



Reserve Bank Health Society Ltd

ABN 91 087 648 735

Annual Report - 30 June 2025

Reserve Bank Health Society Ltd
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30 June 2025

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It is a privilege to present my first Chair message for the Reserve Bank Health Society (RBHS), following the dedicated leadership of Warren Wise, who stepped down in November 2024 after 16 years of service, including his tenure as Chair. I also extend my sincere thanks to Sharon Suan, who resigned on the same date, for her valuable contributions to the Board and her leadership of the Risk Committee since 2019.

The composition of the RBHS evolved during the 2025 financial year. I'm pleased to welcome two new directors: Christine O'Leary, who joined the Board on 1 October 2024, and Chimin Sam, who joined on 15 November 2024. Their expertise and fresh perspectives have strengthened our governance and helped shaped our strategic direction.

Throughout the year, RBHS continued to support members' health insurance needs through its Gold Hospital and premium Extras products. As part of our growth strategy and commitment to member choice, the Board introduced a lower cost Bronze Plus hospital product in April 2025 and partnered with Smile to offer enhanced dental benefit from 1 July 2025. RBHS also made significant investments in launching a new digital application and improving cyber security identification and protection. The Board acknowledges the work of the Peoplecare team in supporting these initiatives and successfully launching our new Bronze Plus hospital product.

While the Fund recorded a net loss of \$0.3 million, primarily driven by a change in accounting policy for insurance contracts and increased management expenses to meet regulatory requirements, RBHS remains well capitalised. Net assets stand at \$21.4 million (\$21.7 million as at 30 June 2024), or \$8,943 per policyholder (down from \$8,997) a year earlier.

As a not-for-profit fund, the RBHS remains committed to keeping annual premium increases as low as possible while continuing to offer high-quality benefits. We focus on managing costs and operating as efficiently as possible - an approach that is especially important in an environment of elevated inflation and increasing regulatory demands. To support this, we continue to leverage the services of the Australian Health Service Alliance to negotiate with hospitals and doctors during contract renewals. While rising cost bases have made these negotiations more complex, our priority remains clear: to secure the best possible outcomes for members.

As at 30 June 2025, the number of RBHS policyholders decreased by 0.75 per cent to 2,394 members. The proportion of policyholders who discontinued their membership rose slightly to 5.1 per cent but remains significantly below the industry average of 10.5 per cent - reflecting strong member satisfaction and sustained trust in the fund's value proposition. Thank you to everyone who has maintained their RBHS membership.

To support strategic planning and long-term sustainability, the Board re-established a dedicated Board-only Resilience Committee. This committee is tasked with examining the health fund's business model in light of APRA's new prudential standards, broader industry shifts and the upcoming expiry of the management services agreement with Peoplecare in 2026. Significant work is underway to evaluate business models that support RBHS's objective of delivering improved member benefits in the years ahead.

In addition to our financial and operational performance, RBHS has made strong progress in strengthening governance and regulatory compliance. We implemented the Financial Accountability Regime by reviewing governance structures and clarifying executive accountability. Extensive work was also undertaken to enhance our operational risk framework, identify critical operations and review service provider arrangements to ensure resilience and continuity. These efforts reflect our commitment to maintaining high standards of governance, risk management and member trust.

Finally, I would like to thank each of my fellow Directors for their support, commitment, and time throughout the 2025 financial year. I look forward to continuing our work together in the year ahead.



Sarah Harris
Chair - Board

24 September 2025
Sydney

Reserve Bank Health Society Ltd

Directors' report

30 June 2025

The directors present their report, together with the financial statements, on Reserve Bank Health Society (referred to as 'the Company' or 'RBHS') for the year ended 30 June 2025.

Directors

The following persons were directors of RBHS during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Warren Wise (Resigned – 15 November 2024)
Ms Sharon Suan (Resigned – 15 November 2024)
Ms Sarah Harris
Ms Emma Maley
Mr David McKenna
Ms Kristin Langwasser
Mr Chris Stewart
Mr Sam Tomaras
Ms Christine O'Leary (Joined – 1 October 2024)
Ms Chimin Sam (Joined – 15 November 2024)

Objectives

RBHS is a not-for-profit restricted access health insurer with the objective of providing members with superior health benefits in a cost-effective manner.

To achieve this mission, the Board has set the following broad Company objectives:

Corporate Governance: *governance aligned with regulatory standards & outsourcing risks*

Financial Stability: *maintain financial strength to comply with APRA prudential standards*

Member Growth & Retention: *maximise growth & retention within the restricted access group*

Product & Service Excellence: *industry leading service & simply better benefits*

Principal activities

The RBHS' principal activity during the financial year was the underwriting of private health insurance policies to its members. This remained unchanged from the previous financial year.

Information on directors

Name: Mr Warren Wise (Resigned – 15 November 2024)

Title: Chair
Independent Non-Executive Director

Qualifications: B. Business, Graduate of AICD

Experience and expertise: Director from July 2008
Member Resilience Committee

Name: Ms Sharon Suan (Resigned – 15 November 2024)

Title: Independent Non-Executive Director

Qualifications: B. Economics (Hons), CFA Charterholder, Graduate of AICD

Experience and expertise: Director from November 2015
Chair Risk Committee

Name: Ms Sarah Harris

Title: Chair from 15 November 2024
Independent Non-Executive Director

Qualifications: Bachelor of Science (Hons) Finance and Accounting, Graduate of AICD

Experience and expertise: Director from 16 January 2023
Member Audit Committee
Member Nomination and Remuneration Committee
Member Resilience Committee

Reserve Bank Health Society Ltd
Directors' report
30 June 2025

Name: Ms Emma Maley
Title: Independent Non-Executive Director
Qualifications: B. Science (Computer Science), Diploma of Information Technology, Graduate of AICD
Experience and expertise: Director from November 2013
Chair Nomination and Remuneration Committee
Member Risk Committee

Name: Mr David McKenna
Title: Independent Non-Executive Director
Qualifications: B. Applied Entrepreneurship, Graduate Certificate of Laws, Postgraduate Certificate in Politics and Public Policy, M Public Administration, Graduate of AICD
Experience and expertise: Director from January 2022
Chair Audit Committee
Member Risk Committee
Member Resilience Committee

Name: Ms Kristin Langwasser
Title: Independent Non-Executive Director
Qualifications: Master of Science (Economics), Master of Philosophy (Economics), Graduate of AICD
Experience and expertise: Director from 8 June 2023
Member Nomination and Remuneration Committee
Chair Resilience Committee

Name: Mr Chris Stewart
Title: Independent Non-Executive Director
Qualifications: Bachelor of Economics (Hons), Master of Economics, Graduate of AICD
Experience and expertise: Appointed Director from 17 November 2023
Chair Risk Committee

Name: Mr Sam Tomaras
Title: Independent Non-Executive Director
Qualifications: Bachelor of Business (Finance and Accounting), CPA
Experience and expertise: Director from 17 November 2023
Member Audit Committee
Member Risk Committee

Name: Ms Christine O'Leary (Appointed – 1 October 2024)
Title: Independent Non-Executive Director
Qualifications: Master of Commerce, Master of Science and Bachelor of Arts
Experience and expertise: Director from 1 October 2024
Member Risk Committee

Name: Ms Chimin Sam (Appointed – 15 November 2024)
Title: Independent Non-Executive Director
Qualifications: Master of Finance (Investment Banking), Chartered Financial Analyst, CA, Bachelor of Laws and Bachelor of Commerce, Graduate of AICD
Experience and expertise: Director from 15 November 2024
Member Audit Committee
Member Nomination and Remuneration Committee

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2025, and the number of meetings attended by each director were:

Director	Board Meetings		Nomination and Remuneration Committee		Risk Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
W Wise ¹	2	3	-	-	-	-	-	-
S Suan ²	2	3	-	-	1	1	-	-
S Harris ³	8	8	1	1	1	1	2	3
E Maley	8	8	3	3	4	4	-	-
K Langwasser	8	8	3	3	-	-	-	-
D McKenna	7	8	-	-	1	1	5	5
C Stewart	8	8	-	-	4	4	-	-
S Tomaras	8	8	-	-	3	3	5	5
C O'Leary ⁴	5	6	-	-	2	3	-	-
C Sam ⁵	4	5	2	2	-	-	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

1. *W Wise resigned 15 November 2024*
2. *S Suan resigned 15 November 2024*
3. *S Harris attended the Risk Committee by invitation*
4. *C O'Leary appointed 15 October 2024*
5. *C Sam appointed 15 November 2024*

The Resilience Committee

The Resilience Committee, an ad hoc sub-committee of the Board, was re-established in August 2024. Its current focus is on evaluating business models that support the goal of delivering improved benefits for RBHS members in future years. The Committee has met on a fortnightly basis, with other Board members participating as required.

