Defence Health Limited

(ABN 80 008 629 481 AFSL 313890)

Financial Statements
for the year ended 30 June 2023

Contents

Registered Office and Principal Place of Business

Level 7 380 St Kilda Road
Melbourne VICTORIA 3004

Directors' Report

Defence Health Limited ("Defence Health" or the "Company") is a company limited by guarantee, incorporated and domiciled in Australia. The Company reports to members and has obligations to the Australian Prudential Regulation Authority (APRA), which regulates and monitors the private health insurance industry and to the Australian Securities and Investments Commission which regulates its corporate and financial services obligations.

Members

The Members of Defence Health are the Directors, and the officeholders of the Chief of Army and the Chief of Air Force.

Defence Health Limited has one class of Member and each Member is entitled to one vote on matters determined by Members' votes. If the Company is wound up, each person who is a Member at the time or who was a Member within the preceding year is liable to contribute up to one hundred dollars as necessary to meet the debts and liabilities of the Company. The total amount which Members are liable to contribute collectively is one thousand dollars.

Directors

The eight non-executive Directors and one associate Director who held office during the financial year are as follows. The interests of the Directors shown below are as at 30th June 2023:

Mr Alan Ian Beckett
BEc FCA, GAICD
Appointed to the Board in January 2006. Mr Beckett was appointed as the Chair of the Board in November 2019 and is a member of the Nomination and Remuneration Committee. Current term expires at the end of the Annual General Meeting to be held in 2023. Mr Beckett is a Chairman of Meat and Livestock Australia Ltd, Director of Integrity Systems Company Ltd and a Director of MLA Donor Company Ltd. He is also an ex-partner of Ernst and Young.

Mr Robin Buick Orr Burns
FAICD
Appointed to the Board in October 2018. Mr Burns' appointment was extended to October 2026 at the Annual General Meeting held in 2022. Mr Burns was elected the Deputy Chair of the Board in June 2022. Mr Burns was the Chair of the Risk and Audit Committees for the entire year, was a member of the Investment Committee until February 2023 and joined the Nominations and Remuneration Committee in that month. Mr Burns is a Director of BT Funds Management Ltd and a Director of Uniting Ethical Investors Ltd. He is a member of the External Compliance Committee of PIMCO Australia Management Ltd. Mr Burns has previously held senior executive roles in a number of financial services companies.

COL Anthony Gerard Hambleton AM
GAICD
Appointed to the Board in February 2014. COL Hambleton's term was previously approved for extension by the Chief of Army for an additional 2 years until the Annual General Meeting in 2023 in which it expires. COL Hambleton was the Chair of the Nomination and Remuneration Committee for part of the year. COL Hambleton was a Director and is a member of the Army Standby Reserve and the appointed Director of Chief of Army.

GPCAPT Susan Stothart CSC
BBus, Mmgt, M Def Stud, Grad Dip Applied Finance, GAICD
Appointed to the Board in November 2016. Current term expires at the Annual General Meeting to be held in 2024. GPCAPT Stothart was a member of the Risk and Audit Committee for part of the year and Nomination and Remuneration Committees for the entire year. GPCAPT Stothart is a member of the RAAF active reserve and is the appointed Director of Chief of Air Force as well as a Director of the Legacy Club of Canberra.

Mr Michael Liu
BCom, LLB
Appointed to the Board in February 2023. Current term expires at the Annual General Meeting to be held in 2026. Mr Liu is a member of the Investment Committee. Mr Liu is also a director of Police Financial Services Ltd, Foresters Financial Ltd, WCM Global Growth Ltd and Law Institute of Victoria Ltd.

Ms Carolyn Ireland
MBA (Executive), CA, GAICD
Appointed to the Board in October 2018. Ms Ireland's appointment was extended until October 2026. Ms Ireland was a member of the Investment Committee for the entire year. Ms Ireland was the Chair of the Investment Committee from the Annual General Meeting in 2021. Ms Ireland was a Director of International Women's Development Agency, Xavier College Foundation and a Director and Chair of the Finance Committee, Melbourne Archdiocese Catholic Schools Ltd for the entire year.

Ms Rebecca Davies AO
LLB (Hons), Bec, FAICD
Appointed to the Board in November 2019. Current term expires at the Annual General Meeting to be held in 2023. Ms Davies was a member of the Nomination and Remuneration for part of the year, Risk and Audit Committees for the entire year. Ms Davies was also a Director of Catholic Healthcare Ltd, Transparency International Australia, The Actuator Operations Ltd, Lifehouse Australia, and Member Advisory Committee, UNSW Centre for Big Data in Health and a Member of the Targeted Translational Research 'Board' – a program funded by the Medical Research Future Fund, Member Audit and Risk Committee of the Professional Services Review (part of the Department of Health), Nominee Trustee for the The University of Notre Dame Australia and Director National Heart Foundation of Australia.

Mr Matthew Walsh
BAppsc, MBA, GAICD
The Board appointed Mr Walsh at the 2021 Annual General meeting. Mr Walsh's term will expire at 2025 Annual General Meeting. Mr Walsh is a Director of Matt Walsh Consulting Pty Ltd, and provides strategic advice to Boards and Executives. Mr Walsh's past roles include: Director and CEO, Australian Unity Health Limited; Director, Australian Unity Bank Limited and Director, Lifeplan Australia Friendly Society Limited; Director, Australian Health Service Alliance; Group Executive and Chief Executive Officer, Australian Unity – Retail; Chief Executive, Lifeplan Funds Management; Chair, Strategic Advisory Board of Adelaide University's International Centre for Financial Services, and Management Consultant, Price Waterhouse.

COL Bridget Mitzevich
MIR, MMDS, MBus, GAICD
The Board appointed an Associate Director, COL Mitzevich on 18 October 2022. COL Mitzevich's term is set to expire in October 2024. COL Mitzevich is a full-time serving member of the Australian Army and a Director of the Army Amenities Fund Company

COL Michelle Mason
The Board appointed an Associate Director, COL Mason on 28 October 2021. COL Mason's term expired in October 2022. COL Mason is a full-time serving member of the Australian Army and a Director of Hughes Primary School Board.

The Directors named above held office during the entire of the financial year, with the exception of COL Michelle Mason, COL Bridget Mitzevich and Mr Michael Liu.

Company Secretary

Mr Andrew Guerin LLB, BEc, FGIA was appointed Company Secretary in September 2005. Mr Guerin was also the Company Secretary of Defence Health Foundation Pty Ltd.

Directors' meetings

The number of Board and Committee meetings held during the financial year and attendance by each Director are shown below.

	Board of Directors' Meetings		Investment Committee Meetings		Risk Committee Meetings		Audit Committee Meetings		Nomination and Remuneration Committee Meetings	
Chair	A I Beckett		C Ireland		R Burns		R Burns		A Hambleton/ Susan Stothart	
Meetings held	9		4		4		4		5	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
A I Beckett	9	9							5	5
R Davies	9	9			4	4	4	4	3	3
A Hambleton	9	9							5	5
M Walsh	9	8	4	4	4	4	4	4		
S Stothart	9	7			2	1	2	1	5	5
R Burns	9	9	2	2	4	4	4	4	2	2
C Ireland	9	9	4	4						
M Liu	4	4	2	2						

Associate Directors	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M Mason	2	2	1	1						
B Mitzevich	7	6			2	2	2	2		

Principal activities

The principal activities of Defence Health during the financial year were:

- to operate a registered health benefits fund in accordance with the *Private Health Insurance Act 2007*; and
- to provide health insurance and complementary products to members and families of the Australian Defence Force (ADF) and the wider Defence community.

The Company reinstated its travel insurance product this year as international borders reopened. There were no other significant changes in the nature of the Company's activities during the financial year.

Objectives of the Company

The core purpose is to protect the health of members of the ADF, veterans, and the wider Defence community. The Company's vision is to be the preferred and trusted health partner of the Defence community. To achieve this vision the company seeks to:

- Strengthen our PHI operating model to ensure a sustainable business into the future
- Be the health insurer of choice for the ADF and ex-serving community.
- Deliver strategic growth.

