We look after our own

Annual Report 2025

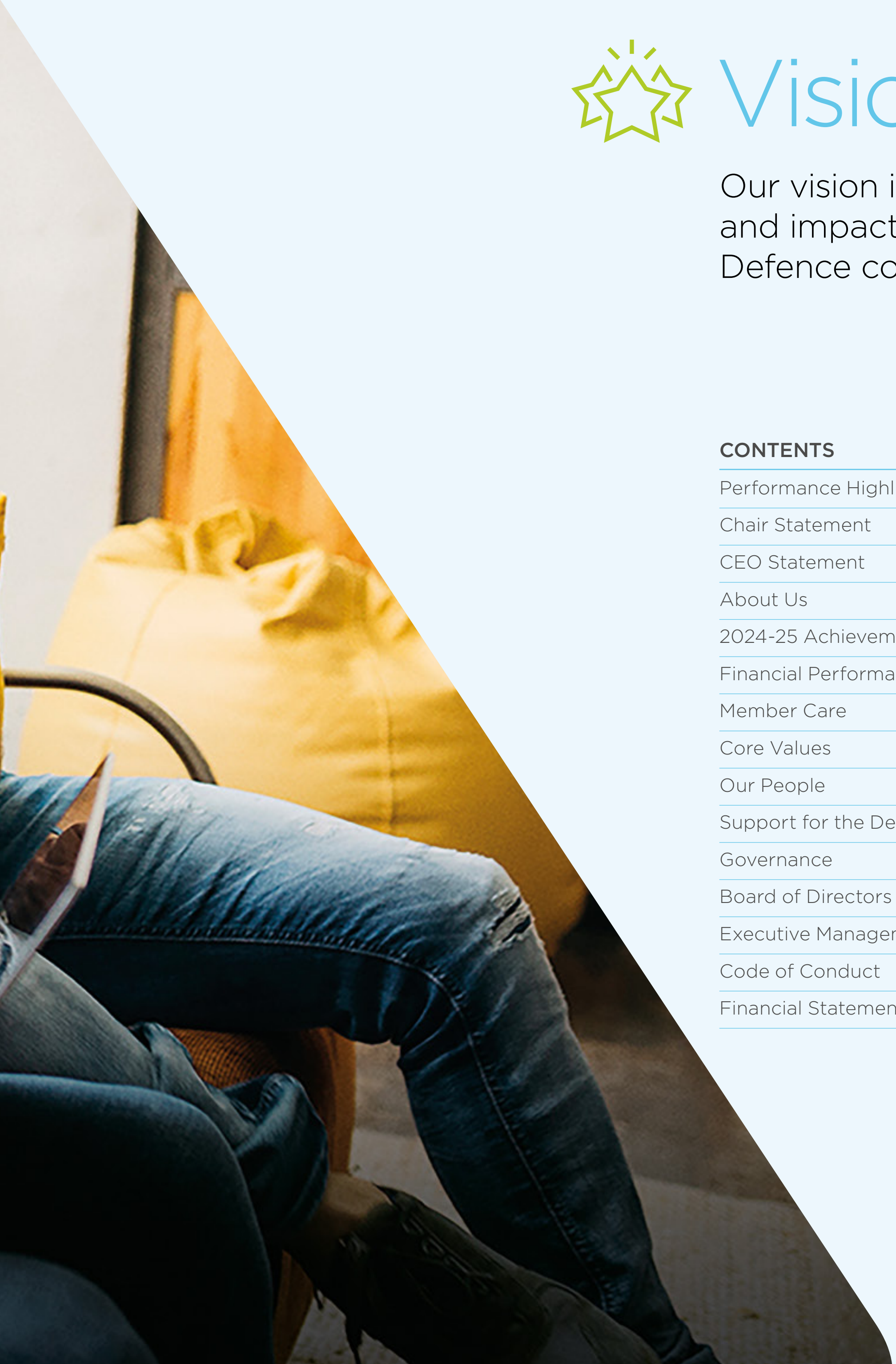
Defence is in our DNA

Purpose

Our purpose is to protect the health of the community who protect our country.

Vision

Our vision is to be the most trusted and impactful health partner in the Defence community.



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Performance Highlights

For the past 72 years, Defence Health has always had the back of the families of those who defend our country. It's an unwavering commitment to our community.

293,263

people covered

(81% for combined hospital and extras, 9% hospital only, 10% extras only).

75.7%
member satisfaction score

23.3
strategic Net Promoter Score*

222,243
calls answered

352,860
snap and send claims assessed

125,068
email enquiries

988,000
dental claims paid

275,000
physiotherapy claims paid

$449m
paid in hospital and medical benefits

* Strategic Net Promoter Score (NPS) measures member advocacy and loyalty. It's captured quarterly through the Voice of the Member survey and reflects how likely members are to recommend Defence Health to others.

"Defence Health is great and has looked after me."

Social media post

$26,950

largest ambulance claim paid

$560,826

largest hospital claim paid

FINANCIAL SNAPSHOT

$'000	2025	2024	Change	Change %
Premium revenue	693,611	672,768	20,843	3.1%
Gross margin	27,948	30,463	(2,515)	-8.3%
Management expenses	(91,462)	(88,691)	2,769	3.1%
Management expense ratio	13.2%	13.2%		
Net margin	9,097	13,780	(4,683)	-34.0%
Investment and other income	63,077	40,554	22,523	55.5%
Other income	1,063	1,303	(240)	-18.4%
Operating surplus	73,237	55,637	17,600	31.6%
Total assets	728,315	674,172	54,143	8.0%
Total liabilities	106,073	125,167	(19,094)	-15.3%
Total capital reserves	622,242	549,005	73,237	13.3%
Number of policies	141,909	144,488	(2,577)	-1.8%
Market share	1.88%	1.97%	-0.36%	

Performance Highlights

(Continued)

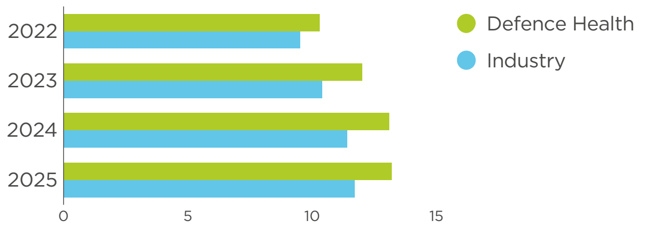
HOW BENEFITS ARE DISTRIBUTED

- Hospital and medical 76%
- Extras 24%

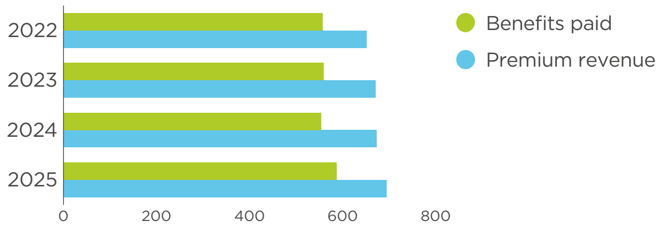
When it comes to benefits paid as a percentage of premiums paid, Defence Health pays more than industry average – **2.8% more!**

- Dental 49%
- Optical 17%
- Physio 8%
- Chiro and osteo 6%
- Ambulance 4%
- Alternative therapies 4%
- Devices 4%
- Pharmacy and vaccinations 4%
- Podiatry 2%
- Psychology 1%
- Other 1%

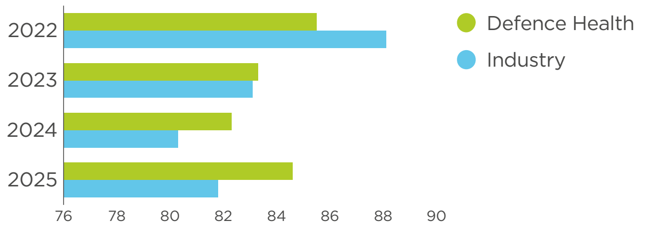
Management expense ratio (%)



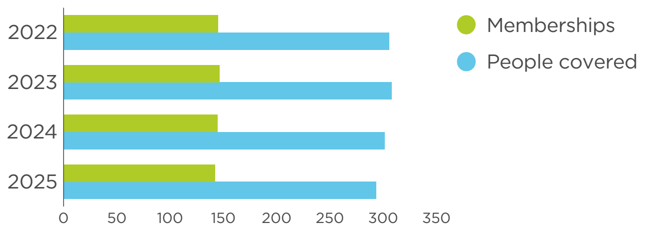
Benefits and premiums ($'m)



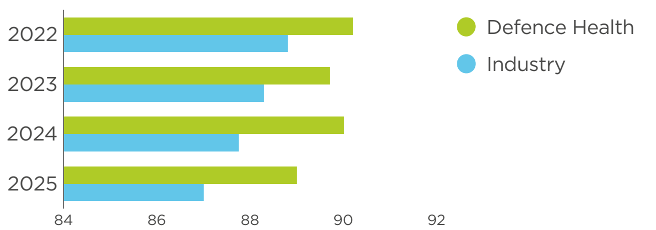
Benefits paid as % of premium (%)



Memberships and people covered ('000)



Hospital related medical expenses fully covered (%)



Chair Statement

At the core of Defence Health is the sense of responsibility we have to promote the health and wellbeing of Australia's veterans and the broader Defence community. That duty of care is deep-seated and goes all the way back to our establishment in 1953.

Originally founded to serve Army families, membership has progressively broadened to include Air Force and Navy families, Reservists, civilians employed in support of Defence and extended family members of our Defence community.

Since the foundation and early stages there have been many changes in how health care is funded and delivered; difficult economic periods; significant technological change; and many competitive issues. Through all these, Defence Health has never lost sight of its purpose – providing our members with affordable access to health care when they need it.

A critical element in doing this is long-term financial sustainability, which in turn drives the strategy to grow our membership and extend our impact on members through new capabilities, partnerships and innovation in health care.

For the year ended 30 June 2025, the fund generated a surplus of $73.2 million, which was substantially driven by unexpectedly strong earnings on the investment portfolio and other income of $64.1 million. Premium revenue increased by 3.1% to $693.6 million and the fund paid $586.6 million in benefits, an increase of 5.9% on the previous year. Operating expenses were $91.5 million.

At 30 June 2025 the fund provided health insurance cover for 293,263 individuals, under 141,909 policies.

Following our support for Legacy Australia's centenary of service in 2023, Defence Health has investigated other opportunities to demonstrate our connection with the Defence community.

On Anzac Day, I was proud to represent the organisation at the Brighton Vasey RSL Care residential aged care home in Melbourne, as part of a continuing support relationship with Vasey. I joined Defence Health employees in supporting the service for residents at the facility.

Benefits paid to members increased

5.9%

Spending time with our ex-serving men and women and their families on Anzac Day was a deeply rewarding experience. It was also a wonderful opportunity for our employees to engage with veterans and give back to the community we serve.

The health landscape is changing and we recognise that as a health fund we must be adaptable in our design of health products and service delivery. The fund's strategic direction, under our new CEO David Brajkovic, has this at the forefront, along with a commitment to develop and invest in life-changing benefits and programs for members.

Finally I want to acknowledge the fund's employees and their dedication and hard work in support of not just our operations but our culture and values. They have been deeply engaged in our wide-ranging technological change project. It has taken substantial effort and challenge to embed and has brought significant benefits for the future. The Board is deeply appreciative of the support and commitment that our staff bring to everything we do.

Robin Burns
Chair

CEO Statement

When I joined Defence Health in November 2024, I was immediately struck by two aspects of the organisation: the strength of the connection our people feel for the Defence community; and the potential the business has to truly make a difference to the health and wellbeing of that community.

It is truly a privilege to be leading a purposeful organisation such as Defence Health.

I'm grateful for the substantive handover from my predecessor, Gerard Fogarty, And I want to acknowledge Gerard's incredible contribution to Defence Health over many years.

I commenced my tenure aware that we still had work to do to fully optimise our capability and experience for members.

That became my immediate priority with the formation of a multi-stream team to address with urgency and precision the obstacles to achieving our full potential.

This was developed through Project Keystone. This project is moving at a velocity that will enable Defence Health to further enhance product and service value for our members in the next financial year and beyond.

I also made it a priority to meet with and listen to a broad range of stakeholders and members within the Defence community and will continue to do so. It's vital that I hear about what is important to our membership and how Defence Health can continue to play a role in supporting not just the insurance needs, but over time also the health and wellbeing needs of the communities we serve.

