



Annual Report | FY24



♥ A Members Health Fund

Phoenix Health Fund Limited

ACN: 000 124 863

Financial Statements

For the Year Ended 30 June 2024

Phoenix Health Fund Limited

ACN: 000 124 863

Financial Statements For the Year Ended 30 June 2024

	Page
Directors' Report	1
Directors' Declaration	6
Auditor's Independence Declaration under Section 307C of the Corporations Act 2001	7
Statement of Profit or Loss and Other Comprehensive Income	8
Statement of Financial Position	9
Statement of Changes in Equity	10
Statement of Cash Flows	11
Notes to the Financial Statements	12
Consolidated Entity Disclosure Statement	34
Independent Audit Report	35

Phoenix Health Fund Limited

ACN: 000 124 863

Directors' Report

30 June 2024

We have much pleasure in presenting the seventieth Annual Report of Phoenix Health Fund Limited (the "Company") covering the financial activities of the organisation for the year ended 30 June 2024. The Company is incorporated and domiciled in Australia as a company limited by guarantee.

Directors

The following persons were directors of the Company and have been in office during the whole of the financial year and up to the date of this report (unless otherwise stated):

Bruce Arnott B.Com, CPA

Bruce is the current Chair of the Board and was first appointed to the Board in 2015 after an extensive career as Chief Financial Officer and Company Secretary at Bradken, and previous senior positions at OneSteel (now InfraBuild), BHP and Tubemakers. Bruce has previously served as Chair and Deputy Chair. He is a member of the Remuneration and Nominations Committee.

Danielle Hodgson B.Bus, GDAF, GAICD

Danielle is a Partner and Investment Adviser with LGT Crestone Wealth Management with >20 years of experience in Australia, New Zealand and the United Kingdom with global companies. She holds a Bachelor of Business International Trade and Retail Management, Graduate Diploma in Applied Finance and Investment and is a Graduate of the Australian Institute of Company Directors. Danielle was appointed as Deputy Chair on 4 July 2022, is Chair of the Remuneration and Nominations Committee and is a member of the Audit Committee. Danielle joined the Board in 2016.

Stephen James B.E. (Hons) (retired 25 October 2023)

Stephen holds a Bachelor of Engineering degree and is a Graduate of the Australian Institute of Company Directors. He has been a Director of APRA regulated organisations for over 20 years. He has a strong interest and skills in Governance and Risk Management.

Samantha Kuoch BComp Infosys (Hons), GAICD

Samantha has worked extensively in the financial services sector and was appointed to the Board on 28 October 2020. Samantha is currently Executive (General Manager), Mergers & Acquisition at National Australia Bank and is a Graduate of the Australian Institute of Company Directors. She has worked locally & overseas in strategy, transformation, and regulatory compliance. Samantha was appointed as Chair of the Risk Committee on 7 November 2022 and is a member of the Audit Committee.

Robert Hogan BCom, BSc

Robert has worked in the financial services sector for over 20 years. Robert is currently a Technology Executive at National Australia Bank. His work has spanned application development, digital transformation, IT operations, cloud computing and mergers and acquisitions. Robert was appointed to the Board on 27 October 2021 and is a member of the Risk Committee and the Remuneration & Nominations Committee.

Justin Sebire B.Com. FCA, MAICD

Justin has an extensive career history working across the insurance sector and is currently the Group Chief Financial Officer for Cover-More Group (a Global Travel Insurance company owned by Zurich Insurance Group). Justin was appointed to the Board on 26 October 2022, as Chair of the Audit Committee on 7 November 2022 and is a member of the Risk Committee.

Darlene Perks B.Bus, FCPA, GAICD (appointed 25 October 2023)

Darlene is an experienced Director with government and ASX experience. Darlene has a strong background in finance, holding a B.Bus (Major in Accounting) and is a Fellowship member of CPA Australia. Darlene holds a Graduate Diploma of Applied Corporate Governance and is a Graduate member of the Australian Institute of Company Directors. Darlene is a member of the Risk Committee.

Operating and Financial Review for the year ended 30 June 2024 (continued)

Darren Turner B.Com, FCA, GAICD (appointed 25 October 2023)

Darren is an experienced Board Director in various sectors including health, not for profit, government, financial services, technology, mining and industrial. He holds a Bachelor of Commerce from the University of Newcastle, is a Fellow of Chartered Accountants Australia and New Zealand and a Graduate member of the Australian Institute of Company Directors. Darren is a member of the Audit Committee and the Remuneration and Nominations Committee.

Company Secretary

The Company Secretary is Peter Leonard-England. Mr Leonard-England was appointed to the position of Company Secretary in June 2019 and is the Chief Financial Officer of the Company.

Objectives

Phoenix Health is for members, not for Profits. Its goal is to provide members with access to a range of affordable, high quality health insurance cover.

Objectives and Key Performance Indicators are as follows:

Members satisfaction: 94% member satisfaction (*IPSOS Australia 2024*).

Growth: 7% net member growth - above the industry average.

Industry high benefits:

- We cover 90% of Hospital-related charges - higher than the Industry average and more than any of the Big 4
- We cover 91% of Medical Services with no gap payment - higher than the industry average of 88.3%.

Options for all Members: Flexible policy options to suit all budgets and stages of life.

Friendly personal service and easy to reach staff.

Easy claim options: Mobile claiming application and HICAPS over-the-provider-counter claiming.

Strategy for achieving the objective

The strategy for achieving these objectives is to leverage our culture to help us grow and remain focused on our members. While the Company transitioned several years ago from a restricted access health fund to a health fund open for all to join; our objectives of maintaining not-for-profit and mutual values, along with our straight-forward product range, remain the same.

Principal activities

The Company is a Registered Health Insurer. The Company provides health insurance to anyone wishing to join the Fund.

The Company reports on a monthly and quarterly basis to the board regarding financial and membership performance against board determined targets, and quarterly for financial performance to the regulator, APRA. No significant changes in the nature of the Company's activities occurred during the financial year.

Member liability

In accordance with the Company's Constitution, in the event of the winding up of the Company, every member undertakes to contribute an amount limited to 10 cents per member. This liability is applicable for 12 months after membership ceases.

At 30 June 2024 the collective liability of members was \$1,420 (2023:1,331), based on 14,197 members.

Operating and Financial Review for the year ended 30 June 2024 (continued)

Operating and Financial Review for the year ended 30 June 2024

The Company has continued to show its resilience as the disruption from the pandemic has eased considerably and claiming patterns are beginning to return to normal. The Company has again grown member numbers in excess of the industry average by offering competitively priced policies together with high levels of customer service, and often recognised with customer testimonials.

The Company reported a net member growth of 7%, well above the industry average in 2024, further reducing the average age of members with the introduction of younger members during the year.

