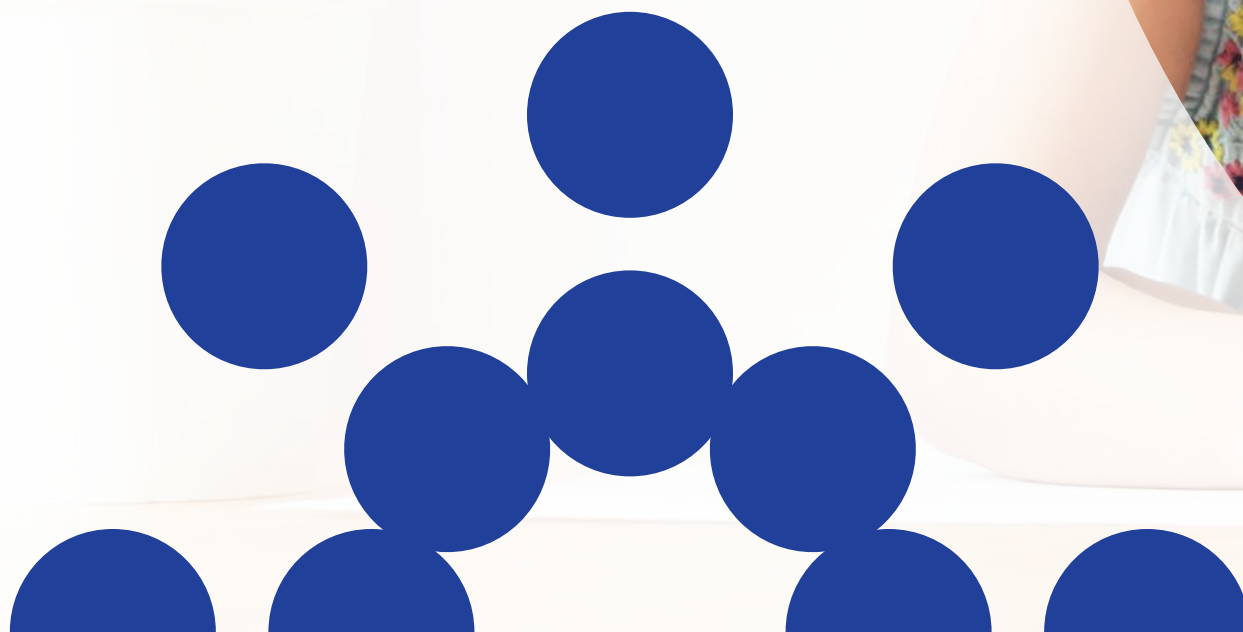
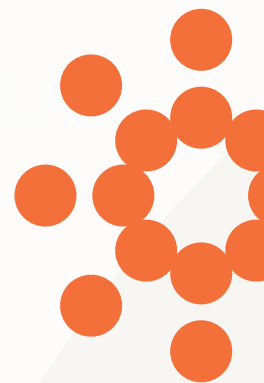


Annual Report

2021

Contents

About Us	4
Highlights	10
Five Year History	14
Delivering Value to Members	15
Message from the Chairman	16
Message from the Former Group CEO	18
Message from the Group CEO	20
Corporate Governance Statement	22
Directors' Report	30
Auditor's Independence Declaration	37
Consolidated Statement of Comprehensive Income	38
Consolidated Statement of Financial Position	39
Consolidated Statement of Changes in Equity	40
Consolidated Statement of Cash Flows	41
Notes to the Financial Statements	42
Directors' Declaration	81
Independent Auditor's Report to the Members of CBHS Health Fund Limited	82





About Us



251,000+

INSURED PEOPLE
BELONG TO MORE
WITH CBHS

VISION

More than great health insurance. Building healthier and happier communities.

VALUES

Customer first
Active
Respect
Excellence
More CARE

PURPOSE

Our member community is at the heart of everything we do.

SINCE 1951
70
YEARS
STRONG

7,500+
CHOICE NETWORK
PROVIDERS

7
PHYSICAL
HEALTH HUBS

PROUD TO BE YOUR
NOT-FOR-PROFIT,
MEMBER-OWNED
HEALTH FUND

FY21 in Review

More support for you during COVID-19 and beyond

COVID-19 continued to challenge Australians throughout FY21. That's why it was important for us as a member-owned fund to continue to support our members and enhance the value in your membership. With your health and happiness front of mind, we built upon the CBHS Health and Financial Assistance package delivered in the early stages of COVID-19 by:

- Extending the deferral on 1 April 2020 premium increases for all members to 1 October 2020 and for members located in Victoria, who experienced extended lockdowns, to 1 December 2020.
- Deferring the 1 April 2021 annual premium increase for three months to 1 July 2021.
- Making our Clinical Concierge Wellbeing Line available to all CBHS members to offer support and assist with navigating the complexities of the healthcare system.
- Extending eligibility to our Best Doctors program, including Mental Health Navigator, to all members between July 2020 and September 2020.
- Holding our first virtual Annual General Meeting, providing enhanced member engagement, and keeping our Board and members safe.
- Hosting a free 'Get the Vax Straight' webinar presented by leading vaccine researchers from Westmead Institute for Medical Research, with the goal of educating and

empowering our member community to make informed decisions about COVID-19 vaccinations.

As the COVID-19 pandemic continues to play out, globally and closer to home, we will continue to make decisions necessary to support our valued members including supporting the Government's advice to encourage Australians to get vaccinated as soon as possible. In addition, during the pandemic we also supported our members impacted by natural disasters including the NSW and QLD floods, fires in NSW and WA and Cyclone Seroja in WA.

A dynamic and thriving culture: happy teams make for happy members

Amidst the backdrop of COVID-19, we have found success in new ways of working. After 12 months of employees working from home to protect our teams and the wider community, our Parramatta head office officially reopened in March 2021 and closed in June 2021 in line with NSW Government restrictions. Prior to June 2021, our teams had embraced a hybrid working environment - which meant a mixture of working onsite and from home. We are seeing a highly engaged and motivated team as a result, who have the flexibility to pursue a better work-life balance, whilst continuing to deliver on our member service.

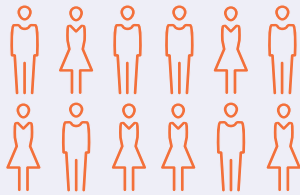
We track the wellbeing of our workforce through an annual employee engagement survey which reveals how engaged our people are from year to year.

Highlights from our 2021 employee engagement survey include:

AN IMPRESSIVE

95%

OF OUR PEOPLE
ARE ENGAGED!



86%

OF OUR PEOPLE FEEL
THAT CBHS SUPPORTS
THEIR HEALTH AND
WELLBEING

84%



FEEL
HAPPY

OR



VERY
HAPPY

AT WORK

It is clear that happy teams make for happy members. Our overall member satisfaction score improved by 6.8% in FY21. Meanwhile, our Net Promotor Score – which is based on how many members would recommend us to family or friends – improved by 11.7% in FY21.



More value for our member community

To coincide with reaching our 70th milestone this year, we introduced the statement: **Belong to More.** That means More Support. More Care. More Flexibility. More Value. Belong to More sums up the CBHS ethos perfectly. It is a statement that keeps us accountable to what matters most - you. And it reminds us every day that we need to be good enough to keep you for life.

We have expanded our CBHS Group Choice Network to assist with managing out-of-pocket dental and optical expenses to over 7,500 providers nationally. Looking forward we will be extending our Choice Network to include physiotherapy, so members can save even more on this popular Extras service.



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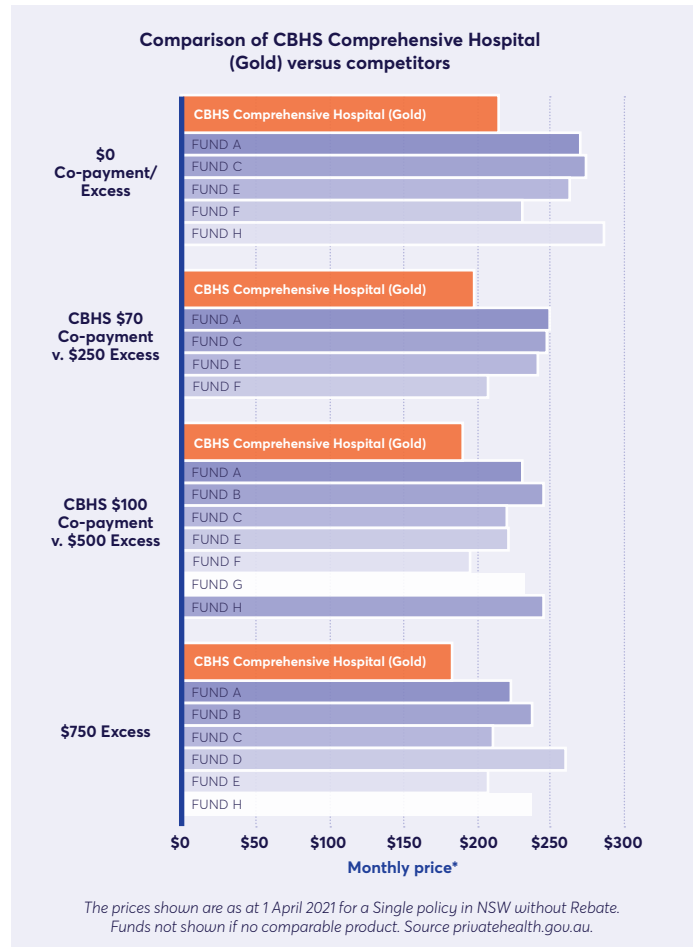


More members made use of our innovative health service offerings including:

- Our Better Living programs which include virtual health coaching for a range of chronic and mental health conditions;
- Our Digital Wellness Total Wellbeing Lifestyle Plan which focuses on healthy weight management;
- Hospital Substitute Treatment which provides clinical quality care in the comfort of your own home; and
- A free 6-month membership with SkinVision to provide lifesaving digital skin checks using the SkinVision app.

In the coming year, we'll continue to add value through increasing our suite of health services available through Hospital cover including a potential new partnership with a leading hospital provider. This partnership will include pilot programs for integrated cancer care, mental health and known-gap maternity programs.

Our annual member satisfaction survey showed that members scored us almost double on affordable cover than in FY20. Despite widespread financial pressures, this shows that members are finding their cover to be value for money.



A strong connection to the CommBank community

We proudly signed another three-year partnership with the Commonwealth Bank of Australia (CommBank or CBA) in December 2020 to continue providing our award-winning interactive Health Hubs, while also adding a new Health Hub in CommBank's recently opened Foundry building.

Our seven physical Health Hubs around the country have delivered in line with our vision for healthier and happier communities. Since launching this concept in September 2016, CommBank staff have had the opportunity to access

7,500+
CHOICE NETWORK
providers nationally.

888
CLAIMS PAID
on Hospital Substitute Treatment programs to help members avoid or shorten a hospital stay.

472
MEMBERS
took part in a Better Living program, to help better manage or prevent a range of chronic and mental health conditions.

6
MEMBERS WITH SKIN CANCER
were identified through our SkinVision partnership with life threatening skin cancer conditions.

2,500
TOTAL MEMBERS
engaged with the Clinical Concierge line.

leading technology and qualified allied health professionals in both a physical and virtual way. We have had over 275,000 interactions with CommBank staff across Australia, referred over 6,000 staff to their GP for blood pressure and body mass index concerns as well as performing skin checks and bone density scans.

