



## **Reserve Bank Health Society Ltd**

**ABN 91 087 648 735**

**Annual Report – 30 June 2021**

**Reserve Bank Health Society Ltd**  
**Contents**  
**30 June 2021**

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**Reserve Bank Health Society Ltd**  
**Chairperson's Review**  
**30 June 2021**

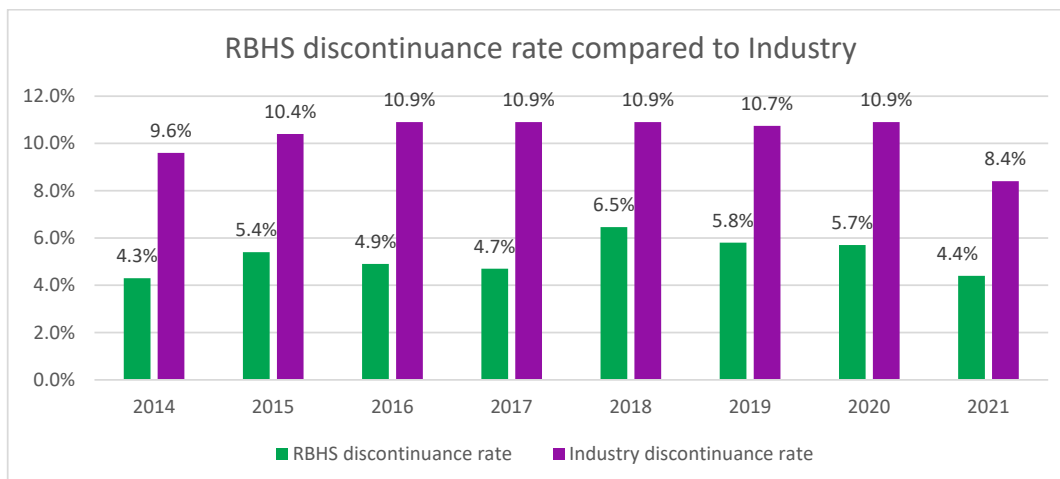
The ongoing COVID-19 pandemic continued to affect the Reserve Bank Health Society (RBHS) and our members in various ways through 2020/21. Our focus continued to be on how the RBHS could best assist our members through these periods of uncertainty and concern. While initially temporary, we continued to provide members access to telehealth benefits which had been introduced at the start of the pandemic. This service is now ongoing and will enable members to continue to safely access certain services (such as psychology and speech therapy) under their extras cover through either video or phone consults.

The pandemic affected the financial position of the RBHS in 2020/21; a surplus for the year of \$0.5 million was recorded. There was some catchup of claims during 2020/21 that had been deferred from the previous year, but this was lower than initially expected as ongoing pandemic concerns and measures to limit transmission of the virus looked to have further delayed treatment. Even so, we are continuing to provision for deferred claims for benefits that would otherwise have been provided to members in 2020/21.

As a not for profit fund, we continued to look for ways to keep premium increases to a minimum during the year while maintaining high quality benefits; we only charge you what it costs to pay member claims and run the fund. Following the postponement of the annual premium increase in April 2020, the Board decided to implement the increase in October 2020 in order to preserve our strong financial position and enable us to respond, as needed, in a targeted way to the uncertain environment that we are operating in. The increase in premiums from 1 April 2021 was deemed necessary given the ongoing escalation in medical costs. However, we were also able to make one beneficial change to our extras coverage at that time to include group physiotherapy sessions to be claimed under the existing physiotherapy limits.

On behalf of my fellow Directors, the Board thanks our Chief Executive Officer, Dr Melinda Williams, and all the staff at our outsourced service provider for the dedication, professionalism and positive approach to the difficult working environment that the COVID-19 crisis imposed over the year. The ongoing need for many to work from home has, by and large, been a positive experience and I express my thanks to everyone for the resilience displayed, all the while maintaining extremely high levels of customer service. This has been much appreciated by all members and the Board, and in doing so, reflects the simply better benefit and service ethos that the RBHS has strived to achieve for a long time.

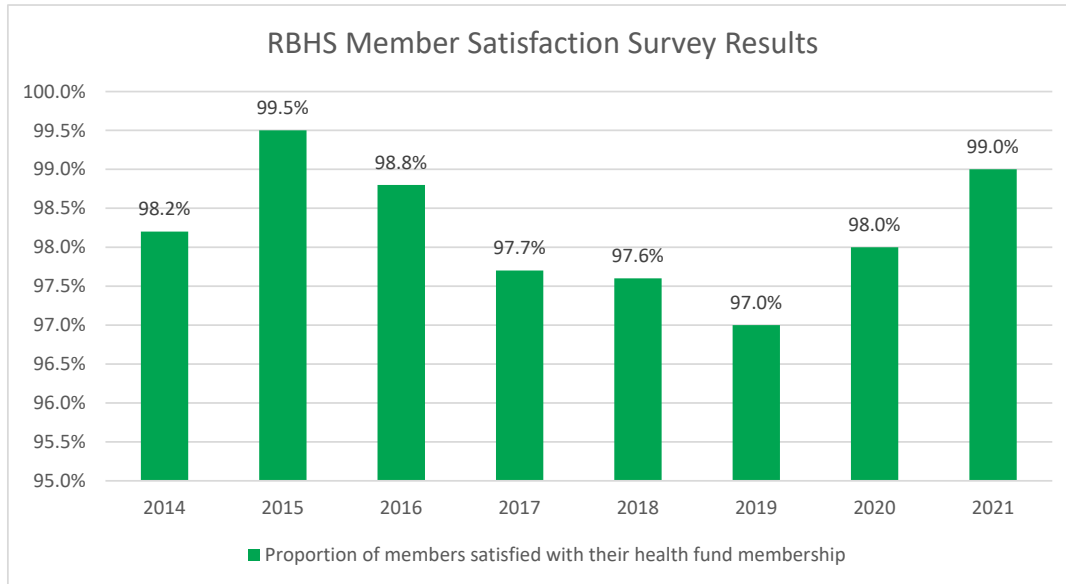
Despite the significant economic challenges faced by many households in 2020/21, the number of RBHS policyholders increased ever so slightly. The proportion of policyholders who discontinued their membership through the year declined by 1.3 percentage points to 4.4 per cent. This was the lowest rate of discontinuance for a number of years and compares to the industry average of 8.4 per cent. Thank you to everyone who has maintained their RBHS membership in these challenging times.