Overall profit attributable to members, reported on an AASB 17 basis, increased to \$8.869m (\$7.337m in 2023) which was impacted by the following significant items:

- Premium Revenue increased by \$7.383m or 12.2%.
- Net Incurred Claims increased by \$6.611m or 13.4% following lower claiming levels during the pandemic.
- Investment income increased by \$0.640m as markets stabilised following the significant volatility experienced
- Easing of the disruption in healthcare procedures and admissions due to the pandemic.

Over the last five years, the Company's financial performance outcomes have seen significant volatility in its insurance results, its investment income results and claims activity and claims provisioning effects arising from the pandemic. This has resulted in abnormally high surplus outcomes over the last two years which are not expected to continue, with a return to normal surplus trends forecast going forward. With the recent strong financial performance the Company's capital position has now returned to levels achieved pre-pandemic and consistent with the growth of the Company over the past 5 years. This and sustained future profitability remains vital to support the Company's growth objectives and provide continuing support to our members.

Prudential Capital Requirements

The Company must comply with prudential capital requirements to maintain adequate capital against the risks associated with its activities. The new Private Health Insurance Capital Framework came into effect on 1 July 2023 and included a revised HPS 110 Capital Adequacy standard.

As required by HPS 110, the Company has a Board-approved Internal Capital Adequacy Assessment Process (ICAAP) which defines its approach to risk and capital management and sets out the target level of capital, which is in excess of the minimum regulatory prescribed capital requirement, together with the triggers and actions to follow in the case of an adverse stress event.

The Company's capital management objective is to maintain a strong financial risk profile and capacity to pay all eligible customer benefits, invest in health management programs to support our Members, ensure that the business maintains operating efficiency and effectiveness, and to meet financial commitments.

The table below sets out the Company's annual disclosure of its APRA regulatory capital position at 30 June 2024. The Company does not have a General Fund and as such, the Health Benefits Fund, as outlined below, is also the Insurer.

	2024
	\$
Net Assets	50,712,857
Regulatory Adjustments	538,325
Common Equity Tier 1 Capital	51,251,182
Additional Tier 1 Capital	-
Tier 2 Capital	-
Capital Base	51,251,182
Insurance Risk Charge	10,078,819
Asset Risk Charge	6,382,515
Operational Risk Charge	1,362,822
Aggregation Benefit	(3,497,910)
Prescribed Capital Amount	14,326,246
Capital Adequacy Multiple	3.58

Operating and Financial Review for the year ended 30 June 2024 (continued)

Significant changes in state of affairs

The Directors are not aware of any significant change in the state of affairs of the Company that occurred during the financial year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect:

- a) the Company's operations in future financial years; or
- b) the results of those operations in future financial years; or
- c) the Company's state of affairs in future financial years.

Likely developments and expected results of operations

Likely developments in the operations of the Company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Company.

Environmental regulation

The Company has assessed whether there are any particular or significant environmental regulations which apply to it, and has determined that there are none.

Meetings of Directors

During the financial year, 14 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee		Risk Committee		Remuneration and Nominations Committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Bruce Arnott	7	5	2	1	-	-	2	2
Danielle Hodgson	7	7	3	2	-	-	2	2
Stephen James (retired 25 October 2023)	2	1	-	-	1	1	-	-
Samantha Kuoch	7	7	2	2	3	3	-	-
Robert Hogan	7	7	-	-	3	3	2	2
Justin Sebire	7	6	3	3	3	2	-	-
Darlene Perks (appointed 25 October 2023)	5	5	-	-	2	2	-	-
Darren Turner (appointed 25 October 2023)	5	4	1	1	-	-	1	1

Directors' interests and benefits

Since the end of the previous financial year and to the date of signing this report, no Director of the Company has received or become entitled to receive any benefit by reason of a contract made by the Company with the Director or with a firm of which the Director is a member, or with a Company in which the Director has a substantial interest.

Non-executive Directors' fees are determined within an aggregate directors' fee pool limit, which is annually adjusted for inflation. The maximum Directors' fee pool currently stands at \$181,558 per annum. Superannuation contributions required under the Australian superannuation guarantee legislation are made and are deducted from the directors' overall fee entitlements.

Indemnification and insurance of officers and auditors

During the financial year, the Company paid a premium for a contract insuring the Directors, Company Secretary and Officers of the Company to the extent permitted by the *Corporations Act 2001*.

The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company.

Proceedings on behalf of the Company

No person has applied for leave of court under Section 237 of the *Corporations Act 2001* to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. No proceedings have been brought or intervened in, on behalf of the Company, with leave of the Court under section 237 of the *Corporations Act 2001*.

Auditor's independence declaration

The Auditor's Independence Declaration in accordance with section 307C of the *Corporations Act 2001*, for the financial year ended 30 June 2024 has been received and can be found on page 6 of the financial report.

Signed in accordance with a resolution of the Board of Directors:



Chair:

Bruce Arnott B.Com, CPA

Dated 25 September 2024

Phoenix Health Fund Limited

ACN: 000 124 863

Directors' Declaration

The Directors of the entity declare that:

1. The financial statements and notes, as set out on pages 7 to 34, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2024 and of the performance for the financial year ended on that date of the entity.
2. The information disclosed in the consolidated entity disclosure statement is true and correct.
3. In the Directors' opinion, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable.

Note 1 confirms that the financial statements comply with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Board of Directors.



Chair

Bruce Arnott B.Com, CPA

Dated 25 September 2024



PKF(NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

755 Hunter Street, Newcastle West NSW 2302
Level 8, 1 O'Connell Street, Sydney NSW 2000

Newcastle T: +61 2 4962 2688 F: +61 2 4962 3245

Sydney T: +61 2 8346 6000 F: +61 2 8346 6099

info@pkf.com.au

www.pkf.com.au

Auditor's Independence Declaration under section 307C of the Corporations Act 2001 to the Directors of Phoenix Health Fund Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2024, there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- (ii) No contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in black ink that reads 'PKF'.

PKF

A handwritten signature in black ink that reads 'P. Pearman'.

PAUL PEARMAN
PARTNER

25 SEPTEMBER 2024
SYDNEY, NSW

Phoenix Health Fund Limited

ACN: 000 124 863

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 30 June 2024

	Note	2024 \$	Restated 2023 \$
Insurance revenue	5	68,133,656	60,890,890
Incurred claims	12	(55,266,061)	(50,016,640)
Insurance service expense	12	(5,949,434)	(5,048,933)
Insurance service result		6,918,161	5,825,317
 All other income	5	 38,642	 49,150
All other expenses	6	(1,857,084)	(1,666,470)
Surplus before net investment income and income tax		5,099,719	4,207,997
 Investment income	5	 3,768,843	 3,128,902
Surplus before income tax		8,868,562	7,336,899
Income tax expense	1(h)	-	-
Surplus for the year		8,868,562	7,336,899
 Other comprehensive income for the year		 -	 -
Total comprehensive income for the year		8,868,562	7,336,899

The accompanying notes form part of these financial statements.