Contributions on winding up

The RBHS is a Company limited by guarantee under the Corporations Act 2001 and hence has no contributed equity. If the RBHS is wound up and cannot meet its debts, the Constitution states that each member may be required to contribute a maximum of \$1 towards meeting any outstanding obligations of the RBHS. As the RBHS had 2,394 members as at 30 June 2025, it means the members of the Company are liable to contribute a total of \$2,394 (\$1 per member) if the Company is wound up.

Matters subsequent to the end of the financial year

No matter of circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect:

- i. the operations of the Company.
- ii. the results of these operations; or
- iii. the state of affairs of the Company in the financial years subsequent to 30 June 2025.

Non-audit services

During the year, the Company has not employed the auditor (Ernst & Young) on assignments additional to their statutory audit duties. Details of the amounts paid or payable to the auditor during the year are disclosed in Note 17 - Remuneration of Auditors.

Reserve Bank Health Society Ltd
Directors' report
30 June 2025

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*.

On behalf of the directors



Sarah Harris
Chair - Board



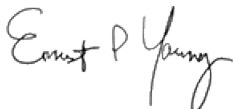
David McKenna
Director

24 September 2025
Sydney

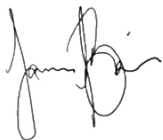
Auditor's independence declaration to the directors of Reserve Bank Health Society Ltd

As lead auditor for the audit of the financial report of Reserve Bank Health Society Ltd for the financial year ended 30 June 2025, I declare to the best of my knowledge and belief, there have been:

- a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.



Ernst & Young



Jason Bain
Partner
24 September 2025

Reserve Bank Health Society Ltd
Statement of surplus or deficit and other comprehensive income
For the year ended 30 June 2025

	Note	2025 \$	2024 \$
Insurance revenue	3	19,622,387	19,216,944
Insurance service expenses			
Incurred claims		(16,816,878)	(14,740,722)
Other insurance service expenses	5	(3,756,323)	(3,099,534)
Insurance service result	3	<u>(950,814)</u>	<u>1,376,688</u>
Interest income		1,292,920	1,143,712
Net gain / (loss) on fair value movements on financial assets at fair value		42,926	-
Investment expense		(46,381)	(29,088)
Total investment income		<u>1,289,465</u>	<u>1,114,624</u>
Other income		-	12,049
Other expenses	5	(629,417)	(379,507)
Surplus before tax		(290,766)	2,123,854
Income tax expense		-	-
Surplus for the year		<u>(290,766)</u>	<u>2,123,854</u>
Other comprehensive income		-	-
Surplus and total comprehensive income for the year		<u><u>(290,766)</u></u>	<u><u>2,123,854</u></u>

The above statement of surplus or deficit and other comprehensive income should be read in conjunction with the accompanying notes.

Reserve Bank Health Society Ltd
Statement of financial position
As at 30 June 2025

	Note	2025 \$	2024 \$
Assets			
Current assets			
Cash and cash equivalents	6	1,270,383	1,357,703
Receivables	7	211,174	179,423
Financial assets at fair value through surplus or deficit	8	11,204,657	11,900,000
Other assets	9	72,654	73,297
Total current assets		<u>12,758,868</u>	<u>13,510,423</u>
Non-current assets			
Financial assets at fair value	10	12,151,746	10,077,117
Intangible assets	12	-	29,104
Total non-current assets		<u>12,151,746</u>	<u>10,106,221</u>
Total assets		<u>24,910,614</u>	<u>23,616,644</u>
Liabilities			
Current liabilities			
Payables	13	656,567	133,301
Insurance contract liabilities	4	2,827,011	1,772,486
Provisions	14	17,220	10,275
Total current liabilities		<u>3,500,798</u>	<u>1,916,062</u>
Non-current liabilities			
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>3,500,798</u>	<u>1,916,062</u>
Net assets		<u>21,409,816</u>	<u>21,700,582</u>
Equity			
Retained surpluses		<u>21,409,816</u>	<u>21,700,582</u>
Total equity		<u>21,409,816</u>	<u>21,700,582</u>

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

Reserve Bank Health Society Ltd
Statement of changes in equity
For the year ended 30 June 2025

	Retained surpluses \$	Total equity \$
Balance at 1 July 2023, as previously reported	19,576,728	19,576,728
Surplus for the year	2,123,854	2,123,854
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>2,123,854</u>	<u>2,123,854</u>
Balance at 30 June 2024	<u>21,700,582</u>	<u>21,700,582</u>
	Retained surpluses \$	Total equity \$
Balance at 1 July 2024	21,700,582	21,700,582
Deficit for the year	(290,766)	(290,766)
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>(290,766)</u>	<u>(290,766)</u>
Balance at 30 June 2025	<u>21,409,816</u>	<u>21,409,816</u>

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

Reserve Bank Health Society Ltd
Statement of cash flows
For the year ended 30 June 2025

	Note	2025 \$	2024 \$
Cash flows from operating activities			
Receipts from members and customers		19,503,206	19,519,447
Payments to members, suppliers and employees		(19,399,496)	(17,610,170)
Other receipts or payments to suppliers		(121,726)	(1,316,395)
Finance costs paid		(46,381)	(29,088)
Interest received		<u>1,313,437</u>	<u>1,155,761</u>
Net cash from operating activities	22	<u>1,249,040</u>	<u>1,719,555</u>
Cash flows from investing activities			
Payments for investments		(46,347,390)	(48,148,555)
Proceeds from disposal of investments		<u>45,011,030</u>	<u>46,455,030</u>
Net cash used in investing activities		<u>(1,336,360)</u>	<u>(1,693,525)</u>
Net cash from financing activities		<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(87,320)	26,030
Cash and cash equivalents at the beginning of the financial year		<u>1,357,703</u>	<u>1,331,673</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>1,270,383</u></u>	<u><u>1,357,703</u></u>

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

Note 1. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Compliance with IFRS

These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB).

Corporate information

The financial report covers Reserve Bank Health Society Ltd as an individual entity. The financial report is presented in Australian dollars, which is Reserve Bank Health Society Ltd's functional and presentation currency.

The financial report consists of the financial statements, notes to the financial statements and the directors' declaration.

Reserve Bank Health Society Ltd is a not-for-profit unlisted public company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Corner Victoria and Young Streets,
Wollongong, NSW, 2500

Principal place of business

Corner Victoria and Young Streets,
Wollongong, NSW, 2500

A description of the nature of the Company's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 September 2025. The directors have the power to amend and reissue the financial statements.

Historical cost convention

The financial statements have been prepared on an historical cost basis, except for the revaluation of selected noncurrent assets, financial assets and financial liabilities for which the fair value method of accounting has been adopted.

Comparative figures

Where required by Australian Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical accounting judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both internally and externally to the Company.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are disclosed in the following notes:

- Note 4: Insurance contract liabilities

Note 2. Summary of material accounting policies

Income tax

No income tax expense was provided for as the Company is entitled to tax exempt status under the provisions of Section 50-30, Item 6.3 of the Income Tax Assessment Act 1997.

Note 2. Summary of material accounting policies (continued)

Goods and Services Tax (GST) and other similar taxes

Revenues and expenses are recognised net of GST, except where GST incurred on a purchase of goods and services is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Australian Taxation Office are classified as operating cash flows.

