RESERVE BANK HEALTH SOCIETY LIMITED

reserve bank health society

ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2012

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CHAIRPERSON'S REVIEW

The Reserve Bank Health Society (RBHS) recorded a modest surplus in 2011/12, totalling $912 234. This was lower than in the previous two years, but higher than had been budgeted by the Board. The result reflects the Board's objective of targeting a sound level of capital adequacy while providing members with superior benefits and keeping premium increases to a minimum. This year the RBHS was able to deliver substantial increases in the benefit level for a wide range of general treatments, while the premium increase, approved by the Minister for Health, was kept in line with the general increase in health costs as measured by the medical, dental and hospital sub-group of the CPI.

The RBHS remains in a very sound financial condition while its benefits are still in the upper range for all health funds. Reflecting the value offered by the RBHS, membership has increased in the last 12 months largely due to ex-employees of the Reserve Bank of Australia (RBA) and Note Printing Australia (NPA) re-joining.

During the year members have benefited from a range of improvements to RBHS services. In addition to the increases in general treatment benefits, the Board approved further enhancements to the benefits in the form of new broader health cover services. These will be available free of charge to all members with hospital cover in Q2 of the 2012/13 financial year. Using the national provider, Home Support Services (HSS), these services will include an online web portal giving members access to a range of health and wellbeing tools. Members will be able to undertake a Health Risk Assessment which provides information about personal health risks and advice on how to improve their health.

For those members who have a chronic health condition, the broader health cover also includes a chronic disease management program called Strive for Health. The program helps members with chronic conditions manage their own health by providing them access to a qualified nurse via a 24-hour telephone advice service, expert face-to-face health support at home, and ongoing support and information relevant to their particular health condition.

The Hospital at Home program is another part of the broader health cover program which aims to make it easier to leave hospital earlier and receive personal care at home. In some cases, members will be able to avoid a hospital stay altogether if the healthcare services they need can be provided at home. Options in the program include personal in-home nursing care, aids and equipment, help with meals and showering plus 24-hour phone access to healthcare professionals.

During the year members have also continued to experience the administrative improvements resulting from the outsourcing of operations to Peoplecare. The new call centre has fielded nearly 6 000 member enquiries, with over 95% of calls being answered within 9 seconds. Members have also benefited from faster claims processing times, and an increasing number have been quick to see the advantages of the newly offered on-line and email claiming methods.

The new RBHS website, www.myrbhs.com.au, was also successfully launched to members in January, along with a fresh new look for the RBHS brand. The website provides members with a quick, convenient and cost-effective way to manage all their health insurance needs 24 hours a day, 7 days a week. As at 30 June a quarter of the membership had registered on-line to take advantage of the website's new functions including on-line claiming, viewing or changing membership details, and viewing claims history.

The RBHS was also pleased to be able to offer members the flexibility to prepay premiums for the 2012/13 financial year, allowing them to benefit from their existing Private Health Insurance Rebate levels for an extra year before the new and in some cases lower levels take effect.

CHAIRPERSON'S REVIEW

Your directors have overall responsibility for the RBHS. For the most part their involvement is voluntary and unpaid. I would therefore like to pay tribute to the work, commitment and support of my fellow Directors during 2011/12. As regulatory requirements increase so too do the responsibility, workload, and time commitment required of Directors. I particularly thank the members of the Audit and Risk Committee, ably led by Deputy Chairperson Andrea Brischetto, who have taken on much of the added burden. I would also like to pay tribute to the contribution of Les Austin who completed his term of office in November 2011. Les served on the Board since 2005, initially as an advisor and then as a Director. His skills and insights were particularly valuable in assisting the Board through a period of considerable regulatory change. Keith Drayton was elected to fill the vacancy. Chairperson-elect, Merylin Coombs, was granted leave by the Board from March 2012 for the purpose of working overseas. Merylin is expected to resume her position in November.

While the majority of the administrative functions of the RBHS are being performed expertly by our outsource partner, Peoplecare, under the very capable direction of CEO, Mr Michael Bassingthwaighte, some residual functions are still being undertaken by the RBA. In particular, the Company Secretary role was undertaken during 2011/12 by Ms Alanna Barry. The Board and members of the Society have benefitted enormously from Alanna's commitment to the RBHS, especially in the months leading up to the appointment of Peoplecare, and subsequently as the Board's conduit to the new management team of the RBHS. Alanna left to take up new challenges in early June and Ms Susan Kenny was subsequently appointed Company Secretary.

During the coming year the Board will continue to work toward enhancing services to members to ensure that the RBHS remains the first choice health insurer for those eligible to join.

John Pick
Acting Chairperson
Sydney, 20 September, 2012

DIRECTORS' REPORT

The Directors of the Reserve Bank Health Society Limited (RBHS) present their Report together with the financial statements of the RBHS for the year ended 30 June 2012 and the Independent Audit Report thereon.

Director Details

The directors of the company, at any time during or since the end of the financial year are:

MERYLIN COOMBS	ANDREA BRISCHETTO	LINDSAY BOULTON
Chairperson **Independent Non-Executive Director**	**Independent Non-Executive Director**	**Independent Non-Executive Director**
B. Economics **Member of AICD**	**B. Economics (Hons)** **M.Sc Economics** **Member of AICD**	**BA Social Science** **B. Economics (Hons)** **Graduate of AICD**
Chairperson of the RBHS since November 2010[1]	Deputy Chairperson of the RBHS since November 2008.	Director of the RBHS since November 2010.
Director of the RBHS since July 2008.	Director of the RBHS since November 2007.	Associate Director of the RBHS from September 2008 to November 2010.
Associate Director[2] of the RBHS from February to July 2008.	Chairperson of the RBHS Audit and Risk Committee.	Member of the RBHS Audit and Risk Committee.
	Associate Director of the RBHS from June to November 2007.	Director of Note Printing Australia Ltd.