Phoenix Health Fund Limited

ACN: 000 124 863

Statement of Financial Position

As at 30 June 2024

	Note	2024 \$	Restated 2023 \$	Restated 2022 \$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	7	1,897,581	2,008,312	1,730,897
Trade and other receivables	8	559,493	385,653	690,311
Prepayments		327,366	310,026	219,122
Other financial assets	9	59,570,765	51,661,435	42,213,566
TOTAL CURRENT ASSETS		62,355,205	54,365,426	44,853,896
NON-CURRENT ASSETS				
Property, plant and equipment	10	1,025,002	1,070,790	1,125,630
Intangible assets		67,830	88,299	111,249
TOTAL NON-CURRENT ASSETS		1,092,832	1,159,089	1,236,879
TOTAL ASSETS		63,448,037	55,524,515	46,090,775
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables	11	657,156	1,418,589	394,433
Insurance contract liabilities	12	11,885,756	12,074,632	11,017,552
Employee benefits	13	110,979	95,667	112,213
TOTAL CURRENT LIABILITIES		12,653,891	13,588,888	11,524,198
NON-CURRENT LIABILITIES				
Employee benefits	13	81,289	91,332	59,181
TOTAL NON-CURRENT LIABILITIES		81,289	91,332	59,181
TOTAL LIABILITIES		12,735,180	13,680,220	11,583,379
NET ASSETS		50,712,857	41,844,295	34,507,396
EQUITY				
Retained earnings	14	50,712,857	41,844,295	34,507,396
TOTAL EQUITY		50,712,857	41,844,295	34,507,396

The accompanying notes form part of these financial statements.

Phoenix Health Fund Limited

ACN: 000 124 863

Statement of Changes in Equity

For the Year Ended 30 June 2024

	Note	Retained Earnings \$	Total \$
Balance at 1 July 2023		39,386,992	39,386,992
Retrospective adjustments due to application of AASB 17		2,457,303	2,457,303
Restated balance at 1 July 2023		41,844,295	41,844,295
Surplus for the year	14	8,868,562	8,868,562
Balance at 30 June 2024		50,712,857	50,712,857
Balance at 1 July 2022, as previously reported		28,821,424	28,821,424
Adjustment on initial application of AASB 17		5,685,972	5,685,972
Restated balance at 1 July 2022		34,507,396	34,507,396
Surplus for the year	14	7,336,899	7,336,899
Restated balance at 30 June 2023		41,844,295	41,844,295

The accompanying notes form part of these financial statements.

Phoenix Health Fund Limited

ACN: 000 124 863

Statement of Cash Flows For the Year Ended 30 June 2024

	2024	2023
Note	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from policyholders and customers	68,177,368	64,172,095
Payments to members	(55,684,856)	(49,188,021)
Payments to suppliers and employees	(8,132,538)	(8,618,041)
Risk Equalisation Trust Fund levy (paid)/received	(79,081)	292,867
Net cash provided by operating activities	16 4,280,893	6,658,900
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net proceeds from sale/(purchase) of financial assets	(6,621,390)	(6,947,187)
Payments for plant and equipment	(79,663)	(22,208)
Payments for intangibles	-	(40,310)
Interest received	2,309,429	628,220
Net cash used in investing activities	(4,391,624)	(6,381,485)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net cash provided by financing activities	-	-
Net increase/(decrease) in cash and cash equivalents held	(110,731)	277,415
Cash and cash equivalents at beginning of year	2,008,312	1,730,897
Cash and cash equivalents at end of financial year	7 1,897,581	2,008,312

The accompanying notes form part of these financial statements.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

The financial report covers Phoenix Health Fund Limited as an individual entity. Phoenix Health Fund Limited is a for-profit proprietary Company, incorporated and domiciled in Australia.

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1 Material Accounting Policy Information

(a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and interpretations of the Australian Accounting Standards Board, and the *Corporations Act 2001*.

(i) Compliance with IFRS

The financial statements of Phoenix Health Fund Limited (the Company) also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention with certain exceptions as described in the accounting policies below.

(iii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

(iv) Comparative amounts

Comparatives are consistent with prior years, unless otherwise stated.

(b) Adoption of new and revised accounting standards

AASB 17 Insurance Contracts

AASB 17 replaces AASB 4 *Insurance Contracts*, AASB 1023 *General Insurance Contracts* and AASB 1038 *Life Insurance Contracts*. The Company has adopted AASB 17 using the full retrospective approach, under which the reclassifications and adjustments arising from the new standard have been recognised in the opening statement of financial position at 1 July 2022. Significant changes to key estimates and judgements resulting from the application of AASB 17 are set out below.

Recognition

The Company recognises groups of insurance contracts from the earliest of, the beginning of the coverage period, the date when the first payment from the policyholder is due or received, or when the Company determines that a group of contracts becomes onerous.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Material Accounting Policy Information (continued)

Level of aggregation

AASB 17 requires aggregation of insurance contracts into portfolios of contracts that have “similar risks and are managed together”. Portfolios are further divided into groups of contracts for the identification of onerous contracts. The Company provides only health insurance contracts which are managed together and are subject to similar health-related risks. Accordingly, one portfolio of health insurance contracts has been identified that is further disaggregated into profitable contracts and onerous contracts (if applicable). These groups represent the level of aggregation at which insurance contracts are initially recognised and measured. These groups are not subsequently reconsidered.

Measurement

The standard introduces a new general measurement model (GMM) for accounting for insurance contracts. However, a simplified premium allocation approach (PAA), similar in nature to the previous measurement basis under AASB 1023 General Insurance Contracts, is permitted if the coverage period of the contracts is less than a year or provided there is not a material difference between the PAA and what would have been recognised under the GMM. The majority of the Company's contracts automatically qualify for the simplified PAA as the coverage period of each contract in the Company is one year or less. For those policies with a coverage period of greater than a year the Company has developed a model and methodology to assess their eligibility to apply the PAA, which includes modelling the outcome under a range of reasonably expected scenarios. The testing concluded that the measurement of the liability for remaining coverage (LRC) determined under the PAA would not differ materially from the one that would be produced when applying the GMM. On this basis the Group has applied the PAA model to all of its insurance contracts.

Acquisition costs

For groups of contracts that apply the PAA and have a coverage period of one year or less, AASB 17 provides an option to recognise any insurance acquisition costs as expenses when incurred. The Company has elected to apply this option and expense acquisition costs as incurred. This is a change from the previous accounting treatment under AASB 1023 whereby acquisition costs were amortised over the average expected retention period.

