

**FINANCIAL
REPORT
FINANCIAL
YEAR
2024–25**



CONTENTS

DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	15
FINANCIAL STATEMENTS	16
Statement of Comprehensive Income	16
Statement of Financial Position	17
Statement of Changes in Equity	18
Statement of Cash Flows	19
NOTES TO THE FINANCIAL STATEMENTS	20
KEY NUMBERS	
About This Report	20
1. Income	22
2. Expenses	24
3. Income Tax	26
4. Cash and Cash Equivalents	29
5. Financial Assets at Fair Value Through Profit or Loss	30
6. Trade Receivables and Other Assets	31
7. Property, Plant and Equipment	32
8. Right-of-Use Assets and Lease Liabilities	35
9. Intangible Assets and Goodwill	37
10. Trade Creditors and Other Payables	39
11. Insurance Contract Liabilities	40
12. Provisions	43
13. Employee Entitlements and Superannuation Commitments	45
14. Assets Held for Sale	46
RISK	
15. Financial Risk Management	47
GROUP STRUCTURE	
16. Investment in Controlled Entities	59
UNRECOGNISED ITEMS	
17. Commitments	60
18. Future Lease Commitments	60
19. Contingent Assets and Liabilities	60
20. Events After the Reporting Period	60
OTHER	
21. Auditor's Remuneration	61
22. Related Party Disclosures	61
23. Remuneration of Key Management Personnel	61
24. New Accounting Standards	62
SIGNED REPORTS	63
Consolidated Entity Disclosure Statement	63
Directors' Declaration	64
Independent Auditor's Report	65

DIRECTORS' REPORT

The Board of Directors of The Hospitals Contribution Fund of Australia Ltd ('HCF' or 'the Company') has pleasure in submitting its report for the year ended 30 June 2025.

DIRECTORS

Unless otherwise stated, the following persons were Directors of HCF during the whole of the financial year and up to the date of this report:

- Mark Johnson (Chair)
- Terry Agnew
- John Barrington
- Michael Bassingthwaighte
- Mark Compton
- Catherine Hallinan
- Sheena Jack (retired 1 July 2025)
- Claire Jackson (retired 7 November 2024)
- Annette King
- Karen Price
- Lorraine Thomas (appointed on 1 July 2025)

PRINCIPAL ACTIVITIES

The principal activities of HCF and its subsidiaries (referred to as 'the Group') within Australia during the financial year were:

- The provision of private health insurance;
- The provision of accident and illness insurance; and
- The operation of Dental and Eyecare Centres for policyholders and their dependents.

REVIEW OF OPERATIONS

About HCF

As Australia’s largest not-for-profit health fund, we are committed to putting the health of our members’¹ first.

Our purpose is to bring our human touch to healthcare and we are committed to making the healthcare system understandable, affordable, and high quality for Australians. We are more than a health fund, offering a range of health and wellness protection while always challenging ourselves to find new ways to provide peace of mind and better value for our two million members.

FINANCIAL REVIEW

This section provides an underlying view of the financial results adjusted for prominent one-off or non-recurring items.

	2025 ²	2024	VARIANCE	VARIANCE
	\$M	\$M	\$M	%
Insurance revenue	4,182.0	3,958.1	223.9	5.7%
Insurance service expenses	(4,191.7)	(4,007.9)	(183.8)	
add reclassification of Member cash giveback ³	-	(0.7)	0.7	
add back deferred claims liability movement ⁴	-	80.4	(80.4)	
add back software useful life changes	-	26.6	(26.6)	
Adjusted insurance service expenses	(4,191.7)	(3,901.6)	(290.1)	7.4%
Outwards reinsurance premium expense	(2.7)	(2.5)	(0.2)	
Reinsurance recoveries	1.6	0.9	0.7	
Adjusted insurance service result	(10.8)	54.9	(65.7)	(119.7%)
Investment income	216.2	191.5	24.7	12.9%
Revenue from contracts with customers, other income & expenses	(7.2)	(6.7)	(0.5)	
Income tax expense	(2.9)	(1.9)	(1.0)	
ADJUSTED TOTAL NET PROFIT AFTER INCOME TAX ⁵	195.3	237.8	(42.5)	(17.9%)

1. Reference to members throughout this section refers to HCF members covered.
2. References to 2024 and 2025 are for the financial years ended on 30 June 2024 and 30 June 2025 respectively unless otherwise noted.
3. Reclass Member Cash Giveback of \$0.7m from Other expenses to Insurance service expense. Member giveback provision upon transition to AASB 17 *Insurance Contracts* accounting standard was classified to be part of Other expenses, as the provision was raised under AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.
4. The deferred claims reserve within equity, which reflects reserve relating to services that were expected to occur but did not proceed due to COVID-19 related lockdowns, restrictions on elective surgery and allied service providers, is no longer able to be recognised under AASB 17. This has led to the derecognition of the deferred claims liability balance at 1 July 2022 and the creation of a deferred claims reserve within equity. All deferred claims reserve movements are now presented within the Statement of Changes in Equity.
5. The adjusted figures in the Directors’ Report are non-IFRS based.

The 2025 net profit after income tax decreased by \$42.5 million to \$195.3 million down from \$237.8 million in 2024. This decline was driven by \$65.7 million reduction in the adjusted insurance service result, which was partially offset by an increase in investment income of \$24.7 million. The adjusted insurance service result benefited from strong member and revenue growth but was moderated by lower insurance margins. These lower margins resulted from higher hospital and ancillary average benefit costs due to increased contract indexation and a rise in year-on-year ancillary usage. Additionally, operating expenses increased from prior year, reflecting investments in member experience improvements, product development, higher acquisition costs, enhanced cyber security measures and increased compliance and regulatory costs. Further details are provided in the section below.

Insurance revenue

	2025	2024	VARIANCE	% VARIANCE
Health insurance members	2,067,933	1,989,348	78,585	4.0%
	\$M	\$M	\$M	%
Insurance revenue	4,182.0	3,958.1	223.9	5.7%
add back financial relief provided to members	-	29.7	(29.7)	-
Adjusted insurance revenue	4,182.0	3,987.8	194.2	4.9%

In 2025 domestic health insurance members increased by 4.0% reaching a membership base of over 2 million. HCF’s market share increased by 23 basis points to 13.58% as at 30 June 2025. Membership growth was achieved across all states and territories as HCF continues to expand nationally.

Insurance revenue for 2025 increased by \$223.9 million to \$4,182.0 million, representing a 5.7% growth compared to the prior year. This growth includes a headline premium rate increase of 4.95% on 1 April 2025 (for 3 months) and 2.89% on 1 April 2024 (for 9 months).

In 2024, the extension of 1 April 2023 premium rate deferral resulted in a \$29.7 million reduction in insurance revenue. On an underlying basis, the adjusted 2025 insurance revenue growth was 4.9% year-on-year.

Adjusted insurance service expense

	2025	2024	VARIANCE	VARIANCE
	\$M	\$M	\$M	%
Claims expense	(3,622.0)	(3,505.7)	(116.3)	3.3%
add reclassification of Member cash giveback	-	(0.7)	0.7	
add back deferred claims movement	-	80.4	(80.4)	
Adjusted claims expense	(3,622.0)	(3,426.0)	(196.0)	5.7%
Risk equalisation	38.5	71.2	(32.7)	
State ambulance levies	(64.5)	(62.1)	(2.4)	
Losses on onerous contracts and reversals of those losses	(5.9)	3.1	(9.0)	
Adjusted incurred claims expenses	(3,653.9)	(3,413.8)	(240.1)	7.0%
Operating expenses	(537.8)	(514.4)	(23.4)	
add back software useful life changes	-	26.6	(26.6)	
Adjusted operating expenses	(537.8)	(487.8)	(50.0)	10.3%
Adjusted insurance service expense	(4,191.7)	(3,901.6)	(290.1)	7.4%

The adjusted insurance service expense consists of 2 components, adjustments to incurred claims expenses and operating expenses.

(1) Adjusted incurred claims expenses

Adjusted claims expense

The adjusted claims expense, which accounts for the Member giveback in 2023 and deferred claims liability movement, increased by 5.7%, rising from \$3,426.0 million in 2024 to \$3,622.0 million in 2025. In 2025 the hospital average benefit per unit rose by 6.2% due to higher contract indexation, while hospital utilisation rate per unit decreased by 2.1% compared to 2024. This decrease was driven by reduced mental health services, overnight hospital stays and prostheses claims.

Conversely, the ancillary utilisation rate per unit increased by 2.1% in 2025 compared to 2024, driven by strong demand for dental services and the ancillary average benefit per unit increased by 2.4%.

Deferred claims

The deferred claims reserve within equity, which reflects reserve relating to services that were expected to occur but did not proceed due to COVID-19 related lockdowns, can no longer be recognised under AASB 17. This has led to the derecognition of the deferred claims liability balance as of 1 July 2022 and the creation of a deferred claims reserve within equity. The remaining \$80.4 million deferred claims reserve within equity was released to retained earnings in 2024.

Losses on onerous contracts

As of 30 June 2024, the losses on onerous contracts was nil. However, this has increased to \$5.9 million as of 30 June 2025, due to lower projected gross margins for this group of onerous contracts.

Risk equalisation

The risk equalisation net result in 2025 was \$38.5 million, which is \$32.7 million lower than 2024. The reduction was mainly driven by the lower growth in the proportion of benefits going into the risk equalisation pool, which was a result of lower hospital utilisation compared to the industry during 2025.

(2) Operating expenses

	2025	2024	VARIANCE	VARIANCE
	\$M	\$M	\$M	%
Expenses	(537.8)	(514.4)	(23.4)	4.5%
add back software useful life changes	-	26.6	(26.6)	
Adjusted expenses	(537.8)	(487.8)	(50.0)	10.3%
Expense ratio				
Reported expense ratio	12.9%	13.0%	(0.1%)	
Adjusted expense ratio	12.9%	12.3%	0.6%	

In 2025, operating expenses increased by \$23.4 million to \$537.8 million, while the expense ratio reduced from 13.0% in 2024 to 12.9% in 2025. In 2024, a review of the useful life of software resulted in a \$26.6 million expense.

Adjusted operating expenses increased by 10.3% compared to the prior year, driven by investments in enhancing digital service and increasing member support staff. Additionally, investments were made in developing new products to better meet our members’ needs, as well as developing and enhancing programs that support our members’ health. Initiatives to further drive operating efficiency and increased cyber security measures to protect our members’ information also contributed to the increase. Higher acquisition costs, general cost inflation, and increased compliance and regulatory costs for CPS 230 and the Financial Accountability Regime implementation further added to the overall year-on-year increase. The 2025 adjusted expense ratio was 12.9% compared to 12.3% in the prior year.

Investment income

Investment income increased by \$24.7 million to \$216.2 million in 2025. The 2025 result includes an increase in investment returns of \$215.8 million and a \$0.4 million reduction in investment property valuation, based upon sales proceeds less cost of sales.

All asset classes in the HCF Investment Portfolio produced positive returns, leading to a strong investment return for the financial year. The 2025 financial year saw strong equity market gains, as economic growth and corporate earnings remained robust, inflationary pressures eased, and central banks began to pivot towards monetary easing. Despite the overall positive returns, markets were characterised by growing caution, as investors responded to more hawkish policy signals, the impact of a shifting geopolitical landscape in Europe and the Middle East; and rising trade tensions. Investor sentiment was influenced by an ongoing reassessment of monetary policy outlooks, policy-driven uncertainty in the US, and the extent of recovery dynamics in China and Europe.

Financial Position

	2025	2024	VARIANCE	VARIANCE
	\$M	\$M	\$M	%
Total assets	3,383.9	3,118.4	265.5	8.5%
Total liabilities	(891.7)	(828.2)	(63.5)	7.7%
Net assets	2,492.2	2,290.2	202.0	8.8%
Net assets as a % of net insurance revenue	60%	58%		

In 2025, the net asset position increased by \$202.0 million, or 8.8% to \$2,492.2 million. This increase comprised of a \$195.3 million profit after tax and a \$6.7 million revaluation of land and buildings. Some of the key changes in financial position were:

- Assets: A net increase in investment assets of \$299.2 million driven by higher investment returns.
- Assets: Reduction in cash balance of \$47.8 million with funds transferred to our Investment Portfolio, in preparation for receipt of the St Leonards property sale proceeds.
- Liabilities: Increase by \$63.5 million due to premiums paid in advance and higher trade payables.

HCF’s financial position and regulatory capital buffer remains strong under APRA’s capital standards framework for the private health insurance industry, with a capital adequacy multiple of 2.51 as of 30 June 2025.

PERFORMANCE INDICATORS

Management and the Board oversee the Company’s overall performance, from the implementation of its purpose and vision statements and strategic plan to the Group’s performance against operating plans and financial budgets.

Together, the Board and Management have identified key performance indicators (‘KPIs’) to monitor performance. These KPIs include measures of financial performance, member satisfaction, leadership effectiveness, risk culture and risk and compliance activities.

Senior Management regularly monitors these KPIs and Directors receive the KPIs and other reports for review prior to each Board and Committee meeting allowing sufficient time to actively monitor the Group’s performance.

LIKELY DEVELOPMENTS

There are no likely developments in the Group entities known at the date of this report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Group during the period.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

In 2024, the Board of Directors approved the disposal of the St Leonards property in NSW. The sale was finalised on 4 July 2025.

No matters have occurred after balance sheet date, other than those disclosed, which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

OTHER CORPORATE INFORMATION

HCF is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the Company is wound up, the constitution states that each Councillor is required to contribute a maximum of \$2 each towards meeting any outstanding obligations of the entity. At 30 June 2025, the collective liability of Councillors is \$46 (2024: \$48).

ENVIRONMENTAL

The Group has adhered to all environmental regulations governing its presence in the local government area where its branches and worksites are situated. This includes ensuring that all HCF Dental and Eyecare Centres meet their obligations under environmental protection and radiation control legislation, disposal of clinical waste and adherence to X-ray radiation standards. The Group was active in energy conservation, material recycling and waste reduction practices throughout the year. The Group’s activities do not adversely impact on biodiversity of flora and wildlife habitats.

PARENT ENTITY FINANCIAL STATEMENTS

The Company has adopted ASIC 2021/195, issued by the Australian Securities and Investments Commission, permitting entities to continue to include parent entity financial statements in their financial reports. Entities taking advantage of the relief are not required to present the summary parent entity information otherwise required by regulation 2M.3.01 of the *Corporations Regulations 2001*.

ROUNDING

Unless otherwise stated, the amounts contained this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) and where noted (\$000) under the option available to the Company under Australian Securities and Investment Commission (‘ASIC’) Corporations (Rounding in Financial/Directors’ Reports) Instrument 2016/191. The Company is an entity to which the class order applies.

INDEMNIFICATION OF DIRECTORS

During or since the financial year, the Company has paid premiums in respect of contracts insuring any past, present or future Directors, Secretaries and other officers of the Company against certain liabilities. In accordance with common commercial practices, the insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

INDEMNIFICATION OF AUDITOR

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year ended 30 June 2025.

DIRECTOR TENURE AND MEETING ATTENDANCE

The tenure of each Director, number of scheduled Board and Committee meetings held in the year ended 30 June 2025 and number of meetings attended by the Director including in their capacity as a member of the Committee (where relevant) is shown below.

DIRECTORS	TENURE	BOARD	AUDIT & FINANCE COMMITTEE MEETINGS	INVESTMENT COMMITTEE MEETINGS	RISK, COMPLIANCE & SUSTAINABILITY COMMITTEE MEETINGS	NOMINATION COMMITTEE MEETINGS	PEOPLE, CULTURE & REMUNERATION COMMITTEE MEETINGS
	YEARS¹	ATTENDED (HELD)					
Total numbers of meetings held		23²	5	4	4	10	4
Independent Non-Executive Director							
M. Johnson (Chair)	11	22⁵	4³	4³	3³	10	3³
T. Agnew	5	21	–	–	–	10	4
J. Barrington	10	20	4	4	3	10	–
M. Bassingthwaighte	5	23	–	4	–	10	4
M. Compton	1	20	–	–	4	9	–
C. Hallinan	6	22	5	4	4	10	–
C. Jackson⁴	12	9	–	–	–	3	1
A. King	2	22⁵	5	–	4	10	–
K. Price	1	20	–	–	–	10	4
Executive Director							
S. Jack	7	21⁶	–	–	–	8⁶	–

1. Completed years of service as at date of this report.
2. The Board held nine scheduled meetings and fourteen other meetings.
3. Attended in ex-officio capacity.
4. Retired 7 November 2024.
5. Mr Johnson and Ms King were not required to attend one Board meeting.
6. Ms Jack was not required to attend two Board meetings and one Nomination Committee meeting.