It is also very pleasing that customer satisfaction amongst our membership increased in 2020/21, with 99 per cent of members saying they are satisfied with their membership, of which 78 per cent were very satisfied. Thank you to the 500 or so members who responded to the request to submit views as part of the Members Health Fund Alliance Annual Membership Satisfaction Survey of 12 Funds. This feedback is important to the Board and helps us prioritise initiatives for members in the year ahead.

**Reserve Bank Health Society Ltd**  
**Chairperson's Review**  
**30 June 2021**

Of note, members continued to rate service-related measures extremely positively, with factors such as payment of claims (speed), telephone service, reliable, has integrity and easy to deal with, all being ranked 90 per cent or above by members. The graph below highlights the overall RBHS member satisfaction from the survey results over the last eight years.



One of the key focus areas for the Board over 2020/21 was the process undertaken to decide on and negotiate a new management services agreement (MSA) with Peoplecare, our outsourced service provider, having reached the 10 year mark in the initial agreement in May 2021. This work was driven by an ad hoc sub-Committee of the Board, the Resilience Project Committee, who oversaw the selection process and secured agreement on matters requiring changes to the initial MSA. While the substance of the new agreement is broadly similar to that in place for the past 10 years, with the passage of time, and a developing regulatory environment, changes were necessary to modernise the agreement. The Board is pleased to be continuing to be engaged with Peoplecare and work closely with the executive team on the provision of simply better benefits for RBHS members into the future.

Finally, I thank each of my fellow Directors for their ongoing commitment, wisdom, time and camaraderie in their contributions again this past year in which we have been constrained in our ability to meet in person. I very much look forward to this involvement continuing in the year ahead, even though a few more in-person meetings would be my preference.

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Merylin Coombs  
Chairperson - Board

23 September 2021  
Sydney

**Reserve Bank Health Society Ltd**  
**Directors Report**  
**30 June 2021**

The directors present their report, together with the financial statements, on the Company for the year ended 30 June 2021.

**Directors**

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

Ms Merylin Coombs  
Mr Keith Drayton  
Mr Sarv Girm  
Ms Emma Maley  
Ms Jill Pleban  
Ms Sharon Suan  
Mr Warren Wise  
Mr David Brown

**Objectives**

The Reserve Bank Health Society (RBHS) is a not-for-profit restricted access health insurer with the objective of providing members with superior health benefits in a cost-effective manner.

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

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

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

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

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

**Principal activities**

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

Like many businesses, the continuing uncertainty created by the COVID-19 pandemic has at different times throughout the financial year presented challenges for RBHS and its members. In response to this uncertainty, RBHS offers a number of initiatives to help improve the value proposition and to assist affordability challenges faced by members.

A key element of these initiatives was the postponement of the April 2020 premium increase until 9 October 2020.

**Information on directors**

Name:	Ms Merylin Coombs
Title:	Chairperson Independent Non-Executive Director
Qualifications:	B. Economics, Graduate of AICD
Experience and expertise:	Director from February 2008 Chairperson from November 2010 Member Nomination and Remuneration Committee

Name:	Mr Keith Drayton
Title:	Independent Non-Executive Director
Qualifications:	B. Business (First Class Hons), M. App Finance, Graduate of AICD
Experience and expertise:	Director from November 2011 Member Risk Committee Member Nomination and Remuneration Committee Member Product and Members Committee

**Reserve Bank Health Society Ltd**  
**Directors' report**  
**30 June 2021**

**Information on directors (continued)**

Name: Mr Sarv Girn  
Title: Independent Non-Executive Director  
Qualifications: B. Sc Computer Science (Hons), Fellow of AICD  
Experience and expertise: Director from March 2014  
Member Risk Committee  
Member Audit Committee

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

Name: Ms Jill Pleban  
Title: Independent Non-Executive Director  
Qualifications: B. Arts Economics (First Class Hons), M. Sc Economics, Graduate of AICD  
Experience and expertise: Director from August 2015  
Member Product and Members Committee  
Member Audit Committee  
Member Resilience Project Committee

Name: Ms Sharon Suan  
Title: Independent Non-Executive Director  
Qualifications: B. Economics (First Class Hons), CFA Charterholder  
Experience and expertise: Director from November 2015  
Chairperson Risk Committee

Name: Mr Warren Wise  
Title: Independent Non-Executive Director  
Qualifications: B. Business, Graduate of AICD  
Experience and expertise: Director from July 2008  
Chairperson Nomination and Remuneration Committee  
Chairperson Audit Committee  
Member Resilience Project Committee

Name: Mr David Brown  
Title: Independent Non-Executive Director  
Qualifications: B. Applied Science  
Experience and expertise: Director from 1 March 2020  
Member Resilience Project Committee

**Reserve Bank Health Society Ltd**  
**Directors' report**  
**30 June 2021**

**Meetings of directors**

The number of meetings of the Company's Board of Directors ('the Board') and of each board committee held during the year ended 30 June 2021, and the number of meetings attended by each director were:

Director	Board Meetings		Nomination and Remuneration Committee		Risk Committee		Audit Committee		Product and Members Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
M Coombs	6	7	3	3	-	-	-	-	-	-
K Drayton	7	7	3	3	4	4	-	-	3	3
S Girn	7	7	-	-	4	4	6	6	-	-
E Maley	7	7	-	-	-	-	-	-	3	3
J Pleban	6	7	-	-	-	-	6	6	3	3
S Suan	7	7	-	-	4	4	-	-	-	-
W Wise	6	7	3	3	-	-	6	6	-	-
D Brown	7	7	-	-	-	-	-	-	-	-

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

**The Resilience Project Committee**

The Resilience Project Committee, an ad hoc sub-Committee of the Board, was established in 2020 to assist the Board to manage the establishment of a new Management Services Agreement (MSA) and further develop its business sustainability strategy. Peoplecare was selected in May 2021 to continue to provide outsourced services for RBHS under a revised MSA. Work is continuing on the review of strategies to ensure the long term continued sustainability of RBHS.

**Contributions on winding up**

The RBHS is a Company limited by guarantee under the Corporations Act 2001 and hence has no contributed equity. If the RBHS is wound up and cannot meet its debts, the Constitution states that each member may be required to contribute a maximum of \$1 towards meeting any outstanding obligations of the RBHS. As the RBHS had 2,363 members as at 30 June 2021, it means the members of the Company are liable to contribute a total of \$2,363 (\$1 per member) if the Company is wound up.

**Matters subsequent to the end of the financial year**

The situation related to the COVID-19 pandemic has continued to develop post reporting date with further lockdowns experienced across a number of Australian States. It is therefore not practical to estimate the potential impact, positive or negative, after the reporting date. Other than this, no matter of circumstance has arisen since 30 June 2021 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 2021.