Pandemic accounting

The impact of COVID-19 on the Company saw the recognition of a deferred claims liability and give back provisions in prior periods, both of which have been impacted by the adoption of AASB 17.

The deferred claims liability represented claims that have been deferred as a result of COVID-19. Under AASB 17, insurance liabilities are only able to include claims that have occurred prior to the end of the reporting period. Therefore claims that are expected to arise in the future but have not yet been incurred, such as the deferred claims liability, are unable to be recognised under AASB 17.

Onerous contracts

AASB 17 requires the identification of ‘groups’ of onerous contracts. Contracts that are measured under the PAA are assumed not to be onerous unless facts and circumstances indicate otherwise. The Company has developed a framework to identify indicators of possible onerous contracts which includes the consideration of information provided to senior management to monitor financial performance. If facts and circumstances are identified that indicate an onerous contract may exist, then detailed testing using the GMM is performed and any onerous contract losses are required to be recognised in the statement of comprehensive income. There were 9 onerous contracts identified on transition.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Material Accounting Policy Information (continued)

Risk adjustment

AASB 17 requires a risk adjustment to be used in the measurement of insurance contract liabilities. AASB 17 requires an explicit risk adjustment for non-financial risk that represents the Company's compensation required for bearing the uncertainty about the amount and timing of the cash flows that arises from the insurance contracts it issues. The Company uses a confidence level technique to estimate the risk adjustment.

Financial impact on transition to AASB 17 at 1 July 2022

The Company's net assets as at the transition date of 1 July 2022 were increased by \$5.9 million. This was comprised of the following adjustments:

1 July 2022

	Net assets as at 1 July 2022
As previously reported	28,821,424
Derecognition of the deferred claims liability	6,251,928
Derecognition of deferred acquisition costs	(216,956)
Recognise loss component due to adoption	(349,000)
Restated	34,507,396

The standard also introduces changes to the presentation and disclosure of insurance line items in the statement of comprehensive income and balance sheet. These are provided in the tables below.

	Previously reported	Adjustment	Restated
	\$	\$	\$
Trade and other receivables	2,127,050	(1,436,739)	690,311
Deferred acquisition costs	216,956	(216,956)	-
Other assets	45,400,464	-	45,400,464
Total assets	47,744,470	(1,653,695)	46,090,775
Trade and other payables	2,508,757	(2,114,324)	394,433
Outstanding claims liability	11,280,729	(11,280,729)	-
Unearned premium liability	4,962,166	(4,962,166)	-
Insurance contract liabilities	-	11,017,552	11,017,552
Other liabilities	171,394	-	171,394
Total liabilities	18,923,046	(7,339,667)	11,583,379
Retained earnings	28,821,424	5,685,972	34,507,396
Total equity	28,821,424	5,685,972	34,507,396

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Material Accounting Policy Information (continued)

The 30 June 2023 comparative financial information has also been restated for the impact of applying AASB 17. The impact on profit for the period and net assets are set out in the tables below.

1 July 2023

	Profit for 12 months ended 30 June 2023	Net assets as at 1 July 2023
	\$	\$
As previously reported	10,565,568	39,386,992
Derecognition of the deferred claims liability	(3,366,625)	2,885,303
Derecognition of deferred acquisition costs	216,956	-
Recognise loss component due to adoption	(79,000)	(428,000)
Restated	7,336,899	41,844,295

	Previously reported	Adjustment	Restated
	\$	\$	\$
Trade and other receivables	1,988,641	(1,602,988)	385,653
Other assets	55,138,862	-	55,138,862
Total assets	57,127,503	(1,602,988)	55,524,515
Trade and other payables	3,919,725	(2,501,136)	1,418,589
Outstanding claims liability	8,226,209	(8,226,209)	-
Unearned premium liability	5,407,578	(5,407,578)	-
Insurance contract liabilities	-	12,074,632	12,074,632
Other liabilities	186,999	-	186,999
Total liabilities	17,740,511	(4,060,291)	13,680,220
Retained earnings	39,386,992	2,457,303	41,844,295
Total equity	39,386,992	2,457,303	41,844,295

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer of the Company.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Material Accounting Policy Information (continued)

(d) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Premium revenue

Premium revenue comprises premiums from private health insurance contracts held by policyholders.

Premium revenue is recognised in profit or loss when it has been earned. Premium revenue is recognised in profit or loss from the attachment date over the period of the contract. The attachment date is from when the insurer accepts the risk from the insured under the insurance contract. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract.

The proportion of the premium or receivable not earned in profit or loss at the reporting date is recognised in the statement of financial position as unearned premium liability.

Premiums on unclosed business are brought to account using estimates based on payment cycles nominated by the policyholder.

(ii) Investment income

Net fair value gains or losses on financial assets, classified as at fair value through profit or loss, is recognised in profit or loss of the period.

(iii) Other revenue

Other revenue is recognised upon the satisfaction of the related performance obligation.

(f) Insurance contracts

Once insurance cover has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk significantly reduces during the period. All of the Company's insurance products are classified as insurance contracts.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Material Accounting Policy Information (continued)

(g) Onerous contracts

Insurance contracts are onerous when the Liability for Remaining Coverage (LRC) is insufficient to pay future claims and other insurance service expenses attributable to the contracts. The Company's contracts are assumed not to be onerous unless facts and circumstances indicate otherwise. If there are facts and circumstances that indicate contracts may be onerous, a loss component is recognised in profit or loss if the carrying amount of the LRC is less than the estimated fulfilment cash flows.

(h) Income Tax

The Company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997 and as result there is no income tax payable.

(i) Impairment of assets

Intangible assets that have an indefinite useful life and are not subject to amortisation, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting date.

(j) Assets backing private health insurance liabilities

As part of its investment strategy the Company actively manages its investment portfolio to ensure that investments mature in accordance with the expected pattern of future cash flows arising from health insurance liabilities.

With the exception of buildings and equipment, the Company has determined that all assets are held to back health insurance liabilities and their accounting treatment is described below:

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

Financial assets are designated at fair value through profit or loss. 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 profit or loss.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Material Accounting Policy Information (continued)

(j) Assets backing private health insurance liabilities (continued)

Details of fair value for the different types of financial assets are listed below:

- Short and long term deposits are carried at face value of the amounts deposited or drawn.
- Interest bearing securities are initially recognised at fair value, determined as the quoted cost at date of acquisition. They are subsequently remeasured to fair value at each reporting date. For securities traded in an active market, fair value is determined by reference to published bid price quotations. For securities not traded and securities traded in a market that is not active, fair value is determined using valuation techniques with the most common technique being reference to observable market data using the fair values of recent arm's length transactions involving the same or similar instruments. In the absence of observable market information, unobservable inputs which reflect management's view of market assumption are used. Valuation techniques maximise the use of observable inputs and minimise the use of unobservable inputs.
- Equity securities are designated as financial assets at fair value through profit and loss upon initial recognition. They are initially recorded at fair value, determined as the quoted cost at date of acquisition and are subsequently remeasured to fair value at each reporting date.