[1] Ms Merylin Coombs is on leave of absence from the Board from March 2012 to November 2012. During this time, Mr John Pick is Acting Board Chairperson.

[2] Prior to November 2010, directors who did not have voting rights were Associate Directors in terms of the RBHS's Constitution. The position of Associate Director was abolished in November 2010.

DIRECTORS' REPORT

ANTHONY DICKMAN	JOHN PICK	WARREN WISE
Independent Non-Executive Director	**Independent Non-Executive Director**	**Independent Non-Executive Director**
BA Economics (Hons) **M.Sc Economics** **Grad Dip Applied Finance and Investment** **Member of AICD**	**B. Business** **Grad Dip Design Science** **Fellow of AICD**	**B. Business** **Member of AICD**
Director of the RBHS since November 2007.	Director of the RBHS since October 1998.	Director of the RBHS since August 2008.
Chairman of the RBHS from November 2008 to November 2010.	Chairman of the RBHS from December 2005 to November 2008.	Member of the RBHS Audit and Risk Committee.
	Associate Director of the RBHS from August to October 1998.	Associate Director of the RBHS from July to August 2008.

KEITH DRAYTON	LES AUSTIN
Independent Non-Executive Director	**Former Independent Non-Executive Director**
B. Business (Hons) **M. App Finance** **Member of AICD**	**B. Economics (Hons)** **M. Commerce** **Fellow of FINSIA** **Fellow of AICD**
Director of the RBHS since November 2011.	Director of the RBHS from November 2010 to November 2011
	Associate Director of the RBHS from July 2005 to November 2010.

All directors are non-executive directors and were in office from the start of the financial year to the date of this report, unless otherwise stated.

DIRECTORS' REPORT

Principal Activities

The RBHS's 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.

Company Objectives

The Company objectives include:

Product and Service Excellence
To deliver a range of health insurance products, including a suite of health management services with industry leading service standards that are tailored to the eligible membership base and that match the company's "Simply Better Benefits" ethos.

Member growth and retention
To adopt a growth and retention strategy that maximises participation from within the targeted group of eligible members.

Financial Stability
To effectively manage claims and operational costs given the financial pressures in the industry and to keep premium increases at or below the Health CPI and industry average.

Relationship management
To effectively manage the key alliances and stakeholder relationships to ensure the long term operating effectiveness and viability of the company.

Corporate Governance
To ensure the company is well placed to meet the challenges in an increasingly complex, competitive and highly regulated environment. Ensure that all business decisions are taken within the context of the risk appetite of the company.

Strategy for achieving objectives

To achieve these objectives, the company has adopted the following strategies:

Product and Service Excellence
• Undertake annual competitor product analysis and regular member satisfaction survey research;
• Provide members with more ways to transact with the Fund via the website and on-line services; and
• Conduct an annual review of Fund products and benefits to ensure they continue to align with the 'Simply better benefits' ethos.

Member growth and retention
• Complete analysis of the growth demographics and triggers to participation in private health insurance; and
• Develop targeted marketing campaigns and strategies to maximise growth & retention.

Financial Stability
• Complete analysis of long term financial performance projections and in particular the impact on annual pricing rounds and level of capital retained such that premium increases are minimised for members.

DIRECTORS' REPORT

Relationship Management

• Meet with key industry stakeholders including the Private Health Insurance Administration Council (PHIAC), Department of Health and Ageing, business critical service providers and strategic partners of the company on a regular basis.

Corporate Governance

• Risk Management policy and framework to be maintained in accordance with AS/ISO 31000:2009 and reported to the Board at least every six months;
• Review the outsourcing policy as part of the regular management services agreement performance review;
• Review and modify where appropriate the company structure and practices to align with the PHIAC governance standards; and
• Board to be regularly appraised of industry developments and inherent risks via CEO Board Report and Risk Management Reporting.

Director's Meetings

The RBHS's Board of Directors convened 9 times during the 2011/12 financial year. The number of meetings attended and the number of meetings each Director was eligible to attend are recorded below.

	Board Meetings	
Name	**Eligible**	**Attendance**
Merylin Coombs	7	7
Andrea Brischetto	9	8
Les Austin*	4	3
Lindsay Boulton	9	8
Anthony Dickman	9	8
John Pick	9	8
Warren Wise	9	9
Keith Drayton**	5	5

* Retired November 2011

** Appointed November 2011

Audit and Risk Committee meetings attended by appointed directors of the RBHS are also recorded below, in addition to the number of meetings each Director was eligible to attend.

	Audit and Risk Committee	
Name	**Eligible**	**Attendance**
Andrea Brischetto	4	4
Lindsay Boulton	4	4
Warren Wise	4	4

Contribution in 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 2,106 members as at 30 June 2012, it means the members of the company are liable to contribute a total of $2,106 ($1 per member) if the company is wound up.

DIRECTORS' REPORT

Matters subsequent to the end of the financial year

As at the date of this directors' report, the directors are not aware of any matter of circumstance that has arisen 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 2012.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s.307C of the Corporations Act 2001 is included in page 8 of this annual report and forms part of the Director's report.

John Pick
(Acting Chairperson)
Sydney, 20 September, 2012

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Auditor's Independence Declaration
To the Directors of Reserve Bank Health Society Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Reserve Bank Health Society Limited for the year ended 30 June 2012, I declare that, 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; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A Sheridan.