Achievement of goals

- The Company will offer differentiated products, propositions and programs tailored to our specific market segments.
- The Company will maintain a strong and sustainable PHI portfolio.
- The Company will extend its scope of business to further embed itself in the Defence community.

The Company regularly measures, monitors and addresses its performance towards its strategic goals by:

- its market share, and the level of member advocacy in designated target segments;
- the financial performance of its PHI business;
- and its pipeline of strategic growth opportunities

Review of operations

Defence Health recorded a surplus of $117.4 million in the 12 months to 30 June 2023. This was predominately driven by claims not yet returning to the levels expected following the COVID-19 period and strong investment returns of $37.9 million (2022: $10.0 million loss), stemming from strong performance by growth assets.

The lower than expected claims level is believed to be due substantially to supply constraints in the health industry, as well as lower claim patterns in certain ancillary services, rather than any significant or long-term improvement in national health conditions. The claim levels relative to pre-COVID-19 experience incurred by Defence Health during the year are believed to be similar to broader industry outcomes.

During the year the number of health insurance policies increased by 1.2%. Defence Health has 146,485 policies at 30 June 2023. Premium revenue increased by 3% to $670.8 million and net benefits expenses decreased by 5.9% to $529.3 million.

Total management expenses of $80.8 million comprised 12% of premium income (2022: 10.4%). The increase compared to prior year management expenses is due to continuing investment in a new core IT platform that will benefit members in the future. The new IT platform has since gone live in July 2023 and is anticipated to deliver operational efficiencies for the company, resulting in a decrease in the expense ratio in future years.

The strong surplus generated as a result of the lower than expected claim levels places the Fund in a good position to pursue and invest in targeted and evidence-based health programs to enhance the overall health and wellness of our members. The veteran community will be the priority focus in 2023-24 for a new product offering and programs to improve their health and wellbeing. This gives Defence Health the opportunity to further position ourselves as the preferred and trusted health partner in our core segment.

Dividends

As a company limited by guarantee, Defence Health is prohibited by its constitution from paying dividends.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Company.

Subsequent events

The business moved to the new technology platform in July. The transition caused a series of unforeseen disruptions to operations that impacted on the fund's service delivery. Significant additional resources were subsequently assigned to process a backlog of claims and to reduce lengthy phone queues for members and providers. New features to the technology platform will progressively give members greater control of their membership and enhance their user experience.

Environmental regulation

The Company's operations are not materially exposed to any environmental regulations.

Directors' benefits

Directors' fees are disclosed in Note 21 and related party transactions disclosed in Note 20 to the Financial Statements. No Director received any benefit as a result of a contract made by the Company with the Director, or with a firm associated with the Director or in which the Director has a substantial financial interest.

Indemnification of Directors and Officers

The Company has paid premiums to indemnify each of the Directors and executive officers against any liability, claim, expense or cost which may arise as a result of work performed in their respective capacities, to the extent permitted by law.

Auditor's independence declaration

The auditor's independence declaration is included on page 6.

Rounding of amounts

The Company is a company of the kind referred to in *ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191*, dated 24 March 2016, and in accordance with the Class Order amounts in the Directors' Report and the Financial Report are rounded to the nearest thousand dollars, unless otherwise indicated.

....	....
Mr Robin Buick Orr Burns	Mr Alan Ian Beckett
Director	Director
28 September 2023	28 September 2023

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

28 September 2023

The Board of Directors
Defence Health Limited
380 St Kilda Road
MELBOURNE VIC 3004

Dear Board Members

Auditor's Independence Declaration to Defence Health Limited

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

As lead audit partner for the audit of the financial report of Defence Health Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Income statement and other comprehensive income
for the financial year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Premium revenue	4	670,760	651,240
Direct benefits expense	5	(501,615)	(531,231)
Risk Equalisation Trust Fund expense		(22,249)	(26,256)
State ambulance levies		(5,482)	(5,125)
Net benefits expense		(529,346)	(562,612)
Unexpired risk reserve	5	16,653	(2,497)
Underwriting result		**158,067**	**86,131**
Employee expenses	5	(37,763)	(34,086)
Marketing expenses		(3,732)	(2,089)
IT and computing expenses		(22,751)	(16,995)
Transaction processing costs		(1,959)	(1,919)
Professional fees		(9,337)	(7,683)
Depreciation and amortisation expenses	5	(1,849)	(1,957)
Occupancy expenses		(549)	(489)
Industry subscriptions		(1,318)	(1,269)
Agency legal costs		(328)	(323)
Interest expense	13	(139)	(159)
Other management expenses		(1,024)	(758)
Total expenses		(80,749)	(67,727)
Underwriting result after operating expenses		**77,318**	**18,404**
Investment income	4	37,886	(9,994)
Other revenues	4	2,192	276
Surplus/(deficit) for the year		**117,396**	**8,686**
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		**117,396**	**8,686**

This income statement and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position
as at 30 June 2023

	Notes	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	6	105,377	58,986
Trade and other receivables	7(a)	31,651	18,969
Contract assets	7(b)	563	669
Financial assets	8	519,034	544,367
Total current assets		**656,625**	**622,991**
Non-current assets			
Contract assets	7(b)	1,158	1,937
Property, plant and equipment	9(a)	414	724
Intangible assets	9(b)	28	39
Right of use asset	9(c)	7,247	8,715
Total non-current assets		**8,847**	**11,415**
Total assets		**665,472**	**634,406**
Current liabilities			
Trade and other payables	10	69,873	63,727
Lease Liability	13	1,132	1,157
Claims liabilities	11	85,930	160,731
Provisions	12(a)	2,052	18,241
Total current liabilities		**158,987**	**243,856**
Non-current liabilities			
Lease Liability	13	5,223	6,251
Provisions	12(b)	2,170	2,603
Total non-current liabilities		**7,393**	**8,854**
Total liabilities		**166,380**	**252,710**
Net assets		**499,092**	**381,696**
Equity			
Contributed equity	14	43,346	43,346
Retained earnings	15	455,746	338,350
Total equity		**499,092**	**381,696**

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

Statement of changes in equity
for the financial year ended 30 June 2023

	Contributed Equity	Retained Earnings	Total Equity
	Note 14	Note 15	
	$'000	$'000	$'000
Balance at 30 June 2021	**43,346**	**329,664**	**373,010**
Total comprehensive income for the year	-	8,686	8,686
Balance at 30 June 2022	**43,346**	**338,350**	**381,696**
Total comprehensive income for the year	-	117,396	117,396
Balance at 30 June 2023	**43,346**	**455,746**	**499,092**

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

Statement of cash flows
Cash flows for the financial year ended 30 June 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Premium receipts		671,534	649,768
Benefits paid to and on behalf of fund members		(576,173)	(484,777)
Government and other levies paid		(5,460)	(5,100)
Payments to Risk Equalisation Trust Fund		(22,551)	(27,185)
Payments to suppliers and employees		(82,283)	(67,597)
Commission received		1,378	1,054
Net inflows/(outflows) cash from operating activities	**16**	**(13,555)**	**66,163**
Cash flows from investing activities			
Purchase of investment securities		(270,592)	(398,514)
Proceeds on sale of investment securities		314,289	352,035
Interest and dividends received		17,500	16,704
Purchase of property, plant and equipment		(54)	(536)
Purchase of right of use asset		(5)	(409)
Repayment of lease liability		(1,053)	(992)
Interest paid on lease liability		(139)	(159)
Net inflows/(outflows) cash used in investing activities		**59,946**	**(31,871)**
Net increase/ (decrease) in cash and cash equivalents		46,391	(34,292)
Cash and cash equivalents at the beginning of the financial year		58,986	24,694
Cash and cash equivalents at the end of the financial year	**6**	**105,377**	**58,986**

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

Note 1 – Summary of significant accounting policies

Defence Health Limited (referred to as "Defence Health" or the "Company") is a company limited by guarantee, incorporated and domiciled in Australia. The Company is a not-for-profit entity. The address of its registered office and principal place of business is Level 7, 380 St Kilda Road Melbourne Victoria 3004.