The introduction of virtual webinars covering healthy mind, healthy body and healthy lifestyle has been particularly well received during these difficult times of lockdowns, social distancing and working from home with record participation levels of over 65,000 attendances at approximately 600 virtual sessions.

While we regularly receive an overwhelming amount of positive feedback for our Health Hub activities, here are a couple of our favourites:



"It has improved my mental health and physical health. Since the pandemic happened, exercising has been difficult for me, but this is a great way for me to ease back into exercise!"

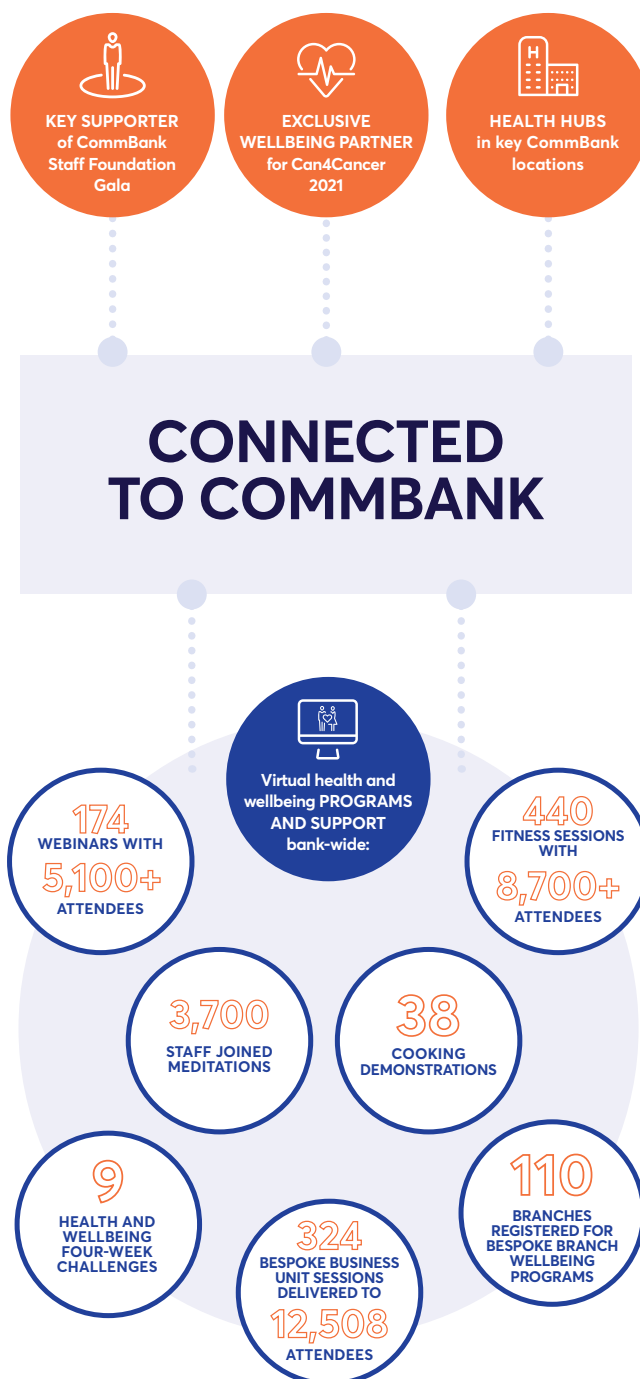
"After doing the strength squad challenge, I feel like I have more energy. I can keep up with my kids more and no longer feel tired while playing with them."



We continued our support for CommBank and Tour de Cure's Can4Cancer. CBHS was appointed the lead partner for the Can4Cancer digital challenge in October 2020 and the exclusive wellbeing partner for Can4Cancer in 2021, including sponsorship of the inaugural 50km run. Team CBHS raised over \$21,000 across these events to support vital cancer research, support, and prevention initiatives.

Together with other shareholders, we announced the sale of health technology provider Whitecoat in May 2021 to CommBank. Whitecoat operates the country's largest digital healthcare services directory allowing Australians to locate and book appointments with over 300,000 health service providers. It also offers an end-to-end digital health payment and claims solution with both terminal and in-app mobile claims processing capability.

Acquiring Whitecoat will help CommBank to support its focus on the healthcare sector, and for our members, it will provide a simpler experience to pay and claim using CBHS mobile app. We look forward to continuing to work closely with CommBank to provide seamless digital solutions for our members.



Sustainable growth: we're here for the long haul

On a regulatory front, the Australian Prudential Regulation Authority continues to look closely at the affordability and sustainability of the private health insurance industry. We're in a pleasing position as a not-for-profit, member-owned fund – younger members are increasingly looking to align themselves with organisations like CBHS which have a member-focused purpose and share their values. Growth in the younger demographic is important for the long-term sustainability of the fund and the future of the private health insurance industry. CBHS encourages growth in this sector by providing discounts of up to 10% for 18-29-year-olds on their own cover.



CBHS encourages growth in this sector by providing age-based discounts of up to 10% for 18-29-year-olds on their own cover.



Industry engagement is another important factor in our purpose. CBHS is well represented within industry representative groups, including Private Healthcare Australia (PHA) and Members Health Fund Alliance (MHFA), with committee members across the areas of risk and governance, marketing, and operations. These groups bring together representatives across various funds to collaborate efforts and lobby the Government for changes that will benefit our members. CBHS is supportive of PHA's More Affordable Health campaign which calls for urgent changes to the way medical devices used in surgeries are priced in Australia to keep health insurance more affordable.

Social responsibility

The *Modern Slavery Act 2018 (Cth)* requires entities based, or operating, in Australia, which have an annual consolidated revenue of more than \$100 million, to report annually on the risks of modern slavery in their operations and supply chains, and actions to address those risks. CBHS is supportive and committed to identifying, assessing and mitigating modern slavery risks within our operations and supply chains.

Our first [Modern Slavery Statement](#) explains our:

- adoption of an anti-modern slavery policy;
- actions we took to manage the risks of modern slavery practices in our own operations; and
- actions we took towards managing the risks of modern slavery practices in our supply chains.

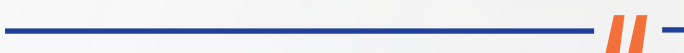
Making it easier to interact: building our digital capabilities

A big part of keeping members for life is about doing the basics well. Making it simpler to interact with us in the way you choose to. That means we're continually investing in ways to improve the member experience in the digital platforms space.

Our new website, which launched in August 2020, has key architectural elements in place for future growth. We're leveraging this and taking the first step on our Artificial Intelligence (AI) journey following the launch of a ChatBot function in July 2021. This enables us to better serve you and provide another pathway to interact with us. We know our members have a growing appetite for digital channels, with our mobile app with self-service features reaching more than 75,000 downloads this year.



A big part of keeping members for life is about doing the basics well.





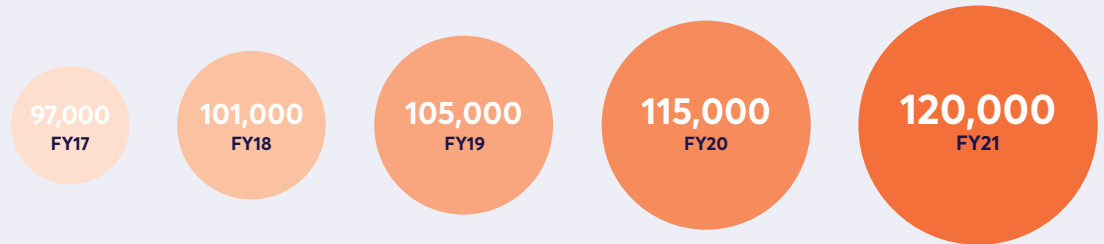
|| I asked my daughter to take a photo of a spot on my shoulder. The SkinVision app rated it as high risk. The strong recommendation was that I get it checked within the next four weeks. I could tell my GP was a little skeptical, but he examined the spot and took a biopsy. . . When I went back to my GP he said, "Wow, I'm really impressed by that app." He removed the basal cell carcinoma in his surgery and I'm now under the care of a skin specialist. ||

– Robyn M
CBHS member and
SkinVision user

Highlights

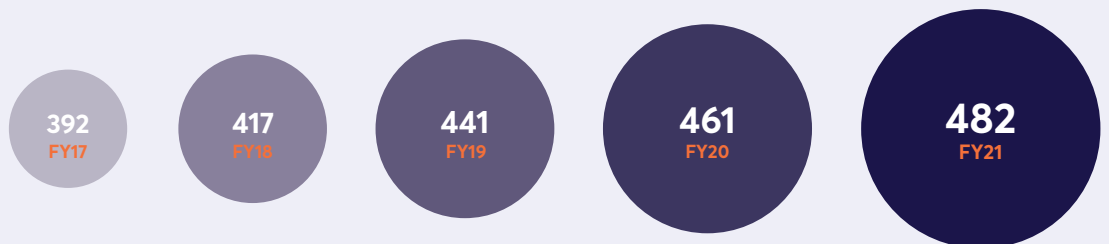
CBHS continues to provide more members with peace of mind, now with approximately 120,000 memberships.

4.3% increase in membership



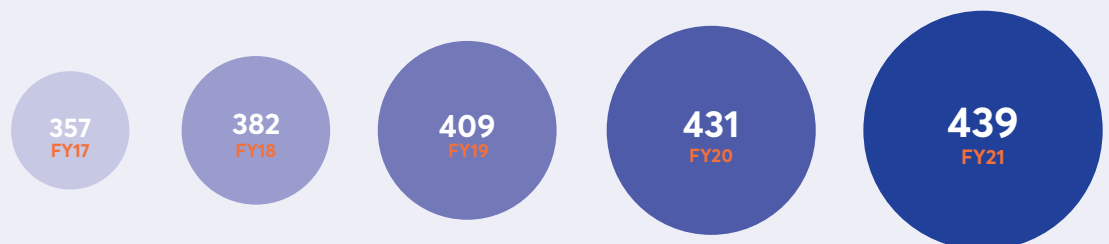
Membership growth continues to be strong.

4.6% increase in premium revenue
(\$Millions)



Increase in premium revenue is driven by membership growth.