HCF BOARD OF DIRECTORS

Terry Agnew
MBA, MSc, BE (Hons), FAICD, FAIM, SF Fin
Non-Executive Director

Mr Agnew was appointed to the Board of HCF in October 2019. Mr Agnew is Chair of the People, Culture & Remuneration Committee and a member of the Nomination Committee. Mr Agnew joined the Board of HCF Life in December 2024 and is a member of the Risk and Compliance Committee. He became Chair of the Board of Flip Insurance Pty Ltd (a wholly owned subsidiary of HCF Life Insurance Company Pty Ltd) in April 2021.

He is an experienced Director, Chair and CEO with a strong track record and involvement with successful and growing organisations. The strategic differentiation and sustainable success of these organisations is built on a foundation of brand, culture, safety and innovation. He has worked across a range of industries including insurance, financial services, travel and tourism, education, disability and care and membership organisations.

Mr Agnew is a Councillor for the WA Division of the Australian Institute of Company Directors. He is also a Director of RAA Insurance, MDA National Insurance, MDA National, Deputy Chair of Infrastructure WA, and was a Founding Member of CEOs for Gender Equity. He is a member of the Curtin University Council and also the Chair of the Kalgoorlie Campus Council which includes the Western Australian School of Mines. Additionally, he Chairs the Expert Advisory Panel of the AAA Road Safety Research Program and is on the Advisory Board of Arvela (formerly Future Green Solutions). He is the former Chair of the Business Council of Cooperatives and Mutuals (2017-2023).

Mr Agnew is a Fellow of the Australian Institute of Company Directors, Fellow of the Australian Institute of Management, Senior Fellow of the Financial Services Institute of Australia (Finsia) and a Member of the Australian Institute of Engineers.

Mr Agnew was educated in Adelaide, Perth and Boston and his qualifications include MBA, M.Sc., B.E. (Hons) and the Harvard AMP. He is an Honorary Doctor of Curtin University.

John Barrington
BComm, LLB, GDAFI, FAICD
Non-Executive Director

Mr Barrington was appointed to the Board of HCF in November 2014 and as a Director of the Corporate Trustee of the HCF Research Foundation in April 2017. Mr Barrington is Chair of the HCF Risk, Compliance & Sustainability Committee and a member of the Audit & Finance Committee, the Nomination Committee and the Investment Committee. He was Acting Managing Director of HCF between March and July 2017. He was appointed to the Board of HCF Life Insurance Company Pty Ltd in February 2019, is Chair of the HCF Life Risk & Compliance Committee and a member of the HCF Life Audit & Finance Committee.

Mr Barrington was the Principal of Barrington Legal, a law firm located in Sydney, with more than 40 years in practice specialising in insurance law, superannuation, banking and finance. He was formerly General Counsel for the National Mutual Life Association, Chief Executive of CUNA Mutual Limited and Mutual Community Limited. Mr Barrington served as Chair of Intrinsic Value Investment Limited and Albert Court Aged Care Edgecliff. Until January 2017, he was Chair of Meridian Lawyers and a Director of Guild Group Holdings.

Mr Barrington has extensive experience (both strategically and operationally) in financial services and private health insurance, in

particular relating to financial oversight, regulatory requirements, policy frameworks and governance. He has previously served as a Council Member of the Private Health Insurance Administration Council (PHIAC).

Mr Barrington brings a unique perspective given his background of advising clients, working in organisations subject to complex regulatory requirements and providing regulatory oversight in a senior governance role within a regulatory body.

Michael Bassingthwaighte AM
FAICD
Non-Executive Director

Mr Bassingthwaighte was appointed to the Board of HCF in October 2019 and is a member of the Nomination Committee and the People, Culture and Remuneration Committee. He was appointed as Chair of the Investment Committee in September 2023.

Mr Bassingthwaighte spent his entire executive career in private health insurance, having retired in mid 2018 after 36 years as CEO of Peoplecare Health Limited.

Mr Bassingthwaighte co-founded the IT company HAMB Systems Limited (HAMB'S) and developed it as a collaborative company to provide technology services for 24 health insurers. He was Chair of HAMB'S from inception, for 25 years until 2018.

Mr Bassingthwaighte also co-founded the Australian Health Service Alliance (AHSA) that provides hospital and medical service contracting, data management, and clinical advisory services for 28 health insurers and was also a significant contributor to health policy development through senior voluntary roles with the industry body Members Health Funds Alliance (MHFA).

Mr Bassingthwaighte is currently a Director of the Illawarra Retirement Trust (IRT), a large not-for-profit retirement village, aged care and home care service provider with centres in Sydney, Canberra, the Sunshine Coast Qld and the Illawarra and South Coast of NSW.

Previous Director appointments include Coordinare; the Primary Health Network for South Eastern NSW, Defence Health, Members Own Health Funds, The Illawarra Business Chamber, Illawarra Health & Medical Research Institute (IHMRI), Australian Health Services Research Institute (AHSRI), NSW Health Funds Association, and was an industry advisor to PHIAC (the PHI regulator prior to the transfer to APRA).

Mr Bassingthwaighte is a Fellow of the Australian Institute of Company Directors, an Honorary Fellow of the University of Wollongong and was awarded the Member of the Order of Australia (AM) in 2013 for his 'significant service to the private health insurance industry and the community of the Illawarra Region'.

Mark Compton AM
BSc, MBA, FAICD, FCHSM, FAIM, FRS (NSW)
Non-Executive Director

Professor Compton was appointed to the Board of HCF in June 2024 and as a Director of the Corporate Trustee of the HCF Research Foundation in July 2024. Professor Compton is a member of the HCF Risk, Compliance and Sustainability Committee and HCF Nomination Committee.

Professor Compton is an experienced Non-Executive Director, Chairman and CEO, predominantly in healthcare and life sciences organisations in both listed and unlisted companies and in the not-for-profit sector. Through his diverse experiences in Executive and Non-Executive roles, Professor Compton has developed a deep and

lasting passion for organisations driven by their values and those that have a strong, positive and constructive corporate culture.

He has previously served as Chairman of the Woolcock Institute of Medical Research. He was a Non-Executive Director of Macquarie University Hospital, Independent Practitioner Network Limited and the Australian Private Hospitals Association.

Professor Compton was appointed as a Non-Executive Director (from October 2014) and Chairman (from November 2015) of Sonic Healthcare Limited. He also chairs the Advisory Board of Communio Limited (NZ) and is Chairman of St Luke's Care, a not-for-profit health and aged care organisation (from November 2017).

Professor Compton's main community interest is the Order of St John/St John Ambulance, with which he has had 50 years of voluntary service. In June 2019 he was appointed Lord Prior of the worldwide Order and Chairman of St John International. Before his appointment as Lord Prior, Professor Compton was the national Chairman and Chancellor of the Order of St John in Australia.

Professor Compton is an Adjunct Professor in Healthcare Leadership at Macquarie Business School, Macquarie University, Sydney. He is a Fellow of the Australian Institute of Company Directors, a Fellow of the Australasian College of Health Services Management, a Fellow of the Australian Institute of Management and a Fellow of the Royal Society.

He was awarded the Centenary Medal of the Commonwealth of Australia for services to the community and was appointed a Member in the Order of Australia (AM) in January 2010 for services to health, hospitals, medical research and St John Ambulance. He was appointed as Knight in the Most Venerable Order of the Hospital of St John of Jerusalem (Order of St John) in 2004 and promoted to Bailiff Grand Cross of the Order of St John in 2017. He has also been awarded the Queens Platinum Jubilee Medal and the Coronation Medal at the coronation of His Majesty King Charles III.

Catherine Hallinan
BA (Hons), MBA, SF Fin, FAICD
Non-Executive Director

Ms Hallinan joined the Board of HCF Life in June 2011, was appointed Chair in October 2019 and is also a member of the Audit & Finance Committee and the Risk & Compliance Committee. She was appointed to the Board of HCF in February 2019 and is a member of the Audit & Finance Committee, Risk, Compliance & Sustainability Committee, the Nomination Committee and the Investment Committee. She also joined the Board of Flip Insurance Pty Ltd (a wholly owned subsidiary of HCF Life Insurance Company Pty Ltd) in April 2021.

Ms Hallinan has extensive expertise across the financial services industry, spanning insurance, investments, banking, strategy and planning and mergers and acquisitions.

She is currently a director of Insurance Manufacturers Australia and SCOR Global Life Australia. She has previously served as a Non-Executive Director for St. Catherine's Aged Care Services, Lawcover Insurance Pty Limited and as Chair of Gateway Bank. Her former executive roles included General Manager, Wealth Strategy at St George Bank and General Manager, Investment Management & Life at Zurich Australia.

Annette King
FAICD, FIAA, BEcon (Actuarial)
Non-Executive Director

Ms King was appointed to the Board of HCF in November 2022 and is the Chair of the HCF Audit & Finance Committee and a member of the Risk, Compliance & Sustainability Committee and Nomination Committee.

Ms King is an experienced Non-Executive Director with extensive experience across financial services and technology in Asia-Pacific, serving member organisations, large private companies (ASX100 equivalent), rapidly growing technology companies and not-for-profit organisations. She has chaired committees for audit, risk and compliance, people and culture, nominations and has been a member of technology and data, investment, insurance and other committees. She has prior experience as a CEO of a Significant Financial Institution. Her passion is serving businesses with sustainable growth through differentiated client and member experience and digital/technology/data enablement. She is a qualified actuary, and formerly served as the President and Chair of the Actuaries Institute.

Ms King has over 30 years' experience in financial services across Asia-Pacific. Prior to becoming a Non-Executive Director, she had a successful track record as a CEO, CFO and Chief Marketing Officer and VP of Client Centricity of significant financial institutions, as well as being a founder/entrepreneur. Ms King has served large, highly regulated multi-national companies (Swiss Re, AXA, Manulife, Mercer, MLC Superannuation) and innovative fintech companies (AFG, FNZ, Galileo Platforms). Her focus is on business growth through differentiated client and member experience, organisational culture and innovation via data, digital and technology enablement.

Her career commenced in a mutual, member-owned organisation and she has served on member organisations in the not-for-profit sector in Australia and Singapore, as well as being a (fiduciary) trustee director on superannuation funds with 2 million members and \$200 billion in assets. In addition to responsibilities in Australia and New Zealand, Ms King has lived and worked for 14 years in Asia in both Executive and Non-Executive Director roles.

She currently serves on the boards of TAL Dai-ichi Life Australia Pty Ltd, TAL Life Limited, TAL Life Insurance Services Limited, Australian Finance Group (ASX:AFG) and U Ethical Investors. Her previous boards include Swiss Re, HCF Life Insurance Company Pty Ltd, MLC Superannuation, FNZ wealth management technology and Chair of Galileo Platforms. She is a member of the AICD's APRA Forum, a member of the Actuaries Institute Public Policy Council Committee and a member of Chief Executive Women. She was President of the Life Insurance Association of Singapore, served on the Singapore Actuarial Society and the Hong Kong Advisory Committee for the AICD.

She is a Fellow of the Actuaries Institute, a Fellow of the Australian Institute of Company Directors, and has a Bachelor of Economics from Macquarie University, majoring in actuarial science.

Mark Johnson
BComm, FCA, CPA, FAICD
Non-Executive Director and Chair

Mr Johnson was elected Chair of the Board of HCF in July 2019, having been a Non-Executive Director since November 2013. Mr Johnson is also Chair of the HCF Nomination Committee. He also joined the Board of HCF Life in November 2023 and is Chair of the HCF Life Audit & Finance Committee.

He has previously served as CEO and Asian Deputy Chair for PwC from June 2008 until July 2012. Prior to becoming CEO, he held a number of leadership positions in PwC Australia including National Managing Partner - Businesses, Managing Partner of the Assurance line of service, Managing Partner Assurance and Business Advisory Services and leader Consumer and Industrial Products. In these roles he served on a number of global firm committees.

Mr Johnson is currently a Director of SGH Limited, Goodman Limited, Goodman Funds Management Limited, Aurecon Limited, Metcash Limited and Sydney Airport Corporation Limited. In the community he is a member of the Council of UNSW Sydney.

He was on the Board of Boral Limited until July 2024, The Smith Family until November 2023, on the Board of Partners of Corrs Chambers Westgarth until March 2022, Chairman of G8 Education Limited until November 2021, a Director of Coca-Cola Amatil Limited until May 2021, Westfield Corporation Limited until June 2018, Chair of the Advisory Board to Willis Towers Watson in Australasia until December 2016 and a Director of HSBC Bank Australia until April 2017.

Mr Johnson was a member of the Australian Auditing and Assurance Standards Board, the Business Council of Australia (and of its Healthy Australia Taskforce) and was Deputy Chair of the Finance and Reporting Committee of the Australian Institute of Company Directors.

Karen Price
MBBS, PhD, FRACGP
Non-Executive Director

Adj Professor Price was appointed to the Board of HCF in November 2023 and is a member of the Nomination Committee and the People, Culture & Remuneration Committee. She was also appointed as a Director of the Corporate Trustee of the HCF Research Foundation in November 2023.

Professor Price, PhD Monash, is the past President of the RACGP (2020–2022). A clinician of 30 years including successful small business ownership, medical director of a corporate practice and now working in a multi-doctor practice with team-based allied health, and non-GP medical specialists.

She sat on the national board of the RACGP during 2020–2022 which is a 50,000+ member-led not-for-profit organisation. This included serving the national finance and risk committee, the people culture and remunerations committee and the federal elections and advocacy committee.

Prior to this Professor Price was the Deputy Chair of the Victorian Council and RACGP Victorian Chair of the Women in General Practice. These roles involved high-level strategic decision making, while managing risk and effective delivery of member-focused outcomes. There was also a considerable role in national media including public and private meetings with the Prime Minister, federal and state health Ministers, and federal and state health department staff to deliver health system outcomes for the Australian people. She participated in the 10-year primary

healthcare plan, the Medicare task force and the inaugural 10-year cancer roundtable for improving patient-focused outcomes.

In addition to this Professor Price is involved in teaching and research at Monash University and has a PhD on GP collaborative practices. She will be serving in a voluntary capacity on the inaugural Innovation and Enterprise advisory board at the Faculty of Medicine at Melbourne University.

Professor Price has international experience in medical education and will have an ongoing interest in developing strategic educational outputs for the World Organisation of Family Doctors. She won the inaugural leadership and health advocacy award from the Australian Federation of Medical Women in 2021, a Family Medicine research award in 2016 and a medical student teaching award in 2011. Her abiding interest remains the power of human collaboration and potential, her family and values-based living.

She has recently been elected as a Non-Executive Director of the World Organisation of Family Doctors, which is a Global Family Doctors and not-for-profit organisation, promoting equitable healthcare around the world and is serving on the AMA Victorian GP policy advisory committee.

Lorraine Thomas
(appointed 1 July 2025)
University of Portsmouth (UK), H.N.D, Geography
Chief Executive Officer and Managing Director

Ms Thomas was appointed as the Managing Director and Chief Executive Officer of HCF in July 2025, bringing with her more than a decade of deep experience within the organisation. Having joined HCF in early 2015, she has held various roles, including Chief Officer Product & Innovation, Chief Officer Product & Diversified Business and Chief Operating Officer. Ms Thomas was appointed as a Director of HCF Life Insurance Company Pty Ltd, Flip Insurance Pty Ltd (a wholly owned subsidiary of HCF Life Insurance Company Pty Ltd), and as a Director of the Corporate Trustee of The HCF Research Foundation on 1 July 2025.

Ms Thomas has over 20 years of experience in innovative, customer-centric product delivery and business strategy. She has played a key role in driving organisational transformation, leading high-performing teams to achieve outstanding results, and improving member outcomes through innovation and service excellence. Responsible for Product Innovation, HCF Life and HCF's International Business, she has also led key strategic initiatives supporting HCF's 2025 Strategy.

Known for her inclusive leadership style and long-term vision, Lorraine remains committed to putting members at the heart of everything HCF does and building a healthier future for Australians by expanding access to affordable, high-quality care.

Ms Thomas' appointment reflects HCF's ongoing commitment to leadership continuity, member-first values, and long-term sustainability.

As CEO & MD, Ms Thomas will focus on delivering HCF's 2030 strategy, investing in digital capability, strengthening partnerships across the health system, and continuing to advocate for fairness in private health insurance.

Ms Thomas is also a Director of Private Healthcare Australia.