1.1 Statement of compliance

The general purpose financial statements of the Company for the year ended 30 June 2023 have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, International Financial Reporting Standards and comply with other requirements of law.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 28 September 2023.

1.2 Basis of preparation

The general-purpose financial statements have been prepared:

- on a historical cost basis, except for financial instruments which are measured at fair value; and
- presented in Australian dollars and rounded to the nearest thousand dollars.

1.3 Key judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions in applying the Company's accounting policies which are disclosed in note 2.

1.4 Revenue recognition

Revenue is recognised for the major income streams as follows:

(i) Premium revenue consists of contributions from policyholders, inclusive of the government rebate. This is recognised in the income statement when it has been earned evenly over the period of contract commencing from the attachment date. The earning of premium approximates the pattern of the incidence of risk expected over the term of the contract period. The proportion of premiums not earned at the reporting date is recognised as an unearned premium liability.

(ii) Dividend and interest revenue from investments is recognised when the right to receive income is established. Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, through the expected life of the financial asset to that asset's net carrying amount.

(iii) Other revenue includes Life, Travel and Accident insurance commissions.

Under AASB 15, revenue is measured based on the consideration to which the Company expects to be entitled in a contract with a customer (net of refunds) and excludes amounts collected on behalf of third parties. The Company typically satisfies its performance obligations at a point in time, and recognises revenue as and when the life, travel and accident insurance products are sold and the Company transfers control of the good to a customer.

1.4 Revenue recognition (cont'd)

Variable consideration

The Company applies judgement in estimating the related variable consideration, which is measured on a best estimate basis using the 'expected value' method, and which is recognised to the extent that a significant reversal will not occur (a constraint).

In making the estimate, the Company uses historical, current and forecast information that is reasonably available to it.

A higher constraint is applied when the results underlying these arrangements are highly susceptible to factors outside the Company's influence or when the Company's experience has limited predictive value.

Estimates of the variable consideration are assessed at the end of each reporting period to determine whether they need to be revised. The estimated commission is recognised as a contract asset and is reclassified to trade and other receivables when the underlying insurance premiums are determined.

The company has used the following assumptions:

- Lapse rates – use of a combination of historical and current data to forecast
- Commission rates – assumption that there is an increase based on inflation
- Discount rate used – risk free rate based on inflation plus risk margin

1.5 Receivables

Unclosed business premiums – earned (contributions in arrears) represent amounts owing by policyholders in relation to health insurance policies. Contributions in arrears are recognised when they become receivable. After 63 days the policy is cancelled.

Health insurance rebates receivable represents the amount claimed by the Company from the Government for members' entitlement to the Private Health Insurance Rebate.

Other receivables include prepaid expenses, commissions for life, travel and accident insurances, and other amounts due at the balance sheet date. These amounts are usually received within 90 days.

1.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The gain or loss arising on the disposal of property, plant and equipment is determined as the difference between net proceeds and the carrying amount of the asset, at the time of disposal.

Depreciation and amortisation are calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment over its expected useful life. Estimates of remaining useful lives are made on an annual basis for all assets. The expected useful lives are as follows:

Office equipment and fittings	5 years
Motor vehicles	5 years
Computer equipment	2 - 5 years

1.7 Intangible assets

Intangible assets with finite lives are carried at cost less accumulated amortisation and impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The expected useful lives are as follows:

Licenses	5 years
Trademark	10 years

1.8 Leases

Defence Health recognises a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost of the lease less any provision for make good on the property. This right-of-use asset is then depreciated using the straight-line method from the commencement date to the end of the lease term.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or the groups incremental borrowing rate.

Defence Health has elected to not recognise right-of-use assets and lease liabilities for short term leases of office space that have a lease term of 12 months or less. These are recognised as an expense as they are paid.

1.9 Payables

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

1.10 Maintenance and repairs

Maintenance, repair costs and minor renewals are recognised as expenses as incurred.

1.11 Employee benefits

Wages, salaries and bonuses
A liability is recognised for employee benefits being wages and salaries, bonuses, annual leave and long service leave up to the balance sheet date.

Superannuation
The Group makes contributions to superannuation funds for the benefit of employees at a rate of 10.5% of each employee's salary in accordance with statutory requirements. The rate of contributions to employee superannuation funds changed to 11.0% on 1 July 2023.

Annual leave and long service leave
Provisions are made for employee annual and long service leave, based on the present value of estimated future payments and service records up to the balance sheet date. Expected future payments are discounted by rates attached to corporate bonds at the balance sheet date, which most closely match the terms to maturity of the related liabilities.

In determining the liability for employee benefits, consideration has been given to future increases in wage and salary rates, together with the Group's experience with staff departures. Related on-costs have also been included in the liability.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash on hand, and deposits at call which are readily convertible to cash, subject to an insignificant risk of changes in value.

1.13 Income tax

The Company is a not-for-profit entity. Its Constitution prohibits it from paying dividends and returning capital to its members. Accordingly, the Company is exempt from income tax.

1.14 Goods and Services Tax

Revenue, expenses and assets are recognised net of the goods and services tax (GST), except where GST on a purchase is not recoverable from the Australian Taxation Office (ATO). In such a case, the GST is recognised as part of the expense. Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position. Cash flows are reported on a gross basis in the statement of cash flows. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

1.15 Provision for Risk Equalisation

Under the provisions of the *Private Health Insurance Act 2007*, all eligible registered health insurers must participate in the Risk Equalisation Trust Fund.

The amounts payable to and receivable from the Risk Equalisation Trust Fund are determined by Australian Prudential Regulation Authority (APRA) after the end of each quarter. Estimated provisions are recognised on an accruals basis.

1.16 Investments and other financial assets

The Company manages its investment portfolio to ensure adequate liquidity exists to match future health insurance liabilities, also having regard to operational cash flows. Investments comprise assets backing insurance liabilities.

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

The classification of financial assets depends on the nature and purpose of the financial asset and is determined at the time of the initial recognition. Financial assets are classified into the following specified categories:

Financial assets at fair value through profit or loss (held for trading)
Financial assets are classified as financial assets at fair value through the statement of profit or loss where the financial asset:

(i) has been acquired principally for the purpose of selling in the near future;
(ii) is part of an identified portfolio of financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
(iii) is a derivative that is not designated and effective as a hedging instrument.

Net gains or losses recognised in the statement of profit or loss incorporates any dividend or interest earned on the financial assets. Fair value is determined in the manner described in note 17(f).

Held-to-maturity investments
This type of investment has fixed or determinable payments and fixed maturity dates (where the group has the positive intent and ability to hold to maturity). Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets
This includes fixed income and equity trusts that are not traded in an active market; are stated at fair value; and are highly liquid. Gains and losses arising from changes in fair value are recognised through other comprehensive income.

Loans and receivables
Fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. They are measured at amortised cost using the effective interest method less impairment.

1.16 Investments and other financial assets (cont'd)

Impairment of financial assets
Financial assets, other than those at fair value, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impaired.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the statement of profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the statement of profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment of other tangible and intangible assets
The carrying amounts of tangible and intangible assets are reviewed for impairment at balance sheet date. If there is an indication of impairment, the recoverable amount is estimated.

Recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount is estimated to be less than the carrying amount, the impaired asset is written down to the recoverable amount. An impairment loss is recognised in the statement of profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, less what the amortised value would have been. A reversal of an impairment loss is recognised in the statement of profit or loss immediately.

1.17 Assets backing insurance liabilities

Financial assets held by the Company have been determined to be assets backing insurance liabilities and are designated as "at fair value through profit or loss". Fair value is based on independent valuation for all assets for which a secondary market exists. Cash at bank and deposit products are valued at cost. All related realised and unrealised gains or losses are included in investment income. Interest earned or dividends received are included in interest and dividend income respectively.