Investment income and expenses

Investment income is recognised in the Statement of surplus or deficit, using the effective interest method. Changes in the value of financial assets at fair value through Statement of surplus or deficit are recognised within investment income as unrealised gains or losses while the assets are held. Upon derecognition of an asset, the cumulative unrealised gain or loss is reversed, and a realised gain or loss is recognised. Realised and unrealised gains and losses are presented as net gain /(loss) on fair value movements on financial assets.

Investment expenses includes investment management fees incurred on the financial assets held at fair value through profit or loss.

New accounting standards not yet effective

On 14th June 2024, the Australian Accounting Standards Board (AASB) issued AASB 18 Presentation and Disclosure in Financial Statements, a new financial statements presentation standard to replace AASB 101 Presentation of Financial Statements. The effective date of AASB 18 is for annual periods beginning on or after 1 January 2027. In the first year, for the immediately preceding period, entities must also present a reconciliation for each line in the statement of profit or loss between amounts previously presented applying AASB 101 and restated amounts applying AASB 18.

AASB 18 requires an entity to classify income and expenses within its statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations. These categories are complemented by the requirement to present subtotals and totals for 'operating profit or loss', 'profit or loss before financing and income taxes' and 'profit or loss'. Management is yet to assess the impact of AASB 18 on the financial report.

Other significant accounting policies adopted by the RBHS are detailed under each Note to the financial statements.

Note 3. Insurance service result

Insurance service result

The insurance service result includes insurance revenue, offset by directly attributable insurance service expenses. Insurance revenue reflects the consideration the Company expects to be entitled to in exchange for providing insurance contract services. Insurance service expenses include expenses that are directly attributable to fulfilling a group of insurance contracts and include claims incurred, other directly attributable insurance service expenses and changes to past service. Other expenses not meeting the above categories are included in other operating expenses in the Statement of surplus or deficit.

Note 3. Insurance service result (continued)

	2025	2024
	\$	\$
Insurance revenue	19,622,387	19,216,944
Insurance service expenses		
Claims incurred	(17,761,118)	(15,357,898)
Changes relating to past service	54,416	(467,839)
Movement in risk adjustment for non-financial risk	(1,328)	(64,750)
Net Risk Equalisation Special Account payments	1,120,295	1,371,332
State levies	(229,143)	(221,567)
	<u>(16,816,878)</u>	<u>(14,740,722)</u>
Other insurance service expenses	(3,756,323)	(3,099,534)
Insurance service result	<u>(950,814)</u>	<u>1,376,688</u>

Health insurance revenue recognition accounting policy

Insurance revenue is the amount of expected premium receipts allocated over the coverage period. For contracts of one year or less the allocation is based on the passage of time. Adjustments made to past premiums are recognised as a reduction in insurance revenue.

The Australian Government contributes a rebate towards eligible policyholder's premium and pays this directly to the Company. This rebate is recognised within insurance revenue in the statement of surplus or deficit and comprehensive income.

Insurance service expenses

Insurance service expenses comprise expenses directly attributable to fulfilling a group of insurance contracts and include claims incurred, other directly attributable insurance service expenses and changes to past service. Other expenses not meeting the above categories are included in other expenses in the statement of surplus or deficit and comprehensive income.

Judgement is exercised in determining which expenses are directly attributable to insurance contracts, and therefore, included within insurance service expenses. The Company classifies the majority of expenses incurred within insurance service expenses, except for those not directly attributable to insurance contracts.

The Company recognises losses on onerous contracts by establishing a loss component, valued as the excess of the estimated fulfilment cash flows that relate to the remaining coverage of the group of contracts over the carrying amount of the liability for remaining coverage (LRC). In subsequent periods, the loss component is reassessed, and any movements are recognised within the statement of profit or loss and other comprehensive income.

Insurance claims are amounts payable under insurance contracts arising from the occurrence of an insured claims episode. A claims episode is an insured hospital, medical and ancillary service that the Company has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs.

Incurred claims comprise insurance claims paid during the year together with related handling costs, the movement in the gross provision for claims in the period and the Risk Equalisation Special Account levy.

Private health insurers provide private health insurance cover through a community rated scheme. Under legislation, all private health insurers must participate in the Risk Equalisation Special Account in which all private health insurers share the cost of the eligible claims of members aged 55 years and over, and claims meeting the high cost claim criteria.

The Australian Prudential Regulation Authority (APRA) determines the amount payable to or receivable from the Risk Equalisation Special Account after the end of each quarter. Estimates of amounts payable or receivable are provided in the LIC for periods where determinations have not yet been made. This includes an estimate of risk equalisation for unrepresented and outstanding claims.

Note 3. Insurance service result (continued)

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. The Company's policy is to expense acquisition costs as they are incurred.

Changes in the risk adjustment for non-financial risk are presented in the insurance service result and not disaggregated into an insurance service component and an insurance finance component.

Note 4. AASB 17 Insurance contracts

AASB 17 Insurance Contracts sets out the principles for the recognition, measurement and presentation of insurance contracts.

Insurance contracts recognition and measurement model

AASB 17 requires the use of the General Measurement Model (GMM) for the recognition and measurement of insurance contracts, unless the criteria to use the Premium Allocation Approach (PAA) has been met. GMM involves estimating future cash flows and risks from existing policies and taking surplus (known as contractual service margin) to account over the policy period, adjusting the surplus over the life of the contract for any experience variances from expected outcomes.

AASB 17 allows the use of the PAA where:

- the contract boundary of each contract within the portfolio is one year or less; or
- the measurement of the liability for remaining coverage at inception of a contract is not materially different than if applying GMM.

For RBHS, the majority of policies have a coverage period of one year or less. Those policies with a maturity greater than one year are not considered material to these financial statements and have therefore been accounted for using PAA. As a result, the Company has taken the policy choice to apply the PAA to these contracts. This approach leads to simplified measurement and presentation relative to the GMM.

The PAA operates in a manner similar to the way private health insurance contracts were accounted for under AASB 1023 General Insurance Contracts (AASB 1023). The liability for incurred claims (LIC) is consistent under the GMM and the PAA and due to the accounting policy choices made by RBHS is materially unchanged from outstanding claims provision under AASB 1023. The LIC is made up of the best estimate outstanding claims provision, expenses already incurred but not yet paid in relation to claims and the cost of handling incurred claims at the reporting date.

Accounting Policy

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 uses judgement to assess whether a contract transfers insurance risk (i.e. if there is a scenario with commercial substance in which the Company has the possibility of a loss on a present value basis) and whether the accepted insurance risk is significant.

Based on the characteristics of the products offered to clients, RBHS has determined that all health insurance contracts are insurance contracts and that there are no non-insurance contracts attached to them.

Unit of account

A portfolio of insurance contracts is defined as insurance contracts subject to similar risks and managed together. RBHS have identified the following portfolio: Australian complying health insurance products. Under the PAA, a portfolio is the level at which policyholder assets and liabilities are presented in the statement of financial position. Further segmentation is required into groups of contracts for the identification of onerous contracts, including annual cohorts of contracts that are:

- (i) onerous at initial recognition;
- (ii) that have no significant possibility of becoming onerous subsequently; and
- (iii) all remaining contracts.

Note 4. AASB 17 Insurance contracts (continued)

There is a presumption under the PAA that no contracts are onerous at initial recognition unless there are facts and circumstances that indicate otherwise.

In contemplating the facts and circumstances, the Company has considered information reviewed by senior management in monitoring financial performance. RBHS defines facts and circumstances to be results from the financial projections model by the level of granularity in the model (product level). Where facts and circumstances are identified that may indicate an onerous contract exists, detailed testing is performed, and any loss component is valued comparing the carrying amount of the LRC to the estimated fulfilment cash flows which include an assessment of the risk adjustment using a confidence level approach. An assessment is made whether contracts that are not onerous at initial recognition have no significant possibility of becoming onerous subsequently by assessing the likelihood of changes in applicable facts and circumstances. Insurance contracts remain within the same group from initial recognition until they are derecognised.