1.8% increase in net claims incurred
(\$Millions)



4.3%

Increase in membership

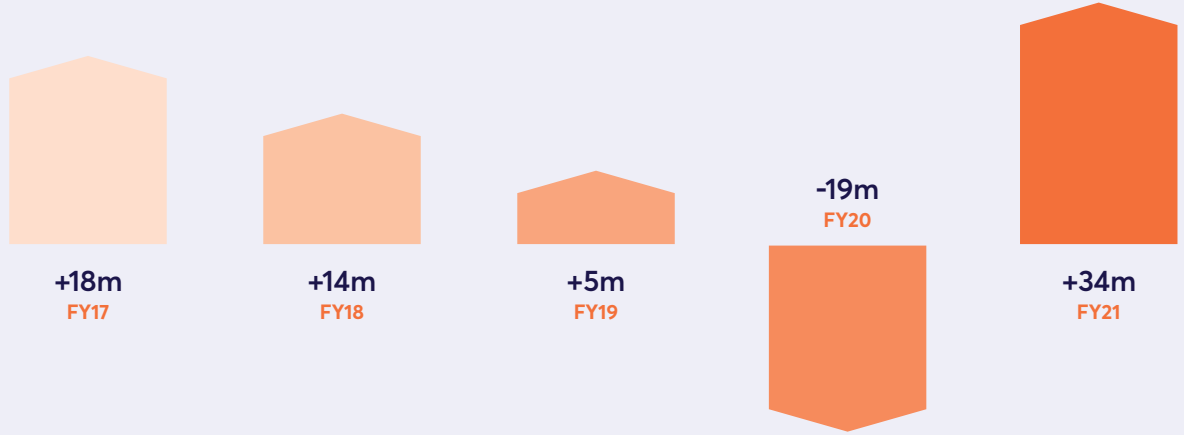


4.6%

Increase in premium revenue

Profit increase

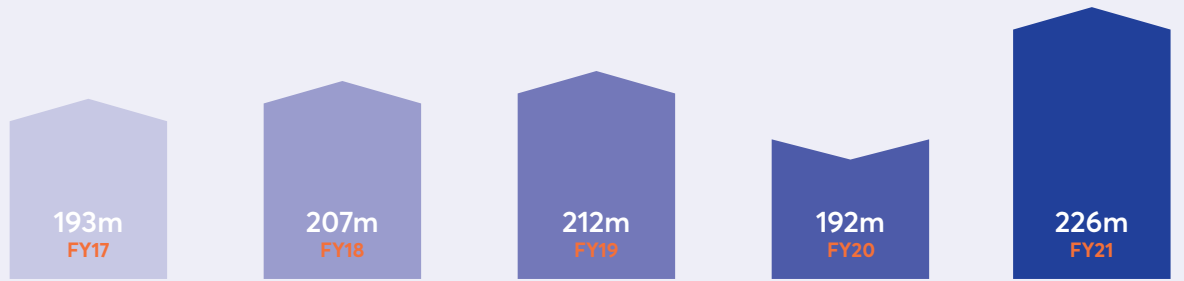
Surplus (millions)



CBHS has recorded a profit of \$33.8m in FY21. The profit is underpinned by strong investment returns of \$23.1m and the reversal of the unexpired risk liability of \$13.5m.

17.8% increase in net assets

(millions)



Net assets have increased in FY21 primarily as a result of strong investment returns.

8.5% Investment returns in 2021



Investment returns increased by \$17.2m in FY21 compared to the prior financial year due mainly to strong equity and bond markets.



17.8%

Increase in net assets

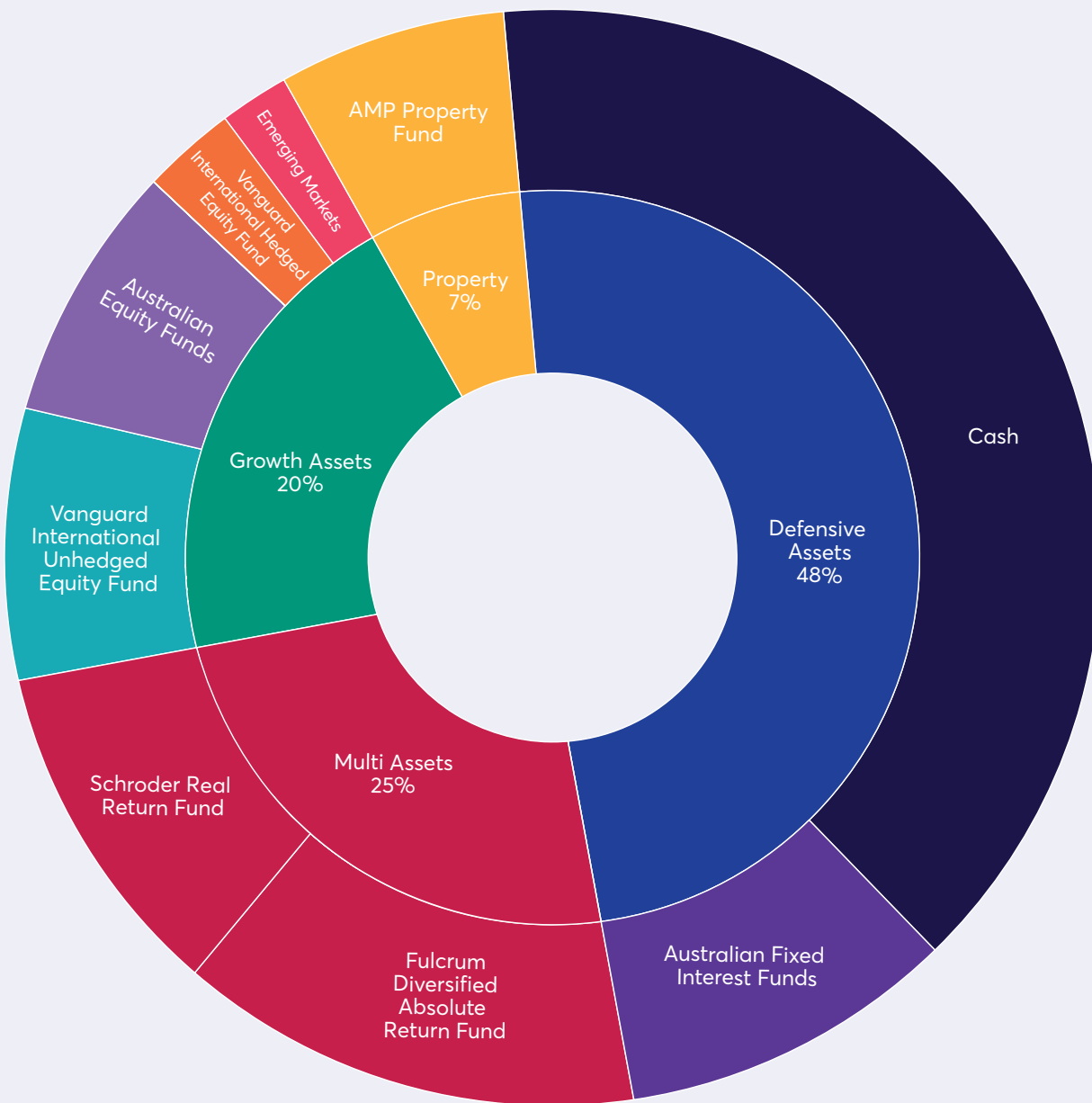


8.5%

Increase in investment returns

Investment Portfolio

CBHS' portfolio has a defensive weighting with a bias towards asset protection.



* As at 30 June 2021 more than 50% of funds within the Multi Asset Funds were in cash and bonds.



Five Year History

(in \$'000 unless otherwise indicated)

	2021	2020	2019	2018	2017
Income Statement					
Direct premium revenue	482,319	461,486	440,506	416,977	392,015
Benefits incurred	(394,643)	(384,861)	(362,678)	(336,739)	(312,033)
Health benefits risk equalisation trust fund	(38,070)	(40,111)	(40,987)	(40,274)	(40,587)
Government levies	(6,067)	(5,847)	(5,508)	(5,174)	(4,797)
Net claims incurred	(438,780)	(430,819)	(409,173)	(382,187)	(357,417)
Net movement in unexpired risk liability	13,531	(10,820)	(2,771)	-	-
Underwriting expenses	(43,122)	(42,170)	(39,020)	(34,120)	(31,201)
Underwriting profit	13,948	(22,323)	(10,458)	670	3,397
Investment and other income	23,935	6,557	16,986	14,602	14,765
Depreciation and amortisation	(3,799)	(3,460)	(1,660)	(981)	(594)
Interest on lease payments	(88)	(128)	-	-	-
Profit/(loss) before tax	33,996	(19,355)	4,868	14,291	17,568
Income tax benefit/(expense)	(176)	67	(34)	(26)	348
Profit/(loss) before tax	33,820	(19,287)	4,834	14,265	17,916
Balance Sheet					
Current assets	141,793	134,590	90,987	96,000	92,234
Non-current assets	232,015	202,502	224,653	205,872	192,219
Total assets	373,808	337,092	315,640	301,872	284,453
Current liabilities	144,440	141,814	102,166	93,406	90,398
Non-current liabilities	3,642	3,372	1,768	1,654	1,508
Total liabilities	148,082	145,186	103,934	95,060	91,906
Net assets	225,726	191,906	211,706	206,812	192,547
Reserves					
Retained earnings	225,726	191,906	211,706	206,812	192,547
Total reserves	225,726	191,906	211,706	206,812	192,547

You will note many references to the term 'profit' throughout this report.

This is an accounting requirement.

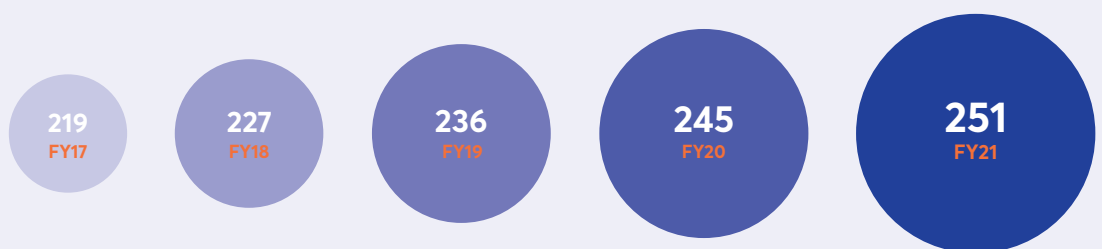
It reflects CBHS Health Fund Limited investment in CBHS Corporate Health Pty Ltd, which has been established as a 'for profit' business, for the benefit of CBHS members.

The use of this terminology throughout this report does not change in any way the core values of CBHS Health Fund Limited, being a member owned, not-for-profit, organisation.

Delivering Value to Members

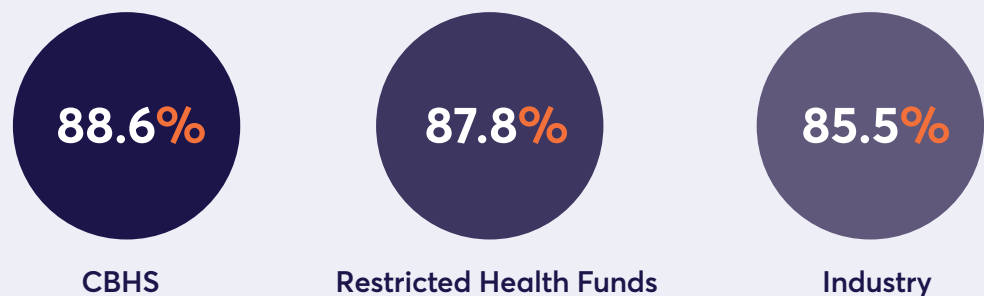
251,445 people now experience the benefits of CBHS membership

Insured persons
(thousands)



Membership growth has been better than industry average.

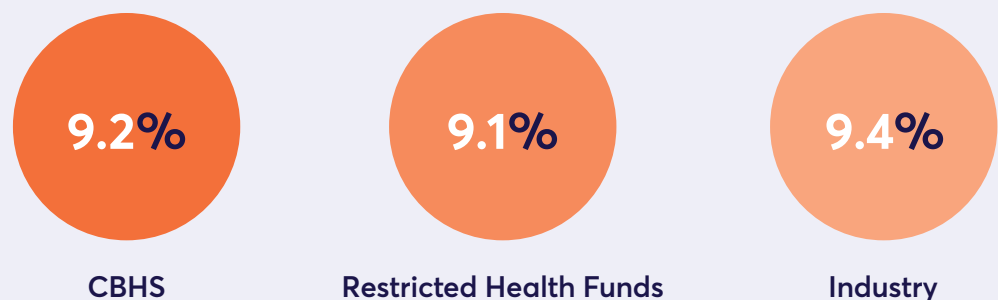
Claims Ratio



CBHS' member focus ensures we give back more to members than the industry average. In 2021 we paid out almost 88.6 cents in claims* for every premium dollar received.