1.18 Product classification

'Insurance contract' means a contract under which one party (the insurer) accepts significant risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Once classified as such, it remains an insurance contract for the remainder of its life, even if the insurance risk reduces significantly during this period.

1.19 Insurance contract liabilities

Health insurance outstanding claims liabilities
Health insurance outstanding claims liabilities are measured as the central estimate of the present value of expected future payments against claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs and an additional risk margin to allow for the inherent uncertainty in the central estimate.

1.19 Insurance contract liabilities (cont'd)

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

Outstanding claims liabilities are generally fully settled within one year and are substantially settled within three months of the insurable event. Therefore, the effective discount rate is zero.

The 2022 provision for COVID-19 deferred claims was released from the deferred claim liability during 2023. The member giveback provision was settled during 2023.

Provision for unearned premium and unexpired risks
The proportion of written premiums attributable to subsequent periods is deferred as unearned premium. The change in the provision for unearned premium is taken to the statement of profit or loss in the order that revenue is recognised over the period of risk. Further provisions are made to cover claims under unexpired insurance contracts which may exceed the unearned premiums and the premiums due in respect of these contracts.

The adequacy of the unearned premium liability in respect of each class of business is assessed by considering current estimates of all expected future cash flows relating to future claims covered by current insurance contracts.

If the present value of the expected cash flows relating to future claims, plus the additional risk margin, exceeds the unearned premium liability (less related intangible assets and related deferred acquisition costs) then the unearned premium liability is deemed to be deficient.

The entire deficiency is recognised in the statement of profit or loss and other comprehensive income and recorded in the statement of financial position as an unexpired risk liability.

1.20 Software-as-a-Service (SaaS) arrangements

SaaS arrangements are service contracts providing the Group with the right to access the cloud provider's application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud provider's application software, are recognised as operating expenses when the services are received.

Some of these costs incurred can be for the development of software code that enhances or modifies, or creates additional capability to, existing on-premise systems and meets the definition of and recognition criteria for an intangible asset. These costs, if incurred, can be recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis. The useful lives of these assets are reviewed at least at the end of each financial year, and any change accounted for prospectively as a change in accounting estimate. At this point the Group has no costs incurred like this.

1.21 Contract assets

Contract assets represent the Company's right to consideration in exchange for services rendered to customers or work completed but not invoiced at the reporting date or when that right is conditional on something other than the passage of time. The contract assets are transferred to receivables when invoicing occurs or when the rights are otherwise no longer conditional other than on the passage of time.

1.22 Costs of contract assets

The Company did not recognise assets relating to the cost of obtaining a contract or the cost incurred to fulfil a contract that are directly related to the contracts. This is provided that the performance obligations of the contract have already been satisfied.

1.23 Accounting standards issued but not yet effective

The Group has adopted all new and revised standards and interpretations effective during the year in the preparation of the financial statements. The adoption of these standards has not affected the amounts reported but has impacted the level of disclosure included in the notes to the financial statements.

At the date of authorisation of the financial report, the following Standards and Interpretations were in issue but not yet effective:

• AASB 9 'Financial Instruments'	Effective for annual reporting periods beginning on or after 1 January 2018 On 2 July 2019 the AASB published ED 292 'Amendments to AASB 17 Insurance Contracts' that provided exemption from applying AASB 9 until 2023 for those companies whose activities are predominantly connected with insurance. The Company has taken advantage of this temporary exemption and will apply AASB 9 in the financial year ending 30 June 2024.
• AASB 17 'Insurance Contracts	Effective for annual reporting periods beginning on or after 1 January 2023. Expected to be initially applied in financial year ending 30 June 2024.

AASB 9 Financial Instruments

The changes required for AASB 9 Financial Instruments requires the company to value financial instruments at fair value, which is currently being done. This is expected to have a minimal impact on the company and will likely be limited to disclosure notes.

The Company will adopt AASB 9 Financial Instruments from 1 July 2023 with the first financial statements presented including AASB 9 for the year ended 30 June 2024.

AASB 9 introduces new requirements for the classification, measurement, incl. impairment, and derecognition of financial assets, financial liabilities as well as requirements for hedge accounting.

AASB 9 became effective for financial years starting on or after 1 January 2018, but the Company elected to defer the application as allowed by AASB 4 Insurance Contracts, to coincide with the adoption of AASB 17 Insurance Contracts

The Company holds a portfolio of financial assets comprising both debt and equity instruments. These include term deposits, interest bearing securities, units in fixed income trusts, units in unlisted equity trusts and alternative investments currently measured at fair value through profit or loss. There will be no change in the measurement of financial instruments on adoption of AASB 9, as the Company will designate these financial assets as held at fair value through profit or loss on transition. As such the impact on the adoption is of AASB 9 is not expected to be material to the Company.

AASB 17 Insurance Contracts

AASB 17 Insurance Contracts ('AASB 17' or 'the Standard') is a comprehensive new accounting standard for insurance and reinsurance contracts covering recognition, measurement, presentation and disclosure. The Australian Accounting Standards Board ('AASB') issued AASB 17 on 19 July 2017, following the issue of IFRS 17 Insurance Contracts (IFRS 17) by the International Accounting Standard Board ('IASB') on 18 May 2017. Various implementation matters were raised by stakeholders and the IASB considered these concerns and issued amendments to the Standard on 10 July 2020. This was followed by the issue of the amended AASB 17 on 27 July 2020. One of the changes to the Standard was an agreed effective date for periods beginning on or after 1 January 2023, with early adoption permitted. AASB 17 will replace the current AASB 4 Insurance Contracts ('AASB 4'), AASB 1023 General Insurance Contracts ('AASB 1023') and AASB 1038 Life Insurance Contracts ('AASB 1038'). The Company will adopt AASB 17 for the financial year ending 30 June 2024.

1.23 Accounting standards issued but not yet effective (cont'd)

Measurement of insurance contracts

Measurement models

AASB 17 introduces a new 'general measurement model' ('GMM') for the recognition and measurement of insurance contracts.

However, AASB 17 permits the use of a simplified measurement model, the Premium Allocation Approach ('PAA'), in certain circumstances. This model is similar to current accounting under AASB 1023. The Company has completed a detailed impact assessment of AASB 17 and has determined that the Company will be eligible to apply the PAA for all its insurance contracts.

The Company has chosen to apply the PAA as set out in AASB 17.53(b), as all contracts issued by the Company have a coverage period of one year or less.

Acquisition costs under the PAA

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

Risk adjustment for non-financial risk

The measurement of insurance contract liabilities will include an explicit risk adjustment for non-financial risk, reflecting the compensation that a Company requires for bearing non-financial risk. This replaces the risk margin currently required under AASB 1023. The risk adjustment includes the benefit of diversification to the extent this is included in the compensation the Company requires for bearing non-financial risk.

As AASB 17 does not prescribe a methodology for calculating the risk adjustment, the Company has determined that the percentile technique will likely be used in estimating the risk adjustment for liability for incurred claims (outstanding claims liability), whilst also likely to use the target margin for liability for remaining coverage (premium liability) and onerous contracts, as that is the level of compensation the Company needs to take on insurance risk.

This is consistent with how the Company currently calculates the risk margins, as it defines a probability of sufficiency based on uncertainty in past estimates.

As the above approach is well understood and the cost of capital approach isn't likely to be appropriate given the short tail nature of incurred claims within the private health insurance industry (PHI), management consider it appropriate that the Company adopt the above approach.

AASB 17 requires the disclosure of the confidence level that corresponds to the risk adjustment used in the measurement of insurance contract liabilities. Determination of the compensation the Company requires for bearing non-financial risk requires significant judgement and the industry interpretation of this requirement is still subject to change and therefore the financial impact cannot currently be reasonably estimated.

Discount Rates

AASB 17 requires estimates of future cash flows to be discounted to reflect the time value of money and financial risks related to those cash flows but does not prescribe a methodology for determining the discount rates used. However, as the Company has selected to apply the PAA method, the Company has elected to not discount future cash flows on premiums or outstanding claims as all cash flows are expected to be settled within one year of the amounts becoming due.