Contract boundary and fulfilment cash flows

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period. For insurance contracts, the Company has a substantive right when it can compel the policyholder to pay the premiums or a substantive obligation when it must provide the policyholder with insurance contract services.

Cash flows within the contract boundary directly relate to the fulfilment of the contract and include cash flows relating to the collection of premiums and payments for claims, benefits and expenses. Cash flows are outside of the contract boundary of an insurance contract when Company's substantive rights and obligations end. This mainly occurs when the Company has the practical ability to reprice the risks of a particular product or change the level of benefits so that the price fully reflects those risks. Cash flows outside the contract boundary relate to future insurance contracts. These future insurance contracts are recognised only when they meet the recognition criteria.

Key judgement

Due to the nature of Australian Complying Health Insurance Products (CHIP), the contract boundary can be determined in several ways. In making such assessment, the Company considered two options: the maximum period policyholders can prepay premiums (12 months) and the next annual premium round implementation date (1st April). The Company has determined that the contract boundary will be the premium renewal date.

Level of aggregation

AASB 17 defines a portfolio of insurance contracts as 'Insurance contracts subject to similar risks and managed together.

RBHS have identified the following portfolio:

- Australian complying health insurance products.

Under the PAA, a portfolio is the level at which policyholder assets and liabilities are presented in the statement of financial position. For insurance contracts written further segmentation is required into groups of contracts for the identification of onerous contracts, including annual cohorts of contracts that are either onerous, no significant possibility of being onerous and other contracts. There is a presumption under the PAA that no contracts are onerous unless there are facts and circumstances that indicate otherwise.

RBHS defines the annual cohort as contracts incepting within each financial year.

Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. It includes external and internal costs and incremental direct and indirect costs. The Company's policy is to expense acquisition costs as they are incurred.

Recognition and derecognition

Groups of insurance contracts are initially recognised from the earliest of:

- the beginning of the coverage period;
- the date when the first payment from a policyholder in the group becomes due; and
- when the group of contracts or the underlying insurance contract becomes onerous.

Note 4. AASB 17 Insurance contracts (continued)

A group of insurance contracts are derecognised when all rights and obligations are extinguished, or a contract modification occurs.

Discounting

Discounting is optional for the LRC carrying amount if the time between providing each part of the coverage and the related premium due date is one year or less and is also optional for the LIC if claims are expected to be paid in one year or less from the date the claims are incurred. Given the short-tailed nature of private health insurance claims, RBHS will not apply discounting to the LRC and LIC.

Measurement

As noted above, RBHS has taken the option to apply the Premium Application approach (PAA) to all insurance contracts on the basis that all its insurance contracts meet the eligibility requirements.

Liability for incurred claims (LIC)

The LIC represents the estimated liability arising from claims episodes in current and preceding financial years which have not yet given rise to claims paid including claims that have been incurred but not yet reported. A claims episode is an insured hospital, medical and ancillary service that the Company has an obligation to fund, which could be consultation fees, diagnostic investigations, hospitalisation or treatment costs. The LIC is measured as the present value of the estimated future payments arising from claims incurred at the end of each reporting period under insurance cover issued by the Company and other incurred insurance service expenses, including a risk adjustment for the cashflows at risk to the Company. The liability also allows for an estimate of claims handling costs (these include internal and external costs incurred from the negotiation and settlement of claims) and payments to and from the Risk Equalisation Special Account (RESA). The Company does not adjust the future cash flows either for the time value of money or for the effect of financial risk for portfolios in which incurred claims are expected to be paid within one year of occurrence. The ultimate liability may vary as a result of subsequent information and events. Adjustments to claims estimates for prior years are included in the Statement of surplus or deficit in the financial year in which the change is made. The methods used and estimates made for the LIC are reviewed regularly.

Key estimate (LIC)

The LIC includes the expected claims payments and expenses required to settle any insurance contract obligations. The LIC estimate with respect to claims is based on an actuarial assessment of the hospital, medical and ancillary claim categories, calculated using statistical methods adopted for all service months but with service levels for the most recent service month being based on the latest forecast adjusted for any observed changes in payment patterns.

The critical assumption is the extent to which claim incidence and development patterns are consistent with past experience. Adjustments are then applied to reflect any unusual or abnormal events that may affect the estimate of claims levels such as major variability to claims processing volumes.

The process for establishing the LIC involves consultation with the Appointed Actuaries, claims managers and other senior management.

Risk adjustment (LIC)

The risk adjustment reflects the compensation the Company requires for bearing the uncertainty about the amount and timing of the cash flows from non-financial risk as the Company fulfils insurance contracts. The Company has taken the decision to use a confidence level technique to estimate the risk adjustment for the LIC. The margin is set to achieve a probability of adequacy of 75% (2024: 75%) and any movements in the risk adjustment are recognised in full within the insurance service result.

Key estimate - Risk adjustment (LIC)

The LIC risk adjustment is based on an analysis of past experience, including comparing the volatility of past payments to the adopted outstanding claims estimate. The risk adjustment has been estimated to equate to the Company's objective of achieving a probability of adequacy of at least 75% (2024: 75%). A risk adjustment of 9.5% is applied to claims paid to 31 July 2025 which relates to the period prior to 30 June 2025, whereas the 2024 risk adjustment of 12.0% was applied to claims paid to 30 June 2024 only.

Note 4. AASB 17 Insurance contracts (continued)

Liability for remaining coverage (LRC)

On initial recognition of each group of insurance contracts, the carrying amount of the LRC is based on the premiums received less any directly attributable acquisition costs not expensed as incurred adjusted for any onerous contracts. In subsequent periods, the LRC is increased for any additional premiums received and release of any insurance acquisition cash flows and decreased for the recognition of insurance revenue that is released on a straight-line basis over the coverage period. The Company's default policy is not to adjust the LRC to reflect the time value of money and the effect of financial risk, as the Company expects on initial recognition of each group of contracts that the time between providing each part of the services and the related premium due date is typically no more than one year.

Risk adjustment (LRC)

The LRC risk adjustment is only applied when performing the OCT, either to assess if general insurance contracts are onerous or to calculate the Loss Component.

The Company has taken the decision to use a confidence level technique to estimate the risk adjustment for the LRC. In FY 2024, the Company set the LRC risk adjustment equal to the bottom of the net underwriting margin target set out in the Pricing Policy, with a minimum level of 0.5% (which equated to a probability of adequacy of approximately 62%). The risk adjustment in FY 2025 is set to achieve a probability of adequacy of 75%, the same probability adopted for regulatory reporting to the Australian Prudential Regulation Authority (APRA).

Key estimate - Risk adjustment (LRC)

A risk adjustment of 5.5% (2024: 0.50%) has been applied to assess if a group of contracts are onerous, and if so, the risk adjustment is used to determine the loss component to recognise in the Statement of surplus or deficit.

Onerous contracts

If facts and circumstances indicate that a group of contracts is onerous, detailed testing is performed by comparing the carrying amount of the LRC to the estimated fulfilment cash flows, which include an assessment of the risk adjustment using a confidence level approach. If the carrying amount of the LRC is less than the estimated fulfilment cash flows, a loss component is recognised. The loss component increases the LRC and is recognised as an expense in the Statement of surplus or deficit. Subsequently, the loss component is reassessed, with any movements in the loss component adjusting the LRC and being recognised within the Statement of surplus or deficit.

Key estimate - Onerous contracts

Key estimation uncertainty is driven by the future cash flows which are uncertain due to their timing, size and, or probability. The underlying cash flows are determined by forecasting future claims based on internal and external historical claims and other experience data and updated to reflect current expectations of future events and current conditions at the reporting date.

The onerous contracts loss component as at 30 June 2025 was \$1,334,551 including the risk adjustment (2024: \$244,839).

Health Insurance Risk Equalisation Special Account (RESA) levies

Private health insurers provide private health insurance cover through a community rated scheme. Under legislation, all private health insurers must participate in the Risk Equalisation Special Account in which all private health insurers share the cost of the eligible claims of members aged 55 years and over, and claims meeting the high-cost claim criteria.

