the health insurance sector.

New member offer

no-gap consult at HBF Physio

4,400+ members

supported through **early health intervention** and **chronic disease management programs**

84.0c

per $1 received in **premiums returned** to **our members in benefits**[1]

Approx. 400,000

consults across our **dental and physio businesses**

By choosing HBF, our members are getting reliable health insurance coverage and exceptional service. Our comprehensive range of products are designed to meet diverse needs, ensuring members have access to quality care when they need it most. We pride ourselves on delivering an outstanding member experience, characterised by personalised service and efficient claims processing.

Member engagement

We are dedicated to our members' needs and offer a range of options for them to connect with us, including phone, email, web chat, and through our nine physical locations. At HBF, member satisfaction and health wellbeing are at the core of everything we do.

In the past financial year alone, our Member Contact Centre handled over **500,000 phone calls, 68,000 web chat enquiries, and 93,000 emails from members.** Additionally, our branch network facilitated more than **216,000 in-person interactions,** ensuring that members were able to access personalised support in a way that suits them.

In the year, digital engagement continued to grow significantly among our members, with 79% of all service interactions occurring via our website or HBF app. Throughout FY24, members completed 3.5 million self-service transactions on the HBF website, consistent with the previous year. Over half of our new members also chose to join HBF online. The HBF app saw active use on 292,000 unique devices, marking a 17% increase from the previous year and maintaining top user ratings among major health insurers on both Apple iOS and Android platforms throughout the financial year.

Members also increasingly manage their health cover digitally, evidenced by a 50% rise in claims submitted via digital member cards compared to FY23. Our provider search tool, powered by HealthShare, saw a 29% increase in unique visitors from FY23, aiding members and referrers in making informed decisions about participating specialists.

In February 2024, we successfully rebranded the CUA brand to see-u by HBF, achieving positive uptake of policies and strong brand engagement.

Note 1: HBF Health Limited members excluding QCHF and see-u.

HBF Dental

In FY24, HBF Dental's performance delivered notable improvements across various metrics. We saw significant growth, bolstered by increased revenue, expanded utilisation of our dental centres, and increased dental practitioners and practitioner hours.

Our focus on attracting new talent and optimising practitioner hours yielded favourable results, with **46% growth in dentist hours,** contributing to a record of over **59,000 appointments attended** at our dental centres.

We maintained a considered approach to our location strategy, with our next HBF Dental clinic in Midland set to open in the first half of the new financial year and plans for a second southern metro location to open in the second half of FY25.

Our partnership with Pacific Smiles Dental Group continued to offer HBF members access to Member Plus dental benefits at **over 120 locations outside of WA.**

We continued our offer of an annual no-gap check-up and clean treatment, for eligible members with **more than 20,800 taking up the offer.** The growth in practitioner hours and increased utilisation of our dental centres contributed to a **47% revenue increase,** reaching **a total of $18.4 million,** exceeding expectations.

Our commitment to nurturing talent was evident by the increase in staffing numbers, driven by our comprehensive program for graduates which assisted in the recruitment of **five new graduates,** representing a significant uplift on previous years.

HBF Physio and Life Ready

In November 2023, alongside our Life Ready Physio and Pilates clinics, we introduced the new HBF Physio brand across Baldivis, Busselton, Butler, Midland, and Rockingham and opened a new clinic in Bull Creek.

Since acquiring Life Ready Physio in 2022, we have been committed to fostering a lasting partnership that strengthens our wellness offerings. With the integration of Life Ready and our rebranded HBF Physio clinics, we now provide 26 convenient locations across Australia, making high-quality care more accessible to our members.

Our collaboration with Life Ready is built on evidence-based practices and a shared vision for delivering exceptional care. Together, we offer comprehensive treatment six days a week, supported by an easy-to-use online booking system. Our clinics provide a broad range of specialised services, including clinical Pilates, paediatric physiotherapy, and women's and men's health services. Additionally, we offer injury management, gym rehabilitation, dry needling, exercise physiology, remedial massage, and more.

In FY24, we introduced a no-gap offer for eligible HBF members, providing an annual fully covered initial consult at HBF Physio clinics. This initiative has already seen 2,513 members benefit from the offer. Throughout the year, we conducted over 335,000 consultations across our physiotherapy network. We also added more Life Ready practitioners to accommodate more patients seeking in-home care. In the coming year, Life Ready Mobile looks forward to strengthening our allied health team beyond physiotherapists.

HBF Dental highlights

8
HBF Dental centres

59,186
appointments booked in FY24

127
employees

$18.4m
revenue in FY24

70
dentists engaged

More than 20,000 members accessed the no-gap offer at HBF Dental.

Physiotherapy highlights

26
HBF Physio and Life Ready physio and pilates clinics

331
employees

335,884
consultations in FY24

$32.5m
revenue in FY24

More than 2,500 members accessed the no-gap offer at HBF Physio.

Health programs

In FY24, we launched new chronic disease management programs as part of our commitment to enhance our members' health and wellbeing. These programs help empower members to take proactive steps in managing their health, across a range of in-person and virtual care options. These programs are fully covered for eligible HBF members with diagnosed chronic health conditions or health risks.

During the year, 4,400 members accessed preventative health support, with almost 2,000 of these participating in a chronic disease management program, representing a 42% increase on the previous financial year. Chronic disease management program participation in FY24 is projected to generate a claims saving of $9.36 million over the next 10 years.

The year also saw the successful launch of a new mental health recovery program and a notable increase in participation in existing programs, facilitated by referrals from our frontline employees.

Furthermore, **we celebrated the 15-year anniversary of COACH,** one of our flagship programs, underscoring its enduring success in supporting our members' health journeys.

HBF Mind Matters mental health recovery program

Introduced in April 2024, the HBF Mind Matters program personalises mental health recovery plans to meet the individual needs and well-being objectives of eligible members. Over a span of six to nine months, the program is administered by a team of health professionals from Mind Australia, with a focus on building capacity to achieve positive life goals. Treatment and support are offered through video or telephone consultations, or in-person sessions conducted at home.

Better Consult trial

Launched in March 2024, we initiated the Better Consult trial to introduce an in-practice referral pathway to our Healthy Weight for Life osteoarthritis management program.

Better Consult serves as a pre-assessment tool utilised by participating GPs to streamline patient consultations by identifying services that may benefit the patient based on provided pre-assessment information.

CSIRO weight management

In its second year, our CSIRO weight management program has been instrumental in assisting members with sustainable weight loss. Grounded in robust scientific evidence, the program offers effective weight loss tools designed to improve habits and foster lifelong positive behaviours. Participants benefit from telephone sessions with accredited dieticians.

This financial year, **almost 1000 members have participated** in a CSIRO weight management program with those in the highest risk weight category achieving **>5.2% weight loss.** Since its inception, the program has received an impressive **rating of 4.7 out of 5 stars from over 1,700 reviews.**

Good Life with OsteoArthritis: Denmark (GLA:D)

HBF offers eligible members access to an evidence-based program with promising results. Delivered in partnership with our physiotherapy business' and other approved physiotherapy providers, the GLA:D Program is designed to reduce pain, improve strength, and enhance mobility for individuals managing hip or knee osteoarthritis.

The program offers members up to 12 group exercise classes, two educational sessions, and follow-up support to help participants manage symptoms and develop long-term healthy habits.

This financial year, **600 members** have participated in the program and, on average, participants experienced **a 16% reduction in pain after completing the program.** Additionally, there was an average **improvement of 23% in joint-related quality of life** for participants with knee osteoarthritis, with **41% of these participants reporting a reduction in the use of pain relief medication.**

COACH

The COACH program has been a cornerstone of HBF's commitment to member health for **15 years,** providing personalised telephone health coaching to help individuals with chronic conditions manage risk factors and improve overall health.

Designed as a six-month support initiative, the program focuses on empowering participants to take control of their health. Effective management of wellness post-diagnosis is crucial in achieving better health outcomes and reducing the risk of complications.

Each coaching session is customised to meet individual health goals, offering reliable and easy-to-understand information to enhance self-management. Our telephone support is scheduled to suit members' convenience, no matter their location within Australia.

This financial year, **234 members have participated in the COACH program.** Program research has shown that participants are more likely to meet their targets for biomedical markers, including LDL (low-density lipoprotein) cholesterol and triglycerides, after completing the program. Additionally, participants often see improvements in blood pressure, waist circumference, alcohol consumption, and physical activity.

Osteoarthritis Healthy Weight for Life

The Osteoarthritis Healthy Weight for Life program offers comprehensive support for managing knee and hip osteoarthritis symptoms through a structured 18-week plan focused on weight loss, increased mobility, and improved pain management.

Participants receive all necessary products and materials delivered directly to their door. Consultations are conducted virtually by a Care Support Team of experienced health professionals. The program includes a progressive dietary plan aimed at achieving sustainable weight loss and fostering healthier eating habits.

The program's objectives are to reduce joint pain and stiffness, improve function, and support participants in moving more freely. It includes targeted strength, balance, and mobility exercises designed to stabilise joints and enhance mobility.

Our Care Support Team comprises allied health professionals dedicated to maximising the program's benefits. They provide support and guidance through various channels, including phone, SMS, email, a private online message board, and post.

Participants in the Osteoarthritis Healthy Weight for Life program on average benefit from a **7.3% weight loss,** have an **31% average improvement** in quality of life and a **24% reduction in pain.**

Pharmacy partnerships

HBF continued its partnership with Pharmacy 777 in Western Australia and TerryWhite Chemmart in all other jurisdictions (excluding the Northern Territory). Through these partnerships, eligible members received fully covered health checks, flu vaccinations, and other support programs such as personalised medication packs, along with expert advice and personalised care from Pharmacy 777 and TerryWhite Chemmart pharmacists.

HBF, Pharmacy 777, and TerryWhite Chemmart share a commitment to improving the health and wellbeing of all Australians. By combining our expertise, we provide trusted, accessible health services and programs designed to keep our members healthy and happy. Through our partner pharmacists, more than **$2.8 million of benefits were paid to HBF members.**

In addition to these services, Pharmacy 777 also offered HBF members a range of health services, including out of hospital support, sleep apnoea consultations and discounted trials and studies **and a 5% discount** on non-prescription medication and most in-store items.

Through our Extras cover options, HBF provided more than **$10.9 million** in pharmacy benefits to our members.

Pharmacy highlights

$2.8 m
Pharmacy 777 and Terry White Chemmart benefits paid to members

628
HBF Member Plus pharmacies nation wide

39,082
personalised medication packs

10,658
fully-covered flu vaccinations given

509
health checks undertaken

HBF paid $10.9 million in in-pharmacy benefits to members across all pharmacy.

Provider network and programs

HBF maintains an extensive provider network that includes thousands of HBF Member Plus providers and 591 Member Plus Agreed Hospitals across Australia. In FY24, we advanced our healthcare delivery by forging partnerships with specialists, enabling our members to receive personalised care outside the traditional hospital setting.

Verve Mobility

In September 2023, Verve Mobility partnered with HBF to offer members an individually tailored program to meet their specific clinical needs. These programs integrate hospital and in the home services via in-person, software application, video and telephone calls.

The program comprises a world-first pre-operative preparation and post-operative rehabilitation in the home program for patients undergoing knee and hip replacement surgery at South Perth Hospital.

Esus Centre

In December 2023, three innovative Perth healthcare practitioners joined forces to open a first-of-its-kind integrated treatment centre for eating disorders, with HBF becoming the first health insurer to partner with the Esus Centre.

The private Subiaco centre is focused on early intervention and recovery from all eating disorders supported by a team of psychiatrists, psychologists, dietitians, occupational therapists, social workers, physiotherapists, nurses and specialist eating disorder GPs.

Esus Centre offers an intensive five-day-a-week program, low intensity group programs and individual consulting sessions to monitor patients throughout their recovery and importantly, while they are waiting for a place on the program.

Care Navigation

Care Navigation, offered by Queensland Country Health Fund, enhances the health and wellbeing of members, particularly those with chronic conditions in Queensland. Available to members with Better Hospital (Silver+) Cover and provided by Registered Nurses, it supports those recently discharged or managing chronic diseases. Our team evaluates member needs and provides practical support, such as short-term programs and ongoing education, to ensure better long-term health outcomes. In FY24, Care Navigation successfully prevented all re-admissions for patients under management, reducing the distress and risks associated with hospitalisation and delivering significant value to our members.

Provider network highlights

53
HBF Member Plus hospitals in WA

538
hospitals covered through AHSA contracts

3,268
WA medical agreement providers

31,484
AHSA medical agreement providers

HBF paid more than $1.08 billion in total claims paid for hospital services

Protecting our members' funds

HBF is dedicated to upholding the integrity of provider and member payments. Through rigorous assessment, prevention, and recovery of improper claims, as well as the identification of waste, abuse, and errors, we safeguard our members' funds and alleviate pressure on premiums.

Throughout FY24, our primary focus was on reducing fraud and overcharging, ensuring that benefits were distributed exclusively for valid claims.

Our Claims Integrity team employed advanced data management and analytics to pinpoint trends and areas needing attention.

This effort included conducting both desktop and onsite audits and implementing educational initiatives for employees and providers alike.

Protecting our members' funds highlights

26,105
individual hospital claims reviewed by HBF

338
ancillary providers and practices investigated

183
providers subject to financial recovery

39
compliance notices issued

18 practices were deregistered due to inappropriate and/ or fraudulent claims

Our people

Our people.

When you work for HBF, you work for a company with a clear visIon and a team of people that are passionate about providing the best service, experience and products for our members across Australia.

1,656 employees

(as at 30 June 2024)

217 employees

each celebrated 10 to 50 years of service

84 employees

took parental leave

Since our inception, HBF has provided Australians with the highest standard of healthcare and ensured our members receive exceptional support during the moments that matter.

This enduring mission has been at the core of our achievements over the past 80 years, driving our people to passionately impact the lives and wellbeing of our members. The commitment of our people to our purpose underpins every milestone we achieve, empowering us to continually enhance our service and uphold our promise to the communities we serve.

Benefits

To reward our people for their contribution to HBF we provide a range of benefits for them and their families to support them at work and in their personal lives.

- **Fully subsidised Gold hospital cover** for our employees and their immediate family
- **14 weeks' paid parental leave** (in addition to the legislated 18 weeks), removing the primary/secondary carer definition from our policy
- **20 days of domestic violence leave**, with five days available to any employees supporting a loved one
- **Three paid 'wellness'** days each year
- **Two volunteering days** each year
- **Flexible working arrangements** through our Hybrid Work @ HBF model
- **Fully covered flu vaccinations** and skin checks
- **One free gym pass per week** with a national provider
- **Complimentary access to Wellbeing Gateway**, a health and wellbeing companion app
- Salary packaging options
- Social club
- **Dollar-for-dollar matching** of employee charity donations through HBF workplace giving.
- **Opportunity to join the HBF Angels**, a group of employees organising fundraising events and charity donation drives

Learning and growth opportunities

At HBF, we are committed to empowering our team members to achieve continuous growth and excellence. We actively encourage our staff to seize learning opportunities that enrich their professional development, fostering a culture where learning is integral to our organisational DNA.

Employees at HBF are empowered to take charge of their learning journey and enhance their individual capabilities, cultivating a culture of continuous improvement and excellence. **Guided by our Strategic Plan aimed at enhancing capabilities,** we provide a comprehensive array of training resources through the HBF Academy. These resources span technology systems, wellbeing, management, and beyond, ensuring our team members have access to the tools they need to thrive.

Our efforts extend to nurturing future leaders by developing foundational skills and fostering confidence to forge successful careers within our organisation. These initiatives underscore our dedication to nurturing talent, cultivating leadership potential, and ensuring every member of the HBF team is equipped to flourish and contribute to our collective achievements.

Key leadership initiatives included:

- **Internal mobility working groups:** Established to create and retain critical talent, as well as build leadership strength.
- **Personal growth element of the people promise:** Ensuring every individual has opportunities for personal and professional development.
- **Leadership forums:** Informal gatherings for the Executive and Senior Management Team to foster connection and team cohesion.
- **Coaching panel:** Access to coaching, to support career growth and leadership development.
- **WeLearn learning platform:** Access to a learning platform that supports ongoing skill enhancement and knowledge acquisition including in cyber security and cultural awareness.
- **Senior Executive onboarding:** Tailored integration and support for new senior executives in their roles.
- **Executive development assessment:** Completion of external assessments by the Executive Team to identify strengths, development areas, and enhance succession planning.

Health and wellbeing

At HBF, we are committed to fostering a comprehensive approach to employee health and wellbeing, recognising that true wellbeing encompasses physical, mental, and psychosocial aspects that influence both work and personal life. We believe in practicing what we preach, offering a wide array of initiatives designed to empower our people to lead healthy, resilient lives. Our holistic approach includes:

- **Comprehensive health screenings:** Free skin cancer checks and flu vaccinations ensure proactive health management.
- **Support for mental wellbeing:** Resources and workshops for sleep quality, personal development, and goal setting empower employees to thrive.
- **Leadership and resilience:** Mental health training for leaders and frontline resilience training equip our teams with the skills to navigate challenges effectively.
- **Promoting physical health:** Engaging fitness challenges encourage positive behaviour change around physical activity and wellness.
- **Employee assistance:** Access to an Employee Assistance Program provides confidential support for personal and professional challenges.

Diversity, equity, inclusion and belonging

We are dedicated to fostering a workplace where diversity is celebrated, and every individual feels valued, respected, and safe to be themselves. We take pride in our inclusive culture, which is evident in our internal surveys and communications channels.

HBF was honoured to be recognised as a diversity employer of choice by the Diversity Council Australia Ltd. Diversity and inclusion are integral to our values, ensuring that everyone—colleagues, members, suppliers, and other stakeholders—is treated with equity and dignity. By embracing diversity within our workforce, we enhance our ability to understand and meet the diverse needs of our members.

Our commitment to equity is embedded in our policies and practices across recruitment, retention, promotion, talent development, and training. We uphold equal opportunities for all individuals, irrespective of gender identity, religion, race, ethnicity, nationality, sexual orientation, marital or family status, disability, medical conditions, pregnancy, carer responsibilities, or any other characteristic that distinguishes one person from another.

Throughout the year, we celebrated diversity through various initiatives and events, including Reconciliation Week, International Women's Day, Pride Month, NAIDOC Week, and others. These occasions were marked by meaningful activities such as reconciliation workshops, cultural performances, awareness training, guest speakers, and participation in community events like the WA Pride Parade.

At HBF, we do not tolerate any form of harassment, discrimination, bullying, or inappropriate behaviour that undermines the inclusivity and respect we strive to uphold. Our commitment to fostering a diverse and inclusive workplace is not only a reflection of our values but also a crucial element in our journey toward supporting and empowering every individual within our organisation.

Reconciliation

At HBF, we aim to foster reconciliation and cultivate a culture of understanding and respect for Aboriginal and Torres Strait Islander peoples. We are committed to embedding the right cultural practices across our organisation.

After extensive consultation, we chose to undertake a second Reflect Reconciliation Action Plan to strengthen our foundations and educate our people.

We are set to launch our refreshed Reconciliation Action Plan early in FY25, reaffirming our commitment to positive change and reconciliation.

The recent Voice referendum has prompted reflection on the challenges faced by Aboriginal and Torres Strait Islander peoples. As we move forward, the importance of reconciliation, respect for diversity, and genuine collaboration is clear.

Reward and recognition

Our people have the opportunity to receive and give recognition through our Recognition platform Shine. Shine puts the spotlight on our people, so they feel valued and recognised for their great work, creating a sense of belonging. Throughout FY24 3,877 of our people were nominated for Shine awards and shared in $40,000 in Shine rewards.

We have **217 employees** who have celebrated between **10 to 50 years of service at HBF,** who will be acknowledged at a special function early in the new financial year.

At this function, we we also celebrate HBF's inaugural CEO Award winners. Launched in FY24, 100 people across the business were celebrated and rewarded for their exceptional contribution to our members, the business, their teams, and our values. From this list, a shortlist of finalists will be selected from which four winners will be announced.

Gender equality

Our gender equality indicators are reported to the Workplace Gender Equality Agency (WGEA) annually.

In pursuit of gender equality at HBF, we identified that our Gender Pay Gap is predominantly driven by the composition of our workforce rather than pay inequity between genders for comparable roles.

The imbalance in the composition of our workforce starts with a predominantly female employee base, totalling 66%. In addition, the concentration of women at 79% in entry-level positions, such as our Member Service call centre and Branch network further perpetuates our Gender Pay Gap.

Often our entry-level and early career roles are also casual and part-time positions, contributing to a lower overall median base salary for females and significantly impacting our Gender Pay Gap. Conversely, we observe a higher representation of males in technical and specialist roles, particularly in Information Technology.

To address this, we have introduced our Gender Equality Action Plan for 2024-2026 to demonstrate a values-driven commitment to moving the dial on our Gender Pay Gap and to reduce our Gender Pay Gap to the Financial Services Industry average as defined by WGEA by FY2028.

To further support our gender equality ambitions and progress to date, we are taking actions that include reviewing and enhancing our recruitment and talent management processes to better support women to succeed in the workplace; implementing bias training for People Leaders, especially within the areas of hiring, succession and development to ensure fairness at all times; and promoting the utilisation of our flexible work policy to create an environment where women are encouraged and supported to remain in the workforce.

Workplace gender equality indicators

As at 30 June 2024 females accounted for:

68% of our workforce

25% of executives

55% of our senior managers

64% of all manager promotions

76% of all non-manager promotions

57% of Board members

41% of Councillors (excluding Board Councillors)

Our community

Our community.

At HBF we're committed to giving back to the community and finding ways to better the health of Australians. We look for ways to improve the health of Australians through our Community Partnership Program, workplace giving and local community grants. We're passionate about volunteering and enriching the lives of our own people

HBF Run for a Reason

In May 2024, the streets of Perth were awash with teal for the 12th annual HBF Run for a Reason, which began in the heart of the CBD. With an impressive 37,000 registrations, it was the largest event in its history, providing vital funds to numerous charities, including Cancer Council WA, Cure Brain Cancer Foundation, and Perth Children's Hospital Foundation.

Participants ran, walked, and wheeled through Perth's streets, choosing from three different courses: the Brooks Half Marathon, the Specsavers 12km, and the CommBank 4km. Each participant received a t-shirt featuring a bespoke design by Aboriginal artist Kevin Bynder, reflecting HBF's strong community values and deep appreciation for our members and people.

This year, the event raised over **$1.3 million** for more than **280 charities,** bringing the total amount raised since **2010 to over $12.8 million.** Additionally, over **800 volunteers** contributed their time, including **41 of HBF's people**, and more than a tonne of discarded clothing from the start line was donated to Vinnies.

The top fundraiser, Tim Hoskins, raised more than **$30,000 for Sock it to Sarcoma!**

HBF extends its gratitude to all participants, volunteers, and partners, including **Nine News Perth, 92.9 Triple M Perth, Mix 94.5, Specsavers, Commonwealth Bank, Brooks, Print Logic,** and **the City of Perth.**

$1.3 million

raised through the 2024 HBF Run for a Reason

800 people

volunteered on the day

$12.8 million

raised for charities since inception

289 charities

were supported through this years event

Community partnerships

We continued into our second year of our three-year partnership with organisations dedicated to improving community health, granting $100,000 annually to support their projects.

The first partnership, with the **Harry Perkins Institute of Medical Research,** focuses on establishing a biobank of melanoma tumour samples. This initiative aims to gain approval in Western Australia to tailor skin cancer treatment to individual patients.

The second partnership, **with the ORIGINS Project**—a collaboration between Telethon Kids Institute and Joondalup Health Campus—studies the physical and mental health of expectant fathers and its impact on their child's development.

Both programs have continued as planned, **demonstrating our commitment to supporting impactful health initiatives in our community.**

Rottnest Foundation

HBF's commitment to supporting Quokkas extends beyond marketing, demonstrated by our partnership with the Rottnest Foundation. In FY24, we invested $100,000 to upgrade the Wadjemup/Rottnest Island Nursery. This nursery has been crucial since the early 1990s, growing up to 30,000 native plants annually for revegetation efforts, with the nursery's outdated water reticulation system presenting challenges.

To address this, New Ground Water Services installed a state-of-the-art system, enhancing water efficiency, storage, and recycling capabilities. Completed in May 2024, the upgrade ensures sustainable operations, with comprehensive documentation for ongoing maintenance by Rottnest Island Authority Nursery staff.

Additionally, HBF will help establish a new grow-out area for semi-mature trees and extra outdoor storage space for tree planting equipment.

We organised four large-scale volunteering opportunities for our employees in accommodating **50 participants each session.** These sessions included planting at a woodland site dedicated to HBF's partnership with the Rottnest Foundation

"Helping the Rottnest Island nursery operate at an optimal level is crucial to the continuation of the Rottnest Foundation's Woodlands Restoration and Expansion Project, which aims to propagate and plant up to 5,000 seedlings per year to improve the habitat for unique and threatened bird-life, reptiles and fauna.