> Our growing technical capability and the high-performance culture we are fostering makes it an exciting time for members of Defence Health.
>
> David Brajkovic

Highlights

As a not-for-profit fund, we focus on delivering outstanding service and affordable health insurance for members – not profits for shareholders. That's our promise: to protect the health of our community with dependable and fit-for-purpose products and support services.

In July last year we significantly enhanced the affordability of preventative dental care by increasing the number of no-gap dental items covered at our dental network. This included adding the costly bitewing x-rays as an annual no-gap item at a network dentist (on most of our extras). The team has also been working hard to increase the number of dentists participating in our preferred provider dental network.

Late in 2024 we launched a full suite of new hospital products to better meet the needs of ex-serving veterans and Reservists. These products include an ongoing discount for veterans with a White Card and a travel and accommodation benefit for when hospital is a long way from home.

This year Defence Health partnered with Vasey RSL Care in Victoria, an organisation dedicated to veteran support through in-home and residential aged care and veteran housing. In addition to volunteering opportunities for our people, we provided direct funding for transitional accommodation and wraparound support for vulnerable veterans.

Our support of the Vasey V Centre helps make sure that at least one veteran who is doing it tough will have a safe space to live and the care they need to get back on track. This charitable support further demonstrates our commitment to our community.

Strategic direction

The number of privately insured Australians is growing, with more than 15 million people (or 54.9% of the population) now holding some form of private health insurance.

Our strategic direction must involve strengthening our proposition and achieving a greater share of the industry growth. That includes reaching more people who are eligible to join Defence Health; offering greater value and flexibility to meet our members' evolving needs; and empowering our people to deliver truly exceptional service and connection with the Defence community.

Our growing technical capability and the high-performance culture we are fostering makes it an exciting time for members of Defence Health.

Thank you

I'd like to thank our members for continuing to support Defence Health.

I'd also like to thank our entire Defence Health team for their adaptability and resilience over the last two years and the commitment they bring to their roles each day. Their advocacy for the experience of our members is admirable.

Our people have shown resilience and professionalism through recent leadership transitions, maintaining a strong member-first culture. This strength is reflected in the growing trust and satisfaction we are seeing from members.

D. Brajkovic

David Brajkovic
Chief Executive Officer

About Us

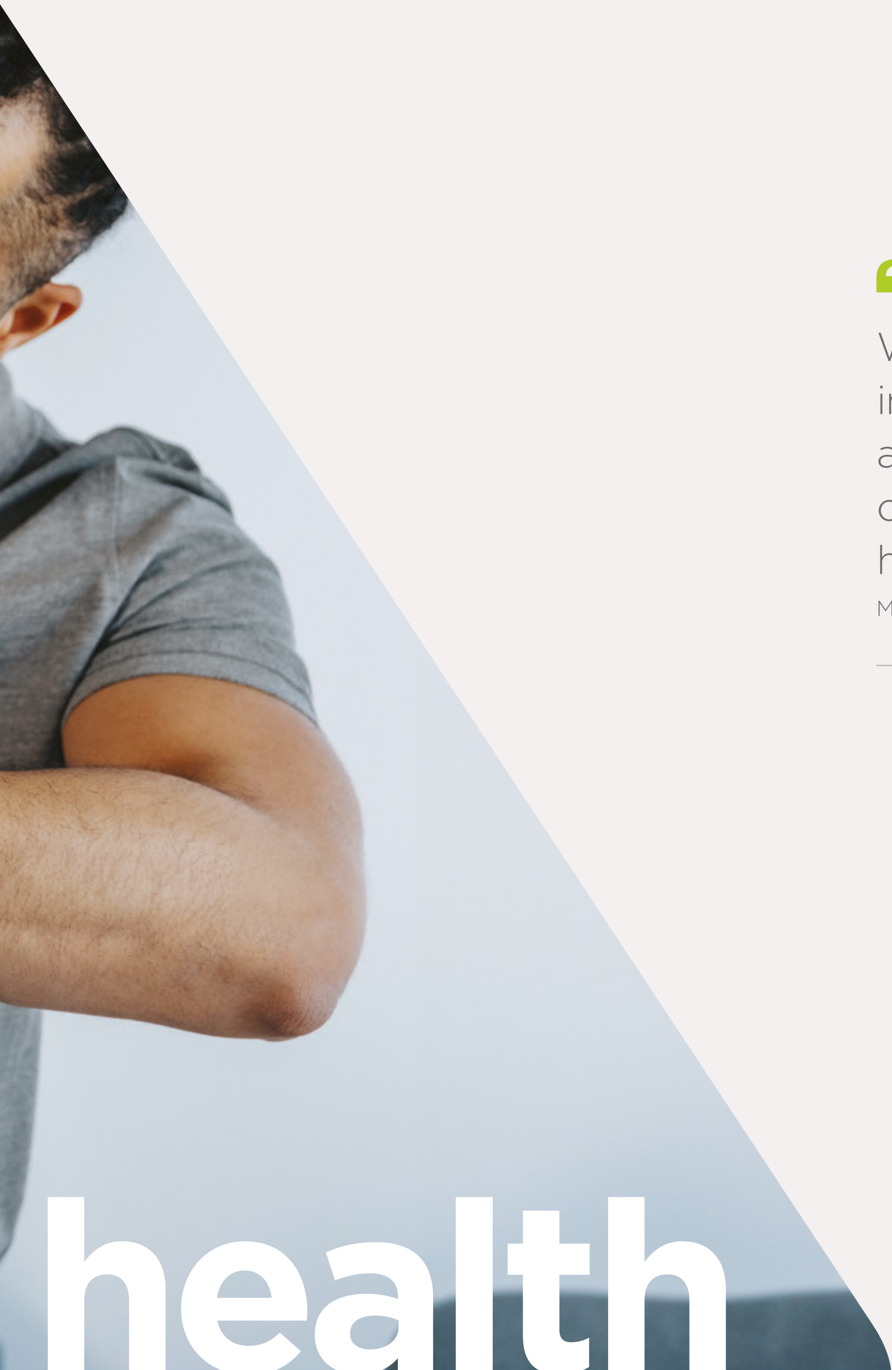
We are a health fund dedicated to enhancing the health and wellbeing of our members.

Dedicated to

Defence Health offers health insurance products to support families of Australia's serving and ex-serving veterans. People who support the Australian Defence Force through their civilian employment are also part of our community. As well as the extended family of these groups.

We operate on a not-for-profit basis, which means our focus is on providing value for our members, rather than dividends to shareholders. And being a 'restricted access group' we are closely connected with the needs of our community.

Our core business is providing a range of hospital and extras insurance to the Defence community across Australia. Our members trust us to manage the fund responsibly for the long term. Being not-for-profit, we invest any surplus each year back into the fund for the benefit of members today and into the future.



> "What I want from health insurance is reasonable costs and a prompt settlement of claims. Defence Health has provided this for us."
>
> Member feedback

Private health in Australia

The private health sector has seen a sustained period of growth since 2020. In the 12 months to March 2025, there was a gain of more than 310,000 people taking out hospital cover (a 2.55% annual increase).

More than 15 million, or 55% of the population, now hold some form of private health insurance.

The private health sector is critical to the function of the Australian health system. Around two-thirds of all elective surgery occurs in private hospitals. The public sector would not cope with the demand for services without private health insurance enabling treatment through private hospitals.

The government recognises how important the private sector is to the overall operation of Australian health care. It provides legislative incentives to encourage people into private hospital insurance.

- The age-based-discount makes hospital cover more affordable for people who take out their own eligible hospital policy before turning 30.
- Lifetime Health Cover legislation makes it more expensive to take out hospital cover later in life. A 2% loading is added to the premium for each year a person delays after turning 31.
- The Medicare Levy Surcharge is an additional tax on higher income earners who do not have private hospital cover for themselves and their family. The surcharge ranges from an extra 1% to 1.5% in tax, depending on income.
- The Private Health Insurance Rebate is a government initiative to make premiums more affordable. The rate of rebate is determined by income and the age of the oldest person on a policy (a higher rebate is payable from age 65 and again at age 70).

Hospital cover

Private hospital cover offers members choice, and more timely access to treatment, advantages that are not always available in the public system. With public hospitals under intense pressure, waiting lists often mean people need to wait many months (or sometimes years) longer than they should for treatment.

Private hospital cover also provides access to a greater number of surgeons and specialists who may practice exclusively in the private sector.

Private hospital cover in Australia is categorised in four tiers – basic, bronze, silver and gold. The tiers progressively include more categories and more complex treatment.

With an appropriate level of cover for the treatment required, private hospital insurance will cover the cost of hospital accommodation, theatre fees, meals and medication, and nursing care while in hospital.

Hospital insurance will also contribute towards the fees charged by the medical specialists treating a private hospital patient. When specialists charge a fee that is more than what the insurer is allowed to pay, the patient may have an out-of-pocket expense for the hospital treatment.

- In 2024-25, Defence Health fully covered 89% of all hospital-related medical services for our members (compared with the industry average of 87%).
- In the same year, we funded 261,772 days of hospital treatment, totalling $449 million in hospital and medical benefits.

Extras cover

For more affordable access to everyday health services, such as dental, physiotherapy, optical care, or psychology, extras cover is essential.

Medicare does not provide benefits for these services (unless it's part of an extended care plan from the patient's GP).

Every Defence Health extras policy also includes comprehensive ambulance cover. This valuable protection ensures members are covered Australia-wide for state-appointed road, air or sea ambulance services. With an ambulance trip costing around $1400 for a 5km trip in Melbourne, this benefit provides significant peace of mind.

Other insurances

We offer Defence Health Travel Insurance for domestic and international travel. This product is underwritten by Allianz Australia Insurance Limited (Allianz), providing members with support and care for their next trip.

We no longer offer term life, accident or other insurances. However, we continue to support existing policy holders of these products.

261,772

days of hospital treatment

were funded, totalling $449 million in hospital and medical benefits.

Important information: Defence Health Limited ABN 80 008 629 481 AFSL 313890 arranges this insurance as agent for AWP Australia Pty Ltd ABN 52 097 227 177 AFSL 245631 trading as Allianz Global Assistance (AGA). AGA issues and manages travel insurance as agent for the insurer Allianz Australia Insurance Limited ABN 15 000 122 850 AFSL 234708 (Allianz). Terms, conditions, exclusions, limits and applicable sub-limits apply. Defence Health, Allianz and AGA do not provide any advice on this insurance based on any consideration of your objectives, financial situation or needs. Therefore, you should consider whether the advice is appropriate for you. Before making a decision please consider the Product Disclosure Statement. The Target Market Determination is available at www.allianzpartners.com.au/policies/. Defence Health, and AGA receive a commission which is a percentage of the premium you pay for a policy – refer to our Financial Services Guide for details or ask us for more information prior to purchasing.

2024-25 Achievements

Affordability

Delivered the industry's second-lowest premium increase.

Financial sustainability

Maintained prudent management of member funds, with capital value per policy of $4,385.

New product features

Launched a new suite of Defence Hospital products with additional benefits that recognise the service of veterans and Reservists.

Brand visibility

Local area marketing boosted Defence Health brand awareness to the highest level since tracking began in 2022.

Community partnerships and engagement

- Supported strong participation in Run Army events held in Brisbane and Townsville.
- Partnered with Vasey RSL Care to support residential and community services for veterans.
- Connected with the veteran community through a corporate volunteering initiative with Vasey RSL Care.

Member experience

Resolved service road-blocks and enhanced online functionality for members.

Leadership development

Introduced the Vanguard Leadership Program to build adaptive leadership capability among senior and emerging leaders.

> "Communication has been positive and the claims process seamless. Knowledgeable, courteous and respectful. Have been with Defence Health for years and will stay with them for years to come."
>
> ★★★★★ Google review

Financial Performance

Premium revenue

$693.6m

In 2024-25, premium revenue increased by 3.1% to $693.6 million. The premium adjustment applied from April 2025 was just 3.3% against a backdrop of significant inflation in the health economy. The number of health insurance policies decreased by 1.8% to 141,909 policies.