**Non-audit services**

During the year, the Company has not employed the auditor (Grant Thornton) on assignments additional to their statutory audit duties. Details of the amounts paid or payable to the auditor during the year are disclosed in Note 16 - Remuneration of Auditors.

**Reserve Bank Health Society Ltd**  
**Directors' report**  
**30 June 2021**

**Auditor's independence declaration**

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

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

On behalf of the directors



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Merylin Coombs  
Chairperson - Board

23 September 2021  
Sydney



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Warren Wise  
Director



## Auditor's Independence Declaration

To the Directors of Reserve Bank Health Society Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Reserve Bank Health Society Ltd for the year ended 30 June 2021, 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 AUDIT PTY LTD  
Chartered Accountants



M A Adam-Smith  
Partner - Audit & Assurance

Sydney, 23 September 2021

**Reserve Bank Health Society Ltd**  
**Statement of surplus or deficit and other comprehensive income**  
**For the year ended 30 June 2021**

	<b>Note</b>	<b>2021</b> <b>\$</b>	<b>2020</b> <b>\$</b>
<b>Revenue</b>			
Premium revenue		<u>16,892,986</u>	<u>16,406,887</u>
<b>Expenses</b>			
Fund benefits paid to members		(14,708,520)	(15,130,696)
Movement in outstanding claims liability		(220,109)	211,972
Movement in deferred claims liability		(354,069)	(1,244,880)
State ambulance levies		(196,993)	(195,458)
Risk Equalisation Special Account levy		<u>1,524,962</u>	<u>2,127,740</u>
		<u>(13,954,729)</u>	<u>(14,231,322)</u>
<b>Gross underwriting result</b>		<u>2,938,257</u>	<u>2,175,565</u>
<b>Management expenses</b>			
Management fees		(944,535)	(917,063)
Depreciation and amortisation expense		(67,200)	(25,696)
Other management expenses		<u>(1,504,698)</u>	<u>(1,155,524)</u>
		<u>(2,516,433)</u>	<u>(2,098,283)</u>
<b>Other</b>			
Other revenue	4	14,072	17,750
Increase in fair value of financial assets	5	<u>68,754</u>	<u>224,599</u>
		<u>82,826</u>	<u>242,349</u>
<b>Surplus before income tax expense</b>		504,650	319,631
Income tax expense		<u>-</u>	<u>-</u>
<b>Surplus after income tax expense for the year attributable to the members of Reserve Bank Health Society Ltd</b>		504,650	319,631
Other comprehensive income for the year		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year attributable to the members of Reserve Bank Health Society Ltd</b>		<u>504,650</u>	<u>319,631</u>

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

**Reserve Bank Health Society Ltd**  
**Statement of financial position**  
**As at 30 June 2021**

	<b>Note</b>	<b>2021</b>	<b>2020</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	785,239	827,381
Trade and other receivables	7	1,017,588	1,092,504
Other financial assets	8	16,900,000	15,800,000
Other assets	9	61,442	64,431
Total current assets		<u>18,764,269</u>	<u>17,784,316</u>
<b>Non-current assets</b>			
Property, plant and equipment	10	8,620	307
Intangibles	11	199,072	179,710
Total non-current assets		<u>207,692</u>	<u>180,017</u>
<b>Total assets</b>		<u>18,971,961</u>	<u>17,964,333</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	12	1,022,434	1,093,634
Provisions	13	2,606,371	2,032,193
Total current liabilities		<u>3,628,805</u>	<u>3,125,827</u>
<b>Total liabilities</b>		<u>3,628,805</u>	<u>3,125,827</u>
<b>Net assets</b>		<u>15,343,156</u>	<u>14,838,506</u>
<b>Equity</b>			
Retained surpluses		<u>15,343,156</u>	<u>14,838,506</u>
<b>Total equity</b>		<u>15,343,156</u>	<u>14,838,506</u>

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

**Reserve Bank Health Society Ltd**  
**Statement of changes in equity**  
**For the year ended 30 June 2021**

	<b>Retained surpluses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2019	14,518,875	14,518,875
Surplus for the year	319,631	319,631
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>319,631</u>	<u>319,631</u>
Balance at 30 June 2020	<u>14,838,506</u>	<u>14,838,506</u>
	<b>Retained surpluses \$</b>	<b>Total equity \$</b>
Balance at 1 July 2020	14,838,506	14,838,506
Surplus for the year	504,650	504,650
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>504,650</u>	<u>504,650</u>
Balance at 30 June 2021	<u>15,343,156</u>	<u>15,343,156</u>

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

**Reserve Bank Health Society Ltd**  
**Statement of cash flows**  
**For the year ended 30 June 2021**

	<b>Note</b>	<b>2021</b> <b>\$</b>	<b>2020</b> <b>\$</b>
<b>Cash flows from operating activities</b>			
Receipts from members and customers		16,949,559	16,355,475
Payments to members, suppliers and employees		<u>(15,876,043)</u>	<u>(15,235,159)</u>
		1,073,516	1,120,316
Interest received		3,845	7,500
Other revenue		<u>10,227</u>	<u>10,250</u>
Net cash from operating activities	21	<u>1,087,588</u>	<u>1,138,066</u>
<b>Cash flows from investing activities</b>			
Payments for investments		(63,000,000)	(46,100,000)
Payments for property, plant and equipment	10	(10,059)	-
Payments for intangibles	11	(84,816)	(172,000)
Proceeds from disposal of investments		<u>61,965,145</u>	<u>45,192,600</u>
Net cash used in investing activities		<u>(1,129,730)</u>	<u>(1,079,400)</u>
Net cash from financing activities		<u>-</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents		(42,142)	58,666
Cash and cash equivalents at the beginning of the financial year		<u>827,381</u>	<u>768,715</u>
Cash and cash equivalents at the end of the financial year	6	<u><u>785,239</u></u>	<u><u>827,381</u></u>

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

**Reserve Bank Health Society Ltd**  
**Notes to the financial statements**  
**30 June 2021**

**Note 1. General information**

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

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

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

**Registered office**

Corner Victoria and Young Streets,  
Wollongong, NSW, 2500

**Principal place of business**

Corner Victoria and Young Streets,  
Wollongong, NSW, 2500

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 September 2021. The directors have the power to amend and reissue the financial statements.

**Note 2. Significant accounting policies**

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

**New or amended Accounting Standards and Interpretations adopted**

The Company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period and applicable to the Company.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

*Historical cost convention*

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.