(k) Cash and cash equivalents

Cash and cash equivalents includes cash at bank that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Trade receivables other than those included in assets backing private health insurance liabilities

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which were known to be uncollectible were written off by reducing the carrying amount directly. An allowance account (provision for impairment) was used where there is objective evidence that the Company would not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss was recognised in profit or loss. When a receivable for which an impairment allowance had been recognised became uncollectible in a subsequent period, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were recognised in profit or loss.

(m) Property, plant and equipment

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount of the asset and are included in profit or loss.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Material Accounting Policy Information (continued)

(m) Property, plant and equipment (continued)

Buildings

Buildings is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. All repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount of the asset and are included in profit or loss.

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost or revalued amount of each item of plant and equipment over its expected useful life to the Company. All plant and equipment assets having a cost of less than \$1,000 are depreciated in full in the year of purchase. All other items of plant and equipment are written off over a three to five year period. Buildings are written off over a 40 year period.

(n) Trade and other payables

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

(o) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled within 12 months of the reporting date and superannuation are recognised in payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rate paid.

(ii) Other long-term employee benefit obligations

The liability for long service leave, which is not expected to be settled within 12 months after the end of the period in which employees render the related service, is recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bond rates with terms to maturity and currency that match, as closely as possible, the estimated cash outflows.

(p) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST recoverable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority, are presented as operating cash flows.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

1 Material Accounting Policy Information (continued)

(q) Net Risk Equalisation Special Account levies and rebates

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 Liability for Incurred Claims for periods where determinations have not yet been made. This includes an estimate of risk equalisation for unpresented and outstanding claims.

(r) Liability for incurred claims (LIC)

The LIC provides for incurred claims and expenses that have not yet been paid, including claims that have been incurred but not yet reported. It 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 and other incurred insurance service expenses.

The liability also allows for an estimate of claims handling costs, which comprises all direct expenses of the claims department and general administrative costs directly attributable to the claims function. These include internal and external costs incurred from the negotiation and settlement of claims. The allowance for claims handling costs at 30 June 2024 is 4.0% of the outstanding claims liability (2023: 4.2%).

(s) Liability for remaining coverage (LRC)

The LRC is measured as premiums received less amounts recognised as insurance revenue for coverage that has been provided. The LRC is not adjusted for the effect of financial risk and it is not adjusted to reflect the time value of money, as the Company expects that the time of providing the services is close to the related premium due date.

Insurance acquisition costs are expensed as incurred and are included within profit or loss.

2 Critical Accounting Estimates and Judgements

The Directors make estimates and judgements during the preparation of these financial statements regarding assumptions about current and future events affecting transactions and balances. These estimates and judgements are based on the best information available at the time of preparing the financial statements, however as additional information is known then the actual results may differ from the estimates.

The key areas in which critical estimates are applied are:

- Estimation of insurance contracts liability - Note 3 and Note 12

The ultimate liability arising from claims made under insurance contracts

The Company's operations and financial performance have been previously impacted because of the 2020 pandemic. The risk of the ultimate cost of those claims being higher than the current outstanding claims liability has substantially dissipated as the healthcare systems return to normal. Should a member require admission to hospital, then this can now be achieved in a relatively short period of time and as such the risk of deferred claims is considered very low. The Company no longer hold any provisions for deferred claims and is confident that this is no longer required.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

2 Critical Accounting Estimates and Judgements (continued)

The Company makes provision at the year end for the liability for outstanding claims which forms part of the Liability for Incurred Claims (LIC) and which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under insurance contracts issued by the Company.

The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported. This 'central estimate' of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason, the inherent uncertainty in the central estimate must also be considered and a risk margin is added. The estimated cost of claims includes allowances for risk equalisation consequences and claims handling expenses.

The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims, the Company uses estimation techniques based upon statistical analysis of historical experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including changes in the Company processes which might accelerate or slow down the development and / or recording of paid or incurred claims, compared with the statistics from previous years. The calculation did not take account of any actual post balance date claims.

The risk margin has been based on an analysis of the past experience of the Company. This analysis examined the volatility of past payments that has not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility.

The central estimate is calculated gross of any risk equalisation payments or recoveries. A separate estimate is made of the risk equalisation amounts that will be recoverable from or payable, based upon the gross provision.

A provision for onerous contracts is required by AASB 17 in the form of a Loss Component, where the present value of future cash flows relating to the future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability.

Details of specific assumptions used in deriving the outstanding claims liability and the Loss Component at year end are detailed in Note 3.

3 Actuarial assumptions and methods

(a) Outstanding claims provision

Actuarial methods

The outstanding claims estimate is derived based on three valuation classes, namely Hospital services, Medical services, and General Treatment services.

In calculating the estimated cost of unpaid claims a chain ladder method is used; this assumes that the development pattern of the current claims will be consistent with historical experience. Where deemed necessary, manual adjustments were made to the outstanding claims by service month to produce an appropriate estimate of incurred claims for the service month. The calculation did not take account of any actual post balance date claims.

Actuarial assumptions

The risk margin of 10% (2023: 10.0%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2023: 75%).

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

Claims handling expenses were calculated by reference to past experience. This factor was determined from the ratio of the Company's reported claim handling expenses to total benefits (hospital, medical and general treatment claims) for the 12 months to 31 March 2024. The adopted rate was 3.3% (2023: 3.3%).

The business written by the Company is short tail in nature. Based on historic experience, approximately 85% (2023: 85%) of outstanding claims are paid within two months of balance date; for this reason, expected future payments are not discounted.

In determining the outstanding claims by service month as a percentage of total incurred claims by service month, the chain ladder method was applied to cumulative paid development separately by hospital, medical and general benefits.

Manual adjustments are then made for reasonableness, (where necessary), to the Current month, Current month less 1 and current month less 2 results. These adjustments are made by calculating the average incurred benefit per Single Equivalent Unit, (SEU) and per SEU per working day for each month and graphing the results for the past four years. The seasonality exhibited by the table is reasonably consistent from year to year, with each year's table showing an increase in incurred benefits from the previous year. Based on these tables, manual adjustments were made to the chain ladder results to derive the total monthly incurred benefits and hence the outstanding claims provision.

Sensitivity analysis – insurance contracts

Summary

The Company conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Company. The table below describes how a change in each variable will affect the insurance liabilities.