The Australian Prudential Regulation Authority (APRA) determines the amount payable to or receivable from the Risk Equalisation Special Account after the end of each quarter. Estimates of amounts payable or receivable are provided in the LIC for periods where determinations have not yet been made. This includes an estimate of risk equalisation for unrepresented and outstanding claims.

If a private health insurer notifies APRA of a material variation in paid claims which can be quantified, the private health insurer can adjust the risk equalisation expense.

Note 4. AASB 17 Insurance contracts (continued)

(a) Reconciliation of movement in insurance liabilities

Insurance contracts balance sheet composition		2025	2024
		\$	\$
Liability for remaining coverage		1,613,590	643,059
Liability for incurred claims		1,213,421	1,129,427
Net insurance contract liabilities		2,827,011	1,772,486
Made up of:		2025	2024
			\$
Liability for remaining coverage (LRC)			
- <i>unearned premium cashflows</i>		695,865	768,032
- <i>private health insurance premium reduction scheme receivable</i>		(416,826)	(369,812)
- <i>onerous contracts loss component</i>		1,334,551	244,839
		1,613,590	643,059
Liability for incurred claims (LIC)			
- <i>outstanding claims</i>		943,972	758,371
- <i>outstanding claims risk margin</i>		89,677	91,005
- <i>claims processed not yet claimed and RESA payable</i>		179,772	280,051
		1,213,421	1,129,427
Net insurance contract liabilities		2,827,011	1,772,486
30 June 2025			
		\$	\$
Opening insurance contracts liabilities - 1 July 2024		398,220	1,772,486
Insurance service result			
Insurance revenue	(19,622,387)	-	(19,622,387)
Incurred claims	-	1,089,712	16,816,879
Other insurance service expenses	-	3,756,323	3,756,323
Insurance service result	(19,622,387)	1,089,712	950,815
Cashflows:			
Premiums received	19,503,206	-	19,503,206
Claims and other directly attributable expenses paid	-	(19,399,496)	(19,399,496)
	19,503,206	(19,399,496)	103,710
Closing insurance contracts liabilities - 30 June 2025		279,039	2,827,011

Note 4. AASB 17 Insurance contracts (continued)

	Liability for remaining coverage \$	Onerous contracts loss component \$	Liability for incurred claims \$	Risk adjustment for non-financial risk \$	Total \$
30 June 2024					
Opening insurance contracts liabilities - 1 July 2023	95,717	108,350	1,009,575	26,255	1,239,897
Insurance service result					
Insurance revenue	(19,216,944)	-	-	-	(19,216,944)
Incurred claims	-	136,489	14,539,483	64,750	14,740,722
Other insurance service expenses	-	-	3,099,534	-	3,099,534
Insurance service result	(19,216,944)	136,489	17,639,017	64,750	(1,376,688)
Cashflows:					
Premiums received	19,519,447	-	-	-	19,519,447
Claims and other directly attributable expenses paid	-	-	(17,610,170)	-	(17,610,170)
	19,519,447	-	(17,610,170)	-	1,909,277
Closing insurance contracts liabilities - 30 June 2024	398,220	244,839	1,038,422	91,005	1,772,486

Impact of changes in key variables on the LIC

The key variables in the measurement of the LIC include the best estimate liability, risk margin and weighted average term to settlement. A 10% increase/decrease in the claims best estimate would result in a \$95,567 decrease/increase to profit and equity (2024: \$82,058). A 1% movement in other key variables, including risk margin and weighted average term to settlement, would result in an insignificant decrease/increase to profit and equity.

Assumptions for private health insurance contracts

The process of recognising liabilities arising from private health insurance entails the estimation of future payments to settle incurred claims and associated claims handling expenses, as well as assessing the extent to which any groups of contracts have become onerous.

The principal assumptions in the estimation of the LIC relate to the expected frequency, severity and settlement patterns of insurance claims, which are expected to be consistent with recently observed experience and trends.

The aim of claims reserving is to select assumptions and reserving methods that will produce the best estimate of the future cash outflows for the subject claims; it is an uncertain process which also requires judgements to be made.

Claims development patterns are analysed. Various established reserving methods for private health insurance are considered, typically basic chain ladder. Additional consideration is given to the treatment of large claims, claims seasonality and claims inflation for which appropriate adjustments to assumptions and methods are made.

While there is some diversity in the development profile of health insurance claims, such claims are generally highly predictable in both frequency and average amount, and claims are settled quickly following the medical event for which benefit is claimed. Medical expense claims are, typically, substantially fully settled within just a few months.

Estimation uncertainty exists in determining a loss component, where facts and circumstances are identified that may indicate that a group of onerous contracts exists. As described above, a loss component is measured by comparing the current estimates of the fulfilment cash flows that relate to the remaining coverage to the carrying amount of the LRC. Uncertainty is driven by the future cash flows which are uncertain due to their timing, size and, or probability. The underlying cash flows are determined by forecasting future claims and any other expenses, based on internal and external historical claims and other experience data and updated to reflect current expectations of future events and current conditions at the reporting date.

Note 5. Expenses

Other operating expense

Other operating expenses include staff costs, medical supplies, overheads, depreciation, amortisation of intangible assets, incurred as a consequence of operating the business. Expenses attributed to insurance acquisition cash flows and other directly attributable insurance expenses are included within insurance service expenses. Operating expenses exclude insurance/ direct claims costs.

	2025	2024
	\$	\$
Expenses by function		
Insurance service expense - other insurance service expense	3,756,323	3,099,534
Other expenses	629,417	379,507
Financial expenses	46,381	29,088
Total expenses (excluding direct claims expenses)	4,432,121	3,508,129

	2025	2024
	\$	\$
Expenses by nature		
Salaries and related costs	34,324	8,000
Technology and communication	452,045	248,667
Depreciation and amortisation	29,105	49,179
Marketing costs	57,321	67,154
Third party costs	3,032,440	2,590,351
Professional fees	652,874	392,590
Finance costs	46,381	29,088
Other expenses	127,631	123,100
Total expenses (excluding direct claims expenses)	4,432,121	3,508,129

Note 6. Current assets - cash and cash equivalents

	2025	2024
	\$	\$
Cash at bank	1,270,383	1,357,703

Cash at bank bears floating interest rates between 3.95% and 4.45% (2024 4.20% and 4.45%).

Accounting policy

Cash and Cash Equivalents

Cash and bank overdrafts are carried at face value of the amounts deposited or drawn. The carrying amounts of cash assets and bank overdrafts approximate their fair value.

For the purpose of the cash flow statement, cash and cash equivalents relate entirely to cash at bank. Cash and cash equivalents at the end of the financial year is reconciled to the related item in the statement of financial position.

Note 7. Current assets - Receivables

	2025	2024
	\$	\$
Investment income receivable	60,950	81,467
Other debtors	150,224	97,956
	211,174	179,423

Note 7. Current assets - Receivables (continued)

Accounting policy

Trade and other receivables are carried at amortised cost, net of provisions for ECLs. The carrying value of trade and other receivables is a reasonable approximation of fair value.

Investment income receivable

Investment income receivable represents an accrual calculation of interest from investments outstanding as at the end of the reporting period.

Other debtors

Other debtors are recorded at amounts due less any provision for loss allowance. Other debtors are normally settled in 30 days.

Note 8. Current assets - Financial assets at fair value through surplus or deficit

	2025	2024
	\$	\$
Financial assets at fair value through surplus or deficit: term deposits	10,700,000	11,900,000
Financial assets at fair value through surplus or deficit: fixed interest investments	504,657	-
	<u>11,204,657</u>	<u>11,900,000</u>

Investment management

The Company has adopted an investment strategy that utilises both short term and longer term financial instruments. Liquidity of the portfolio is matched to the expected pattern of future cash flows arising from the private health insurance liabilities.

The Company generates cash from its underwriting, trading and financing activities and invests the surplus cash in financial investments.