A Sheridan
Partner – Audit & Assurance

Sydney, 20 September 2012

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Independent Auditor's Report
To the Members of Reserve Bank Health Society Limited

Report on the financial report

We have audited the accompanying financial report, of Reserve Bank Health Society Limited (the "Fund"), which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view of the financial report in accordance with Australian Accounting Standards and the Corporations Act 2001. This responsibility includes such internal controls as the Director's determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the financial report 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Opinion

In our opinion:

a) the financial report of Reserve Bank Health Society Limited is in accordance with the Corporations Act 2001, including:

   i. Giving a true and fair view of the Fund's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

   ii. Complying with Australian Accounting Standards and the Corporations Regulations 2001.

b) The financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

A Sheridan
Partner – Audit & Assurance

Sydney, 20 September 2012

DIRECTORS' DECLARATION

The Directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the *Corporations Act 2001* ; and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the company's financial position as at 30 June 2012 and of its performance for the year ended on that date.

    (c) comply with International Financial Reporting standards as disclosed in Note 1.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is given for and on behalf of the directors by:

John Pick
(Acting Chairperson)

Sydney, 20 September, 2012

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Income			
Premium Revenue		9,861,053	9,408,459
Other Income	4	474,634	406,046
		10,335,687	**9,814,505**
Expenses			
Fund Benefits Paid to Members		(9,670,632)	(8,670,568)
Amounts Receivable from Risk Equalisation Trust Fund	2(g)	1,857,709	1,874,926
Movement in Outstanding Claims Liability	2(i)	(147,807)	(113,518)
Movement in Unexpired Risk Liability	2(n)	-	-
State Ambulance Levies		(129,261)	(122,457)
		(8,089,991)	**(7,031,617)**
Gross underwriting result		**2,245,696**	**2,782,888**
Management Expenses			
Management fees		(780,590)	(1,300,574)
Depreciation & Amortisation		(142)	-
Remuneration of Auditors:			
Auditing the Financial Report		(22,000)	(50,500)
Other Management Expenses		(530,730)	(185,639)
		(1,333,462)	**(1,536,713)**
Surplus before income tax (net underwriting result)		912,234	1,246,175
Income tax expense	2(h)	-	-
Surplus for the year		**912,234**	**1,246,175**
Total comprehensive income for the year		**912,234**	**1,246,175**
Surplus is attributable to:			
Members of Reserve Bank Health Society Limited		912,234	1,246,175
		912,234	**1,246,175**
Total comprehensive income for the year is attributable to:			
Members of Reserve Bank Health Society Limited		912,234	1,246,175
		912,234	**1,246,175**

The Statement of Comprehensive Income is to be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	2012 $	2011 $
Current Assets			
Cash and Cash Equivalents	5	549,185	631,922
Receivables	6	1,369,974	976,525
Other Financial Assets	7	9,300,000	7,176,359
Other Assets	8	27,025	14,036
Total Current Assets		**11,246,184**	**8,798,842**
Non-Current Assets			
Property, Plant and Equipment	9	3,238	-
Total Non-Current Assets		**3,238**	**-**
Total Assets		**11,249,422**	**8,798,842**
Current Liabilities			
Payables	10	1,832,035	441,497
Provisions	11	780,326	632,518
Total Current Liabilities		**2,612,361**	**1,074,015**
Total Liabilities		**2,612,361**	**1,074,015**
Net Assets		**8,637,061**	**7,724,827**
Equity			
Retained Surplus		8,637,061	7,724,827
Total Equity		**8,637,061**	**7,724,827**

The Statement of Financial Position is to be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

	Retained Surplus	Total
	$	$
At 1 July 2010	**6,478,652**	**6,478,652**
Total comprehensive income for the year		
Surplus for the year	1,246,175	1,246,175
	1,246,175	1,246,175
At 30 June 2011	**7,724,827**	**7,724,827**
Total comprehensive income for the year		
Surplus for the year	912,234	912,234
	912,234	912,234
At 30 June 2012	**8,637,061**	**8,637,061**

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Cash flows from operating activities			
Receipts from Members & Customers		12,640,688	11,170,168
Payments to Members, Suppliers and Employees		(11,058,241)	(10,105,881)
Interest Received		461,837	415,302
Net cash inflow/(outflow) from operating activities	13 (c)	**2,044,284**	**1,479,589**
Cash flows from investing activities			
Acquisition of Property Plant & Equipment		(3,380)	-
Net proceeds from/(payment for) other financial assets		(2,123,641)	(1,367,110)
Net cash inflow/(outflow) from investing activities		**(2,127,021)**	**(1,367,110)**
Net (decrease)/increase in cash and cash equivalents		(82,737)	112,479
Cash and cash equivalents at beginning of period		631,922	519,443
Cash and cash equivalents at end of period	13 (a)	**549,185**	**631,922**

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 1 CORPORATE INFORMATION

The financial statements of Reserve Bank Health Society Limited for the year ended 30 June 2012 were authorised for issue in accordance with a resolution of the directors on 20 September 2012.

The financial statements are presented in the Australian Currency.

Reserve Bank Health Society Limited is a public company limited by guarantee, incorporated and operating in Australia.

Reserve Bank Health Society Limited is a registered private health insurer.

Trading Name:	Reserve Bank Health Society Limited
Australian Business Number (ABN):	91 087 648 735
Principal Place of Business:	Corner Victoria & Young Streets, Wollongong, NSW, 2500
Registered Office:	65 Martin Place, Sydney, NSW, 2000
Website:	www.myrbhs.com.au

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

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

The financial statements comply with International Financial reporting standards as issued by the International Accounting Standards Board (IASB).

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of estimates and judgements

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.

In particular, 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 described in the following note:

Note 2 (i) – Outstanding Claims Provision

Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out on the following pages and have been consistently applied to all years presented in these financial statements unless otherwise stated.