Sheena Jack
(retired 1 July 2025)
BA (Acc), CA, GAICD
Chief Executive Officer and Managing Director

Ms Jack was appointed as Managing Director of HCF in September 2017, having held the position of Chief Executive Officer since August 2017. She was appointed as a Director of HCF Life in August 2017, and a Director of the Corporate Trustee of the HCF Research Foundation in September 2017. Ms Jack also joined the Board of Flip Insurance Pty Ltd (a wholly owned subsidiary of HCF Life Insurance Company Pty Ltd) in April 2021.

As Managing Director, Ms Jack introduced a new business line in Overseas Visitors Health Cover, launched a new loyalty program HCF Thank You, driven increased focus on our member experience and delivered the largest program of work in HCF's history, a systems transformation project which will enable us to transform HCF's way of doing business.

Ms Jack has more than 30 years' experience as a corporate executive across various industries and extensive experience across business transformation.

Ms Jack is also a Director of Private Healthcare Australia and the Business Council of Co-operatives and Mutuals, and is a member of Chief Executive Women.

Claire Jackson AM
(retired 7 November 2024)
MBBS, MD, MPH, CertHEcon, GradCert Mgt, FRACGP, FAICD
Non-Executive Director

Professor Jackson was appointed to the Board of HCF in November 2012 and is a member of the HCF Nomination Committee and the People, Culture & Remuneration Committee. She was appointed as a Director of the Corporate Trustee of the HCF Research Foundation in 2015 and appointed as Chair in December 2020. She has been active in general practice undergraduate and postgraduate education and research for many years, and has been extensively involved in health services research and reform since the early 1990s.

Professor Jackson is Director, UQ-MRI Centre for Health System Reform and Integration and Professor in Primary Care Research at the University of Queensland School of Medicine. She was appointed member of the Primary Health Reform Steering Group in September 2019. She was previously a Director of the National Health Performance Authority and was national President of the Royal Australian College of General Practitioners between 2010 and 2012.

Professor Jackson previously served as a Member of the Federal Government's Primary Health Care Advisory Group in 2015 and the National Primary Care Strategy Expert Reference Group in 2008. She provided a commissioned paper for the National Health and Hospital Reform Commission on new models in primary care and is a national authority on the Health Care Home. In 2014, she conducted a Review of After Hours Services for Minister Dutton.

COMPANY SECRETARY
Nathan Francis
BBus, CA, FGIA, FCIS, GAICD
Company Secretary

Mr Francis joined HCF as Company Secretary in February 2019. He is a Chartered Accountant and Chartered Secretary with over 20 years' experience spanning health insurance, financial services and funds management. Prior to joining HCF, Mr Francis held senior executive governance and finance roles with ANZ, RT Health Fund and Charter Hall Group, having commenced his career in assurance advisory roles at PwC.

DIRECTORS' REPORT (CONTINUED)

We have obtained an independence declaration from our auditors, Ernst & Young, which is set out below and forms part of the Directors' Report for the year ended 30 June 2025.

Signed in accordance with a resolution of the Directors.



M. Johnson
Chair
Sydney
19 September 2025

AUDITOR'S INDEPENDENCE DECLARATION



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Auditor's independence declaration to the directors of The Hospitals Contribution Fund of Australia Ltd

As lead auditor for the audit of the financial report of The Hospitals Contribution Fund of Australia Ltd for the financial year ended 30 June 2025, 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- 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 The Hospitals Contribution Fund of Australia Ltd and the entities it controlled during the financial year.



Ernst & Young



Louise Burns
Partner
19 September 2025

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2025

STATEMENT OF COMPREHENSIVE INCOME	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
Insurance revenue	1	4,182,016	3,958,083	4,136,931	3,913,189
Insurance service expenses	2	(4,191,746)	(4,007,848)	(4,155,476)	(3,972,074)
Insurance service result before reinsurance contracts held		(9,730)	(49,765)	(18,545)	(58,885)
Outwards reinsurance premium expenses	2	(2,737)	(2,523)	-	-
Reinsurance recoveries	1	1,633	949	-	-
Net expenses from reinsurance contracts held		(1,104)	(1,574)	-	-
Insurance service result		(10,834)	(51,339)	(18,545)	(58,885)
Investment income	1	216,707	191,649	209,911	185,037
Insurance finance expenses	1, 2	(119)	(148)	-	-
Reinsurance finance (expenses)/income	1	(362)	42	-	-
Net insurance and investment result		205,392	140,204	191,366	126,152
Revenue from contracts with customers	1	26,125	25,953	29,768	30,713
Other income	1	7,075	7,303	6,903	7,137
Movement in member giveback provision	12	-	(715)	-	(715)
Other expenses	2	(40,309)	(40,002)	(37,465)	(38,323)
Profit before income tax		198,283	132,743	190,572	124,964
Income tax expense	3(a)	(2,948)	(1,896)	-	-
NET PROFIT AFTER INCOME TAX		195,335	130,847	190,572	124,964
Other comprehensive income and expense, net of tax. Will not be reclassified subsequently to profit or loss:					
Fair value revaluation of land and buildings		6,715	(38,330)	6,715	(38,330)
Other comprehensive income, net of tax		6,715	(38,330)	6,715	(38,330)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		202,050	92,517	197,287	86,634

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS (CONTINUED)

AS AT 30 JUNE 2025

STATEMENT OF FINANCIAL POSITION	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
Assets					
Cash and cash equivalents	4(b)	36,287	84,072	23,738	72,817
Financial assets at fair value through profit or loss	5	2,835,135	2,535,924	2,835,135	2,535,924
Investments relating to HCF Life Insurance Business		88,728	80,805	-	-
Trade receivables and other assets	6	29,116	27,846	31,877	32,220
Inventories		354	406	354	406
Assets held for sale	14	42,314	42,718	34,035	34,528
Deferred tax assets	3(c)	4,851	7,864	-	-
Property, plant and equipment	7	208,524	195,919	208,524	195,917
Right-of-use assets	8	31,593	34,769	31,593	34,769
Investments in controlled entities	16	-	-	36,234	36,234
Intangible assets and goodwill	9	106,952	108,041	106,952	108,041
Total assets		3,383,854	3,118,364	3,308,442	3,050,856
Liabilities					
Trade creditors and other payables	10	69,531	53,801	65,907	50,924
Insurance contract liabilities	11	740,516	694,468	730,294	686,287
Reinsurance contract liabilities		305	325	-	-
Current tax liabilities	3(d)	1,522	-	-	-
Provisions	12	41,837	36,634	40,917	35,898
Lease liabilities	8	37,975	41,685	37,975	41,685
Deferred tax liabilities	3(c)	-	1,333	-	-
Total liabilities		891,686	828,246	875,093	814,794
Net assets		2,492,168	2,290,118	2,433,349	2,236,062
Equity					
Reserves		209,969	203,254	203,830	197,115
Retained earnings		2,282,199	2,086,864	2,229,519	2,038,947
TOTAL EQUITY		2,492,168	2,290,118	2,433,349	2,236,062

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

STATEMENT OF CHANGES IN EQUITY	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
Retained earnings					
Balance at start of the year		2,086,864	1,875,575	2,038,947	1,833,541
Net profit after income tax		195,335	130,847	190,572	124,964
Movement in DCL reserve		-	80,442	-	80,442
Balance at end of the year		2,282,199	2,086,864	2,229,519	2,038,947
Asset revaluation reserve ¹					
Balance at start of the year		150,088	188,418	143,949	182,279
Fair value revaluation of land and buildings - will not be reclassified subsequently to profit or loss		6,715	(38,330)	6,715	(38,330)
Balance at end of the year		156,803	150,088	150,664	143,949
General reserve ²					
Balance at start of the year		53,166	53,166	53,166	53,166
Balance at end of the year		53,166	53,166	53,166	53,166
DCL reserve ³					
Balance at start of the year		-	80,442	-	80,442
Movement in DCL reserve		-	(80,442)	-	(80,442)
Balance at end of the year		-	-	-	-
Total equity					
Balance at start of the year		2,290,118	2,197,601	2,236,062	2,149,428
Total comprehensive income		202,050	92,517	197,287	86,634
BALANCE AT END OF THE YEAR		2,492,168	2,290,118	2,433,349	2,236,062

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

1. The asset revaluation reserve is used to record changes in the fair value of land and buildings.
2. The Group entered into a merger with RT Health group, and its assets and liabilities were transferred to the Group on 1 November 2021.
3. The DCL reserve was created on transition to AASB 17 *Insurance Contracts* and represents the expected future payments required due to the COVID-19 pandemic relating to health procedures/services that were expected to occur but did not proceed due to COVID-19 related community lockdowns, restrictions on elective surgery and allied service providers. The Group has committed to return permanent net claims savings due to COVID-19 to policyholders. The balance of this reserve represents the claims savings to date that have not yet been utilised.

FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

STATEMENT OF CASH FLOWS	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
Cash flows from operating activities					
Premiums received relating to insurance contracts		4,234,934	3,980,067	4,189,640	3,935,544
Payments made in respect of insurance contracts		(3,688,547)	(3,679,079)	(3,675,566)	(3,664,777)
Risk equalisation receipts		50,928	43,608	50,928	43,608
Payments to suppliers and employees		(558,989)	(469,842)	(529,205)	(443,060)
Interest received		5,977	8,267	3,797	5,696
Income tax refunded/(paid)		253	(887)	-	-
Rental received		6,626	6,905	6,626	6,905
Receipts from contracts with customers		29,655	31,947	30,045	30,945
Interest repayments of lease liabilities		(1,631)	(1,472)	(1,631)	(1,472)
Net cash flows from/(used for) operating activities	4(a)	79,206	(80,486)	74,634	(86,611)
Cash flows from investing activities					
Proceeds of sale on property, plant, equipment, investment property and assets held for sale		127	40	127	40
Proceeds from sale of investments		59,593	233,514	59,593	233,514
Purchases of investments		(155,477)	(134,852)	(152,199)	(132,302)
Purchases of property, plant, equipment and software		(17,697)	(6,026)	(17,697)	(6,026)
Net cash flows (used for)/from investing activities		(113,454)	92,676	(110,176)	95,226
Cash flows from financing activities					
Principal repayments of lease liabilities		(13,537)	(12,903)	(13,537)	(12,903)
Net cash flows used for financing activities		(13,537)	(12,903)	(13,537)	(12,903)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(47,785)	(713)	(49,079)	(4,288)
Cash and cash equivalents at start of the year		84,072	84,785	72,817	77,105
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4(b)	36,287	84,072	23,738	72,817

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

ABOUT THIS REPORT

The Hospitals Contribution Fund of Australia Ltd (referred to as the ‘Company’, ‘Parent Entity’ or ‘HCF’) is a company limited by guarantee. It operates on a not-for-profit basis and is incorporated in Australia in the state of New South Wales. The registered address of the Company is 403 George Street, Sydney, NSW, 2000.

The table below summarises the group structure of The Hospitals Contribution Fund of Australia Ltd and the entities it controls.

The Company	Refers to The Hospitals Contribution Fund of Australia Ltd as the parent entity and the ultimate parent entity. It provides private health insurance and operates dental and eyecare centres. Also referred to throughout this report as the ‘Parent Entity’ or ‘HCF’.
The Group	Refers to the consolidated entity, consisting of The Hospitals Contribution Fund of Australia Ltd and its subsidiaries. HCF has wholly-owned investments in HCF Life Insurance Company Pty Ltd (‘HCF Life’), including its subsidiary Flip Insurance Pty Ltd (‘Flip Insurance’), Manchester Unity Australia Pty Ltd (‘Manchester Unity’), Railway and Transport Health Fund Pty Ltd (‘RT Health’) and Transport Health Pty Ltd (‘Transport Health’).

The financial report is a general purpose financial report which:

- has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB);
- has been prepared on a historical cost basis, except for financial instruments, certain classes of property, plant and equipment and investment properties which have been measured at fair value;
- is presented in Australian dollars with all values rounded to the nearest thousand dollars (\$000) unless otherwise stated, in accordance with ASIC Corporations (Rounding in Financial/ Directors’ Reports) Instrument 2016/191;
- presents reclassified comparative information where required for consistency with the current year’s presentation;
- adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2024. Refer to Note 24 for further details; and
- does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective unless otherwise stated. Refer to Note 24 for further details.

BASIS OF CONSOLIDATION

The Hospitals Contribution Fund of Australia Ltd and its subsidiaries together are referred to in this financial report as the ‘Group’ or the ‘consolidated entity’. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group except where these may be required by accounting standards.

HCF LIFE INSURANCE

The Group’s life insurance operations are conducted within separate statutory funds of HCF Life Insurance Company Pty Ltd as required by the *Life Insurance Act 1995*. The assets, liabilities, revenue and expenses of the life funds are included within the consolidated financial statements. Transactions and outstanding balances between HCF Life and other entities within the Group are eliminated.

PARENT ENTITY FINANCIAL STATEMENTS

The Company has adopted ASIC 2021/195, issued by the Australian Securities and Investments Commission, permitting entities to continue to include parent entity financial statements in their financial reports. Entities taking advantage of the relief are not required to present the summary parent entity information otherwise required by regulation *2M.3.01 of the Corporations Regulations 2001*.

FOREIGN CURRENCY

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the Statement of Financial Position date. Exchange differences arising from the application of these procedures are taken to the Statement of Comprehensive Income.

OTHER ACCOUNTING POLICIES

Material and other accounting policies that summarise the measurement basis used are relevant to an understanding of the financial statements and are provided throughout the notes to the financial statements.

KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group’s accounting policies, management has made a number of judgements and applied estimates of future events. Judgements and estimates which are material to the financial report are found in the following notes:

- Note 3. Income Tax
- Note 7. Property, Plant and Equipment
- Note 8. Right-of-Use Assets and Lease Liabilities
- Note 9. Intangible Assets and Goodwill
- Note 11. Insurance Contract Liabilities
- Note 12. Provisions
- Note 13. Employee Entitlements and Superannuation Commitments
- Note 14. Assets Held for Sale

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if:

- the amount in question is significant because of its size or nature;
- it is important for understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group’s business - for example, acquisitions and impairment, write-downs; or
- it relates to an aspect of the Group’s operations that is important to its future performance.

The notes are organised into the following sections:

- **Key numbers** provides a breakdown of individual line items in the financial statements that the Directors consider most relevant and summarises the accounting policies, judgements and estimates relevant to understanding these line items.
- **Risk** discusses the Group’s exposure to various financial risks, explains how these affect the Group’s financial position and performance and what the Group does to manage these risks.
- **Group structure** explains aspects of the Group structure and how changes have affected the financial position and performance of the Group.
- **Unrecognised items** provides information about items that are not recognised in the financial statements but could potentially have an impact on the Group’s financial position and performance; and relates to an aspect of the Group’s operations that is important to its future performance.
- **Other** provides information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements however, are not considered critical in understanding the financial performance or position of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

1. INCOME

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
(a) Health insurance:					
Insurance revenue		4,136,931	3,913,189	4,136,931	3,913,189
Investment, revenue from contracts with customers, and other income:					
Distribution income		144,628	109,370	144,628	109,370
Movement in financial assets at fair value through profit or loss		1,456	(5,241)	1,456	(6,201)
Changes in value of investment property through profit or loss		(493)	(17,226)	(493)	(17,226)
Changes in fair value of investment in unit trusts		60,523	93,398	60,523	93,398
Interest income		3,797	5,696	3,797	5,696
Total investment income		209,911	185,997	209,911	185,037
Revenue from contracts with customers		26,032	25,849	29,768	30,713
Rent income		6,373	6,652	6,626	6,905
Gain on disposal of property, plant, equipment, intangible assets, and assets held for sale		51	28	51	28
Other		226	204	226	204
Total revenue from contracts with customers and other income		32,682	32,733	36,671	37,850
TOTAL HEALTH INSURANCE INCOME		4,379,524	4,131,919	4,383,513	4,136,076
(b) Manchester Unity:					
Changes in value of investment property through profit or loss		90	(1,650)	-	-
Interest income		141	126	-	-
Total investment income		231	(1,524)	-	-
Rent income		265	282	-	-
Revenue from contracts with customers		93	104	-	-
Total other income		358	386	-	-
TOTAL MANCHESTER UNITY INCOME		589	(1,138)	-	-
(c) HCF Life Insurance:					
Insurance revenue		45,085	44,894	-	-
Reinsurance recoveries		1,633	949	-	-
Investment and other income:					
Distribution income		3,856	2,748	-	-
Movements in financial assets at fair value through profit or loss		1,603	2,930	-	-
Interest income		1,106	1,498	-	-
Total investment income		6,565	7,176	-	-
Reinsurance finance income		-	42	-	-
Total net insurance finance income		-	42	-	-
Other income		160	137	-	-
Total other income		160	137	-	-
TOTAL HCF LIFE INCOME		53,443	53,198	-	-
TOTAL INCOME		4,433,556	4,183,979	4,383,513	4,136,076

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

1. INCOME (CONTINUED)

Recognition and measurement

Revenue

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

(i) Insurance revenue

Insurance revenue comprises the amount of expected premium receipts from policyholders, inclusive of the government rebate 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. If the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses. The Group changes the basis of allocation between the two methods as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

For the periods presented, all revenue has been recognised on the basis of the passage of time.