Variable	Impact of movement in variable
Outstanding claims are 10% higher or lower	An increase / (decrease) in the assumed outstanding claims at year end would result in an increase / (decrease) in claims expense.
Expense rate	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase / (decrease) in the expense rate assumption would have a corresponding impact on claims expense.

i) Impact of changes in key variables

	Profit	Equity
	\$	\$
Recognised amounts per the financial statements	8,868,562	7,336,899

Variable	Movement in variable	Profit Adjusted Amounts	Equity Adjusted Amounts
	%	\$	\$
Outstanding claims liability	10.00	8,806,626	50,650,921
	(10.00)	8,930,498	50,774,793
Expense rate	1.00	8,874,756	50,719,051
	(1.00)	8,862,368	50,706,663

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

4 Private Health Insurance contracts - risk management policies & procedures

The financial condition and operation of the Company is affected by a number of key financial risks including insurance risk, interest rate risk, credit risk, market risk and liquidity risk. Notes on the Company's policies and procedures in respect of managing these risks are set out below.

(a) Objectives in managing risks arising from insurance contracts and policies for mitigating those risks

The Company manages risk by:

- establishing an Audit Committee and a Risk Committee to assist the Board in the execution of its responsibilities;
- maintaining a robust Risk Management Framework (RMF);
- the application of standards for solvency and capital adequacy made by the Australian Prudential Regulation Authority (APRA) and legislated under the *Private Health Insurance (Prudential Supervision) Act 2015*; and
- the Company's internal policies and procedures designed to mitigate such risks.

The responsibilities of the Audit Committee and Risk Committee include:

- reviewing the annual reports and other financial information distributed externally;
- assisting the Board to review the effectiveness of the Company's system of internal control;
- monitoring the risk management system;
- monitoring the activities of the internal audit function; and
- reviewing the nomination and performance of the external auditor.

The Board, both directly and through the Risk Committee, and senior management of the Company have developed, implemented and maintain a sound and prudent RMF. The RMF identifies the Company's policies, procedures and controls that comprise its risk management and control systems. These systems address all material risks, financial and non financial, likely to be faced by the Company.

The solvency and capital adequacy standards are established under the *Private Health Insurance (Prudential Supervision) Act 2015* (The Act), and are an integral component of the prudential reporting and management regime for registered health funds under the Act.

The purpose of the solvency standard is to ensure as far as practicable that at any time the financial position of a health benefits fund conducted by a private health insurer is such that the private health insurer will be able to meet, out of the fund's assets, all liabilities that are referable to the fund, as those liabilities become due. This standard requires the Company to demonstrate that it will be able to meet the liabilities of its health benefits fund, allowing for adverse circumstances. A central pillar of a private health insurer's financial strength is that the assets of a health benefits fund are sufficiently liquid to meet its cash demands and unanticipated losses from its activities.

The purpose of the capital adequacy standard is to ensure, as far as practicable, that there are sufficient assets in a health benefits fund conducted by a private health insurer to provide adequate capital for the conduct of the health benefits fund in accordance with the Act and in the interests of the policy holders of the fund. This standard requires the private health insurer to demonstrate that the assets of its health benefits fund will be able to meet the liabilities of the fund after a 12 month period, allowing for the future business plans of the fund and adverse circumstances.

(b) Insurance risk

The provision of private health insurance in Australia is governed by the *Private Health Insurance Act 2007* (The Act) which is premised on the fundamental principles of community rating and risk equalisation.

Community rating is the principle which prevents private health insurers from discriminating between people on the basis of their health status, age, race, sexuality, the frequency that a person needs treatment or claims history. The 'principles of community rating' are referred to in The Act.

Risk equalisation supports the principle of community rating. Private health insurance averages the cost of hospital treatment across the industry. The risk equalisation scheme transfers money from private health insurers with lower average claims payments, to those insurers with higher average claim payments.

The Act also limits the types of treatments that private health insurers are able to offer as part of their health insurance business, and limits the volatility of premiums by allowing changes to premiums only with the approval of the Minister.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

(c) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to policyholders, Medicare Australia (MBS payments and the private health insurance rebate), the RETF pool, and GST receivable.

The maximum exposure to credit risk at balance date is the carrying amount, net of any provisions for impairment loss, as disclosed in the statement of financial position and notes to the financial statements. The Company does not have any material credit risk to any single debtor or group of debtors under financial instruments entered into.

Credit risk arising from cash and cash equivalents and deposits with banks and financial institutions is managed in accordance with the Company's investment policy which is set and approved by the Board. Monies are only invested in recognised financial institutions, (Approved Deposit Institutions, "ADIs"). Only independently rated parties with a short term issuer credit rating of A-3 or higher, or long term issuer credit rating of BBB- or higher, or non-rated entities where deposits are covered under the Australian Government Financial Claims Scheme, are accepted. The Company's investment policy imposes limits on the proportion of invested monies that may be invested with any one institution, thereby minimising concentration risk.

Credit risk for premium receivables is minimal due to the diversification of policyholders. The MBS payments, private health insurance rebate and GST receivable are due from government organisations under legislation. Credit risk for RETF recoveries ultimately relates to the risk of default from other private health insurance organisations that participate in the RETF pool. These organisations operate within the same regulatory environment as the Company.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

	2024 \$	2023 \$
Other receivables		
Existing debtors (more than 6 months) with no defaults in the past	92,219	89,853
	92,219	89,853
Cash and Cash Equivalents		
AA	1,897,581	2,008,312
Financial assets at fair value through profit or loss		
AA	36,147,697	38,946,185
A	6,399,244	756,983
Lower	17,023,824	11,958,268
Total financial assets at fair value through profit or loss	59,570,765	51,661,436

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

(d) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and holds a high percentage of highly liquid investments.

The Company does not have any borrowings or other debt obligations. There are no overdraft facilities.

Maturities of financial liabilities

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

	Less than 3 months \$	3 - 12 months \$	1 - 5 years \$	Greater than 5 years \$	Total contractual cash flows \$
30 June 2024					
Trade and other payables	657,156	-	-	-	657,156
30 June 2023 restated					
Trade and other payables	1,418,589	-	-	-	1,418,589

(e) 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.

Foreign exchange 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.

Price risk

The Company is exposed to securities price risk in relation to both the long term fixed income and the equities investment portfolios. This arises from investments held by the Company and classified on the statement of financial position as at fair value through profit or loss. These risks are managed in accordance with the Company's investment policy which establishes exposure limits for each type of financial asset and reflects the Board's conservative approach to market risk.

Fair value interest rate risk

The Company is subject to interest rate risk through volatility in cash flows generated by interest bearing financial instruments. To minimise this volatility, the Company diversifies its holdings of financial instruments between various financial institutions and through investing in a range of differing financial products. The Company has adopted an investment strategy that delivers a diversified portfolio weighted to defensive assets versus growth assets. Defensive assets consist of fixed interest securities and cash and cash equivalents.