(a) Trade and Other Payables

Payables are amounts due to external parties for the supply of goods and services to the company and are recognised as liabilities when the goods and/or services are received. These amounts are unsecured and are usually paid within 30 days of recognition.

(b) Assets backing private health insurance liabilities

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

All insurance backing financial assets are classified as fair value through the profit or loss in accordance with the accounting policy set out on pages 18 and 19. Previously fixed interest rate securities were classified as *Held-to-maturity.* There is no movement in fair value for both the current and prior year between these classifications and therefore the reclassification is considered immaterial.

With the exception of property, plant & equipment, the company has determined that all assets are held to back private health insurance liabilities and their accounting treatment is set out on pages 18 and 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are derived within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

Financial assets at fair value through profit or loss

Financial assets are designated at fair value through profit or loss in accordance with AASB 1023 *General Insurance Contracts*. 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 and losses recognised in profit or loss.

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

(i) 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 purposes of the statement of cash flows, cash includes cash on hand and deposits held at call with financial institutions net of bank overdrafts.

(ii) Investments

Initial recognition is at fair value, being acquisition cost, in the statement of financial position with transaction costs expensed in profit and loss. Subsequent measurement is at fair value with any resultant fair value gains or losses recognised in profit and loss. Regular purchases and sales of investments are recognised on trade date – the date on which the company commits to purchase or sell the asset. Investments 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.

(iii) Loans and receivables

Trade and other receivables to the RBHS have been classified as ‘loans and receivables’ and are initially recognised at fair value, being the amounts due, which is equivalent to their amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Amounts due from Members

Amounts due from members are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking this initially recognised amount and reducing it for impairment as appropriate.

A provision for impairment of receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the value of estimated future cash flows. The impairment charge is recognised in profit and loss.

(c) Property, Plant and Equipment

Plant and Equipment

Plant and equipment is stated at historical cost less 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 profit or loss 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

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period.

(d) Comparative Figures

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

(e) Impairment of Assets

At each reporting date, the company reviews the carrying values of its financial assets other than those classified as fair value through profit and loss and non financial assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(f) Goods and Services Tax

Revenues and expenses are recognised net of GST, except where GST incurred on a purchase of goods and services is not recoverable from the taxation authority, 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 taxation authority 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 taxation authority are classified as operating cash flows.

(g) Health Insurance Risk Equalisation Trust Fund (RETF)

Under the provisions of the Private Health Insurance Risk Equalisation Policy Rules 2007, the risk equalisation scheme seeks to share the risks among all registered health insurers by averaging out the cost of hospital treatment across the industry. Money is then transferred from private health insurers with younger healthier members with lower average claims payments to those insurers with older and less healthy membership and which have higher average claims payments.

(h) 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* .

(i) Provisions

Outstanding Claims Liability

Provision is made at the period end for the liability for outstanding claims which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under private health insurance contracts issued by the company. 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. Actual results could differ from the estimate.

The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported, together with allowance for Risk Equalisation Trust Fund consequences and claims handling expenses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting estimates and judgments

Risk margins are determined on a basis that reflects the company's business. Regard is had to the robustness of the valuation models, the reliability and volume of available data, past experience of the company and the industry and the characteristics of the classes of business written.

The risk margin was determined from the assumption that there is a normal distribution of differences between the calculated provisions required for past periods and the finally determined requirements for those periods. A probability of sufficiency of 55% is intended to be achieved through the adoption of the risk margin of 1.50% (2011: 0.80%) at the end of the reporting period.

The actuarial valuation model used to calculate the outstanding claims is a modified chain ladder model. This model, and variants of it, is used by other health insurers and general insurers to calculate outstanding claims liabilities by using the relationships between the claims paid at each time interval in the past, for each period incurred, to predict the extent of incurred claims for each recent period for which claim payments have not yet been completed.

The final Provision for Outstanding claims estimate has in the past been determined by taking into account claims paid in the months of July and August that had a service date prior to 30 June of that year. For the 2011/12 financial year, the Fund has elected to estimate the final balance of the Provision based on one month's hindsight, that is, taking into account only the claims paid in July that relate to a service date prior to 30 June. The risk margin adopted to achieve a probability of adequacy of 55% has increased from 0.80% to 1.50%. Because of this increase in risk margin, Management believe that the accuracy of the provision estimate will not be compromised by adopting one month hindsight rather than two.

As the run-off of health insurance claims is relatively rapid, the claims to be paid in the future were not discounted.

Other Provisions

Provisions are recognised when:

(i) the company has a present legal or constructive obligation as a result of past events;

(ii) it is more likely than not that an outflow of economic benefits will be required to settle the obligation; and

(iii) that the outflow can be reliably measured.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(j) Receivables

Unclosed business premium

Unclosed business premium represents amounts owing by members at the end of the reporting period, up to and including the date of the next normal payment cycle for their individual policy. The unclosed business premium consists of two components:

(i) Earned – representing contribution amounts owed by members up to and including 30 June; and

(ii) Unearned – representing contribution amounts owed by members from 30 June up to and including their next normal payment date.

Interest Receivable

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

Health Insurance Rebate Receivable

This is the amount claimed by Reserve Bank Health Society Limited, as a cash amount, against the Department of Human Services for the 30%, 35% and 40% rebates.

Other Debtors

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

(k) Revenue

Revenues are recognised at the fair value of the consideration received or receivable, net of the amount of goods and services tax payable to the taxation authority.

Revenue is recognised for the major business activities as follows:

Premium Revenue

Premium revenue is recognised in profit and loss when it has been earned. Premium revenue is recognised in profit and 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. Where time does not approximate the pattern of risk, previous claims experience is used to derive the incidence of risk.