Benefits

$586.6m

Total benefits paid to or on behalf of members increased by 5.9% to $586.6 million, driven primarily by a 7.1% increase in utilisation of hospital and medical services. The value of extras benefits paid increased by 3.6% over the year.

Investment income and capital

$63.1m

Despite global and domestic challenges, the Australian equity market remained resilient and was viewed by some as a safe-haven. The Defence Health investment portfolio performed strongly, generating income of $63.1 million. This income stream is 55.5% higher than the previous year and represents a return from the portfolio of 9.9%. Capital reserves increased by 13.3% to $622.2 million, equivalent to $4,385 per policy.

Management expenses

13.2%

Key management expense include salaries, occupancy, professional services and investment in IT and cybersecurity. These operating costs totalled $91.5 million. As a percentage of premium revenue, the management expense ratio (MER) is 13.2%, of which approximately 7.3% represents business as usual costs. The average MER for all health insurers is 11.7%.

Surplus

$73.2m

The operating surplus for the year was $73.2 million, underpinned by strong investment income. The net margin as a percentage of premium revenue was just 1.3% but when factoring in the investment income, the surplus equates to 10.6% of premium revenue.

Benefits paid as a % of premium

84.6%

When it comes to benefits paid as a percentage of premiums paid, Defence Health pays more than industry average – 2.8% more!

Member Care

Our highly trained Member Care team is the front line of our service delivery. Every day the team demonstrates care and empathy in what are often stressful times in the lives of our members.

The contact centre was strategically restructured this year to support performance improvements and scalability. The operational reset focused on balancing efficiency with flexibility, strengthening service coverage during peak demand, reducing handling times, and modernising our self-service channels through text-to-speech integration.

Regular transactional and 'voice of member' surveys show a steady improvement in member satisfaction. The overall satisfaction score rose from 64.8% at the beginning of the financial year to 75.7% in May 2025. The transactional satisfaction (measured shortly after an interaction) grew from 67.7% to 84.2% over the same period.

Survey insights helped us identify and resolve pain-points in service delivery and track the impact of our training and process changes on member experience. As a result, member complaints have declined significantly.

"My call was answered by Rebecca, who was extremely helpful in answering my questions."
★★★★★ Google review

"All the consultants I spoke to are very friendly, accommodating and knowledgeable."
Member feedback

"I would like to tell you about the service I received from Laura. I found her assistance truly amazing. She was pleasant and helpful the entire time."
Member feedback

"The service I get when I phone Defence Health is very comforting."
Member feedback

Core Values

We are constantly advancing our capabilities to set a better standard. We anticipate our members' needs and strive to exceed their expectations to deliver the exceptional outcomes that our community deserves.

Community

We champion members, reinvesting profits back into protecting our community's health and wellbeing.

Excellence

We challenge ourselves to provide a level of support our members won't find anywhere else.

Trust

We're here to earn our members' trust through genuine, respectful and transparent interactions.

Members first

We listen deeply to what our members need, placing our Defence community at the heart of every decision and action.

Ownership

We answer to members not shareholders. Taking responsibility and owning our actions to make a positive impact on their day.

Our defined Ways of Working articulate the behaviour and actions that underpin our values and support a high-performance culture.

Our People

Defence Health is committed to fostering a highly engaged, inclusive and diverse workplace.

The company values of trust, excellence, ownership, community and putting members first are the foundation for the way we work together and deliver outstanding service for members.

Employee engagement and sentiment are measured quarterly in a brief 'Keep in Touch' survey. And an extensive annual engagement survey provides a more detailed assessment of employee satisfaction and captures qualitative feedback.

The most recent survey revealed strong support for Defence Health values across all levels of the business (88%), as well as the approachability of direct managers (90%) and manager behaviour that is consistent with the company values (87%).

On 30 June 2025, Defence Health had a workforce of 342 people This was comprised of 291 full-time staff, 36 part-time, seven casual staff and eight directors.

Gender balance is strong with 50% of managerial roles held by women and 63% of Board Directors are women. The Associate Director Traineeship program specifically supports women in the Australian Defence Force by providing them experience in the operation of a corporate board.

Defence Health has historically had a low gender pay gap (the lowest in our external comparison group), and there is no gender pay gap for like-for-like roles. This year the remuneration of Chief Executive Officers in Australia was included in the data for the first time. This resulted in the median gender pay gap increasing from 5.3% to 9% – but this still compares favourably against the median gap for all reporting organisations of 19%.

After the intensive short-term boost in our workforce in the past two years, we experienced a higher than usual number of employee departures this year. The attrition of 134 people (39%) reflects the transition from short-term staffing back to a sustainable and strategic workforce model.

The mandatory 0.5% increase in the superannuation guarantee from 1 July 2024 was once again funded by Defence Health. This means that every employee's take-home pay was maintained and their annual salary package increased by 0.5%.

Health and wellbeing

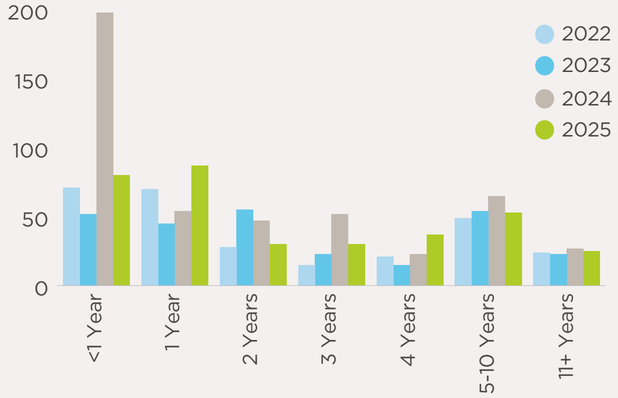
The physical and mental health of our people is a priority for all leaders in the business. The Wellbeing Strategy focuses on five key pillars of total health, being financial, career, physical, mental and social drivers.

Employer-funded health insurance is provided to eligible full-time and part-time staff to ensure they and their family can access timely medical and general treatment. The Employee Assistance Program is available to all staff and their direct family. All permanent staff receive a paid health and wellbeing day each year, and additional paid leave is available for anyone experiencing domestic violence.

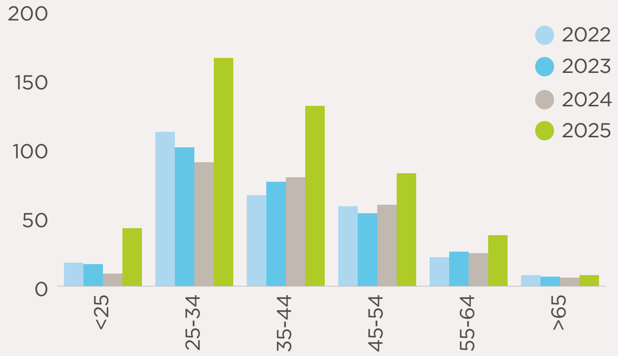
Up to 24 weeks of parental leave is paid at an employee's base salary, either 100% funded by the company, or a combination of government payments topped up by Defence Health. Superannuation contributions are also made during the period of parental leave, including any unpaid component.

A new reward, recognition and discounts platform was launched during the year. The platform enables all staff to give and receive recognition and facilitates numerous retail, travel and other discounts. Internal recognition programs were re-launched this year to provide greater alignment with the values and high-performance aspirations of the business.

Number of staff by length of service



Number of staff by age



Support for the Defence Community

Our Defence Community Relationship Officers (DCROs) engage directly in the field with the Defence community in all major Defence locations in Australia.

They all have their own experience of Defence life – either through service or family connections – and they understand the issues that impact our core membership segments.

This year they've provided valuable on-base support and information about the health system for ADF personnel. They've also participated in transition seminars in Newcastle, Sale, Wagga Wagga, Ipswich, Albury, Cairns, Nowra, Townsville and Perth.

Veterans are also part of their focus. They build strong relationships with ex-serving organisations and veteran wellbeing centres to amplify the impact each group can make in supporting veteran wellbeing. The aim is to empower veterans in their health, access to support services, and employment pathways after service.

We also have long-held connections with the Defence Special Needs Support Group, Defence Families Australia, various RSL branches, Open Arms, Defence Member and Family Support and Bravery Trust.

Governance

Defence Health is a registered company, limited by guarantee, under the *Corporations Act 2001* (Commonwealth).

It is also registered under the *Private Health Insurance (Prudential Supervision) Act 2015* (Commonwealth) as a not-for-profit health insurer. It has no shareholders and no borrowings.

The Statutory Members of the fund are the Chief of Army, Chief of Air Force and all current Directors. The Board of Directors is responsible for the governance and performance of the fund.

Defence Health has a robust governance structure and prudent risk, compliance, and financial management culture. The guidelines and tolerances for risk are formally defined by the Board of Directors in a Risk Appetite Statement. A risk and compliance team supports the business to understand and manage risk, with the goal of best-practice corporate governance. The team also manages key regulatory relationships and incident management.

Defence Health provides regular reports to the Australian Prudential Regulation Authority, which is the independent statutory authority that monitors and regulates the private health insurance industry.

Board of Directors

At 30 June 2025, the Board of Directors was comprised of eight non-executive, independent directors and one associate director. The Associate Director Traineeship program was introduced in 2015 as an initiative to improve the representation of women in corporate Australia. The program gives talented women in the Defence community exposure to governance and board operations.

The Chief Executive Officer is appointed by the Board of Directors.

Directors' interests and committee memberships, at 30 June 2025, are detailed below.

Robin Burns

FAICD

Chair since October 2023

Director since November 2018

- Member – People, Culture and Remuneration Committee
- Director – BT Funds Management Ltd
- Director – Westpac Securities Administration Ltd
- Director – Uniting Ethical Investors Ltd
- Independent Member – External Compliance Committee, PIMCO Australia Ltd

GPCAPT Susan Stothart

CSC BBus M Def Stud Grad Dip Applied Finance GAICD

Director since November 2016

- Chair – People, Culture and Remuneration Committee
- Member – RAAF Active Reserve
- Appointed Director – Chief of Air Force
- Director, Legacy Club of Canberra

MAJGEN Kathryn Toohey

AM CSC (Ret'd) BEng (Hon) MBA (Exec) MMDS GAICD

Director since November 2023

- Member – Nomination and Remuneration Committee
- Appointed Director – Chief of Army
- Director – Cylent International Pty Ltd
- Director – Greater Western Sydney GIANTS
- Member – Defence South Australia Advisory Board
- Member – Swinburne Defence Advisory Board
- Member – Australian Strategic Policy Institute Council
- Director – Austal Ltd

Carolyn Ireland

MBA (Executive) CA GAICD

Director since October 2018

- Chair – Investments, Capital and Innovation Committee
- Director – Xavier College Foundation
- Chair – Finance Committee, Melbourne Archdiocese Catholic Schools Ltd
- General Manager – Pact Group Holdings Ltd
- Director – Caritas Australia

Ms Rebecca Davies

AO LLB (Hons) BEc FAICD DCSG

Director since November 2019

- Chair – Risk Committee
- Chair – Audit Committee
- Director – The Actuator Operations Ltd
- Director – National Heart Foundation of Australia
- Director – Int'l Eucharistic Congress Sydney Ltd
- Member – UNSW Centre for Big Data in Health, Advisory Committee
- Member – Medical Research Future Fund: Targeted Translational Research Board
- Nominee Trustee – The University of Notre Dame Australia
- Member – Audit and Risk Committee, Dept of Health Professional Services Review

Matthew Walsh

BA Sc MBA GAICD

Director since November 2021

- Member – Risk Committee
- Member – Audit Committee
- Member – Investments, Capital and Innovation Committee
- Director – Matt Walsh Consulting Pty Ltd
- Director – Credit Union SA Ltd
- Chair – Xframe Ltd

Dr Susan Neuhaus

AM CSC MBBS PhD FRACS FAICD FAMA

Director since November 2023

- Member – Risk Committee
- Member – Audit Committee
- Director – Camp Quality Ltd
- Director – MDASA Ltd
- Director – Medical Insurance Australia Pty Ltd
- Chair – Memorial Development Committee (Australian War Memorial)
- Director – Silverchain Group
- Clinical Ass Prof – University of Adelaide
- Adj Dist Prof – University of South Australia
- Member – Australian Medical Association
- Member – Professional Services Review Panel (*Health Insurance Act 1973*)

Mr Michael Liu

BCom LLB

Director since February 2023

- Member – Investments, Capital and Innovation Committee
- Director – Police Financial Services Ltd
- Director – WCM Global Growth Ltd
- Director – Law Institute of Victoria Ltd
- Director – Odola Pty Ltd

CAPT Jennifer Graham

BA M Bus

Associate Director since October 2024

- Serving member of the Royal Australian Navy

Executive Management Team

The Chief Executive Officer is responsible to the Board of Directors for the overall management and performance of the company. The CEO is supported by an Executive Management Team.