Financial assets at fair value through surplus or deficit

Financial assets are designated at fair value through surplus or deficit. Initial recognition is at fair value, being acquisition cost, in the statement of financial position and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in surplus or deficit.

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive the cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Fair value of financial investments

Fixed interest securities are initially recognised at fair value, being the acquisition cost and the subsequent fair value is taken as the quoted bid price of the instrument at the end of the reporting period. If quoted market values are not available then fair values are estimated based on mid-market price valuation models.

Refer to Note 15 for further information regarding the fair value of financial investments.

Impairment of assets

Financial assets

A financial asset, other than those classified as fair value through surplus or deficit, is assessed at the end of each reporting period to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Note 8. Current assets - Financial assets at fair value through surplus or deficit (continued)

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses, if any are recognised in surplus or deficit.

Note 9. Current assets - other assets

	2025	2024
	\$	\$
Prepayments	72,654	73,297

Note 10. Non-current assets - financial assets at fair value

	2025	2024
	\$	\$
Financial assets at fair value through surplus or deficit: Bonds	12,151,746	10,077,117

Refer to Note 15 for the Fair Value Hierarchy.

Accounting policy

See Note 8 for details of the accounting policy treatment of financial assets.

Note 11. Non-current assets - property, plant and equipment

	2025	2024
	\$	\$
Computer equipment - at cost	19,449	19,449
Less: Accumulated depreciation	(19,449)	(19,449)
	<u>-</u>	<u>-</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Computer Equipment \$	Total \$
Balance at 1 July 2023	1,820	1,820
Depreciation expense	(1,820)	(1,820)
Balance at 30 June 2024	<u>-</u>	<u>-</u>
Balance at 30 June 2025	<u>-</u>	<u>-</u>

Note 11. Non-current assets - property, plant and equipment (continued)

Accounting policy

(a) Property, plant and equipment

Plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

In the event that settlement of all or part of the cash consideration given in the acquisition of an asset is deferred, the fair value of the purchase consideration is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation of property, plant and equipment

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each item of property, plant and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Computer Equipment	3 years
--------------------	---------

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Company. Gains and losses between the carrying amount and the disposal proceeds are taken to surplus or deficit.

Impairment of assets

Impairment reviews are undertaken where there are indications that the carrying value of an asset may not be recoverable. An impairment loss on an asset carried at amortised cost is recognised in the Statement of surplus or deficit within other operating expenses to reduce the carrying value to the recoverable amount.

Note 12. Non-current assets - intangible assets

	2025	2024
	\$	\$
Computer software - at cost	324,700	324,700
Less: Accumulated amortisation	(324,700)	(295,596)
	<u>-</u>	<u>29,104</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Software	Total
	\$	\$
Balance at 1 July 2023	76,463	76,463
Amortisation expense	(47,359)	(47,359)
Balance at 30 June 2024	29,104	29,104
Amortisation expense	(29,104)	(29,104)
Balance at 30 June 2025	<u>-</u>	<u>-</u>

Note 12. Non-current assets - intangible assets (continued)

Accounting policy

(a) Intangible assets

Computer Software

Significant costs associated with software are capitalised and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 3 to 5 years.

Intangible assets that are subject to amortisation are reviewed for impairment if circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the Statement of surplus or deficit to reduce the carrying amount to the recoverable amount.

Note 13. Current liabilities - payables

	2025 \$	2024 \$
Other payables and accruals	<u>656,567</u>	<u>133,301</u>

Refer to Note 16 for further information on financial instruments.

Accounting Policy

(a) Other payables and accruals

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 14. Current liabilities - provisions

	2025 \$	2024 \$
Member give back	<u>17,220</u>	<u>10,275</u>

A members give back liability of \$0.01 million has been recognised at 30 June 2025 (2024: \$0.01 million). This liability relates to the return of permanent COVID-19 claims savings to members. The balance at 30 June 2025 relates to funds returned due to incorrect members details.

Note 15. Financial risk and capital management

The Company has exposure to the following risks from investing in various financial instruments:

- (a) Credit risk
- (b) Liquidity risk
- (c) Market risk
- (d) Other risk

This note presents information about the Company's exposure to each of the above risks, the objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board of Directors established the Risk Committee, which is responsible for developing and monitoring risk management policies. The Risk Committee consists entirely of non-executive directors and reports regularly to the full Board of Directors on its activities.

Note 15. Financial risk and capital management (continued)

Risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The management and administration of the Company is outsourced to Peoplecare Health Ltd under the terms of a five (5) year management agreement. The Risk Committee is responsible for monitoring Peoplecare's compliance with the risk management policies and procedures that are in place and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Risk Committee is assisted in its oversight role by internal audit functions performed by a professional services firm. The Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported through the Company's Audit Committee to the Board of Directors.

(a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from policyholders (insurance contracts), other customers and investment securities.

Receivables from insurance contracts:

The Company actively manages its product mix to ensure that there is no significant concentration of credit risk.

Credit risk in relation to insurance contracts is discussed in Note 25.

Credit exposure to Services Australia (Private Health Premium Reduction Scheme):

The risk of financial loss to the Company from customers other than fund members arises principally from receivables due from Services Australia in relation to the Australian Government Private Health Insurance Rebate. The probability of financial loss to the Company from this arrangement is assessed as low, the reason being that the premium reductions scheme is legislated under the Private Health Insurance Act 2007 and is an integral part of the private health insurance industry affecting all private health insurers.

There has been no history of default in relation to this receivable.

Cash and cash equivalents and financial assets with financial institutions:

The Board has addressed the issue of credit risk from cash and cash equivalents and investment securities through the development and regular review of the Company's investment strategy. The Company limits its exposure to credit risk by:

- (i) investing in highly liquid securities; and
- (ii) investing in securities issued by authorised deposit-taking institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA) or high quality corporate bonds where:
 - (a) The amount of the funds that can be invested with any single financial institution or corporate entity is limited to 35% of the total defensive asset investment portfolio; and
 - (b) ADIs are to have a minimum Standard and Poors short term credit rating of A1, whereas bonds issued by corporate entities must have a minimum Standard and Poors long term rating of A- or better. This is to ensure that invested funds are placed with the lowest risk rated financial institutions to minimise credit risk and investment concentration risk.

Given the Company's conservative investing policies and procedures, management does not expect any counterparty to fail to meet its obligations.

At the end of the reporting period, the maximum exposure of the Company to any one financial institution measured at fair value was \$6,870,383 (2024: \$6,800,000).

Exposure to credit risk:

The carrying amount of the Company's financial assets represents the maximum credit exposure. The Company's maximum exposure to credit risk at the end of the reporting period was as follows:

Note 15. Financial risk and capital management (continued)

	2025 \$	2024 \$
Financial Assets		
Cash and cash equivalents	1,270,383	1,357,703
Receivables	211,174	179,423
Financial assets at fair value through surplus or deficit: term deposits and fixed interest investments	11,204,657	11,900,000
Financial assets at fair value through surplus or deficit: bonds	12,151,746	10,077,117
	<u>24,837,960</u>	<u>23,514,243</u>

Fair value

The fair values of financial assets together with their carrying amounts in the statement of financial position, for the Company are as follows:

	2025		2024	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Assets				
Financial assets fair valued through surplus or deficit	23,356,403	23,356,403	21,977,117	21,977,117
	<u>23,356,403</u>	<u>23,356,403</u>	<u>21,977,117</u>	<u>21,977,117</u>

Financial assets measured at fair value in the statement of financial position are grouped into three levels of fair value hierarchy. This grouping is determined based on the lowest level of significant inputs used in fair value measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The financial assets above are classified as Level 1 due to their short term nature. The net carrying amounts for these financial assets and liabilities are deemed to approximate their fair values.

(b) Liquidity risk

Liquidity risk is the risk that the Company might encounter difficulties in settling debts or otherwise meeting its obligations related to financial liabilities. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as and when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

In order to maintain appropriate levels of liquidity, the investment portfolio's target asset allocation is to hold cash and short-term deposits at least equal to the value of the prudential capital amount reporting in the quarterly regulatory returns.