We would like to take this opportunity to thank HBF Health for their contributions, both in money and in kind, and for their support over the years in helping the Rottnest Foundation conserve the essence of Wadjemup and in assisting in the completion of the new reticulation system."

- Rottnest Foundation

Celebrating longstanding members

In November 2023, we celebrated 2,000 of our most loyal members at the annual HBF Long-Standing Member Morning Tea, recognising those with over 50 years of continuous membership. With 23,000 eligible members in Perth, the event quickly reached capacity within three days of being announced.

Hosted at HBF Stadium across two memorable days, attendees enjoyed gourmet cuisine, inspiring speeches, and live music by Dolce Ensembles. Channel 9 presenters Monika Kos and Michael Thomson added flair as they introduced esteemed guest speakers including CEO Dr. Lachlan Henderson, Chief Information and Transformation Officer Sanjeev Gupta, and Trevor Cochrane from The Garden Gurus. **Our HBF Health Panel of Experts provided valuable insights into preventative health programs.**

Remarkably, over **1,900 members** have been loyal to HBF for more than **70 years,** with **two members having been part of our community since our inception in 1941.**

Volunteering and workplace giving

Across FY24, HBF employees demonstrated their commitment to community service with 265 volunteers contributing over 1,700 hours across various initiatives.

These included partnering with organisations like the Rottnest Foundation, Telethon, and community events such as Run for a Reason and the Member Morning Tea. Additionally, through workplace giving, our people collectively donated **more than $56,000,** with HBF matching these contributions.

HBF Angels

The HBF Angels are a group of dedicated employees who engage our people to support a range of smaller charitable causes across our organisation. A key highlight in FY24 was supporting the WANSLEA Gift Appeal for the seventh straight year, bringing holiday cheer to children in foster care.

The WANSLEA Children's Christmas Party, held at Waterland Maylands, united foster carers, children, and Rotary members. HBF volunteers played a pivotal role in ensuring the event's success, showcasing professionalism and camaraderie that deeply resonated with attendees.

Furthermore, HBF's charitable contributions extended to vital organisations such as Perth Homeless Support Group, Feed the Little Children in Broome, and Fostering Hope Australia. These initiatives ranged from providing essential needs to the homeless and delivering meals to children in need, to supporting children in foster care through various programs and events.

Brand partnerships

We continued our longstanding partnership with VenuesWest, now in its tenth year. Our naming rights at HBF Park, HBF Arena, and HBF Stadium in Perth have been integral to our sponsorship strategy, evolving from brand awareness to targeted audience engagement.

In FY24 we extended our naming rights at HBF Park for another three years, until 2027 which continues to host entertainment and sporting events.

Concurrently, we announced our naming rights at HBF Stadium (Mount Claremont) and HBF Arena (Joondalup) would come to an end in June 2024 to enable us to further our commitment to community, sports, and health initiatives through our partnership with HBF Park.

Brand partnership highlights

2.3 million

Patrons

7

world class entertainment events

1,231

Sports and community events

Telethon

In October 2023, we participated in the HBF Fitness Challenge for Telethon. Twenty-eight dedicated HBF employees, engaged in a six-hour stationary bike ride at the Telethon Family Festival.

In collaboration with the team from Fuller Fitness, we raised an impressive $145,000 to support sick, vulnerable, and disadvantaged children in Western Australia. Our collective efforts contributed to the record-breaking **$77.5 million raised over the Telethon weekend.**

Supplier diversity

After joining Supply Nation, a national indigenous supplier database, in FY22, HBF continues to mature its indigenous procurement approach and has committed to developing sustainable procurement initiatives through a strategic sourcing strategy.

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.

During the year, the HBF Board approved our third Modern Slavery statement, developed in accordance with the Australian Modern Slavery Act 2018. While we have assessed our operations as having a low modern slavery risk, we are committed to continuous improvement, understanding our obligation to do the right thing by our members, stakeholders and the broader community by operating responsibly and to the highest ethical standards.

Operating and financial review

Operating and financial strategy.

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.

Group Income Statement

Year ended 30 June 2024	2024 $m	2023 Restated $m
Insurance revenue	2,221.1	1,960.8
Net claims expense	(1,841.3)	(1,707.3)
Underwriting margin result	**379.8**	**253.5**
Other insurance service expense	(329.7)	(333.7)
Insurance service result	**50.1**	**(80.2)**
Transformation program expenses	66.1	96.0
Adjusted insurance service result	**116.2**	**15.8**
Health and Wellness revenue	38.4	29.8
Health and Wellness operating expenses	(61.7)	(45.5)
Health and Wellness result	**(23.3)**	**(15.7)**
Total investment income	75.7	75.6
Other expenses	(57.8)	(119.0)
Income tax (expense)/benefit	(0.5)	8.1
Profit/(loss)	**44.2**	**(131.2)**

1. The Group has adopted AASB 17 Insurance Contracts and AASB 9 Financial Instruments and has restated the comparative period. The impacts of adoption are detailed in Note 2(d) of the financial statements.
2. HBF results are reported under Australian Accounting Standards and International Financial Reporting Standards (IFRS). The Company discloses insurance service result adjusted for transformation program expenses as management consider this an important means to evaluate the Group's performance and useful for members to reflect the underlying performance of the insurance business. This non-IFRS measures should only be considered in addition to, and not as a substitute for, other measures of financial performance prepared in accordance with IFRS.
3. Net claims expense includes accounting adjustments for losses on onerous contracts and changes to liabilities for incurred claims relating to past service.

In 2024, the HBF Group generated a profit after tax of $44.2 million. This was primarily due to the favourable insurance service result and investment returns of $75.7 million, partly offset by $66.1 million in transformation program expenses. The improved insurance service result reflects the acquisition of QCH and continued policyholder growth, combined with a subdued hospital claims utilisation.

Our **insurance revenue** increased by 13.3% this year, primarily as a result of the QCH acquisition which added an additional 32,000 policies and $169.8 million in premium revenue to the Group in FY24. Adjusting for the impact of the acquisition, premium health revenue increased by 4.6% or an increase of $90.5 million compared to prior year, partly driven by the launch of our new see-u brand (formerly known as CUA Health) during April 2024. In FY24, we maintained our national market share despite aggressive competitor acquisition activity.

Overall, HBF's **net claims expense** increased by 7.9% in FY24 largely because of the acquisition of QCH which added an additional $135.0 million net claims expense to the group for the year. Excluding the acquisition impact, net claims expense was in line with the prior year. Following industry-wide claims volatility due to COVID-19, claims stabilised in FY24.

While costs per claim increased due to inflationary impacts, the volume of hospital and medical claims remained below pre-pandemic levels in FY24 due to capacity challenges in hospitals and cost of living pressures impacting members' insurance product selection and health services. Higher inflation is expected to impact both ancillary and hospital claims costs into FY25, however claims volumes remain uncertain.

Other insurance service expenses include employee expenses and corporate expenses such as marketing, IT and our business development costs, which increased in the financial year, partly impacted by the inclusion of QCH's operating costs in the current year. Excluding acquisition impacts, overall employee expenses increased $7.1 million or 5.2% while IT costs increased by $5.3 million or 18.6% as a result of new cloud infrastructure hosting and Customer Relationship Management software costs.

Transformation program expenses reduced across FY24, largely as a result of key core work already being completed during FY23. While slightly delayed, HBF's Transformation Program reached several key milestones during the year and was implemented in the first quarter of FY25.

Health and Wellness operating results decreased compared to the prior year, which was primarily driven by increased employee costs across Life Ready and HBF Dental operations and inclusion of QCH Dental in the FY24 results. Positively, Health and Wellness revenue increased from the prior year which was driven by the addition of new dental chairs at existing HBF Dental centres in Mandurah, Karrinyup, and Morley. This was further supplemented by the commencement of operations at HBF Physio Bull Creek. Overall, FY24 saw a 10.0% increase in appointments across Life Ready and HBF Physio sites compared to the prior year.

Total investment income of $75.7 million was in line with prior year results and driven by the continued strong investment markets seen in FY24. The investment portfolio's defensive assets continued to benefit from rising interest rates and growth assets performed well despite forecasts for an economic slowdown.

Other expenses of $57.8 million was primarily made up of a goodwill impairment expense of $19.5 million relating to Life Ready and a $21.4 million downward revaluation of the HBF Group head office building in Perth. In FY23, HBF committed $110 million back to members as part of COVID-19 related benefits, the benefits are not considered an insurance service expense and are reflected in FY23 other expenses.

Financial position

Summary balance sheet

Year ended 30 June 2024	2024 $m	2023 Restated $m
Total Assets	1,905.0	1,842.2
Total Liabilities	585.6	575.2
Net assets	**1,319.4**	**1,267.0**

HBF's net asset position improved by $52.4 million compared to the prior year, ending at $1.3 billion as at 30 June 2024. Key movements for FY24 include:

- A net $62.0m decrease of cash which was a result of increases in investment fund assets and long-term term deposits.
- A $35.5 million reduction in property, plant, and equipment primarily driven by a $21.4 million downward revaluation of the HBF Group head office building in Perth.
- HBF's total insurance liabilities have been valued at $488.4 million as at 30 June 2024 by our actuarial team, representative of a $18.5 million increase from the prior year and largely driven by the inclusion of QCH's insurance contract liabilities in the FY24 balance.

Capital Management

HBF remains well capitalised and in a strong financial position with the full implementation of the Australian Prudential Regulation Authority's (APRA) revised capital framework completed during FY24. As at 30 June 2024, HBF's eligible capital exceeded its prescribed capital amount with a capital adequacy multiple of 3.3.

As a not-for-profit health fund, HBF does not have access to capital markets and consequently holds a higher level of capital ensuring members' needs are protected. In doing so, HBF maintains a balance between providing value to members and maintaining its financial sustainability.

Material business risks

HBF continues to strengthen its governance, monitoring, and internal control systems to address risk exposures caused by the external environment and operating conditions commensurate with implementation of the strategic plan, and to address emerging threats within the external environment.

The material business risks which could affect HBF's business strategies, operational and financial resilience, and the approach to managing these risks, are summarised below.

Risk category	Risk management approach
Strategic risks There is risk inherent to the private health insurance (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 business planning process. To effectively understand and assess key strategic risks, HBF undertakes an analysis of threats and opportunities that specific scenarios may pose to our business. In its consideration of strategic risk, the Board confirmed that HBF's business strategy remains relevant. HBF has continued its multi-year transformation to replace ageing technology – which will deliver a more advanced and intuitive digital and claims processing experience for our members and supports HBF's growth objectives.
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 a dedicated group risk function which oversees the appropriate frameworks and strategies to mitigate operational risks to the organisation. This includes the important areas of operational resilience, business continuity, outsourcing, fraud, information security and management, technology, people, and health and safety risks. Risk management systems are maintained with the aim of achieving the following goals: • Identify, analyse and manage risk • Through risk records provide a clear picture of HBF's risk profile • Provide relevant information to management and the Board for decision-making All business managers are responsible for risk management and use the Risk Management Framework, which assists in appropriately balancing risk and reward components. Management of operational risk is overseen by the Board's Risk Committee.

Risk category	Risk management approach
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, policies, and plans administered by the Management Investment Committee. To ensure satisfactory levels of cash and capital, the Board has established minimum liquidity and capital holding requirements. Adherence to these requirements is monitored daily. Management of financial and credit risk is overseen by the Management Investment Committee and the Board's Audit and Risk Committees.
Conduct and culture 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 the right thing.	As part of our commitment to better member outcomes, HBF has a Code of Conduct and Whistleblower Policy and maintains a Remuneration Framework and Risk Culture appetite which is monitored to ensure all staff have a clear understanding of what acceptable conduct means and to ensure we are 'doing the right thing' by members. If we find we have fallen short, we will correct our mistakes. Conduct and culture risk is overseen by the Board's People, Culture & Remuneration Committee.
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. The Board approves the pricing policy, which includes pricing and profitability objectives. HBF's objective is to support customer growth through balancing the offer of competitive value to all customers with sustainable underwriting margin and the need to meet capital management and regulatory requirements. Insurance risk is a key part of regular portfolio monitoring; treatment plans are developed and implemented in response to potential deviation from target measures. HBF's health strategy is an important initiative which includes programs intended to improve member health outcomes. Management of insurance risk is overseen by the Executive Product and Pricing Committee and the Board.
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 has a group compliance function, to monitor that the appropriate strategies and processes are developed to mitigate regulatory non-compliance risk to the organisation. Compliance systems and policies are maintained with the aim of achieving the following goals: • Identify, analyse and manage regulatory obligations and compliance • Monitor and assess regulatory and policy changes and plans for adoption • Through compliance monitoring and validation provide a clear picture of HBF's compliance with prudential requirements • Provide relevant information to management and the Board for decision-making All business managers are responsible for compliance with prudential requirements that apply to their areas of responsibility. Management of regulatory compliance is overseen by the Board's 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. These threats are expected to continue to escalate due to more well-organised and resourced cyber criminals. A cyber-attack on HBF could significantly disrupt member policy and claims services, and compromise their data privacy.	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 Risk function and Privacy Office. Like all companies, HBF must continue to be vigilant given the ever-evolving threat of cyber-attack. HBF continues to invest, review, and improve its information technology management and security including cyber resilience and privacy controls as HBF continues its multi-year technology transformation to replace ageing technology, by: • Maintaining a privacy, technology, cyber and information management strategy and plan • Threat intelligence monitoring • Testing and monitoring of controls and vulnerability management • Conduct regular simulations to improve HBF's response and recovery capability during crisis events • Providing relevant information to management and the Board for decision-making Management of Technology and Information security risk is overseen by the Board's Risk Committee.

Governance report

Governance & risk management.

HBF's corporate governance framework and practices are regularly reviewed with regard to regulatory change and emerging developments in corporate governance.

Part 1: Governance report

HBF is committed to achieving and demonstrating effective corporate governance and complying with the requirements under *Prudential Standard CPS 510 Governance* issued by the Australian Prudential Regulation Authority (**APRA**).

Governance structure

The Board of Directors, together with HBF's established Council of member representatives, play 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 and Committee Charters, which are available on the HBF website.

HBF Council

Formal members of HBF

Six Elected Councillors	12 General Councillors	Six Board Councillors
(elected by Registered Policy Holders)	*(elected by General Councillors)*	*(appointed by the Board)*

HBF Board

Diane Smith-Gander AO (Chair), Brent Stewart, Gai McGrath, Jennifer Seabrook, Mary Anne Stephens, Sami Yalavac and Dr Lachlan Henderson

The Board is ultimately responsible for the sound and prudent management of HBF, including setting the long-term strategy, overseeing financial performance, and ensuring business sustainability.

Audit Committee	Risk Committee	Nominations Committee	People, Culture & Remuneration Committee	Transformation Committee
Oversight of financial and statutory reporting, internal and external audits, and actuarial and auditor performance	Oversight of the risk management framework, risk management strategy, and risk position relative to risk appetite	Oversight of Board and committee composition, Board performance review processes, and Board renewal and succession planning	Oversight of the people and remuneration frameworks and policies and organisational culture	Oversight of the implementation and effectiveness of the business transformation program
Members: Jennifer Seabrook (Chair), Diane Smith-Gander AO, Mary Anne Stephens.	**Members:** Mary Anne Stephens (Chair), Gai McGrath, Brent Stewart, Sami Yalavac.	**Members:** Diane Smith-Gander AO (Chair), Gai McGrath, Jennifer Seabrook, Brent Stewart, Mary Anne Stephens, Sami Yalavac, Dr Lachlan Henderson.	**Members:** Gai McGrath (Chair), Diane Smith-Gander AO, Sami Yalavac.	**Members:** Brent Stewart (Chair), Gai McGrath, Sami Yalavac.

Each Board Committee comprises Non-Executive Directors (except for the Nominations Committee) and has an independent Non-Executive Chair. Committee members are appointed based on their qualifications and experience to ensure the Committees can adequately discharge their duties

CEO, Dr Lachlan Henderson

The CEO is accountable for managing HBF's overall performance and day-to-day operations and for formulating and implementing HBF's strategic plan and business plan.

Executive Committee

Chief Executive Officer (Dr Lachlan Henderson) (Chair), Chief Financial Officer (Sarah Graf), Chief Risk Officer (William Brown), Chief Information and Transformation Officer (Sanjeev Gupta), Group Executive Insurance and Health Services (Dr Daniel Heredia), Chief People Officer (Amy Stanley) and Group Executive Member Services (Jarod Avila).

HBF's Delegated Authority Policy outlines the division of responsibilities between the CEO, Company Secretary, and management. Certain responsibilities including those related to strategy, governance, executive appointments, financial approvals and risk management are retained by the Board.

Board and Council composition

HBF Councillors

Councillors are the formal custodians of HBF and provide governance input to the Board, with specific responsibilities and functions including:

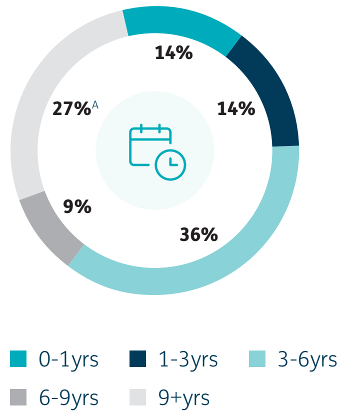
- The election of suitable persons to the Board and if necessary, the removal of unsuitable persons from the Board.
- Ensuring Board members are remunerated at a level appropriate to an organisation of the size, style and complexity of HBF in the context of HBF wishing to attract quality Board members.
- To act as guardians of the Constitution of HBF, which can only be amended by a special resolution passed at a General Meeting of Councillors.

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

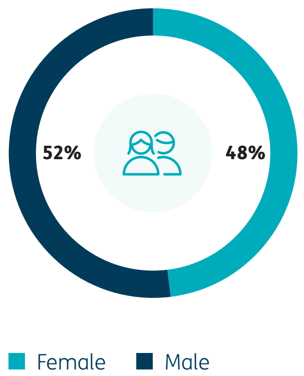
The following individuals held the office of Councillor for the duration of the financial year unless otherwise stated:

Elected Councillors	General Councillors		Board Councillors
Current			
David Carvosso Anthony Evans Susan Milos Moira Watson Robert Naudi Gai Russell[1]	Steven Cole Andrew Cook Stephen Jones Jodie Meadows Fiona Kalaf Peter Moore	Wendy Newman Kenneth Perry Brian Roche Chris Ryan Charlotte Dunn [Vacancy]	Diane Smith-Gander AO Brent Stewart Gai McGrath Jennifer Seabrook[4] Mary Anne Stephens[5] Sami Yalavac[6]
Retired During the Financial Year			
David Brown[2]	Will Moncrieff[3]		Tony Crawford[7] Richard England[8] Helen Kurincic[9]

Council tenure



Council diversity



A. 50% of the Councillors in the '9+ years' category will be retiring in the 2025 financial year.

1. Appointed as an Elected Councillor on 19 September 2023.
2. Retired as an Elected Councillor on 19 September 2023.
3. Retired as a General Councillor at the commencement of the General Meeting of General Councillors on 12 September 2023.
4. Appointed as a Board Councillor on 6 September 2023.
5. Appointed as a Board Councillor on 13 February 2024.
6. Appointed as Board Councillor at the commencement of the Annual General Meeting of Councillors on 24 October 2023.
7. Retired as a Board Councillor on 6 September 2023.
8. Retired as a Board Councillor at the commencement of the Annual General Meeting of Councillors on 24 October 2023.
9. Retired as a Board Councillor on 13 February 2024.

Board

As at 30 June 2024, the Board comprised an independent Non-Executive Chair, five independent Non-Executive Directors and the CEO. The Board regularly reviews its size and composition and considers a number of factors including independence, skills, experience and diversity of views.

The Board recognises the value of diversity in all its forms, including but not limited to gender, age, ethnicity, cultural background, education, professional experience and perspectives.

Board Chair

The Board Chair is responsible for:

- Providing leadership to the Board and ensuring the Board fulfills its responsibilities effectively and meets with sufficient frequency
- Providing guidance and support to the CEO while maintaining a clear distinction and separation of duties between the Board and management
- Promoting a constructive and collegial atmosphere during the Board's deliberations
- Maintaining open and co-operative relationships with the CEO, regulators and other stakeholders
- Representing and communicating the Board's position on relevant matters.

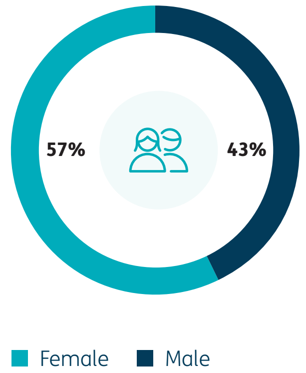
Board skills and experience

The Directors have a broad range of skills, knowledge and experience which help guide the HBF Group. The Board uses a skills matrix to identify the:

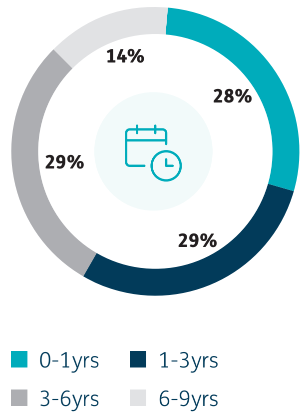
- key skills and experience it seeks to achieve in its membership collectively to allow effective Board deliberations and processes;
- desirable skillset for future Director appointments; and
- focus areas for continued education and development of Directors.

Member Focus	**Change Management**
People and Culture	**Industry Experience**
Financial Acumen	**Environment and Social**
Stakeholder Management	**Risk and Compliance**
Technology and Digital Disruption	**Strategy**
Governance	**Capital and Investment Management**
Leadership	

Board diversity



Board tenure



Appointment and re-election of Directors

The Board, with assistance from the Nominations Committee, will determine whether to appoint or re-elect a Non-Executive Director having regard to the criteria set out in HBF's Constitution and the Board Renewal Policy, which includes but is not limited to Board and Committee composition, skills profile, specific needs of HBF and succession plans.

Appointment

HBF's Constitution provides that the Board may appoint a Director to fill a casual vacancy. Except for the CEO, a Director appointed by the Board holds office only until the close of the next Annual General Meeting (**AGM**) but is eligible for election by the Councillors at that meeting.

New Directors receive a letter of appointment setting out the key terms of their appointment, expectations of the role, remuneration, and expected time commitment and participate in an induction program to assist them in understanding HBF's structure, operations, strategic planning processes, and competitive and regulatory environments.

Re-election

The Board is responsible for recommending the re-election of Non-Executive Directors to Councillors, in accordance with HBF's Constitution. Subject to eligible directors meeting the nomination and rotation requirements, Non-Executive Directors are eligible for re-election to the Board at the next AGM.

Independence of Non-Executive Directors

Pursuant to the Board Charter and the requirements of APRA's Prudential Standard CPS 510 (Governance), Non-Executive Directors should be free from any business or other association that could materially interfere with the exercise of their independent judgment.

The independence of each Non-Executive Director is assessed by the Board on appointment, and annually thereafter. The Board considers that all of HBF's Non-Executive Directors were independent during the 2024 financial year.

Board performance

The Board recognises the importance of continuously monitoring and improving its performance, the performance of its Committees and individual directors and does so through both formal and informal processes.

The Board internally assesses its performance annually, with an independent external review of the Board and its Committees occurring every three years. The Board is currently undertaking an independent external review of its performance relative to its objectives.

Conflicts of interest and material personal interest

Directors are required to disclose to the Board any actual, potential or apparent conflicts of interest upon appointment and are required to keep those disclosures up-to-date. Directors are also required to disclose material personal interests in a matter which relates to the affairs of HBF.

Any Director with a material personal interest in a matter being considered by the Board must declare that interest and may not be present during any related boardroom discussion nor vote on the matter unless the Board resolves otherwise.

Ethical standards

HBF seeks to maintain the highest ethical standards and professional conduct in both internal interactions and when representing the organisation to members and the wider community.

Code of Conduct

HBF's Code of Conduct sets out the standards of behaviours, actions and decisions expected of employees, officers, Councillors, directors and contractors.

Conflict of Interest

HBF's Conflict of Interest Standard is designed to ensure that actual, potential or perceived conflicts of interest are identified, monitored, managed or prevented and is intended to assist HBF's people in being transparent and accountable for their actions and decisions.

Whistleblowing

HBF is committed to fostering a culture in which HBF's people and others feel safe to speak up on matters or conduct that concerns them. HBF's Whistleblower Policy promotes a culture of ethical behaviour and accountability by enabling disclosures about suspected misconduct or an improper state of affairs to be raised safely and addressed appropriately. Ethical conduct is also supported by a range of other corporate policies, including in the areas of health, safety and wellbeing and modern slavery.

Risk management and assurance

Risk management framework

Material business risks are identified and appropriately managed in accordance with HBF's Risk Management Framework (RMF). The RMF is the totality of systems, structures, policies, processes, and people across HBF which collectively identify, measure, evaluate, monitor, report and mitigate sources of material risk. HBF has identified its material risks against the context of strategic priorities and objectives. The RMF defines essential components necessary for HBF to manage risk effectively and in a manner that complies with APRA requirements.