Chief Executive Officer

David Brajkovic

BAppSc GAICD

Deputy Chief Executive Officer

Tanya Haines

AssDip BusMktg
GradCertBusMgt
CertGovPrac&RiskMgt

Company Secretary and Chief Legal Officer

Philippa Marshall

LLB GAICD FGIA

Chief Member Experience Officer

Tania Cumming

BCom

Chief Financial Officer

John Thomopoulos

BBus (Acc) FCPA

Chief People Officer

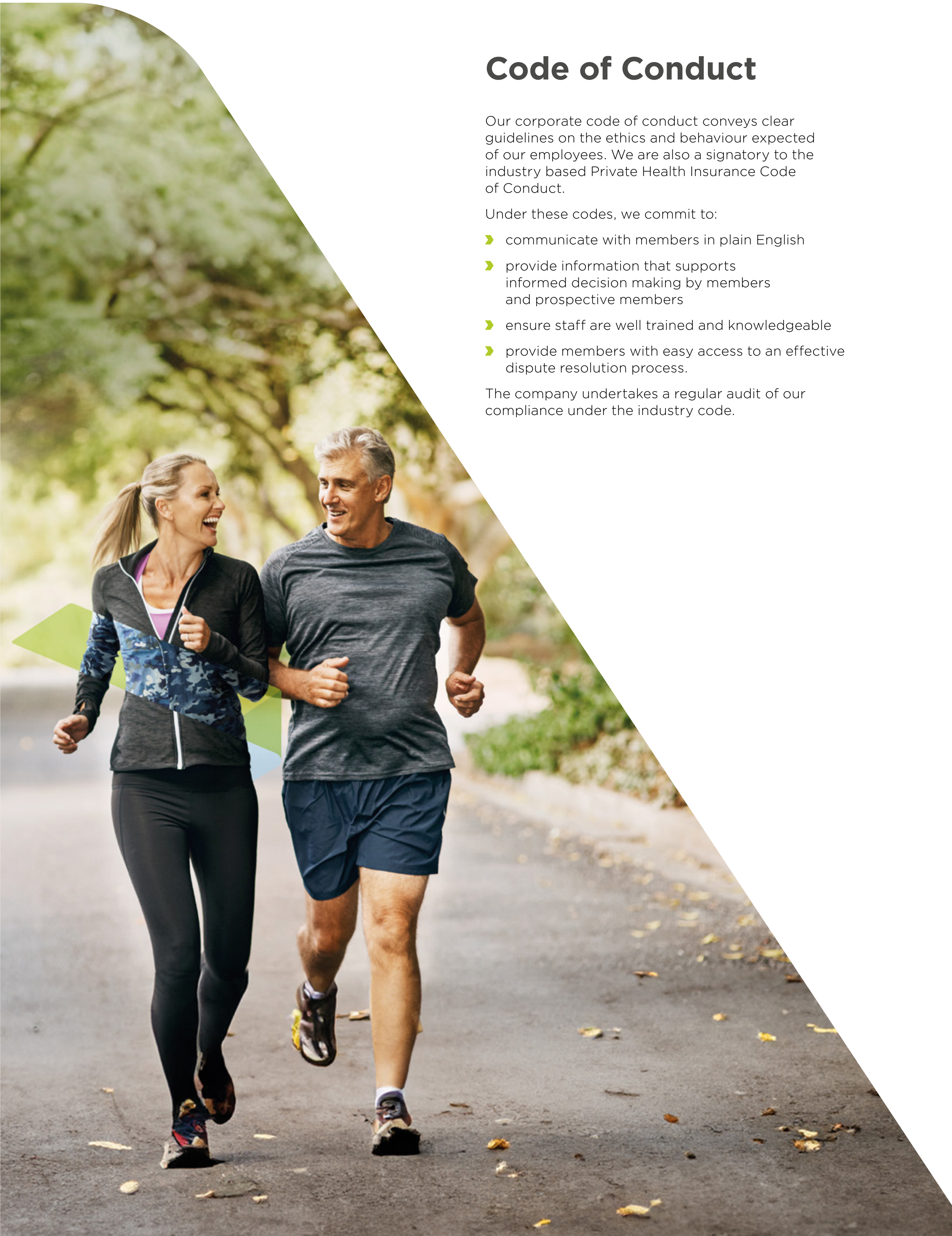
Kelly Dickson

AssDip HRM

Chief Information Officer

Alex Mehl

BIS MBA GAICD



Code of Conduct

Our corporate code of conduct conveys clear guidelines on the ethics and behaviour expected of our employees. We are also a signatory to the industry based Private Health Insurance Code of Conduct.

Under these codes, we commit to:

- communicate with members in plain English
- provide information that supports informed decision making by members and prospective members
- ensure staff are well trained and knowledgeable
- provide members with easy access to an effective dispute resolution process.

The company undertakes a regular audit of our compliance under the industry code.

Financial Statements

for the year ended 30 June 2025

Defence Health Limited

(ABN 80 008 629 481 AFSL 313890)

Registered Office and Principal Place of Business

Level 7 380 St Kilda Road
Melbourne VICTORIA 3004

Extract from the Financial Statements signed on 19 September 2025

The Consolidated Concise Financial Report is derived from the full financial report and cannot be expected to provide as full an understanding of the financial position, and financial and investing activities of the Company as the full financial report which is available at defencehealth.com.au

Directors' Report

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

Members

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

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

Directors

The eight non-executive Directors and two associate Director who held office during the financial year are as follows. The interests of the Directors shown below are as at 30 June 2025:

Mr Robin Buick Orr Burns

FAICD

Initially appointed to the Board in October 2018, and as Chair in November 2023, Mr Burns' current term will expire at the 2026 Annual General Meeting. He is a member of the People, Culture & Remuneration Committee (previously known as the Nomination and Remuneration Committee) and ex officio is entitled to attend and participate as a member of all Board Committees. Mr Burns is also a non-executive director of BT Funds Management Ltd, Westpac Securities Administration Ltd and Uniting Ethical Investors Ltd, and an Independent Member, External Compliance Committee for PIMCO Australia Ltd. Mr Burns has more than 30 years of executive experience in financial services, including as Managing Director of Equity Trustees Ltd and prior CEO roles in superannuation, life and health insurance, and stockbroking.

GPCAPT Susan Stothart CSC

BBus, Mmgt, M Def Stud, Grad Dip Applied Finance, GAICD

Nominated to the Board by the Chief of Air Force

Initially appointed to the Board in November 2016, GPCAPT Stothart was re-appointed for a further term at the 2024 Annual General Meeting. Her current term will expire at the 2028 Annual General Meeting. GPCAPT Stothart is the Chair of the People, Culture & Remuneration Committee (previously known as the Nomination and Remuneration Committee). GPCAPT Stothart also serves as a Director of the Legacy Club of Canberra. GPCAPT Stothart has served for more than 30 years in the Royal Australian Air Force, both in a full-time and reserve capacity. Her expertise lies within the fields of logistics and human resource management.

Ms Carolyn Ireland

MBA (Executive), CA, GAICD

Initially appointed to the Board in October 2018, Ms Ireland's current term will expire at the 2026 Annual General Meeting. Ms Ireland is Chair of the Investments, Capital & Innovation Committee (formerly known as the Investment Committee). Ms Ireland is also a Director of Xavier College Foundation Ltd, a Director and Chair of the Finance Committee, Melbourne Archdiocese Catholic Schools Ltd, and a Director and Member of the Audit and Risk Committee of Caritas Australia. Ms Ireland has worked in senior roles in the finance, health insurance and investment sectors in organisations including Australian Pharmaceutical Industries Ltd, Australian Unity Ltd, Macquarie Bank Ltd, and KPMG.

Directors' Report

(Continued)

Ms Rebecca Davies AO

LLB (Hons), Bec, FAICD

Initially appointed to the Board in November 2019, Ms Davies' current term expires at the 2027 Annual General Meeting. Ms Davies is Chair of the Risk and Audit Committees. Ms Davies is also a non-executive director of The Actuator Operations Ltd, National Heart Foundation of Australia and International Eucharist Congress Sydney Ltd. She is also a member of the Advisory Committee of the UNSW Centre for Big Data in Health, the Targeted Translational Research 'Board' (a program funded by the Medical Research Future Fund), a Member of the Audit and Risk Committee of the Professional Services Review (within the Department of Health), and Nominee Trustee for The University of Notre Dame Australia. Ms Davies is a highly regarded lawyer, who has worked with clients in technology, media and financial services.

Mr Michael Liu

BCom, LLB

Appointed to the Board in February 2023, Mr Liu's current term will expire at the 2026 Annual General Meeting. Mr Liu is a member of the Investments, Innovation & Capital Committee (previously known as the Investment Committee). Mr Liu is also a director of Police Financial Services Ltd, WCM Global Growth Ltd, Law Institute of Victoria Ltd, and Odola Pty Ltd. Prior to becoming a professional company director, Mr Liu was a lawyer, senior investment banker, and held senior management roles with high growth, fintech, start-up and scale-up companies.

MAJGEN Kathryn Toohey AM CSC (Ret'd)

BEng (Hon) MBA MMDS GAICD

Nominated to the Board by the Chief of Army

Appointed to the Board in November 2023, MAJGEN Toohey's current term will expire at the 2027 Annual General Meeting. MAJGEN Toohey is a member of the People, Culture & Remuneration Committee (previously known as the Nomination and Remuneration Committee). MAJGEN Toohey is also a non-executive director of Austal Ltd, Cylent International Pty Ltd, Greater Western Sydney Giants (a division of the Australian Football League) and Australian Naval Infrastructure Pty Ltd. She is also a member of the Defence South Australia Advisory Board, Swinburne Defence Advisory Board and the Australian Strategic Policy Institute Council.

Dr Susan Neuhaus AM CSC

MBBS PhD FRACS FAICD FAMA

Appointed to the Board in November 2023, Dr Neuhaus' current term will expire at the 2027 Annual General Meeting. Dr Neuhaus is a member of the Risk and Audit Committees. She is a non-executive director of Camp Quality Ltd, MDASA Ltd and Medical Insurance Australia Pty Ltd, (both part of the Medical Indemnity Group Australia) and Silverchain Group. She is also a Council Member of the Australian War Memorial and Chair of the Memorial Development Committee. She also holds the roles of Clinical Associate Professor – University of Adelaide and Adjunct Distinguished Professor, University of South Australia, and is a Member of the Australian Medical Association and a Member of the Professional Services Review Plan, appointed under the *Health Insurance Act 1973* (Cwlth).

Directors' Report

(Continued)

Mr Matthew Walsh

BAppSc, MBA, GAICD

Appointed to the Board in 2021, Mr Walsh's current term will expire at the 2025 Annual General Meeting. Mr Walsh is a Member of the Investments, Capital & Innovation Committee (formerly known as the Investment Committee), the Audit Committee and the Risk Committee. Mr Walsh is also a Director of Credit Union SA Limited, the Chair of Xframe Limited, and a Director of Matt Walsh Consulting Pty Ltd, which provides consulting services to Boards and Executives. Mr Walsh is an experienced non-executive director in sectors including financial services, wealth management, banking, health and life insurance, health services, and university research and education. His former roles include: Director and CEO, Australian Unity Health Limited; Director, Australian Unity Bank Limited and Director, Lifeplan Australia Friendly Society Limited; Director, Australian Health Service Alliance; Group Executive and Chief Executive Officer, Australian Unity – Retail; Chief Executive, Lifeplan Funds Management; Chair, Strategic Advisory Board of Adelaide University's International Centre for Financial Services, and Management Consultant, Price Waterhouse.

CAPT Jennifer Graham, RAN

BA M BUS

Appointed as 'Associate Director' pursuant to Defence Health's constitution in October 2024, CAPT Graham has served in the Royal Australian Navy for 30 years and has built a strong foundation of leading and managing teams through change. She has extensive experience in operational planning and risk management. Her most recent appointment was in Command of the ANZAC Class Frigate HMAS Warramunga.