Summarised sensitivity analysis

The table below summarises the sensitivity of the Company's financial assets and financial liabilities to interest rate risk.

Methods and assumptions used in preparing sensitivity analysis:

The post-tax effect on profit and equity of movements in interest rate has been calculated using 'reasonably possible' changes in the risk variables, based on recent interest rate and market movements.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

Interest rate and price change assumptions

An interest rate change of 100 basis points will directly affect interest on cash and cash equivalents. The financial assets at fair value through profit or loss comprise term deposits with fixed rates of interest applying for the duration of the deposit. Therefore the Company is exposed to interest rate risk to the extent that the term deposits will mature and be re-invested at rates prevailing at the maturity dates.

	Carrying amount	-100bps		+100bps	
		Profit	Equity	Profit	Equity
	\$	\$	\$	\$	\$
30 June 2024					
Cash and cash equivalents	1,897,581	(18,976)	(18,976)	18,976	18,976
Fixed rate instruments - Term deposits & bonds	46,243,696	(462,437)	(462,437)	462,437	462,437
	48,141,277	(481,413)	(481,413)	481,413	481,413
30 June 2023 restated					
Cash and cash equivalents	2,008,312	(20,083)	(20,083)	20,083	20,083
Fixed rate instruments - Term deposits & bonds	39,703,167	(397,032)	(397,032)	397,032	397,032
	41,711,479	(417,115)	(417,115)	417,115	417,115

Note: This table above does not include equities and property as these financial instruments are not subject to interest rate risk.

(f) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. AASB 7 Financial Instruments requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following tables present the company's assets and liabilities measured and recognised at fair value.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
As at 30 June 2024				
Assets				
Financial assets at fair value through profit or loss	59,570,765	-	-	59,570,765
	59,570,765	-	-	59,570,765
As at 30 June 2023 restated				
Assets				
Financial assets at fair value through profit or loss	51,661,435	-	-	51,661,435
	51,661,435	-	-	51,661,435

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

5 Revenue

	2024	2023 Restated
	\$	\$
Premium revenue	68,133,656	60,890,890
Investment income / (loss)	3,768,843	3,128,902
Other income	38,642	49,150
	<u>71,941,141</u>	<u>64,068,942</u>

6 Other operating expenses

Depreciation and amortisation expense	145,920	140,308
Other expenses	1,711,164	1,526,162
	<u>1,857,084</u>	<u>1,666,470</u>

7 Cash and Cash Equivalents

CURRENT

Cash at bank	<u>1,897,581</u>	<u>2,008,312</u>
--------------	------------------	------------------

(a) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 4. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

8 Trade and Other Receivables

	2024	2023 Restated
	\$	\$
Accrued interest on investments	467,274	295,800
Other receivables	92,219	89,853
	<u>559,493</u>	<u>385,653</u>

(a) Impairment of receivables

As at 30 June 2024 there were no current receivables which were impaired (2023: NIL).

(b) Past due but not impaired receivables

As at 30 June 2024 there were no current receivables which were past due but not impaired (2023: NIL).

(c) Interest rate risk

The Company's exposure to interest rate risk is discussed in Note 4.

(d) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to Note 4 for more information on the risk management policy of the Company and the credit quality of the Company's receivables.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

9 Financial assets

	2024	2023 Restated
CURRENT	\$	\$
Interest-bearing securities	11,684,749	10,954,010
Short term deposits	34,558,947	28,749,156
Equity securities	13,327,069	10,834,863
Property & Infrastructure	-	1,123,406
	59,570,765	51,661,435

(a) Risk exposure

The Company's exposure to interest rate risk is discussed in Note 4. The maximum exposure to credit risk at the reporting date is the carrying amount of interest-bearing securities mentioned above.

10 Property, plant and equipment

	2024	2023 Restated
NON-CURRENT	\$	\$
Buildings		
At cost	1,391,381	1,391,381
Accumulated depreciation	(420,402)	(372,309)
Total buildings	970,979	1,019,072
Furniture, fixtures and fittings		
At cost	313,829	278,529
Accumulated depreciation	(259,806)	(226,811)
Total furniture, fixtures and fittings	54,023	51,718
Total property, plant and equipment	1,025,002	1,070,790

(a) Movements in carrying amounts of property, plant and equipment

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Buildings	Furniture, Fixtures and Fittings	Total
	\$	\$	\$
Year ended 30 June 2024			
Balance at the beginning of year	1,019,071	51,719	1,070,790
Additions	-	35,300	35,300
Depreciation expense	(48,092)	(32,996)	(81,088)
Balance at the end of the year	970,979	54,023	1,025,002
Year ended 30 June 2023			
Balance at the beginning of year	1,067,033	58,597	1,125,630
Additions	-	25,390	25,390
Depreciation expense	(47,962)	(32,268)	(80,230)
Balance at the end of the year	1,019,071	51,719	1,070,790

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

11 Trade & Other Payables

	2024	2023 Restated
	\$	\$
Trade Payables	657,156	1,418,589

12 Insurance contract liabilities

(a) Reconciliation of movement in insurance contract liabilities

	2024	2023 Restated
	\$	\$
Liability for incurred claims (LIC)		
Outstanding Claims Provision	4,489,653	4,769,734
Risk adjustment	448,965	485,537
Medicare receivable	(234,587)	(140,049)
Risk equalisation receivable	376,507	85,635
Benefit clearing account	2,754,800	2,501,136
	7,835,338	7,701,993
Liabilities for remaining coverage (LRC)		
Contributions in advance	5,106,477	5,407,578
Premium in arrears	(75,353)	(44,337)
Rebate receivable	(1,289,706)	(1,418,602)
Loss component	309,000	428,000
	4,050,418	4,372,639
Total insurance contracts	11,885,756	12,074,632

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

12 Insurance contract liabilities (continued)

(b) Reconciliation of movement in insurance contract liabilities

	Liability for remaining coverage \$	Present value of future cash flows \$	Risk adjustment for non-financial risk \$	Total insurance contract liabilities \$
Insurance contract liabilities at 1 July 2023	4,372,639	7,216,456	485,537	12,074,632
Insurance revenue	(68,133,656)	-	-	(68,133,656)
Insurance service expenses				
Claims incurred	-	54,081,160	(36,572)	54,044,588
Changes relating to past service	-	57,630	-	57,630
Net Risk Equalisation Special Account payments	-	455,588	-	455,588
State levies	-	729,313	-	729,313
Incurred claims, excluding claims handling costs	-	55,323,691	(36,572)	55,287,119
Movement in claims handling costs for incurred claims	-	(21,058)	-	(21,058)
Incurred claims	-	55,302,633	(36,572)	55,266,061
Other insurance service expenses	-	5,949,434	-	5,949,434
Total insurance service expenses	-	61,252,067	(36,572)	6,918,161
Insurance service result	(68,133,656)	61,252,067	(36,572)	6,918,161
Other movements	(11,142)	2,814,325	-	2,803,183
Cash flows				
Premium receipts	67,822,577	-	-	68,177,368
Payments for claims and other expenses	-	(63,896,475)	-	(63,896,475)
Total cash flows	67,822,577	(63,896,475)	-	3,926,102
Insurance contract liabilities at 30 June 2024	4,050,418	7,386,373	448,965	11,885,756