APRA requires HBF to have a Risk Management Strategy (RMS) to detail the primary strategies and overarching approach to managing our material risks, including the policies and procedures and roles and responsibilities relevant to managing each material risk.

The Board has overall responsibility for HBF's RMF and RMS including setting the risk appetite for HBF. The Board reviews the RMF at least annually and satisfies itself that management has developed and implemented a sound system of risk management and internal controls to effectively manage risk across the business in line with regulatory and statutory requirements.

The Board-approved risk appetite details the amount of risk HBF is willing to accept in pursuit of its strategic and business plans as well as the processes required to be in place to ensure ongoing oversight, monitoring, and reporting of business performance, relative to appetite.HBF's material business risks are provided in the Material Business Risks section of the Operating and Financial Review within this report.

Internal Audit

HBF's internal audit function, managed by the General Manager Assurance, is an integral component of HBF's governance structure and provides independent, objective assurance and consulting services designed to add value and improve HBF's operations. Internal Audit applies a systematic, disciplined, and risk-based approach to evaluating and improving the effectiveness of HBF's risk management, control, and governance processes.

An HBF Internal Audit Plan is developed on an annual basis and is reviewed and approved by the Audit Committee. The General Manager Assurance has full access to all HBF records, properties, and personnel and reports directly to the Audit Committee.

External Audit

HBF's external auditor is Ernst & Young (**EY**). The external auditor receives all Audit Committee and Risk Committee papers, is invited to attend all meetings of those committees, and is available to Committee members at any time. The external auditor also attends HBF's AGM to answer any questions from Councillors regarding the conduct of its audit, the audit report and financial statements, and its independence.

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 on behalf of the Board:

- Oversees the quality and integrity of HBF's financial reporting and operation of the financial reporting processes.
- Reviews the external auditor engagement.
- Monitors and reviews the operation of internal audit.
- Assesses the adequacy effectiveness of the internal controls and risk management procedures in place to ensure the accuracy of the financial statements.

CEO and CFO assurance

In line with good governance practice, HBF's CEO and CFO provide a declaration in accordance with section 295A of the *Corporations Act 2001* (Cth). Before the Board approves the annual financial statements, the CEO and CFO declare to the Board that:

- The financial records have been properly maintained.
- 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 CEO and CFO declare that the above has been formed on the basis of a sound system of risk management and internal control, and that system is operating effectively in all material respects in relation to financial reporting risks.

Declarations for the financial year ending 30 June 2024 have been received by the Board.

Governance report

Part 2: 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 2024.

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 and Non-Executive Director
BEcon, MBA, FAICD, FGIA, FAIM

Appointed: Non-Executive Director from May 2020, Chair from May 2022

Contribution to the Board: Diane has extensive experience in banking, corporate governance and providing strategic advice to corporations in Australia and overseas. She was a Partner at McKinsey & Company in the United States before becoming a professional Non-Executive Director.

Diane was recognised in the 2019 Queen's Birthday Honours, where she 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, she was awarded an Honorary Doctor of Economics by the University of Western Australia, where she is an Adjunct Professor in Corporate Governance and Chair of the Business School Board.

Diane is a member of Chief Executive Women and the Advisory Council of the Climate Governance Initiative Australia.

Current External Appointments: Diane currently serves as the National Chair of the Committee for Economic Development of Australia, Chair of Zip Co Ltd. and Perenti Limited.

Board Committees:

Brent Stewart

Deputy Chair and Non-Executive Director
BSc, BPsych, FAICD

Appointed: Non-Executive Director from November 2015, Deputy Chair from December 2021

Contribution to the Board: Brent has occupied a variety of board roles in both the public and private sector, has served on numerous West Australian government committees and working groups, and has occupied national board roles for industry-based organisations. During his executive career he founded and built Market Equity Pty Ltd into one of Australia's largest privately owned strategy, marketing and market research companies and was a global CEO of its acquiror, LSE listed Aegis PLC. Brent's Non-Executive experience spans almost four decades in multiple industry sectors including healthcare, agribusiness and financial services.

Current External Appointments: Brent is currently Executive Chair of Waveride Capital Limited, Non-Executive Chair of Etherington Inc., Director of Market Equity Pty Ltd and Non-Executive Director of Argonaut Limited.

Board Committees: **Executive Sub-Committees:**

Gai McGrath

Non-Executive Director
BA, LLB (Hons), LLM (Distinction), GAICD

Appointed: Non-Executive Director from May 2019

Contribution to the Board: Gai is a skilled Non-Executive Director with close to 40 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. She is a Graduate of the Australian Institute of Company Directors, has studied at INSEAD, Wharton and Harvard Business Schools and is a member of Chief Executive Women.

Current External Appointments: Gai currently serves as a Non-Executive Director of Steadfast Group Limited (ASX: SDF), Insignia Financial Ltd (ASX: IFL), Waypoint REIT Limited (ASW:WPR) and Toyota Finance Australia Limited.

Board Committees:

Committees legend: Nominations, Audit, Risk, People, Culture & Remuneration, Transformation, Management Investment (Executive Sub-Committee), Committee Chair

Jennifer Seabrook

Non-Executive Director
BCom, FCA, FAICD

Appointed: Non-Executive Director from July 2021

Contribution to the Board: Jennifer is a highly experienced director with 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 was previously a Non-Executive Director of various 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 and was a member of ASIC's External Advisory Group and the Takeovers Panel. Jennifer is a member of Chief Executive Women.

Current External Appointments: Jennifer currently serves as Chair of Deterra Royalties Limited and BGC Group

Board Committees: **Executive Sub-Committees:**

Mary Anne Stephens

Non-Executive Director
FGIA, FCPA, BA, GAICD, FAIM, MAcc, DipFD

Appointed: Non-Executive Director from October 2023

Contribution to the Board: Mary Anne has an extensive background in insurance, health and aged care and the not-for-profit sector. She has held a number of senior leadership and executive positions including as Chief Financial Officer at Amana Living, RAC Insurance and Lumley General Insurance and previously served as a Non-Executive Director of WA Country Health Service and Council on the Ageing (WA).

Current External Appointments: Mary Anne currently serves as the Chair of Venues West and the Chair of Diabetes WA Ltd.

Board Committees:

Sami Yalavac

Non-Executive Director
BSCEN, MBA, MQM, GAICD

Appointed: Non-Executive Director from September 2023

Contribution to the Board: Sami is a technology executive with over 35 years' experience in a variety of industries spanning multiple continents as a Chief Information Officer, Managing Director and consultant and has led and delivered a significant number of transformation programs. In 2022, he was named as Australian Chief Information Officer of the year.

Current External Appointments: Sami is currently a Non-Executive Director of IIim College Board, member of Yourtown (Kidshelpline) Board Transformation Sub Committee and eHealth NSW (Government agency).

Board Committees:

Dr Lachlan Henderson

Chief Executive Officer and Managing Director
MBBS, FRACGP, MHSM

Appointed: Chief Executive Officer and Managing Director from February 2023

Contribution to the Board: Lachlan is a former medical practitioner who has more than 30 years' experience in the health industry. Prior to taking on a variety of executive leadership roles, he was a general practitioner for more than a decade. During his career, Lachlan has held a variety of university and board appointments including board member and President of the Australian Private Hospitals Association (APHA).

Current External Appointments: Lachlan is currently a Non-Executive Director of Cricket Australia and Private Healthcare Australia.

Board Committees: **Executive Sub-Committees:**

Tony Crawford who was appointed in August 2014, retired in September 2023. Richard England who was appointed in February 2015, retired in October 2023. Helen Kurincic who was appointed in February 2016, retired in February 2024.

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 complement 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 are set out in the Operating and Financial Review within this annual report.

Dividends

The HBF Constitution states the entity (being HBF Health Limited, the parent entity) shall not make distributions to members of the Company 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 and wholly 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

There were no significant changes in the state of affairs of the HBF Group during the year, other than those disclosed in this annual report.

Significant events after reporting date

There have been no significant events since the reporting date.

Directors' and Officers' indemnity and insurance

Constitution

The Directors, the Company Secretary, Chief Executive Officer and the Executives of HBF (together "HBF Officers") and former HBF Officers, are indemnified under the HBF Constitution.

The HBF Officers are indemnified, to the extent not precluded by law, against all costs, charges, losses, damages, expenses, penalties and liabilities of any kind including, in particular, legal costs incurred in defending any proceedings (whether criminal, civil, administrative or judicial) or appearing before any court, tribunal, government authority or other body, incurred by the officer in or arising out of the conduct of the business of HBF.

Where the Directors consider it appropriate, the indemnity extends to duties arising by reason of the appointment, nomination or secondment in any capacity of an HBF Officer by HBF or, where applicable, a subsidiary of HBF to any other corporation.

Deeds of indemnity and insurance

In accordance with the Constitution, where the Directors consider it appropriate, HBF may execute a deed of indemnity in any form in favour of an HBF Officer. An individual Deed of Indemnity has been provided to each Director of HBF, which:

- Indemnifies each Director, to the extent not precluded by law, on substantially the same terms to that provided in the Constitution, subject to the conduct of the Director not constituting serious and wilful misconduct; and
- Requires HBF to maintain a Directors and Officers insurance policy in respect of the Director during the period for which the Director is appointed as a director, and for the further period that the Director has access to board papers and documents under the Deed of Indemnity, insurance and access.

Insurance

During the financial year, a premium was paid by HBF in respect of a Directors and Officers insurance policy, insuring persons defined in the insurance policy, which includes HBF Officers, and directors and officers of HBF's subsidiaries against liability incurred for certain liabilities, for which the *Corporations Act 2001* (Cth) allows indemnification. In accordance with commercial practice, disclosure of the terms of the policy, including the total amount of premium payable under the policy and the nature of liabilities it covers, is prohibited by the terms of the policy.

Indemnification of auditors

To the extent permitted by law, HBF has agreed to indemnify its auditors EY as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify EY 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 21, 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.

Company Secretary

Victoria McKenzie

Company Secretary
LLB, FGIA, FCG, GAICD

Victoria McKenzie was appointed Company Secretary of HBF and its subsidiaries, effective 1 July 2023. Victoria has over 13 years' experience as a company secretary and corporate governance professional. Prior to joining HBF, Victoria held company secretary and corporate governance roles at Westpac Banking Corporation, Commonwealth Bank of Australia and PwC.

HBF's Company Secretary attends Board and Board Committee meetings and is responsible for the operation of the Secretariat function, including advising the Board on governance and, in conjunction with management, giving practical effect to the Board's decisions. The Company Secretary is accountable to the Board, through the Chair, on all matters relating to the proper functioning of the Board.

Directors' meetings

Attendance at Board and Committee meetings held during the financial year is noted below for each Director during their respective term of office. Directors are invited to attend Committee meetings even if they are not a member of the relevant Committee. The table below does not include the attendance of Directors at Committee meetings of which they are not a member.

	Board		Audit Committee		People, Culture & Remuneration Committee		Risk Committee		Transformation Committee		Nominations Committee	
	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended
Non-Executive Directors												
Ms D Smith-Gander AO[2]	10	10	4	4	3	3	-	-	2	1[3]	1	1
Mr B Stewart	10	8[3]	-	-	-	-	7	7	5	5	1	1
Mr T Crawford[4]	3	3	-	-	4	4	-	-	-	-	-	-
Mr R England[5]	5	5	1	1	4	4	2	2	-	-	-	-
Ms H Kurincic[6]	7	7	3	3	5	5	4	4	-	-	-	-
Ms G McGrath	10	10	-	-	7	7	7	7	5	5	1	1
Ms J Seabrook	10	10	4	4	-	-	-	-	-	-	1	1
Ms MA Stephens[7]	5	5	1	1	-	-	5	5	-	-	1	1
Mr S Yalavac[8]	6	6	-	-	3	3	3	3	3	3	1	1
Managing Director												
Dr L Henderson	10	10	-	-	-	-	-	-	-	-	1	1

1. The number of meetings held during the time the Director was a member of the Board or of the relevant Board Committee.
2. Retired as a Member of the Transformation Committee on 19 September 2023. Appointed as a Member of the People, Culture & Remuneration Committee on 25 October 2023.
3. The meetings which were not attended related to out-of-cycle Board or Board Committee meetings typically called for a special purpose that do not form part of the Board or Board Committee approved yearly planner.
4. Retired as a Director and Member of the People, Culture & Remuneration and Nominations Committees on 6 September 2023.
5. Retired as a Director and Member of the Audit, People, Culture & Remuneration, Risk and Nominations Committees on 24 October 2023.
6. Retired as a Director, Chair of the Risk Committee and Member of the Audit, People, Culture & Remuneration and Nominations Committees on 13 February 2024.
7. Appointed as a Director and member of the Risk and Nominations Committees on 25 October 2023. Appointed as Chair of the Risk Committee and Member of the Audit Committee on 13 February 2024.
8. Appointed as a Director and member of the Transformation and Nominations Committees on 19 September 2023. Appointed as a Member of the People, Culture and Remuneration Committee on 25 October 2023 and as a Member of the Risk Committee on 5 March 2024.

Other corporate information

HBF is incorporated under the *Corporations Act 2001* (Cth) and is a company limited by guarantee. If the Company is wound up, the HBF Constitution states that each member of the Company, or within one year after they cease to be a member of the Company, 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

HBF is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies. Pursuant to this Instrument, amounts in this Directors' report and the accompanying financial report have been rounded to the nearest hundred thousand dollars (where rounding is applicable).

Auditor's independence and non-audit services

The non-audit services provided by HBF's auditor EY are reported in Note 19 of the annual financial statements.

The Directors are satisfied the provision of non-audit services by EY is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). 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 96 and forms part of this report.

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

Diane Smith-Gander AO
Perth, 3 September 2024

Executive team

Dr Lachlan Henderson

Chief Executive Officer

MBBS, FRACGP, MHSM

Lachlan Henderson took on the role of Chief Executive Officer at HBF in February 2023. He is a medical practitioner with more than 30 years' experience in the health industry and was a general practitioner for more than a decade prior to taking on a variety of executive leadership roles. He currently serves on the Private Healthcare Australia Board.

He was most recently Group Chief Executive at Epworth HealthCare in Victoria. Prior to this, Lachlan held several senior executive roles at St John of God Health Care, including CEO of SJOG Subiaco from 2013 to 2016.

He is a former President of the Australian Private Hospitals Association and is a Director of Cricket Australia, having been Chair of the Board of Directors from February 2022 to February 2023.

Previous board and advisory positions have included roles at aged care provider Swan Care WA, Medical Defence Association (MDA National) and the University of Notre Dame.

Sanjeev Gupta

Chief Information and Transformation Officer

BTech (Hons), MBA

Sanjeev Gupta joined HBF in February 2022 and has more than 30 years' experience leading large and diverse teams at organisations including HCF, Greenstone Financial Services, Cover-More Group, Wesfarmers General 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. At HBF, he leads the transformation program and oversees the organisation's technology risk, delivery, infrastructure and operations, solutions, and cloud engineering.

Sanjeev 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.

Amy Stanley

Chief People Officer

BA (Hons), GradDipHR

Amy Stanley joined HBF 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 CocaCola South Pacific. She has also had experience in the banking and insurance sectors. Amy is a member of Chief Executive Women.

Dr Daniel Heredia

Group Executive Insurance and Health Services

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

After joining HBF in January 2021, Daniel Heredia now oversees the organisation's insurance functions (including products, actuarial, provider contracting, claims integrity, member outcomes, chronic disease management programs, and Queensland Country Health Fund and see-u brands) and clinical businesses (HBF Dental, HBF Physio and Life Ready Health Group).

Previously, Daniel was Deputy CEO and Medical Director at Hollywood Private Hospital, Australia's largest private hospital. He also supported WA's COVID-19 response as Deputy Chief Executive - COVID-19 Health Operations and worked as an Advisor to Medicare Australia.

Daniel is currently a member of the Medical Board of Australia, after Chairing its WA Registration Committee and serving as a member of the WA Board.

He has served on the Boards of the WA Country Health Service and Private Healthcare Australia, was a Councillor with the Australian Medical Association (WA) and the Postgraduate Medical Council of WA and was also an Honorary Clinical Consultant with The University of Western Australia.

Sarah Graf

Chief Financial Officer

BCom, MBA, FCA

Sarah Graf joined HBF in May 2024, leading the finance, data analytics, property, procurement, and investment functions.

Sarah has a broad range of experience gained from 20 years of experience working in banking and general insurance sectors in Australia, the United Kingdom and Argentina with Bankwest, Zurich and QBE. Prior to joining HBF, Sarah was with the Commonwealth Bank for 10 years in finance and business partnering roles, with her most recent as the Chief Financial Officer at Bankwest. Sarah is skilled in change management, business strategy and analysis and financial accounting.

Sarah is a Fellow of Chartered Accountants Australia and New Zealand.

Jarod Avila

Group Executive Member Services

LLB, BCom

Jarod Avila joined HBF in October 2020 and now leads HBF's Member Services division, encompassing digital, contact centre and branch channels, back-office operations, member risk management, and key member technology platforms. He is a strategic leader with a passion for members, people, and driving business change.

Prior to joining HBF, Jarod worked in senior strategy, product management, business development, and technology transformation roles. His previous employers include Bankwest, ANZ Bank, HSBC, and Boston Consulting Group, across Australia and the UK.

Jarod holds bachelor's degrees in law and commerce from the University of Western Australia and is a graduate of Leadership WA. He has served on multiple boards in the community and not-for-profit sectors.

William Brown

Chief Risk Officer

BA, LLB, BCom, GDFM, GDLP, CA, M.Tax

William Brown commenced as Chief Risk Officer in October 2023. He has over 27 years experience in banking and finance and legal services across various roles at NAB, Citigroup, Westpac and BOQ. These roles have included working within most divisions of those banks.

William has held senior positions leading operational risk, audit, and compliance teams and has been involved in mergers and acquisitions including Westpac's purchase of St.George Bank, RAMS and CFAL and BOQ's purchase of ME Bank. He was a member of the Westpac Investment Advisory Committee for the Westpac Charitable Foundation and is a regular mentor to new graduates and Women in Leadership. William is a solicitor, chartered accountant and has completed senior executive courses in Leadership and Risk at Harvard Business School.

*Jan O'Keefe commenced as Chief Commercial Officer on 19 August 2024.

Board and CEO remuneration report

On behalf of the Board, I am pleased to present our 2024 Board and CEO remuneration report.

During 2024 the People, Culture and Remuneration Committee (PCRC) and the Board continued to focus on a remuneration framework that rewards responsible behaviours and aligns remuneration with performance outcomes and regulatory requirements. Of particular focus has been the implementation of APRA prudential standard on remuneration, CPS 511 (Remuneration) (CPS 511), that came into effect in January 2024 and the preparation for the implementation of the Financial Accountability Regime (FAR).

Director changes

The Board composition has seen some change this year with Sami Yalavac and Mary Anne Stephens joining the Board and Tony Crawford, Richard England and Helen Kurincic departing. Tony, Helen and Richard were valuable members of the PCRC, and I thank them for their important contributions to our work. With these changes in the Board, our Board Chair, Diane Smith-Gander and Sami Yalavac have joined our committee.

FY24 remuneration outcomes

We acknowledge the expectations of our members and the community and aim to ensure that Executive reward is aligned to balanced financial and non-financial performance outcomes. The Board has been mindful of appropriate governance of outcomes that are sustainable and in the interests of our members.

In determining the appropriateness of outcomes, we have considered reputation, risk and behavioural aspects of performance, alongside more traditional financial and non-financial markers of company achievement.

In evaluating Executive performance, in addition to assessing financial and non-financial metrics, we aim to ensure outcomes reflect our values, leadership principles, strategy, member outcomes, reputation and environmental, social and governance (ESG) priorities.

FY24 key points

- HBF delivered a stronger result in FY24 compared with FY23. This was driven by an improvement in premium revenue, overall profitability, and our people metrics.
- The Corporate Incentive Scorecard used to measure performance outcomes as a range of financial and non-financial metrics. This balances member expectations, people metrics, delivery of projects and financial sustainability. The Board approved an outcome of 65% of target, based on the Corporate Incentive Scorecard assessment for FY24 (section 4). The Risk, Compliance and Conduct Gateway (Risk Gateway) was determined as open by the Board (via the Risk Committee). This means that there was no adjustment to the variable reward pool available to Executive and select management employees at a company level.

FY24 remuneration changes

APRA's Prudential Standard CPS 511 (Remuneration) (CPS511) came into effect 1 January 2024 for HBF, and work is underway to be ready for the Financial Accountability Regime (FAR) in March 2025.

Building on the work undertaken in the previous financial year, the PCRC reviewed and refined HBF's remuneration framework.

Significant work has been undertaken on the link between culture and remuneration. This has focussed on ensuring there is a link understood by employees between conduct and risk and remuneration outcomes, both positive and negative.

The PCRC has worked with management to continue to enhance the performance culture at HBF including through establishing a clear link between performance, behaviours and business outcomes.

Non-Executive Director's Remuneration

The PCRC periodically reviews NED fees and subsidiary board and committee fees, and whether they are appropriate (having regard to information or benchmarking provided by independent remuneration consultants), and if changes are required, recommends those to the Board for approval. Our NED fee structure allows attraction and recruitment of appropriately skilled directors. The Board continues to monitor the practice of similar sized Australian organisations to ensure an appropriate structure and fee arrangement is in place. After an external review of comparative Board fees, the Board determined to increase Board and Committee fees by 3% to ensure market alignment. This increase is within the maximum aggregate remuneration that may be paid to all NEDs, approved by the Council.

I would particularly like to thank our People and Culture team for all their valuable work in FY24 in enhancing our remuneration practices.

Gai McGrath
Chair, HBF People, Culture and Remuneration Committee

1. HBF's remuneration philosophy and principles

Our remuneration framework is informed by the Group strategy, emphasising the importance of members, employees and other stakeholders. Our remuneration principles are instrumental in delivering our strategic objectives. HBF's remuneration philosophy and principles are in the diagram below supported by key principles that govern remuneration decisions.

HBF's purpose
To deliver for our members in moments that matter

Our values

Members are our reason	We do the right thing	We are brave	We work as one

HBF's remuneration philosophy and principles
Our approach to remuneration considers all stakeholders, including our members, regulators, communities, and employees, with a commitment to fairness, appropriateness, simplicity, and transparency.

Market competitive	High performance culture	'How' and 'what'	Fair, transparent and simple
Attracting, motivating and retaining our people (the best talent in financial services and healthcare) through market competitive remuneration	Rewarding a culture of high performance where the member is at the centre of everything we do	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	Ensuring reward is fair, transparent and simple to understand
• Align our people's interests by linking remuneration to HBF performance. • Offer competitive remuneration and equitable pay.	• Reward performance with a balanced approach across financial and non-financial measures, over the short, medium and long-term. • Reinforce our risk, culture and conduct expectations.	• Ensure performance and rewards align with both outcomes and methods, reinforcing our purpose, values, and behaviours. • Remuneration aligns with prudent risk taking.	• Ensure our people understand the purpose and value of remuneration and how their rewards are linked to their impact on HBF.

Remuneration framework

The remuneration framework comprises the totality of systems, structures, policies, processes and people within HBF that identify, measure, evaluate, monitor, report or control risk relating to remuneration. In 2023, we reviewed the remuneration framework to comply with CPS 511 and the upcoming FAR requirements and enhancements were made to the remuneration framework, performance management framework and consequence management framework (CMF).

Remuneration policy

The remuneration policy sets out our remuneration philosophy and principles which form the basis of our remuneration framework, defining remuneration outcomes and opportunities for our people. The policy has been updated to ensure it complies with CPS 511 and FAR, aligning it with broader changes to the remuneration framework.

The policy also establishes the connection between the HBF remuneration strategy and the management of remuneration related risks within the framework. It supports our CMF, performance management framework, and risk management framework (RMF), ensuring alignment between HBF's strategy and the outcomes of risk, reward, and performance.

Overview of Managing Director and CEO's remuneration

At the start of each performance year, the Board determines the performance objectives for the Managing Director and CEO. These objectives include HBF's strategic measures from the Corporate Incentive Scorecard and role-specific goals related to leadership, risk, and culture. The Board then assesses the CEO's performance against these objectives.

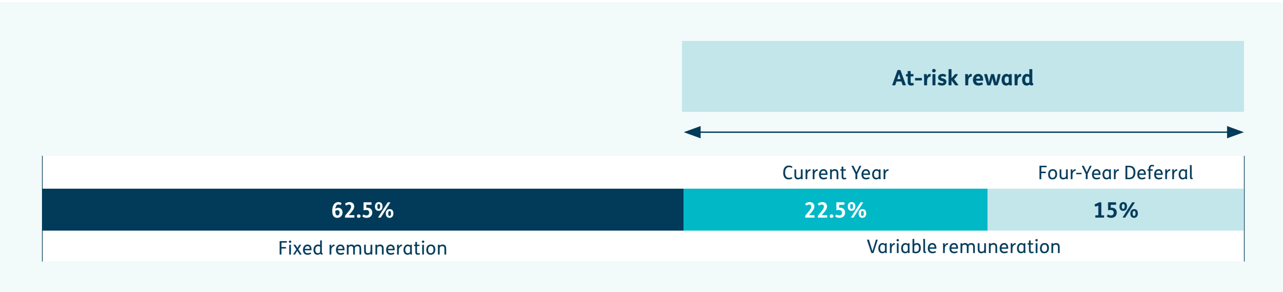
CEO remuneration components

Dr. Henderson, the CEO, has a variable remuneration target of 60% of fixed remuneration in addition to his fixed remuneration. This target has two components: 60% based on short-term measures and 40% assessed after four years against long-term measures set by the Board. Transitional arrangements apply for assessment and release of awards tied to long-term measures granted in FY24, with 20% assessed as at the end of FY26 and 20% as at the end of FY27. Grants from FY25 will be assessed after four years. This structure aligns to the deferral requirements of CPS 511 and the upcoming FAR.