COL Bridget Mitzevich

MIR MMDS MBUS GAICD

The Board appointed an Associate Director, COL Mitzevich, on 18 October 2022. COL Mitzevich's term expired in October 2024. COL Mitzevich has served in the Australian Army for more than 23 years. COL Mitzevich has broad experience across logistics, human resource management, operational planning and strategic leadership. During the year COL Mitzevich was also a Director of the Army Amenities Fund Board.

The Directors named above held office during the entire financial year, with the exception of CMDR Jennifer Graham and Bridget Mitzevich.

Company Secretary

Ms Philippa Marshall held the Company Secretary role during the entire financial year.

Directors' Report

(Continued)

Directors' meetings

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

	Board of Directors' Meetings		People, Culture & Remuneration Committee* Meetings		Risk Committee Meetings		Audit Committee Meetings		Investments, Capital & Innovation Committee** Meetings	
Chair	R Burns		S Stothart		R Davies		R Davies		C Ireland	
Meetings held	6		5		4		4		4	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
R Burns#	6	6	5	5	4	3	4	4	4	4
R Davies	6	6	–	–	4	4	4	4	–	–
C Ireland	6	6	–	–	–	–	–	–	4	4
M Liu	6	5	–	–	–	–	–	–	4	3
S Neuhaus	6	6	–	–	4	2	4	3	–	–
S Stothart	6	6	5	5	–	–	–	–	–	–
K Toohey	6	6	5	5	–	–	–	–	–	–
M Walsh	6	6	–	–	4	3	4	4	4	4

* Name changed in May 2025. Previously known as the Nomination & Remuneration Committee

** Name changed in May 2025. Previously known as the Investment Committee

Robin Burns is a member of the People, Culture & Remuneration Committee. As Chair, he may also attend and participate as a member of all Committees

Principal activities

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

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

There were no other significant changes in the nature of the Company's activities during the financial year.

Objectives of the Company

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

- Be the health insurer of choice for the ADF and ex-serving community.
- Strengthen its PHI business.
- Deliver strategic growth.

Directors' Report

(Continued)

Achievement of goals

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

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

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

Review of operations

Defence Health delivered a strong financial performance for the year ended 30 June 2025, with a surplus of $73.2 million (2024: $55.6 million), of which $63.1 million was attributable to investment earnings and $9.1 million relates to net operating result from health insurance activities. The $17.6 million uplift on the prior year was driven primarily by strong investment returns of 9.9% (2024: 6.4%), reflecting favourable market conditions and an effective investment strategy.

The number of health insurance policies decreased by 1.78% during the year, bringing the total to 141,909 policies as at 30 June 2025. Despite this reduction, premium revenue rose by 3.1% to $693.6 million, while net benefits expenses went up by 5.4% to $653.2 million. Insurance service result for the year was slightly higher than prior year at $30.9 million (2024: $30.4 million).

Total management expenses were $91.5 million, representing 13.2% of premium income (2024: 13.2%). This ratio remained relatively stable due to ongoing remediation efforts associated with the policy system. Defence Health anticipates a reduction in this expense ratio in future years as system optimisation progresses.

During the year, Defence Health advanced its transition to a new investment advisor, with the majority of assets now transferred and the remaining positions to be finalised in the coming period. Net assets grew by 13.3% to $622.2 million (2024: $549 million) mainly driven by an $87.4 million increase in financial assets and a $14.8 million reduction in insurance contract liabilities. This growth reinforces Defence Health's strong capital position and its capacity to invest in strategic initiatives.

In line with the 2030 vision, Defence Health remains well positioned to consolidate its foundation, grow its core business, and extend its impact. Strong financial performance enables continued investment in digital capabilities and evidence-based health management solutions that enhance member health and wellbeing, improve affordability and access, and deliver a better overall experience.

Dividends

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

Significant changes in the state of affairs

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

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may significantly affect, the operations of the Company.

Directors' Report

(Continued)

Environmental regulation

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

Directors' benefits

Directors' fees are disclosed in Note 23 and related party transactions disclosed in Note 22 to the Financial Statements. No Director received any benefit as a result of a contract made by the Company with the Director, or with a firm associated with the Director or in which the Director has a substantial financial interest.

Indemnification of Directors and Officers

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

Auditor's independence declaration

The auditor's independence declaration is included on page 31.

Rounding of amounts

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

Mr Robin Buick Orr Burns
Director

19 September 2025

Ms Rebecca Davies
Director

19 September 2025

Auditor's Independence Declaration

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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50 Bridge Street
Sydney NSW 2000
Australia
Tel: +61 2 9322 7000
Fax: +61 2 9322 7001
www.deloitte.com.au

19 September 2025

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

Dear Board Members

Auditor's Independence Declaration to Defence Health Limited

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

As lead audit partner for the audit of the financial report of Defence Health Limited for the year ended 30 June 2025, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- The auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- Any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants

Financial Statements

Income statement and other comprehensive income

for the financial year ended 30 June 2025

	Notes	2025 $'000	2024 $'000
Insurance revenue	10	693,611	672,768
Insurance service expense	4	(665,663)	(642,305)
Insurance service result		**27,948**	**30,463**
Investment income/(expense) – net of expenses	5	63,077	40,554
Net insurance financial result		**91,025**	**71,017**
Other operating income	6	1,063	1,303
Other operating expenses	7	(18,851)	(16,683)
Profit for the year		**73,237**	**55,637**
Other comprehensive income		–	–
Total comprehensive income/(loss) for the year		**73,237**	**55,637**

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

Financial Statements

(Continued)

Statement of financial position

as at 30 June 2025

	Notes	30 June 2025 $'000	30 June 2024 $'000
Current assets			
Cash and cash equivalents	8	51,156	56,471
Other receivables	9	30,152	56,532
Contract assets	11	641	660
Financial assets	12	641,098	553,682
Total current assets		**723,047**	**667,345**
Non-current assets			
Contract assets	11	686	906
Property, plant and equipment	13	283	148
Right of use asset	14	4,299	5,773
Total non-current assets		**5,268**	**6,827**
Total assets		**728,315**	**674,172**
Current liabilities			
Other payables	15	7,717	11,745
Insurance contract liabilities	10	89,986	104,754
Lease liability	16	1,294	1,211
Provisions	17	1,225	889
Total current liabilities		**100,222**	**118,599**
Non-current liabilities			
Lease liability	16	2,720	4,012
Provisions	17	3,131	2,556
Total non-current liabilities		**5,851**	**6,568**
Total liabilities		**106,073**	**125,167**
Net assets		**622,242**	**549,005**
Equity			
Contributed equity	18	43,346	43,346
Retained earnings	19	578,896	505,659
Total equity		**622,242**	**549,005**

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

Financial Statements

(Continued)

Statement of changes in equity

for the financial year ended 30 June 2025

	Contributed Equity Note 19	Retained Earnings Note 20	Total Equity
	$'000	$'000	$'000
At 30 June 2023, as previously reported	**43,346**	**450,022**	**493,368**
Total comprehensive income for the year	–	55,637	55,637
Balance as at 30 June 2024	**43,346**	**505,659**	**549,005**
Total comprehensive income for the year	–	73,237	73,237
Balance at 30 June 2025	**43,346**	**578,896**	**622,242**

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

Financial Statements

(Continued)

Statement of cash flows

for the financial year ended 30 June 2025

	Notes	2025 $'000	2024 $'000
Cash flows from operating activities			
Premium receipts		669,703	654,368
Benefits paid to and on behalf of fund members		(580,271)	(546,294)
Government and other levies paid		(5,958)	(5,574)
Payments to Risk Equalisation Trust Fund		2,317	(31,928)
Payments to suppliers and employees		(54,970)	(126,638)
Commission received		1,302	1,459
Net cash from operating activities	20	**32,123**	**(54,607)**
Cash flows from investing activities			
Purchase of investment securities		(300,719)	(68,373)
Proceeds on sale of investment securities		225,633	49,198
Interest and dividends received		39,330	26,142
Purchase of property, plant and equipment		(378)	(36)
Disposal of intangible asset		–	19
Repayment of lease liability		(1,211)	(1,132)
Interest paid on lease liability		(93)	(117)
Net cash used in investing activities		**(37,438)**	**5,701**
Net increase/(decrease) in cash and cash equivalents		**(5,315)**	**(48,906)**
Cash and cash equivalents at the beginning of the financial year		56,471	105,377
Cash and cash equivalents at the end of the financial year	8	**51,156**	**56,471**

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

Notes to the Financial Statements

Note 1 – Summary of material accounting policies

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

1.1 Statement of compliance

The general purpose financial statements of the Company for the year ended 30 June 2025 have been prepared in accordance with the *Corporations Act 2001*, Australian Accounting Standards and Interpretations, International Financial Reporting Standards and comply with other requirements of law.

Subsection 295(3A)(a) of the *Corporations Act 2001* does not apply to the company as the company is not required to prepare consolidated financial statements by Australian Accounting Standards.

The financial statements were authorised for issue in accordance with a resolution of the Directors on 17 September 2025.

1.2 Basis of preparation

The general-purpose financial statements have been prepared:

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

1.3 Key judgements and estimates

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

1.4 Insurance contracts classification

Insurance contracts are contracts under which the Company accepts significant insurance risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder. In making this assessment, all substantive rights and obligations, including those arising from law or regulation, are considered on a contract-by-contract basis.

The Company issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. As a general guideline, the Company determines whether it has significant insurance risk, by comparing benefits payable after an insured event with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk. The Company issues private health insurance to individuals which compensates the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

The Company does not issue reinsurance contracts or any contracts with direct participating features.

1.5 Insurance contracts accounting treatment

Separating components from insurance contracts

The Company assesses its insurance products to determine whether they contain distinct components which must be accounted for under another AASB instead of under AASB 17. After separating any distinct components, the Company applies AASB 17 to all remaining components of the (host) insurance contract. Currently, the Company’s products do not include any distinct components that require separation.

Notes to the Financial Statements

(Continued)

Level of aggregation

Insurance contracts are aggregated into groups for measurement purposes. Groups of insurance contracts are determined by identifying portfolios of insurance contracts, each comprising contracts subject to similar risks and managed together, and dividing each portfolio into annual cohorts (i.e. by year of issue) and each annual cohort into three groups based on the profitability of contracts:

- any contracts that are onerous on initial recognition;
- any contracts that, on initial recognition, have no significant possibility of becoming onerous subsequently; and
- any remaining contracts in the annual cohort.

The Company has elected to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Company assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise. For contracts that are not onerous, the Company assesses, at initial recognition, that there is no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. The Company considers facts and circumstances to identify whether a group of contracts are onerous based on:

- Pricing information
- Results of similar contracts it has recognised
- Environmental factors, e.g., a change in market experience or regulations

Recognition

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

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

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

Contract boundary

The Company includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay the premiums, or in which the Company has a substantive obligation to provide the policyholder with insurance contract services. A substantive obligation to provide insurance contract services ends when:

- The Company has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks

Or both of the following criteria are satisfied:

- The Company has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio
- The pricing of the premiums up to the date when the risks are reassessed does not consider the risks that relate to periods after the reassessment date

Notes to the Financial Statements

(Continued)

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

1.5 Insurance contracts accounting treatment (cont'd)

Measurement – Premium Allocation Approach

	AASB 17 Options	Adopted approach
Premium Allocation Approach (PAA) Eligibility	Subject to specified criteria, the PAA can be adopted as a simplified approach to the IFRS 17 general model.	Coverage period for private health insurance is one year or less so automatically qualifies for PAA.
Insurance acquisition cash flows for insurance contracts issued	Where the coverage period of all contracts within a group is no longer than one year, insurance acquisition cash flows can either be expensed as incurred, or allocated, using a systematic and rational method, to groups of insurance contracts (including future groups containing insurance contracts that are expected to arise from renewals) and then amortised over the coverage period of the related group.	All insurance acquisition cash flows are expensed as incurred.
Liability for Remaining Coverage (LFRC), adjusted for financial risk and time value of money	Where there is no significant financing component in relation to the LFRC, or where the time between providing each part of the services and the related premium due date is no more than a year, an entity is not required to make an adjustment for accretion of interest on the LFRC.	There is no adjustment for accretion of interest as the private health insurance premiums are received within one year of the coverage period.
Liability for Incurred Claims, (LFIC) adjusted for time value of money	Where claims are expected to be paid within a year of the date that the claim is incurred, it is not required to adjust these amounts for the time value of money.	Incurred claims are expected to be fully settled within one year therefore no adjustment for the time value of money will be applied to the liability for incurred claims.
Insurance finance income and expense	There is an option to disaggregate part of the movement in LFIC resulting from changes in discount rates and present this in OCI.	The change in LFIC as a result of changes in discount rates would be captured within profit or loss however, as above, discounting is not applied.