The Reserve Bank Health Society receives employer contributions from the Reserve Bank of Australia and Note Printing Australia. This is recognised as premium income along with contributions from members.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Interest Income

Interest income is recognised on a time proportional basis taking into account the interest rates applicable to the financial assets.

Other Revenue

Other revenue is recognised when receivable.

All revenue is stated net of the amount of goods and services tax (GST).

(l) Claims

Claims are recorded as an expense in the period in which the service has been provided to the member. The cost of claims therefore represents the claims paid during the period adjusted for the opening and closing provision for unpresented and outstanding claims. The provision for unpresented and outstanding claims provides for claims received but not assessed and claims incurred but not received. The provision is based on an actuarial assessment taking into account historical patterns of claims incidence and processing. No discount is applied to the provision due to the generally short period between claims incidence and settlement. The provision also provides for the expected payment to or receipt from the Risk Equalisation Trust Fund (RETF) in relation to the amount provided for unpresented and outstanding claims. The provision also allows for an estimate of expenses to cover the cost of processing the claims.

(m) Unearned Premium Liability

Premiums received from members prior to 30 June 2012 relating to the period beyond 30 June 2012 are recognised as Unearned Premium Liability.

(n) Unexpired Risk Liability

At each reporting date, the sufficiency of the unearned premium liability is assessed by considering the current estimate of all expected future cash flows relating to future claims against current private health insurance contracts.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability, less related intangible assets and related deferred acquisition costs, then the unearned premium is deemed to be deficient. Any deficiency is recognised immediately in the profit and loss. The company applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability, refer to note 2(i).

The liability adequacy test has been performed collectively for hospital and general treatment contracts up to 1 April 2013, the next premium adjustment opportunity allowed by the Department of Health and Ageing, using a probability of sufficiency of 55%. No unexpired risk liability was required at 30 June 2012 (2011: nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 3 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

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

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 Lysaght Peoplecare Limited (LPC) under the terms of a five (5) year management agreement. The Audit and Risk committee is responsible for monitoring LPC'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 Audit and 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 and Risk 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 contributors (insurance contracts), other customers and investment securities.

Receivables from Insurance Contracts

Credit risk in relation to insurance contracts is discussed in Note 19.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 3 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

Other Receivables

The risk of financial loss to the company from customers other than fund members arises principally from receivables from Department of Human Services in relation to the federal government's rebate on private health insurance – premium reductions scheme.

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 category of receivables.

Investment Securities (Other Financial Assets)

The board has addressed the issue of credit risk from 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 only with approved deposit-taking institutions (ADIs) regulated by the Australian Prudential Regulation Authority (APRA):

(a) Limiting the amount of funds that can be invested with any single financial institution.

(b) institutions are to have a minimum S&P short term credit rating of A1+. This is to ensure that funds are placed with the lowest risk rated financial institutions.

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 $2,600,000 (2011: $2,921,009).

(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.

The company actively manages its investment portfolio and monitors forecast cash flows and claims provision risk to ensure cash is available to meet the company's insurance and other liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 3 RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

(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 19.

Market risk in relation to investment securities

1. 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.

2. 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. Interest rate risk is minimised as the short term fixed deposits allow for regular reinvestment in line with interest rate movements. See Note 14 for the impact to surplus by a change in interest rate on investments held by the company at 30 June 2012.

(d) Other Risk

The management and administration of the company is outsourced to Lysaght Peoplecare Limited (LPC). Consequently there is significant third party risk as the company is dependent upon LPC continuing to provide the services outlined in the management agreement in an efficient and timely manner. The term of the initial agreement is for five (5) years.

The contract with LPC is subject to annual review and an assessment of performance against the key requirements of the contract and agreed service levels. Should these not be met, corrective actions are provided for in the contract.

Solvency

The company is required to comply with the prudential requirements of the Private Health Insurance Act 2007, specifically Divisions 140 and 143, in respect of solvency and capital adequacy requirements. At 30 June 2012 the company satisfied both requirements and reported a solvency reserve of $1,802,891 (2011: $1,775,137).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

		2012 $	2011 $
Note 4	**OTHER INCOME**		
	Interest Income	474,601	402,280
	Other	33	3,766
		474,634	**406,046**

		2012 $	2011 $
Note 5	**CASH AND CASH EQUIVALENTS**		
	Cash at Bank	549,185	631,922
		549,185	**631,922**

Cash at bank bears floating interest rates between 0.00% and 3.70% (2011: 0.00% and 4.95%).

		2012 $	2011 $
Note 6	**RECEIVABLES**		
	Unclosed Business Premium : Earned	2,293	2,530
	Unclosed Business Premium : Unearned	2,359	4,965
	Amounts Due from the Risk Equalisation Trust Fund	604,001	568,029
	Private Health Insurance Rebate on premiums	626,576	230,789
	Other Debtors	55,454	103,684
	Investment Income Receivable	79,291	66,528
		1,369,974	**976,525**

		2012 $	2011 $
Note 7	**OTHER FINANCIAL ASSETS**		
	Financial Assets at Fair Value Through Profit and Loss	9,300,000	7,176,359
		9,300,000	**7,176,359**
	Financial Assets at Fair Value Through Profit and Loss comprise:		
	Term Deposits	9,300,000	7,176,359
		9,300,000	7,176,359

		2012 $	2011 $
Note 8	**OTHER ASSETS**		
	Prepayments	27,025	14,036
		27,025	**14,036**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