When a policyholder has been made involuntarily unemployed, the Group may pay the premium on behalf of the policyholder for up to 6 months and claim the private health insurance rebate from the Australian government.

(ii) Revenue from contracts with customer

Revenue from contracts with customers are generated predominantly from the provision of services in dental and eyecare centres, and insurance commissions earned for promoting to purchase travel, pet and life insurance to policyholders. Dental and eyecare centre revenue is recognised as the services are provided to the customers. Insurance commission income is recognised at the point in time where the contracted performance obligation with the insurer has been completed and it is probable that HCF will receive the revenue in relation to the underlying consumer. This point in time is where a policyholder is signed up to purchase the insurance policy.

Income

(i) Distribution income

Distribution income is recognised when the Group's right to receive the income is established.

(ii) Movement in financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets designated as fair value through profit and loss at initial recognition. Gains or losses arising from changes in the fair values of financial assets at fair value through profit or loss are included in the Statement of Comprehensive Income in the year in which they arise.

(iii) Changes in value of investment property through profit or loss

Fair value gains/losses on investment properties are recognised in the Statement of Comprehensive Income when they are remeasured.

(iv) Changes in fair value of investment in unit trust

Changes in the fair value of investment in unit trust are calculated as the difference between the fair value at sale, or at balance date, and the fair value at the previous valuation point and are recognised in the Statement of Comprehensive Income. The investment in the unit trust is recorded at the redemption value per unit as reported by the investment managers of the trust.

(v) Dividend income

Dividend income is recognised in the Statement of Comprehensive Income when the Group's right to receive payments is established.

(vi) Interest income

Interest income is recognised using the effective interest rate method, which applies the interest rate that discounts exactly the estimated future cash receipts over the expected life of the financial instrument, or a shorter period, where appropriate, to the net carrying amount of the financial instrument.

(vii) Rent income

Rent income consists of rent from properties owned by the Group. Rent received under operating leases and initial direct costs are recognised on a straight-line basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

2. EXPENSES

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
Expenses as presented in the Statement of Comprehensive Income					
Direct claims expenses		3,637,517	3,449,353	3,621,436	3,434,146
Health benefits risk equalisation special account recoveries		(38,494)	(71,193)	(38,494)	(71,193)
State ambulance levies		64,455	62,071	64,455	62,071
Movement in insurance contract liabilities for incurred claims		(15,493)	56,303	(14,599)	58,169
Losses on onerous contracts and reversals of those losses		5,869	(3,075)	5,896	(2,986)
Incurring claims expenses		3,653,854	3,493,459	3,638,694	3,480,207
Insurance acquisition cash flows recognised when incurred		144,614	152,484	144,614	152,484
Amortisation of insurance acquisition cash flows		481	531	-	-
Other insurance service expenses		392,797	361,374	372,168	339,383
Insurance service expenses		4,191,746	4,007,848	4,155,476	3,972,074
Outward reinsurance expense		2,737	2,523	-	-
Insurance finance expenses		119	148	-	-
Reinsurance finance expense		362	-	-	-
Movement in member giveback provision		-	715	-	715
Other expenses		40,309	40,002	37,465	38,323
TOTAL EXPENSES		4,235,273	4,051,236	4,192,941	4,011,112
The total expenses shown above includes the following key items, disclosed by nature:					
Salaries and employee benefits		311,182	282,591	303,436	274,506
Rental lease expenses		1,131	1,181	1,131	1,181
Depreciation and amortisation of:					
▪ Property, plant and equipment	7	11,732	19,350	11,730	19,339
▪ Right-of-use assets	8	13,004	12,154	13,004	12,154
▪ Intangible assets	9	1,089	32,005	1,089	32,005

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

2. EXPENSES (CONTINUED)

Recognition and measurement

Expenses

Expenses are consumptions or losses of future economic benefits in the form of reductions in assets or increases in liabilities of the Group.

An expense is recognised to the extent that is probable that the consumption or loss of future economic benefits resulting in a reduction in assets and/or an increase in liabilities has occurred and can be measured reliably.

Claims expense

The claims expense represents current period claims payments during the year, adjusted by the movement in insurance contract liabilities for incurred claims.

Claims are recognised when the liability to the policyholder under the policy contract has been established or upon notification of the insured event. Claims incurred that relate to the provision of services or bearing of risks are treated as expenses and these are recognised on an accrual basis once the liability to the policyholder has been established under the terms of the contract.

State ambulance levies

State ambulance levies are amounts payable by private health insurance companies to the New South Wales and Australian Capital Territory governments for ambulance cover, calculated based on the number and type of private health insurance contributions relating to hospital treatment cover.

Health benefits risk equalisation special account (recoveries)/levies

Under the provisions of the *Private Health Insurance Act 2007* all health insurers must participate in the Risk Equalisation Special Account ('RESA').

RESA represents expenses incurred or recovered under Risk Equalisation Trust Fund arrangements based upon an industry survey of eligible claims based upon both age and size of the claim.

The final amounts receivable/payable from the RESA are determined by APRA after the end of each calendar quarter. Estimated provisions for amounts payable and income receivable are provided for periods where determinations have not been made and are recognised in the Liabilities on Incurred Claims within Insurance Contract Liabilities on an accrual basis.

Movement in insurance contract liabilities for incurred claims

Movement in insurance contract liabilities for incurred claims show changes in expected cash flows for insured events that have occurred and release of the risk adjustment.

Losses on onerous contracts and reversals of those losses

To identify potentially onerous contracts, the Group has considered information reviewed by senior management in monitoring financial performance. The Group assumes that no insurance contracts measured under Premium Allocation Approach (PAA) are onerous at initial recognition. Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed.

The Group recognises losses on onerous contracts by establishing a loss component, valued as the excess of the estimated fulfilment cash flows that relate to the remaining coverage of the group of contracts over the carrying amount of the liability for remaining coverage (LFRC). In subsequent periods, the loss component is reassessed, and any movements are recognised within the Statement of Comprehensive Income.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs.

For groups of contracts where all contracts have a coverage period of one year or less, the Group has taken the policy decision available 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 policy choice is not available and these amounts are deferred. Deferred insurance acquisition cash flows are allocated on a systemic and rational basis to the group of insurance contracts to which the insurance contracts are initially allocated and to any expected future renewals of this group of insurance contracts.

Where insurance acquisition cash flows have been paid or incurred before the related group of insurance contracts is recognised in the statement of financial position, a separate asset for insurance acquisition cash flows is recognised for each related group. The asset for insurance acquisition cash flow is derecognised from the Statement of Financial Position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

Insurance services expenses

The Group classifies the majority of expenses incurred by insurance entities within insurance service expenses, except for those not directly attributable to insurance contracts.

Salaries and employee benefits

Salaries and employee benefits include salaries and wages, annual leave and long service leave, parental leave, incentives, and termination payments to employees.

Depreciation and amortisation

Refer to Notes 7, 8 and 9 for details on depreciation and amortisation.

Rental lease expenses

Rental lease expenses include leases on holdover period, low-value leases, and other variable lease expenses recognised under AASB 16. Holdover periods relate to periods when, for a variety of reasons, the Group continues to occupy the property beyond the legally agreed lease term, and generally the lessee and the lessor each have an option to terminate the lease by giving a notice without permission from the other party, or both parties must agree to extend. Holdover periods are cancellable periods until a new lease contract is signed, and would not be enforceable, and as such, these periods are excluded from the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

3. INCOME TAX

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
(a) Income tax expense					
The composition of the total income tax expense is as follows:					
Total current income tax expense		3,562	626	-	-
Deferred income tax attributable to future years:					
▪ Deferred income tax		(887)	558	-	-
▪ Relating to origination and reversal of temporary differences		273	712	-	-
Income tax expense reported in the Statement of Comprehensive Income		2,948	1,896	-	-
(b) A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the company's applicable income tax rate is as follows:					
Accounting profit before income tax		198,283	132,743	190,572	124,964
At the company statutory income tax rate of 30% (2024: 30%)		59,485	39,822	57,171	37,489
Non-assessable income		(57,171)	(37,777)	(57,171)	(37,489)
Tax effect of amounts which are not deductible in calculating taxable income:		75	-	-	-
Tax offsets and credits		(139)	(148)	-	-
Non-deductible items		225	(1)	-	-
Under provision for the previous years		473	-	-	-
Income tax expense reported in the Statement of Comprehensive Income		2,948	1,896	-	-
(c) Movements in deferred tax assets and liabilities					
Balance at start of the year		6,531	7,539	-	-
Reclassification to current tax receivable		-	640	-	-
Charged to profit or loss		(160)	(1,648)	-	-
Transfer from current tax liability		(1,520)	-	-	-
BALANCE AT END OF THE YEAR		4,851	6,531	-	-
Amounts recognised in the Statement of Financial Position:					
Deferred tax assets		4,851	7,864	-	-
Deferred tax liabilities		-	(1,333)	-	-
BALANCE AT END OF THE YEAR		4,851	6,531	-	-
Deferred income tax at 30 June relates to the following:					
(i) Deferred tax liabilities					
Revaluations of financial assets held at fair value through profit or loss		-	1,325	-	-
Provisions and accruals		-	8	-	-
Gross deferred tax liabilities		-	1,333	-	-
(ii) Deferred tax assets					
Revaluations of financial assets held at fair value through profit or loss		(474)	(32)	-	-
Temporary timing differences ¹		884	844	-	-
Tax losses carried forward		4,441	7,051	-	-
Other		-	1	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

3. INCOME TAX (CONTINUED)

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
Gross deferred tax assets		4,851	7,864	-	-
Net deferred tax		4,851	6,531	-	-
(d) Movements in income tax payable					
Balance at start of the year		-	11	-	-
Charged to profit or loss		1,522	-	-	-
Payments		-	(11)	-	-
BALANCE AT END OF THE YEAR		1,522	-	-	-
Amounts recognised in the Statement of Financial Position:					
Current tax liability		1,522	-	-	-
INCOME TAX PAYABLE		1,522	-	-	-

HCF is exempt from income tax.

HCF Life, Flip Insurance and Manchester Unity are subject to income tax. RT Health and Transport Health are non-trading entities subject to income tax.

1. Relates to Flip Insurance capital costs that are deductible over 5 years in accordance with *Income Tax Assessment Act 1997* s40-880.

3. INCOME TAX (CONTINUED)

Recognition and measurement

Current and deferred tax is reported under five taxable stand-alone entities:

- HCF Life;
- Flip Insurance;
- Manchester Unity; and
- RT Health (non-trading entity); and
- Transport Health (non-trading entity).

Current and deferred tax has been determined in each of the Group's subsidiaries on a stand-alone basis.

Manchester Unity holds a tax consolidated group which only contains Manchester Unity entity.

Current taxes

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to taxation authorities at the tax rates and tax laws enacted or substantively enacted by the Statement of Financial Position date.

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 Statement of Financial Position 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 Statement of Financial Position date.

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

- 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
- where taxable temporary differences relate to investments in subsidiaries, associates and interests in joint ventures:
 - (i) 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.
 - (ii) 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.

Australian tax consolidation legislation

The head entity in the tax consolidated group, Manchester Unity, continues to account for its own current and deferred tax amounts.

In addition to its own current and deferred tax amounts, the tax consolidated group also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Offsetting deferred tax balances

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

4. CASH AND CASH EQUIVALENTS

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
(a) Reconciliation of net profit after tax to the net cash flows from operations					
Net profit after tax		195,335	130,847	190,572	124,964
Adjustments for:					
Depreciation and amortisation		25,825	63,509	25,823	63,498
Gain on disposal of property, plant, equipment, intangibles and assets held for sale		(51)	(28)	(51)	(28)
Movements in financial assets at fair value through profit or loss		(2,243)	4,121	(1,456)	6,201
Changes in fair value of investment in unit trusts		(60,523)	(93,398)	(60,523)	(93,398)
Changes in value of investment property through profit or loss		403	18,876	493	17,226
Distribution income		(148,484)	(112,118)	(144,628)	(109,370)
Changes in assets and liabilities					
Decrease/(increase) in trade receivables and other assets		1,983	(3,423)	3,597	(4,347)
(Increase)/decrease in prepayments		(3,254)	1,147	(3,254)	(2,650)
Decrease in investment in controlled entities		-	-	-	960
Decrease/(increase) in inventories		52	(56)	52	(56)
Decrease in deferred tax assets		3,013	1,473	-	-
Increase in trade and other payables		15,730	6,202	14,983	6,176
Increase in insurance contract assets and liabilities		46,028	76,164	44,007	77,537
Increase/(decrease) in current tax liabilities		1,522	(11)	-	-
Increase/(decrease) in provisions		5,203	(173,326)	5,019	(173,324)
Decrease in deferred tax liabilities		(1,333)	(465)	-	-
Net cash flows from/(used for) operating activities		79,206	(80,486)	74,634	(86,611)
(b) Reconciliation of cash and cash equivalents					
Cash balance comprises:					
▪ Cash at bank		14,710	19,086	2,161	7,831
▪ Short-term deposits		21,577	64,986	21,577	64,986
TOTAL CASH AND CASH EQUIVALENTS		36,287	84,072	23,738	72,817

Recognition and measurement

Cash at bank and on deposit

For Statement of Cash Flows presentation purposes, cash and cash equivalents include cash available in bank accounts, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less that are readily converted to known amounts of cash and which are subject to insignificant risk of change in value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consisting of cash at bank and short-term deposits are considered an integral part of the Group's cash management.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	CONSOLIDATED		PARENT	
	2025 \$000	2024 \$000	2025 \$000	2024 \$000
Short-term deposits	843	4,846	843	4,846
Holdings in unlisted unit trust ¹				
▪ JANA Tailored Trust No.3	2,781,341	2,471,190	2,781,341	2,471,190
Holdings in unlisted foreign trust	28,822	36,039	28,822	36,039
Holdings in other direct investments	24,129	23,849	24,129	23,849
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2,835,135	2,535,924	2,835,135	2,535,924
Maturity analysis of financial assets at fair value through profit or loss				
▪ No longer than three months	843	4,846	843	4,846
▪ No maturity specified	2,834,292	2,531,078	2,834,292	2,531,078
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	2,835,135	2,535,924	2,835,135	2,535,924

1. JANA Tailored Trust No.3 - Liquidity overview:
- Units in the trust are realisable for cash within 10 business days; and
 - In a typical year between 1% and 6% of the holdings may be redeemed and reinvested.

Recognition and measurement

Financial assets at fair value through profit or loss include JANA Tailored Trust No.3 that are designated as fair value through profit or loss at initial recognition. All other financial assets in the table above are measured at fair value through profit or loss.

Purchases and sales of investments are recognised on trade date. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or been transferred following a transfer of ownership.

The fair value of investments traded in financial markets are determined by reference to quoted market bid prices at the close of business on the Statement of Financial Position date. The unlisted unit trust is recorded at fund managers' valuation. Other valuation techniques are used to determine the fair value for all other unlisted securities. Refer to Note 16 for more detail on the investment in JANA Tailored Trust No.3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

6. TRADE RECEIVABLES AND OTHER ASSETS

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
Trade and other receivables		11,701	13,685	11,406	13,552
Prepayments		17,415	14,161	17,415	14,161
Intercompany receivables		-	-	3,056	4,507
TOTAL TRADE RECEIVABLES AND OTHER ASSETS		29,116	27,846	31,877	32,220

Recognition and measurement

Trade receivables generally have terms of up to 30 days. They are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less allowance for impairment. The carrying value of trade and other receivables are expected to settle within 12 months from reporting date.

Trade and other receivables

Trade and other receivables amounts generally arise from Group transactions, such as lease receivables and GST recoverable from the Australian Government.