**Comparative figures**

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

**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.

**Note 2. Significant accounting policies (continued)**

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 this note under the following headings:

- Liability adequacy test;
- Outstanding claims liability; and
- Deferred claims liability.

**Revenue recognition**

Revenue is recognised for the major business activities as follows:

***Premium revenue***

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

Premium revenue is recognised in surplus or deficit when it has been earned. Premium revenue is recognised in surplus or deficit 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 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 received directly from members.

***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 or as a performance obligation is satisfied by transferring a promised good or service to a customer. Transfer occurs when or as the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time.

**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.

***Private Health Insurance rebate on premiums***

This is the amount claimed by Reserve Bank Health Society Ltd, as a cash amount, from the Services Australia for the Australian Government Private Health Insurance Rebate.

***Other debtors***

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

**Income tax**

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

**Note 2. Significant accounting policies (continued)**

**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 unrepresented and outstanding claims and deferred claims due to the COVID-19 pandemic.

The provision for unrepresented 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 Special Account (RESA) in relation to the amount provided for unrepresented and outstanding claims. The provision also allows for an estimate of expenses to cover the cost of processing the claims.

While there was some catch-up of deferred claims during the 2020/21 financial year, this was lower than initially assumed. Ongoing pandemic concerns and measures to limit transmission of the virus, such as lockdowns, appear to have further delayed treatment, especially in the aged population as reflected in lower industry risk equalisation. While forecasting future claims remains difficult at this time, a \$1.6 million provision has been retained for further catch-up of deferred claims in relation to COVID-19.

**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.

*Financial assets at amortised cost*

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

*Impairment of financial assets*

The Company recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Company's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets mandatorily measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income with a corresponding expense through surplus or deficit. In all other cases, the loss allowance reduces the asset's carrying value with a corresponding expense through surplus or deficit.

**Property, plant and equipment**

***Plant and equipment***

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

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



**Note 2. Significant accounting policies (continued)**

***Depreciation of property, plant and equipment***

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

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

Computer equipment	3 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

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

**Impairment of assets**

At each reporting date, the Company reviews the carrying values of its financial assets other than those classified as fair value through surplus or deficit 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 surplus or deficit.

**Intangible assets**

***Computer Software***

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

**Unearned premiums**

Premiums received from members prior to 30 June 2021 relating to the period beyond 30 June 2021 are recognised as Unearned Premiums. Also, forecast premiums receivable from members at 30 June 2021 are recognised as unclosed business premiums.

**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. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Liability adequacy test**

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.

The provision for unexpired risk liability is determined as the excess of benefits, risk equalisation, state levies, claims related expenses plus a risk margin, over the premiums for the relevant period. Projected benefits, risk equalisation, state levies and claims related expenses were determined from the latest financial projections with membership growth assumptions excluded.

The risk margin of 1.00% (2020: 1.00%) that is applied to the benefits, risk equalisation, state levies and claims related expenses cashflows has been estimated to equate to a probability of adequacy of approximately 55% (2020: 55%).

The liability adequacy test has been performed collectively for hospital and general treatment contracts up to 1 April 2022, the next premium adjustment opportunity allowed by the Department of Health, using a probability of sufficiency of 55%.

**Reserve Bank Health Society Ltd**  
**Notes to the financial statements**  
**30 June 2021**

**Note 2. Significant accounting policies (continued)**

*Provision for unexpired risk liability*

	Unearned premium (1) \$	Unearned unclosed business (2) \$	Constructive obligation (3) \$	Total \$
2021				
Hospital and General Treatment Combined Premiums	417,774	10,107	12,787,870	13,215,751
Outflows:				
Central estimate of future benefits	(364,469)	(8,684)	(11,276,453)	(11,649,606)
Central estimate of future claims handling management expenses	(43,685)	(1,039)	(1,349,657)	(1,394,381)
Risk margin	(4,082)	(97)	(126,261)	(130,440)
<b>Total outflows</b>	<b>(412,236)</b>	<b>(9,820)</b>	<b>(12,752,371)</b>	<b>(13,174,427)</b>
<b>Total surplus</b>	<b>5,538</b>	<b>287</b>	<b>35,499</b>	<b>41,324</b>
<b>Total unexpired risk liability</b>				<b>-</b>

- (1) *Unearned premium - the value of health insurance premiums received from members prior to 30 June 2021 relating to the period beyond 30 June 2021*
- (2) *Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2021 up to and including their next normal payment date.*
- (3) *Constructive obligation - the value of health insurance premiums to be received from members and the cash flows relating to future claims arising from rights and obligations under current insurance coverage at 30 June 2021 up to 31 March 2022, the next premium rate change date at which time the Company is no longer obligated to accept policy renewals at the current premium rates.*

	Unearned premium (1) \$	Unearned unclosed business (2) \$	Constructive obligation (3) \$	Total \$
2020				
Hospital and General Treatment Combined Premiums	410,042	9,418	12,154,994	12,574,454
Outflows:				
Central estimate of future benefits	(344,295)	(7,894)	(10,498,737)	(10,850,926)
Central estimate of future claims handling management expenses	(42,912)	(989)	(1,277,578)	(1,321,479)
Risk margin	(3,872)	(89)	(117,763)	(121,724)
<b>Total outflows</b>	<b>(391,079)</b>	<b>(8,972)</b>	<b>(11,894,078)</b>	<b>(12,294,129)</b>
<b>Total surplus</b>	<b>18,963</b>	<b>446</b>	<b>260,916</b>	<b>280,325</b>
<b>Total unexpired risk liability</b>				<b>-</b>

- (1) *Unearned premium - the value of health insurance premiums received from members prior to 30 June 2020 relating to the period beyond 30 June 2020.*
- (2) *Unearned unclosed business - the value of health insurance premiums owing by members from 30 June 2020 up to and including their next normal payment date.*
- (3) *Constructive obligation - the value of health insurance premiums to be received from members and the cash flows relating to future claims arising from rights and obligations under current insurance coverage at 30 June 2020 up to 31 March 2021, the last premium rate change date of the period, at which time the Company is no longer obligated to accept policy renewals at the 2021 premium rates.*

**Note 2. Significant accounting policies (continued)**

No provision for unexpired risk liability has been recognised at 30 June 2021 (2020: nil).

**Provisions**

**Claims liability Accounting Policy**

***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 Special Account consequences and claims handling expenses.

The provision for outstanding claims liability is determined after taking into account claims paid in July of the following financial year, that relate to services provided in the current financial year.