Management also manages liquidity risk through the preparation of daily cash flow forecasts for the following six months. This forecast provides for the major types of cash inflows and outflows, as well as the projected net cash position each day and cumulatively over the forecast period.

The forecasts are assessed and updated on a regular basis as new information comes to hand. Cash flow projections are updated daily with actual cash flow outcomes to assess accuracy and assist in improving future cash flow forecasting.

RBHS has a Board endorsed Liquidity Management Plan to ensure sufficient liquidity is available to fund all payments as and when they fall due.

Note 15. Financial risk and capital management (continued)

Remaining contractual maturities:

The following tables detail the Company's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	1 month or less \$	Between 2 and 4 months \$	Between 4 and 6 months \$	More than 6 months \$	Remaining contractual maturities \$
2025					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables (excl. GST & PAYG)	89,905	-	-	-	89,905
Total non-derivatives	89,905	-	-	-	89,905
	1 month or less \$	Between 2 and 4 months \$	Between 4 and 6 months \$	More than 6 months \$	Remaining contractual maturities \$
2024					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables (excl. GST & PAYG)	133,301	-	-	-	133,301
Total non-derivatives	133,301	-	-	-	133,301

The carrying value of trade and other payables is \$89,905 (2024: \$133,301). The Company is not significantly exposed to this risk. To meet these obligations as they fall due, it has \$1,270,383 of cash and cash equivalents.

(c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the fair value or future cash flows of a financial instrument. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Market risk in relation to insurance contracts:

Market risk in relation to insurance contracts is discussed in Note 24.

Market risk in relation to investment securities:

Currency risk:

Currency risk is that the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not have any direct foreign investments and therefore no exposure to currency risk.

Interest rate risk:

The Company is subject to interest rate risk through volatility in cash flows generated by interest bearing financial instruments. The risk is that movements in interest rates could affect returns and income. Interest rate risk is managed by investing in a range of short term fixed rate deposits as well as longer term variable rate corporate bonds. Interest rate risk is minimised as the short term fixed deposits allow for regular reinvestment in line with interest rate movements. See below for the impact to surplus by a change in interest rate on investments held by the Company at 30 June 2025.

Note 15. Financial risk and capital management (continued)

	2025 Weighted average interest rate %	2025 Balance \$	2024 Weighted average interest rate %	2024 Balance \$
Fixed rate instruments (maturing within one year): Financial assets	4.38%	11,204,657	4.80%	11,900,000
Fixed rate instruments (maturing after one year): Financial assets	5.43%	12,151,746	5.36%	10,165,250
Variable rate instruments: Financial assets	3.93%	1,270,260	4.20%	1,357,703

Sensitivity Analysis:

	Basis points increase			Basis points decrease		
	Basis points change	Effect on surplus	Effect on equity	Basis points change	Effect on surplus	Effect on equity
2025						
Fixed rate instruments	100	233,564	233,564	100	(233,564)	(233,564)
Variable rate instruments	100	12,703	12,703	100	(12,703)	(12,703)
		<u>246,267</u>	<u>246,267</u>		<u>(246,267)</u>	<u>(246,267)</u>
2024						
Fixed rate instruments	100	220,653	220,653	100	(220,653)	(220,653)
Variable rate instruments	100	13,577	13,577	100	(13,577)	(13,577)
		<u>234,230</u>	<u>234,230</u>		<u>(234,230)</u>	<u>(234,230)</u>

The above results are based on the change in interest rates being maintained for the past year and with all other variables remaining constant.

Price risk:

The Company's bonds are listed on the secondary market. For bonds classified as fair value through surplus or deficit, a 10% change in the bid price at reporting date would have resulted in an increase or decrease to the Company's surplus or deficit of \$1,265,640 (2024: \$1,007,711). Equity would increase or decrease by the same amount.

(d) Other risk

The management and administration of the Company is outsourced to Peoplecare Health Limited. Consequently there is significant third party risk as the Company is dependent upon Peoplecare continuing to provide the services outlined in the management agreement in an efficient and timely manner. The current agreement is the third five (5) year term and commenced on 1 May 2021.

Note 15. Financial risk and capital management (continued)

The Committees of the Board assist the full Board in managing this significant third party risk by:

- Undertake the role of Contract Manager under the Management Services Agreement with Peoplecare;
- Review the performance of Peoplecare against the general requirements of the contract annually, including:
 - Ensuring appropriate insurances are in place;
 - Succession planning for key staff involved in RBHS business;
 - Adherence to confidentiality, privacy, and other compliance related requirements under service contracts.
- Review the operating performance of Peoplecare against the KPIs detailed in the contract each six months, in particular the performance trends against service performance levels (SPLs);
- Provide recommendations to the Board in regard to actions required to correct performance issues with Peoplecare;
- Review requests for contract fee increases by Peoplecare, and recommend any changes to the Board;
- Review requests for changes to SPLs and recommend any changes to the Board; and
- Review the contract with Peoplecare prior to termination or renewal and make recommendations to the Board in terms of renewal.

Capital Management

RBHS operates in the private health insurance industry and is subject to prudential capital regulations determined in accordance with the capital adequacy standard which is set out by APRA.

APRA Prudential Standard HPS 110 'Capital Adequacy'

Each health benefits fund needs to satisfy APRA Prudential Standards HPS110 (Capital Adequacy) under the Private Health Insurance (Prudential Supervision) Act 2015, and in the interests of policyholders of the Fund. RBHS' compliance with the capital adequacy standard is an indication of its future strength as a going concern.

Each private health insurer must have, and comply with, a written, Board-endorsed, ICAAP (Internal Capital Adequacy Assessment Process) summary statement, which as a key component must include an ICAAP plan. RBHS' ICAAP contains:

- A description of the Board's risk appetite as it relates to capital needs and the process used to determine that appetite.
- Target capital levels which have regard to access to capital and the impact on premiums of holding more or less capital than the amount determined.
- Details of how the capital target is calculated; and
- Clearly defined capital trigger points and corrective actions for each of the trigger points which specify the actions and timeframes for those actions that RBHS may utilise to return capital to the target levels.

The Board's policy is to maintain a strong capital base and to hold capital in accordance with the RBHS' ICAAP summary statement. At the end of the reporting period, RBHS had capital in excess of the minimum statutory requirements and slightly above the target capital range endorsed by the Board in the ICAAP. The Board reviews the ICAAP summary statement on an annual basis.

The table below sets out the Company's annual disclosure of its APRA regulatory capital position as at 30 June 2025 and the prior period. The Company does not operate a General Fund and as such, the Health Benefits Fund, as outlined below, is also representative of the Insurer.

	2025	2024
	\$	\$
Capital base		
Accounting net assets	21,409,816	21,700,582
Regulatory adjustments applied in the calculation of Common Equity Tier 1 Capital	1,105,616	170,748
Common Equity Tier 1 Capital	<u>22,515,432</u>	<u>21,871,330</u>
Total capital base	<u><u>22,515,432</u></u>	<u><u>21,871,330</u></u>

Note 15. Financial risk and capital management (continued)

Prescribed Capital Amount

Insurance Risk Charge	6,405,186	4,062,523
Asset Risk Charge	779,596	678,113
Asset Concentration Risk Charge	-	-
Operational Risk Charge	392,448	384,339
Less: Aggregation Benefit	(579,363)	(490,239)
Tax Benefits	-	-

Total Prescribed Capital Amount	6,997,867	4,634,736
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Total Prescribed Capital Amount (Prudential Standard Minimum)	6,997,867	5,000,000
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Capital Surplus (Total Capital Base minus Total Prescribed Capital Amount - Prudential Standard minimum)	15,517,565	16,871,330
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<i>Capital Adequacy Multiple (CAM)</i>	3.22	4.37
<i>(Total Capital Base divided by Total Prescribed Capital Amount - Prudential Standards minimum)</i>		

Note 16. Key management personnel disclosures

Directors

The following persons were directors of Reserve Bank Health Society Ltd during the financial year:

Warren Wise (Resigned - 15 November 2024)
Sharon Suan (Resigned - 15 November 2024)
Sarah Harris
Emma Maley
David McKenna
Kristin Langwasswer
Chris Stewart
Sam Tomaras
Christine O'Leary (Joined - 1 October 2024)
Chimin Sam (Joined 15 November 2024)

Other transactions with key management personnel

During the period the Company received health insurance contributions from key management personnel on normal terms and conditions. That is to say, on terms or conditions no more favourable than those available to other members.