Onerous Contracts

AASB 17 requires the identification of 'groups' of onerous contracts and recognition of losses arising on these contracts. The Company is currently developing the methodology to be applied to identify and measure onerous contract losses.

Onerous contract losses are required to be recognised in the Statement of Comprehensive Income on a gross basis when the expected fulfilment cash flows exceed the carrying value of the contract, or group of contracts.

1.23 Accounting standards issued but not yet effective (cont'd)

Contracts under the PAA are assumed to not be onerous unless facts and circumstances indicate otherwise. The Company is developing criteria for identifying relevant facts and circumstances that indicate potential onerous contracts by leveraging existing management processes in place to deliver portfolio management, premium sufficiency and profitability analysis. These criteria also includes consideration of the management information provided to the Board of Directors and key management decision makers for planning and performance management purposes, the Financial Condition Report (FCR) prepared by the Appointed Actuary and the overarching pricing philosophy of the Company.

Given the judgemental nature of the measurement of onerous contract losses and evolving industry practice the Company is still determining the financial impact of the onerous contract requirements.

Transition

AASB 17 must be applied retrospectively unless impracticable, in which case the modified retrospective approach ('MRA') or the fair value approach ('FVA') may be applied.

Based on an assessment performed by the Company, it has determined that all portfolios will be valued applying the full retrospective application.

In applying the PAA and determining the above approach, the Company's revenue recognition is consistent with that used under AASB 1023. On implementation of AASB 17, the Company will recognise any loss component on onerous contracts, which will be offset by derecognition of deferred claims liabilities and unexpired risk liabilities; the current treatment of these liabilities is obsolete due to the updated accounting approach of AASB 17. Further, the premium deferral provision is derecognised, aligning with AASB 17 requiring reduced premium received from members to be treated under the passage of time basis over the coverage period.

Presentation and disclosure

AASB 17 introduces several significant changes to the presentation of and disclosures in insurers' financial statements. These include the introduction of new line items into the Statement of Financial Position and Statement of Comprehensive Income.

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

In the Statement of Comprehensive Income, gross earned premium will be replaced by insurance contract revenue reflecting the amount that the Company expects to receive for the services it has provided in the period (Incl premium rebates). Claims incurred, including recoveries (e.g. risk equalisation scheme) and attributable operational expenses will be combined into a single line item for the insurance service expenses. The total of insurance contract revenue less the insurance service expense will represent the insurance service result.

Given the significant areas of judgement required to apply AASB 17 and the ongoing implementation work being performed the financial impact of adopting AASB 17 cannot currently be reasonably estimated.

AASB 17 implementation progress

The Company performed an impact assessment which identified the key areas of expected change. Accounting policy decisions and application methodologies have been developed. Financial reporting systems currently in place can deliver the financial information to meet the requirements of AASB 17. The key areas of change are in our actuarial models,processes, and reporting, and in our financial systems and reporting processes. Additional data requirements have been identified and changes to these systems has now been completed.

The Company's implementation project is progressing and is well positioned to finalise the comparative restatement for the reporting requirements from 1 July 2023 onwards.

1.23 Accounting standards issued but not yet effective (cont'd)

Financial Impact

Based on the above policy decisions the company's Total Equity at transition on 1 July 2022 will increase by $47.5m. This is due to the derecognition of the provision for deferred claims The concept of a deferred claims liability is not compatible with incurred claims under AASB 17. Other opening balance impacts may well be driven by the key accounting policy decisions for which the work is ongoing. Management do not expect impacts to be material.

Note 2 – Key judgements and estimates

The Company estimates certain assets and liabilities, the most material being the provision for outstanding claims liabilities.

The provision for outstanding claims (Note 11) is based on a central estimate of the present value of the expected future payments for claims incurred, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

As approximately 95% of claims are settled within three months of the reporting date, the expected future payments do not differ materially from the present value of those payments. Therefore, a discount rate of zero has been applied.

The expected future payments include amounts in relation to: reported and unpaid claims; claims incurred but not reported; claims incurred but not reported in their entirety; risk equalisation payments; and costs which the Company expects to incur in settling the incurred claims.

The expected payments to the Risk Equalisation Trust Fund are separately recognised in the financial statements.

The key judgements and estimates are the:

(i) Central estimate which is the mean of all the possible values of expected future payments.

(ii) Risk margins which reflect the variability of the underlying insurance risk, the reliability and volume of data available and the robustness of the valuation models.

The risk margin adopted by the Company for outstanding claims, on the advice of the Appointed Actuary, is 8.0% (2022: 8.0%) and determined to give at least a 75% probability of adequacy. The risk margin remains at 8.0% as no hindsight adjustment is being applied. This is consistent with the approach used in 2022.

The unexpired risk reserve in Note 12, and the deferred claims provision for COVID-19 was released in line with the adoption of AASB 17 effective 1 July 2023.

(iii) The member giveback provision (2022) was settled in 2023.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised.

Note 3 – Insurance contracts; risk and risk management

An important part of the Company's overall risk management framework is the effective governance and management of the risks that impact the amount, timing and uncertainty of cash flows arising from insurance contracts. These risks include insurance risks, financial risks and other risks such as capital and regulatory risk.

a) Insurance risk, underwriting risks and risk selection and pricing

The *Private Health Insurance Act 2007* prohibits the Company from discriminating against an existing or prospective contributor on the basis of health, age, or claims history.

This 'community rating' principle means the Company cannot charge risk related premiums. However, the individual risks are absorbed within the total portfolio which presents a relatively consistent and predictable total risk.

Concentration risk

Due to community rating, the Company is exposed to a possible concentration of insured people who have a higher than average likelihood of requiring frequent or high cost health care. The concentration risk is managed by regularly predicting future expected claiming patterns and where a significant change is identified, making appropriate changes to the terms or the premium or both for all insurance policies where the risk exists. Past predictions are regularly measured against actual experience to gauge their effectiveness. The concentration risk is mitigated through the "high cost claims pool" administered by APRA, whereby high cost claims are partially funded by all insurers.

Claims management and claims provisioning risks

Note 2 explains how the Company determines the outstanding claims provision. Adequacy of the provision is also informed by the following controls:

- Regular review of payment patterns to ensure the timeliness of claims notification and payment remains within the assumed 12-month period.
- External quarterly reviews by the Appointed Actuary of the financial conditions of the Company with a formal Financial Conditions Report delivered to the Board annually.
- Reviews of forecasts to ensure the factors considered remain appropriate and effective.

b) Financial risks arising from insurance contracts

The Company is exposed to the risk of medical services inflation being greater than expected in relation to setting the contribution rates and schedule of benefits. This risk is substantially reduced through contracts between the Company and the majority of hospitals and medical practitioners which establish set charges for hospital and medical services.

c) Capital and regulatory risks

Prudential regulations designed to protect contributors require the Company to maintain adequate capital reserves. Regulations include solvency and capital adequacy requirements and continue to evolve in response to economic, political, demographic and industry developments. The Company works closely with the regulator (APRA) and monitors any developments that could impact the prudential management of the Company.

d) Sensitivities

The interval between the provision of an insured service and the presentation of a claim is generally less than one year. More than 95% of all claims are settled within 90 days. Once lodged and assessed, claims are generally subject to little variation.

Therefore, processed health insurance claims are not sensitive to inflation, interest rates or other time-value of money factors. Accordingly, no sensitivity analysis has been presented.