***Accounting estimates and judgements***

Risk margins are determined by the Board based upon advice from the Appointed Actuary, and 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.

***Actuarial assumptions***

The following assumptions have been made in determining the outstanding claims liability:

	2021			2020		
	Hospital %	Medical %	General Treatment %	Hospital %	Medical %	General Treatment %
Assumed portion paid to date	96.34%	96.93%	98.85%	96.04%	97.52%	98.94%
Expense rate	6.43%	6.43%	6.43%	5.96%	5.96%	5.96%
Discount rate	-	-	-	-	-	-
Risk equalisation rate	(16.93%)	(16.93%)	-	(21.14%)	(21.14%)	-
Risk margin	1.80%	1.80%	1.80%	2.00%	2.00%	2.00%

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 1.80% (2020: 2.00%) 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.

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

The Company conducts sensitivity analysis 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.

**Reserve Bank Health Society Ltd**  
**Notes to the financial statements**  
**30 June 2021**

**Note 2. Significant accounting policies (continued)**

*Impact on key variables*

2021 Variables	Movement in variable %	Adjustments on Surplus \$	Adjusted amount included in Income Statement \$	Adjustments on Equity \$	Adjusted amount included in Statement of financial position \$
Chain ladder development factors	1.00%	(9,405)	(9,405)	(9,405)	(9,405)
Chain ladder development factors	(1.00%)	9,405	9,405	9,405	9,405
Discount rate	-	-	-	-	-
Discount rate	-	-	-	-	-
Risk equalisation rate	1.00%	(8,132)	(8,132)	(8,132)	(8,132)
Risk equalisation rate	(1.00%)	8,132	8,132	8,132	8,132
Risk Margin	1.00%	(8,544)	(8,544)	(8,544)	(8,544)
Risk Margin	(1.00%)	8,544	8,544	8,544	8,544

2020 Variables	Movement in variable %	Adjustments on Surplus \$	Adjusted amount included in Income Statement \$	Adjustments on Equity \$	Adjusted amount included in Statement of financial position \$
Chain ladder development factors	1.00%	(7,380)	(7,380)	(7,380)	(7,380)
Chain ladder development factors	(1.00%)	7,380	7,380	7,380	7,380
Discount rate	-	-	-	-	-
Discount rate	-	-	-	-	-
Risk equalisation rate	1.00%	(6,051)	(6,051)	(6,051)	(6,051)
Risk equalisation rate	(1.00%)	6,051	6,051	6,051	6,051
Risk margin	1.00%	(6,465)	(6,465)	(6,465)	(6,465)
Risk Margin	(1.00%)	6,465	6,465	6,465	6,465

**Deferred claims liability**

**Critical accounting judgements and estimates**

On 12 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a global pandemic. Due to the reduced access to both elective surgery procedures and ancillary benefits, Private Health Insurers experienced unusually low claims volumes in April and May 2020. During the 2020/21 financial year, lockdowns in various states and hesitancy of consumers in accessing medical services, has resulted in a continuation of unusually low claims volumes.

Given this lower claims activity, RBHS believes it has a continuing obligation to recognise a provision for deferred claims based on a present constructive obligation resulting from a past event under relevant accounting standards. In RBHS's case, the impact of COVID-19 on the availability of and access to procedures since March 2020 has triggered the deferral of claim benefits that would have otherwise been provided to members.

## Note 2. Significant accounting policies (continued)

In estimating the deferred claims provision, four key steps were undertaken:

- (1) **Estimating the gross reduction in claims due to temporary closures of elective surgery, reduced access to ancillary benefits and consumer hesitance in seeking medical services due to the ongoing impact of COVID-19.** Incurred claims estimates produced across the period April 2020 to June 2021 as part of the year end outstanding claims provisioning process were compared to the most recent financial forecast prior to COVID-19 impacted claims activity. The difference between forecast and actual incurred was calculated to estimate the financial impact of COVID-19 across the period.
- (2) **Estimating risk equalisation levy impact.** The risk equalisation impact of COVID-19 was estimated by comparing the forecast risk equalisation amounts over the period April 2020 to June 2021 to actual experience of the Fund for the same period. The difference between actual and forecast is estimated to be the risk equalisation levy impact to the Fund.
- (3) **Applying a deferral rate (percentage of the gross reduction in claims to date due to COVID-19 that is expected to be caught up in later periods.** Certain factors need to be considered when assessing that not all estimated savings translate to a claims payment backlog at balance date. For example:
  - (a) some types of private health benefits, particularly in the ancillary category, are less likely to have been deferred; and
  - (b) catch up of benefits between ancillary and hospital categories differs due to capacity in facilities, lead time to arrange procedures, and the likelihood of certain types of procedures being deferred.

RBHS's deferral rates have been estimated as follows:

- Hospital - 81% (June 2020: 100%) of gross claims reduction in 2021; and
- Ancillary - 77% (June 2020: 85%) of gross claims reduction in 2021

to be deferred on the basis that this represents the 2021 and 2022 financial year claims which are expected to be inflated above normal trends due to COVID-19.

- (4) **Deducting the catch up of claims to date.** Incurred claims estimates for year ended 30 June 2021 were compared to pre COVID-19 forecast of incurred claims. The difference between actual incurred and prior period incurred was calculated by hospital clinical category and ancillary claim modality (type of claim) and used to estimate the catch up of claims to date.

An additional deferred claims liability expense of \$0.36 million (\$0.17m hospital and \$0.19m general treatment) has been recognised in the Statement of surplus or deficit and other comprehensive income for the year ended 30 June 2021. This brings the total deferred claims liability to \$1.60 million (\$0.82m hospital and \$0.78m general treatment).

Risks and uncertainties have been taken into account in the measurement of the liability and are reflected in the key inputs and judgements. The key risks associated in estimating the components of the provision is the under/over estimation of the claims deferral rate and to a lesser extent, the under/over estimation of the claims savings (net of risk equalisation impact).

### 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.

### Health Insurance Risk Equalisation Special Account (RESA)

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.

### Goods and Services Tax (GST) and other similar taxes

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

**Note 2. Significant accounting policies (continued)**

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

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

**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 surplus or deficit in accordance with the accounting policy set out on the following pages.

With the exception of property, plant and equipment, the Company has determined that all assets are held to back private health insurance liabilities and their accounting treatment is as follows:

**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 surplus or deficit. Transaction costs related to instruments classified as at fair value through surplus or deficit are expensed to surplus or deficit immediately. Financial instruments are classified and measured as set out as follows:

***Classification and subsequent measurement***

***Financial assets at fair value through surplus or deficit:***

Financial assets are designated at fair value through surplus or deficit 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 or losses recognised in surplus or deficit.