*Claims ratio comparison relate only to APRA defined Health Insurance Business (HIB) which has been sourced from APRA Private Health Insurance Quarterly Statistical Report.

Management Expense Ratio



Management expenses continue to be well managed and are currently better than the Industry average.

*MER comparison relates only to APRA defined Health Insurance Business (HIB) which has been sourced from APRA Private Health Insurance Quarterly Statistical Report.

Message from the Chairman

Peter MacCuspie
Chairman



In our 70th milestone year, I am pleased on behalf of the Board, to present the 2021 Annual Report.

We, as Australians, have made it through a year marked by the global pandemic and are now a nation hopeful of recovery. I am especially proud of the way the CBHS team has supported our members throughout the most uncertain and trying of times. The team, as always, puts our member health and happiness at the forefront of every business decision. We provided rare certainty in uncertain times.

Despite COVID-19 restrictions, it is pleasing to see that a significant number of our members utilised their policies. We supported members by paying over \$438.7m in benefits, including for telehealth and virtual services, which allowed our members to stay safe and be able to proactively manage their health throughout the pandemic.



As a relatively small player in the market, CBHS punches above its weight, leading the industry on support for members during COVID.



As a relatively small player in the market, CBHS punches above its weight, leading the private health insurance industry on offering health and financial support to members during COVID-19 and advocating for healthcare reform to improve affordability. With our CARE Values at the forefront, we made a commitment that CBHS would not materially benefit from the pandemic. We've been able to deliver on that promise through our extensive health and

financial assistance programs and our focus will remain on keeping costs down while improving member experience through broader healthcare initiatives.



Strategy execution

I am very pleased with the overall execution of our business strategy. The CBHS Executive Leadership Team have tightly controlled management expenses and led their respective teams to achieve outstanding service results within the work-from-home environment. As an outcome of focusing on creating certainty for our member community, member retention is at a record high. We know that your health cover is an investment in a healthier and happier outcome for you and those close to you. We're proving that as a CBHS member, your health cover is an investment in a healthier and happier outcome for you and those close to you.

As an outcome of focusing on creating certainty for our member community, member retention is at a record high.

Financial results

This year's financial results were pleasing, despite very uncertain and volatile economic conditions. CBHS now insures more than 251,000 people. There has been a 4.3% increase in total memberships from the previous year, delivering premium revenue of \$482.3m. Our dedicated retentions team were able to keep a record number of members with CBHS.

Net claims incurred increased to \$438.8m resulting in a claims payout ratio of 90.9%.

Our investment income significantly outperformed forecasts, due in part to rising equity markets and strategic actions taken by the Board and Management in response to COVID-19.

Last year, I acknowledged that we needed to use some of our surplus capital to support our members during the one-in-100-year event that was COVID-19. I can report that in FY21, through managed diversification of our investment portfolio, we have been able to rebuild the capital position of the fund.

Looking to the future

That leads me to an important update on the future of CBHS' leadership. I recently announced the resignation of Andrew Smith, our Group CEO and Executive Director, effective 3 September 2021.

Since March 2016, Andrew has played an integral role in the strategic development, growth and continued success of CBHS. He has grown our influence and standing within the Commonwealth Bank at all levels, lifted our profile within the private health insurance industry, and increased our influence with our peers, Government and regulators. Finally, during Andrew's leadership, we have invested in our people, our leaders, our systems and the outcome of all this leaves our business in a very strong position.

It has been my privilege to work closely with Andrew over the last few years and I express my sincere thanks for his contributions and wish him all the best with his next challenge.

I am delighted to now welcome Helen Troup to the role of Group CEO and Executive Director effective 4 September 2021. Helen is an outstanding appointment, bringing a deep and impressive history in leading a variety of insurance and financial services businesses in both Australia and New Zealand. Helen was most recently an Executive General Manager at the Commonwealth Bank, where she was Managing Director of CommInsure, the Life and General Insurance businesses.

Over her six years at CommBank she effectively led and navigated significant challenges, whilst also delivering business transformation, digital innovation, and market growth, culminating in the successful sale and transition of the Life business to the AIA Group.

Prior to this she was the Head of Life and Health (Australia and NZ) for global reinsurer Swiss Re, and the CEO of ING New Zealand.

Helen is an engaging and down-to-earth person and is passionate about delivering exceptional member service and leading people to be the best they can be. I am sure all our members will join me in welcoming Helen to the CBHS Group.

Thank you

I would like to finish by expressing my thanks to my fellow Board members, Board members of CBHS Corporate Health, our Executive Leadership Team for their leadership and our staff for their commitment to members during an unprecedented year. And of course, thank you to you, our wonderful members for your continued loyalty and support – here's to another 70 years.



Peter MacCuspie
Chairman
26 August 2021

Message from the Former Group CEO

Andrew Smith
Former Group CEO
and Executive Director



I write to you with mixed emotions, in my last Group CEO message for the Annual Report. I recently announced my resignation as Group CEO and Executive Director, effective 3 September 2021. During the past five years, I have been fortunate to work with many passionate and dedicated people, with my time at CBHS being some of the most rewarding of my career. What I am most proud of during my time leading CBHS is the evolution of our CARE Values, and how we live them at every level to keep members at the heart of everything we do.

It has been an honour watching the CBHS business grow and leading the organisation to a 70-year milestone in 2021. I now warmly welcome Helen Troup to the role as Group CEO and Executive Director. Our fund, our members, our staff and our key stakeholders will thrive under Helen's leadership.

Reflecting upon the past year, I want to start by acknowledging our incredible team, who have remained focused on the needs of our members. I am extremely proud of the way they have responded during these uncertain times, including transitioning to a 100% remote workforce for over 12 months. Our culture and productivity have never been stronger, and our members have enjoyed a continuation of the outstanding service CBHS is known for. We have continued to live our CARE Values and translate those into **More Care** for our members, stepping up to be a key health and wellbeing partner when you needed us most.

What I'm most proud of during my time leading CBHS is the evolution of our CARE Values, and how we live them at every level to keep members at the heart of everything we do.

A Year of **MORE**

Despite Australians being physically able to do less at times, it has been a year of **MORE** for CBHS. We have seen the continued expansion of our preferred provider program – the CBHS Group Choice Network – while working closely with providers to ensure they could still service members during COVID-19 restrictions. We added even **MORE** specialists to our Access Gap Cover program, making it easier for members to reduce or avoid significant out-of-pocket costs. Our Executive Leadership Team have demonstrated engagement and collaboration across the wider private health industry, including supporting our industry representative groups Private Healthcare Australia (PHA) and Member's Health Fund Alliance (MHFA).

I personally implore you to do something proactive for your health over the coming months, that you may not have ordinarily done.

On that note, our close alliance with MHFA provided access to the results of a national health survey. This revealed an alarming disconnect between Australian's perceptions of their physical and mental health and wellbeing. That reinforced to us at CBHS, the need to take every opportunity to encourage our member community to get back in the driver's seat when it comes to their health and wellbeing. That means going for any health checks and screenings you may have missed during the year. Or making small, but important, lifestyle changes. I personally implore you to do something proactive for your health over the coming months that you may not have ordinarily done.

Seventy years strong

It was a special milestone year for CBHS, celebrating 70 years of serving the Commonwealth Bank community. We marked the occasion with a small celebration and some special guests, including Matt Comyn, CEO and Managing Director of the Commonwealth Bank, some of our original CBHS Foundation members, long serving CBHS staff and our past CBHS Chairs and Directors.

I was personally moved by the many kind sentiments members shared with us.

"Happy 70th birthday CBHS, I started my membership 31 years ago as a single member and then two years later took out family top cover. Through good health and sickness, CBHS has been there for me and my family. Never crossed my mind to go elsewhere. Second generation of my family will soon be members."

"My husband joined in 1959. He has been a loyal member for well over 50 years, then joined us up as a couple after we married, so we have a long history with CBHS. Only praise for CBHS from us both."

Our 70-year milestone was also the perfect opportunity to launch our new statement – **Belong to More** – with a refreshed look and feel. But this was much more than just a fresh look, it is a renewed commitment that we will go beyond what is expected.

In keeping with the brand refresh, we also developed a new Employee Value Proposition (EVP). Over the coming year, we will bring this EVP to life, with the goal of becoming an Employer of Choice. This includes exploring future ways of working with the safety and wellbeing of our teams continuing to be top priority and articulating the culture and benefits that make CBHS a compelling place to work.

A milestone for CBHS Corporate Health

As a business, CBHS International – part of CBHS Corporate Health – swiftly pivoted from attracting offshore members following the closure of international borders, towards providing cover to international workers and students who are already onshore. Through this strategic shift, and despite extended border closures, CBHS Corporate Health has now surpassed 14,900 members.

For many of our International members who are onshore

and separated from loved ones, the past year has been isolating. In response, we proactively increased our mental health support initiatives with the aim of helping these members through the hard times. Initiatives which we have been able to extend to all CBHS members through our Clinical Concierge Wellbeing Line.

Thank you

I would like to thank my fellow Directors, our Executive Leadership Team and all staff for their efforts in what has been another unprecedented and challenging year. I leave CBHS with the right team in place to continue putting your health and happiness first. And of course, I would like to thank you – our members – for your support and loyalty during the toughest of times. We look forward to another 70 plus years of serving you and your family.



Andrew Smith
Former Group Chief Executive Officer
26 August 2021

14,900+ MEMBERS
FOR CBHS
CORPORATE HEALTH



Message from Group CEO

Helen Troup
Group CEO and Executive Director



I am delighted to have joined the CBHS community in August this year. It was immediately clear to me that across all levels of the organisation, our people are truly aligned to putting you, our members, at the heart of everything we do.

My first few weeks in the organisation have impressed me with the positivity and engagement all our team have for our members and delivering on our purpose. I have experienced our CARE Values firsthand and have many references in meetings to putting our members first such as our people championing the need to prioritise and deliver on a project that has the potential to save members lives.

I have received an incredibly warm welcome and being able to work closely with the Board, Andrew Smith, and the Executive Leadership Team during my first few weeks has ensured a seamless transition.

I am focused on continuing to bring our strategy to life. This includes delivering on initiatives to enhance proactive member engagement, acquisition and retention and building on relationships with our key stakeholders as we work together with our member community.

While the challenges of COVID-19 continue to impact our lives and businesses, our focus and commitment is to continue to drive the business further and find new ways of supporting you to live healthier, happier and longer lives. As we celebrate 70 years, I join a long line of previous custodians who have had the opportunity to lead such a passionate team dedicated to supporting you. I look forward to building on their legacy and delivering **MORE** to you.

Helen Troup
Group Chief Executive Officer



|| At CBHS, we are truly all in this together. We are here to do the best we possibly can for each and every member. And we look after each other. ||

– Head of Clinical and Provider Relations

Corporate Governance Statement

This statement outlines the key aspects of the corporate governance framework of CBHS Health Fund Limited and its wholly owned subsidiary CBHS Corporate Health Pty Ltd for the year ended 30 June 2021.