Impairment of receivables

The Group recognises an allowance for expected credit losses (ECLs) for trade receivables. The Group applies a simplified approach in calculating ECLs, therefore does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Debts that are known to be uncollectable are written off when identified. If an amount is subsequently recovered, it is credited against Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

7. PROPERTY, PLANT AND EQUIPMENT

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
(a) Carrying amounts of property, plant and equipment at the end of the financial year:					
Freehold land:					
At fair value	7(b)	74,530	74,520	74,530	74,520
Buildings on freehold land:					
At fair value	7(b)	89,067	84,788	89,067	84,788
Total freehold land and buildings		163,597	159,308	163,597	159,308
Leasehold improvements:					
At cost		5,656	5,061	5,656	5,061
Accumulated depreciation		(4,589)	(4,020)	(4,589)	(4,020)
Total leasehold improvements	7(b)	1,067	1,041	1,067	1,041
Plant, equipment, furniture and fittings, motor vehicles:					
At cost		136,131	119,773	136,097	119,738
Accumulated depreciation		(92,271)	(84,203)	(92,237)	(84,170)
Total plant, equipment, furniture and fittings, motor vehicles ¹	7(b)	43,860	35,570	43,860	35,568
Total property, plant and equipment, furniture and fittings and motor vehicles:					
At fair value		163,597	159,308	163,597	159,308
At cost		141,787	124,834	141,753	124,799
		305,384	284,142	305,350	284,107
Accumulated depreciation		(96,860)	(88,223)	(96,826)	(88,190)
NET PROPERTY, PLANT AND EQUIPMENT, FURNITURE AND FITTINGS AND MOTOR VEHICLES	7(b)	208,524	195,919	208,524	195,917

1. During the year, plant, equipment, furniture and fittings, motor vehicles to the value of \$0.7 million (2024: \$0.04 million) were fully depreciated and disposed by the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
(b) Reconciliations of the carrying amounts of property, plant and equipment at the beginning and end of the financial year:					
Freehold land:					
Balance at start of the year		74,520	77,500	74,520	77,500
Net amount of revaluation increments/(decrements)		10	(2,980)	10	(2,980)
Balance at end of the year	7(a)	74,530	74,520	74,530	74,520
Buildings on freehold land:					
Balance at start of the year		84,788	131,270	84,788	131,270
Transfer to assets held for sale ²		-	(7,387)	-	(7,387)
Depreciation expense		(2,426)	(3,745)	(2,426)	(3,745)
Net amount of revaluation increments/(decrements)		6,705	(35,350)	6,705	(35,350)
BALANCE AT END OF THE YEAR	7(a)	89,067	84,788	89,067	84,788
Leasehold improvements:					
Balance at start of the year		1,041	1,423	1,041	1,423
Additions		732	166	732	166
Disposals		(3)	-	(3)	-
Depreciation expense		(703)	(548)	(703)	(548)
BALANCE AT END OF THE YEAR	7(a)	1,067	1,041	1,067	1,041
Plant, equipment, furniture and fittings, motor vehicles:					
Balance at start of the year		35,570	44,778	35,568	44,765
Additions		16,965	5,860	16,965	5,860
Disposals		(72)	(11)	(72)	(11)
Depreciation expense		(8,603)	(15,057)	(8,601)	(15,046)
BALANCE AT END OF THE YEAR	7(a)	43,860	35,570	43,860	35,568
Total balance at end of the year					
Balance at start of the year		195,919	254,971	195,917	254,958
Additions		17,697	6,026	17,697	6,026
Disposals		(75)	(11)	(75)	(11)
Depreciation expense	2	(11,732)	(19,350)	(11,730)	(19,339)
Net amount of revaluation increments/(decrements)		6,715	(38,330)	6,715	(38,330)
Transfer to assets held for sale		-	(7,387)	-	(7,387)
BALANCE AT END OF THE YEAR	7(a)	208,524	195,919	208,524	195,917

2. Transferred to assets held for sale – refer to Note 14.

7. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Recognition and measurement

Freehold land and buildings

Cost and valuation

Freehold land and buildings are measured on a fair value basis. At each reporting date, the value of each asset in these classes is reviewed to ensure that it does not materially differ from the asset's fair value at that date. Refer to Note 15 for the fair value measurement hierarchy of the Group's freehold land and buildings.

Where necessary, the asset is revalued to reflect its fair value. Increases in the carrying amounts arising on revaluation of land and buildings are credited to the asset revaluation reserve in guarantors' equity. To the extent that the increase reverses a decrease previously recognised in the Statement of Comprehensive Income, the increase is first recognised in the Statement of Comprehensive Income.

Decreases that reverse previous increases of the same asset are first charged against revaluation reserve directly in equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to the Statement of Comprehensive Income. All other classes of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land and buildings were revalued by the Directors at 30 June 2025 using advice received from independent valuations carried out by Colliers International Valuation and Advisory Services Pty Limited ('Colliers'). The inspections and valuations of properties were done using appropriate assumptions determined as at the date of valuation, assuming the properties are in the same condition on the valuation date as the inspection date.

In determining the fair value of freehold land and buildings, Colliers model three valuation approaches; passing capital, capitalisation of income and discounted cash flow, that provide a range of values that would be appropriate in the current market. The valuation approach adopted for each asset may vary due to inherent property characteristics, cashflows and market dynamics.

The discounted cash flow approach has been adopted for the 30 June 2025 valuation as the valuation methodology for freehold land and buildings, which is consistent with the 30 June 2024 valuation methodology.

Revaluations are performed on the basis of sale and leaseback under their existing usage method. The change required to the overall carrying value on revaluation is charged directly to the asset revaluation reserve as the buildings are owner occupied.

Refer to Note 15 for the table for observable and unobservable inputs in determining fair value for property.

Leasehold improvements

The cost of improvements to leasehold property are capitalised, recorded as leasehold improvements and amortised over the unexpired portion of the lease or estimated useful life of the improvements, whichever is shorter.

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life to the Group. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

The expected useful lives for the property, plant and equipment of The Hospitals Contribution Fund of Australia Ltd are as follows:

CATEGORY USEFUL LIFE	USEFUL LIFE
Freehold buildings	40–50 years
Plant and equipment	2.5–15 years
Leasehold improvements	5–14 years
Computer equipment	2–5 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount, which are included in the Statement of Comprehensive Income. Leasehold improvements are amortised over the term of the lease.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
(a) Carrying amounts of right-of-use assets at the end of the financial year:					
At cost		71,129	68,583	71,129	68,583
Accumulated depreciation		(39,536)	(33,814)	(39,536)	(33,814)
Total right-of-use assets	8(b)	31,593	34,769	31,593	34,769
(b) Reconciliations of the carrying amounts of right-of-use assets at the beginning and end of the financial year:					
Balance at start of the year		34,769	37,121	34,769	37,121
Additions		9,853	9,802	9,853	9,802
Depreciation expense	2	(13,004)	(12,154)	(13,004)	(12,154)
Derecognition of right-of-use assets ¹		(25)	-	(25)	-
Balance at end of year	8(a)	31,593	34,769	31,593	34,769
(c) Lease liabilities:					
Balance at start of the year		41,685	44,786	41,685	44,786
Additions		9,853	9,802	9,853	9,802
Interest on lease liabilities		1,631	1,472	1,631	1,472
Repayments		(15,168)	(14,375)	(15,168)	(14,375)
Disposal		(26)	-	(26)	-
Balance at end of year ²		37,975	41,685	37,975	41,685
Maturity analysis					
No later than one year		13,475	12,259	13,475	12,259
Later than one year and not later than five years		24,882	26,113	24,882	26,113
Later than five years		2,561	6,713	2,561	6,713
Less: future finance charges		(2,943)	(3,400)	(2,943)	(3,400)
Balance at end of year		37,975	41,685	37,975	41,685
Current		12,295	11,079	12,295	11,079
Non-current		25,680	30,606	25,680	30,606
Balance at end of year		37,975	41,685	37,975	41,685
(d) Amounts recognised in the Statement of Comprehensive Income:					
Depreciation on right-of-use assets		13,004	12,154	13,004	12,154
Interest expenses on lease liabilities		1,631	1,472	1,631	1,472
Expenses relating to leases of low-value assets		105	80	105	80
Gains from lease modifications		(1)	-	(1)	-
Income from sub-leasing right-of-use assets		-	-	-	-

1. Derecognition is due to the Group no longer having the enforceable right-of-use asset covered by the lease term.
2. The Group is no longer required to hold any lessor bank guarantees to support these obligations (2024: \$0.7 million held, none of which has been utilised).

8. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

Additional information about leases for which the Group is a lessee is presented below.

Recognition and measurement

Definition of a lease

The Group assesses whether a contract is or contains a lease based on the definition of a lease under AASB 16. A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applied the practical expedient available on transition to AASB 16 and, for those contracts entered prior to the date of initial application, did not reassess whether a contract is or contains a lease.

Cost and valuation – as a lessee

The Group's lease portfolio is made up of the lease of office and retail spaces for dental centres and branches, IT and other office equipment. At commencement or on modification of a contract that contains a lease component, where practicable, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, and any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. The right-of-use asset is periodically assessed for impairment testing, and if any, adjusted for certain remeasurements of the lease liability.

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, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses its incremental borrowing rate as the discount rate. The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term. As the exemption for short-term leases must be done by class of underlying assets, the Group has elected not to apply the exemption for the purpose of consistency and ease of use of financial reporting for users of its financials.

Variable lease payments

Leases that include variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liabilities and are expensed as incurred in 'other expenses' in the Statement of Comprehensive Income.

9. INTANGIBLE ASSETS AND GOODWILL

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
Software:					
At cost		56,297	56,297	56,297	56,297
Accumulated amortisation		(50,630)	(49,541)	(50,630)	(49,541)
TOTAL SOFTWARE		5,667	6,756	5,667	6,756
Software:					
Balance at start of the year		6,756	38,761	6,756	38,761
Amortisation expense ¹		(1,089)	(32,005)	(1,089)	(32,005)
Balance at end of the year		5,667	6,756	5,667	6,756
Goodwill:					
Balance at start of the year		101,285	101,285	101,285	101,285
Balance at end of the year		101,285	101,285	101,285	101,285
Total intangible assets					
Balance at start of the year		108,041	140,046	108,041	140,046
Amortisation expense	2	(1,089)	(32,005)	(1,089)	(32,005)
TOTAL BALANCE AT END OF THE YEAR		106,952	108,041	106,952	108,041

1. Includes \$26.6 million reduction in intangible software assets following review of useful life in 2024.

9. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Recognition and measurement

Impairment testing for goodwill

Goodwill represents the excess cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ('CGUs') or groups of CGUs that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units. The Group has two CGUs being Health Insurance and Life Insurance.

The goodwill of \$101.3 million has been predominantly allocated to a single CGU being the Health Insurance business.

Impairment losses recognised for goodwill are not subsequently reversed.

The recoverable amount of goodwill is determined based on a value in use calculation using pre-tax cash flow projections. These calculations use cash flow projections based on financial budgets approved by the Board covering a four-year period. Cash flows beyond the five-year period are extrapolated using a terminal growth rate of 5.91% (2024: 4.98%). The growth rate does not exceed the historic long-term average growth rate for the business in which the CGU operates.

Key assumptions used for value in use calculations

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

- Cash flow forecast: forecast profits for the first four years based on current and prior years' actuals are used to derive a medium-term cash flow proxy;
- Discount rate of 6.30% (2024: 6.71%): calculated on the weighted average cost of capital; and
- Terminal growth rate of 5.91% (2024: 4.98%) at year 2029 and beyond is based on management's expectation for future performance in the Health Insurance CGU.

These assumptions have been used for the analysis of each CGU as applicable within the business segment.

Impact of possible changes in key assumptions

The carrying value of identified intangible assets as well as net tangible assets are deducted from the values generated from the cash flow projections to arrive at a recoverable value for goodwill which is then compared with the carrying value of goodwill.

It has been assessed that the recoverability of goodwill is in excess of its carrying amount. Therefore, all goodwill is expected to be recoverable.

With regard to the assessment of the recoverable amount of the CGU, management believes that no reasonable sensitivity movements in any of the above key assumptions would cause impairment.

Impairment charge

Based upon the impairment testing performed, there is no impairment charge as no impairment was indicated for the year ended 30 June 2025 (2024: nil).

Accounting policy

Other intangibles are initially recognised at cost and amortised over the period of expected benefit, less any adjustments for impairment losses.

Software-as-a-service ('SaaS') arrangements are arrangements in which the Group does not currently control the underlying software used in the arrangement. Where costs incurred to configure or customise SaaS arrangements result in the creation of a resource which is identifiable, and where the Group has the power to obtain the future economic benefits flowing from the underlying resource and to restrict the access of others to those benefits, such costs are recognised as a separate intangible software asset and amortised over the useful life of the software on a straight-line basis. The amortisation is reviewed at least at the end of each reporting period and any changes are treated as changes in accounting estimates.

Where costs incurred to configure or customise do not result in the recognition of an intangible software asset, then those costs that provide the Group with a distinct service (in addition to the SaaS access) are now recognised as expenses when the supplier provides the services. When such costs incurred do not provide a distinct service, the costs are now recognised as expenses over the duration of the SaaS contract.

A summary of the useful lives of intangible assets is as follows:

INTANGIBLE ASSET	USEFUL LIFE
Software	Finite (2-10 years)

Impairment

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. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, being the higher of an asset's fair value less costs to sell and value in use. 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 (cash-generating units).

10. TRADE CREDITORS AND OTHER PAYABLES

	CONSOLIDATED		PARENT	
	2025 \$000	2024 \$000	2025 \$000	2024 \$000
Trade creditors	42,906	29,922	39,282	27,045
Other creditors and accruals	26,625	23,879	26,625	23,879
TRADE CREDITORS AND OTHER PAYABLES	69,531	53,801	65,907	50,924
Expected to be paid in the next 12 months	69,531	53,801	65,907	50,924

Recognition and measurement

Trade creditors and other payables

Trade creditors and other payables, which are generally settled within 30-day terms and are unsecured, are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

11. INSURANCE CONTRACT LIABILITIES

Recognition and measurement

Insurance contract classification

The Group issues health insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders by offering indemnification for specific expenses as a result of an insured event relating to illness, injury, pregnancy or preventative care. The Group determines whether it has significant insurance risk if there is a possibility that it could suffer a loss caused by the insured event and pay significant additional amounts beyond what would be paid if the insured event had not occurred.

The Group assesses its health insurance products to determine whether they contain distinct components which must be accounted for under another accounting standard other than AASB 17. After separating any distinct components, the Group applies AASB 17 to all remaining components of the insurance contract. Currently, the Group's health insurance products do not include any distinct components that require separation.

Level of aggregation

Under AASB 17, the Group is required to identify portfolios of aggregation of insurance contracts. A portfolio comprises contracts that have 'similar risks' and 'managed together'. It also requires aggregation of insurance contracts by profitability group and annual cohorts.

For the purposes of onerous contracts testing, policies are grouped into hospital only, ancillary only and packaged products, as well as the tiers within each product type. There are twelve groups in total.

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.

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. The contract boundary is used to determine the start and end points of coverage in order to identify cash flows for inclusion in the measurement of an insurance contract under AASB 17. 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 entity can compel the policyholder to pay the premiums or in which the entity has a substantive obligation to provide the policyholder with coverage or other services. The Group's health insurance policies have a contract boundary at the annual premium increase each year on 1 April.

Measurement models

The Group applies the premium allocation approach (PAA) for the measurement for its health insurance contracts. The majority of the Group's health insurance contracts automatically qualify as the coverage period of each contract in the group is one year or less.

Liability for incurred claims

The liability for incurred claims (LFIC) represents the estimated liability arising from claims episodes, based on the present value of expected fulfilment cash flows relating to past service which have not yet given rise to claims paid, with an explicit risk adjustment for non-financial risk. A claims episode is an insured medical service that the Group has an obligation to fund which includes consultation fees, diagnostic investigations, hospitalisation or treatment costs. The liability includes an allowance for claims handling expenses. The Group does not adjust the future cash flows for the time value of money and the effect of financial risk for portfolios in which incurred claims are expected to be paid within one year of occurrence.

Liability for remaining coverage

On initial recognition of each group of insurance contracts, the carrying amount of the liability for remaining coverage (LFRC) is measured at the premiums received less any directly attributable insurance acquisition cash flows deferred, if any. The Group does not adjust the LFRC to reflect the time value of money and the effect of financial risk, as the Group expects on initial recognition of each group of contracts that the time between providing each part of the services and the related premium due date is no more than one year. On subsequent measurements, LFRC is amortised to recognise revenue on a passage of time basis over the coverage period.

Onerous contracts

Contracts that are measured using PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. The Group has developed a framework for identifying relevant facts and circumstances that may indicate the existence of onerous contracts, which includes management reports available to senior management for planning and performance management purposes as a source of evidence for facts and circumstances. Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed, and any loss component is valued under the Premium Allocation Approach by estimating the fulfilment cash flows and an assessment of the risk adjustment using a confidence level approach and included in the carrying amount of LFRC. This exercise is performed as part of the financial reporting process following 30 June and 31 December each year.