FY24 Remuneration Structure

Component	Delivery	Current year Short Term Measures	2 Year Deferral Long Term Measures	4 Year Deferral Long Term Measures
Fixed remuneration	Comprises of cash base salary, statutory superannuation contributions, and other non-monetary benefits. Benchmarked to comparable roles in similar companies.			
Variable remuneration target (60% of fixed remuneration)	'At risk' variable remuneration is subject to short and long term performance based measures. These financial and non-financial measures are weighted 90% based on company measures and 10% on individual performance assessed by the Board. The maximum opportunity of 150% of target, which is equal to 90% of fixed remuneration. The performance assessment by the Board considers an assessment of objectives, values, behaviours and risk management.	60% of variable reward outcome delivered in cash	20% variable reward outcome tested two years, delivered as cash	20% variable reward outcome tested at four years, delivered as cash

The CEO's on-target remuneration mix is:



Executive performance and remuneration philosophy

Our remuneration philosophy aligns with HBF's vision, values, and purpose, ensuring they reflect business performance and support strategic goals while considering stakeholder expectations and HBF's long-term sustainability.

Importantly, remuneration must encourage behaviour that supports HBF's risk management framework and high standards of risk governance, promoting the effective management of both financial and non-financial risks, sustainable performance and HBF's long-term soundness.

Executive remuneration components

HBF's remuneration consists of fixed and variable components. The balance is designed to be competitive, promote sound decision-making, align with our risk profile, and create member value.

The Executive Variable Remuneration Incentive (EVRI) is a performance-based remuneration system designed to incentivise HBF's Executives by aligning their rewards with the company's short-term and long-term objectives. Under the EVRI plan, Executives have variable remuneration equal to 50% of their fixed pay at target, split 60% into short-term and 40% into long-term measures.

2. Remuneration governance

The role of the Board in remuneration

The Board holds ultimate accountability and responsibility to approve the remuneration policy and framework. The PCRC is responsible for making recommendations to the Board, including the development, implementation, and operation of the remuneration framework. It is guided by its Charter, carrying out responsibilities delegated by the Board. Both the Board and the PCRC Charter are available on HBF's website.

Board adjustment guidelines

In accordance with the remuneration policy, the Board approves remuneration arrangements, variable remuneration and adjustments for the CEO, Executives and employees performing a specified role as defined by the APRA or as determined by the Board.

Variable rewards are offered to Executives and senior leaders whose roles are critical to the delivery of HBF strategic outcomes. The rewards are based on HBF's performance against Board-set strategic objectives and individual performance, subject to a minimum threshold. The Board may adjust outcomes collectively or individually, using the remuneration adjustment guidelines, considering impacts on HBF's financial, member, reputational, employee, or regulatory standing.

The Board may adjust any variable remuneration, this may be at a collective or individual basis. In accordance with the remuneration adjustment guidelines, consideration is given to the impact on HBF's financial, member, reputational, employee or regulatory standing perspective.

3. Risk and remuneration

Risk culture

The Board and PCRC are responsible for ensuring our remuneration framework, policies and practices are consistent with our RMF, aligned with prudent risk taking, and supports the effective management of financial and non-financial risks. Our remuneration framework links rewards to HBF's member outcomes, individual performance and behaviour (values), and to support HBF's long-term soundness.

HBF is committed to meeting high standards of risk governance and all applicable legislative requirements and prudential standards. We ensure remuneration practises align with effective risk management through careful design and management.

CPS 511 mandates regulated entities such as HBF to establish stronger incentives for risk management, determine consequences for poor risk outcomes, and enhance oversight, transparency and accountability in remuneration. The HBF Code of Conduct outlines the behaviours expected of HBF employees and the HBF RMF provides guidance on risk expectations.

Consequence management

Effective consequence management is a key component of HBF's risk culture and our commitment to our values, which include 'doing the right thing'. HBF applies consequences for events which are deemed a risk, compliance or conduct breach in a prompt manner, and as fairly and consistently as possible. A risk or conduct event can range from talking inappropriately to a colleague (Code of Conduct), leadership failings from a health and safety perspective, to committing financial fraud of $10 million (potential criminal charges).

The CMF sets out the approach to the identification and categorisation of risk and conduct events at HBF. This includes rewarding positive risk management behaviours and outcomes, applying downward adjustments for adverse risk and compliance outcomes and assessing whether employees have met the required performance, risk, behaviour and compliance standards. The CMF requires the application of direct, consistent, transparent, and proportionate consequences to hold individuals or groups to account when an event occurs which may trigger a risk, compliance or conduct breach.

The CMF details how financial or non-financial consequences may be applied to HBF employees based on our values, compliance, risk and conduct requirements, and related governance principles. The application of fair and appropriate consequences enables HBF to meet its corporate and operational business objectives of becoming Australia's most trusted and valued member-based organisation, delivering in moments that matter.

Identification of risk, conduct and compliance matters are undertaken throughout the year. HBF has a remuneration adjustment process for circumstances when employees fail to meet these standards and expectations. This includes risk, compliance or conduct breach, and consequences range from warnings, adjustment to remuneration outcomes including malus and clawback and in some cases termination.

Alignment of remuneration with prudent risk taking

Alignment of remuneration with the risk appetite set by the Board is critical to our remuneration framework. Under HBF's performance management framework, at the end of each financial year all employees are assessed separately against their values and behaviours and personal objectives.

For eligible executives and employees to participate in variable remuneration, the Board via a joint meeting of Risk Committee and PCRC, confirm if the Risk Gateway (Gate) is open or closed for the performance period. This is informed by an objective assessment by the Chief Risk Officer of enterprise performance in the management of risk, compliance and conduct.

The Gate is an important aspect of HBF's remuneration framework, as it poses a risk hurdle that must be met from an organisational perspective before any variable remuneration is paid to eligible employees. In addition to the Gate, there is an individual threshold that staff need to meet that considers, conduct and risk behaviour, performance, values and completion of mandatory training requirements.

All variable remuneration is subject to malus and clawback.

Adjustments to remuneration

The Board has remuneration adjustment guidelines to support adjustments to variable remuneration for conduct or risk that warrants an adjustment in accordance with the CMF. This includes positive adjustments for positive risk outcomes.

During the FY24 remuneration review, the Board considered remuneration adjustments (this process covers all employees eligible for variable reward including Executives). This decision making was supported by the PCRC and the Risk Committee which jointly evaluated and recommended adjustments. These adjustments addressed cases involving risk and conduct performance issues. The Board employs a remuneration adjustment framework to ensure adjustments are consistent, appropriate, and proportionate to the incident severity.

The Board considered seven adjustments. Three downward adjustments were made to variable rewards for minor conduct and risk issues and one positive risk adjustment was made among non-executive employees. No significant issues requiring adjustment were identified, and no adjustments, upward or downward, were made to Executive outcomes.

Employees covered by the enterprise agreement who have identified risk or conduct issues were subject to the conditions outlined in the agreement, potentially limiting opportunities for fixed pay increases.

4. Linking remuneration and performance

Incentive outcome – short-term measures

At the start of each performance year, the Board approves financial and non-financial performance measures for the CEO and Executive on the EVRI Plan and selected senior management on the Short Term Incentive (STI) Plan. These are detailed in the Corporate Incentive Scorecard.

Variable reward outcomes are based on these financial and non-financial measures, and individual performance outcomes, reflecting role-specific objectives and HBF's values and behaviours. The Board has discretion to adjust outcomes upward or downward at a group and individual level.

Corporate incentive scorecard outcome

Short Term Measures	Weighting	Threshold 90%	Target 100%	Above Target 125%	Stretch 150%	Measure Outcome
Risk and Compliance Gateway Assessed as open by the Board via Risk Committee and People, Culture and Risk Committee						
Financial						
Group PHI revenue $m	20%					20%
Group operating result	20%					30%
Non-financial						
Service Net Promoter Score	20%					5%
Key people retention / frontline turnover	20%					10%
Transformation delivery*	20%					0%
Overall Corporate incentive scorecard outcome	**100%**					**65%**

*Our transformation program was delivered as outlined in the CEO's report on page 3.

Individual performance objective

The Board reviewed the CEO's individual performance, weighted at 10%. The CEO was assessed as meeting individual performance objectives resulting in an outcome of 65% of the maximum target. The Board's assessment considered performance against objectives, values and behaviours with an overlay of risk management. The CEO's individual performance objectives include leading the organisation and Executive team, driving the delivery of the transformation program and enhancing culture.

EVRI long-term measures

The long-term measures are assessed four years after granting and align Executive focus with HBF's long-term strategy. The FY24 award is transitional as the new scheme is introduced, assessment of the 40% of the incentive tied to long-term measures will occur as at the end of FY26 for 20% and as at the end of FY27 for the remaining 20%. Grants following for FY25 onwards will be assessed after four years.

FY23 long-term incentive outcome

As disclosed in the 2023 Annual Report, the Board approved the closure of the long term incentive (LTI) scheme with a closure payment to participating Executives equivalent to 25% of the LTI grant value. Of this payment, 30% was paid in September 2023 with 70% deferred for one year (subject to Variable Remuneration Plan Rules, including malus, clawback and forfeiture).

The measures that were in place for the closed FY23 LTI scheme are below.

LTI Measures	Weighting	Target	Measure outcome	Comments
Financial				Board applied discretion to the % Non-WA PHI revenue to recognise the QCH transaction.
% Non-WA PHI revenue	25%	19.5%	25%	
% No-PHI revenue	25%	8.7%	0%	
Non-financial				Target was not met for non-financial measures
Management Expense Ratio (MER) in average of top six health funds	25%	Median	0%	
WA market share	25%	52.8%	0%	
Overall outcome	**100%**		**25%**	

5. CEO remuneration outcomes

In the spirit of transparency for our members we present remuneration outcomes for the CEO. The statutory remuneration in the table below provides a breakdown of all earnings across the financial year and the awarded variable remuneration for the CEO provides the breakdown of the incentive outcome for the FY24 year for transparency.

Statutory remuneration[1] paid to the CEO

		Total fixed remuneration			Variable remuneration		
CEO	**Year**	**Cash salary $**	**Non-monetary benefits[3] $**	**Superannuation $**	**STVR Cash $**	**LTI Deferred[5] $**	**Total actual remuneration $**
Dr Lachlan Henderson	FY24	1,225,208	18,696	27,399	146,250	-	1,417,553
	FY23[2]	471,041	3,796	12,646	243,750[4]	-	731,233

Note 1: This realisable pay is the sum of cash and benefits expenses received in a year.

Note 2: Reflects part year, with Dr Henderson commencing as HBF CEO on 13 February 2023.

Note 3: Reflects the estimated reportable fringe benefit value of car parking bay, Personal Accident Insurance and Corporate Gold Hospital cover.

Note 4: 60% of the FY23 award was paid in September 2023 and 40% deferred for two years (20% paid in one year and 20% paid in two years).

Note 5: The CEO, Dr Lachlan Henderson commenced on 13 February 2023 and did not participate in the LTI outcome.

Awarded variable remuneration for the CEO

CEO	Year	Target % of Fixed Remuneration	Target $	Achieved %	Total amount $	Cash $	Deferred cash $
Dr Lachlan Henderson	FY24	EVRI 60%	751,264	101%	761,064	309,394	451,670[3]
	FY23[1]	EVRI 60%	283,562	88%	243,750[2]	146,250	97,500

Note 1: Pro rata for time in the role.

Note 2: 60% of the FY23 award was paid in September 2023 and 40% deferred for two years (20% paid in one year and 20% paid in two years).

Note 3: Deferred cash tested and accordingly, some or all may be paid four years after allocation, subject to outcome of the performance hurdles.

6. Overview of variable remuneration

The variable remuneration plans are at-risk contingent on HBF's and individual performance. They aim to incentivise and reward participants for driving organisational performance aligned to HBF's strategic objectives, while encouraging responsible behaviour through HBF's RMF. The FY24 remuneration structure is in its first year and is designed to comply with the regulatory requirements of CPS 511.

Incentive key features

Features	Approach
Plan	Executive Variable Reward Incentive
Purpose	Market competitive and designed to reward performance over the short and long term.
Short term variable reward measures - Corporate Incentive Scorecard	Annual performance against Board pre-agreed weighted financial and non-financial performance corporate measures with a risk gateway. For the CEO, the Corporate Incentive Scorecard short-term measures are weighted at 90% while individual measures are weighted 10%. For Executive CEO direct reports corporate measures are weighted at 80% while individual measures are weighted at 20%.
Long term variable reward measures - Corporate Scorecard	Long term measures for CEO and Executive team are pre-agreed by the Board. These are weighted financial and non-financial performance measures with a risk gateway measured after four years. They are at risk and form the deferral component of the CEO and Executives variable remuneration.
Individual objectives	Individual performance measures with individual conduct gateways. These are set and reviewed annually and results in the performance outcome for the individual measures.
Participants	CEO, Executive and selected senior management within HBF.
Performance period	The annual performance period is from 1 July to 30 June each year.
Delivery for the CEO and Executive – short-term measures	If the performance conditions for Corporate Incentive Scorecard short-term measures are satisfied, then 60% of the variable reward opportunity will be delivered in cash.
Delivery for the CEO and Executive – long-term measures	40% of the CEO and Executives variable reward opportunity is deferred for four years. There is no retest if the long-term measures are not met. Transitional arrangements apply for assessment and release of awards tied to long-term measures granted in FY24, with 20% assessed as at the end of FY26 and, and 20% as at the end of FY27. Grants from FY25 will be assessed after four years. This structure aligns to the deferral requirements of CPS 511 and the upcoming FAR
Board discretion, malus and clawback	The Board may, at its absolute discretion reduce (to nil if appropriate) the amount of any future award or bonus (if any) which would otherwise be payable to the participant and/or require the participant to repay to the Company and on such terms as the Board may direct.
Cessation of employment	The treatment of a variable award and entitlements to any part of the deferred portion of an award will be at the absolute discretion of the Board.

7. Overview of Non-Executive Director fees

HBF's NED fee arrangements are set following the below considerations:

- To attract and 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 and committee responsibilities, and
- To acknowledge Australian market practice and governance expectations for comparable companies.

HBF NED fees consist of a base fee (inclusive of the statutory superannuation contribution amount) and any applicable committee fees. NEDs are not entitled to participate in any performance-based awards. The Board recognises the additional time commitment required for members of committees and subsidiary boards and the need for NEDs fees to reflect this time commitment.

The Board Chair's fees are a composite fee reflecting the Board Chair's broad role. No additional amounts are payable for the Board Chair's membership of other committees or subsidiary board appointments.

In 2007, the HBF Council approved the creation of a fee pool from which NED fees are paid, with the pool to include membership on the HBF Board, its standing committees, and subsidiary boards. The subsidiary board fees are drawn from the pool where a HBF NED is appointed to a subsidiary board. At the 2019 AGM, the Council approved the current pool of $1.65 million.

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.

Base and committee fees are inclusive of superannuation.

8. NED actual remuneration

Name	Role	Year	Cash salary and fees $	Non-monetary benefits[1] $	Superannuation $	Total Remuneration $
Current NEDs						
Diane Smith-Gander AO	Chair	FY24	295,232	3,228	6,804	305,264
		FY23	270,137	2,372	25,292	297,801
Brent Stewart	Deputy Chair	FY24	165,637	6,397	18,220	190,254
		FY23	162,740	5,855	17,088	185,683
Gai McGrath	NED	FY24	183,857	6,938	-	190,795
		FY23	171,283	4,951	8,544	184,778
Jennifer Seabrook[2]	NED	FY24	180,852	7,444	19,894	208,190
		FY23	156,953	5,587	16,480	179,020
Sami Yalavac	NED	FY24	114,700	2,812	12,617	130,129
		FY23	-	-	-	-
Mary Anne Stephens	NED	FY24	98,831	-	10,871	109,702
		FY23	-	-	-	-
Former NED						
Richard England	NED	FY24	47,735	5,415	5,251	58,401
		FY23	145,277	3,367	15,867	164,511
Helen Kurincic	NED	FY24	102,748	10,608	11,302	124,658
		FY23	162,740	6,510	17,088	186,338
Tony Crawford	NED	FY24	77,064	3,449	8,477	88,990
		FY23	127,866	6,053	13,426	147,345
Total		**FY24**	**1,266,656**	**46,291**	**93,436**	**1,406,383**
		FY23	1,196,996	34,695	113,785	1,345,476

Note 1: Reflects the reportable fringe benefit value of Corporate Gold Hospital cover and any gifts received.

Note 2: The fees paid to Jennifer Seabrook include payment for HBF and QCHF Boards.

HBF Health Limited

Financial report

for the year ended 30 June 2024

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HBF Health Limited
Consolidated statement of comprehensive income - Year ended 30 June 2024

	Notes	2024 $m	2023 Restated[1] $m
Insurance revenue	4(a)	2,221.1	1,960.8
Insurance service expense	4(b)	(2,171.0)	(2,041.0)
Insurance service result		**50.1**	**(80.2)**
Interest revenue calculated using the effective interest method		45.6	30.6
Other interest and similar income		19.8	23.4
Net fair value gains on financial assets at fair value through profit or loss		10.3	21.3
Net foreign exchange income		-	0.3
Total investment income	**7**	**75.7**	**75.6**
Insurance finance (expense)/income for insurance contracts issued		(4.7)	1.7
Net insurance financial result		**121.1**	**(2.9)**
Health and Wellness revenue	5(a)	38.4	29.8
Health and Wellness expense	5(b)	(61.7)	(45.5)
Other income		0.2	0.6
Other expenses	6	(53.3)	(121.3)
Profit/(loss) before income tax		**44.7**	**(139.3)**
Income tax (expense)/benefit	20	(0.5)	8.1
Profit/(loss) after income tax		**44.2**	**(131.2)**
Other comprehensive income			
Revaluation of land and buildings		-	0.1
Change in fair value of equity instruments	7	8.7	(7.1)
Total comprehensive income/(loss)		**52.9**	**(138.2)**
Attributable to:			
Entity's members		52.5	(138.9)
Non-controlling interests		0.4	0.7
		52.9	**(138.2)**

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

[1] The Group has adopted AASB 17 *Insurance Contracts and AASB 9 Financial Instruments* and has restated the comparative period. The impacts of adoption are detailed in Note 2(d) of the financial statements.

HBF Health Limited
Consolidated statement of financial position - As at 30 June 2024

	Notes	2024 $m	2023 Restated[1] $m	1-Jul-22 Restated[1] $m
Assets				
Current assets				
Cash and cash equivalents		234.5	296.5	164.0
Receivables	10(a)	21.1	172.2	14.4
Financial assets at fair value through profit or loss	8(a)	334.2	196.4	556.2
Financial assets at fair value through other comprehensive income	8(b)	30.4	21.7	28.8
Debt instruments at amortised cost	8(c)	612.1	635.3	700.0
Assets held for sale		-	-	2.9
Total current assets		**1,232.3**	**1,322.1**	**1,466.3**
Non-current assets				
Financial assets at fair value through profit or loss	8(a)	149.7	136.0	123.0
Debt instruments at amortised cost	8(c)	155.0	50.1	-
Intangible assets	12	277.8	214.5	229.7
Property, plant and equipment	13	82.1	117.6	122.0
Investment property	15	4.7	-	-
Deferred tax assets	20(c)	3.4	1.9	-
Total non-current assets		**672.7**	**520.1**	**474.7**
Total assets		**1,905.0**	**1,842.2**	**1,941.0**
Liabilities				
Current liabilities				
Trade and other payables	10(b)	49.0	63.3	39.9
Insurance contract liabilities	4	443.4	421.6	391.8
Lease liabilities	14	6.3	16.3	6.9
Financial liabilities	16	4.5	3.9	6.6
Employee benefit liabilities	17(a)	17.7	16.0	15.6
Provisions	18	7.7	-	-
Total current liabilities		**528.6**	**521.1**	**460.8**
Non-current liabilities				
Insurance liabilities	4	45.0	48.3	51.6
Lease liabilities	14	9.2	1.5	12.1
Employee benefit liabilities	17(a)	2.8	4.3	3.7
Deferred tax liabilities	20(c)	-	-	6.2
Total non-current liabilities		**57.0**	**54.1**	**73.6**
Total liabilities		**585.6**	**575.2**	**534.4**
Net assets		**1,319.4**	**1,267.0**	**1,406.6**
Equity				
General reserve	11	111.5	111.5	111.5
Retained earnings	11	1,211.1	1,167.3	1,299.2
Asset revaluation reserve	11	9.3	9.3	9.2
Purchase commitment for NCI shares reserve	11	(5.4)	(5.2)	(6.6)
Fair value reserve	11	(11.5)	(20.2)	(13.1)
Equity attributable to the entity's members		**1,315.0**	**1,262.7**	**1,400.2**
Non-controlling interests		4.4	4.3	6.4
Total equity		**1,319.4**	**1,267.0**	**1,406.6**

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

[1] The Group has adopted AASB 17 *Insurance Contracts and AASB 9 Financial Instruments* and has restated the comparative period. The impacts of adoption are detailed in Note 2(d) of the financial statements.

Financial report

HBF Health Limited
Consolidated statement of changes in equity - Year ended 30 June 2024

	Notes	Retained earnings $m	Reserves $m	Total $m	Non-controlling interests $m	Total $m
At 30 June 2022, as previously reported		**1,266.1**	**114.1**	**1,380.2**	**6.4**	**1,386.6**
Impact of initial application of AASB 17	2(d)(i)	20.0	-	20.0	-	20.0
Impact of initial application of AASB 9	2(d)(ii)	13.1	(13.1)	-	-	-
Restated balance as at 1 July 2022		**1,299.2**	**101.0**	**1,400.2**	**6.4**	**1,406.6**
(Loss)/profit for the year		(131.9)	-	(131.9)	0.7	(131.2)
Dividends paid		-	-	-	(1.4)	(1.4)
Acquisition of NCI shares		-	1.4	1.4	(1.4)	-
Other comprehensive income		-	(7.0)	(7.0)	-	(7.0)
Total comprehensive loss		(131.9)	(5.6)	(137.5)	(2.1)	(139.6)
Restated balance as at 30 June 2023	**11**	**1,167.3**	**95.4**	**1,262.7**	**4.3**	**1,267.0**
Profit for the year		43.8	-	43.8	0.4	44.2
Dividends paid		-	-	-	(0.5)	(0.5)
Acquisition of NCI shares		-	(0.2)	(0.2)	0.2	-
Other comprehensive income		-	8.7	8.7	-	8.7
Total comprehensive income		43.8	8.5	52.3	0.1	52.4
At 30 June 2024	**11**	**1,211.1**	**103.9**	**1,315.0**	**4.4**	**1,319.4**

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

[1] The Group has adopted AASB 17 *Insurance Contracts and AASB 9 Financial Instruments* and has restated the comparative period. The impacts of adoption are detailed in Note 2(d) of the financial statements.