For the purposes of the Corporate Governance Statement, a reference to a Prudential Standard is a reference to an Australian Prudential Regulation Authority (APRA) Prudential Standard.

The Governance Standard is a Prudential Standard and was developed to ensure that Private Health Insurers are managed prudently, that boards have access to appropriate independent expertise and that the Board includes Directors who have suitable competencies and experience to understand the relevant business issues and risks they are likely to encounter.

The Board endeavours to adopt the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council as far as they are relevant and applicable to an unlisted, not-for-profit company limited by guarantee.

As a registered private health insurer and separate corporate entity, CBHS Corporate Health Pty Ltd, has its own governance framework, which, as appropriate, replicates that of CBHS.

This statement is current as at 26 August 2021 and has been approved by the Board of CBHS.

Lay solid foundations for management and oversight

The Board and Executive Management

The Board is accountable to members for the performance and governance of CBHS. Executive Management is responsible for implementing the Board approved strategy and objectives and for carrying out the day-to-day management of CBHS.

Board Charter

The roles and responsibilities of the Board are set out in the Board Charter. The Board Charter was last reviewed in December 2020. The Board Charter is reviewed annually.

The Charter outlines the responsibilities of the Board, which include, but are not limited to:

- Overseeing and monitoring performance against CBHS' corporate strategy;
- Oversight of the Executive Management team including regular monitoring and assessment of the Group CEO and Executive Management team in achieving Board-approved strategies, budgets and key performance indicators;
- Oversight of financial and capital management and reporting requirements including regular monitoring of CBHS' financial results, financial condition and forecasts;
- The establishment of a Risk Management Framework which assesses, monitors and manages CBHS' key risks; and
- Ensuring effective communication with members and other key stakeholders.

Delegation of authority

The Board has delegated to the Group CEO and the Executive Management team the responsibility for running the day-to-day business of CBHS.

The Group CEO may authorise the Executive Management team to further delegate to their direct reports in accordance with the Group Delegations of Authority Policy. The Group CEO remains accountable for all delegated authorities.



|| Damien, my son, was so fit and healthy. We have no family history of bowel cancer and Damien was only 31 when he was diagnosed, so it was a shock to all of us. Within a week of being diagnosed, Damien was already under the care of a group of top medical specialists including liver and bowel surgeons and an oncologist, working in collaboration with a top private hospital in Brisbane. Words can't describe how grateful we are for how well Damien has been looked after by CBHS ||

*– Bipin S
CBHS member*



Fit and proper reviews

CBHS has developed and implemented a Group Fit & Proper Policy to ensure that CBHS complies with the requirements of APRA's Prudential Standard CPS 520 and which sets out the minimum requirements for CBHS in determining the fitness and propriety of individuals to hold positions of responsibility, both prior to appointment and on an ongoing annual basis.

Directors and Executive Management fit and proper reviews

CBHS conducts a Fit & Proper assessment on Directors and Executive Management in accordance with the CBHS Group Fit & Proper Policy and in line with APRA's Fit and Proper Prudential Standard.

Additionally, CBHS conducts full Fit & Proper assessment on nominating Director candidates.

The full Fit & Proper checks include:

- A review of current qualifications, skills, knowledge and experience;
- An Australian Federal Police check;
- An Australian Securities & Investments Commission (ASIC) banned and disqualified persons check;
- APRA's Disqualifications Register check;
- APRA's Enforceable Undertakings Register check;
- ACCC's Undertakings Register check;
- ACCC's Infringement Notices Register;
- AUSTRAC's Enforceable Undertakings Register;
- AUSTRAC's Infringement Notices Register;
- AUSTRAC's Remedial Directions Register;
- AUSTRAC's Written Notices Register;
- General internet searches; and
- A bankruptcy check.

Director and Executive Management Agreements

Written agreements set out the terms of employment that are in place for each Director and Executive Management.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

Nicole Nott was appointed to the role of Company Secretary of CBHS on 23 August 2018. Ms Nott holds the dual role of Group General Counsel and Company Secretary and is a qualified lawyer with 20 years' experience in-house and in private practice. Ms Nott has been admitted to the Supreme Court of NSW and High Court of Australia and is responsible for managing the legal and governance functions across CBHS. Ms Nott is a member of the Law Society of NSW and is a Fellow of the Governance Institute of Australia.

Diversity and inclusion

CBHS has a Group Fair Workplace Policy, which states that CBHS is committed to ensuring that all employees enjoy equal employment opportunities.

During hiring and promotion processes, CBHS is committed to ensuring gender quality, diversity and inclusion.

CBHS has completed the Workplace General Agency (WGEA) report during this reporting period. A copy of the Public WGEA Report 2021 is available on the CBHS website or at wgea.gov.au

Performance of the Board, its Committees and individual Directors

In accordance with the Governance Standard, a Board Renewal and Performance Assessment Policy (Performance Policy) has been developed to assist the Board in discharging its responsibilities to ensure the sound and prudential management of CBHS. The Board performance evaluation is an annual process which provides for an assessment of individual Directors, Committees and the Board collectively against a pre-agreed set of objectives.

An externally facilitated Board performance evaluation will be conducted in 2021 to assist with identifying any potential skill gaps and to review the performance of existing directors. The Chairman formally discusses the results of the performance review with individual directors and the Board as a whole.

Performance of Executive Management

The performance of Executive Management is reviewed on a half yearly and yearly basis by the Group CEO.

During the yearly review, the Group CEO presents the performance results of the Executive Management team to the People & Remuneration Committee.

Deed of Access, Insurance and Indemnity for Directors and Officers

The Deed of Access, Insurance and Indemnity (Deed) provides indemnity for each Director and Officer and clarifies their rights and obligations of a Director with respect to access to documents and records, confidentiality, notification and conduct claims, advances of legal costs until the finalisation of a claim and insurance against claims.



Structure of the Board

Composition of the Board

The CBHS Constitution provides that there must be a minimum of five Directors and no more than seven Directors, excluding the Group CEO. The Board may have a maximum of two Directors who are not members of CBHS.

The Board may appoint the Group CEO as an Executive Director either for a specified term (but not for life) or without specifying a term. An Executive Director is not counted for the purposes of determining the minimum or maximum number of Directors under rule 5.1(a) or 5.1 (b) of the CBHS Constitution. The current Group CEO was appointed as an Executive Director on 4 September 2021. The Executive Director is not subject to the requirement to automatically retire nor are they required to retire and participate in a Director election at an annual general meeting.

In addition to the Group CEO as an Executive Director, the Board currently comprises six Independent Non-Executive Directors, all of whom are CBHS members.

The respective roles of the Chairman and the Group CEO are not exercised by the same individual.

Details of the number of times the Board and its Committees met throughout 2020-21 and the individual attendances of the Directors at those meetings is provided in the Directors Meeting section of the Directors Report on pages 34 and 35 of the 2021 Annual Report. In addition to Board meetings, a structured Strategy Day is held at least annually.

The Board has not established a Nomination Committee, preferring that this function be performed by the whole Board. The People & Remuneration Committee assists in the provision of nomination recommendations, advice and research as instructed by the Board.

Tenure and retirement of Directors

The CBHS Constitution specifies that a Director must retire from office at the third annual general meeting after the Director was elected or last re-elected. If no election of Directors is scheduled to occur at an annual general meeting, then at least two Directors must retire from office at the Annual General Meeting.

Details of the period of office held by each Director and the year of their last election are as follows:

Director	Appointed	Last Elected at an AGM
Peter MacCuspie (Chairman)	2015	2018
Marielle Latour (Deputy Chair)	2010	2019
Fintan Thornton	2012	2018
Andrew Smith	2016	N/A
Adrian Hondros	2017	2019
Malcolm 'Jay' MacGregor	2017	2020
Nicolette Rubinsztein	2018	2020

The current Directors who nominated to be elected or re-elected at the 2021 Annual General Meeting are:

- Peter MacCuspie, having reached his maximum tenure of three years; and
- Fintan Thornton, having reached his maximum tenure of three years.

Having received no other nominations and given that the number of candidates for election was equal to the number of vacancies on the Board, the current Directors seeking re-election will be declared elected at the 2021 Annual General Meeting by the Returning Officer, Nicole Nott.

Each of the above Directors seeking re-election have the Board's endorsement.

Board skills matrix

The Board has developed a skills matrix which sets out the collective skills and experience that the Board is seeking. The skills matrix is closely linked to the achievement of CBHS' long-term strategies.

The skills matrix is reviewed at least annually and is used when reviewing Director candidates, including those Directors who have retired and are eligible for re-election.

Director induction and education

Newly appointed Directors participate in an induction program which involves sessions with Executive Management, Appointed Actuaries, other Directors, and key stakeholders to assist in understanding the business.

The Board have scheduled education sessions specific to the health insurance industry and other topics which may affect CBHS and its members.

In addition, the Board encourages individual Directors to complete training outside of CBHS which is relevant to their role as a Director including maintaining a membership with Australian Institute of Company Directors.

Act ethically and responsibly

Conflict of interests

Directors are required to comply with the requirements of section 191 of the *Corporations Act 2001* concerning the disclosure and appropriate management of transactions which involve their interest.

To ensure compliance and continuous disclosure, Directors consider the Standing Notice of Interest Register at each Board meeting. Directors also consider if there is an interest to declare at the beginning of each Committee meeting.

Where necessary, the Board will evaluate whether a Director should participate in situations where the interests of the Directors might affect, or appear to affect, decision making by the Board.

Code of conduct

CBHS has a Group Ethics Policy which establishes a culture of openness, trust and integrity in business practices. This policy outlines acceptable principles to be applied to CBHS Directors, Executive Management and other employees.

CBHS is committed to the prevention and early identification of breaches of law, regulations, codes or standards relevant to CBHS. For this purpose, CBHS has a Group Whistleblower Protection Policy which supports the operation of the Group Ethics Policy. The Group Whistleblower Protection Policy encourages and provides a framework for all CBHS employees (and others) to report any corrupt or improper conduct or genuine matters of behaviours that they have reasonable grounds to believe contravene CBHS' policies or the law.

Reporting under the Modern Slavery Act

In March 2021, CBHS published its first Modern Slavery Statement (MSS) under the *Modern Slavery Act 2018 (Cth)*. The joint MSS covers CBHS and CBHS Corporate and provides information on the actions CBHS took to:

- adopt our anti-modern slavery policies;
- manage the risks of modern slavery practices in our own operations; and
- manage the risks of modern slavery practices in our supply chains.

It also provides information on the further actions CBHS will take in the short to medium term.

CBHS will periodically review the effectiveness of steps taken to address the risks of modern slavery practices in its operations and supply chains and aims to continually monitor and where necessary, improve any policies, procedures and systems to address modern slavery. A copy of CBHS' MSS is available on the CBHS website or at modernslaveryregister.gov.au.

Safeguard integrity in corporate reporting and recognise and manage risk

Committees

To assist the Board in carrying out its responsibilities, the Board has established four Committees, being the Audit Committee, Risk Committee, Asset & Liability Committee and People & Remuneration Committee.

Each Committee operates under a Charter, which are reviewed and approved by the Board no less than annually. The Charter sets out the Committee's responsibilities and the delegated authorities.

The Chair of each Committee provides a report to the Board at the following Board meeting and the minutes of the meeting are provided to all Directors.

Audit Committee

The Audit Committee assists the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- the reporting of financial information;
- the effectiveness of CBHS' internal control, financial reporting environment and risk management framework; and
- the independence and effectiveness of the external and internal audit functions.