Note 4 – Revenue

	2023 $'000	2022 $'000
Continuing Operations		
Premium revenue pursuant to a contract of private health insurance	670,760	651,240
Investment revenue		
Interest revenue		
Bank deposits	2,335	127
Term deposits	6,197	1,116
Interest bearing securities	980	430
	9,512	1,673
Dividends		
Unlisted fixed income trusts	1,216	2,884
Unlisted equity trusts	8,622	11,498
Alternatives	2,173	777
	12,011	15,159
Realised gains/(losses) on disposal		
Unlisted fixed income trusts	35	(1,588)
Unlisted equity trusts	291	(816)
Alternatives	390	-
	716	(2,404)
Realised foreign exchange gains/(losses)		
Alternatives	2	(453)
	2	(453)
Unrealised gains/(losses)		
Unlisted fixed income trusts	188	(7,422)
Unlisted equity trusts	11,304	(21,109)
Alternatives	4,153	4,562
	15,645	(23,969)
Total Investment Revenue	**37,886**	**(9,994)**
Other revenue		
Life insurance revenue	57	185
Travel insurance revenue	437	86
Accident insurance revenue	-	1
Other revenue	1,698	4
	2,192	276
	710,838	**641,522**

Note 5 – Surplus for the year

	2023 $'000	2022 $'000
Surplus has been arrived at after charging the following expenses attributable to continuing operations:		
Direct benefits expense		
Benefits incurred this financial year	520,000	486,020
(Over)/under provision of prior year claims	1,120	(3,301)
COVID-19 provision (excl. claims handling expense and risk equalisation cost)	(51,531)	6,479
Member give-back provision	30,957	42,043
Risk margin	1,069	(10)
	501,615	**531,231**
Change in provision for unexpired risk reserve (Note 12)	(16,653)	2,497
Depreciation and amortisation of non-current assets	1,849	1,957
	(14,804)	**4,454**
Employee benefits	34,911	31,425
Post-employment benefits – Superannuation contributions	2,852	2,661
	37,763	**34,086**

Note 6 – Cash and cash equivalents

	2023 $'000	2022 $'000
Cash at bank and on hand	105,377	58,986
Total cash and cash equivalents	**105,377**	**58,986**

Note 7(a) – Trade and other receivables

	2023 $'000	2022 $'000
Current		
Trade receivables	30,430	17,689
Unclosed business premiums - earned	579	595
Allowance for doubtful debts	(100)	(86)
Unclosed business premiums – unearned	742	771
Total trade and other receivables - current	**31,651**	**18,969**
Allowance for doubtful debts summary:		
Balance at beginning of the year	86	102
(Decrease)/ increase in allowance recognised in the statement of profit or loss	14	(16)
Balance as at 30 June	**100**	**86**

Note 7(b) – Contract Assets

	2023 $'000	2022 $'000
Current		
Life Insurance Revenue	563	669
Total Contract Assets – current	**563**	**669**
Non-current		
Life insurance Revenue	1,158	1,937
Total Contract Assets – non-current	**1,158**	**1,937**

Note 8 – Financial assets

	2023 $'000	2022 $'000
Current		
Term deposits	170,896	243,396
Interest bearing securities (i)	21,792	19,845
Units in fixed income trusts	88,151	67,981
Units in unlisted equity trusts	148,959	144,453
Alternatives	89,236	68,692
Total investments	**519,034**	**544,367**

Investments held to maturity and carried at carried at fair value through profit or loss.

(i) The company has granted the lessor of the property a bank guarantee to support the lease obligations of $0.9 million (2022: $0.9 million)

Note 9(a) – Property, plant and equipment

	Leasehold improvements $'000	Plant & equipment $'000	Total $'000
Carrying amount			
Balance at 30 June 2021	-	**684**	**684**
Additions	23	512	535
Disposals	-	-	-
Depreciation	(23)	(472)	(495)
Balance at 30 June 2022	-	**724**	**724**
Additions	-	55	55
Disposals	-	(1)	(1)
Depreciation	-	(364)	(364)
Balance at 30 June 2023	-	**414**	**414**

Note 9(b) – Intangible assets

	Licenses $'000	Trademarks $'000	Total $'000
Carrying amount			
Balance at 30 June 2021	**44**	**6**	**50**
Additions	-	-	-
Disposals	-	-	-
Amortisation	(10)	(1)	(11)
Balance at 30 June 2022	**34**	**5**	**39**
Additions	-	-	-
Disposals	-	-	-
Amortisation	(9)	(2)	(11)
Balance at 30 June 2023	**25**	**3**	**28**

Note 9(c) Right of use asset

	Property $'000	Total $'000
Balance at 30 June 2021	**9,759**	**9,759**
Additions	407	407
Disposals	-	-
Depreciation	(1,451)	(1,451)
Balance at 30 June 2022	**8,715**	**8,715**
Additions	5	5
Disposals	-	-
Depreciation	(1,473)	(1,473)
Balance at 30 June 2023	**7,247**	**7,247**

Note 10 – Trade and other payables

	2023 $'000	2022 $'000
Current		
Trade payables	10,381	6,057
Premiums in advance	52,521	51,100
Risk equalisation payable	6,971	6,570
Total trade and other payables – current	69,873	63,727
Total trade and other payables	**69,873**	**63,727**

Note 11 – Claims liabilities

	2023 $'000	2022 $'000
Gross outstanding claims	78,749	60,270
Risk equalisation cost	2,856	2,057
Claims handling costs	701	443
Risk margin	3,624	2,470
Deferred Claims (COVID-19)	-	53,448
Member give-back provision	-	42,043
Gross outstanding claims liability	**85,930**	**160,731**
Changes in the gross outstanding claims liabilities can be analysed as follows:		
Opening balance	160,731	114,689
Benefits incurred during the year	520,000	486,020
Benefits utilised during the year	(502,640)	(484,690)
Unused provision from prior year	1,120	(3,301)
Member give-back provision	(42,043)	42,043
Risk equalisation cost	799	(11)
Claims handling costs	258	(1)
Risk margin	1,153	(10)
Deferred claims (COVID-19)	(53,448)	5,992
Closing balance	**85,930**	**160,731**

The risk margin of 8.0% (2022: 8.0%) has been estimated to equate to at least 75% probability of adequacy (2022: 75%) refer to Note 2.

Note 12 - Provisions

	2023 $'000	2022 $'000
a) Current		
Employee benefits	1,310	817
Unearned premium liability	742	771
Unexpired risk reserve	-	16,653
Total provisions – current	**2,052**	**18,241**
b) Non-current		
Employee benefits	2,170	2,603
Total provisions – non-current	**2,170**	**2,603**

Note 13 – Lease Liability

	2023 $'000	2021 $'000
Maturity analysis – contractual undiscounted cash flows		
Less than one year	1,249	1,203
One to five years	6,355	6,144
More than five years	-	599
Total undiscounted lease liability 30 June	**7,604**	**7,946**
Lease Liabilities included in the Statement of Financial Position at 30 June		
Current	1,132	1,157
Non-current	5,223	6,251
Total lease liability	**6,355**	**7,408**

Amounts recognised in profit and loss

	2023 $'000	2022 $'000
Interest on lease liabilities	(139)	(159)
Amounts recognised in the statement of cash flow		
Total cash outflow for leases	(1,192)	(1,151)

Note 14 – Contributed equity

	2023 $'000	2022 $'000
Contributed equity	**43,346**	**43,346**

The contributed equity represents the accumulated surplus of the former Defence Health Benefits Society (DHBS) prior to the corporate restructure implemented in June 2001. The restructure resulted in the incorporation of DHBS into the Company in order to comply with changes to the legislation and regulations governing the operations of registered health benefit organisations.

The Directors and the Chief of Army and the Chief of Air Force were Members of the Company during the whole of the financial year and up to the date of this report. In the event of the Company being wound up, each Member is liable to contribute to the payment of the Company's debts and liabilities, such amount as may be required, up to $100. The Members are not entitled to receive dividends or a return of capital. Any proceeds on the winding up of the Company must be transferred to an Australian institution or institutions having objects similar to the objects of the Company.