HBF Health Limited
Consolidated statement of cash flows - Year ended 30 June 2024

	Notes	2024 $m	2023 $m
Operating activities			
Receipt of health insurance premium revenue		2,224.4	1,967.2
Receipt of Health and Wellness revenue		38.2	29.8
Receipt of other income		0.4	0.4
Payment of claims		(1,985.5)	(1,791.1)
Cash give back to members		(6.9)	(101.9)
Risk equalisation receipts		113.4	110.9
Payments to suppliers and employees		(317.3)	(266.1)
Payments to suppliers and employees for transformation expenses		(70.1)	(89.6)
Income taxes paid		(2.5)	(0.8)
Interest received		44.4	17.8
Payment of interest portion of lease liabilities		(0.5)	-
Goods and services tax received (net)		17.2	11.2
Net cash flows from/(used in) operating activities	10(c)	**55.2**	**(112.2)**
Investing activities			
Distributions received		17.2	23.2
Redemption of financial assets		764.5	1,295.2
Purchase of financial assets		(906.8)	(898.7)
Acquisition of property, plant and equipment		(6.6)	(12.6)
Proceeds on sale of property, plant and equipment		-	3.0
Payment for intangible assets		(0.7)	-
Payment for acquisition of subsidiary	19	(3.4)	(156.0)
Net cash acquired on acquisition of subsidiary	19	24.9	-
Acquisition of non-controlling interest in subsidiary	16	(0.1)	(2.4)
Net cash flows (used in)/from investing activities		**(111.0)**	**251.7**
Financing activities			
Dividends paid to non-controlling interests		(0.5)	(1.5)
Payment of principal portion of lease liabilities		(5.7)	(5.5)
Net cash flows used in financing activities		**(6.2)**	**(7.0)**
Net (decrease)/increase in cash and cash equivalents		(62.0)	132.5
Cash and cash equivalents at beginning of year		296.5	164.0
Cash and cash equivalents at end of year		**234.5**	**296.5**

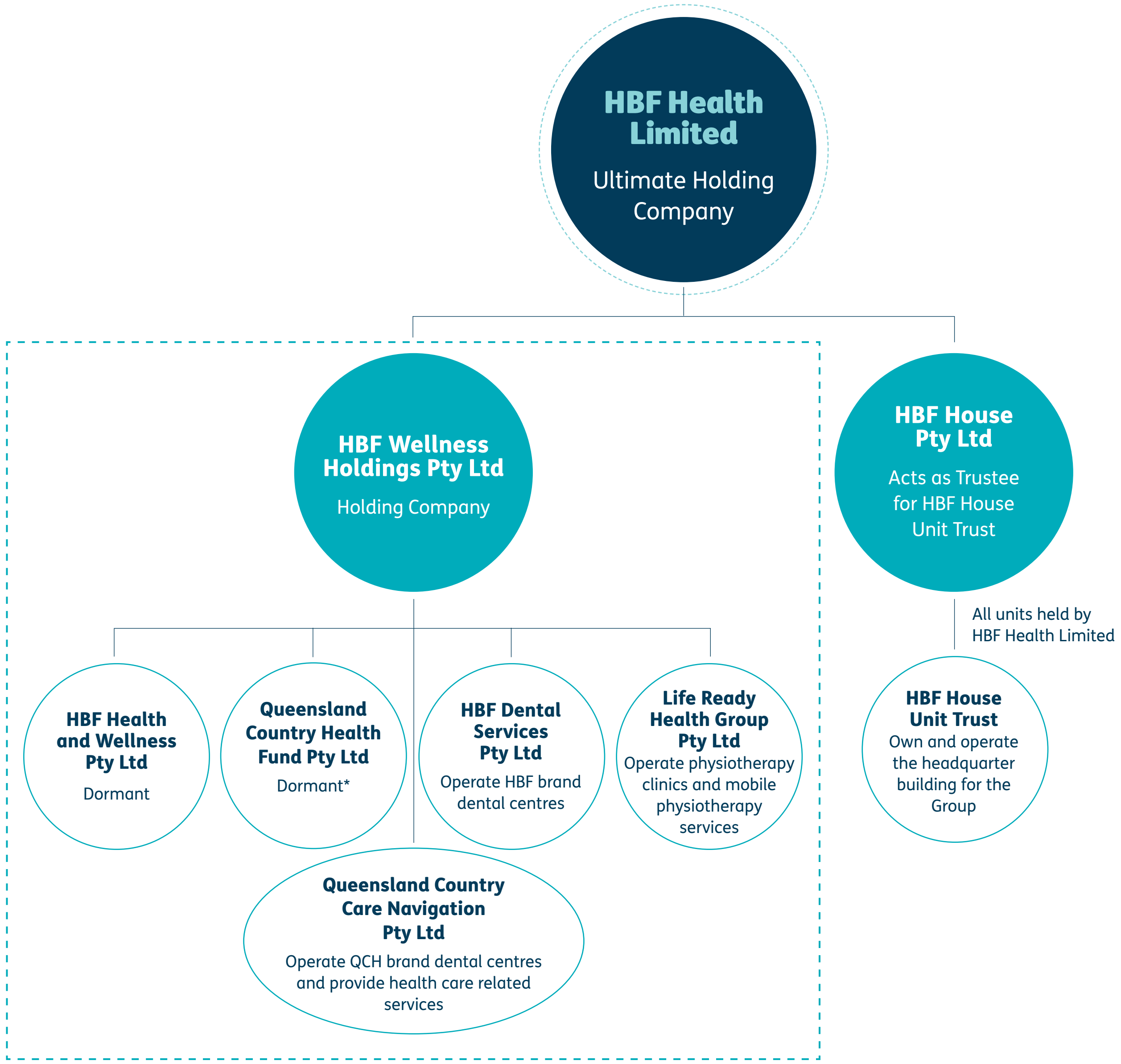
The above statement of cash flows should be read in conjunction with the accompanying notes.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

Section 1: Basis of preparation

1 Entity information

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



Represents income tax group

* On 30 June 2024, the assets and liabilities of the Queensland Country Health Fund Pty Ltd (QCH) were transferred to HBF Health Limited under a Section 33 merger. Immediately prior to merger of health funds, the health related dental business was sold to Queensland Country Care Navigation Pty Ltd (QCCN) and the shares in QCCN were subsequently transferred to Wellness Holdings Pty Ltd (HBFWH).

QCH is now a dormant entity and HBF Health has been substituted for QCH as the private health insurer with all of QCH policies now referable to HBF's health benefits fund.

The "Group" refers to the consolidated entity, consisting of HBF Health Limited (HBF Health) and its subsidiaries. A number of subsidiaries of the Life Ready Health Group Pty Ltd (Life Ready) are partially owned entities. A full list of subsidiaries and the ownership interests are listed in Note 23 of the financial statements.

The Group had 1,656 employees as at 30 June 2024 (2023: 1,625 employees).

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

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.

The financial report has been prepared in accordance with the historical cost convention, except for financial assets, financial liabilities, certain classes of property, plant and equipment and investment properties, 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) Basis of consolidation

The consolidated financial statements comprise the financial statements of HBF Health Limited and its subsidiaries as at 30 June 2024 ("FY24"). Control is achieved when the 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 Group controls an investee if and only if the 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.

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 Group assesses 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 Group obtains control over the subsidiary and ceases when the 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 Group gains control until the date the 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.

(c) Statement of compliance

The financial report complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

2 Basis of preparation (continued)

(d) Changes in accounting policies and disclosures

New and amended standards and interpretations

In these financial statements, the Group has applied AASB 17 and AASB 9 for the first time. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(i) AASB 17 Insurance Contracts

AASB 17 replaces AASB 1023 *Insurance Contracts* for annual periods on or after 1 July 2023. The Group has restated comparative information using the full retrospective approach. As a result, the Group has restated comparative information for 2023 and presented a third statement of financial position at 1 July 2022. The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

The adoption of AASB 17 did not change the classification of the Group's insurance contracts.

AASB 17 establishes specific principles for the recognition and measurement of insurance contracts issued held by the Group.

Under AASB 17, the Group's insurance contracts issued are all eligible to be measured by applying the premium allocation approach (PAA). The PAA simplifies the measurement of insurance contracts in comparison with the general model.

The measurement principles of the PAA differ from the 'earned premium approach' used by the Group under AASB 1023 in the following key areas:

- The liability for remaining coverage ("LFRC", previously unearned premium liability) reflects premiums received less amounts recognised in revenue for insurance services provided.
- Measurement of the liability for remaining coverage involves an explicit evaluation of risk adjustment for non-financial risk when a group of contracts is onerous in order to calculate a loss component (previously these would have formed part of an unexpired risk reserve provision).
- Measurement of the liability for incurred claims ("LFIC", previously outstanding claims liability, including any claims payable) is determined on a probability-weighted expected value basis, and includes an explicit risk adjustment for non-financial risk. The liability includes the Group's obligation to pay other incurred insurance expenses.

For groups of contracts where all contracts have a coverage period of one year or less, the Group has elected to expense insurance acquisition cash flows as incurred. Where the contracts within a group have a coverage period that is greater than one year, this choice is not available and these amounts are deferred on the balance sheet if material.

The Group's classification and measurement of insurance contracts is explained in Note 4(c).

Changes to presentation and disclosure

For presentation in the statement of financial position, the Group presents separately the portfolios of insurance contracts issued that are assets and the portfolios of insurance contracts issued that are liabilities. The portfolios are those established at initial recognition in accordance with the AASB 17 requirements.

The line item descriptions in the Consolidated Statement of Comprehensive Income (CSOCI) have changed significantly, compared to 2023. Previously, the Group reported the following line items:

- Net health insurance premium revenue
- Net claims expense
- Expenses by nature

Instead, AASB 17 requires separate presentation of:

- Insurance revenue
- Insurance service expenses
- Insurance finance income or expenses

The Group provides disaggregated qualitative and quantitative information about:

- Amounts recognised in its financial statements from insurance contracts
- Significant judgements, and changes in those judgements, when applying the standard

Transition

On transition date, 1 July 2022, the Group:

- Has identified, recognised and measured each group of insurance contracts as if AASB 17 had always applied
- Derecognised any existing balances that would not exist had AASB 17 always applied
- Recognised any resulting net difference in equity

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

2 Basis of preparation (continued)

(d) Changes in accounting policies and disclosures (continued)

(i) AASB 17 Insurance Contracts (continued)

Financial impact on transition to AASB 17 at 1 July 2022

The Group's net assets as at the transition date of 1 July 2022 were increased by $20.0 million, comprising of the following adjustments:

	Ref	Net assets $m
As previously reported as at 30 June 2022		**1,386.6**
Derecognition of deferred acquisition costs	(i)	(40.0)
Derecognition of the deferred claims liability	(ii)	97.5
Recognition of a loss component in respect of onerous contracts	(iii)	(38.5)
LFIC risk adjustment remeasurement (replacing the risk margin)	(iv)	1.0
Restated opening 1 July 2022		**1,406.6**

(i) Derecognition of the deferred acquisition cost balance as the Group elected to expense its insurance acquisition cash flows immediately upon payment.

(ii) Derecognition of the deferred claims liability (DCL) as it did not qualify for recognition under AASB 17 on the basis that it relates to claims expected to arise in the future (i.e., not incurred yet).

(iii) The recognition of a loss component for each Group of Insurance Contracts (GIC) when the future claims and insurance service expenses (plus the risk adjustment) are greater than the future contributions.

(iv) The measurement of the liability for incurred claims includes an explicit risk adjustment for non-financial risk. The risk adjustment replaces the risk margin and yields a 75% confidence interval.

Impact on the consolidated statement of financial position

1 July 2022	Previously reported as at 30 June 2022 $m	Measurement adjustments (AASB 17) $m	Reclassification adjustments (AASB 17) $m	Reclassification adjustments (AASB 9) $m	Restated as at 1 July 2022 $m
Assets					
Cash and cash equivalents	164.0	-	-	-	164.0
Receivables	91.2	-	(74.9)	(1.9)	14.4
Financial assets	1,406.1	-	-	1.9	1,408.0
Deferred acquisition costs	40.0	(40.0)	-	-	-
Assets held for sale	2.9	-	-	-	2.9
Intangible assets	229.7	-	-	-	229.7
Property, plant and equipment	122.0	-	-	-	122.0
Total assets	**2,055.9**	**(40.0)**	**(74.9)**	**-**	**1,941.0**
Liabilities					
Trade and other payables	45.8	-	(5.9)	-	39.9
Insurance contract liabilities (previously insurance liabilities)	572.4	(60.0)	(69.0)	-	443.4
Lease liabilities	19.0	-	-	-	19.0
Financial liabilities	6.6	-	-	-	6.6
Employee benefit liabilities	19.3	-	-	-	19.3
Deferred tax liabilities	6.2	-	-	-	6.2
Total liabilities	**669.3**	**(60.0)**	**(74.9)**	**-**	**534.4**
Net assets	**1,386.6**	**20.0**	**-**	**-**	**1,406.6**

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

2 Basis of preparation (continued)

(d) Changes in accounting policies and disclosures (continued)

(i) AASB 17 Insurance Contracts (continued)

Financial impact on transition to AASB 17 at 30 June 2023

30 June 2023	Previously reported as at 30 June 2023 $m	Measurement adjustments (AASB 17) $m	Reclassification adjustments (AASB 17) $m	Reclassification adjustments (AASB 9) $m	Restated as at 1 July 2023 $m
Assets					
Cash and cash equivalents	296.5	-	-	-	296.5
Receivables	272.4	-	(85.5)	(14.7)	172.2
Financial assets	1,024.8	-	-	14.7	1,039.5
Deferred acquisition costs	54.6	(54.6)	-	-	-
Intangible assets	214.5	-	-	-	214.5
Property, plant and equipment	117.6	-	-	-	117.6
Deferred tax assets	1.9	-	-	-	1.9
Total assets	**1,982.3**	**(54.6)**	**(85.5)**	**-**	**1,842.2**
Liabilities					
Trade and other payables	67.6	-	(4.3)	-	63.3
Insurance contract liabilities (previously insurance liabilities)	507.4	43.7	(81.2)	-	469.9
Lease liabilities	17.8	-	-	-	17.8
Financial liabilities	3.9	-	-	-	3.9
Employee benefit liabilities	20.3	-	-	-	20.3
Total liabilities	**617.0**	**43.7**	**(85.5)**	**-**	**575.2**
Net assets	**1,365.3**	**(98.3)**	**-**	**-**	**1,267.0**

Impact on the consolidated statement of profit or loss

	2023 $m
Loss after income tax for the period as previously reported	**(20.0)**
Derecognition of additional deferred acquisition costs	(14.5)
Derecognition of additional deferred claims expenses	12.5
Recognition of member give-back (i)	(110.0)
Recognition of a loss component in respect of onerous contracts	(6.9)
Risk adjustment remeasurement (replacing the risk margin)	0.6
AASB 9 restatements per 2(c)(ii)	7.1
Restated loss for the period	**(131.2)**

(i) During the 2023 financial year, the Group publicly announced a commitment to pay approximately $110.0 million back to members from the DCL balance of $111.0 million. The DCL did not qualify for recognition under AASB 17, resulting in the balance being derecognised on transition on 1 July 2022. Accordingly, the refund to members has been recognised in other expenses for the year ended 30 June 2023 as the payment was not considered an expense associated with providing insurance coverage during the insurance contract boundary.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

2 Basis of preparation (continued)

(d) Changes in accounting policies and disclosures (continued)

(ii) AASB 9 Financial Instruments

AASB 9 replaced AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 July 2018. However, the Group elected, under the amendments to AASB 1023, to apply the temporary exemption from AASB 9, thereby deferring the initial application date of AASB 9 to align with the initial application of AASB 17.

The nature of the changes in accounting policies can be summarised, as follows:

Changes to classification and measurement

To determine their classification and measurement category, AASB 9 requires all financial assets to be assessed based on a combination of the Group's business model for managing the assets and the instruments' contractual cash flow characteristics.

The AASB 139 measurement categories for financial assets (fair value through profit or loss (FVPL), available for sale (AFS), held-to-maturity (HTM) and loans and receivables (L&R) at amortised cost) have been replaced by:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives
- Debt instruments at fair value through other comprehensive income, with gains or losses recycled to profit or loss on derecognition
- Equity instruments at fair value through other comprehensive income, with no recycling of gains or losses to profit or loss on derecognition
- Debt instruments at amortised cost

The Group's classification of its financial assets is explained in Note 8. The quantitative impact of applying AASB 9 as at 1 July 2022 and 1 July 2023 is disclosed below:

Transition

On transition date, the Group has:

- Restated the comparative period. However, information about financial instruments that had already been derecognised at 30 June 2023 continues to be reported in accordance with AASB 139 for the comparative period.
- Performed an assessment on the basis of the facts and circumstances that existed at 1 July 2022, including the determination of the business model within which a financial asset is held and the designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVPL. In addition, the Group has designated certain investments in equity instruments not held for trading as at fair value through other comprehensive income (FVOCI).
- Recognised any resulting net difference in equity.

Effect of initial application

Classification of financial assets and financial liabilities

The following table and the accompanying notes below explain the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2023.

		Original classification and carrying amount under AASB 139		New classification and carrying amount under AASB 9	
Financial assets	**Ref**	**Category**	**Amount ($'m)**	**Category**	**Amount ($'m)**
Cash and cash equivalents		Loans and receivables	296.5	Amortised cost	296.5
Financial investments					
Cash investments	A	FVPL (designated)	670.7	Amortised Cost	685.4
Fixed interest		FVPL (designated)	129.4	FVPL (designated)	129.4
Alternative debt		FVPL (designated)	-	FVPL (designated)	-
Equities	B	FVPL (designated)	67.0	FVPL (designated)	67.0
Equities - Strategic	C	FVPL (designated)	21.7	FVOCI	21.7
Infrastructure	B	FVPL (designated)	136.0	FVPL (designated)	136.0
Receivables	D	Loans and receivables	186.9	Amortised Cost	172.2
Total financial assets			**1,508.2**		**1,508.2**

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

2 Basis of preparation (continued)

(d) Changes in accounting policies and disclosures (continued)

(ii) AASB 9 Financial Instruments (continued)

A As of 1 July 2023, the Group classified a portion of its previous cash investment portfolio held at FVPL as debt instruments at amortised cost. These instruments met the solely payments of principal and interest (SPPI) criterion, are not tradeable securities and were held with the intention to collect cash flows and without the intention to sell.

B Under AASB 139, investments in equities were designated as at FVPL. Under AASB 9, these assets (which are held via a unit trust) are measured at FVPL.

C These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by AASB 9, the Group designated these investments at 1 July 2023 as measured at FVOCI. Unlike under AASB 139, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss.

D As of 1 July 2023, the Group reclassified the interest receivable on cash investments (i.e., term deposits with financial institutions) from loans and receivables to debt instruments at amortised cost.

Financial liabilities

There have been no changes to the classification or measurement of the Group's financial liabilities due to the adoption of AASB 9.

Financial impact on transition to AASB 9 at 1 July 2022

	Previously reported at 30 June 2022 $m	Measurement adjustments (AASB 9) $m	Reclassification adjustments (AASB 9) $m	Reclassification adjustments (AASB 17) $m	Restated as at 1 July 2022 $m
Financial assets					
Financial assets at FVPL	1,406.1	-	(726.9)	-	679.2
Financial assets at FVOCI	-	-	28.8	-	28.8
Debt instruments at amortised cost	-	-	700.0	-	700.0
Receivables	91.2	-	(1.9)	(74.9)	14.4
Total	**1,497.3**	**-**	**-**	**(74.9)**	**1,422.4**

Financial impact on transition to AASB 17 at 30 June 2023

	Previously reported at 30 June 2023 $m	Measurement adjustments (AASB 9) $m	Reclassification adjustments (AASB 9) $m	Reclassification adjustments (AASB 17) $m	Restated as at 1 July 2023 $m
Financial assets					
Financial assets at FVPL	1,024.8	-	(692.4)	-	332.4
Financial assets at FVOCI	-	-	21.7	-	21.7
Debt instruments at amortised cost	-	-	685.4	-	685.4
Receivables	272.4	-	(14.7)	(85.5)	172.2
Total	**1,297.2**	**-**	**-**	**(85.5)**	**1,211.7**

Impact on the consolidated statement of profit or loss

Loss after income tax for the period as previously reported	**(20.0)**
Derecognise investment income due to reclassification of equity investment to FVOCI	7.1
AASB 17 restatements per 2(c)(i)	(118.3)
Restated loss for the period	**(131.2)**

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

2 Basis of preparation (continued)

(d) Changes in accounting policies and disclosures (continued)

(ii) AASB 9 Financial Instruments (continued)

Impact on the consolidated statement of changes in equity

Fair value reserve

	$m
Closing balance under AASB 139 (30 June 2022)	-
Reclassification of equity instruments from FVPL to FVOCI	(13.1)
Opening balance under AASB 9 (1 July 2022)	**(13.1)**
Restatement of comparative period	(7.1)
Closing balance under AASB 9 (30 June 2023)	**(20.2)**

Retained earnings

	$m
Closing balance under AASB 139 (30 June 2022)	1,266.1
Impact of initial application of AASB 9	13.1
Impact of initial application of AASB 17	20.0
Opening balance under AASB 9 and AASB 17 (1 July 2022)	**1,299.2**
Loss for the year (as previously reported)	(20.7)
Restatement of comparative period - AASB 9	7.1
Restatement of comparative period - AASB 17	(118.3)
Closing balance under AASB 9 and AASB 17 (30 June 2023)	**1,167.3**

Changes to the impairment calculation

The adoption of AASB 9 has changed the Group's accounting for impairment losses for financial assets not held at FVPL by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

AASB 9 requires the Group to record an allowance for ECLs for all debt instruments not held at FVPL.

The Group considers an instrument to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider an instrument to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full. There were no such instances in 2024 or 2023.

Transition

The Group reclassified its previous cash investment portfolio held at FVPL to debt instruments held at amortised cost, meaning that the ECL provisions of AASB 9 required consideration. The Group's investments in debt instruments at amortised cost are considered to be low credit risk, as they have a low risk of default and the issuers have a strong capacity to meet their contractual cash flow obligations in the near term. The identified ECL relating to these investments was assessed by the Group as immaterial, and as such no provision was recognised on transition as at 1 July 2022 and 1 July 2023.

3 Critical accounting judgements and estimates

Significant estimates and judgements are made by the Group to arrive at certain key asset and liability amounts disclosed in the financial statements. These estimates and judgements are continually being evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, 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 4: Insurance underwriting result
Note 8: Financial assets
Note 12: Intangible assets
Note 13: Property, plant and equipment
Note 15: Investment property
Note 16: Financial liabilities

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

Section 2: Operating performance

4 Insurance underwriting result

(a) Insurance revenue

	2024 $m	2023 $m
Gross written premiums	2,220.7	1,967.9
Movement in unearned premiums (a component of liability for remaining coverage)	0.4	(7.1)
Insurance revenue	2,221.1	1,960.8

Insurance revenue accounting policy

Insurance revenue for the period is the amount of expected premium receipts allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time.

(b) Insurance service expense

	Ref	2024 $m	2023 $m
Incurred claims and other expenses	(i)	2,176.4	1,990.1
Losses on onerous contracts and reversals of those losses		6.1	36.3
Changes to liabilities for incurred claims relating to past service		(11.5)	14.6
		2,171.0	2,041.0

Insurance service expense accounting policy

Insurance service expenses comprise expenses directly attributable to fulfilling a group of insurance contracts.

Incurred claims comprise insurance claims paid during the year together with related handling costs, the movement in the gross provision for claims in the period and the Risk Equalisation Special Account (RESA) levy for the Australian health insurance business. See Note 4(c) for details of the liability for incurred claims.

If at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group establishes a loss component as the excess of the fulfillment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero. See Note 4(c)(ii) for details of the liability for remaining coverage.

Acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Group's policy is to expense acquisition costs as they are incurred for all contracts with a coverage period of one year or less.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

4 Insurance underwriting result (continued)

(b) Insurance service expense (continued)

(i) Incurred claims and other expenses

The nature and amount of material expenses is included below:

	Ref	2024 $m	2023 $m
Claims and benefits	(ii)	1,846.7	1,656.4
Employee benefits	(iii)	173.1	164.6
Professional services fees		45.7	61.7
IT expenses		33.8	28.5
Depreciation and amortisation expenses		16.1	17.7
Office and administration expenses		17.5	16.0
Marketing expenses		36.7	39.4
Other expenses		6.8	5.8
		2,176.4	1,990.1

(ii) Claims and benefits accounting policy

Claims and benefits expense consists of amounts paid and payable to members, hospital, medical and ancillary providers, changes in insurance contract liabilities, and applicable state levies. The amount presented is net of risk equalisation which relates to amounts recoverable from the RESA which is administered by APRA. The RESA is a scheme to subsidise health insurers for high-cost claims and age-based claims for 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.

(iii) Employee benefits expense

	2024 $m	2023 $m
Included in the employee benefits expense are the following:		
Short-term employee benefits	150.5	150.1
Superannuation contributions	13.3	12.1
Long-term employee benefits	1.9	1.4
Termination benefits	7.4	1.0
	173.1	164.6

Employee benefits accounting policy

Short-term employee benefits include wages and salaries, bonuses and the value of fringe benefits received (including non-monetary benefits) that are expected to be settled wholly within twelve months of the end of the reporting period. The contributions made to employee accumulation superannuation funds are brought to account as an expense when salaries and wages are paid or accrued. Long-term employee benefits includes bonuses under the long-term incentive plan (which has now closed following the introduction of a new variable remuneration incentive scheme during FY24) and long service leave and annual leave adjustments which are not expected to be settled wholly within 12 months after the end of the period.

Termination benefits are payable when employment is terminated by the Group, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognises costs for a restructuring that is within the scope of AASB 137 Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

4 Insurance underwriting result (continued)

(c) Insurance contracts

	Ref	2024 $m	2023 $m
Liabilities for remaining coverage		261.2	255.6
Liabilities for incurred claims	(i)	227.2	214.3
		488.4	469.9
Current		443.4	421.6
Non-current		45.0	48.3
		488.4	469.9

(i) Liabilities for incurred claims

	2024 $m	2023 $m
Outstanding claims liability	167.0	163.2
GapSaver liability	88.9	85.4
Risk equalisation receivable on paid claims	(24.6)	(31.3)
Other	(4.1)	(3.0)
	227.2	214.3

Insurance contracts classification

The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

The Group does not issue any contracts with direct participating features.