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

***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.

***Investments***

Initial recognition is at fair value, being acquisition cost, in the statement of financial position with transaction costs expensed in surplus or deficit. Subsequent measurement is at fair value with any resultant fair value gains or losses recognised in surplus or deficit. 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.

***Loans and receivables***

Trade and other receivables 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.

**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.

**Note 2. Significant accounting policies (continued)**

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 surplus or deficit.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended, that are applicable to the Company but are not yet mandatory, have not been early adopted by the Company for the annual reporting period ended 30 June 2021. The Company's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Company, are set out below.

**AASB 17 Insurance Contracts**

This standard is applicable to annual reporting periods beginning on or after 1 January 2023. The standard replaces AASB 4 'Insurance Contracts', AASB 1023 'General Insurance Contracts' and AASB 1038 'Life Insurance Contracts' and will enhance comparability of accounting between products, companies and across jurisdictions by establishing principles for the recognition, measurement, presentation and disclosure of insurance contracts issued, including reinsurance contracts held and investment contracts with a discretionary participation feature. The standard reflects the view that an insurance contract combines features of both a financial instrument and a service contract. AASB 17 combines current measurement of future cash flows with the recognition of profit over the period services are provided under the contract; presents insurance service results and insurance revenue separately from insurance finance income or expenses; and requires an accounting policy choice on a portfolio-by-portfolio basis of whether to recognise all insurance finance income or expenses in profit or loss or partially in other comprehensive income.

Insurance obligations will be accounted for using current values - instead of historical cost. The information needs to be updated regularly, providing more useful information to the users of financial statements. Further key principles of AASB 17 include the following:

- insurance contracts are those where the entity accepts significant insurance risk from the policyholder;
- accounted for separately are specified embedded derivatives, direct investment components and performance obligations within the insurance contract;
- division of contracts into groups that are recognised and measured at a risk-adjusted present value of the future fulfilment cash flows plus or minus unearned profits cash flows plus or minus unearned profits;
- the profit from contract groups is recognised over the insurance coverage period, with anticipated losses recognised immediately; and
- disclosure of information so as to assess the effect that contracts have on the financial position, financial performance and cash flows of the entity, including qualitative and quantitative information about amounts recognised, significant judgements made and the nature and extent of the risks from insurance contracts.

The Company expects to adopt this standard from 1 July 2023. An implementation gap analysis (May 2020) has assessed that the adoption of this standard will have minimal impact on the Company. AASB 17 does alter some existing concepts and terminology resulting in a possible change for analysis and accounting.

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

**Note 3. Risk management and financial instruments (continued)**

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

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

**(a) Credit risk**

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

***Receivables from insurance contracts:***

Credit risk in relation to insurance contracts is discussed in Note 23.

***Other receivables:***

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

There has been no history of default in relation to this 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 authorised 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 Standard and Poors 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 \$6,700,851 (2020: \$5,494,838).

**(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 following procedures have been adopted by the Company to manage future liquidity requirements:



**Note 3. Risk management and financial instruments (continued)**

- (i) Management prepare daily cash flow forecasts for the upcoming six months. This forecast provides for the major types of inflows and outflows, as well as the projected net cash position each day and cumulatively over the forecast period. The forecasts are assessed and updated on a regular basis as new information comes to hand. Cash flow projections are updated daily with actual cash flow outcomes to assess accuracy and assist in improving future cash flow forecasting;
- (ii) The Company should always hold enough cash to meet the Solvency Standard. Investments in cash and term deposits must be sufficient to meet the short-term liabilities, claims liability and other recurring operating expenditure. To do this, the value of the short-term deposit portfolio must be at least equal to the capital adequacy requirement reported in the quarterly regulatory return lodged with APRA.

In setting the minimum cash balance the Board has considered the following:

- The historical seasonality of cash flows of the fund over a number of years;
- The cash management amount (CMA) as defined in the Solvency Standard. The minimum cash balance has been set at broadly twice the CMA requirement (\$300,000); and
- The inability to convert term deposits into cash prior to maturity date.

To ensure, as far as practically possible, compliance with the Solvency Standard requirements, and to avoid breaching the cash management requirement under the standard, the sum of \$300,000 is held in a separate bank account that will not be drawn upon and is not to be considered in managing the day to day cash flow requirements of the fund; and

- (iii) Ensure an adequate match between fund assets and liabilities.

**(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 23.

***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 2021.

**(d) Other risk**

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

**Note 3. Risk management and financial instruments (continued)**

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

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

**Capital management**

The Company operates in the private health insurance industry and is subject to prudential capital regulations determined in accordance with the solvency and Capital Adequacy Standards which are set out in the APRA Prudential Standard HPS 100 - Solvency Standard and APRA Prudential Standard HPS 110 - Capital Adequacy.

The Capital Adequacy Standard requires amongst other things that the Company holds sufficient assets in its health benefits fund to provide adequate capital for the conduct of the health benefits fund in accordance with the *Private Health Insurance Act 2007* and in the interests of policyholders of the fund. The Company's compliance with the Capital Adequacy Standard is an indication of its future financial strength, on a going concern basis.

Each private health insurer must have, and comply with, a written, board endorsed, Capital Management Policy, which as a key component must include a Capital Management Plan. The Company's Capital Management Plan must contain:

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

The Board's policy is to maintain a strong capital base and to hold capital in accordance with the Capital Management Plan.

At the end of the reporting period the Company had capital in excess of the minimum statutory requirements and slightly above the target capital range endorsed by the Board in the Capital Management Plan.

The Board will review the Capital Management Plan on a biennial basis, or earlier if triggered by events detailed in the Company's Capital Management Policy.

**Solvency**

The purpose of this Prudential 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 Prudential Standard requires the private health insurer to demonstrate that it will be able to meet the liabilities of its health benefits fund, allowing for adverse circumstances.

It is also a requirement of the Solvency Standard that the Company has and complies with a Board endorsed Liquidity Management Plan for each health benefits fund it conducts. The Liquidity Management Plan must include Board approved minimum liquidity requirements and management action triggers should liquidity fall below the minimum set down by the Board.

The Company has a Board endorsed Liquidity Management Plan in place and all liquidity requirements contained in the Standard were met at all times during the year ended 30 June 2021.