Note 15 – Retained earnings

	2023 $'000	2022 $'000
Retained earnings		
Opening balance at 1 July	338,350	329,664
Surplus for the year	117,396	8,686
Retained earnings at 30 June	**455,746**	**338,350**

Note 16 – Notes to the statement of cash flows

	2023 $'000	2022 $'000
Reconciliation of surplus for the period to net cash flows from operating activities		
Net surplus for the year	117,396	8,686
Depreciation and amortisation expense	1,849	1,957
Unrealised (gain)/loss on revaluation of fair value through the profit or loss financial assets	(16,363)	26,826
Investment income	(21,523)	(16,830)
Interest paid on lease liability	139	159
Changes in operating assets and liabilities:		
(Increase) / Decrease in trade and other receivables	(8,687)	(2,188)
Increase in contract assets	884	779
Increase / (Decrease) in current provisions	(90,962)	48,371
Increase / (Decrease) in trade and other payables	4,145	(1,039)
Increase / (Decrease) non-current provisions	(433)	(558)
Net cash generated from operating activities	**(13,555)**	**66,163**

Note 17 – Financial instruments

The Company's financial instruments comprise cash, term deposits, fixed income securities, fixed income unit trusts, domestic, global equity trusts and alternatives. These financial instruments are governed by the Company's investment policy approved by the Board.

The Company does not enter into or trade financial instruments, including derivatives, for speculative purposes. The use of financial derivatives is governed by the Company's policies approved by the Board, which provide written principles on the use of financial derivatives.

The Company's financial risk management policies and practices seek to minimise potential adverse effects of volatile financial markets. The investment portfolio is managed within pre-determined asset allocation limits and specific credit quality and liquidity requirements. The policy has been adopted by the Board of Directors and oversight of the policy is delegated to the Investment Committee.

(a) Categories of financial instruments

	2023 $'000	2022 $'000
Financial assets		
Cash assets	105,377	58,986
Term deposits	170,896	243,396
Interest bearing securities	21,792	19,845
Units in fixed income trusts	88,151	67,981
Units in unlisted equity trusts	148,959	144,453
Alternatives	89,236	68,692
Total financial assets	**624,411**	**603,353**

Note 17 – Finance instruments (cont'd)

(b) Capital risk management

The Directors manage capital to ensure the Company is a going concern while maximising returns within acceptable risk tolerances. The Solvency Standard requires that capital equals or exceeds the solvency reserve, demonstrating the ability to meet all liabilities if there was an orderly termination of the company.

The Capital Adequacy Standard ensures that capital equals or exceeds the capital adequacy reserve, which is an assessment of the financial strength of the Company, assuming ongoing operations and solvency for at least the next three years after valuation date. The Company is required to comply with these standards and results are reported to the Australian Prudential Regulation Authority (APRA).

(c) Market risk

Market risk relates to changes in interest rate, foreign currency and market price risks. The Company's investment policy governs the extent to which the portfolio may be affected by these risks.

(i) Interest rate risk

Interest rate risk arises from interest rate changes that could impact the future value of cash flows or principal of a financial instrument. At reporting date, if interest rates changed by 100 basis points and all other variables were held constant for variable and fixed interest rate investments, the Company's surplus would change by $2.36 million (2022: $1.33 million).

The following table details the Company's exposure to interest rate risks at the reporting date:

2023	Weighted average effective rate	Variable interest rate	Fixed interest maturity dates Less than 1 year	Non-interest bearing	Total
	%	$'000	$'000	$'000	$'000
Financial assets					
Cash assets	2.60	105,377	-	-	105,377
Trade and other receivables	-	-	-	31,651	31,651
Term deposits	4.30	-	170,896	-	170,896
Interest bearing securities	3.47	21,792	-	-	21,792
Units in fixed income trusts	7.60	88,151	-	-	88,151
Units in unlisted equity trusts	-	-	-	148,959	148,959
Alternatives	-	-	-	89,236	89,236
		215,320	**170,896**	**269,846**	**656,062**
Financial liabilities					
Trade payables	-	-	-	10,381	10,381
Premiums in advance/unearned	-	-	-	53,263	53,263
Risk equalisation payable	-	-	-	6,971	6,971
		-	-	**70,615**	**70,615**

Note 17 – Finance instruments (cont'd)

2022	Weighted average effective rate	Variable interest rate	Fixed interest maturity dates Less than 1 year	Non-interest bearing	Total
	%	$'000	$'000	$'000	$'000
Financial assets					
Cash assets	2.20	58,986	-	-	58,986
Trade and other receivables	-	-	-	18,969	18,969
Term deposits	0.98	-	243,396	-	243,396
Interest bearing securities	2.11	19,845	-	-	19,845
Units in fixed income trusts	2.39	67,981	-	-	67,981
Units in unlisted equity trusts	-	-	-	144,453	144,453
Alternatives	-	-	-	68,692	68,692
		146,812	243,396	232,114	622,322
Financial liabilities					
Trade payables	-	-	-	6,057	6,057
Premiums in advance/unearned	-	-	-	51,871	51,871
Risk equalisation payable	-	-	-	6,570	6,570
		-	-	**64,498**	**64,498**

(ii) Foreign currency risk
Foreign currency risk arises from a change to the fair value of a financial instrument due to changes in foreign exchange rates.

The Company manages foreign currency exposure through investments in hedged and unhedged overseas managed funds in accordance with the Company's investment policy.

At reporting date, the Company's exposure to foreign currency risk was $45 million in unhedged overseas managed funds (2022: $55.3 million).

The Company's sensitivity to an average increase or decrease of 10% in foreign currencies with all other variables held constant, the surplus would change by $4.5 million (2022: $5.5 million).

(iii) Market price risk
Market price risk relates to changes in unit price values of unlisted investments. These risks include interest rate risk, equity price risk, and currency risk. The Company has investments in various managed funds which expose it to price risk.

Price risk is mitigated by the Company's investment policy by constructing a diversified portfolio of instruments traded on various markets.

As at reporting date, if unit prices change by 10% the Company's surplus would change by $23.7 million (2022: $21.2 million).

There are no changes from the prior year to the methods and assumptions used.

(d) Credit risk management
Credit risk relates to the potential default of a counterparty to a financial transaction, with a maximum exposure equal to the carrying amount of the transaction.

There are no significant concentrations of credit risk within the Company's investment portfolio. Financial instruments are allocated to several financial institutions and fund managers in accordance with the Company's investment policy to minimise the risk of default.

The Company continuously monitors the counterparty credit ratings and ensures it maintains adequate capital reserves (note 3).

Note 17 – Finance instruments (cont'd)

The following table provides information regarding the credit risk exposure of the Company as at report date by published Standard & Poor's credit ratings of the counterparties.

2023 Rating	AAA	AA	A	BBB	Below BBB or Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash assets	-	105,377	-	-	-	105,377
Trade and other receivables	12,579	-	-	-	19,072	31,651
Term deposits	-	45,896	125,000	-	-	170,896
Interest bearing securities	-	-	21,792	-	-	21,792
Units in fixed income trusts	-	-	12,398	-	75,753	88,151
Units in unlisted equity trusts^	-	-	-	-	148,959	148,959
Alternatives	-	-	-	-	89,236	89,236
	12,579	**151,273**	**159,190**	**-**	**333,020**	**656,062**

2022 Rating	AAA	AA	A	BBB	Below BBB or Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets						
Cash assets	-	58,986	-	-	-	58,986
Trade and other receivables	11,894	-	-	-	7,075	18,969
Term deposits	-	125,896	117,500	-	-	243,396
Interest bearing securities	-	3,622	2,907	13,316	-	19,845
Units in fixed income trusts	-	14,993	-	-	52,988	67,981
Units in unlisted equity trusts^	-	-	-	-	144,453	144,453
Alternatives	-	-	-	-	68,692	68,692
	11,894	**203,497**	**120,407**	**13,316**	**273,208**	**622,322**

^ Fund managers are required to hold a minimum Morningstar rating of "Neutral" or Mercer rating of "B"

(e) Liquidity risk management

Liquidity risk is the risk that payment obligations may not be met when they full due; or insurance liability falling due for payment earlier than expected; or the inability to generate cash flows as anticipated.

The Company manages liquidity risk by maintaining adequate reserves of liquid financial assets and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the company's liquidity based on maturity date, including financial assets held for trading (Note 17 (a)).