(ii) Level of aggregation

AASB 17 requires the Group to determine the level of aggregation for applying its requirements. In determining the level of aggregation, the Group is required to aggregate insurance contracts into:

1. Portfolios of contracts that have similar risks and are managed together;
2. Profitability groups being whether onerous at inception, no significant possibility of becoming onerous and remaining contracts; with groups then separated across; and
3. Annual cohorts being groups of contracts that are issued within a 12 month period.

When determining the level of aggregation, the Group identifies a contract as the smallest 'unit', i.e., the lowest common denominator. However, the Group makes an evaluation of whether a series of contracts need to be treated together as one unit based on reasonable and supportable information, or whether a single contract contains components that need to be separated and treated as if they were stand-alone contracts. The Group has concluded that the lowest unit of account is the contract and that all contracts issued by the Group reflect similar health related risks.

Accordingly, a single portfolio of insurance contracts has been identified on the basis that the insurance contracts included in the portfolios are subject to similar risks and are managed together.

The Group applied a full retrospective approach for transition to AASB 17. The portfolios of contracts are divided into three groups, as follows:

- A group of contracts that are onerous at initial recognition (if any)
- A group of contracts that, at initial recognition, have no significant possibility of becoming onerous subsequently (if any)
- A group of the remaining contracts in the portfolio (if any)

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

4 Insurance underwriting result (continued)

(c) Insurance contracts (continued)

(ii) Level of aggregation (continued)

The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Group assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Group considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Product and pricing report which is submitted to the Product and Pricing Committee
- Annual rate submissions
- Financial Condition Report
- Pricing philosophy

(iii) Recognition

The Group recognises groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- The date when the first payment from a policyholder in the group is due or when the first payment is received if there is no due date
- For a group of onerous contracts, if facts and circumstances indicate that the group is onerous

The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.

(iv) Contract boundary

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when the Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.

The Group has determined that 1 April to 31 March is the most appropriate contract boundary for all contracts on the grounds that the Group has the right or practical ability to reassess risk of portfolio of insurance contracts. The contract boundary would be different in the following circumstances:

- When a policyholder leaves the fund (ceases to hold a contract). This would cause derecognition of a contract.
- When a policyholder has pre-paid past 1 April. The contract boundary will be the date-paid-to.
- When a policyholder changes their contract
- Where the Group makes changes to underlying insured services

A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognised. Such amounts relate to future insurance contracts.

(v) Insurance contracts – initial measurement

The Group applies the Premium Allocation Approach to all the insurance contracts that it issues as:

- The coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary; or
- For contracts longer than one year, the Group determined the measurement of the liability does not differ materially from the measurement that would be produced applying the general model.

Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract. Such onerous contracts are separately grouped from other contracts and the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the Group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous groups depicting the losses recognised.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

4 Insurance underwriting result (continued)

(c) Insurance contracts (continued)

(vi) Measurement - Premium Allocation Approach

Premium Allocation Approach eligibility

As the coverage period for insurance is one year or less, the Group qualifies automatically for PAA.

Insurance acquisition cash flows for insurance contracts issued

Where the coverage period of all contracts within a group is not longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group. The Group elected to expense acquisition cash flows as incurred.

Liability for Remaining Coverage, adjusted for financial risk and time value of money

Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC. Accordingly, there is no discounting as the premiums are received within one year of the coverage period.

Liability for Incurred Claims, adjusted for time value of money

Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money. Accordingly, no discounting has been applied as the claims are expected to be settled within one year.

(vii) Insurance contracts – subsequent measurement

The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus the amount recognised as insurance revenue for the services provided in the period

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows, they reflect current estimates from the perspective of the Group, and include an explicit adjustment for non-financial risk (the risk adjustment). The Group does not adjust the future cash flows for the time value of money and the effect of financial risk for the measurement of liability for incurred claims that are expected to be paid within one year of being incurred.

HBF Health Limited
Notes to the financial statements – Year ended 30 June 2024

4 Insurance underwriting result (continued)

(c) Insurance contracts (continued)

(viii) Significant judgements and estimates

Liability for remaining coverage: Onerous Groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the fulfilment cash flows. Any loss-recovery component is determined with reference to the loss component recognised on underlying contracts and the recovery expected on such claims from reinsurance contracts held. The expense rate and risk adjustment are the key variables for the loss component assessment.

Liability for incurred claims: Central estimate of outstanding claims

The outstanding claims valuation relies on both prior forecasts of monthly claims incurred and a forward projection of monthly claims payments (the Paid Chain Ladder method) which assumes that historic payment patterns can guide future payment patterns. Different claim types (e.g. Hospital and Medical) are estimated separately, as are different portfolios (e.g. HBF, see-u and QCH). Actuarial judgment is applied in selecting Paid Chain Ladder development factors, adjusting the prior claims forecast and selecting the weights to apply between methods.

Actuarial judgment considers the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external factors such as public attitudes to claiming and economic conditions, as well as internal factors such as portfolio mix, fee indexation and product changes) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount.

The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile. That is, the Group has assessed its indifference to uncertainty (as an indication of the compensation that it requires for bearing non-financial risk) as being equivalent to the 75th percentile confidence level less the mean of an estimated probability distribution of the future cash flows. The Group has estimated the probability distribution of the future cash flows, and the additional amount above the expected present value of future cash flows required to meet the target percentiles.

Claims handling expenses

Claims handling expenses are calculated by analysis of actual expenses over the last 12 months.

Risk equalisation

Risk equalisation is calculated by analysis of actual claims and risk equalisation received over the last 12 months.

HBF Health Limited
Notes to the financial statements – Year ended 30 June 2024

4 Insurance underwriting result (continued)

(c) Insurance contracts (continued)

Actuarial assumptions

The following assumptions have been made in determining the liability for incurred claims and liability for remaining coverage, based on inputs from management and advice from the Appointed Actuary.

	2024	2023
Liability for incurred claims:		
Risk adjustment	4.5%	4.4%
Claims handling expenses	2.0%	2.1%
Risk equalisation	(7.4%)	(8.6%)
Liability for remaining coverage:		
Expense rate	9.8%	10.2%
Risk adjustment	2.7%	2.9%

The Group does not adjust future cash flows in the liability for incurred claims for the time value of money and the effect of financial risk as those cash flows are expected to be paid in less than one year.

Impact of changes in key variables on the liability for incurred claims

The claims handling expenses, risk equalisation percentage and risk adjustment are key variables in the liability for incurred claims. The following sensitivity analysis shows the impact on profit if these variables had moved, with all other variables held constant.

	Movement in variable	Profit/(loss) $m
Liability for incurred claims:		
30 June 2024		
Central estimate	+/-10%	-/+17.6
Risk adjustment	+/-1%	-/+1.6
Claims handling expenses	+/-1%	-/+1.8
Risk equalisation	+/-1%	+/-1.7
30 June 2023		
Central estimate	+/-10%	-/+17.7
Risk adjustment	+/-1%	-/+1.6
Claims handling expenses	+/-1%	-/+1.7
Risk equalisation	+/-1%	+/-1.6

Impact of changes in key variables on the liability for remaining coverage:

The expense rate and risk adjustment are the key variables for the loss component assessment. The following sensitivity analysis shows the impact on profit if the key variables had moved, with all other variables held constant, and assuming no changes in the group of contracts that are considered to be onerous.

	Movement in variable	Profit/(loss) $m
Liability for remaining coverage:		
30 June 2024		
Expense rate	+/-1%	-/+3.3
Risk adjustment	+/-1%	-/+3.2
30 June 2023		
Expense rate	+/-1%	-/+3.2
Risk adjustment	+/-1%	-/+3.2

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

4 Insurance underwriting result (continued)

(d) Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims

The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims for the health insurance line, is disclosed in the table below. The Group has made an accounting policy choice for the product line to expense acquisition cash flows as they arise.

		2024				
		Liabilities for remaining coverage		Liabilities for incurred claims		Total
In $'m		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Net insurance contract liabilities as at 1 July		**210.2**	**45.4**	**207.4**	**6.9**	**469.9**
Insurance revenue		(2,221.1)	-	-	-	(2,221.1)
Insurance service expenses		-	(16.3)	2,188.1	(0.8)	2,171.0
Incurred claims and other expenses		-	(22.4)	2,199.0	(0.2)	2,176.4
Losses on onerous contracts and reversals of those losses		-	6.1	-	-	6.1
Changes to liabilities for incurred claims relating to past service		-	-	(10.9)	(0.6)	(11.5)
Insurance service result		**(2,221.1)**	**(16.3)**	**2,188.1**	**(0.8)**	**(50.1)**
Insurance finance (income)/ expense	(i)	-	-	4.7	-	4.7
Total changes in the statement of comprehensive income		**(2,221.1)**	**(16.3)**	**2,192.8**	**(0.8)**	**(45.4)**
Other movements	(ii)	-	-	(16.7)	-	(16.7)
Cash flows						
Premiums received	(iii)	2,224.4	-	-	-	2,224.4
Claims and other expenses paid		-	-	(2,177.2)	-	(2,177.2)
Insurance acquisition cash flows		-	-	-	-	-
Total cash flows		**2,224.4**	**-**	**(2,177.2)**	**-**	**47.2**
Additions through business combinations	19	16.8	1.8	13.7	1.1	33.4
Net insurance contract liabilities as at 30 June		**230.3**	**30.9**	**220.0**	**7.2**	**488.4**

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

4 Insurance underwriting result (continued)

(d) Roll-forward of net asset or liability for insurance contracts issued showing the liability for remaining coverage and the liability for incurred claims (continued)

		2023				
		Liabilities for remaining coverage		Liabilities for incurred claims		Total
In $'m		Excluding loss component	Loss component	Estimates of the present value of future cash flows	Risk adjustment	
Net insurance contract liabilities as at 1 July		**206.0**	**38.5**	**191.4**	**7.5**	**443.4**
Insurance revenue		(1,960.8)	-	-	-	(1,960.8)
Insurance service expenses		-	6.9	2,034.7	(0.6)	2,041.0
Incurred claims and other expenses		-	(29.4)	2,020.1	(0.6)	1,990.1
Losses on onerous contracts and reversals of those losses		-	36.3	-	-	36.3
Changes to liabilities for incurred claims relating to past service		-	-	14.6	-	14.6
Insurance service result		**(1,960.8)**	**6.9**	**2,034.7**	**(0.6)**	**80.2**
Insurance finance (income)/ expense	(i)	-	-	(1.7)	-	(1.7)
Total changes in the statement of comprehensive income		**(1,960.8)**	**6.9**	**2,033.0**	**(0.6)**	**78.5**
Other movements	(ii)	-	-	(17.7)	-	(17.7)
Cash flows						
Premiums received	(iii)	1,965.0	-	-	-	1,965.0
Claims and other expenses paid		-	-	(1,999.3)	-	(1,999.3)
Insurance acquisition cash flows		-	-	-	-	-
Total cash flows		**1,965.0**	**-**	**(1,999.3)**	**-**	**(34.3)**
Net insurance contract liabilities as at 30 June		**210.2**	**45.4**	**207.4**	**6.9**	**469.9**

(i) The Group is not required to adjust future cash flows in liability for incurred claims for the time value of money and the effect of financial risk as those cash flows are expected to be paid in less than one year. Please refer to Note 4(c)(iv) for details.

(ii) Other movements comprise movements in assets and liabilities which are recognised in insurance services expense in the CSOCI but do not form part of the liability for incurred claims in the balance sheet.

(iii) Any refunds of premiums have been included in this line.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

5 Health and Wellness result

(a) Health and Wellness revenue

	2024 $m	2023 $m
Physiotherapy revenue	31.1	26.7
Dental revenue	7.3	3.1
	38.4	29.8

Physiotherapy revenue relates to physiotherapy services provided 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. Revenue is recognised when goods or services are provided to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services, and when the performance obligations for each different activity have been met. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties.

Dental revenue largely consists of service fees charged to the dentists for the provision of dental services who practice from the Groups centres. The Group charges the dentists based on a percentage of patient receipts aligned to the Services and Facilities Agreement with the dentist. Revenue is recognised when the performance obligation occurs.

(b) Health and Wellness expense

		2024 $m	2023 $m
Direct costs			
Employee benefits expense	(i)	19.2	16.7
Office and administration expense		0.1	0.1
Consumables		2.0	1.1
Total direct costs		21.3	17.9
Indirect costs			
Employee benefits expense	(i)	23.9	15.5
Professional services fees		3.0	2.0
Depreciation and amortisation		5.7	4.6
Office and administration expense		1.9	1.6
IT expenses		1.6	0.8
Marketing expense		2.3	1.4
Other expenses		2.0	1.7
Total indirect costs		40.4	27.6
Total		61.7	45.5

(i) Employee benefits expense		
Included in the employee benefits expense are the following:		
Short-term employee benefits	40.0	29.7
Superannuation contributions	3.0	2.4
Long-term employee benefits	0.1	0.1
	43.1	32.2

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

6 Other expenses

	Note	2024 $m	2023 $m
Employee benefits expense		1.3	1.5
Professional services fees		4.4	6.0
Depreciation and amortisation		1.7	1.8
Office and administration expense		0.3	0.5
Movement in financial liabilities		0.7	(0.4)
Other finance costs		0.2	0.2
IT expenses		-	0.2
Return to members for surplus COVID-19 deferred claims	(i)	-	110.0
Other non-operating expenses		3.8	1.5
Impairment of goodwill	12(c)	19.5	-
Impairment of land and buildings	13	21.4	-
		53.3	121.3

(i) During the 2023 financial year, the Group publicly announced a commitment to pay approximately $110.0 million back to members from the DCL balance of $111.0 million. The DCL did not qualify for recognition under AASB 17, resulting in the balance being derecognised on transition on 1 July 2022. Accordingly, the refund to members has been recognised in other expenses for the year ended 30 June 2023 as the payment was not considered an expense associated with providing insurance coverage during the insurance contract boundary.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

Section 3: Investment portfolio and capital

7 Total investment income result

The table below presents an analysis of total investment income recognised in profit or loss and OCI in the period:

	2024			2023		
	Insurance related $m	Non-insurance related $m	Total $m	Insurance related $m	Non-insurance related $m	Total $m
Amounts recognised in the profit or loss						
Interest revenue calculated using the effective interest method	44.4	1.2	45.6	29.8	0.8	30.6
Other interest and similar income	19.8	-	19.8	23.4	-	23.4
Net fair value gains/(losses) on financial assets at FVPL	10.3	-	10.3	21.3	-	21.3
Net foreign exchange income/ (expense)	-	-	-	0.3	-	0.3
Total amounts recognised in the profit or loss	74.5	1.2	75.7	74.8	0.8	75.6
Amounts recognised in OCI	8.7	-	8.7	(7.1)	-	(7.1)
Total investment return	**83.2**	**1.2**	**84.4**	**67.7**	**0.8**	**68.5**

Investment income accounting policy

Investment income includes:

- Interest income, which is recognised using the effective interest method.
- Trust distribution income and dividends derived from financial assets at FVTL or FVOCI, which is recognised when the Group's right to receive payments is established.
- Gains or losses arising from changes in the fair value of financial assets measured at FVPL.
- Foreign exchange income/(expense).

The Group does not have any gains or losses arising from the derecognition of financial assets measured at amortised cost.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

8 Financial assets

(a) Financial assets at fair value through profit or loss

	2024 $m	2023 $m
Defensive		
Fixed interest (i)		
Holdings via segregated mandates	34.5	32.4
Holdings in unlisted unit trusts	169.7	97.0
Alternative debt	31.0	-
	235.2	129.4
Growth		
Australian equities	65.6	52.6
International equities	33.4	14.4
Infrastructure	149.7	136.0
	248.7	203
	483.9	332.4
Current	334.2	196.4
Non-current (ii)	149.7	136.0
	483.9	332.4

(i) Fixed interest investments are indirectly held either via an external investment manager using a pooled investment vehicle (unit trust) or a segregated mandate which must be managed in accordance with the Board approved constraints. All remaining financial assets classified at FVPL are indirectly held through an unlisted unit trust. Please refer to Note 8(e) for further details on investments in unlisted unit trusts.

(ii) All financial assets at fair value through profit or loss, other than 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.

Financial assets at fair value through profit or loss accounting policy

The Group holds financial assets to generate returns and provide a capital base to provide for settlement of claims as they arise. Accordingly, when financial assets (excluding strategic investments and direct cash investments which are recognised at amortised cost) of the investment portfolio are initially recognised, the fund recognises the investments as FVPL. After initial recognition, changes in fair value are recognised in the statement of comprehensive income.

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

(b) Financial assets at fair value through other comprehensive income

	2024 $m	2023 $m
Strategic		
Australian equities - Pacific Smiles Group Limited	30.4	21.7
	30.4	21.7

Financial assets at fair value through other comprehensive income accounting policy

HBF holds a strategic equity investment in Pacific Smiles Group Limited (PSG). The investment supports 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 held for trading and not managed under the Investment Management Standard. Accordingly, the Group has made an irrevocable election to present in OCI subsequent changes in the fair value of this equity investment. Dividends received from equity investments at FVOCI are still recognised in profit or loss when the right to receive payment is probable and can be measured reliably. In 2024, the Group received dividends in the amount of $0.7 million from PSG (2023: $0.1 million).

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

8 Financial assets (continued)

(c) Debt instruments at amortised cost

	2024 $m	2023 $m
Defensive		
Cash investments - Deposits with ADIs	767.1	685.4
Total Gross Amount	**767.1**	685.4
Expected credit loss allowance	-	-
Total Net Amount	**767.1**	685.4
Current	612.1	635.3
Non-current	155.0	50.1
	767.1	685.4

Debt instruments at amortised cost accounting policy

A debt instrument is generally measured at amortised cost if the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group holds term deposits with HBF-approved authorised deposit taking institutions (ADIs) and classifies these investments as debt instruments at amortised cost. Non-current debt instruments at amortised cost comprise of long-term term deposits which have maturities of 4.0 years (2023: 5.0 years) from the reporting date with interest rates ranging between 5.00% to 5.43% (2023: 5.07%). All other term deposits have maturities of 12 months or less and have been classified as current.

Subsequent to initial recognition, financial assets in this category are measured at amortised cost using the effective interest method and are presented net of provision for impairment (where applicable). Any gain or loss arising on derecognition is recognised directly in profit or loss.

Impairment assessment

The Group assesses on a forward-looking basis the ECL associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(i) Significant increase in credit risk

The Group continuously monitors all assets subject to ECLs and assesses whether there has been a significant increase in credit risk since initial recognition. The Group considers that there has been a significant increase in credit risk when any contractual payments are more than 90 days past due. In addition, the Group also considers a variety of instances that may indicate unlikeliness to pay by assessing whether there has been a significant increase in credit risk. Such events include but are not limited to, internal rating of the counterparty indicating default or near-default, the counterparty filing for bankruptcy application/protection, counterparty having past due liabilities to public creditors or employees.

There has been no significant increase in credit risk or default for debt instruments held at amortised cost during the year.

(ii) Expected credit loss

The Group assesses the possible default events within 12 months for the calculation of the 12-month ECL. Given the investment policy, the probability of default for new instruments acquired is generally determined to be minimal and the expected loss given default ratio assumed to be nil. The table in note 9(e)(vi) shows the credit quality and the maximum exposure to credit risk based on the Group's credit rating system and year-end stage classification.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

8 Financial assets (continued)

(d) Portfolio composition of the Health Fund (excluding strategic investments and including property):

	Benchmark	Allowable range	2024	2023
Defensive				
Cash investments	45.0%	35.0% - 100.0%	59.3%	63.4%
Fixed interest	15.0%	0.0% - 25.0%	15.8%	12.0%
Alternative debt	5.0%	0.0% - 10.0%	2.4%	0.0%
	65.0%	**35.0% - 100.0%**	**77.5%**	**75.4%**
Growth				
Australian equities	10.0%	0.0% - 20.0%	5.1%	4.9%
International equities	10.0%	0.0% - 20.0%	2.6%	1.3%
Infrastructure	10.0%	0.0% - 15.0%	11.6%	12.6%
Property	5.0%	0.0% - 10.0%	3.2%	5.9%
	35.0%	**0.0% - 65.0%**	**22.5%**	**24.7%**

The Group's investments are managed in accordance with the respective Investment Management Standard and prescribed strategic asset allocations. The portfolio has a long-term strategic asset allocation of 35% (2023: 35%) growth and 65% (2023: 65%) defensive assets in line with the investment risk appetite.

(e) Fair value hierarchy

The fair value of the Group's investments is 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: valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable); and

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, the 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 Group's investments in infrastructure and alternative debt are classified within level 3 of the fair value hierarchy. The Group's interest in these investments is based on its proportionate ownership and they are valued at the redemption value per unit as reported by the fund managers. They are classified within level 3 of the fair value hierarchy as their fair values are not based on observable market data due to the infrequent trading of these investments which results in limited price transparency.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

8 Financial assets (continued)

(e) Fair value hierarchy (continued)

Key estimates related to the valuation of level 2 and 3 investments (continued)

The following table presents the Group's financial assets at fair value:

	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
As at 30 June 2024				
Fixed interest	-	204.2	-	204.2
Alternative debt	-	-	31.0	31.0
Australian equities	30.4	65.6	-	96.0
International equities	-	33.4	-	33.4
Infrastructure	-	-	149.7	149.7
	30.4	303.2	180.7	514.3
As at 30 June 2023				
Fixed interest	-	129.4	-	129.4
Alternative debt	-	-	-	-
Australian equities	21.7	52.6	-	74.3
International equities	-	14.4	-	14.4
Infrastructure	-	-	136.0	136.0
	21.7	196.4	136.0	354.1

There were no transfers between levels during the 30 June 2024 or 30 June 2023 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.

Level 3 fair value

		Infrastructure		Alternative debt	
Reconciliation of level 3 fair value	**Note**	**2024 $m**	**2023 $m**	**2024 $m**	**2023 $m**
Opening balance		136.0	123.0	-	-
Additions through business combination	19	4.3	-	-	-
Purchases		-	-	30.0	-
Net investment income		9.4	13.0	1.0	-
Closing balance		149.7	136.0	31.0	-

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

8 Financial assets (continued)

(e) Fair value hierarchy (continued)

Sensitivity to changes in key assumptions

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 level 3 investments would result in a $18.1 million increase/decrease to profit or loss (2023: $13.7 million).

Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them by the level of the fair value hierarchy into which each fair value measurement is categorised. It does not include fair value information for cash and cash equivalents, receivables and payables, whose carrying amounts are a reasonable approximation of fair value, or for lease liabilities.

		2024		2023	
	Fair value hierarchy level	**Carrying amount $m**	**Fair Value $m**	**Carrying amount $m**	**Fair Value $m**
Cash investments					
Deposits with ADIs - Current	2	612.1	612.1	635.3	635.3
Deposits with ADIs - Non-current	2	155.0	155.2	50.1	50.1
		767.1	767.3	685.4	685.4

Where they are available, the fair values of financial instruments not measured at fair value are based on quoted prices in active markets. Where a quoted price is not available, fair value is estimated using valuation models that include significant observable inputs.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

9 Risk management

(a) Governance framework

The 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.

The Group's *Corporate Governance Statement* is informed by contemporary Australian standards including the Australian Securities Exchange Corporate Governance Council's *Corporate Governance Principles and Recommendations*. The Group applies such principles in a manner consistent with its status as a not-for-profit member organisation. As a not-for-profit Private Health Insurer (PHI), the Group has limited access to capital markets and the Board requires the Group to maintain a prudent buffer above prudential requirements. The Group transitioned to APRA's revised capital framework from 1 July 2023, and has established its Internal Capital Adequacy Assessment Process (ICAAP), which is overseen by the Board. The Group monitors its capital monthly and considers the capital outlook under a range of scenarios in business planning and other strategic decisions.

The directors execute their responsibility directly and via participation in Board Committees. Each Committee has a charter approved by the 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, the Product and Pricing Committee and the Risk 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 Group. The role of the People, Culture and Remuneration Committee is to assist the 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 business transformation program, including providing oversight of the adequacy and effectiveness of the business transformation program and the key initiatives within it. The role of the Product and Pricing Committee is to make effective and sustainable product and pricing decisions. The purpose of the Risk Committee is to assist the Board by providing objective non-executive review and oversight of the implementation and operation of the Group's risk management framework.

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.

(b) Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process (ICAAP) Summary Statement came into effect from 1 July 2023 and describes the processes that HBF's health insurance fund (HBF) has in place to assess and manage its capital in the context of its strategic objectives, regulatory requirements and the risk appetite of the Board. The overall objective of the ICAAP is to manage the capital needs of the business and assess these needs on an ongoing basis so that an adequate level of capital is maintained to meet policyholder obligations, business needs and regulatory requirements, including during periods of stress. Moreover, HBF aims to achieve an appropriate balance between providing value to members (in terms of the services received for the premiums paid) with maintaining the financial integrity of HBF (being its ability to continue to be a going concern and serve member interests into the future).