**Reserve Bank Health Society Ltd**  
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**30 June 2021**

**Note 4. Other revenue**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Interest income	3,845	7,500
Government Grant	10,000	10,000
Other income	227	250
	<u>14,072</u>	<u>17,750</u>

**Note 5. Increase in fair value of financial assets**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Term Deposits	<u>68,754</u>	<u>224,599</u>

**Note 6. Current assets - cash and cash equivalents**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	<u>785,239</u>	<u>827,381</u>

Cash at bank bears floating interest rates between 0.00% and 0.20% (2020 0.00% and 0.35%).

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

**Note 7. Current assets - trade and other receivables**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Unclosed business premium - earned	9,217	5,329
Unclosed business premium - unearned	7,714	7,642
Amounts due from the Risk Equalisation Special Account	597,614	673,716
Private Health Insurance Rebate on premiums	304,659	286,406
Investment income receivable	3,609	31,999
Other debtors	94,775	87,412
	<u>1,017,588</u>	<u>1,092,504</u>

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Past due 0 - 30 days	2,166	4,882
Past due 31 - 120 days	<u>1,865</u>	<u>447</u>
	<u>4,031</u>	<u>5,329</u>

**Reserve Bank Health Society Ltd**  
**Notes to the financial statements**  
**30 June 2021**

**Note 8. Current assets - other financial assets**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Financial assets at fair value through surplus or deficit: term deposits	<u>16,900,000</u>	<u>15,800,000</u>

Financial assets at fair value through surplus or deficit comprise entirely of term deposits.

**Note 9. Current assets - other assets**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Prepayments	<u>61,442</u>	<u>64,431</u>

**Note 10. Non-current assets - property, plant and equipment**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Computer equipment - at cost	19,497	9,438
Less: Accumulated depreciation	<u>(10,877)</u>	<u>(9,131)</u>
	<u>8,620</u>	<u>307</u>

*Reconciliations*

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

	Computer Equipment \$	Total \$
Balance at 1 July 2019	1,098	1,098
Depreciation expense	<u>(791)</u>	<u>(791)</u>
Balance at 30 June 2020	307	307
Additions	10,059	10,059
Depreciation expense	<u>(1,746)</u>	<u>(1,746)</u>
Balance at 30 June 2021	<u>8,620</u>	<u>8,620</u>

**Note 11. Non-current assets - intangibles**

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Computer software - at cost	324,700	239,884
Less: Accumulated amortisation	<u>(125,628)</u>	<u>(60,174)</u>
	<u>199,072</u>	<u>179,710</u>

**Reserve Bank Health Society Ltd**  
**Notes to the financial statements**  
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**Note 11. Non-current assets - intangibles (continued)**

*Reconciliations*

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

	Software \$	Total \$
Balance at 1 July 2019	32,615	32,615
Additions	172,000	172,000
Amortisation expense	(24,905)	(24,905)
Balance at 30 June 2020	179,710	179,710
Additions	84,816	84,816
Amortisation expense	(65,454)	(65,454)
Balance at 30 June 2021	<u>199,072</u>	<u>199,072</u>

**Note 12. Current liabilities - trade and other payables**

	2021 \$	2020 \$
Unclosed business premium liability	7,714	7,642
Unearned premium liability (premiums in advance)	333,132	355,179
Other creditors and accruals	681,588	730,813
	<u>1,022,434</u>	<u>1,093,634</u>

Refer to Note 14 for further information on financial instruments.

**Note 13. Current liabilities - provisions**

	2021 \$	2020 \$
Outstanding claims liability - central estimate	992,042	774,382
Outstanding claims liability - risk margin 1.80% (2020: 2.00%)	15,380	12,931
Deferred claims liability	1,598,949	1,244,880
	<u>2,606,371</u>	<u>2,032,193</u>

*Outstanding claims liability*

*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 2021, is calculated as 1.80% 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 2021 was 1.80% (2020: 2.00%). The Provision was determined by adopting one month's hindsight of claims paid after 30 June. Refer to Note 2 for further explanation.

**Reserve Bank Health Society Ltd**  
**Notes to the financial statements**  
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**Note 13. Current liabilities - provisions (continued)**

*Deferred claims liability*

On 12 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a global pandemic. Due to the reduced access to both elective surgery procedures and ancillary benefits, Private Health Insurers experienced unusually low claims volumes in April and May 2020. During the 2020/21 financial year, lockdowns in various states and hesitancy of consumers in accessing medical services, has resulted in a continuation of unusually low claims volumes.

Given this lower claims activity, RBHS believes it has a continuing obligation to recognise a provision for deferred claims based on a present constructive obligation resulting from a past event under relevant accounting standards. In RBHS's case, the impact of COVID-19 on the availability of and access to procedures since March 2020 has triggered the deferral of claim benefits that would have otherwise been provided to members. Refer to Note 2 for further explanation.

*Movements in provisions*

Movements in each class of provision, are set out below:

	Outstanding claims liability 2021 \$	Outstanding claims liability 2020 \$	Deferred claims liability 2021 \$	Deferred claims liability 2020 \$
Carrying amount at the start of the year	787,313	999,285	1,244,880	-
Additional provisions recognised	-	-	770,176	1,244,880
Catch up claims	-	-	(416,107)	-
Claims incurred	15,282,698	16,163,604	-	-
Claims paid	(15,062,589)	(16,375,576)	-	-
Carrying amount at the end of the year	<u>1,007,422</u>	<u>787,313</u>	<u>1,598,949</u>	<u>1,244,880</u>

**Note 14. Financial instruments**

***Financial risk management objectives***

The Company's activities expose it to a variety of financial risks. Note 3 presents information about the Company's exposure to these risks.

***Market risk***

*Foreign currency risk*

The Company has no exposure to foreign currency risk at the end of the reporting period (2020: Nil).

*Price risk*

The Company is not exposed to any significant price risk.

*Interest rate risk*

Interest rate risk is explained in Note 3 (c).