		2012 $	2011 $
Note 9	**PROPERTY, PLANT & EQUIPMENT**		
	Computer Equipment - at Cost	3,380	-
	Less: Provision for Depreciation	(142)	-
		3,238	-
	Total Property, Plant & Equipment	**3,238**	**-**
	Movement in Carrying Amounts Between the Beginning and End of the Year:		
	Computer Equipment		
	Carrying Amount at the Beginning of the Year	-	-
	Additions - at Cost	3,380	-
	Depreciation Expense	(142)	-
	Carrying Amount at the End of the Year	3,238	-
Note 10	**PAYABLES**		
	Other Creditors & Accruals	373,344	211,267
	Unclosed Business Premium Liability	2,359	4,965
	Unearned Premium Liability (premiums in advance)	1,456,332	225,265
		1,832,035	**441,497**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	2012 $	2011 $
Note 11 PROVISIONS - CURRENT		
Outstanding Claims Liability	780,326	632,518
	780,326	**632,518**

Outstanding Claims Liability

	2012 $	2011 $
Outstanding Claims	771,265	628,727
Risk Margin	9,061	3,791
	780,326	**632,518**

The reconciliation of this provision is as follows:

	2012 $	2011 $
Balance at the beginning of the year	632,518	519,000
Add Claims incurred	9,818,440	8,784,086
Less Claims paid	(9,670,632)	(8,670,568)
Balance at the end of the year	**780,326**	**632,518**

Process for determining risk margin

The risk margin for the outstanding claims provision is based on an analysis of the historical accuracy of the Fund's provision for outstanding claims. The benefits component of the provision for each period, which reflects the expected outstanding claims at the time of reporting, calculated according to the chain ladder method, is compared to the actual claims that are subsequently paid for that period. The difference between the actual outstanding claims and the expected outstanding claims is analysed to determine a risk margin which provides a 55% probability of sufficiency.

The risk margin at 30 June 2012, is calculated as 1.50% of the central estimate of the benefits component of the outstanding claims liability. Allowance is also made for expected risk equalisation consequences and administration costs associated with claims processing in the outstanding claims liability estimate.

The risk margin adopted at 30 June 2012 was 1.50% (2011: 0.80%). For the 2011/12 financial year, the Provision was determined by adopting a one month hindsight of claims paid after 30 June. In past years, a two month hindsight was adopted. Refer to Note 2 (i) for further explanation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 12 KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were Directors of Reserve Bank Health Society Limited during the financial year:

Name	2012	2011
Merylin Coombs	✓	✓
Andrea Brischetto	✓	✓
Les Austin	Retired November 2011	✓
Lindsay Boulton	✓	✓
Anthony Dickman	✓	✓
John Pick	✓	✓
Warren Wise	✓	✓
Keith Drayton	Appointed November 2011	

(b) Key Management Personnel Compensation

	2012	2011
	$	$
Short Term Employee Benefits	13,166	12,694
Post Employment Benefits	1,185	467
Long Term Employee Benefits	-	-
	14,351	**13,161**

The 2011 compensation of $13,161 includes an amount of $3,766 paid to a director in recognition of the additional work undertaken on the project to outsource the RBHS's administrative and operational services. Based on an agreement between the board and the RBA, the RBA reimbursed the RBHS for these expenses. The reimbursements are recorded as Other Income in the RBHS's accounts (refer to Note 4).

(c) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

	2012 $	2011 $

Note 13 NOTES TO THE CASH FLOW STATEMENT

(a) Cash and Cash Equivalents

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:

	2012 $	2011 $
Cash at Bank	549,185	631,922
	549,185	**631,922**

(b) Non-Cash Financing and Investing Activities

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

(c) Reconciliation of surplus after income tax to net cash flow from operating activities

	2012 $	2011 $
Surplus for the year	912,234	1,246,175
Depreciation and amortisation	142	-
Change in operating assets		
(increase)/decrease in prepayments	(12,989)	(10,113)
(increase)/decrease in receivables	(367,975)	(209,125)
(increase)/decrease in GST refundable	(25,474)	111,811
increase/(decrease) in payables	1,390,538	227,323
increase/(decrease) in provisions	147,808	113,518
	2,044,284	**1,479,589**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 14 FINANCIAL ASSETS AND LIABILITIES

The company holds the following financial assets and liabilities:

	2012 $	2011 $
Financial Assets		
Cash and cash equivalents	549,185	631,922
Receivables	1,369,974	976,525
Financial assets fair valued through profit or loss	9,300,000	7,176,359
	11,219,159	8,784,806
Financial Liabilities		
Trade and other payables	373,344	211,267
	373,344	211,267

Credit Risk

Credit Risk is explained in Note 3 (a).

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:

		Carrying Amount	
	Note:	2012 $	2011 $
Cash and Cash Equivalents	5	549,185	631,922
Receivables	6	1,369,974	976,525
Financial Assets at Fair Value Through profit or loss:			
Term Deposits	7	9,300,000	7,176,359
		11,219,159	8,784,806

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 14 FINANCIAL ASSETS AND LIABILITIES

Past Due Not Impaired

The ageing of the company's receivables at the reporting date:

	Gross 2012 $	Impairment 2012 $	Gross 2011 $	Impairment 2011 $
Not past due	1,368,641	-	973,995	-
Past due 0-30 days	677	-	2,421	-
Past due 31 - 120 days	656	-	109	-
Past due 121 days to one year	-	-	-	-
More than one year	-	-	-	-
	1,369,974	-	976,525	-

No receivables were impaired at balance date (2011: Nil)

Liquidity Risk

Liquidity risk is explained in Note 3 (b).

The following are the contractual maturities of the company's financial liabilities:

30 June 2012

	Carrying amount $	Contractual Cash Flows $	1 month or less $	2 - 4 months $	4 -6 months $	More than 6 months $
Non-derivative financial liabilities						
Trade & Other payables	373,344	(373,344)	(373,344)	-	-	-

The company is not significantly exposed to this risk as it has $549,185 of cash to meet these obligations as they fall due.