HBF's Target Capital Range describes the optimal level of capital that management should aim to operate within. Maintaining capital in this range reflects the Board's risk appetite and balances providing short-term value to members with maintaining the financial integrity of HBF. The lower bound of the Target Capital Range should be such that HBF can withstand a 1-in-50 probability event over a 2-year horizon without breaching the regulatory minimum, allowing for any committed capital expenditure. The upper bound of the Target Capital Range should be such that HBF does not exceed the capital needed to withstand a 1-in-50 probability event over a 4-year horizon without breaching the regulatory minimum, allowing for any committed capital expenditure. HBF's Target Capital Range is expressed as holding excess capital as a proportion of PHI revenue between 22% and 39%.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

9 Risk management (continued)

(b) Internal Capital Adequacy Assessment Process (continued)

(i) Regulatory capital

All private health insurers that carry on an insurance business in Australia are registered with APRA and are subject to APRA's Prudential Standards. The requirements set out in APRA's Prudential Standard HPS 110 'Capital Adequacy' requires HBF's health insurance fund to publish, at least annually, details on its capital base and prescribed capital amount, so they are readily accessible to policy owners and other market participants.

The below table pertains to the HBF Health Fund (the "Parent") which has one health benefits fund and no assets or operations in its general fund.

	2024 $m
Common Equity Tier 1 capital	1,086.1
Additional Tier 1 capital	-
Tier 2 capital	-
Capital Base	1,086.1
Net assets, before applying regulatory adjustments	**1,312.5**
Regulatory adjustments applied in the calculation of Common Equity Tier 1 Capital	(226.4)
Regulatory adjustments applied in the calculation of Additional Tier 1 Capital	-
Regulatory adjustments applied in the calculation of Tier 2 Capital	-
Net assets, after applying regulatory adjustments	**1,086.1**
Insurance risk charge	228.3
Asset risk charge	135.2
Asset concentration risk charge	-
Operational risk charge	41.0
Aggregation benefit	(75.8)
APRA prescribed adjustments	-
Prescribed capital amount	328.7
Capital adequacy multiple of the fund	3.30
Excess Capital % of Revenue	34.1%

(c) Tax governance framework

The Group recognises that tax governance and tax risk management play a key role in good management and corporate governance. The Group manages the taxation affairs in accordance with the Tax Governance Framework (the Framework) which is approved by the Board. The Framework outlines the process to be followed to ensure the Group manages tax risks promptly and appropriately. The Group maintains a comprehensive system of corporate governance practices designed to provide appropriate levels of disclosure and accountability. The Group reports its tax-related activities to the Board's Audit Committee on a regular basis. The Group's processes align with the Australian Taxation Office (ATO)'s continually evolving guidance, including the Tax Risk Management and Governance Review Guide.

The Group is committed to ensuring compliance with legislative and regulatory requirements in accordance with the Risk Appetite Statement and is committed to meeting all tax compliance obligations and being open, transparent and cooperative about our tax affairs. The Group does not engage in tax avoidance schemes or aggressive tax positions.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

9 Risk management (continued)

(d) Insurance risk

HBF provides private health insurance products including hospital cover and extras cover, as stand-alone products or packaged products that combine the two. The health insurance fund faces risks to its sustainability from several factors, including inadequate pricing, insurance benefit designs that drive adverse selection, rapidly inflating claims costs, and forecasting errors. These risks could result in negative outcomes such as reduced affordability and competitiveness, lower financial margins and profitability, and an inability to meet strategic objectives.

(i) Approach to risk management

The Product and Pricing Committee oversees insurance risk with the aim to maintain a sustainable insurance business. The health insurance fund closely monitors its product margins and forecasts through weekly and monthly performance reports, monthly product gross margin reports, detailed quarterly forecasts and other risk appetite measures. Annually, the Appointed Actuary produces a 'Financial Condition Report' which considers and assesses the insurance risk.

(ii) 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.

The direct impacts of climate changes on health are unclear but these impacts are likely to emerge over time and the short-tailed nature of the fund's products allows for responses to be made to any developments.

(iii) 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.

(iv) Concentration risk

Concentration risk relates to the risk of state based economic/adverse factors negatively impacting HBF due to geographic concentration in WA leading to membership loss, increased claims, reputational damage and or financial loss. The Board and Executive Committee actively consider strategies to improve and diversify the funds business. Active strategies include the reduction of WA concentration by way of organic and inorganic growth on the East Coast. The acquisition of QCH completed 1 July 2023 enhances non-WA revenue and the proposed Private Health Insurance Strategy will support sustainable increase in market share across non-WA states. Regular reporting on key metrics enables active monitoring.

(v) Reserving risk

Reserving risk is the risk that provisions made for claims prove to be insufficient in light of later events and claims experience. There is a relatively low exposure to reserving risk compared with insurance underwriting risk due to the very short-term nature of the claims development patterns. The short-term nature of the funds health insurance contracts means that movements in claims development assumptions are generally not significant.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

9 Risk management (continued)

(e) Financial risk management

This section reflects risk management policies and procedures associated with financial instruments. The main risks arising from the Group's financial instruments are cash flow and liquidity risk, market risk, interest rate risk and credit risk.

(i) Cash flow and liquidity risk

Cash flow and liquidity risk is the risk that 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, a counterparty failing on repayment of a contractual obligation, an insurance liability falling due for payment earlier than expected or an inability to generate cash inflows as anticipated. The 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.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	<1 Year $m	2-5 Year $m	>5 Year $m	Total contractual cash flows $m	Carrying amount $m
Financial liabilities					
Trade and other payables	49.0	-	-	49.0	49.0
Insurance contract liabilities	443.4	45.0	-	488.4	488.4
Lease liabilities	6.2	9.1	1.7	17.0	15.5
	498.6	54.1	1.7	554.4	552.9

The purchase commitment for non-controlling interest (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. The 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.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

9 Risk management (continued)

(e) Financial risk management (continued)

(iii) Currency risk

Currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has direct exposure to foreign currency risk via a monetary asset (cash at bank) denominated in USD.

The Group also has indirect exposure to foreign currencies via its investment in unlisted unit trusts as a result of the unit trusts' holding international equities and international fixed income assets. The currency movement in underlying international equities and fixed income assets is dealt with in price risk at note 9(v). Exposure to foreign currencies is managed by the fund managers at both an asset class and fund manager allocation level through the percentage of exposure which is hedged back to Australian dollars and unhedged. The associated costs and marked to market effect of the spot foreign exchange contracts are reflected in the unit price adopted for the unit trust.

The analysis below demonstrates the impact on profit/(loss) before tax from a movement in foreign currencies with all other variables held constant.

	Movement in variable	Exposure $m	Profit/(loss) $m
30 June 2024			
Cash and cash equivalents	+/-10%	5.2	+/-0.5
30 June 2023			
Cash and cash equivalents	+/-10%	5.3	+/-0.5

(iv) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The Group has direct exposure to cashflow interest rate risk on financial instruments with variable interest rates, including interest bearing cash and cash equivalents and floating rate bonds which are managed by an external fund manager under a segregated mandate. Financial instruments with fixed rates (managed under the mandate) also expose the Group directly to fair value interest rate risk given these financial instruments are measured at FVPL.

The Group has indirect exposure to fair value interest rate risk via its investments in unlisted unit trusts as a result of the unit trusts' holding fixed income assets. The interest rate movement in underlying fixed income assets is dealt with in price risk at note 9(v). Exposure to interest rates is managed by the fund managers at both an asset class and fund manager allocation level through the percentage of exposure which is hedged and unhedged. The associated costs and marked to market effect of the interest rate movements are reflected in the unit price adopted for the unit trust.

The table below summaries the impact of an increase/decrease in interest rates on the Group's profit/(loss) before tax through changes in fair value of investments (direct exposure only) or changes in future cashflows.

	Change in Interest rate	Exposure $m	Profit/(loss) $m
30 June 2024			
Cash and cash equivalents	+/-1%	226.4	+/-2.3
Fixed interest	+/-1%	34.5	+/-0.3
30 June 2023			
Cash and cash equivalents	+/-1%	281.9	+/-2.8
Fixed interest	+/-1%	32.4	+/-0.3

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

9 Risk management (continued)

(e) Financial risk management (continued)

(v) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is directly exposed to trading price risk on all financial instruments that are indirectly held in an unlisted unit trust (i.e., by changes in the fund's net asset value). The Board approves limits on the proportion of the investment portfolio held in each asset class and pooled investment vehicles, thereby limiting exposure to price risk.

The Group's exposure to price risk also arises from its direct investment in equity securities which are held at FVOCI.

The analysis below demonstrates the impact on profit/(loss) before tax and equity from a movement in market prices with all other variables held constant.

	Movement in variable	Exposure $m	Profit/(loss) $m	Equity $m
30 June 2024				
Fixed interest	+/-1%	204.2	+/-2.0	+/-2.0
Alternative debt	+/-10%	31.0	+/-3.1	+/-3.1
Australian equities	+/-10%	65.6	+/-6.6	+/-6.6
Australian equities - strategic	+/-10%	30.4	-	+/-3.0
International equities	+/-10%	33.4	+/-3.3	+/-3.3
Infrastructure	+/-10%	149.7	+/-15.0	+/-15.0
30 June 2023				
Fixed interest	+/-1%	129.4	+/-1.3	+/-1.3
Australian equities	+/-10%	52.6	+/-5.3	+/-5.3
Australian equities - strategic	+/-10%	21.7	-	+/-2.2
International equities	+/-10%	14.4	+/-1.4	+/-1.4
Infrastructure	+/-10%	136.0	+/-13.6	+/-13.6

(vi) 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 the Group's insurance business does not expose it to credit risk concentrations from its products and services. The 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, the Group applies a credit framework requirement range of 40% - 100% for investments rated AA- and above, a range of 0% - 45% for investments rated A+ to BBB+, and a range of 0% - 15% for investments rated BBB to BBB- (as well as 0% for 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.

To reduce exposure to credit risk for indirect investments, the Group has limited the maximum allowable exposure to a single fund manager aggregated across all asset classes to 30% of the total indirect investments of the Group.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

9 Risk management (continued)

(e) Financial risk management (continued)

(vi) Credit risk (continued)

	Notes	AA- and above $m	A+ to BBB+ $m	BBB to BBB- $m	BB+ and below $m	Not rated $m	Total $m
As at 30 June 2024							
Cash and cash equivalents		234.5	-	-	-	-	234.5
Financial assets at FVPL	8(a)						
Fixed interest (i)		15.4	15.2	3.1	-	170.5	204.2
Alternative debt (i)		-	-	-	-	31.0	31.0
Australian equities		-	-	-	-	65.6	65.6
International equities		-	-	-	-	33.4	33.4
Infrastructure		-	-	-	-	149.7	149.7
Financial assets at FVOCI	8(b)	-	-	-	-	30.4	30.4
Debt instruments at amortised cost	8(c)	623.7	143.4	-	-	-	767.1
Receivables	10(a)	-	-	-	-	21.1	21.1
		873.6	158.6	3.1	-	501.7	1,537.0
As at 30 June 2023							
Cash and cash equivalents		287.1	-	9.4	-	-	296.5
Financial assets at FVPL	8(a)						
Fixed interest (i)		13.4	2.3	16.7	-	97.0	129.4
Australian equities		-	-	-	-	52.6	52.6
International equities		-	-	-	-	14.4	14.4
Infrastructure		-	-	-	-	136.0	136.0
Financial assets at FVOCI	8(b)	-	-	-	-	21.7	21.7
Debt instruments at amortised cost	8(c)	404.8	280.6	-	-	-	685.4
Receivables	10(a)	-	-	-	-	172.2	172.2
		705.3	282.9	26.1	-	493.9	1,508.2

(i) The not rated fixed interest and alternative debt assets relate to investments in unrated unit trusts. The majority of the underlying securities held by these unit trusts are investment grade assets.

(ii) The insurance contracts liability balance includes $92.6 million (2023: $99.6 million) of receivables (i.e. risk equalisation, Government rebates, Medicare etc.) which have an insignificant amount of credit risk as they are primarily due from government bodies.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

10 Working Capital

(a) Receivables

	2024 $m	2023 $m
Trade receivables	1.6	1.0
Other receivables	7.4	3.2
Prepayments	12.3	12.0
Settlement receivable (i)	-	156.0
Total gross receivables	21.3	172.2
Expected credit loss allowance	(0.2)	-
Net receivables	21.1	172.2

(i) The settlement receivable balance of $156.0m in prior year represented the Group's right to receive the shares of QCH on 1 July 2023. Refer to Note 19 for further information.

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less a loss allowance for expected credit losses. The carrying value of trade and other receivables is considered to approximate fair value, due to the short-term nature of the receivables. Impairment losses recognised on trade receivables are recognised in other expenses in the consolidated statement of comprehensive income.

(b) Trade and other payables

	2024 $m	2023 $m
Trade creditors	6.9	7.8
Accrued expenses	24.0	29.5
Employee-related payables	12.8	13.3
Other payables	3.1	3.7
Return to members for surplus COVID-19 deferred claims	2.2	9.0
	49.0	63.3

Trade and other payables accounting policy

Trade and other payables are non-interest bearing and are initially measured at fair value and subsequently at amortised cost using the effective interest method. The carrying value of trade and other payables is considered to approximate fair value, due to the short-term nature of the payables.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

10 Working Capital (continued)

(c) Reconciliation of operating profit/(loss) after tax to the net cash flows from operations

	2024 $m	2023 $m
Profit/(loss) for the year	44.2	(131.2)
Non-cash items:		
Depreciation and amortisation	23.5	24.1
Loss on disposal of assets	0.4	-
Movement in financial liabilities	0.7	(0.4)
Impairment expense	40.9	-
Investing and financing items:		
Net gain on financial assets at FVPL	(10.3)	(22.3)
Trust distributions	(17.3)	(23.2)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	(5.2)	29.7
Decrease in other operating assets	-	2.9
Increase in net deferred tax assets/liabilities	(1.5)	(8.1)
Decrease in trade and other payables	(13.2)	(30.8)
(Decrease)/increase in insurance contract liabilities	(14.9)	46.0
Increase in provisions	6.6	-
Increase in employee entitlements	1.3	1.1
Net cash flows from/(used in) operating activities	**55.2**	**(112.2)**

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 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.

11 Reserves and retained earnings

	2024 $m	2023 $m
Attributable to HBF Health Limited		
General reserve (i)	111.5	111.5
Retained earnings	1,211.1	1,167.3
Asset revaluation reserve (ii)	9.3	9.3
Purchase commitment for NCI shares reserve (iii)	(5.4)	(5.2)
Fair value reserve (iv)	(11.5)	(20.2)
	1,315.0	**1,262.7**

(i) The general reserve was created by the merger of 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 13.

(iii) The purchase commitment for the NCI shares reserve arose on acquisition of the Life Ready Health Group. As the NCI put options are exercised, the reserve balance will increase or decrease depending on the value of the NCI on exercise date.

(iv) The Group elected to recognise changes in the fair value of certain investments in equity securities in OCI on transition to AASB 9 on 1 July 2023. The reserve balance represents the cumulative net change in the fair value of the investments measured at FVOCI. The fair value changes are accumulated within the reserve and will be transferred to retained earnings when the relevant equity securities are derecognised.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

Section 4 : Other assets and liabilities

12 Intangible assets

	Customer contracts $m	Brand $m	Goodwill $m	Transformation program $m	Computer software $m	Work in progress $m	Total $m
30 June 2024							
Cost							
Opening balance	32.5	-	110.4	25.8	18.2	64.8	251.7
Additions through business combination	21.9	24.7	36.5	-	-	-	83.1
Additions	-	-	-	-	-	0.7	0.7
Reclassification from property, plant and equipment	-	-	-	-	-	5.9	5.9
Revaluation	-	-	-	(4.2)	-	-	(4.2)
Closing balance	54.4	24.7	146.9	21.6	18.2	71.4	337.2
Amortisation and impairment							
Opening balance	5.7	-	-	13.5	18.0	-	37.2
Amortisation	4.7	-	-	2.1	0.1	-	6.9
Revaluation	-	-	-	(4.2)	-	-	(4.2)
Impairment	-	-	19.5	-	-	-	19.5
Closing balance	10.4	-	19.5	11.4	18.1	-	59.4
Net book value at end of the year	**44.0**	**24.7**	**127.4**	**10.2**	**0.1**	**71.4**	**277.8**
30 June 2023							
Cost							
Opening balance	32.5	-	110.4	21.5	22.4	72.9	259.7
Additions	-	-	-	2.6	-	-	2.6
Transfers from work in progress	-	-	-	1.7	-	(1.7)	-
Disposals	-	-	-	-	(4.2)	-	(4.2)
Impairment	-	-	-	-	-	(6.4)	(6.4)
Closing balance	32.5	-	110.4	25.7	18.2	64.8	251.7
Amortisation							
Opening balance	2.2	-	-	5.8	22.0	-	30.0
Amortisation	3.5	-	-	7.7	0.2	-	11.3
Amortisation on disposals	-	-	-	-	(4.2)	-	(4.2)
Closing balance	5.7	-	-	13.5	18.0	-	37.2
Net book value at end of the year	**26.8**	**-**	**110.4**	**12.3**	**0.2**	**64.8**	**214.5**

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

12 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 (10-15 years) and is recognised in other expenses in the consolidated statement of comprehensive income.

Goodwill

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.

Brand

The brand, which was acquired as part of the QCH business combination in July 2023, has an indefinite useful life and is carried at fair value at the date of acquisition, less impairment losses. Intangible assets that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. For impairment testing, the QCH brand intangible asset is allocated to the QCH cash-generating-unit (CGU).

Transformation program

The transformation program was undertaken to modernise the Group's technology and operations to create a more sustainable organisation and a future of growth for the Group. The transformation program asset includes the replacement of the core insurance platform, mobile app, member portal, website, cyber encryption program and the cloud service platform. The assets went live in August 2024.

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 HBF Health 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 insurance service expense in the statement of comprehensive income.

Work in progress

Work in progress (WIP) largely relates to the ongoing transformation program. For the purposes of impairment testing at Note 12(c) the WIP intangible asset is allocated to the HBF Health CGU.

(b) Impairment accounting policy

Intangible assets with a defined useful life, are assessed for impairment by the Group 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 Group estimates the recoverable value of a CGU and compares this against the carrying value of the CGUs assets to calculate if an impairment loss should be charged to the income statement. The recoverable amount is the higher of a CGUs fair value less costs of disposal and its value in-use. In assessing value-in-use, the CGUs 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 CGUs assets exceed the recoverable amount.

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Notes to the financial statements - Year ended 30 June 2024

12 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. Following the acquisition of QCH, and launch of see-u, the level at which goodwill is monitored was re-assessed and resulted in the HBF Health and see-u CGUs being separately tested for impairment (2023: HBF Health and see-u formed part of the Health Insurance CGU). In total, $82.3m of goodwill arising on the acquisition of CUA Health now forms part of the rebranded see-u CGU. There is no goodwill in the HBF Health CGU. An impairment test was performed at the date of the separation of the CGU from see-u and the recoverable amount exceeded the carrying value.

	Goodwill* $m	Intangible assets $m	Terminal growth rate %	Pre-tax discount rate %
2024				
HBF Health	-	81.7	2.5%	9.3%
see-u	82.3	23.6	2.5%	9.1%
QCH	36.5	45.1	2.5%	9.1%
Physiotherapy	28.1	-	2.5%	14.5%
Total	**146.9**	**150.4**		
2023				
Health Insurance	82.3	103.9	2.5%	8.8%
Physiotherapy	28.3	-	2.5%	14.4%
Total	**110.6**	**103.9**		

* Represents the balance tested for impairment

Goodwill is allocated to each of the CGUs based on the lowest level of management (i.e., business operation) and considers the CGUs expected to benefit from the synergies of the combination.

Sensitivity to changes in key assumptions

As part of the annual impairment test, Management considers the sensitivity of the tests to changes in key assumptions including changes in the discount rate, terminal growth rate and cash flows. In relation to the HBF Health and QCH CGUs, Management believes that there are no reasonably possible changes to key assumptions that would cause the carrying value of any goodwill or intangible asset with an indefinite useful life to exceed its recoverable amount. However, in relation to the see-u and physiotherapy CGUs, Management considers that there are reasonable possible changes to key assumptions that would result in an adverse impairment outcome and these have been included in the table below:

	Assumptions		Amount by which VIU is above/ (below) carrying value of CGU	Consequential impact of a 1% adverse movement			
2024	Terminal growth rate %	Pre-tax discount rate %		Terminal growth rate $m	Pre-tax discount rate $m	Forecast margin result[1] $m	Forecast operating expenses $m
see-u	2.5%	9.1%	3.7	(8.4)	(10.9)	(3.1)	(0.6)
Physiotherapy	2.5%	14.5%	(19.5)	(1.2)	(1.8)	(0.4)	(3.3)
Total			**(15.8)**	**(9.6)**	**(12.7)**	**(3.5)**	**(3.9)**

1. The forecast margin result reflects the underwriting margin result for the see-u CGU and the EBITDA result for the physiotherapy CGU.

The recoverable amounts for all CGUs at 30 June 2024 were based on value in use (VIU), using management's latest five-year extended financial outlook. These are discounted cash flow projections over five 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.

The key assumptions used in determining the valuations are:

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

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

12 Intangible assets (continued)

(c) Impairment assessment - goodwill (continued)

Growth rates and discount rates

The growth rate disclosed above represents the weighted average growth rate used to extrapolate cash flows beyond the 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.

Climate-related risks

The Group's assessment of the potential financial impacts of climate-related risks continues to mature. The potential financial impacts of climate-related risks have been considered in the CGUs impairment tests through the inclusion of the impact of committed initiatives.

Physiotherapy CGU

The projected cash flows have been updated to reflect deterioration in economic conditions and lower utilisation of services compared to the original business case which have impacted the forecast profitability of the Physiotherapy CGU. As a result of this analysis, management has recognised an impairment charge of $19.5 million in the current year against goodwill. The impairment charge is recorded within other expenses in the CSOCI.

Change in key assumptions

The following table gives the percentage change in key assumptions that would reduce the headroom of the see-u CGU to nil. Due to the impairment outcome for the Physiotherapy CGU, any adverse changes in the underlying assumptions would result in an additional impairment.

30 June 2024	Terminal growth rate %	Pre-tax discount rate %	Forecast margin result %	Forecast operating expenses %
see-u	(0.3%)	0.3%	(1.0%)	5.8%

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13 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 2024							
Cost or valuation							
Opening balance	92.7	26.0	33.7	0.6	34.3	-	187.3
Additions through business combination	0.9	1.3	0.4	-	0.5	-	3.1
Additions	-	2.9	0.5	0.3	1.1	1.8	6.6
Revaluations	-	0.2	-	-	-	-	0.2
Reclassification to intangible assets	-	-	(6.0)	-	-	0.1	(5.9)
Transfers from WIP	-	-	1.3	-	-	(1.3)	-
Disposals	-	(5.1)	(3.1)	-	(1.0)	-	(9.2)
Closing balance	93.6	25.3	26.8	0.9	34.9	0.6	182.1
Depreciation and impairment							
Opening balance	28.9	8.9	16.9	-	15.0	-	69.7
Depreciation expense	1.7	6.2	4.6	0.1	3.9	-	16.5
Impairment	21.4	-	-	-	-	-	21.4
Revaluations	0.7	0.9	(1.5)	-	-	-	0.1
Depreciation on disposals	-	(4.8)	(2.3)	-	(0.6)	-	(7.7)
Closing balance	52.7	11.2	17.7	0.1	18.3	-	100.0
Net book value at end of the year	**40.9**	**14.1**	**9.1**	**0.8**	**16.6**	**0.6**	**82.1**
30 June 2023							
Cost or valuation							
Opening balance	92.7	23.9	26.5	0.4	30.4	3.8	177.7
Additions	-	2.9	1.9	0.2	4.7	4.4	14.1
Revaluations	-	0.8	-	-	-	-	0.8
Transfers	-	-	8.2	-	-	(8.2)	-
Disposals	-	(1.6)	(2.9)	-	(0.8)	-	(5.3)
Closing balance	92.7	26.0	33.7	0.6	34.3	-	187.3
Depreciation and impairment							
Opening balance	27.7	6.0	10.7	-	11.3	-	55.7
Depreciation expense	1.2	6.1	6.8	-	2.9	-	16.9
Revaluations	-	(1.7)	-	-	0.9	-	(0.8)
Depreciation on disposals	-	(1.5)	(0.6)	-	-	-	(2.1)
Closing balance	28.9	8.9	16.9	-	15.0	-	69.7
Net book value at end of the year	**63.8**	**17.1**	**16.8**	**0.6**	**19.3**	**-**	**117.6**

Property, plant and equipment accounting policy

Property, plant and equipment (PPE), 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.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

13 Property, plant and equipment (continued)

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 CSOCI, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

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% - 33%
Leasehold improvements:	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, the Group's head office at 570 Wellington St Perth and a Dental Centre located at 24 Sydney Street, Mackay which was acquired in July 2023 as part of the QCH business combination.