Insurance acquisition cash flows

For groups of contracts that are eligible to apply the simplified PAA and have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition cash flows as expenses when incurred. The Group has taken the policy decision available to expense insurance acquisition cash flows as incurred.

Risk adjustment

Under the PAA, a risk adjustment is recognised on all LFIC balances and on LFRC balances for onerous contracts issued. The Group has taken the decision to use a confidence level technique to estimate the risk adjustment. 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.

11. INSURANCE CONTRACT LIABILITIES (CONTINUED)

In determining the approaches in setting the LFIC and the onerous contracts' loss component of LFRC risk adjustments for its health insurance business, the Group considers alignment to the profitability target in its Pricing Philosophy and its Internal Capital Adequacy Assessment Process. While technical pricing/premium setting is based on a decision made at that particular time and driven by market forces and strategic business decision, risk adjustment at each reporting date should be based on currently available information. The confidence levels of the LFIC and LFRC risk adjustments can differ, as they should be a reflection of the compensation that the Group requires for bearing the uncertainty about the amount and timing of cash flows that arise from non-financial risk. The Group has estimated the risk adjustment using a confidence level (probability of sufficiency) approach at the 75th percentile for LFIC (2024: 75th percentile) and 75th percentile for LFRC (2024: 73rd percentile).

(a) The breakdown of groups of insurance contracts liabilities is set out in the table below:

	CONSOLIDATED		PARENT	
	2025 \$000	2024 \$000	2025 \$000	2024 \$000
<i>Insurance contract liabilities</i>				
Health insurance	730,294	686,287	730,294	686,287
Life insurance	10,222	8,181	-	-
TOTAL INSURANCE CONTRACT LIABILITIES	740,516	694,468	730,294	686,287

(b) Roll-forward of insurance contract liabilities showing the liability for remaining coverage and the liability for incurred claims for health insurance contracts is disclosed in the table below:

	2025				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		TOTAL
	EXCLUDING LOSS COMPONENT \$000	LOSS COMPONENT \$000	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS \$000	RISK ADJUSTMENT \$000	\$000
CONSOLIDATED - HEALTH INSURANCE	\$000	\$000	\$000	\$000	\$000
INSURANCE CONTRACT LIABILITIES AS AT 1 JULY	260,450	-	410,685	15,152	686,287
Changes in the Statement of Comprehensive Income					
Insurance revenue	(4,136,931)	-	-	-	(4,136,931)
<i>Insurance service expenses:</i>					
Incurred claims and other expenses	-	-	4,164,179	-	4,164,179
Losses on onerous contracts and reversals of those losses	-	5,896	-	-	5,896
Movement in insurance contract liabilities for incurred claims	-	-	(10,772)	(3,827)	(14,599)
Total insurance service expenses	-	5,896	4,153,407	(3,827)	4,155,476
Insurance service result	(4,136,931)	5,896	4,153,407	(3,827)	18,545
Total changes in the statement of comprehensive income	(4,136,931)	5,896	4,153,407	(3,827)	18,545
Cash flow movements					
Premiums received	4,189,640	-	-	-	4,189,640
Payments for claims and other expenses	-	-	(4,164,178)	-	(4,164,178)
Total cash flow movements	4,189,640	-	(4,164,178)	-	25,462
INSURANCE CONTRACT LIABILITIES AS AT 30 JUNE	313,159	5,896	399,914	11,325	730,294

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

11. INSURANCE CONTRACT LIABILITIES (CONTINUED)

	2024				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		TOTAL
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	
CONSOLIDATED - HEALTH INSURANCE	\$000	\$000	\$000	\$000	\$000
INSURANCE CONTRACT LIABILITIES AT 1 JULY	238,095	2,986	353,371	14,297	608,749
Changes in the Statement of Comprehensive Income					
Insurance revenue	(3,913,189)	-	-	-	(3,913,189)
Insurance service expenses:					
▪ Incurred claims and other expenses	-	-	3,916,891	-	3,916,891
▪ Losses on onerous contracts and reversals of those losses	-	(2,986)	-	-	(2,986)
▪ Movement in insurance contract liabilities for incurred claims	-	-	57,314	855	58,169
Total insurance service expenses	-	(2,986)	3,974,205	855	3,972,074
Insurance service result	(3,913,189)	(2,986)	3,974,205	855	58,885
Total changes in the Statement of Comprehensive Income	(3,913,189)	(2,986)	3,974,205	855	58,885
Cash flow movements					
Premiums received	3,935,544	-	-	-	3,935,544
Payments for claims and other expenses	-	-	(3,916,891)	-	(3,916,891)
Total cash flow movements	3,935,544	-	(3,916,891)	-	18,653
INSURANCE CONTRACT LIABILITIES AS AT 30 JUNE	260,450	-	410,685	15,152	686,287

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

12. PROVISIONS

	NOTE	CONSOLIDATED		PARENT	
		2025 \$000	2024 \$000	2025 \$000	2024 \$000
Employee entitlements	13	35,621	30,948	34,701	30,212
Makegood on leased premises		5,656	5,051	5,656	5,051
Member giveback provision		560	635	560	635
TOTAL PROVISIONS		41,837	36,634	40,917	35,898
Expected to be paid in the next 12 months		21,176	19,322	20,773	19,006
Reconciliation of provisions:					
Employee entitlements					
Balance at start of the year		30,948	28,607	30,212	27,869
Provision increase		17,977	15,673	17,450	15,367
Payments		(13,304)	(13,332)	(12,961)	(13,024)
Balance at end of the year		35,621	30,948	34,701	30,212
Makegood on leased premises					
Balance at start of the year		5,051	4,894	5,051	4,894
Provision increase		728	157	728	157
Payments		(123)	-	(123)	-
Balance at end of the year		5,656	5,051	5,656	5,051
Member giveback					
Balance at start of the year		635	176,459	635	176,459
Provision increase		-	715	-	715
Payments		(75)	(176,539)	(75)	(176,539)
Balance at end of the year		560	635	560	635
TOTAL BALANCE AT END OF THE YEAR		41,837	36,634	40,917	35,898

12. PROVISIONS (CONTINUED)

Recognition and measurement

Provisions are recognised when:

- the Group has a present obligation (legal or constructive) as a result of a past event;
- it is probable that resources will be expended to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Employee entitlements

Provisions for employee entitlements includes annual leave and long service leave which are not expected to be settled wholly within 12 months after the end of the period. The provisions are measured at the present value of expected future payments, taking into account expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period using corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Makegood on leased premises

In accordance with certain lease agreements, the Group is obligated to restore leased premises to their original condition at the end of the lease term. Due to the long-term nature of the liability, there is uncertainty in estimating the ultimate amount of these costs. The provision has been discounted to take into account the time value of money throughout the remaining term of the lease.

Member giveback provision

Member giveback provision relates to permanent claims savings due to the COVID-19 restrictions that HCF has committed to return to its members. The Group's estimated permanent savings not yet returned to members has been estimated as the difference between missing claims less catch-up claim less amounts already returned to members via premium rate deferrals, cash/giftcard giveback and involuntary unemployment assistance.

The provision has been recognised within the Statement of Comprehensive Income and is expected to be utilised via a cash giveback payable within the next 12 months to eligible policyholders that have an active private health insurance policy (excluding Ambulance Only and Overseas Visitor Health Cover) at 30 June 2023 and have been a member for at least 6 months prior to this date.

As the COVID-19 pandemic evolved, HCF formally communicated to members that any permanent claim savings would be returned to members which created a present obligation as a result of a past event as required by AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

13. EMPLOYEE ENTITLEMENTS AND SUPERANNUATION COMMITMENTS

	NOTE	CONSOLIDATED		PARENT	
		2025 \$'000	2024 \$'000	2025 \$'000	2024 \$'000
Aggregate employee entitlements are comprised of accrued wages, salaries and oncosts and provisions:					
Annual leave		18,141	15,896	17,658	15,490
Long service leave		17,480	15,052	17,043	14,722
TOTAL EMPLOYEE ENTITLEMENTS	12	35,621	30,948	34,701	30,212
Employee entitlements expected to be paid in the next 12 months		19,169	17,180	18,766	16,864

Recognition and measurement

Annual leave and long service leave

The liability for annual leave and long service leave is recognised in the provision for employee benefits. It is measured as the present value of expected future payments for the services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date using corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Key estimate:

Management judgement is required in determining the following key assumptions used in the calculation of long service leave at balance date:

- future increases in salaries and wages;
- future on-cost rates; and
- experience of employee departures and period of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The Group expects the liability for annual leave to be settled within 12 months of each reporting date.

Superannuation commitments

Contributions by companies in the Group are made at a rate sufficient to meet the entity's superannuation guarantee obligations (11.0% of salary for the period ended 30 June 2024 and increased to 11.5% from 1 July 2024) or at such higher rate as agreed between the employee, Directors and the Group.

The Group makes contributions to complying superannuation funds as requested by employees and Directors, to meet the requirements of the superannuation guarantee legislation. The Group has no further obligations relating to superannuation commitments.

14. ASSETS HELD FOR SALE

In accordance with AASB 5 *Non-Current Assets Held for Sale and Discontinued Operations*, in 2024 the St Leonards property was transferred from property, plant and equipment and investment property to assets held for sale.

	2025 \$000	2024 \$000
Assets		
Commercial property ¹	42,314	42,718
Assets held for sale	42,314	42,718
Net assets held for sale	42,314	42,718

1. Commercial property includes \$42.3 million investment property (2024: \$7.4 million owner-occupied property, plant and equipment and \$35.3 million investment property).

Recognition and measurement

Commercial property

This relates to the St Leonards property, which was revalued at 30 June 2025 at fair value less costs to sell. While independent valuations were previously conducted in 2024 by Colliers International Valuation and Advisory Services Pty Limited, the 2025 fair value was based on a purchase offer, as the sale of the property was in its final stages of completion as at 30 June 2025. Gains or losses arising from changes in the fair value of commercial properties are recognised in the Statement of Comprehensive Income in the year in which they arise.

15. FINANCIAL RISK MANAGEMENT

The Group's financial condition and operating activities are affected by a number of material financial risks including interest rate risk, currency risk, credit risk, market risk, liquidity risk, and other material risks including strategic risk, insurance risk, compliance risk, operational risk, cyber and systems risk. The consolidated entity has implemented a group-wide risk management framework, risk appetite statement and risk management strategy to manage and mitigate the material risks.

The Group's risk management framework is applied across the Group's operations including for financial and non-financial risks.

The Chief Financial Officer is assisted by the following functions and activities:

Investment Policies – which establish policies, tolerances, controls and processes in connection with financial risk, including investment risk, credit risk, currency risk, foreign exchange risk and capital management.

Actuarial – a separate dedicated technical department in the private health insurance business which analyses claims to monitor the appropriateness of the premium rates. Advice is further sought from the external Appointed Actuary.

Internal Audit – provides independent assurance to the Board Audit and Finance Committee over the design and operational effectiveness of the risk management framework (RMF), compliance and governance processes and key controls over HCF's material risks.

1. Board and Chief Risk Officer Risk Management Responsibilities

HCF's Board of Directors determines the Group's overall risk appetite and approves the risk management framework, strategies and policies that ensure risks are identified and managed within the context of the Board approved risk appetite.

The Board has established the following Committees which are an integral part of HCF's overall risk governance and support the Board's oversight of the organisational risk management:

- Audit & Finance Committee;
- Risk, Compliance & Sustainability Committee;
- People, Culture and Remuneration Committee;
- Nomination Committee; and
- Investment Committee.

These Board Committees comprise only Non-Executive Directors.

The Group has a Chief Risk Officer (CRO) who reports directly to the Chief Executive Officer and Managing Director (CEO & MD) and is part of the Executive Team as well as having unfettered access to the Board. The Risk, Legal & Compliance team reports to the CRO and oversees embedded risk processes that identify, measure, evaluate, monitor and report material risks across the Group and provides appropriate enterprise level reporting to the Board and relevant Committees.

The CRO is also responsible for assisting the Board, Board Committees and the Senior Leadership develop and maintain all aspects of the risk management and compliance frameworks. This includes responsibility for overseeing the performance of compliance activities and risk mitigation strategies. This enables the business to meet their regulatory and legal compliance obligations in accordance with HCF Group compliance policies.

2. Insurance risk – health insurance activities

The Group's health insurance activities primarily include prudent pricing, together with claims management and investment management. Because of the specific requirements of health insurance community rating, risks must be accepted at a standard premium rate that is not individually risk rated. The premium rates that are proposed are subject to approval by the Minister for Health and must ensure the financial viability of the health fund.

While the Group has the ability to determine rates and benefits payable within certain guidelines, there is limited ability to price risk. This includes the impact of the Risk Equalisation Scheme which is a government mandated policy which allocates a percentage of all payments to policyholders based upon age cohorts, to be paid or received by all health funds in proportion to their overall membership. The aim of the Scheme is to reduce the insurance risk associated with having older policyholders with potentially increasing health issues.

The key policies in place to mitigate risks in health insurance include:

- operation of the Risk Equalisation Special Account;
- the use of Actuarial models based on historical data to calculate premiums;
- monitoring of fund rules and changes as appropriate;
- industry policies and APRA requirements; and
- oversight of insurance risk by a Product & Pricing Management Committee.

Concentration of insurance risk

There is concentration of risks in the areas where the business has a higher than average membership, relative to the private health insurance industry. Due to the Community Rating Principle, the business is unable to set different prices based on an individual's age or to reflect their previous claims history. As such the business is unable to directly mitigate these concentrations of insurance risks.

Sensitivities

The liability for incurred claims is sensitive to the key assumptions in the table on the following page. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following sensitivity analysis shows the impact on profit before tax and equity for reasonably possible movements in the key assumptions with all other assumptions held constant. The correlation of assumptions will have a significant effect in determining the ultimate impacts, but to demonstrate the impact due to changes in each assumption, assumptions have been changed on an individual basis. It should be noted that movements in these assumptions are non-linear. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

		30 JUNE 2025		30 JUNE 2024	
CONSOLIDATED	CHANGE IN ASSUMPTIONS	IMPACT ON PRE TAX PROFIT	IMPACT ON EQUITY	IMPACT ON PRE TAX PROFIT	IMPACT ON EQUITY
		\$000	\$000	\$000	\$000
Expected loss	+10%	(248,964)	(248,940)	(280,455)	(280,433)
Expected loss	-10%	208,870	208,846	155,508	155,486

3. Capital risk

The Group and parent entity’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern, in order to continue to provide benefits for stakeholders, and to maintain an optimal capital structure.

4. Solvency and capital standards

Each health benefits fund needs to satisfy APRA Prudential Standards HPS 110 (Capital Adequacy) under the Private Health Insurance (Prudential Supervision) Act 2015.

In brief, the intention of the capital standard is to ensure that each health benefits fund of a private health insurer has sufficient, appropriate assets available to be able to demonstrate that it will be able to meet future policyholder and creditor obligations under a range of adverse experience outcomes.

As part of liquidity management to manage its liquidity risk, the Parent holds cash amounts at levels defined in the HCF Liquidity Management Policy.

In compliance with APRA HPS 110 Capital Adequacy requirements that became effective on 1 July 2023, in order to improve the understanding of its capital adequacy position, HCF publishes the following information in regards to its health benefits fund. HCF does not have a general fund in relation to its private health insurance.

Health Benefits Fund	2025 \$000	2024 \$000
Amount of Common Equity Tier 1 Capital	2,336,195	2,128,692
Aggregate amount of regulatory adjustments applied in the calculation of Common Equity Tier 1 Capital	106,952	108,041
Amount of Additional Tier 1 Capital	-	-
Aggregate amount of regulatory adjustments applied in the calculation of Additional Tier 1 Capital	-	-
Amount of Tier 2 Capital	-	-
Aggregate amount of regulatory adjustments applied in the calculation of Tier 2 Capital	-	-
Total capital base	2,336,195	2,128,692
Prescribed capital amount	929,444	831,279
Capital adequacy multiple	2.51	2.56

Health Benefits Fund	2025 \$000	2024 \$000
Amount of net assets, after applying any regulatory adjustments	2,336,195	2,128,692
Aggregate amount of regulatory adjustments applied to the fund’s net assets	106,952	108,041
Amount of Tier 2 Capital held by the fund	-	-
Aggregate amount of regulatory adjustments applied in the calculation of the fund’s Tier 2 Capital	-	-
Total capital base of the fund	2,336,195	2,128,692
Fund’s prescribed capital amount	929,444	831,279
Capital adequacy multiple of the fund	2.51	2.56

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

Health Benefits Fund	2025 \$000	2024 \$000
COMPONENTS OF PRESCRIBED CAPITAL AMOUNT		
Insurance Risk Charge	491,665	488,123
Asset Risk Charge	597,976	484,009
Asset Concentration Risk Charge	-	-
Operational Risk Charge	82,738	78,264
Aggregation benefit	(242,935)	(219,117)
Tax benefits	-	-
Prescribed capital amount	929,444	831,279

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Parent fully met both its capital and solvency requirements at all times over the past 12 months.