Directors fees of \$34,324 were paid in the current year to eligible directors.

Note 17. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Ernst & Young, the Company's current auditors and Grant Thornton Audit Pty Ltd, the previous auditor of the Company:

	2025 \$	2024 \$
<i>Audit services - Ernst & Young</i>		
Audit of the financial statements and regulatory returns	53,750	-
<i>Audit services - Grant Thornton</i>		
Audit of the financial statements and regulatory returns	-	64,610
<i>Other services - Grant Thornton</i>		
ASRS 4400 Agreed Upon Engagement to Report Factual Findings	-	2,610
	-	67,220

Note 18. Contingent assets and liabilities

At 30 June 2025 the Company had no contingent assets and liabilities.

Other contingencies

The Company operates in a highly regulated industry where guidance is issued from a number of stakeholders including, ASIC, APRA and the Department of Health, Disability and Ageing. From time to time the Company will be required to modify practices and health fund rules as a result of new or clarified guidance, which exposes the Company to risks and potential liabilities.

Management are not aware of any material financial consequences as a result of updated guidance or changes made to practices and fund rules during the year.

Note 19. Related party transactions

Key management personnel

Disclosures relating to key management personnel are set out in Note 16.

Transactions with other parties

The following transactions occurred with other parties:

	2025 \$	2024 \$
Payment for goods and services:		
Payment for management services to Peoplecare Health Limited	1,075,843	1,116,518
Purchase of goods/services from Peoplecare Health Limited	257,325	73,229

The Company is managed and administered by Peoplecare Health Limited through a management services agreement. The nature of the relationship is outlined in Note 15.

Receivable from and payable to other parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from other parties

There were no loans to or from other parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 20. Economic dependency

A number of eligible RBHS members are provided with an Employer Health Benefit by the Reserve Bank under the terms of a Deed which expires on 1 April 2026. The Deed also provides that the parties may agree to enter into a new arrangement beyond 1 April 2026.

Note 21. Events after the reporting period

No matter or circumstance has arisen since 30 June 2025 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company's state of affairs in future financial years.

Note 22. Reconciliation of surplus/(deficit) to net cash from operating activities

	2025	2024
	\$	\$
Surplus/(deficit) for the year	(290,766)	2,123,854
Adjustments for:		
Depreciation and amortisation	29,104	49,179
Increase in fair value of financial assets	(65,235)	(71,946)
Change in operating assets and liabilities:		
Increase in receivables	(31,751)	(21,410)
Decrease in prepayments	643	27,671
Increase/(decrease) in trade and other payables	523,266	(2,603)
Increase in insurance contract liabilities	1,054,525	532,589
Increase/(decrease) in other operating liabilities	29,254	(917,779)
Net cash from operating activities	<u>1,249,040</u>	<u>1,719,555</u>

Note 23. Non-cash investing and financing activities

During the financial year the entity did not undertake any non-cash investing and financing activities.

Note 24. Nature and extent of risks arising from insurance contracts

Insurance risk management

The Company provides private health insurance products including hospital cover and ancillary cover, as stand-alone products or packaged products that combine the two, for Australian residents in Australia.

Insurance risks and the holding of capital in excess of prudential requirements are managed through the use of claims management procedures, close monitoring of experience, the ability to vary premium rates, and risk equalisation.

Sensitivity of insurance risk to macro-economic factors

Health insurance claims tend to be short tailed in nature, in that the period of time between a claim event occurring and the date of payment of that claim are typically less than one year, and in most cases less than six months. Historical claim lag patterns demonstrate that greater than 90% of claims are settled within three months of the claim event occurring.

The health insurance claims are therefore generally not sensitive to factors such as inflation, changes in interest rates, or other time-value of money issues, and as such a sensitivity analysis has not been provided in the financial statements.

Selection, pricing and concentration risk

Community rating is the basis of Australia's private health insurance system. Under the *Private Health Insurance Act 2007*, private health insurance contracts are required to be community rated, that is, in setting premiums, or paying benefits, funds cannot discriminate on the basis of health status, age, race, sex, and sexuality, use of hospital or medical services or general claiming history. Although this risk is shared collectively across the entire pool of policyholders, actuaries and underwriters still collect health information to determine the overall premium that insurers must charge to sustain the pool.

Community rating mandates that one price must apply to all member groups within each product, meaning that the pricing applied to the member groups within a product applies to all current and future potential members.

The Company manages concentration risk by pricing each product with regard to the risk profile of each policyholder group.

Another regulatory factor is Risk Equalisation which supports the principle of community rating. The Risk Equalisation scheme transfers money from private health insurers with younger healthier members with lower average claims payments to those insurers with an older and less healthy membership and which have higher average claims payments.

The Private Health Insurance Act 2007 also limits the types of treatment that private health insurers are able to offer as part of their health insurance business. Premiums for health insurance can only be changed with the approval of the Minister for Health and Aged Care.

Credit risk in relation to insurance contracts

Credit risk is the risk that one party to an insurance contract will cause a financial loss for the other party by failing to discharge an obligation.

This risk is minimised through a process of arrears management whereby benefit payments are withheld from non-financial members. Where payment of contributions is not received for a continual period of 60 days, the policy is terminated.

The Company does not have any material credit risk exposure to any single receivable or group of receivables under insurance contracts entered into by the Company.

Note 24. Nature and extent of risks arising from insurance contracts (continued)

Liquidity risk in relation to insurance contracts

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with insurance contracts.

The Company manages liquidity risk in relation to insurance contracts by continuously monitoring forecast and actual cash flows and claims provisioning risk as well as holding a high percentage of highly liquid investments to meet the obligations of the Company.

Market risk in relation to insurance contracts

Market risk is the risk that the fair value or future cash flows associated with insurance contracts will fluctuate because of changes in market prices. Factors affecting market prices faced by the Company include inflation risk.

The Company is exposed to inflationary risk in relation to hospital and medical services that may materially impact on the future value of claims payments. Controls in place to mitigate this risk include contracts with hospital and medical service providers, and limits applied to some benefits provided under general treatment products. The Company also monitors growth in the utilisation and charges for medical services on an ongoing basis to ensure they are within forecast ranges.

Reserve Bank Health Society Ltd
Consolidated entity disclosure statement
As at 30 June 2025

Disclosure of subsidiaries and their country of tax residency, as required by the *Corporations Act 2001*, does not apply to the Company as the Company is not required by accounting standards to prepare consolidated financial statements.

Reserve Bank Health Society Ltd
Directors' declaration
30 June 2025

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2025 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- The consolidated entity disclosure statement required by section 295 of the *Corporations Act 2001* is true and correct.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Sarah Harris
Chair - Board



David McKenna
Director

24 September 2025
Sydney

Independent auditor's report to the members of Reserve Bank Health Society Ltd

Opinion

We have audited the financial report of Reserve Bank Health Society Ltd (the 'Company'), which comprises:

- ▶ The statement of financial position as at 30 June 2025;
- ▶ The statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended;
- ▶ Notes to the financial statements, including material accounting policy information;
- ▶ The consolidated entity disclosure statement; and
- ▶ The directors' declaration.

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

- a. 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 ended on that date; and
- b. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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



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

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

Responsibilities of the Directors for the Financial Report

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

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

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

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

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

Auditor's responsibilities for the audit of the financial report

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

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

- ▶ Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



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- ▶ 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.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Jason Bain'.

Jason Bain
Partner
Sydney
24 September 2025