The Audit Committee has three Non-Executive Directors and between its members have accounting and financial expertise and a sufficient understanding of the health insurance industry.

The Chair of the Committee is an independent Director and is not the Chairman of the Board.

The Committee's members are:

Marielle Latour (Chair)
Malcolm 'Jay' MacGregor
Fintan Thornton

Details of the number of times the Audit Committee met throughout 2020-21 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors Report on page 34 of the 2021 Annual Report.

Internal audit

CBHS has an in-house Internal Auditor.

The Responsibility of the Head of Internal Audit is to provide independent assurance on the performance of management in maintaining the strategic direction of CBHS, achieving its operational objectives in line with organisational and legislative requirements, and ensuring the highest standards of probity and accountability are met. In doing so, the Internal Audit function forms part of the organisation's governance framework – providing an integral contribution to governance, risk management and control within CBHS.

The Internal Auditor utilises co-sourcing arrangements with the private sector for the provision of specialised internal audit services.

The Internal Auditor meets with the Audit Committee on a regular basis without Executive Management.

External audit

CBHS has appointed PricewaterhouseCoopers (PwC) to audit the records and financial statements of CBHS for the 2021 financial year and to perform various regulatory and compliance audits.

In line with current legislation, CBHS requires that the lead partner be changed after five years of being appointed. In November 2016, the lead partner was changed, and Ms Renae Cooper was appointed. Ms Cooper will be replaced by PwC partner, Rod Balding, in the upcoming year.



|| Despite no previous diagnosis, I was suffering from atrial fibrillation, which is commonly associated with a stroke. I spent five days in hospital... the cause of the problem is thought to have been sudden onset of vestibular neuritis, which is when the nerves in the inner ear send confusing messages to the brain.

How was CBHS beneficial? It gave me peace of mind that my health cover would meet the costs of hospital accommodation as well as other ancillary costs. It reminded me that we never know how far we are from totally random events with large expenses, and that health cover is an essential part of our daily lives. ||

*– Andrew B,
CBHS member*



The external auditor meets with the Audit Committee on a regular basis without Executive Management.

Risk Committee

The Risk Committee assists the Board in fulfilling its statutory and fiduciary responsibilities relating to:

- the implementation and operation of CBHS' risk management framework;
- compliance with the Risk Management Prudential Standard; and
- to ensure that financial and non-financial risks are clearly identified and well managed.

The Risk Committee has three members who are Non-Executive Directors.

The Chairman of the Committee is an independent Director and is not the Chairman of the Board.

The Committee's members are:

Malcolm 'Jay' MacGregor (Chairman)

Marielle Latour

Fintan Thornton

Details of the number of times the Risk Committee met throughout 2020-21 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors Report on page 34 of the 2021 Annual Report.

Asset & Liability Committee

The Asset & Liability Committee is responsible for assisting the Board with:

- developing, reviewing and monitoring the strategy and policies for:
 - o capital;
 - o liquidity; and
 - o investment activities
- recommending appropriate investments; and
- monitoring the performance of CBHS' investment advisors.

The Asset & Liability Committee has three members who are Non-Executive Directors.

The Committee's members are:

Fintan Thornton (Chairman)

Malcolm 'Jay' MacGregor

Gerard Parlevliet (Non-Director Committee member)

Details of the number of times the Asset & Liability Committee met throughout 2020-21 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors Report on page 34 of the 2021 Annual Report.

People & Remuneration Committee

The People & Remuneration Committee is responsible for assisting the Board with:

- reviewing remuneration arrangements for executives and non-executive directors;
- reviewing CBHS' Group Remuneration Policy;
- reviewing matters relating to CBHS' key incentive plans;
- ensuring that CBHS' remuneration policies and practices are consistent with its remuneration strategy objectives, risk management framework, aligns with prudent risk taking and supports the long-term financial soundness and business strategies of CBHS;
- monitoring the effectiveness of CBHS' strategies for succession planning, training and talent management;
- reviewing CBHS' people and organisational culture strategies, including employee engagement, values and behaviours; and
- monitoring CBHS' Health, Safety and Wellbeing strategy and performance.

The People & Remuneration Committee has three members who are Non-Executive Directors.

The Committee's members are:

Nicolette Rubinsztein (Chair)

Adrian Hondros

Peter MacCuspie

Details of the number of times the People & Remuneration Committee met throughout 2020-21 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors Report on page 34 of the 2021 Annual Report.

Additional information on the Directors' qualifications and experience can be found on page 32 in the Directors Report section of the 2021 Annual Report.

Safeguard the integrity of corporate reports

Annual financial accounts

Prior to the financial accounts being approved by the Board, Executive Management provides Certifications and Representations regarding the internal control framework that ensures the accuracy of financial and operational reporting to the Board.

Additionally, the Board receives a joint declaration made by the Group CEO & Executive Director and Chief Financial Officer stating that in their opinion the financial records of the entity have been properly maintained and that the financial statements comply with appropriate Accounting Standards and give a true and fair view of the financial position and performance of the entity. That opinion has been formed on the basis of a sound system of risk management and internal controls which are operating effectively.

Annual General Meeting

The External Auditor attends each Annual General Meeting and is available to answer questions from members in relation to CBHS financial accounts and the preparation and conduct of the audit.

Respect the rights of members

CBHS information and governance

The Corporate Governance section is available on the CBHS website. This provides members with easily accessible information on CBHS and how it is governed.

Corporate Governance communication

Members have the option to send and receive communications in relation to Corporate Governance matters electronically.

Private Health Insurance Code Of Conduct

CBHS operates and is accredited under the Private Health Insurance Code of Conduct (Code). The Code is designed to help consumers by providing clear information and transparency and extends to staff training, product information / documentation, notifications to members, dispute resolution processes, and privacy obligations. The Code is based on a voluntary accreditation that is administered by Private Healthcare Australia (PHA). The Code forms the basis in which the employees of CBHS perform their work by requiring CBHS to operate its business in an open and honest manner with members, employees, providers, the regulator and the health insurance industry.

Each year CBHS undertakes an internal review to ensure it remains compliant with the Code, and on a triennial basis conducts a more thorough internal self-audit process. The results are then presented to the Board for annual certification which is required to be completed by the Group CEO and the Chairman and is then lodged with the PHA Code Compliance Committee.

Recognise and manage risk

Risk management strategy

CBHS has an effective risk management program that not only protects CBHS from unnecessary risks or losses but also assists the Board to take appropriate levels of risk to achieve CBHS' objectives.

The purpose of the Risk Management Strategy (**RMS**) is to enable the Board and Executives to manage risks relating to the operations of CBHS, in the interests of all members and to meet the business objectives.

The RMS documents the structures, processes and systems to assist the Board and Executives to manage the business and its risks and comply with the requirements in Prudential Standard CPS 220 Risk Management.

Remunerate fairly and responsibly

People & Remuneration Committee

The People & Remuneration Committee supports the Board in all remuneration matters.

Non-Executive Director remuneration

The aggregate remuneration of independent Non-Executive Directors is determined by the members at a general meeting, as specified in the Constitution. The Board's aim when recommending an aggregate amount to members, is to recommend an amount which provides CBHS with the necessary degree of flexibility to enable it to retain the services of Directors of the highest calibre. Member approval was last received at the Annual General Meeting held on 7 November 2019, where members approved an aggregate remuneration of \$500,000 per annum. The aggregate sum is divided between the Directors as agreed by the Board.

Details of Directors' remuneration are set out in note 24.

Group Chief Executive Officer remuneration

The Board, pursuant to the Constitution, fixes the remuneration of the Group CEO as part of the terms and conditions of appointment. Remuneration is reviewed on an annual basis by the Board. The Group CEO's remuneration includes an appropriate level of "at risk" remuneration in the form of a performance payment. The payment, where it is payable, is made annually and relates to CBHS' performance across a range of key result areas and to the Group CEO's individual contribution with respect to a range of performance targets.

Executive Management remuneration

CBHS' policy in respect of Executive Management incorporates remuneration that is competitively set so that CBHS can attract, motivate and retain high calibre Executive Managers and promote a high performing culture. The policy contains variable pay for performance elements which link reward with the strategic goals and performance of CBHS as well as individual performance. The People & Remuneration Committee reviews remuneration annually through a process that also considers relevant comparative remuneration in the market.

Directors Report

The Directors submit their report, together with the consolidated financial statements of the Group consisting of CBHS Health Fund Limited (Parent Entity) and the entities it controlled at the end of, or during, the year ended 30 June 2021. Throughout the report the consolidated entity is referred to as CBHS or the Group.

Board of Directors

The following persons held office as Directors during the financial year:

Peter MacCuspie, Chairman

Marielle Latour, Deputy Chair

John Matthews, Deputy Chairman (retired 28 August 2020)

Adrian Hondros, Non-Executive Director

Malcolm 'Jay' MacGregor, Non-Executive Director

Nicolette Rubinsztein, Non-Executive Director

Fintan Thornton, Non-Executive Director

Andrew Smith, Former Group Chief Executive Officer & Executive Director
(resigned effective 3 September 2021)



|| CBHS helped to save my life this year. If my Hospital insurance didn't cover psychiatric care I don't know that I would still be alive. CBHS paid every cent of the very expensive inpatient stay that I had, and as a result I'm currently sitting at home with my husband and two young kids, alive and getting better one day at a time. ||

*– Megan Z
CBHS member*

Information on Directors

Peter MacCuspie

Mr MacCuspie has been a Director of CBHS since November 2015 and was elected as Board Chairman on 22 March 2018. Mr MacCuspie was appointed as a member of the People & Remuneration Committee following the retirement of John Matthews on 28 August 2020.

Mr MacCuspie is a professional Non-Executive Director. He has over 20 years of experience in a variety of roles. He was a Director of Big Sky Credit Union / Building Society for 12 years that saw the business, through mergers and targeted growth, expand member capital over 15 times and an open-source business Strategic Data. He has experience in a wide range of governance settings including charities through the MedicAlert Foundation and Agribusiness and for over seven years with Dodgshun Medlin. His current role encompasses automotive services with his role as Chairman of Club Assist owned by the Australian automotive clubs.

Mr MacCuspie holds a Bachelor of Science (Hons), a Graduate Diploma of Management and is a Fellow of the Australian Institute of Company Directors.

Marielle Latour

Ms Latour has been a Director of CBHS since May 2010 and was appointed as Deputy Chair on 28 August 2020 following the retirement of Mr Matthews. Ms Latour is Chair of the Audit Committee and is a member of the Risk Committee. Ms Latour is also a Director of the subsidiary company, CBHS Corporate Health Pty Ltd.

With over 30 years' experience in financial services Ms Latour's professional experience is in consulting, marketing and distribution, strategy, stakeholder management and managing businesses. She has held senior executive positions at Colonial Group, Commonwealth Bank, TAL, a start-up business, and numerous consulting assignments.

Ms Latour has strong governance experience with a current portfolio of non-executive director roles that include Autism Spectrum Australia Ltd and Chair of Pharmacy Platform Pty Ltd. Her portfolio has also included a credit union that through a merger, increased member value and provided enhanced products and services.

Ms Latour holds an Executive MBA, a Bachelor of Economics and is a Graduate of the Australian Institute of Company Directors.

John Matthews

Mr Matthews has been a member of CBHS since 1964. He was a Director from September 2008 until his retirement on 28 August 2020. He was Deputy Chairman from 5 November 2015 to 28 August 2020. At the time of his retirement, Mr Matthews was Chairman of the People & Remuneration Committee.