For HCF Life, the capital requirement in each statutory fund is calculated in accordance with the capital standard LPS 110 Capital Adequacy, issued by the Australian Prudential Regulation Authority.

LPS 100 Solvency Standard requires HCF Life to satisfy the requirements of this Prudential Standard if the capital base of the fund exceeds 90 per cent of the fund’s prescribed capital amount. Investments held in the life statutory funds can only be used in accordance with the relevant regulatory restrictions imposed under the Life Act and associated rules and regulations. The main restrictions are that the assets in a life statutory fund can only be used to meet the liabilities and expenses of that life statutory fund, to acquire investments to further the business of the life statutory fund or as distributions provided solvency, capital adequacy and other regulatory requirements are met.

5. Financial risk

The Group’s financial instruments consist mainly of investments in unit trusts, deposits with banks, short-term investments, accounts receivable and payable. The investment in the unit trusts include exposure to both international and domestic equity (both hedged and unhedged) markets.

As the Group issues insurance contracts in the normal course of business, insurance contracts can also transfer financial risks with exposure to the insurance contract liabilities, through exposure to various payment obligations as well as receivable amounts included within its insurance contract liabilities. The Group does not consider the financial risks for both its health insurance and life insurance contract liabilities to be material.

Senior executives and the Board meet on a regular basis and evaluate management strategies in the context of the most recent economic conditions.

The objective is to assist the Group in meeting its financial target while protecting future financial security. The Group is exposed to various forms of financial risks.

This section provides an explanation of where the Group is affected by financial risks.

a) Liquidity risk

The Group is exposed to daily calls on its available cash resources for claims and maturing policies. Liquidity risk is the risk that payment of obligations may not be met in a timely manner at a reasonable cost. Investments are managed to ensure that sufficient funds are available to meet liabilities as and when they fall due.

The table on the next page summarises the maturity profile of financial liabilities of the Group based on the remaining undiscounted contractual obligations, except for insurance and reinsurance contract liabilities when maturity profiles are determined on the discounted estimated timing of net cash outflows.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

CONSOLIDATED	1 YEAR OR LESS \$000	1 YEAR TO 5 YEARS \$000	OVER 5 YEARS \$000	TOTAL \$000
As at 30 June 2025				
Trade creditors and other payables	69,531	-	-	69,531
Lease liabilities	13,475	24,882	2,561	40,918
Insurance contract liabilities ¹	422,450	-	-	422,450
Reinsurance contract liabilities	305	-	-	305
Total undiscounted liabilities	505,761	24,882	2,561	533,204
As at 30 June 2024				
Trade creditors and other payables	53,801	-	-	53,801
Lease liabilities	12,259	26,113	6,713	45,085
Insurance contract liabilities	435,591	-	-	435,591
Reinsurance contract liabilities	325	-	-	325
Total undiscounted liabilities	501,976	26,113	6,713	534,802

1. Within Insurance Contract Liabilities, only Liabilities for Incurred Claims have exposure to liquidity risk.

PARENT	1 YEAR OR LESS \$000	1 YEAR TO 5 YEARS \$000	OVER 5 YEARS \$000	TOTAL \$000
As at 30 June 2025				
Trade creditors and other payables	65,907	-	-	65,907
Lease liabilities	13,475	24,882	2,561	40,918
Insurance contract liabilities	411,239	-	-	411,239
Total undiscounted liabilities	490,621	24,882	2,561	518,064
As at 30 June 2024				
Trade creditors and other payables	50,924	-	-	50,924
Lease liabilities	12,259	26,113	6,713	45,085
Insurance contract liabilities	425,837	-	-	425,837
Total undiscounted liabilities	489,020	26,113	6,713	521,846

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

b) Credit risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and investments backing insurance liabilities. The Group's exposure to credit risk arises from potential default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group regularly monitors its premiums in arrears and trade and other receivables, and determined that its exposure to credit risk is not significant. The credit risk in respect to premiums in arrears will only persist during the grace period of 63 days as specified in the Fund Rules, after which the policy may be terminated. The Group is not exposed to claims while a membership is in arrears. Trade and other receivables are monitored regularly and escalated when they fall outside of the terms.

Credit risk exposures are calculated regularly and compared to authorised credit limits before further transactions are undertaken with each counterparty. This combined with the nature of the credit exposures to highly liquid assets (cash and cash equivalents) and investment grade instruments, the Group does not require collateral or other security to support credit risk exposure.

Credit risk exposure

With regard to the Group's investment in the unlisted unit trusts, the controls imposed in managing the underlying credit risk exposures contained therein are set and controlled by our investment manager JANA Investment Advisers Pty Limited under its multi-manager platform. These controls include setting and monitoring minimum and average credit ratings and maximum exposures to individual counterparties and fund managers. There is no significant concentration of credit risk within the Group and financial instruments are spread amongst a number of financial institutions and fund managers to minimise the risk of default by counterparties.

With regard to credit risk exposures by counterparties to underlying derivative contracts, the controls imposed are contained within the Risk Management Strategy.

For the remaining investments there are no significant concentrations of risk within the Group with the investments amongst a number of banks and financial institutions with independent ratings between AAA-BBB. Maximum holdings of investments within the ratings are stipulated in the investment strategy and are reviewed before renewing or placing additional investments.

(i) Credit exposure by type

	CONSOLIDATED		PARENT	
	2025 \$000	2024 \$000	2025 \$000	2024 \$000
Financial assets at fair value through profit or loss	1,702,183	1,573,575	1,702,183	1,573,575
	1,702,183	1,573,575	1,702,183	1,573,575

This does not include equity investments as they do not have credit exposure.

There are no material amounts of collateral held as security for both years presented.

There are no amounts past due but not impaired.

(ii) Credit exposure by credit rating

	CONSOLIDATED		PARENT	
	2025 \$000	2024 \$000	2025 \$000	2024 \$000
Cash and cash equivalents				
A series rating	36,287	84,072	23,738	72,817
	36,287	84,072	23,738	72,817
Financial assets at fair value through profit or loss				
A series rating	1,427,647	1,326,292	1,427,647	1,326,292
B series rating	189,189	164,209	189,189	164,209
Unrated	85,347	83,074	85,347	83,074
	1,702,183	1,573,575	1,702,183	1,573,575
Trade receivables and other assets				
Unrated	29,116	27,846	31,877	32,220
	29,116	27,846	31,877	32,220

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

6. Market risk

The Group takes on exposure to market risks including currency risk, fair value interest risk and price risk. Market risks arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements. The market risks that the Group primarily faces are equity risk and interest rate risk, due to the nature of its investments.

With respect to insurance and investment contracts where the Group incurs market risk primarily in the form of interest rate risk, the risk is managed through asset/liability management strategies that seek to match the interest rate sensitivity of the assets to that of the underlying liabilities.

The overall objective in these strategies is to limit the net change in the value of assets and liabilities arising from interest rate movements. While it is more difficult to measure the interest sensitivity of insurance liabilities than that of the related assets, to the extent that it is possible to measure such sensitivities, the Group believes that interest rate movements will generate asset value changes that substantially offset changes in the value of the liabilities relating to the underlying insurance and investment contracts.

Equity price risk is the risk that the fair value of equities will decrease as a result of changes in levels of equity indices and the value of individual stocks. The Group holds the majority of its equities indirectly through its investment in unlisted unit trusts.

The investment policy stipulates the limit of any individual stock in the equity portfolio while asset concentration risks are managed according to the investment objective. For all the assets that are not sensitive to interest rate or market risk, the Group has developed investment guidelines to manage the Group's exposure to equity risk primarily by seeking to match the risk profile of equity investments against risk-adjusted equity market benchmarks.

The Group measures benchmark risk levels in terms of price volatility in relation to the market in general. For the assets, the key objective is to ensure that the returns are adequate and the returns are delivered maintaining a sufficient level of liquid assets to fund unexpected cash outflows arising from insurance claims payments. The liquidity risk section below deals with this aspect of the Group risk management in greater detail. Investment activity for the Group is undertaken in accordance with an investment mandate established by the Board of Directors. The mandate stipulates the investment allocation mix, the match of investment assets and liabilities and the use of derivatives.

a) Interest rate risk

The Group is exposed to interest rate risk through its financial assets held. The Group has no exposure to interest rate risk in respect of assets or liabilities for incurred claims, as the cash flows are expected to be settled within a year from when claims are incurred.

The Group strikes a balance mitigating the most significant exposure to interest rate risk while maximising the return to participating policyholders by allowing some flexibility to those who manage the investment of the assets. A number of derivatives may be held to enable the matching of assets and liabilities to further mitigate exposure to interest rate movements.

Although this natural hedging is not reflected in the accounting policies adopted or in the presentation of the results and Statement of Financial Position included in these financial statements, it does mitigate the Group's exposure to such risk. These matching procedures are not 100% effective.

At the balance date, the Group's exposure to interest rate sensitivities are as follows:

	CONSOLIDATED		PARENT	
	2025 \$000	2024 \$000	2025 \$000	2024 \$000
Cash and cash equivalents	36,287	84,072	23,738	72,817
Financial assets at fair value through profit or loss – fixed income	1,722,072	1,584,537	1,677,211	1,544,881
	1,758,359	1,668,609	1,700,949	1,617,698

Interest rate sensitivity analysis

The following table demonstrates the impact of a change in Australian and International interest rates, with all other variables held constant, on the Group's profit and equity. Management has estimated that a reasonable range this year is a 100 basis point change (2024: 100 basis points) that occurs at the reporting date (30 June 2025 and 2024) and there are concurrent movements in interest rates and parallel shifts in yield curves.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

	30 JUNE 2025	30 JUNE 2024
	IMPACT ON POST TAX PROFIT	IMPACT ON POST TAX PROFIT
	\$000	\$000
Change in variable		
+100 basis points (2024: +100 basis points)	18,226	17,025
-100 basis points (2024: +100 basis points)	(18,226)	(17,025)

The impact of change in interest rates on the Group's equity is the same as the impact on its post-tax profit.

b) Equity movement sensitivity analysis

At the balance date, the Group had the following financial assets exposed to equity risk:

	2025 \$000	2024 \$000
Financial assets at fair value through profit or loss – Australian equities	397,371	349,694
Financial assets at fair value through profit or loss – International equities	750,626	617,765
	1,147,997	967,459

The analysis below demonstrates the impact of a 10% movement in Australian and International equities. A 10% movement (2024: 10% movement) in Australian and International equities that occurs at the reporting date (30 June 2025 and 2024) has continued to have been applied as it still reflects a reasonable measurement given the current level of volatility observed. This analysis was performed to assess the risk of holding investments linked to equity instruments. It is assumed any change occurs as at the reporting date.

	30 JUNE 2025	30 JUNE 2024
	IMPACT ON POST TAX PROFIT	IMPACT ON POST TAX PROFIT
	\$000	\$000
Change in variable		
10% increase in Australian equities	39,082	34,359
10% increase in International equities	74,402	61,153
10% decrease in Australian equities	(39,082)	(34,359)
10% decrease in International equities	(74,402)	(61,153)

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

c) Currency risk

The Group has direct exposure to foreign currencies via its investment in an unlisted foreign trust.

The Group also has indirect exposure to foreign currencies via its investment in unlisted unit trusts as a result of the unit trust’s holding international equities. The currency movement in underlying international equities is dealt with in price risk.

In certain instances, the unit trusts choose to hedge these exposures using spot foreign exchange contracts to hedge the value of the underlying assets. The objective is to eliminate currency movements on the underlying assets from the performance of the fund. The associated costs and marked to market effect of the spot foreign exchange contracts are reflected in the unit price adopted valuation of assets and measurement of profit or loss.

The investment is carried at fair value with gains and losses through profit or loss.

At the balance date, the Group had the following financial assets exposed to currency risk:

	CONSOLIDATED	
	2025 \$000	2024 \$000
Holdings in unlisted foreign trust	28,822	36,039
Short-term deposits	843	4,846
	29,665	40,885

A 10% movement in foreign currencies (2024: 10% movement) that occurs at the reporting date (30 June 2025 and 2024) has continued to have been applied as it still reflects a reasonable measurement given the current level of volatility observed. At 30 June 2025, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and other comprehensive income would have been affected as follows:

	30 JUNE 2025	30 JUNE 2024
	IMPACT ON POST TAX PROFIT	IMPACT ON POST TAX PROFIT
	\$000	\$000
AUD to US Dollar +10%	(2,697)	(3,717)
AUD to US Dollar -10%	3,296	4,543

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

7. Derivatives and hedging activities

The Group via its investment in the unit trusts, can have exposure to derivatives if authorised by investment guidelines of underlying investment manager agreements, information memorandums or product disclosure statements.

There are guidelines regarding the use of derivatives in the unit trusts in which the Group invests, which are monitored by the Responsible Entity of the unit trusts, Channel Investment Management Limited. Generally, these guidelines cover among other things, liquidity requirements, limits on investment managers’ gross exposure and counterparty risk. The unit trusts can invest in derivatives to:

- reduce risk;
- reduce transaction costs;
- take advantage of opportunities to increase returns; and
- create leverage or to create short exposures.

While the use of derivatives is allowed, it is the Group’s policy that, unless indicated otherwise, derivatives will not be used to:

- increase the level of market risk beyond that required to meet the unit trusts’ objectives;
- create net leverage. Net leverage is where a unit trust’s exposure to the return on a market is greater than that which could be achieved by investing in that market without using derivatives or borrowed funds; and
- create an uncovered short exposure to an asset or market, that is, a short exposure without an offsetting long exposure considered a reasonable hedge for that asset or market.

Derivatives will not be used in a way that is contrary to regulatory requirements.

Fair values

a) Fair value hierarchy

The table below separates financial assets, financial liabilities and property on a hierarchy that reflects the significance of the inputs used in the determination of fair value. The fair value hierarchy has the following levels:

Level 1 – quoted prices

Quoted prices (unadjusted) in active markets for identical assets and liabilities are used.

Level 2 – other observable inputs

Inputs that are observable (other than Level 1 quoted prices) for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) are used.

Level 3 – unobservable inputs

Inputs for the asset or liability that are not based on observable market data (unobservable inputs are used). There were no transfers between the levels during the reporting period.

Fair value measurement

Level 3 investments mainly consist of non-listed investments in the health and medical industry both in Australia and overseas.