Notes to the Financial Statements

(Continued)

Insurance contracts – initial measurement

The Company applies the premium allocation approach (PAA) to all the private health insurance contracts that it issues as the coverage period of each contract in the group is one year or less, including insurance contract services arising from all premiums within the contract boundary.

For a group of contracts that is not onerous at initial recognition, the Company measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus, or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Company pays or receives before the group of insurance contracts is recognised.

There is no allowance for time value of money as the premiums are received within one year of the coverage period.

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

Insurance contracts – subsequent measurement

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

- Plus, premiums received in the period
- Minus insurance acquisition cash flows, if not expensed.
- Plus, any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the company
- Plus, any adjustment to the financing component, where applicable
- Minus, the amount recognised as insurance revenue for the services provided in the period
- Minus, any investment component paid or transferred to the liability for incurred claims

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

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Company for the liability for remaining coverage for such onerous group depicting the losses recognised.

Notes to the Financial Statements

(Continued)

Insurance contracts – modification and derecognition

The Company derecognises insurance contracts when:

- The rights and obligations relating to the contract are extinguished (i.e., discharged, cancelled or expired). If premiums are not paid by policyholders their policy is cancelled after 63 days, or
- The contract is modified such that the modification results in a change in the measurement model or the applicable standard for measuring a component of the contract, substantially changes the contract boundary, or requires the modified contract to be included in a different group. In such cases, the Company derecognises the initial contract and recognises the modified contract as a new contract.

When a modification is not treated as a derecognition, the Company recognises amounts paid or received for the modification with the contract as an adjustment to the relevant liability for remaining coverage.

Presentation

The Company has presented separately, in the statement of financial position, the carrying amounts of portfolios of insurance contracts issued that are assets and portfolios of insurance contracts issued that are liabilities.

The Company disaggregates the total amount recognised in the statement of profit or loss and other comprehensive income into an insurance service result, comprising insurance revenue and insurance service expense, and insurance finance income or expenses.

The Company does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result.

Insurance revenue

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Company allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But 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 Company changes the basis of allocation between the two methods above 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.

Loss components

The Company assumes that no contracts are onerous at initial recognition unless facts and circumstances indicate otherwise. Where this is not the case, and if at any time during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Company establishes a loss component as the excess of the fulfilment cash flows that relate to the remaining coverage of the group over the carrying amount of the liability for remaining coverage of the group. Accordingly, by the end of the coverage period of the group of contracts the loss component will be zero.

Insurance finance income and expense

Insurance finance income or expenses comprise the change in the carrying amount of the group of insurance contracts arising from:

- The effect of the time value of money and changes in the time value of money; and
- The effect of financial risk and changes in financial risk.

The Company does not disaggregate finance income and expenses between profit or loss and OCI because the related financial assets are managed on a fair value basis and measured at Fair Value through Profit and Loss (FVPL). The company has also elected to not discount the LFRC or LFIC as allowed under the PAA method.

Notes to the Financial Statements

(Continued)

1.6 Financial assets and financial liabilities

The Company classifies its financial instruments into the following categories:

Types of financial instruments	Classification	Reason
Cash and cash equivalents	Amortised cost	SPPI, hold to collect business model
Term deposits	FVTPL	Designated to avoid accounting mismatch
Interest bearing securities	FVTPL	Designated to avoid accounting mismatch
Units in fixed income trusts	FVTPL	Designated to avoid accounting mismatch
Units in unlisted equity trusts	FVTPL	Designated to avoid accounting mismatch
Alternatives	FVTPL	Designated to avoid accounting mismatch
Other receivables	Amortised cost	SPPI, hold to collect business model
Other payables	Amortised cost	SPPI, hold to collect business model

The Company does not apply hedge accounting.

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or financial liability, such as fees and commissions. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Immediately after initial recognition, an expected credit loss (ECL) allowance is recognised for financial assets measured at amortised cost (AC) and investments in debt instruments measured at FVOCI.

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

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets

The Company classifies its financial assets into the following measurement categories:

- Amortised cost (AC);
- Fair Value through Other Comprehensive Income (FVOCI); or
- Fair Value through Profit or Loss (FVTPL).

Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective (i.e. instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets).

The Company subsequently measures all equity investments at FVTPL. Gains and losses on equity investments at FVTPL are included in the line 'Investment income/(expense) – net of expenses' in the statement of profit or loss.

The Company chooses not to apply the FVOCI option for equity instruments that are not held for trading.

Notes to the Financial Statements

(Continued)

Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as government and corporate bonds.

The classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing the asset; and
- the cash flow characteristics of the asset (represented by SPPI).

Financial assets measured at amortised cost

Financial assets are classified as measured at amortised cost if both the following conditions are met:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

(b) the contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The carrying amount of assets measured at amortised cost is adjusted by any ECL allowance recognised. Interest revenue from these financial assets is included in interest revenue from financial assets not measured at FVTPL using the Effective Interest Rate (EIR) method.

Financial assets measured at FVOCI

Financial assets are classified as measured at fair value through other comprehensive income if both the following conditions are met:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets and

(b) the contractual terms of financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Company does not hold any financial assets measured at FVOCI.

Financial assets measured at FVTPL

Financial assets are measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. For financial assets measured at fair value through profit or loss, realised and unrealised gains or losses arising from changes in fair value are included in profit or loss in the period in which they arise.

The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. The Company has determined that an accounting mismatch is reduced if financial assets backing private health insurance contracts are measured at FVTPL. For these instruments, the Company has applied the option to designate these financial assets at FVTPL.

Impairment

The Company assesses on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost. The Company recognises a loss allowance for such losses at each reporting date. Expected Credit Loss simplified approach under AASB 9 has been applied. The amount of credit losses (or reversal) is recognised in profit or loss, as an impairment gain or loss at the reporting date.

Unless otherwise stated, all other receivables are expected to be settled within 30-90 days.

Notes to the Financial Statements

(Continued)

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires, or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

1.7 Revenue recognition – non-insurance contracts

Non-insurance related revenue comprises:

(i) Interest revenue calculated using the effective interest method. Interest revenue is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, through the expected life of the financial asset to that asset's net carrying amount.

(ii) Other investment revenue, which includes net gains on financial assets at FVTPL and dividends on equity investments. Dividend income is recognised when the right to receive income is established.

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

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

Variable consideration

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

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

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

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

The company has used the following assumptions:

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

Notes to the Financial Statements

(Continued)

1.8 Other receivables

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

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

1.9 Property, plant and equipment

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

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

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

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

1.10 Intangible assets

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

Licenses	5 years
Trademark	10 years

1.11 Leases

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

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

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

1.12 Impairment of tangible and intangible assets

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

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

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

Notes to the Financial Statements

(Continued)

1.13 Maintenance and repairs

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

1.14 Other payables

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

1.15 Employee benefits

Wages, salaries and bonuses

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

Superannuation

The Company makes contributions to superannuation funds for the benefit of employees at a rate of 11.5% of each employee's salary in accordance with statutory requirements. The rate of contributions to employee superannuation funds changed to 12.0% on 1 July 2025.

Annual leave and long service leave

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

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

1.16 Cash and cash equivalents

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

1.17 Income tax

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

1.18 Goods and services tax

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

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

Notes to the Financial Statements

(Continued)

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

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

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

1.20 Contract assets

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

1.21 Changes in material accounting policies and disclosures

Standards issued but not yet effective

The following new standards are effective for annual periods beginning after 1 January 2025 and earlier application is permitted; however, the Company has not early adopted the new standards in preparing these financial statements.

Standard/Amendment	Effective for annual reporting periods beginning on or after	Nature of the change and expected impact
AASB 18 *Presentation and Disclosure in Financial Statements*	1 January 2028	AASB 18 replaces AASB 101 *Presentation of Financial Statements*. It will not change the recognition and measurement of items in the financial statements but will affect presentation and disclosure in the financial statements, including introducing new categories and defined subtotals in the statement of profit or loss, requiring the disclosure of management-defined performance measures, and changing the grouping of information in the financial statements.
AASB 2024-2 *Amendments to Australian Accounting Standards – Classification and measurement of financial instruments*	1 January 2026	Amends AASB 9 *Financial Instruments* to introduce an option to derecognise financial liabilities settled through electronic transfer before the settlement date, clarifies how contractual cash flows should be assessed for financial assets with environmental, social and governance (ESG) and similar features, includes additional guidance in respect of non-recourse features and contractually linked instruments and amends specific disclosure requirements. The Company is currently evaluating the expected impact of these amendments on the financial statements.

Notes to the Financial Statements

(Continued)

Note 2 – Material judgements and estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Insurance contracts

The Company applies the PAA to simplify the measurement of insurance contracts.

Liability for remaining coverage

Onerous groups

For groups of contracts that are onerous, the liability for remaining coverage is determined by the measurement of the fulfilment cash flows, including a risk adjustment for non-financial risk.

Time value of money

As approximately 93% of claims are settled within three months of the reporting date, the expected future payments do not differ materially from the present value of those payments. Therefore, a discount rate of zero has been applied.

Acquisition costs

Any insurance acquisition costs are recognised as expenses when incurred.

Liability for incurred claims

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Company requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts. The risk adjustment reflects an amount that an insurer would rationally pay to remove the uncertainty that future cash flows will exceed the expected value amount. The probability of sufficiency on the applied risk adjustment is 75%. For onerous contracts the probability of sufficiency is increased to 82% based on historical experience. This higher sufficiency level allows for possible future variability in the contract boundary that is not fully captured in the past.

The Company has determined that the percentile technique will be used in estimating the risk adjustment for liability for incurred claims. The Company will use the target margin to determine the risk adjustment for the liability for remaining coverage when testing for and on recognition and measurement of onerous contracts. Target margin will be used as that is the level of risk the Company needs to take on insurance risk. The risk adjustment for non-financial risk is presented in full in the insurance service result.

Key assumptions

The Company uses several key assumptions and estimations when estimating the ultimate cost of liability for incurred claims.

The underlying assumption is that the Company's past claims development experience can be used to project future claims development and hence ultimate claims costs. These methods extrapolate the development of paid and incurred losses based on the observed development of earlier months. Historical claims development is analysed by month and by claim type. No explicit assumption is made regarding future rates of claims inflation as claims are generally settled within 90 days.

Notes to the Financial Statements

(Continued)

Additional qualitative judgement is used to assess the extent to which past trends may not apply in future, (e.g., to reflect one-off occurrences, changes in external or market factors such as public attitudes to claiming, economic conditions and legislation, as well as internal factors such as policy features and claims handling procedures) in order to arrive at the estimated ultimate cost of claims that present the probability weighted expected value outcome from the range of possible outcomes, taking account of all the uncertainties involved.

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

Liability for incurred claims are generally settled within one year and are substantially settled within three months of the insurable event.

Some of the key assumptions used in the liability for incurred claims process include:

	30 June 2025	30 June 2024
Claims Handling Expenses	1.29%	1.57%
Risk Adjustment – Liability for Incurred Claims	8%	10%
Risk Adjustment – Liability for Remaining Coverage Onerous Contracts	1.5%	1.5%
Risk Equalisation Rate	3%	6%

Claims handling expenses

Claims handling costs, used in calculating the liability for incurred claims provision, have decreased due to no longer utilising outsourced providers, with our claims backlog now at normalised levels.

Risk adjustment – liability for incurred claims

The risk adjustment has been reduced from FY24, reflecting greater stability and more relevant data post-policy system change informing claims payment pattern, and that manual adjustments have also greatly reduced. This represents the first step in a planned two-stage transition from the increased FY24 risk margin to a longer-tern lower risk margin, with full reversion expected next financial year as data continues to confirm stable post-policy system change claims patterns.