As at the reporting date, the interest rate profile of the Company's interest bearing financial instruments was:

	2021		2020	
	Weighted average interest rate %	Balance \$	Weighted average interest rate %	Balance \$
Fixed rate instruments (maturing within one year): Financial assets at fair value through surplus or deficit	0.20%	16,900,000	0.80%	15,800,000
Variable rate instruments: Cash and cash equivalents	0.20%	<u>785,239</u>	0.34%	<u>827,381</u>
Net exposure to cash flow interest rate risk		<u>17,685,239</u>		<u>16,627,381</u>

**Note 14. Financial instruments (continued)**

Sensitivity Analysis:

	Basis points increase			Basis points decrease		
	Basis points change	Effect on surplus	Effect on equity	Basis points change	Effect on surplus	Effect on equity
<b>2021</b>						
Fixed rate instruments	100	169,000	169,000	100	(169,000)	(169,000)
Variable rate instruments	100	78,524	78,524	100	(78,524)	(78,524)
		<u>247,524</u>	<u>247,524</u>		<u>(247,524)</u>	<u>(247,524)</u>
	Basis points increase			Basis points decrease		
	Basis points change	Effect on surplus	Effect on equity	Basis points change	Effect on surplus	Effect on equity
<b>2020</b>						
Fixed rate instruments	100	158,000	158,000	100	(158,000)	(158,000)
Variable rate instruments	100	8,274	8,274	100	(8,274)	(8,274)
		<u>166,274</u>	<u>166,274</u>		<u>(166,274)</u>	<u>(166,274)</u>

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

**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 as follows:

	2021 \$	2020 \$
<b>Financial Assets</b>		
Cash and cash equivalents	785,239	827,381
Receivables	1,017,588	1,092,504
Financial assets at fair value through surplus or deficit: term deposits	<u>16,900,000</u>	<u>15,800,000</u>
	<u>18,702,827</u>	<u>17,719,885</u>

**Liquidity risk**

Liquidity risk is explained in Note 3 (b).

**Note 14. Financial instruments (continued)**

*Remaining contractual maturities*

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

	1 month or less \$	Between 2 and 4 months \$	Between 4 and 6 months \$	More than 6 months \$	Remaining contractual maturities \$
<b>2021</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables (excl. GST & PAYG)	672,831	-	-	-	672,831
Total non-derivatives	672,831	-	-	-	672,831
	1 month or less \$	Between 2 and 4 months \$	Between 4 and 6 months \$	More than 6 months \$	Remaining contractual maturities \$
<b>2020</b>					
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade and other payables (excl. GST & PAYG)	729,953	-	-	-	729,953
Total non-derivatives	729,953	-	-	-	729,953

The carrying value of trade and other payables is \$672,831 (2020: \$729,953). The Company is not significantly exposed to this risk. To meet these obligations as they fall due, it has \$785,239 of cash and cash equivalents.

**Fair value**

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

	<b>2021</b>		<b>2020</b>	
	<b>Carrying amount \$</b>	<b>Fair value \$</b>	<b>Carrying amount \$</b>	<b>Fair value \$</b>
<b>Assets</b>				
Financial assets fair valued through surplus or deficit	16,900,000	16,900,000	15,800,000	15,800,000
	16,900,000	16,900,000	15,800,000	15,800,000

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

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

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



**Reserve Bank Health Society Ltd**  
**Notes to the financial statements**  
**30 June 2021**

**Note 15. Key management personnel disclosures**

*Directors*

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

Merylin Coombs  
David Brown  
Keith Drayton  
Sarv Girn  
Emma Maley  
Jill Pleban  
Sharon Suan  
Warren Wise

*Compensation*

The aggregate compensation made to directors and other members of key management personnel of the Company is set out below:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	19,261	8,477
Post-employment benefits	1,881	808
	<u>21,142</u>	<u>9,285</u>

*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.

**Note 16. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by Grant Thornton Audit Pty Ltd, the auditor of the Company:

	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - Grant Thornton Audit Pty Ltd</i>		
Audit of the financial statements	17,500	17,100
<i>Other services - Grant Thornton Audit Pty Ltd</i>		
Audit of regulatory returns	24,200	23,600
Non-audit services	-	3,500
	<u>24,200</u>	<u>27,100</u>
	<u>41,700</u>	<u>44,200</u>

**Note 17. Contingent assets and liabilities**

At 30 June 2021 the Company had no contingent assets and liabilities.

**Note 18. Related party transactions**

*Key management personnel*

Disclosures relating to key management personnel are set out in Note 15

**Reserve Bank Health Society Ltd**  
**Notes to the financial statements**  
**30 June 2021**

**Note 18. Related party transactions (continued)**

*Transactions with other parties*

The following transactions occurred with other parties:

	2021 \$	2020 \$
Payment for goods and services:		
Payment for management services to Peoplecare Health Limited	944,534	919,083
Purchase of goods/services from Peoplecare Health Limited	93,201	277,036

The Company is managed and administered by Peoplecare Health Limited through a management services agreement. The nature of the relationship is outlined in Note 3.

*Receivable from and payable to other parties*

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

*Loans to/from other parties*

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

*Terms and conditions*

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

**Note 19. Economic dependency**

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

**Note 20. Events after the reporting period**

The situation related to the COVID-19 pandemic has continued to develop post reporting date with further lockdowns experienced across a number of Australian States. It is therefore not practical to estimate the potential impact, positive or negative, after the reporting date. Other than this, no matter of circumstance has arisen since 30 June 2021.

**Note 21. Reconciliation of surplus to net cash from operating activities**

	2021 \$	2020 \$
Surplus for the year	504,650	319,631
Adjustments for:		
Depreciation and amortisation	67,200	25,696
Increase in fair value of financial assets	(68,754)	(224,599)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	78,525	21,005
Decrease/(increase) in prepayments	2,989	(19,004)
(Decrease)/increase in trade and other payables	(49,225)	54,821
Increase in other provisions	574,178	1,032,908
Decrease in other operating liabilities	(21,975)	(72,392)
Net cash from operating activities	<u>1,087,588</u>	<u>1,138,066</u>

**Note 22. Non-cash investing and financing activities**

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

**Note 23. 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 (members) are 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 for Health.

**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 for 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.

**Note 23. Nature and extent of risks arising from insurance contracts (continued)**

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

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

**Liquidity risk in relation to insurance contracts**

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

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

**Market risk in relation to insurance contracts**

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

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


**Reserve Bank Health Society Ltd**  
**Directors' declaration**  
**30 June 2021**

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



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Merylin Coombs  
Chairperson - Board



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Warren Wise  
Director

23 September 2021  
Sydney

## Independent Auditor's Report

### To the Members of Reserve Bank Health Society Ltd

#### Report on the audit of the financial report

##### Opinion

We have audited the financial report of Reserve Bank Health Society Ltd (the Company), which comprises the statement of financial position as at 30 June 2021, the statement of surplus or deficit 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 a summary of significant accounting policies, and the directors' declaration.

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

- a giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

##### Basis for opinion

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

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

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

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2021, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.



GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants



M A Adam-Smith  
Partner - Audit & Assurance

Sydney, 23 September 2021