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table provides the fair value measurement hierarchy of the Group's financial assets, financial liabilities and property, other than those with carrying amounts that are reasonable approximations of fair values:

CONSOLIDATED	2025			2024		
	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000
Financial assets at fair value through profit or loss						
▪ Short-term deposits	843	-	-	4,846	-	-
▪ Holdings in unlisted unit trust						
JANA Tailored Trust No.3	-	2,781,341	-	-	2,471,190	-
▪ Holdings in unlisted foreign trust	-	-	28,822	-	-	36,039
▪ Holdings in other direct investments	-	-	24,129	-	-	23,849
Total financial assets at fair value through profit or loss	843	2,781,341	52,951	4,846	2,471,190	59,888
Investments relating to life insurance business						
Holdings in unlisted unit trust - at fair value	-	88,728	-	-	80,805	-
Total investments relating to life insurance business	-	88,728	-	-	80,805	-
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	843	2,870,069	52,951	4,846	2,551,995	59,888
Owner-occupied properties						
▪ Commercial properties	-	-	163,597	-	-	159,308
Assets held for sale						
▪ Commercial property	-	42,314	-	-	-	42,718
Total owner-occupied properties, investment property and assets held for sale	-	42,314	163,597	-	-	202,026
TOTAL ASSETS AT FAIR VALUE	843	2,912,383	216,548	4,846	2,551,995	261,914

PARENT	2025			2024		
	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000	LEVEL 1 \$000	LEVEL 2 \$000	LEVEL 3 \$000
Assets						
Financial assets at fair value through profit or loss						
▪ Short-term deposits	843	-	-	4,846	-	-
▪ Holdings in unlisted unit trust						
JANA Tailored Trust No.3	-	2,781,341	-	-	2,471,190	-
▪ Holdings in unlisted foreign trust	-	-	28,822	-	-	36,039
▪ Holdings in other direct investments	-	-	24,129	-	-	23,849
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	843	2,781,341	52,951	4,846	2,471,190	59,888
Owner-occupied properties						
▪ Commercial properties	-	-	163,597	-	-	159,308
Assets held for sale						
▪ Commercial property	-	34,035	-	-	-	34,528
Total owner-occupied properties, investment property and assets held for sale	-	34,035	163,597	-	-	193,836
TOTAL ASSETS AT FAIR VALUE	843	2,815,376	216,548	4,846	2,471,190	253,724

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

	CONSOLIDATED		PARENT	
	2025 \$000	2024 \$000	2025 \$000	2024 \$000
Reconciliation of Level 3 fair value movements				
Financial assets				
Balance at start of the year	59,888	73,719	59,888	73,719
Purchases	2,110	1,363	2,110	1,363
Redemptions	(5,741)	(9,742)	(5,741)	(9,742)
Net amount of revaluation increments	(3,306)	(5,452)	(3,306)	(5,452)
Balance at end of the year	52,951	59,888	52,951	59,888
Commercial properties				
Balance at start of the year	202,026	262,977	193,836	253,137
Transfer to Level 2	(42,718)	-	(34,528)	-
Depreciation expense	(2,426)	(3,745)	(2,426)	(3,745)
Net amount of revaluation increments	6,715	(57,206)	6,715	(55,556)
Balance at end of the year	163,597	202,026	163,597	193,836
TOTAL LEVEL 3 ASSETS AT FAIR VALUE	216,548	261,914	216,548	253,724

The table below provides the observable and unobservable inputs in determining fair value for property:

CLASS OF PROPERTY	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	2024 RANGE (WEIGHTED AVERAGE) \$000 OR %	2023 RANGE (WEIGHTED AVERAGE) \$000 OR %	INTER-RELATIONSHIP BETWEEN KEY UNOBSERVABLE INPUTS AND FAIR VALUE MEASUREMENT - THE ESTIMATED FAIR VALUE WOULD INCREASE/(DECREASE) IF:	OTHER KEY INFORMATION
COMMERCIAL BUILDINGS (BRANCHES)	Income capitalisation	Estimated rental value (per sqm)	\$0.7-\$5.0 (\$2.9)	\$0.7-\$5.0 (\$2.9)	▪ the price per square metre was higher/(lower)	
		Capitalisation rate	4.50%-7.50% (5.75%)	4.25%-7.25% (5.75%)	▪ the estimated fair value would increase if the capitalisation rate was lower/(higher)	
COMMERCIAL (HCF HOUSE)	DCF	Discount rate	7.00%	7.00%	▪ the discount rate was lower/(higher)	Lettable area 11,777.7 sqm Occupancy 51.30%
		Expected market rental growth	Office: 3.65% Retail: 3.45%	Office: 3.67% Retail: 3.30%	▪ expected market rental growth was higher/(lower)	Lease duration 717 years
		Terminal yield	\$0.07	6.75%	▪ terminal yield was lower/(higher)	Term of cash flow 10.0 years
COMMERCIAL STRATA	DCF	Discount rate	-	8.00%	▪ the discount rate was lower/(higher)	Lettable Area 7,646.7 sqm
		Expected market rental growth	Office: - Retail: -	Office: 3.57% Retail: 2.51%	▪ expected market rental growth was higher/(lower)	Occupancy 17.4% Lease duration 1.54 years
		Terminal yield	-	8.25%	▪ terminal yield was lower/(higher)	Term of cash flow 10.0 years

15. FINANCIAL RISK MANAGEMENT (CONTINUED)

The table below includes descriptions and definitions relating to valuation techniques, unobservable inputs and other assumptions made in determining the fair values:

Income capitalisation method (Commercial buildings)	The Capitalisation of Net Income approach has been undertaken by applying a yield to both the potential fully let passing net income (initial yield) and the potential reversionary net income (reversionary yield). To the value derived, adjustments have been made for any relevant rental reversions including letting up allowances, where applicable, for vacant space, incentives, leasing fees, capital expenditure and other appropriate capital allowances.
Discounted cash flow method ('DCF')	Involves the discounting of the net cash flow on a monthly basis over an assumed cash flow period (i.e. 10 years) at an appropriate cash rate to reflect risk to derive a market value. The net cash flow comprises the cash inflows less the cash outflows over the cash flow period, with the addition of the terminal value in the final cash flow period. Cash flows comprise income from the property adjusted to reflect actual rental income, speculative rental income and rental growth, while cash outflows comprise outgoings adjusted to reflect anticipated inflation, lease incentives and leasing and marketing fees. The terminal value is determined by the capitalisation of the imputed net market income in the month after the final cash flow period with allowances for any relevant capital adjustments.
Estimated rental value ('ERV')	The estimated rental value per square metre at which space could be let in the market conditions prevailing at the date of valuation.
Discount rate	A rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically, it should reflect the opportunity cost of capital (i.e. the rate of return the capital can earn if put to other uses having similar risk). Determined with reference to a 10-year bond and risk margin - also referred to as the required rate of return.
Initial yield (Fully leased)	The initial net income at the date of transaction or valuation expressed as a percentage of the sale price or valuation.
Reversionary yield	The assessed net market income divided by the sum of the sale price or the adopted value plus any capital adjustments to the core value such as letting up allowances, capital expenditure and present value of reversions (to obtain this net market income).
Terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period or property resale value.

Property fair value measurement – valuation process

Valuations are performed on an annual basis by an approved external valuer who is appointed based upon market knowledge, reputation, independence and whether professional standards are maintained. For the current and previous four years, this has been Colliers.

Following consultation with the Company's external valuers, management reviews and accepts whether a property's fair value has been reliably determined and the assumptions and methodologies applied.

The valuations are presented to the Board of Directors for adoption.

Holdings in unlisted foreign trust fair value measurement – valuation process

The fair value of financial assets traded in active markets are based on quoted market prices at the close of trading on the reporting date, with the fair value of the unit trust being based on its unit price.

The fair value of financial assets that are not traded in an active market are estimated using valuation methodologies that consider a range of assumptions a market participant would use, including but not limited to the price at which the investment was acquired, the nature of the investment, local market conditions, trading values on public exchanges for comparable securities, current and projected performance, financial condition and financing transactions subsequent to the acquisition of the investments. The inputs into the determination of fair value require significant judgement. Due to the inherent uncertainty of these estimates, these values may differ from the values that would have been used had a ready market for these investments existed.

16. INVESTMENT IN CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	NOTE	2025 %	2024 %	2025 \$000	2024 \$000
JANA Tailored Trust No.3	Australia	6	100.0	100.0	2,781,341	2,471,190
Other controlled entities						
HCF Life Insurance Company Pty Ltd	Australia		100.0	100.0	26,000	26,000
Manchester Unity Australia Pty Ltd	Australia		100.0	100.0	10,234	10,234
Railway and Transport Health Fund Pty Ltd	Australia		100.0	100.0	-	-
Transport Health Pty Ltd	Australia		100.0	100.0	-	-
					36,234	36,234

Recognition and measurement

Investment in controlled entity – JANA Tailored Trust No.3

HCF's investment portfolios are managed by the appointed investment advisor JANA. The investment assets held in JANA Tailored Trust No.3 ('the Trust') is subject to an investment mandate set by HCF. JANA Tailored Trust No.3 is considered a controlled entity of HCF, as HCF owns 100% of the issued units.

The investment assets held by the Trust is classified as financial assets at fair value through profit or loss, with the fair value of the investment assets reflecting the fund manager's valuation. HCF has valued its investment in JANA at fair value through profit or loss.

Interests in wholly-owned subsidiaries

The parent entity has valued its investment in wholly-owned subsidiaries at cost. Investments in controlled entities are carried at cost less impairment in the Company's accounts. Dividends received from subsidiaries are recognised in the Statement of Comprehensive Income when the right to receive the dividend is established.

The investment in controlled entities will be assessed at each reporting date to determine whether there is any objective evidence that they are impaired. It is considered impaired if objective evidence indicates that one or more events that have occurred since the initial recognition of the asset have had a negative impact on the estimated future cash flows of that asset. All impairment losses are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

17. COMMITMENTS

	2025 \$000	2024 \$000	2025 \$000	2024 \$000
Estimated capital expenditure contracted but not provided for at balance date:				
▪ payable not later than one year after the end of the financial year	12,377	11,531	12,377	11,531
▪ payable after one year but not more than five years after the end of the financial year	23,186	24,215	23,186	24,215
▪ more than five years after the end of the financial year	2,493	6,390	2,493	6,390
TOTAL CAPITAL EXPENDITURE COMMITMENTS	38,056	42,136	38,056	42,136

HCF has a commitment to increase the level of investment in one of its investment trusts by \$8.3 million (2024: \$9.3 million).

18. FUTURE LEASE COMMITMENTS

Leases as lessor

The Group leases out its investment property consisting of its owned commercial properties as well as leased property. All leases are classified as operating leases from a lessor perspective.

The following tables set out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

Operating lease

	CONSOLIDATED		PARENT	
	2025 \$000	2024 \$000	2025 \$000	2024 \$000
Future minimum rentals receivable under non-cancellable operating leases				
No later than one year	3,747	5,972	3,743	5,476
Later than one year and not later than five years	15,673	18,108	15,673	17,115
Later than five years	15	4,122	15	4,122
GROSS OPERATING LEASE RECEIVABLES	19,435	28,202	19,431	26,713

Notes:

- (a) Rental receipts for receivable leases are determined on a lease by lease basis depending on lease terms.
(b) Commitments represent future minimum lease payment expected to be received at the reporting date.

19. CONTINGENT ASSETS AND LIABILITIES

ASIC announced on 12 May 2023 that it has commenced civil proceedings in the Federal Court alleging that three types of insurance policies issued by HCF Life contain unfair contract terms and could mislead the public.

On 28th October 2024, it was announced in Federal Court’s finding that it has ruled in HCF Life’s favour that the pre-existing conditions terms used in its Recover Cover Products are not unfair contract terms.

ASIC is currently appealing this outcome to the Federal Court and as such the outcome remains uncertain.

20. EVENTS AFTER THE REPORTING PERIOD

The sale of St Leonards property in NSW was finalised on 4 July 2025 with no material change to the amount recorded on 30 June 2025.

No matters have occurred after balance sheet date, other than those disclosed, which have significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2025

21. AUDITOR’S REMUNERATION

	CONSOLIDATED		PARENT	
	2025 \$	2024 \$	2025 \$	2024 \$
Fees to Ernst & Young (Australia):				
▪ Fees for auditing the statutory financial report of the Parent covering the Group and auditing the statutory financial reports of any controlled entities	649,033	704,117	426,989	449,456
▪ Fees for assurance services that are required by legislation to be provided by the auditor	412,860	394,106	344,021	326,881
▪ Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements where there is discretion as to whether the service is provided by the auditor or another firm	147,458	435,526	134,500	424,250
▪ Fees for other services – Tax compliance	30,250	40,500	-	-
TOTAL AUDITOR’S REMUNERATION	1,239,601	1,574,248	905,510	1,200,587

The auditor does not receive any other benefit.

22. RELATED PARTY DISCLOSURES

- Details of Key Management Personnel’s retirement benefits and remuneration are set out in Note 23.
- During the past year the Company collected insurance revenue, supplied office space and supporting services and other administrative functions to HCF Life on a cost recovery basis. During the financial year the Company received commissions under normal terms and conditions totalling \$3,735,532 (2024: \$4,864,290) from HCF Life for sales of life insurance policies. The amount receivable by the Company at 30 June 2025 is \$3,134,095 (2024: receivable of \$4,634,836).
- The Company collected rental receipts on behalf of Manchester Unity and supplied supporting services and administrative functions to Manchester Unity on a cost recover basis totalling \$259,645 (2024: \$175,294). The amount payable by the Company at 30 June 2025 is \$78,355 (2024: \$127,587).
- The Company supplied supporting services and administrative functions to HCF Research Foundation totalling \$668,776 (2024: \$737,914). This amount was charged to the HCF Research Foundation on a cost recovery basis. The amount receivable by the Company at 30 June 2025 is \$58,265 (2024: \$55,866).

23. REMUNERATION OF KEY MANAGEMENT PERSONNEL

The key management personnel include:

For The Hospitals Contribution Fund of Australia Ltd

- 9 Non-Executive Directors (2024: 11 Non-Executive Directors)
- 1 Managing Director and 9 Chief Officers (2024: 1 Managing Director and 10 Chief Officers)

For the HCF Life Insurance Company Pty Ltd

- 5 Non-Executive Directors (2024: 6 Non-Executive Directors)
- 1 General Manager (2024: 1 General Manager)

	CONSOLIDATED		PARENT	
	2025 \$	2024 \$	2025 \$	2024 \$
Short-term employee benefits	12,232,263	12,042,250	11,443,996	11,491,103
Post-employment benefits	729,750	720,021	564,701	584,094
	12,962,013	12,762,271	12,008,697	12,075,197

HCF, Manchester Unity, RT Health and Transport Health have a common management team. The amount is paid/payable at the Group level and allocated based on services rendered.

24. NEW ACCOUNTING STANDARDS

a) New and amended accounting standards and interpretations adopted from 1 July 2024

All new and amended Australian Accounting Standards and interpretations mandatory as at 1 July 2024 to the Group have been adopted, and unless otherwise specified, have had no material impact to the financial statements of the Group.

b) Accounting standards and interpretations issued but not yet effective

A number of new accounting standards and amendments have been issued but are not yet effective, none of which have been early adopted by the Group in this financial report. Among these is AASB 18 *Presentation and Disclosure in Financial Statements* ('AASB 18'), with the effective date of annual reporting periods beginning on or after 1 January 2027. Management is still assessing the impact of AASB 18 on the financial report. Other than AASB 18, the new standards and amendments, when applied in future periods, are not expected to have a material impact on the financial statements of the Group.

		BODY CORPORATE COUNTRY OF INCORPORATION	BODY CORPORATE % OF SHARE CAPITAL HELD	COUNTRY OF TAX RESIDENCE
ENTITY NAME	ENTITY TYPE			
The Hospitals Contribution Fund of Australia Ltd	Body corporate	Australia	-	Australia
JANA Tailored Trust No.3	Trust	n/a	n/a	Australia
HCF Life Insurance Company Pty Ltd	Body corporate	Australia	100.0	Australia
Flip Insurance Pty Ltd	Body corporate	Australia	100.0	Australia
Manchester Unity Australia Pty Ltd	Body corporate	Australia	100.0	Australia
Railway and Transport Health Fund Pty Ltd	Body corporate	Australia	100.0	Australia
Transport Health Pty Ltd	Body corporate	Australia	100.0	Australia

DIRECTORS' DECLARATION

The Hospitals Contribution Fund of Australia Ltd and its controlled entities

In accordance with a resolution of the Directors of The Hospitals Contribution Fund of Australia Ltd, I state that:

In the opinion of the Directors:

- (a) the Financial Statements and notes of The Hospitals Contribution Fund of Australia Ltd for the financial year ended 30 June 2025 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 2025 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001;
- (b) the consolidated entity disclosure statement required by section 295(3A) of the Corporations Act is true and correct;
- (c) the Financial Statements and notes also comply with International Financial Reporting Standards; and
- (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board

Handwritten signature of Mark Johnson

M. Johnson
Chair
Sydney
19 September 2025

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Shape the future
with confidence

Independent auditor's report to the members of The Hospitals Contribution Fund of Australia Ltd

Opinion

We have audited the financial report of The Hospitals Contribution Fund of Australia Ltd (the Company) and its subsidiaries (collectively the Group), which comprises:

- ▶ The Group consolidated and Company statements of financial position as at 30 June 2025;
- ▶ The Group consolidated and Company statements of comprehensive income, statements of changes in equity and statements 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 is in accordance with the Corporations Act 2001, including:

- a. Giving a true and fair view of the Company's and the Group's financial position as at 30 June 2025 and of their 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 is the directors' report accompanying the financial report.

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.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



Shape the future
with confidence

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

Responsibilities of the Directors for the Financial Report

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

- ▶ The financial report (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 Company's and 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 Company or 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 Company's or the Group's internal control.

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



Shape the future
with confidence

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

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

Ernst & Young

Ernst & Young

Louise Burns

Louise Burns
Partner
Sydney
19 September 2025

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



ACKNOWLEDGEMENT OF COUNTRY

HCF acknowledges the traditional custodians of the lands and water upon which we work and live.

We acknowledge Aboriginal and Torres Strait Islander peoples' rich history as traditional healers and scientists, who have taken care of the health of the land and its people for thousands of years.

We give thanks to elders past and present, who we have much to learn from on our reconciliation journey.

 hcf.com.au