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

12 Insurance contract liabilities (continued)

(b) Reconciliation of movement in insurance contract liabilities (continued)

	Liability for remaining coverage	Present value of future cash flows	Risk adjustment for non-financial risk	Total insurance contract liabilities
	\$	\$	\$	\$
Insurance contract liabilities at 1 July 2022	4,165,415	6,335,477	457,163	10,958,055
Insurance revenue	(60,890,891)	-	-	(60,750,840)
Insurance service expenses				
Claims incurred	-	49,360,732	28,374	49,389,106
Changes relating to past service	-	(68,067)	-	(68,067)
Net Risk Equalisation Special Account payments	-	(89,348)	-	(89,348)
State levies	-	605,206	-	605,206
Incurred claims, excluding claims handling costs	-	49,808,523	28,374	49,836,897
Movement in claims handling costs for incurred claims	-	39,693	-	39,693
Incurred claims	-	49,848,216	28,374	49,876,590
Other insurance service expenses	-	5,048,933	-	5,048,933
Total insurance service expenses	-	54,987,149	28,374	55,350,596
Insurance service result	(60,750,840)	54,897,149	28,374	(5,825,317)
Other movements	(229,362)	3,497,025	-	3,127,612
Cash flows				
Premium receipts	61,327,477	-	-	61,327,477
Payments for claims and other expenses	-	(57,513,195)	-	(57,513,195)
Total cash flows	61,327,477	(57,513,195)	-	3,814,282
Insurance contract liabilities at 30 June 2023	4,372,639	7,216,456	485,537	12,074,632

(c) Risk margin

The risk margin of 10.0% (2023: 10.0%) of the underlying liability has been estimated to equate to a probability of adequacy of 75%.

The central estimate of outstanding claims (including those that have been reported but not yet settled and which have been incurred but not yet reported) is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered.

The outstanding claims estimate is derived based on 3 product classes, namely Hospital services, Medical services, and Ancillary services.

The business written by the Company is short tail in nature. Based on historic experience, approximately 80% of outstanding claims are paid within 2 months of balance date. For this reason, expected future payments are not discounted here.

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

13 Employee benefits

	2024	2023
	\$	Restated \$
CURRENT		
Annual leave	97,588	95,667
Long service leave	13,391	-
	<u>110,979</u>	<u>95,667</u>
NON-CURRENT		
Long service leave	<u>81,289</u>	<u>91,332</u>

14 Retained Earnings

Balance at 1 July 2023	41,844,295	34,507,396
Surplus for the year	8,868,562	7,336,899
Balance at 30 June	<u>50,712,857</u>	<u>41,844,295</u>

15 Remuneration of Auditors

Remuneration of the auditor, PKF for:		
- auditing and compiling the financial statements	71,500	68,000
- other services	12,000	11,500
	<u>83,500</u>	<u>79,500</u>

16 Notes to the cash flow statement

(a) Reconciliation of profit for the period to net cashflows from operating activities

Net profit from ordinary activities	8,868,562	10,565,568
Investment (income)/loss	(3,597,369)	(3,128,902)
Depreciation & amortisation expense	145,920	140,308
Outstanding claims adjustment	(830,288)	(3,054,520)
(Increase)/decrease in assets:		
Receivables	(173,840)	138,409
Other current assets	(17,340)	126,052
Increase/(decrease) in liabilities:		
Payables	(761,433)	1,410,968
Provisions	646,681	461,017
Net cash from operating activities	<u>4,280,893</u>	<u>6,658,900</u>

Phoenix Health Fund Limited

ACN: 000 124 863

Notes to the Financial Statements

For the Year Ended 30 June 2024

17 Related party transactions

(a) Directors

The names of the Directors of Phoenix Health Fund Limited are disclosed in the Directors' report.

(b) Other key management personnel

Key management personnel also include persons who had the authority and responsibility for planning, directing and controlling the activities of the Company, i.e. the Chief Executive Officer and the Chief Financial Officer.

(c) Key management personnel compensation

	2024	2023
	\$	\$
Short-term employee benefits	484,370	454,175
Post-employment benefits	55,000	47,688
	<u>539,370</u>	<u>501,863</u>

(d) Other transaction with related parties

The Chief Executive Officer received a 25% discount on Phoenix Health Fund membership premiums. This amounted to \$1,799 for the year (2023: \$2,130).

18 Events after the end of the Reporting Period

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations or the state of affairs of the Company in future financial years.

Phoenix Health Fund Limited

ACN: 000 124 863

Consolidated Entity Disclosure Statement **For the Year Ended 30 June 2024**

Phoenix Health Fund Limited has no controlled entities and, therefore, is not required by the Australian Accounting Standards to prepare consolidated financial statements. As a result, section 295(3A)(a) of the Corporations Act 2001 does not apply to the entity.

This Consolidated Entity Disclosure Statement has been prepared in accordance with the Corporations Act 2001.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF PHOENIX HEALTH FUND LIMITED

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Phoenix Health Fund Limited (the Fund), which comprises the statement of financial position as at 30 June 2024, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and 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 Phoenix Health Fund Limited, is in accordance with the Corporations Act 2001, including:

- (a) Giving a true and fair view of the Fund's financial position as at 30 June 2024, and of its financial performance for the year then ended; and
- (b) Complying with the Australian Accounting Standards and 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Fund's annual report for the year ended 30 June 2024 but does not include the financial report and our auditor's report thereon.

Other Information (cont'd)

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

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

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

Responsibilities of the Directors for the Financial Report

The directors of the Fund are responsible for the preparation of

- a) 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
- b) 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

- i. 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
- ii. 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 consolidated entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the consolidated entity 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 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 the financial report.

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

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

Auditor's Responsibilities for the Audit of the Financial Report (cont'd)

- 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 Fund'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 Fund 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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



PKF



PAUL PEARMAN
PARTNER

25 SEPTEMBER 2024
SYDNEY, NSW



📍 phoenixhealthfund.com.au

☎ 1800 028 817

✉ info@phoenixhealthfund.com.au

📍 PO Box 156, Newcastle NSW 2300

 **Phoenix**
Health Fund