30 June 2011

	Carrying amount $	Contractual Cash Flows $	1 month or less $	2 - 4 months $	4 -6 months $	More than 6 months $
Non-derivative financial liabilities						
Trade & Other payables	211,267	(211,267)	(211,267)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 14 FINANCIAL ASSETS AND LIABILITIES

Currency Risk

Exposure to Currency Risk

The company has no exposure to foreign currency risk at the end of the reporting period (2011: Nil).

Interest Rate Risk

Profile

At the end of the reporting period the interest rate profile of the company's interest bearing financial instruments was:

	Carrying Amount	
	2012	2011
	$	$
Fixed Rate Instruments (maturing within 1 year)		
Financial Assets		
Other Financial Assets	9,300,000	7,176,359
Financial Liabilities	-	-
	9,300,000	7,176,359
Weighted Average Interest Rate @ 30 June	5.39%	6.14%
Variable Rate Instruments		
Financial Assets		
Cash & Cash Equivalents	549,185	631,922
Financial Liabilities	-	-
	549,185	631,922
Weighted Average Interest Rate @ 30 June	3.16%	4.56%

Sensitivity analysis for fixed rate instruments

A change of 100 basis points in interest rates at the end of the reporting period, if maintained for the past year and with all else equal, would have increased or decreased the surplus by $93,000 (2011: $71,764). Equity would have increased or decreased by the same amount.

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the end of the reporting period, if maintained for the past year and with all else equal, would have increased or decreased interest received and therefore the surplus by $5,492 (2011: $6,319). Equity would have increased or decreased by the same amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 15 ECONOMIC DEPENDENCY

During the year, the RBHS received significant funding from the RBA, in the form of employer contributions for the majority of fund members. This occurs under a salary sacrifice arrangement for members currently employed by the RBA. As such the RBHS is dependent upon this employment benefit being offered to maintain the current and future membership base.

Note 16 RELATED PARTY TRANSACTIONS

(a) Key Management Personnel Compensation

Disclosures relating to key management personnel are set out in Note 12.

(b) Other Transactions with Related Parties

The company is managed and administered by Lysaght Peoplecare Limited ("LPC") through a management agreement. The nature of the relationship is outlined in Note 3 (d).

The company also receives management services largely in the form of company secretarial activities provided by RBA for an agreed fee.

At 30 June 2012 there are no outstanding balances due to or owed from Lysaght Peoplecare Limited (2011: Nil) or Reserve Bank of Australia (2011: Nil).

Note 17 CONTINGENT ASSETS AND LIABILITIES

At 30 June 2012 the company had no contingent assets and liabilities.

Note 18 SUBSEQUENT EVENTS

There has not been any matters or circumstances that have arisen since the end of the financial year that has 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.

Note 19 NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS

The purpose of insurance is risk distribution, that is, to spread risks across a large pool of individuals. Insurance provides a mechanism by which individuals who pay an agreed sum, known as a 'premium' can be indemnified against future events that may cause loss.

An insurance contract is a product under which an insurer accepts significant risk from a policyholder by agreeing to compensate the policyholder if a specified uncertain future event adversely affects the policyholder.

A health insurance contract is a type of insurance whereby the company (the insurer) agrees to reimburse the policyholder for health care costs in exchange for a premium. The contract (policy) stipulates the type of health care benefits covered as well as costs to be reimbursed.

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

The company has determined that all current contracts with policyholders are insurance contracts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 19 NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS

Sensitivity to Insurance Risk

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 of Health and Ageing.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 19 NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS

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.

The maximum exposure to credit risk to insurance contract related assets, at the end of the reporting period, is the carrying amount net of any provision for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

This risk is minimised through a process of arrears management whereby benefit payments are with-held from non-financial policyholders. Where payment of contributions is not received for a continual period of three months, 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.

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.

The approach adopted by the company in determining the outstanding claims provision is detailed in Note 2 (i). The provision is subject to some uncertainty, but the company seeks to ensure the outstanding claims provision is adequate by:

(i) ongoing and regular review of claim lags to ensure they are consistent with historical analysis;

(ii) a periodic external review conducted by the appointed actuary, incorporated within a quarterly report to the Board of Directors and the annual financial conditions report prepared for the Board of Directors and provided to the industry regulator;

(iii) ongoing and regular reviews of forecasts to ensure that factors included in calculating the outstanding claims provision remain relevant and reliable; and

(iv) the inclusion of a risk margin in the calculations (as detailed in Note 2 (i)) to ensure a probability of sufficiency of 55%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 19 NATURE AND EXTENT OF RISKS ARISING FROM INSURANCE CONTRACTS

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 and 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.

Regulatory and Capital Adequacy Risk

The company is subject to prudential regulation prescribed in the *Private Health Insurance Act 2007*, and administered by the Private Health Insurance Administration Council (PHIAC). The prudential regulation includes solvency and capital adequacy requirements that are designed to protect the long-term viability of the company and the best interest of members.

The company has capital objectives significantly exceeding the solvency and capital adequacy requirements, and utilises the appointed actuary for advice on determining an appropriate target capital level for the company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 20 NEW STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors requires entities who have not applied a standard or interpretation, which has been published but is not yet effective, to make certain disclosures. These disclosures include stating that the standard or interpretation has not yet been applied and the potential impact on the entity's financial statements in the period of initial application.

As the disclosures relate to Standards and Interpretations in issue when the financial statements are authorised for issue, it is important to monitor the AASB's, IASB's and IFRIC's output to ensure that all relevant pronouncements are covered.