Mr Matthews retired from CBA in 2004 after a career of 40 years, during which time he held senior executive positions in Australia and overseas. He has extensive experience in treasury management and human resources.

Mr Matthews is a Director, Chair of the Investment Committee and member of the Nominations and HR Committee of The Frank Whiddon Masonic Homes of New South Wales, Director of Frank Whiddon Nominees Pty Ltd and Director & Treasurer of the Frank Whiddon Masonic Homes Foundation Ltd. He is also a member of the Audit and Risk Committee for the United Grand Lodge of NSW & ACT.

Mr Matthews holds a Bachelor of Economics degree, is a graduate of the International Advanced Management Programme (IMI Geneva), is a Senior Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

Adrian Hondros

Mr Hondros was first appointed to the Board in June 2017 and is a member of the People & Remuneration Committee.

Mr Hondros has over 30 years experience in the financial services industry. Mr Hondros is currently the Chief Executive Officer of Porter Davis, a volume builder of homes in Victoria and Queensland. Previously Mr Hondros was the Executive General Manager of Commonwealth Private Bank, CEO of St Andrew's Australia and Executive General Manager of NAB Private Bank.

Mr Hondros has been a Director of several financial services organisations, including Director of Commonwealth Private Limited, Chairman of Commonwealth Private Limited and Trustee Director of Commonwealth Bank's Group Super Board and Chair of its Investment Committee.

Mr Hondros holds a Bachelor of Commerce, Graduate Diploma in Professional Accounting, Graduate Diploma in Applied Finance, Diploma in Life Insurance and is an alumni of INSEAD's Advanced Management Program.

Malcolm 'Jay' MacGregor

Mr MacGregor was first appointed to the Board in May 2017 and is Chairman of the Risk Committee and a member of the Audit Committee and Asset & Liability Committee.

Mr MacGregor has over 20 years' experience in financial markets in Australia and London. Most recently, he was Managing Director, Institutional Equities for the Institutional Banking & Markets division of the Commonwealth Bank where he was responsible for the Bank's Equity Capital Markets, wholesale equities and equity trading activities. Prior to this, Mr MacGregor held senior roles at UBS Investment Bank in equity distribution where he advised some of Australia's and Europe's leading fund managers and hedge funds, and in Citi Global Markets Australia's Capital Markets Origination team where he led equity capital raising transactions for some of Australia's leading companies. Mr MacGregor is currently a Director of Renew Power Group Pty Ltd.

Mr MacGregor holds Bachelor Degrees in Law and Commerce and a Masters degree in Finance from the University of NSW.

Nicolette Rubinsztein

Ms Rubinsztein was first appointed to the Board in March 2018 and was appointed Chair of the People & Remuneration Committee effective 28 August 2020.

Ms Rubinsztein is currently a non-executive director at Zurich/ One Path Insurance, SuperEd, UniSuper, Class Ltd and Greenpeace, and was President of the Actuaries Institute in 2019. She has previously held senior positions at Colonial First State, BT Funds Management and Towers Perrin.

Ms Rubinsztein is a UNSW Alumni Leader and a member of Macquarie University's Faculty of Business and Economics Industry Advisory Board.

Ms Rubinsztein is a qualified actuary and holds an Executive MBA from the Australian Graduate School of Management and is a Graduate of the Australian Institute of Company Directors.

Fintan Thornton

Mr Thornton was first appointed to the Board in November 2012 and is the Chairman of the Asset & Liability Committee and a member of the Audit Committee and Risk Committee.

Mr Thornton has over 20 years' financial services experience. Mr Thornton's current role is Head of Institutional Solutions at Allianz Retire Plus. Mr Thornton was previously Head of Superannuation and Head of Strategy & Implementation in Colonial First State's Distribution team and Head of Employee Superannuation at the Commonwealth Bank. Prior to joining the Commonwealth Bank, Mr Thornton worked as a consulting actuary for Willis Towers Watson and Russell Investments. Mr Thornton's consulting experience is predominantly in superannuation (including complex defined benefit arrangements) where he advised companies and superannuation funds on asset/liability matters, risk management, communications, governance and strategy development. Amongst other appointments, Mr Thornton was actuary to Qantas Airways, Reserve Bank of Australia and the NZ Government.

Mr Thornton holds a Bachelor of Actuarial Mathematics and Statistics degree, is a Fellow of the Australian Actuaries Institute and is a Graduate of the Australian Institute of Company Directors.

Andrew Smith

Mr Smith commenced with CBHS in March 2016 as the Group Chief Executive Officer and was appointed as an Executive Director in November 2016. Mr Smith resigned as Group Chief Executive Officer and Executive Director effective 3 September 2021.

Previously, Mr Smith worked at InvoCare Limited for almost

ten years and was the CEO and Managing Director for six years. Prior to InvoCare, he held several senior executive positions for over ten years in retail and fast-moving consumer goods (FMCG) industries.

Mr Smith is a Non-Executive Director of Members Health Fund Alliance, the organisation representing the not-for-profit, member owned, regional and community-based health fund sector. He was a Non-Executive Director of Private Healthcare Australia (PHA) in 2016 and 2017 and Chair of PHA's Audit Committee until June 2021. Mr Smith was also a Non-Executive Advisory Board member of AFEA Pty Limited until June 2021, a provider of compassionate, experienced and qualified care staff specialising in responsive home care services.

Mr Smith holds a Bachelor of Commerce and a Master of Business Administration. He is a member of the Institute of Chartered Accountants Australia and New Zealand and is a Fellow of the Australian Institute of Company Directors.

Information on Non-Director Committee Members

Gerard Parlevliet

Mr Parlevliet was appointed to the Asset & Liability Committee in December 2015.

Mr Parlevliet was the Chief Investment Officer of Commonwealth Bank Group Super, the \$10 billion staff fund for employees of the Commonwealth Bank, before he retired in April 2017. He was also a Company Secretary of the Trustee Company for Group Super and a Responsible Officer for the purposes of the Trustee's AFS license and APRA license.

Mr Parlevliet has been involved in the Australian superannuation industry for over 28 years, including 23 years in senior executive management roles within Group Super. In 2013, Mr Parlevliet was awarded a National Achievement Award as Chief Investment Officer of the Year.

Since his retirement, Mr Parlevliet has become an independent Director on the Board of Prime Super and La Trobe Financial respectively.

Mr Parlevliet holds a Bachelor of Business, Diploma of Superannuation Management and Diploma of Financial Planning and is a Certified Practising Accountant and a Trustee Fellow of the Association of Superannuation Funds of Australia (ASFA).



Directors meetings

The number of Directors meetings (including Committee meetings) and the number of meetings attended by each of the Directors of CBHS Health Fund and CBHS Corporate during the financial year were:

Directors	BOARD – CBHS HEALTH		AUDIT COMMITTEE – CBHS HEALTH	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
AJ Hondros	7	7	-	-
MD Latour	7	7	4	4
PA MacCusprie **	7	6	-	-
MJ MacGregor	7	7	4	4
JE Matthews ***	1	1	-	-
NL Rubinsztein	7	7	-	-
AR Smith	7	7	-	4*
FB Thornton	7	7	4	4

Directors/ Committee Members	PEOPLE & REMUNERATION COMMITTEE – CBHS HEALTH		ASSET & LIABILITY COMMITTEE – CBHS HEALTH		RISK COMMITTEE – CBHS HEALTH	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
AJ Hondros	4	4	-	-	-	-
MD Latour	-	-	-	-	-	-
PA MacCusprie **	3	3	-	-	-	-
MJ MacGregor	-	-	4	3	4	4
JE Matthews ***	1	1	-	-	-	-
GN Parlevliet	-	-	4	4	-	-
NL Rubinsztein	4	4	-	-	-	-
AR Smith	-	4*	-	4*	-	4*
FB Thornton	-	-	4	4	4	4

Directors/Committee Members	BOARD CBHS CORPORATE		AUDIT COMMITTEE CBHS CORPORATE		RISK COMMITTEE CBHS CORPORATE	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
HP Capra	8	8		1*		1*
MD Latour	8	8	4	4	4	4
CJ Bels	8	8	4	4	4	4
D Molina	8	8	-	4*	-	4*
AR Smith	8	8	-	4*	-	4*
VJ Drinkwater	8	8	-	-	-	-
HW Podmore	8	8	4	4	4	4

Key:

* Attended Committee meetings as an observer

** Appointed as a member of the People & Remuneration Committee on 28 August 2020

***Retired from the Board and as Chairman of the People & Remuneration Committee on 28 August 2020

Indemnification of Directors and Officers

During the financial year, CBHS paid a premium in respect of a contract insuring past and present Directors, Company Secretaries and Executive Officers of CBHS against any liability incurred as Director, Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*. In accordance with commercial practice, the contract of insurance prohibits disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premium.

Consistent with the provisions of CBHS' Constitution, CBHS has entered into deeds of indemnity, insurance and access with past and present Directors, Company Secretaries and Executive Officers. Under these deeds, CBHS indemnifies past and present Directors, Company Secretaries and Executive Officers against liabilities incurred as a Director, Company Secretary or Executive Officer to the extent permitted by the *Corporations Act 2001*.

Principal activities

The principal activity of CBHS during the financial year was the provision of health insurance and related wellbeing services to its members, their dependants and immediate family members, corporate, retail, overseas working visa and overseas student customers.

Dividends

The Constitution of the parent entity, CBHS Health Fund Limited, prohibits the payment of dividends. Subject to the *Corporations Act 2001* and the *Private Health Insurance (Prudential Supervision) Act 2015*, the Directors of CBHS Corporate Health Pty Ltd may:

- declare or determine that a dividend is payable;

- fix a record date for the dividend, and the amount and time for payment; and
- authorise the payment to, or at the direction of, each shareholder entitled to the dividend.

During the financial year, CBHS Corporate did not declare a dividend and no dividends were paid.

Review of operations

The profit after tax for the financial year was \$33.8m (2020: \$19.3m loss). CBHS is exempt under section 50-30 of the *Income Tax Assessment Act 1997* from paying income tax. The subsidiary, CBHS Corporate Health Pty Ltd is a tax paying entity. Income tax has been recognised based on the Group Income Tax Policy as set out in Note 7. A review of operations and the results for the financial year are set out in the Chairman and Former Group CEO's message.

Changes in state of affairs

During the financial year there was no significant change in the affairs of CBHS.

Subsequent events

There have been no events post the end of the financial year which have significantly affected, or may significantly affect, CBHS, the results of those operations or the state of affairs of CBHS.

Environmental regulation

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

Non-audit services

CBHS may decide to employ the external auditor on assignments additional to its statutory audit duties where the auditor's expertise and experience with CBHS, are important.

Details of the amounts paid or payable to the auditor for audit and non-audit services provided during the year are provided in Note 23 to the financial statements.

The Board has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards).

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 37 of the Annual Report.

Future developments

Disclosure of information regarding likely developments in the operations of CBHS in future financial years and the expected results of those operations would result in unreasonable prejudice to CBHS. Accordingly, this information has not been disclosed in this report.

Rounding of amounts

CBHS is of a kind referred to ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report and financial report. Amounts in the Directors' Report and financial report have been rounded off to the nearest thousand dollars in accordance with the instrument.

Signed in accordance with a resolution of the Directors made pursuant to section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors.