Note 17 – Finance instruments (cont'd)

2023	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total
Financial assets						
Cash assets	105,377	-	-	-	-	105,377
Trade and other receivables	27,497	1,547	2,607	-	-	31,651
Term deposits	11,000	48,500	111,396	-	-	170,896
Interest bearing securities	-	21,792	-	-	-	21,792
Units in fixed income trusts	88,151	-	-	-	-	88,151
Units in unlisted equity trusts	148,959	-	-	-	-	148,959
Alternatives	-	89,236	-	-	-	89,236
	380,984	**161,075**	**114,003**	**-**	**-**	**656,062**
Financial liabilities						
Trade payables	10,381	-	-	-	-	10,381
Risk equalisation payable	-	6,971	-	-	-	6,971
	10,381	**6,971**	**-**	**-**	**-**	**17,352**

2022	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total
Financial assets						
Cash assets	58,986	-	-	-	-	58,986
Trade and other receivables	18,361	89	519	-	-	18,969
Term deposits	23,000	45,500	174,896	-	-	243,396
Interest bearing securities	-	19,845	-	-	-	19,845
Units in fixed income trusts	67,981	-	-	-	-	67,981
Units in unlisted equity trusts	144,453	-	-	-	-	144,453
Alternatives	-	68,692	-	-	-	68,692
	312,781	**134,126**	**175,415**	**-**	**-**	**622,322**
Financial liabilities						
Trade payables	6,057	-	-	-	-	6,057
Risk equalisation payable	-	6,570	-	-	-	6,570
	6,057	**6,570**	**-**	**-**	**-**	**12,627**

(f) Fair value of financial instruments

The Directors consider the carrying amount of financial assets recorded in the financial statements approximates their fair values. The fair values of financial assets are determined as follows:

- the fair value of financial assets traded on active liquid markets are determined with reference to quoted market prices; and
- the fair value of other financial assets is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Note 17 – Finance instruments (cont'd)

Transaction costs are not included in the determination of net fair value. The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Term deposits	170,896	-	-	170,896
Interest bearing securities	-	21,792	-	21,792
Units in fixed income trusts (i)	-	88,151	-	88,151
Units in unlisted equity trusts (i)	-	148,959	-	148,959
Alternatives (i)	-		89,236	89,236
Total	**170,896**	**258,902**	**89,236**	**519,034**

2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Term deposits	243,396	-	-	243,396
Interest bearing securities	-	19,845	-	19,845
Units in fixed income trusts (i)	-	67,981	-	67,981
Units in unlisted equity trusts (i)	-	144,453	-	144,453
Alternatives (i)	-		68,692	68,692
Total	**243,396**	**232,279**	**68,692**	**544,367**

(i) Valuation determined by the unit redemption prices of unlisted managed funds.

These level 2 and 3 financial assets are independently valued by a 3rd party, with the company not making any variations to these valuations.

Note 18 – Auditors remuneration

	2023 $	2022 $
Remuneration for audit of the financial reports and regulatory reporting	170,000	134,000
Remuneration for APRA tripartite review (CPS 234)	41,500	-
Remuneration for work related to Project Delta	646,000	526,287
	857,500	**660,287**

The auditor is Deloitte Touche Tohmatsu, who was also the auditor in the prior year. The additional remuneration was subjected to review by both the Group and Deloitte before being incurred, to ensure that it did not affect the independence of the auditor's opinion on the financial statements.

Note 19 – Commitments for expenditure

2023	Within one year	Later than one year but not later than five years	Later than years	Total
	$'000	$'000	$'000	$'000
Expenditure core IT platform	-	-	-	-
Total	-	-	-	-

2022	Within one year	Later than one year but not later than five years	Later than five years	Total
	$'000	$'000	$'000	$'000
Expenditure core IT platform	4,908	-	-	4,908
Total	4,908	-	-	4,908

These commitments have been fulfilled in the 2023 financial year.

Note 20 – Related party transactions

Details of transactions between the Group and other parties are disclosed below, which indicates payment made for the financial year.

	2023	2022
	$'000	$'000
Australian Health Services Alliance (i)	1,023	1,000
Defence Health Foundation (ii)	-	33
Private Healthcare Australia (iii)	66	158
	1,089	**1,191**

(i) Australian Health Service Alliance Limited is a company limited by guarantee which negotiates the terms by which hospital services and hospital related medical and paramedical services are provided to its members. Major General G P Fogarty AO (Ret'd), Chief Executive Officer of Defence Health was a Director of Australian Health Service Alliance Limited until his retirement in November 2022. J Kadlecik was appointed as a Director on G Fogarty's retirement.

(ii) Defence Health Foundation was a trust whose principal activity is to fund medical research for the benefit of the Defence Community. Colonel Anthony Hambleton AM GAICD is a Director of Defence Health and became Chair of the Defence Health Foundation in November 2019. Major General G P Fogarty AO (Ret'd) Chief Executive Officer of Defence Health is a Director of Defence Health Foundation. Defence Health Foundation was wound up during the year and deregistered in July 2022.

(iii) Private Healthcare Australia Ltd provides private health insurance industry representation for members. Major General G P Fogarty AO (Ret'd), Chief Executive Officer of Defence Health until November 2022 was a Director of Private Healthcare Australia Ltd.

During the year the Company received health insurance contributions from and paid health insurance benefits to some Directors of the Company and their relatives on normal commercial terms and conditions.

Note 21 – Remuneration of key management personnel

	2023 $'000	2022 $'000
Short-term employee benefits	4,065	4,021
Post-employment benefits	342	348
Termination benefits	-	-
	4,407	**4,369**

Remuneration is reviewed and determined with due regard to current market rates and is benchmarked against comparable industry remunerations.

The specified Directors for 2023:
Mr A I Beckett
Mr R Burns (extension to October 2026)
COL A Hambleton AM
GPCAPTS Stothart
Ms C Ireland (extension to October 2026)
Ms R Davies
Mr M Walsh
Mr M Liu (appointed February 2023)
COL B Mitzevich (Associate Director – appointed October 2022)
COL M Mason (Associate Director – expiry October 2022)

The specified executives for 2023:
Major General G P Fogarty AO (Ret'd) – Chief Executive Officer (retired November 2022)
Ms J M Kadlecik – Chief Operating Officer (end October 2022)
Ms J M Kadlecik – Chief Executive Officer (from November 2022)
Mr M Walsh – Chief Financial Officer (end May 2023)
Mr J Thomopoulos – Chief Financial Officer (from June 2023)
Ms T Haines – Chief Risk Officer
Mr A N Guerin – Chief Legal Officer
Ms C Liew – Chief Marketing Officer (on leave until April 2023; end June 2023)
Ms S Fernades – Acting Chief Marketing Officer (from November 2022)
Mr G Cregan – Acting Chief Marketing Officer (end October 2022)
Mr G Cregan – Chief Operating Officer (from November 2022)
Ms K A Dickson – Chief People Officer
Mr B Dunne – Transformation Director
Ms C Smyth – Chief Strategy Officer
Ms R Leathem – Head of IT(from November 2022)

Note 22 – Contingent liabilities and contingent assets
There are no material contingent liabilities and contingent assets at reporting date.

Note 23 – Subsequent events
There has not been any matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may significantly affect, the operations of the Group.

Directors' Declaration

The Directors of Defence Health Limited declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe the Group is able to pay its debts as and when they become due and payable;

(b) the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 1 to the financial statements; and

(c) in the Directors' opinion, the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity.

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

On behalf of the Board of Directors.

....	....
Mr Robin Buick Orr Burns Director	Mr Alan Ian Beckett Director
28 September 2023	28 September 2023

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

477 Collins Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the Members of Defence Health Limited

Opinion

We have audited the financial report of Defence Health Limited (the "Entity") which comprises the consolidated statement of financial position as at 30 June 2023, Consolidated income statement and other comprehensive

income , the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the entity is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the entity's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Entity's annual report for the year ended 30 June 2023, 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 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, Deloitte

we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or has 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 judgement 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 Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial 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 Entity 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.

Deloitte

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Neil Brown
Partner
Chartered Accountants

Melbourne, 28 September 2023