Risk adjustment – onerous contracts

This has remained the same over the two-year period, which is line with the Pricing Philosophy of the target portfolio net margin of 0.5% – 1.5%.

Risk equalisation rate

The Risk Equalisation Rate shows a downward trend due to our rapid ageing membership as compared to the industry. The proportion of our Risk Equalisation eligible claims has grown relatively quicker than the industry as a result.

Notes to the Financial Statements

(Continued)

Note 3 – Risk and capital management

Insurance risk

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

Insurance risk, underwriting risks and risk selection and pricing

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

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

Concentration risk

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

Insurance Revenue by State	30 June 2025 $'000	30 June 2024 $'000
NSW	121,272	119,118
ACT	49,269	47,541
Victoria	211,682	204,887
Queensland	210,576	204,343
SA	59,969	57,320
WA	27,078	25,981
Tasmania	8,817	8,547
Northern Territory	4,948	5,031
Total Insurance Revenue	693,611	672,768

Claims management and claims provisioning risks

Note 2 explains how the Company determines the insurance contract liabilities. Adequacy of the liability is also informed by the following controls:

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

Notes to the Financial Statements

(Continued)

Risk equalisation

Under the provisions of the *Private Health Insurance Act 2007*, all eligible registered health insurers must participate in the Risk Equalisation Trust Fund. The amounts payable to and receivable from the Risk Equalisation Trust Fund are determined by Australian Prudential Regulation Authority (APRA) after the end of each quarter. Estimated provisions are recognised on an accruals basis. This also forms part of the Liability for Incurred Claims.

Sensitivities

The interval between the provision of an insured service and the presentation of a claim is generally less than one year. More than 93% of all claims are settled within 90 days. Once lodged and assessed, claims are generally subject to little variation.

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

Financial risk

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

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

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

Liquidity risk

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

The Company's Liquidity Risk Management Plan sets out the procedures and policies in place to mitigate the Company's exposure to liquidity risk. The Company manages its investment portfolio to ensure adequate liquidity exists to match future health insurance liabilities, also having regard to operational cash flows.

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

The following table details the maturity profile of portfolios of insurance contracts issued that are liabilities of the Company based on the estimates of the future cash flows expected to be paid out in the periods presented:

2025	Less than 1 month $'000	1-3 months $'000	3 months to 12 months $'000	12 months to 18 months $'000	Total $'000
Liability for incurred claims	59,241	15,801	7,331	3,060	85,433

2024	Less than 1 month $'000	1-3 months $'000	3 months to 12 months $'000	12 months to 18 months $'000	Total $'000
Liability for incurred claims	54,927	17,263	5,829	1,206	79,225

The following table details the company's liquidity based on maturity date, including financial assets and liabilities:

Notes to the Financial Statements

(Continued)

2025	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
Financial assets						
Cash assets	51,156	–	–	–	–	51,156
Investment receivables	14,633					14,633
Other receivables	15,153	104	262	–	–	15,519
Term deposits	220,873	3,000	15,396	–	–	239,269
Units in fixed income trusts	193,829	–	–	–	–	193,829
Units in unlisted equity trusts	165,108	–	–	–	–	165,108
Alternatives	–	42,892	–	–	–	42,892
	660,752	**45,996**	**15,658**	**-**	**-**	**722,406**
Financial liabilities						
Other payables	7,716	–	–	–	–	7,716
	7,716	–	–	–	–	7,716

2024	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	5+ years $'000	Total $'000
Financial assets						
Cash assets	56,471	–	–	–	–	56,471
Other receivables	53,316	1,306	1,910	–	–	56,532
Term deposits	11,000	34,000	107,396	–	–	152,396
Units in fixed income trusts	167,602	–	–	–	–	167,602
Units in unlisted equity trusts	137,091	–	–	–	–	137,091
Alternatives	–	96,593	–	–	–	96,593
	425,480	**131,899**	**109,306**	**-**	**-**	**666,685**
Financial liabilities						
Other payables	11,745	–	–	–	–	11,745
	11,745	–	–	–	–	11,745

Market risk

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

Interest rate risk

Interest rate risk arises from interest rate changes that could impact the future value of cash flows or principal of a financial instrument. At reporting date, if interest rates changed by 100 basis points and all other variables were held constant for variable and fixed interest rate investments, the Company's surplus would change by $5.5 million (2024: $5.6 million).

Notes to the Financial Statements

(Continued)

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

2025	Weighted average effective rate %	Variable interest rate $'000	Fixed interest maturity dates Less than 1 year $'000	Non-interest bearing $'000	Total $'000
Financial assets					
Cash assets	4.0	51,156	–	–	51,156
Investment receivables	–	–	–	14,633	14,633
Other receivables	–	–	–	15,519	15,519
Term deposits	4.96	–	239,269	–	239,269
Units in fixed income trusts	4.43	193,829	–	–	193,829
Units in unlisted equity trusts	–	–	–	165,108	165,108
Alternatives	–	–	–	42,892	42,892
		244,985	**239,269**	**238,152**	**722,406**
Financial liabilities					
Other payables	–	–	–	7,716	7,716
		–	–	7,716	7,716

2024	Weighted average effective rate %	Variable interest rate $'000	Fixed interest maturity dates Less than 1 year $'000	Non-interest bearing $'000	Total $'000
Financial assets					
Cash assets	3.50	56,471	–	–	56,471
Other receivables	–	–	–	56,532	56,532
Term deposits	4.99	–	152,396	–	152,396
Units in fixed income trusts	6.37	167,602	–	–	167,602
Units in unlisted equity trusts	–	–	–	137,091	137,091
Alternatives	–	–	–	96,593	96,593
		224,073	**152,396**	**290,216**	**666,685**
Financial liabilities					
Other payables	–	–	–	11,745	11,745
		–	**–**	**11,745**	**11,745**

Foreign currency risk

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

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

At reporting date, the Company's exposure to foreign currency risk was $70 million in unhedged overseas managed funds (2024: $20 million).

The Company's sensitivity to an average increase or decrease of 10% in foreign currencies with all other variables held constant, the surplus would change by $7 million (2024: $2 million).

Notes to the Financial Statements

(Continued)

Market price risk

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

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

As at reporting date, if unit prices change by 10% the Company's surplus would change by $60 million (2024: $23.4 million).

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

Credit risk

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

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

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

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

2025 Rating	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB or Not Rated $'000	Total $'000
Financial assets						
Cash assets	–	51,156	–	–	–	51,156
Investment receivables	–	–	–	–	14,633	14,633
Other receivables	–	–	–	–	15,519	15,519
Term deposits	–	20,893	–	–	218,376	239,269
Units in fixed income trusts	78,717	15,212	815	55,807	43,278	193,829
Units in unlisted equity trusts^	–	–	–	–	165,108	165,108
Alternatives	–	–	–	–	42,892	42,892
	78,717	**87,261**	**815**	**55,807**	**499,806**	**722,406**

2024 Rating	AAA $'000	AA $'000	A $'000	BBB $'000	Below BBB or Not Rated $'000	Total $'000
Financial assets						
Cash assets	–	56,471	–	–	–	56,471
Other receivables	–	–	–	–	56,532	56,532
Term deposits	–	72,396	80,000	–	–	152,396
Units in fixed income trusts	–	–	–	–	167,602	167,602
Units in unlisted equity trusts^	–	–	–	–	137,091	137,091
Alternatives	–	–	–	–	96,593	96,593
	-	**128,867**	**80,000**	**-**	**457,818**	**666,685**

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

Notes to the Financial Statements

(Continued)

Fair value of financial instruments

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

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

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

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

2025	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Term deposits	239,269	–	–	239,269
Interest bearing securities	–	–	–	–
Units in fixed income trusts(i)	–	193,829	–	193,829
Units in unlisted equity trusts(i)	–	165,108	–	165,108
Alternatives(i)	–	41,174	1,718	42,892
Total	**239,269**	**400,111**	**1,718**	**641,098**

2024	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets at fair value through profit or loss				
Term deposits	152,396	–	–	152,396
Interest bearing securities	–	–	–	–
Units in fixed income trusts(i)	–	167,602	–	167,602
Units in unlisted equity trusts(i)	–	137,091	–	137,091
Alternatives(i)	–	–	96,593	96,593
Total	**152,396**	**304,693**	**96,593**	**553,682**

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

Notes to the Financial Statements

(Continued)

Movement in Alternatives – Level 3

During the year, the Company's Alternatives portfolio reduced from $96.6 million at 30 June 2024 (entirely Level 3) to $42.9 million at 30 June 2025, comprising $41.2 million in Level 2 and $1.7 million in Level 3. This change reflects:

1. Replacement of Level 3 with Level 2 investments – As part of the transition from LGT Crestone to Mercer, $41.2 million of Level 3 alternatives were sold and the proceeds used to purchase Mercer funds classified as Level 2, given their unit trust structure and daily market prices.
2. Redemptions and purchases – The company redeemed a further $53.7 million from Alternatives investments during the transition, reallocating proceeds to other asset classes pending investment into Mercer's Alternative allocation queues.
3. Residual Level 3 position – At 30 June 2025, $1.7 million of investments remains classified as Level 3, representing the final illiquid investment with the previous advisor awaiting redemption.

	$'000
Balance at 30 June 2024	**96,593**
Purchases	–
Gain and loss recognised in the profit and loss	2,027
Redemptions	(96,902)
Balance at 30 June 2025	**1,718**

Financial risks arising from insurance contracts

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

Capital and regulatory risks

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

The Directors manage capital to ensure the Company is a going concern while maximising returns within acceptable risk tolerances. The Capital Standards require the Company to maintain adequate capital to meet a 1 in 200-year event across insurance, asset and operational risks along with an allowance to recognise that these events are not expected to occur simultaneously. The Company is required to comply with these standards and results are reported to the Australian Prudential Regulation Authority (APRA).

Notes to the Financial Statements

(Continued)

Note 4 – Insurance service expense

	2025			2024		
	Estimates of PV of future cashflow	Risk adjustment	Total	Estimates of PV of future cashflow	Risk adjustment	Total
Insurance service expense (Note 7)	72,611	–	72,611	72,008	–	72,008
Incurred claims and other expenses	594,576	(1,524)	593,052	568,988	1,309	570,297
Total insurance service expense	**667,187**	**(1,524)**	**665,663**	**640,996**	**1,309**	**642,305**

Note 5 – Total investment income and net insurance financial result

The table below presents an analysis of the net investment income recognised in profit or loss:

2025	Private health insurance $'000	Non-insurance related $'000	Total $'000
Investment income			
Amounts recognised in the profit or loss			
Other interest and similar income	5,459	955	6,414
Dividend income	31,020	–	31,020
Realised gains/(losses) on disposal	(2,642)	–	(2,642)
Net fair value gain/(losses) on financial assets at fair value through profit or loss	29,605	–	29,605
Investment management fees	(1,320)	–	(1,320)
Total amounts recognised in the profit or loss	**62,122**	**955**	**63,077**
Total investment income	**62,122**	**955**	**63,077**

2024	Private health insurance $'000	Non-insurance related $'000	Total $'000
Investment income			
Amounts recognised in the profit or loss			
Other interest and similar income	11,868	868	12,736
Dividend income	12,857	–	12,857
Realised gains/(losses) on disposal	1,283	–	1,283
Net fair value gain/(losses) on financial assets at fair value through profit or loss	14,190	–	14,190
Investment management fees	(512)	–	(512)
Total amounts recognised in the profit or loss	**39,686**	**868**	**40,554**
Total investment income	**39,686**	**868**	**40,554**

Notes to the Financial Statements

(Continued)

Note 6 – Other operating income

	2025 $'000	2024 $'000
Life insurance commission	656	785
Travel insurance commission	407	518
Total other operating income	**1,063**	**1,303**

Note 7 – Other operating expenses

An analysis of the expenses incurred by the Company in the reporting period is included in the table below:

	2025			2024		
	Directly attributable expenses	Other operating expenses	Total	Directly attributable expenses	Other operating expenses	Total
Employee expenses (note 7.1)	40,308	14,431	54,739	39,510	14,239	53,749
Marketing expenses	1,964	239	2,203	2,027	42	2,069
IT and computing expenses	22,406	1,873	24,279	21,858	372	22,230
Transaction processing costs	2,076	97	2,173	1,872	64	1,936
Professional fees	1,806	810	2,616	2,143	1,042	3,185
Depreciation and amortisation expenses	1,005	713	1,718	1,472	313	1,785
Occupancy expenses	340	358	698	334	277	611
Industry subscription	1,388	67	1,455	1,290	62	1,352
Agency legal costs	345	–	345	332	–	332
Interest expense	59	34	93	106	11	117
Other management expenses	914	229	1,143	1,064	261	1,325
Total	**72,611**	**18,851**	**91,462**	**72,008**	**16,683**	**88,691**

Directly attributable expenses comprise expenses incurred by the Company in the reporting period that relate directly to the fulfilment of contracts issued within AASB 17's scope. These expenses are recognised in the statement of profit or loss based on AASB 17 measurement requirements. Refer to note 4. Other expenses comprise several smaller accounts, such as telephony charges, travel and accommodation, and APRA levies, which have been grouped together for reporting purposes.