Independent valuations of the land and buildings classified as PPE are performed with sufficient frequency to ensure that the carrying amount of the revalued asset does not differ materially from its fair value.

Fair value measurement, valuation techniques and inputs

Walburniny

In valuing Walburniny at 30 June 2024, the directors have adopted a fair value using a discounted cash flow valuation technique which considers the present value of net cash flows generated from the property, taking into account inputs such as expected rental growth rates, lease incentives, occupancy rates etc. on an owner occupier basis. The updated fair value considers recent market and property specific evidence, the opinion that there are defects in the façade of the building, which are the subject of ongoing investigation, and assumptions as to the future use of the building. Accordingly, the Walburniny building has been revalued to $40.0 million, resulting in an impairment expense of $21.4 million recognised in other expenses in the CSOCI.

Mackay

The fair value of the Mackay property at 30 June 2024 was based on a valuation performed by Opteon Property Group, an accredited independent valuer. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

Fair value measurement

Whilst there is market evidence for the key inputs, and recent transaction prices for similar properties, there is still a significant element of estimation and judgement. As a result of adjustments made to market observable data, these significant inputs are deemed unobservable. The following table represents the level of the fair value hierarchy and the associated unobservable inputs utilised in the fair value measurement.

Property	Fair value hierarchy	Fair Value $m	Valuation technique	Unobservable Input	Adopted rate
570 Wellington Street, Perth	Level 3	40.0	Discounted cash flow approach (income approach)	Discount rate	7.25%
				Terminal capitalisation rate	7.00%
24 Sydney Street, Mackay	Level 3	0.9	Market approach	Market capitalisation rate	7.75%
		40.9			

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

13 Property, plant and equipment (continued)

Key estimates: inputs used to measure fair value of land and buildings

Judgement is required in determining the following significant unobservable inputs:

Discount rate: The rate of return used to convert cash flows in the future into present value. The rate is determined with regard to market evidence.

Terminal capitalisation rate: The terminal capitalisation rate is applied to the net operating income in the 11th year as the assumption is that the property is sold on the open market at the end of year 10 of the cash flow. The rate is determined with regard to market evidence.

Market capitalisation rate: The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence.

Sensitivities

Significant movement in any one of the inputs listed in the table above may result in a change in the fair value of the Group's head office building. The estimated impact of a change in certain significant unobservable inputs would result in a change in the fair value as follows:

Assumption	2024 Increase of 50 basis points	2024 Decrease of 50 basis points
Discount rate	(2.8)	2.9
Terminal capitalisation rate	(4.5)	5.1

Cost approach

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

	Notes	2024 $m	2023 $m
Cost		105.2	105.2
Additions through business combinations	19	0.9	-
Accumulated depreciation		(19.5)	(17.8)
Impairment		(45.7)	(24.3)
Net carrying amount		40.9	63.1

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14 Leases

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

	Notes	2024 $m	2023 $m
Balance at 1 July		17.1	17.9
Additions		2.9	2.9
Additions through business combinations	19	1.3	-
Revaluation		(0.7)	2.5
Disposals		(0.3)	(0.1)
Depreciation		(6.2)	(6.1)
Balance at 30 June		14.1	17.1

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

	Notes	2024 $m	2023 $m
Balance at 1 July		17.8	19.0
Additions		2.8	1.8
Additions through business combinations	19	1.3	-
Accretion of interest		0.5	0.5
Lease payments		(6.2)	(6.0)
Revaluation		(0.7)	2.5
Balance at 30 June		15.5	17.8
Current		6.3	16.3
Non-current		9.2	1.5
		15.5	17.8

Leases accounting policy

Group as a lessee

The 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.

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

(ii) Lease liabilities

At the commencement date of the lease, the 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.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

15 Investment Property

The Group's investment properties were acquired as part of the QCH business combination on 1 July 2023 and consist of two residential unit complexes in Pimlico and Auchenflower.

Investment property accounting policy

Investment properties are initially measured at cost including transaction costs and subsequently recognised at fair value on a recurring basis. Investment properties are classified as level three under the fair value hierarchy. Gains and losses arising from changes in fair values of investment properties are included in profit or loss as part of other income/(expense) in the year in which they arise. Fair value is determined based on an annual valuation performed by an accredited external, independent valuer, applying a valuation model appropriate for the investment property.

The table below sets out the fair value of the investment properties and the movements during the year.

	Notes	2024 $m	2023 $m
Balance at 1 July		-	-
Additions through business combinations	19	4.6	-
Additions (subsequent expenditure)		0.1	-
Balance at 30 June		4.7	-

Revaluation of investment properties

As at 30 June 2024, the fair values of the Group's investment properties are based on valuations performed by accredited independent valuers, Herron Todd White and Opteon Property Group.

Description of valuation techniques used and key inputs to valuation of investment properties:

Investment Property	Fair value hierarchy	Fair Value $m	Valuation technique	Unobservable Input	Adopted input
1-6, 12 McIlwraith Street, Auchenflower	Level 3	3.5	Market approach	Selling price based on market value of similar properties in the area.	$571,667 per unit
1-4, 30 Cheyne Street, Pimlico	Level 3	1.2	Market approach	Selling price based on market value of similar properties in the area.	$310,000 per unit
		4.7			

Rental income of $0.1m has been derived from the Group's investment properties in the current year (2023: nil).

A 10% increase/decrease in the fair value of the Group's investment properties would result in a $0.5 million increase/decrease to profit or loss (2023: nil).

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Notes to the financial statements - Year ended 30 June 2024

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 Group's financial liabilities that are measured and recognised at fair value on a recurring basis, are classified as a level three liabilities. This includes the purchase commitments for NCI shares which is valued at $4.5m at 30 June 2024 (2023: $3.9m).

The table below sets out the fair value of the level 3 liability and the movements during the year.

	2024 $m	2023 $m
Balance at 1 July	3.9	6.6
Purchases during the year	(0.1)	(2.3)
Fair value movement recognised within other expenses	0.7	(0.4)
Balance at 30 June	4.5	3.9

Purchase commitments for NCI shares accounting policy

The Group has written put options over the equity of its Life Ready subsidiaries which permit clinic shareholders to sell their NCI shareholding at a future date under certain circumstances. A financial liability for this purchase commitment was recognised and revalued in accordance with AASB 9, being the estimate of the fair value of the consideration to acquire the clinic partners shares that are subject to the commitment. The financial liability is valued at each reporting date based on the likely settlement amount. At 30 June 2024, the fair value of the liability has been assessed to be $4.5 million (2023: $3.9 million).

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	4.5	Market approach	EBITDA multiple	4.0x - 5.0x

A 10% increase/decrease in the fair value of the purchase commitment would result in a $0.5 million decrease/increase to profit or loss (2023: $0.4 million).

HBF Health Limited
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17 Employee benefit liabilities

(a) Employee benefit liability

	2024 $m	2023 $m
The aggregate employee benefit liability is comprised of:		
Annual leave	9.5	8.7
Long service leave	11.0	10.5
Other employee related provisions	-	1.1
	20.5	20.3
Current	17.7	16.0
Non-current	2.8	4.3
	20.5	20.3

Employee benefit 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.

HBF Health Limited
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18 Provisions

	Restructuring provisions	Other provisions	Total
At 1 July 2023	-	-	-
Arising during the year	5.3	2.6	7.9
Utilised	-	(0.1)	(0.1)
Unused amounts reversed	-	(0.1)	(0.1)
At 30 June 2024	**5.3**	**2.4**	**7.7**
Current	5.3	2.4	7.7
Non-current	-	-	-
	5.3	2.4	7.7

Restructuring

Restructuring provisions are recognised only when the Group has a constructive obligation, which is when:

- there is a detailed formal plan that identifies the business or part of the business concerned, the location and number of employees affected, the detailed estimate of the associated costs, and the timeline; and
- the employees affected have been notified of the plan's main features.

The provision recognised relates principally to decommissioning costs for changes in product offerings and restructuring of staff supporting legacy systems that will be decommissioned. The restructuring is expected to be completed in the next year.

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Section 5 : Other

19 Business combinations

Acquisition of Queensland Country Health Fund Pty Ltd

On 1 July 2023, HBF Wellness Holdings Pty Limited (a wholly owned subsidiary of HBF Health Limited) acquired 100% of the shares in QCH from Queensland Country Bank Limited (QCB).

QCH is based in Townsville and currently serves approximately 70,000 members, predominantly on the east coast of Australia. QCH has three dental centres across Queensland and two apartment buildings in Townsville and Brisbane, which are available exclusively to regional members who have to travel for medical treatment or to go to hospital. The acquisition advances the Group's national growth strategy by further strengthening the Group's membership base outside of Western Australia.

Details of the purchase consideration are as follows:

Purchase consideration	$m
Cash	159.4
Total purchase consideration	**159.4**

The net assets recognised in the 30 June 2024 financial statements are based on a comprehensive valuation and purchase price allocation (PPA) exercise completed at acquisition date. The fair value of the net assets acquired is considered final at the time these financial statements are issued.

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

	Fair value $m
Assets	
Cash and cash equivalents	24.9
Receivables	1.3
Investment portfolio	79.3
Property, plant and equipment	1.8
Investment properties	4.6
Intangible asset - customer relationships	21.9
Intangible asset - brand	24.7
Right-of-use assets	1.3
	159.8
Liabilities	
Liabilities for remaining coverage	18.6
Liabilities for incurred claims	14.8
Employee benefit liabilities	1.1
Trade payables and financial liabilities	0.6
Lease liabilities	1.3
Income tax payable	0.5
	36.9
Total identifiable net assets at fair value	**122.9**
Goodwill arising on acquisition	36.5
Purchase consideration transferred	**159.4**

The goodwill is attributable to the future profitability of the acquired business and the value of expected synergies arising from the acquisition. Goodwill is allocated entirely to the QCH CGU.

QCH contributed $173.4 million of revenue and $24.9 million to profit before tax from continuing operations of the Group for the twelve months since acquisition date i.e., 1 July 2023 to 30 June 2024.

19 Business combinations (continued)

Acquisition of Queensland Country Health Fund Pty Ltd (continued)

(a) Acquisition related costs

Acquisition costs relate to costs for due diligence, integration and other legal fees. Total acquisition and integration related costs were $5.8 million, of which all were incurred in the prior reporting period and recognised in other expenses (professional fees).

(b) Intangible assets - customer relationships

QCH establishes relationships with its customers through contracts. Customer contracts directly provide QCH 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 15 years based on the expected useful life.

(c) Intangible assets - brand

The QCH brand assists the business to attract customers to use its services. The fair value has been determined through an independent external valuation using the relief from royalty method in which a royalty rate was applied to the forecast revenue on a standalone basis and discounted to present value. The brand asset has been recognised with an indefinite useful life largely due to its existing longevity, market stability and Managements intention to continue using and maintaining the brand.

(d) Liabilities for incurred claims

The liability for incurred claims was measured at the amount of fulfilment cash flows relating to past service with an additional risk adjustment applied for non-financial risk. The future fulfilment cash flows were not discounted due to the eligibility to apply the PAA method. The carrying amount of the liability was determined by QCH's Appointed Actuary on acquisition date and reflects the best estimates based on historical claims data and approximates its fair value.

(e) Liabilities for remaining coverage

Liabilities for remaining coverage represents the obligation to provide insurance coverage in the future, within the 12-month contract boundary period. The amount primarily consists of 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. The expected cost of providing the coverage is equal to approx. 95% of the premiums received. As such, the carrying value of the liability is a reasonable approximate of fair value, reflecting an estimate of the costs to fulfil the obligation plus a reasonable profit margin.

Purchase consideration – cash outflow/(inflow)	2024 $m	2023 $m
Outflow/(inflow) of cash to acquire business, net of cash acquired		
Cash consideration – paid during FY23	-	156.0
Cash consideration – paid during FY24	3.4	-
Less: cash balances acquired on 1 July 2023	(24.9)	-
Outflow/(inflow) of cash – investing activities	**(21.5)**	**156.0**

The initial purchase consideration of $156.0 million was paid to QCB on 30 June 2023 and this balance was initially regarded as a settlement receivable (i.e., the right to receive the shares of QCH on 1 July 2023). A further $3.4 million of purchase consideration was paid during the current reporting period, bringing the total purchase consideration to $159.4 million.

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20 Taxation

(a) Income tax expense

	2024 $m	2023 $m
Current tax	0.7	0.5
Deferred tax	0.4	(4.3)
Adjustment for tax of prior period	(0.6)	(4.3)
Income tax expense/(benefit) reported in the statement of comprehensive income	0.5	(8.1)

(b) Reconciliation of tax expense to prima facie tax on accounting profit

Total profit/(loss) before income tax	44.7	(139.3)
Tax at the Australian tax rate of 30% (2023: 30%)	13.4	(41.8)
Tax effect of tax-exempt entity	(25.7)	20.9
Non-deductible expenses for tax purposes:		
Other non-deductible expenses	12.8	12.8
Aggregate income tax benefit	0.5	(8.1)

(c) Deferred tax assets and liabilities

Deferred tax balances comprise temporary differences relating to the following:		
Revenue tax losses	2.8	1.7
Property, plant and equipment	(0.3)	(0.9)
Provisions and accruals	0.5	0.3
Other liabilities	0.4	0.8
Net deferred tax asset	3.4	1.9

(d) Unrecognised deferred tax assets

Gross tax losses - Capital	47.5	49.0
	47.5	49.0

A capital gains tax (CGT) event has arisen within the Wellness Holdings tax consolidated group under the Section 33 fund merge for the transfer of the QCH to the HBF Health fund. The CGT event resulted in a capital gain of $1.7 million which has been absorbed by carry forward tax losses. Unrecognised deferred tax assets do not expire under current tax legislation.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

20 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 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 are part of 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 according to 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.

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 accounting policy

Revenues, expenses and assets are recognised net of Goods and Services Tax (GST) except for receivables and payables, which are stated inclusive of GST. 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.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

21 Auditor's remuneration

	2024 $	2023 $
Amounts received or due and receivable by Ernst & Young for:		
Audit of the financial reports	580,304	559,770
Other assurance services for regulatory reporting	310,618	314,410
Audit and assurance services	890,922	874,180
Consulting advice	1,827	5,500
Tax compliance	-	39,500
Other services	1,827	45,000
Total auditors' remuneration	892,749	919,180

Non-audit services accounted for 0.2% of total auditor's remuneration (2023: 4.9%). 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.

22 Commitments

	2024 $m	2023 $m
Commitments		
Within one year	32.8	27.3
After one year but not more than five years	6.8	13.9
More than five years	-	-
	39.6	41.2

As at 30 June 2024, the Group had operating contractual commitments of $38.0 million (2023: $41.2 million) for the transformation program and $0.2 million (2023: nil) for short-term leases. The Group also had capital contractual commitments of $0.8 million (2023: nil) for a branch build and $0.6 million (2023: nil) for technology upgrades. These commitments are not recognised as liabilities as the assets or services have not yet been received.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

23 Group structure

Subsidiaries

The consolidated financial statements of the Group include:

Name	Principal activities	Country of incorporation	% equity interest 2024	% equity interest 2023
HBF Health Limited	Ultimate Holding Company	Australia	100%	100%
HBF Wellness Holdings Pty Ltd	Holding Company	Australia	100%	100%
HBF Health and Wellness Pty Ltd	Dormant	Australia	100%	100%
HBF Dental Services Pty Limited	Dental	Australia	100%	100%
HBF House Pty Ltd	Trustee for HBF House Unit Trust	Australia	100%	100%
HBF House Unit Trust	Own and operate the headquarters building	Australia	100%	100%
CUA Health Pty Limited	Deregistered	Australia	-	100%
Life Ready Health Group Pty Ltd	Physiotherapy	Australia	100%	100%
Life Ready Baldivis Pty Ltd	Physiotherapy	Australia	100%	100%
Life Ready Butler Pty Ltd	Physiotherapy	Australia	100%	100%
Life Ready Camberwell Pty Ltd	Physiotherapy	Australia	100%	100%
Life Ready Rockingham Pty Ltd	Physiotherapy	Australia	100%	100%
Life Ready Mobile Pty Ltd	Physiotherapy	Australia	100%	100%
Gempine Holdings Pty Ltd	Physiotherapy	Australia	100%	100%
Life Ready Midland Pty Ltd	Physiotherapy	Australia	100%	100%
Life Ready Point Cook Pty Ltd	Physiotherapy	Australia	100%	100%
Life Ready Busselton Pty Ltd	Physiotherapy	Australia	100%	100%
Queensland Country Health Fund Pty Ltd	Dormant	Australia	100%	-
Queensland Country Care Navigation Pty Ltd	Heath care services, Dental	Australia	100%	-
Life Ready Maribyrnong Pty Ltd	Physiotherapy	Australia	100%	50%*
Life Ready Cockburn Pty Ltd	Physiotherapy	Australia	80%*	80%*
HLR (Bull Creek) Pty Ltd	Physiotherapy	Australia	80%*	80%*
Life Ready Floreat Pty Ltd	Physiotherapy	Australia	50%*	50%*
Life Ready Marangaroo Pty Ltd	Physiotherapy	Australia	50%*	50%*
Life Ready Bayswater Pty Ltd	Physiotherapy	Australia	50%*	50%*
Life Ready Spearwood Pty Ltd	Physiotherapy	Australia	50%*	50%*
Life Ready Studio Pty Ltd**	Physiotherapy	Australia	-	50%*
Life Ready Warwick Pty Ltd	Physiotherapy	Australia	50%*	50%*
Life Ready Yokine Pty Ltd	Physiotherapy	Australia	50%*	50%*
Life Ready Canning Vale Pty Ltd	Physiotherapy	Australia	50%*	50%*
Mandurah Physiotherapy Pty Ltd	Physiotherapy	Australia	50%*	50%*
Trinh Scarborough Pty Ltd	Physiotherapy	Australia	50%*	50%*
Trinh & Garvey Pty Ltd (Perth CBD)	Physiotherapy	Australia	50%*	50%*
Trinh & Harrington Pty Ltd (South Perth)	Physiotherapy	Australia	50%*	50%*
Trinh & Thomas Pty Ltd (Inglewood)	Physiotherapy	Australia	50%*	50%*

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

** On 29 February 2024, the Group sold its 50% shareholding in Life Ready Studio Pty Ltd for nominal consideration.

HBF Health Limited
Notes to the financial statements - Year ended 30 June 2024

24 Related party disclosures

(a) Key management personnel

The key management personnel (KMP) include those persons who, directly or indirectly, have authority and responsibility for planning, directing and controlling the major activities of the Group including:

- Directors (Non-Executive and Chief Executive Officer)
- Executives and senior management

(b) The following individuals were in office during the financial year unless otherwise stated:

Directors:

Ms G McGrath
Ms J Seabrook
Ms D Smith-Gander AO
Mr B Stewart
Mr S Yalavac (commenced 19/09/2023)
Ms M Stephens (commenced 25/10/2023)
Dr L Henderson
Mr A Crawford (resigned 06/09/2023)
Mr R England (resigned 24/10/2023)
Ms H Kurincic (resigned 13/02/2024)

Executives and senior management:

Dr D Heredia
Mr S Gupta
Ms A Stanley
Mr W Brown (commenced 02/10/2023)
Mr J Avila (commenced 06/11/2023)
Mr M Laybourn (Acting CFO - 28/03/2024 to 06/05/2024)
Ms S Graf (commenced 06/05/2024)
Mr B Comrie (resigned 13/10/2023)
Ms S Torrance (resigned 04/01/2024)
Ms D Carrington (resigned 28/03/2024)

(c) Related party transactions

Certain KMP hold director positions in other entities, some of which transacted with the Group during FY24. 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.

(d) Key management personnel remuneration

	2024 $	2023 $
Directors		
Short-term benefits	2,594,455	2,701,521
Superannuation	116,032	156,747
	2,710,487	2,858,268
Executives and senior management		
Short-term employee benefits	3,923,248	3,571,711
Superannuation	188,330	158,078
Termination benefits	60,911	-
	4,172,489	3,729,788
Total	6,882,976	6,588,056

HBF Health Limited
Notes to the financial statements – Year ended 30 June 2024

25 Information relating to HBF Health Limited (the "Parent")

(a) Summary financial information

	2024 $m	2023 Restated $m
Current assets	1,307.6	1,402.0
Non-current assets	576.6	555.5
Total assets	1,884.2	1,957.5
Current liabilities	551.8	563.4
Non-current liabilities	19.9	68.3
Total liabilities	571.7	631.7
Net assets	**1,312.5**	**1,325.8**
General reserve	111.5	111.5
Retained earnings	1,203.2	1,225.2
Financial asset fair value reserve	(11.5)	(20.2)
Asset revaluation reserve	9.3	9.3
Total equity	**1,312.5**	**1,325.8**

	2024 $m	2023 $m
Loss of the parent entity	(17.8)	(131.6)
Change in fair value of equity instruments	8.7	(7.1)
Revaluation of land and buildings	-	0.1
Total comprehensive loss of the parent entity	**(9.1)**	**(138.6)**

(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 2024 (2023: nil).

(d) Contractual commitments of the parent entity

The parent entity has contractual obligations to purchase plant, equipment and software for $38.7 million (2023: $41.2 million), as well as $0.1 million (2023: nil) for short-term leases.

26 Significant events after reporting date

There have been no significant events since the reporting date.

27 New accounting standards and interpretations not yet adopted

The 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 does not currently consider that the adoption of these new standards or amendments would have a material effect on the results or financial position of the Group.

Financial report

HBF Health Limited
Director's declaration – Year ended 30 June 2024

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 2024 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;

(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; and

(d) the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act is true and correct.

On behalf of the Board,

Diane Smith-Gander AO
Perth, 3 September 2024

HBF Health Limited
Consolidated entity disclosure statement - Year ended 30 June 2024

Name	Entity type	Country of incorporation	Country of tax residence	% equity interest
HBF Health Limited	Company	Australia	Australia	100%
HBF Wellness Holdings Pty Ltd	Company	Australia	Australia	100%
HBF Health and Wellness Pty Ltd	Company	Australia	Australia	100%
HBF Dental Services Pty Limited	Company	Australia	Australia	100%
HBF House Pty Ltd (i)	Company	Australia	Australia	100%
HBF House Unit Trust	Trust	Australia	Australia	100%
Life Ready Health Group Pty Ltd	Company	Australia	Australia	100%
Life Ready Baldivis Pty Ltd	Company	Australia	Australia	100%
Life Ready Butler Pty Ltd	Company	Australia	Australia	100%
Life Ready Camberwell Pty Ltd	Company	Australia	Australia	100%
Life Ready Rockingham Pty Ltd	Company	Australia	Australia	100%
Life Ready Mobile Pty Ltd	Company	Australia	Australia	100%
Gempine Holdings Pty Ltd	Company	Australia	Australia	100%
Life Ready Midland Pty Ltd	Company	Australia	Australia	100%
Life Ready Point Cook Pty Ltd	Company	Australia	Australia	100%
Life Ready Busselton Pty Ltd	Company	Australia	Australia	100%
Queensland Country Health Fund Pty Ltd	Company	Australia	Australia	100%
Queensland Country Care Navigation Pty Ltd	Company	Australia	Australia	100%
Life Ready Maribyrnong Pty Ltd	Company	Australia	Australia	100%
Life Ready Cockburn Pty Ltd	Company	Australia	Australia	80%
HLR (Bull Creek) Pty Ltd	Company	Australia	Australia	80%
Life Ready Floreat Pty Ltd	Company	Australia	Australia	50%
Life Ready Marangaroo Pty Ltd	Company	Australia	Australia	50%
Life Ready Bayswater Pty Ltd	Company	Australia	Australia	50%
Life Ready Spearwood Pty Ltd	Company	Australia	Australia	50%
Life Ready Warwick Pty Ltd	Company	Australia	Australia	50%
Life Ready Yokine Pty Ltd	Company	Australia	Australia	50%
Life Ready Canning Vale Pty Ltd	Company	Australia	Australia	50%
Mandurah Physiotherapy Pty Ltd	Company	Australia	Australia	50%
Trinh Scarborough Pty Ltd	Company	Australia	Australia	50%
Trinh & Garvey Pty Ltd (Perth CBD)	Company	Australia	Australia	50%
Trinh & Harrington Pty Ltd (South Perth)	Company	Australia	Australia	50%
Trinh & Thomas Pty Ltd (Inglewood)	Company	Australia	Australia	50%

(i) Trustee of a trust in the consolidated entity

Financial report

HBF Health Limited
Auditors' independence declaration

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2024, 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

T M Dring
Partner
3 September 2024

HBF Health Limited
Independent auditors' report

Building a better
working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 2024, 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 material accounting policy information, the consolidated entity disclosure statement 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 2024 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.

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.

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.

HBF Health Limited
Independent auditors' report

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*; and

- The consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001;* and

for such internal control as the directors determine is necessary to enable the preparation of:

- The financial report (other than the consolidated entity disclosure statement) that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and

- The consolidated entity disclosure statement that is true and correct and is free of 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

HBF Health Limited
Independent auditors' report

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 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

T M Dring
Partner
3 September 2024

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