Below is a description of some of these standards with significant impact in financial reporting:

AASB 9 Financial Instruments

Introduces new requirements for the classification and measurement of financial assets and liabilities. AASB 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in AASB 139 and removes the impairment requirement for financial assets held at fair value. This may result in the measurement basis of financial assets changing from fair value to amortised cost (or vice versa). Also the requirement to test assets at fair value for impairment has been removed. The majority of the existing classification and measurement requirements of financial liabilities from AASB 139 have been incorporated into AASB 9, except in relation to own credit risk where an entity takes the option to measure financial liabilities at fair value. AASB 9 requires the amount of the change in fair value due to changes in the entity's own credit risk to be presented in other comprehensive income (OCI), unless there is an accounting mismatch in the profit or loss, in which case all gains or losses are to be presented in the profit or loss. If the entity holds any 'own credit risk' financial liabilities, the fair value gain or loss will be incorporated in the OCI, rather than profit or loss, unless accounting mismatch.

Likely impact:

The likely financial impact to the RBHS as a consequence of these new requirements will be minimal assuming the current composition of financial assets and liabilities of the company continues.

AASB 13 Fair Value Measurement

The new AASB will not affect which items are required to be 'fair valued', but will specify how an entity should measure fair value and disclose fair value information. Currently, guidance on measuring fair value is distributed across many AASBs. Some Standards contain limited guidance and others quite extensive guidance that is not always consistent. For financial assets we expect the guidance to be appropriate and consistent with existing practice. The guidance will however also apply to the measurement of fair value for non-financial assets and will make a significant change to existing guidance in the applicable standards.

Likely impact:

For financial assets, AASB 13's guidance is broadly consistent with existing practice. It will also apply to the measurement of fair value for non-financial assets, however this is not expected to have any significant financial impact on the RBHS due to the insignificant level of non-financial assets held by the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 20 NEW STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE (cont.)

Amendments to IAS 32 Financial Instruments: Presentation and IFRS 7 Financial Instruments: Disclosures

The amendments to IAS 32 add application guidance to address inconsistencies in applying IAS 32's criteria for offsetting financial assets and financial liabilities. Qualitative and quantitative disclosures have been added to IFRS 7 relating to gross and net amounts of recognised financial instruments that are (a) set off in the statement of financial position and (b) subject to enforceable master netting arrangements and similar agreements, even if not set off in the statement of financial position. The amendments are applicable for annual periods beginning on or after 1 January 2014.

Likely impact:
This amendment to the Standard will not have a financial impact on the RBHS as the changes are in presentation and disclosure only.

Financial instruments - Project to replace IAS 39 (AASB 139) Financial Instruments: Recognition and Measurement

The IASB's project to replace IAS 39 is still in progress. This project has been broken into three phases, and an outline of its status and effects is given below.

• Phase 1: Classification and measurement. In November 2009 the IASB published IFRS 9 Financial Instruments, however at that stage IFRS 9 only addressed financial assets. However, in late October 2010, the IASB finalised the stage in relation to the financial liabilities. A further amendment was made in December 2011 to change the mandatory application date from 1 January 2013 to 1 January 2015. Early adoption is still permitted. AASB 9 was also amended so that it does not require the restatement of comparative period financial statements for the initial application of the classification and measurement requirements of AASB 9, but instead requires modified disclosures on transition to AASB 9.

• Phase 2: Impairment methodology. Deliberations are continuing in relation to the mechanics of the model, including the subsequent measurements, however there has been a change from the current "incurred loss" to an "expected loss" model, resulting in the impairment being booked at inception.

• Phase 3: Hedge accounting. Deliberations are continuing, however the overall objective is to simplify the current hedging requirements and to align these with the current internal risk management system in place. This is being considered under two separate areas being general and macro hedging.

Both Phase 2 and 3 are currently not proposed to be completed by the IASB until the end of 2012.

Likely impact:
Management are yet to assess the impact of any changes to this Standard as the review is still being conducted by the IASB.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012

Note 20 NEW STANDARDS AND INTERPRETATIONS ISSUED NOT YET EFFECTIVE (cont.)

AASB 2011-9 Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income s (AASB 101 Amendments)
The AASB 101 amendments require an entity to group items presented in other comprehensive income into those that, in accordance with other AASBs: (a) will not be reclassified subsequently to profit or loss and (b) will be reclassified subsequently to profit or loss when specific conditions are met. It is applicable for annual periods beginning on or after 1 July 2012.

Likely impact:
This amendment to the Standard will not have a financial impact on the RBHS as the changes are in presentation only.

Proposed accounting standard regarding revenue recognition
The IASB has issued Exposure Draft (ED), Revenue from Contracts with Customer which proposes a single model that would replace most of the current guidance in IAS 18 and IAS 11, including related interpretations.

The proposed model is based on the core principle that requires an entity to recognise revenue in a manner that depicts the transfer of goods or services to customers in the amount that reflects the consideration the entity receives, or expects to receive, for those goods or services.

To apply this principle, an entity would perform the following five steps:
- Identify the contract with a customer
- Identify the separate performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to each separate performance obligation
- Recognise revenue as the entity satisfies each performance obligation

Under IFRS, revenue is currently recognised when the risks and rewards of ownership of a product or service are transferred to the customer. Under the proposed model, revenue would be recognised when the customer obtains control of a transferred product or service. The Boards believe that the concept of transferring control, rather than transferring the risks and rewards of ownership, would result in more consistent decisions about when goods or services are transferred to the customer.

Currently, the Board has made a number of revisions to the original ED, which has recently been re-exposed for comment from constituents. The IASB/FASB have revised their previous work plan, and are now expecting to release the final standard by the end of 2012.

Likely impact:
Management are yet to assess the impact of any potential changes to this Standard as the proposed model is still an exposure draft.