Notes to the Financial Statements

(Continued)

7.1 Employee benefit expense

	2025 $'000	2024 $'000
Employee benefits	50,449	50,589
Post-employment benefits – Superannuation contributions	4,290	3,160
Total	**54,739**	**53,749**

Note 8 – Insurance contracts

The breakdown of portfolios of insurance contracts issued, that are in an asset position and those in a liability position is set out in the table below:

	2025			2024		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Insurance contracts issued						
Private health insurance	2,847	–	2,847	–	(21,061)	(21,061)
Total insurance contracts issued	**2,847**	**–**	**2,847**	**–**	**(21,061)**	**(21,061)**

Notes to the Financial Statements

(Continued)

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

The Company has one major product line, being Private Health Insurance. The roll-forward of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below:

	Liabilities for remaining coverage			Liabilities for incurred claims			
2025	Excluding loss component	Loss component	Total	Estimates of the present value of future cash flows	Risk adjustment	Total	Total
Insurance contract liabilities as at 01/07	21,061	4,468	25,529	74,293	4,932	79,225	104,754
Insurance contract assets as at 01/07	–	–	–	–	–	–	–
Net insurance contract (asset)/liabilities as at 01/07	**21,061**	**4,468**	**25,529**	**74,293**	**4,932**	**79,225**	**104,754**
Insurance revenue	693,611	–	693,611	–	–	–	693,611
Insurance service expenses							
Incurred claims and other directly attributable expenses	–	–	–	664,255	(1,524)	662,731	(662,731)
Losses on onerous contracts and reversals of those loses	–	2,932	(2,932)	–	–	–	(2,932)
Changes that relate to future service	–	–	–	–	–	–	–
Changes that relate to past service	–	–	–	–	–	–	–
Insurance service result	**693,611**	**2,932**	**690,679**	**664,255**	**(1,524)**	**662,731**	**27,948**
Total changes in the statement of comprehensive income	**693,611**	**2,932**	**690,679**	**664,255**	**(1,524)**	**662,731**	**27,948**
Cash flows							
Premiums received	669,703	–	669,703	–	–	–	669,703
Claims and other expenses paid	–	–	–	655,518	–	655,518	(655,518)
Total cash flows	**669,703**	**-**	**669,703**	**655,518**	**-**	**655,518**	**14,185**
Transfer to other items in the statement of financial position(i)	–	–	–	1,005	–	1,005	(1,005)
Net insurance contract (assets)/liabilities as at 30/06	**669,703**	**-**	**669,703**	**656,523**	**-**	**656,523**	**13,180**
Insurance contract liabilities as at 30/06(ii)	(2,847)	7,400	4,553	82,025	3,408	85,433	89,986
Insurance contract assets as at 30/06	–	–	–	–	–	–	–
Net insurance contract (assets)/liabilities as at 30/06	**(2,847)**	**7,400**	**4,553**	**82,025**	**3,408**	**85,433**	**89,986**

(i) The fulfilment cash flows may include amounts that are in the scope of a standard other than AASB 17. For example, the Company has included some right of use asset depreciation in the fulfilment cash flows (and therefore insurance service expense) under paragraph B65(l) of AASB 17. The Company removes such expenses from the insurance contract asset/liability roll forward table in this line when they are incurred and included in the carrying amount of another asset or liability (e.g. right of use assets) in accordance with the other standard.

(ii) The $2.81m asset in Insurance contract liabilities as at 30/06 is due to the rebate receivable of $55.21m that is due to the company but has not yet been claimed from Services Australia.

Notes to the Financial Statements

(Continued)

2024	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss component	Liabilities for remaining coverage: Total	Liabilities for incurred claims: Estimates of the present value of future cash flows	Liabilities for incurred claims: Risk adjustment	Liabilities for incurred claims: Total	Total
Insurance contract liabilities as at 01/07	39,461	5,721	45,182	87,847	3,624	91,471	136,653
Insurance contract assets as at 01/07	–	–	–	–	–	–	–
Net insurance contract (asset)/liabilities as at 01/07	**39,461**	**5,721**	**45,182**	**87,847**	**3,624**	**91,471**	**136,653**
Insurance revenue	672,768	–	672,768	–	–	–	672,768
Insurance service expenses							
Incurred claims and other directly attributable expenses	–	–	–	642,250	1,308	643,558	(643,558)
Losses on onerous contracts and reversals of those loses	–	(1,253)	1,253	–	–	–	1,253
Changes that relate to future service	–	–	–	–	–	–	–
Changes that relate to past service	–	–	–	–	–	–	–
Insurance service result	**672,768**	**(1,253)**	**674,021**	**642,250**	**1,308**	**643,558**	**30,463**
Total changes in the statement of comprehensive income	**672,768**	**(1,253)**	**674,021**	**642,250**	**1,308**	**643,558**	**30,463**
Cash flows							
Premiums received	654,368	–	654,368	–	–	–	654,368
Claims and other expenses paid	–	–	–	654,332	–	654,332	(654,332)
Total cash flows	**654,368**	**–**	**654,368**	**654,332**	**–**	**654,332**	**36**
Transfer to other items in the statement of financial position[(i)]	–	–	–	1,472	–	1,472	(1,472)
Net insurance contract (assets)/liabilities as at 30/06	**654,368**	**–**	**654,368**	**655,804**	**–**	**655,804**	**(1,436)**
Insurance contract liabilities as at 30/06	21,061	4,468	25,529	74,293	4,932	79,225	104,754
Insurance contract assets as at 30/06	–	–	–	–	–	–	–
Net insurance contract (assets)/liabilities as at 30/06	**21,061**	**4,468**	**25,529**	**74,293**	**4,932**	**79,225**	**104,754**

(i) The fulfilment cash flows may include amounts that are in the scope of a standard other than AASB 17. For example, the Company has included some right of use asset depreciation in the fulfilment cash flows (and therefore insurance service expense) under paragraph B65(l) of AASB 17. The Company removes such expenses from the insurance contract asset/liability roll forward table in this line when they are incurred and included in the carrying amount of another asset or liability (e.g. right of use assets) in accordance with the other standard.

Notes to the Financial Statements

(Continued)

Note 9 – Financial assets

	2025 $'000	2024 $'000
Financial assets measured at FVTPL		
Term deposits	239,269	152,396
Interest bearing securities(i)	–	–
Units in fixed income trusts	193,829	167,602
Units in unlisted equity trusts	165,108	137,091
Alternatives	42,892	96,593
Total investments	**641,098**	**553,682**

(i) The company has granted the lessor of the property a bank guarantee to support the lease obligations of $0.9 million (2024: $0.9 million)

Note 10 – Contingent liabilities and contingent assets

There are no material contingent liabilities and contingent assets at reporting date.

Note 11 – Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may significantly affect, the operations of the Company.

Directors' Declaration

The Directors of Defence Health Limited declare that:

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

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

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

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

On behalf of the Board of Directors.

Mr Robin Buick Orr Burns
Director

19 September 2025

Ms Rebecca Davies
Director

19 September 2025

Independent Auditor's Report

to the Members of Defence Health Limited

Deloitte.

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Defence Health Limited (the "Company") which comprises the statement of financial position as at 30 June 2025, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Company's financial position as at 30 June 2025 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2025, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, 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:

Independent Auditor's Report

(Continued)

Deloitte.

- For the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company in accordance with Australian Accounting Standards; and
- For such internal control as the directors determine is necessary to enable the preparation of the financial report in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and performance of the Company, and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company'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 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.

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

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Max Rt Murray

Max Murray
Partner
Chartered Accountants

Sydney, 19 September 2025

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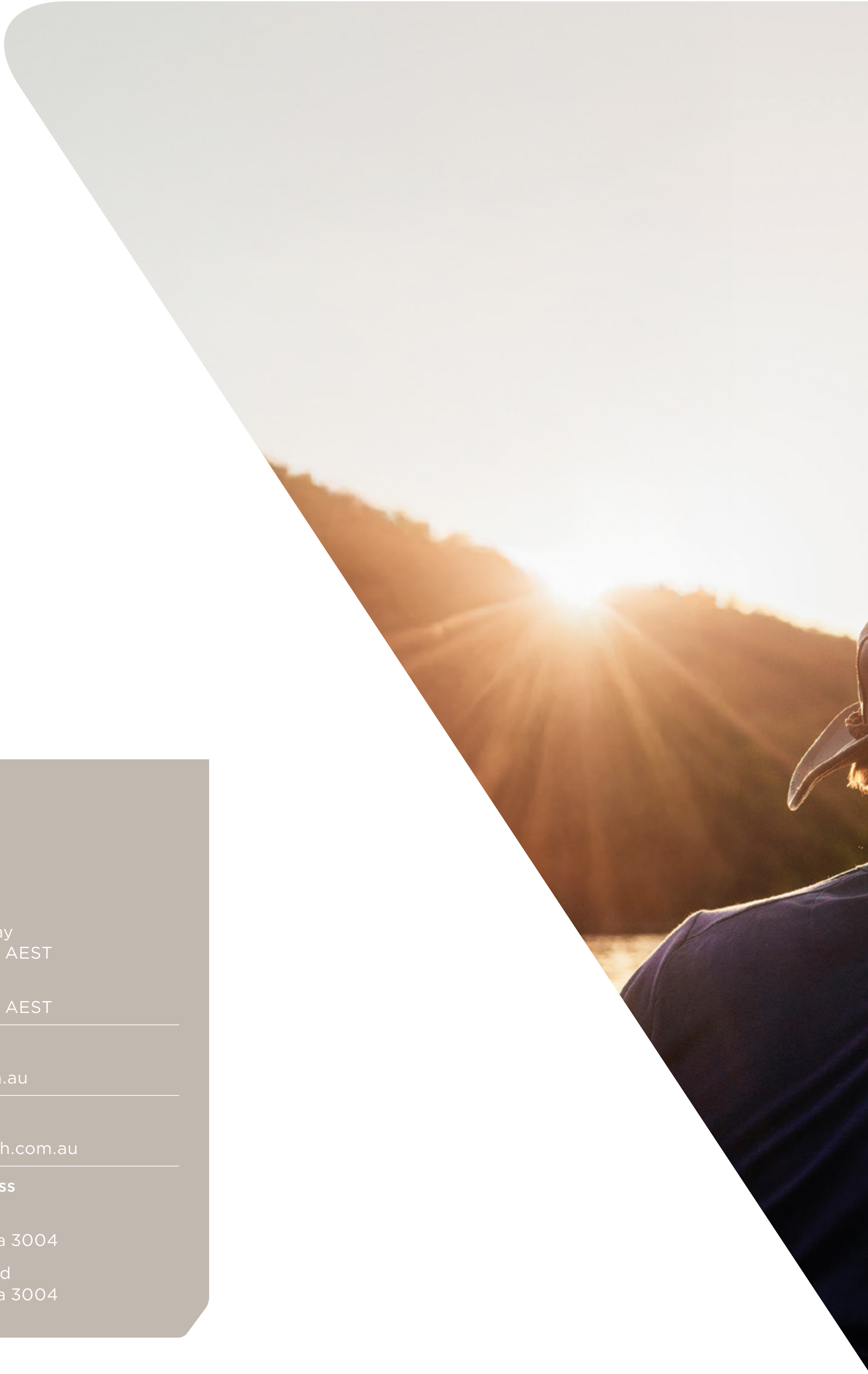

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