P A MacCuspie

Chairman



A R Smith

Group Chief Executive Officer & Executive Director

Dated 26 August 2021





Auditor's Independence Declaration

As lead auditor for the audit of CBHS Health Fund Limited 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.

This declaration is in respect of CBHS Health Fund Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'R Cooper'.

R Cooper
Partner
PricewaterhouseCoopers

Sydney
26 August 2021

PricewaterhouseCoopers, ABN 52 780 433 757

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Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Statement of Comprehensive Income

	Notes	2021 \$'000	2020 \$'000
Direct premium	(3)	482,319	461,486
Direct claims expense		(381,044)	(391,199)
Net movement in outstanding claims liability (claims & other component)		(11,764)	5,501
Net movement in outstanding claims liability (risk equalisation component)		(1,835)	837
Health benefits risk equalisation trust fund		(38,070)	(40,111)
Government levies	(5)	(6,067)	(5,847)
Net claims incurred	(2)	(438,780)	(430,819)
Net movement in unexpired risk liability	(19b)	13,531	(10,820)
Salaries and employee benefit expense	(6)	(27,774)	(28,216)
Other underwriting expenses	(6)	(15,348)	(13,954)
Underwriting result		13,948	(22,323)
Investment income	(3)	10,255	7,454
Fair value gains/(losses) on financial assets at fair value through profit or loss	(4)	13,016	(1,545)
Other income	(3)	664	648
Depreciation and amortisation expense	(6)	(3,799)	(3,460)
Profit / (loss) before interest and income tax		34,084	(19,226)
Income tax (expense)/benefit	(7)	(176)	67
Interest on lease payments	(14c)	(88)	(128)
Profit / (loss) after interest and income tax		33,820	(19,287)
Other comprehensive income		-	-
Profit / (loss) for the period		33,820	(19,827)
Total comprehensive income for the year		33,820	(19,287)

Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	2021 \$'000	2020 \$'000
Current assets			
Cash and cash equivalents	(8)	17,321	18,510
Trade and other receivables	(9)	14,477	13,796
Deferred acquisition costs	(10)	1,195	1,084
Financial assets at fair value through profit or loss	(11)	108,800	101,200
Total current assets		141,793	134,590
Non-current assets			
Deferred acquisition costs	(10)	909	740
Financial assets at fair value through profit or loss	(11)	212,180	183,612
Fixture, fittings and equipment	(12)	559	965
Intangible assets	(13)	17,215	15,079
Right-of-use assets	(14a)	972	1,751
Deferred tax assets	(7)	180	355
Total non-current assets		232,015	202,502
Total assets		373,808	337,092
Current liabilities			
Trade and other payables	(15)	12,626	11,103
Claims liability	(17)	77,613	69,779
Unearned premium liability	(18)	47,528	41,653
Unexpired risk liability	(19a)	-	13,531
Lease liabilities	(14b)	884	979
Provisions	(16)	5,789	4,769
Total current liabilities		144,440	141,814
Non-current liabilities			
Provisions	(16)	3,289	2,166
Lease liabilities	(14b)	353	1,206
Total non-current liabilities		3,642	3,372
Total liabilities		148,082	145,186
Net assets		225,726	191,906
Reserves			
Retained earnings		225,726	191,906
Total reserves	(20)	225,726	191,906

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2021				
	Notes	Accumulated profits \$'000	Contributed capital \$'000	TOTAL \$'000
Balance at 1 July 2020		211,706	-	211,706
Adjustment from the adoption of AASB 16 Leases	(14)	(513)		(513)
Adjusted balance at 1 July 2020		211,193	-	211,193
Profit / (loss) for the year		(19,287)	-	(19,287)
Balance at 30 June 2020		191,906	-	191,906
Balance at 1 July 2020		191,906	-	191,906
Profit / (loss) for the year		33,820	-	33,820
Balance at 30 June 2021		225,726	-	225,726

Consolidated Statement of Cash Flows

For the financial year ended 30 June 2021		2021 \$'000 Inflows (Outflows)	2020 \$'000 Inflows (Outflows)
	Notes		
Cash flows from operating activities			
Receipts from members		487,431	468,879
Payments to members, employees and suppliers		(470,143)	(452,387)
Net cash flow provided by operating activities	(8a)	17,288	16,492
Cash flows from investing activities			
Payments for fixture, fittings, equipment and intangibles		(4,738)	(8,749)
Proceeds from sale of financial assets at fair value through profit or loss		138	-
Interest and investment income received		10,325	7,915
Payments for financial assets at fair value through profit or loss		(31,151)	(42,929)
Redemption from managed funds		8,000	34,133
Net cash flow provided by investing activities	(8a)	(17,426)	(9,630)
Cash flows from financing activities			
Repayment of leasing liabilities		(963)	(862)
Interest paid on leasing liabilities		(88)	(128)
Net cash flow provided by financing activities		(1,051)	(990)
Increase / (decrease) in cash and cash equivalents		(1,189)	5,872
Cash and cash equivalents at the beginning of financial year		18,510	12,638
Cash and cash equivalents at the end of financial year	(8)	17,321	18,510

Notes to the Financial Statements

1) Summary of significant accounting policies

CBHS Health Fund Limited is a public company, limited by guarantee, incorporated and domiciled in Australia. The nature of the operations and principal activity of CBHS Health Fund Limited is to provide health insurance and related wellbeing services to current and former employees of the Commonwealth Bank of Australia Group, their partners, family members and employees of current and former CBA subsidiaries and their partners and family members. CBHS Corporate Health Pty Ltd (CBHS Corporate), a wholly-owned subsidiary, is a private company, limited by shares, incorporated and domiciled in Australia. The nature of the operations and principal activity of CBHS Corporate is to provide health insurance and wellbeing services to corporate, retail, overseas working visa and overseas student customers.

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 and the *Corporations Act 2001*. The company is of a kind referred to in ASIC *Corporation (Rounding in Financial/Directors' Reports) Instrument 2016/191*, relating to the 'rounding off' of amounts in the financial statements. Amounts have been rounded off in the Financial Report to the nearest thousand dollars or, in certain circumstances, to the nearest dollar in accordance with that instrument. All amounts are presented in Australian Dollars being the functional and presentation currency.

The financial statements were authorised for issue by the Directors on 26 August 2021. The Directors have the power to amend and reissue the financial statements.

Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current year.

Statement of compliance

The financial statements of CBHS also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standard Board (IASB).

Historical cost convention

The financial report has been prepared on the basis of historical cost, as modified by certain exceptions, the most significant of which is the measurement of financial assets at fair value and the measurement of the insurance liabilities (being claims liability, unearned premium liability and unexpired risk liability) at present value.

Going concern

As at 30 June 2021, the Group had a net current asset deficiency of \$2,647,000 (2020: \$7,224,000) and generated a net profit after tax of \$33,820,000 (2020: loss after tax \$19,287,000). The net current asset deficiency is primarily a result of COVID-19 related measures and in particular the recognition of the deferred claims liability due to the deferral of elective surgery. This liability is however expected to unwind by June 2022. The Directors are therefore of the view the Group will be able to realise sufficient cash flows over the next 12 months and beyond and are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

New and amended standards adopted

CBHS has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2020:

- There are no new accounting standards or amendments that are applicable to CBHS for financial year commencing 1 July 2020.

In March 2021, the IFRS Interpretations Committee (IFRIC) issued an agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement. The IFRIC decision is consistent with the Group's accounting policies and did not materially impact the Group's financial statements.

New standards and interpretations not yet adopted by CBHS

Certain new accounting standards and interpretations have been published are not mandatory for 30 June 2021 reporting periods and have not been adopted early by CBHS. The Group's assessment of the impact of these new standards and interpretations is set out below:

i. AASB 17 Insurance Contracts

On 19 July 2017, the Australian Accounting Standards Board issued AASB 17 *Insurance Contracts*, incorporating the recently issued IFRS 17 *Insurance Contracts*. This will replace AASB 1023 *General Insurance Contracts* and AASB 4 *Insurance Contracts*.

The standard introduces three new measurement approaches for accounting for insurance contracts, including General Model, the Premium Allocation Approach and Variable Fee Approach.

CBHS has formed a project team to assess the impact of this change on the operations and financial statements of the Group. Changes in disclosure requirements and possible impacts on the consolidated statement of comprehensive income are expected.

The standard has a current effective date of 1 January 2023. The current expected effective date for CBHS is for the annual period beginning 1 July 2023.

Notes to the Financial Statements

ii. AASB 9 Financial Instruments

AASB 9 was issued during 2014 and replaces existing accounting requirements for financial instruments. Accounting standards currently permit deferral of adoption of AASB 9 to 1 January 2023. CBHS has elected to apply this exemption as it meets the relevant criteria, including that the Group does not engage in any significant activity unconnected with insurance, and the carrying amount of the insurance liabilities within the scope of AASB 1023 exceed 80% of the carrying amount of CBHS' total liabilities.

The following information is provided to assist users in comparing the Group's financial statements with entities which have adopted AASB 9.

Impact on financial assets

The Group's investments are currently designated as fair value through profit or loss on initial recognition and are subsequently remeasured to fair value at each reporting date. Adoption of AASB 9 does not result in any changes to accounting for these investments. Financial assets within the scope of AASB 1023, such as premiums receivable, are outside the scope of AASB 9 and are unaffected by the new requirements. Trade and other receivables also include other financial assets with a relatively small carrying value which are measured at amortised cost, the majority of which are receivable within 12 months. The application of AASB 9 is not expected to materially impact these balances.

Impact on financial liabilities

Financial liabilities within the scope of AASB 1023, such as claims liability and other insurance liabilities, are outside the scope of AASB 9 and are therefore unaffected by the new requirements.

Trade and other payables also include other financial liabilities measured at amortised cost arising from the Group's activities, the accounting for which is materially unchanged by AASB 9.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of CBHS Health Fund Limited ("parent entity") as at 30 June 2021 and the profit and loss of all subsidiaries for the year ended. CBHS Health Fund Limited and its subsidiaries together are referred to in this financial report as CBHS. Subsidiaries are all entities over which CBHS Health Fund Limited has control.

Intercompany transactions, balances and unrealised gains on transactions between CBHS companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by CBHS Health Fund Limited.

Material subsidiaries

The Group's principal subsidiaries as at 30 June 2021 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by CBHS Health Fund Limited, and the proportion of ownership interests held equals the voting rights held by CBHS Health Fund Limited. The country of incorporation or registration is also their principal place of business.

Name of Entity	Place of Business / Country of incorporation	Ownership Interest held by CBHS Health Fund Limited		Principal Activities
		2021 %	2020 %	
CBHS Corporate Health Pty Ltd	Australia	100	100	Private Health Insurance

Notes to the Financial Statements

The following significant policies have been adopted in the preparation and presentation of the financial report.

Significant accounting policies

Insurance policies

a. Insurance Contracts

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant over time. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

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

CBHS has determined that all current contracts with members are insurance contracts.

b. Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- i. where the amounts of GST incurred are not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expenses; or
- ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows. Under the *Goods and Services Tax Act 1999 subsection 38-55*, the majority of CBHS income is GST free.

c. Critical accounting judgements and estimates

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The critical judgements that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are found in the following notes:

Note Number	Description	Page Number
17	Claims liability	61
19	Unexpired risk liability	63
30 i)	Financial assets at fair value through profit & loss	80

d. Other accounting policies

Significant and other accounting policies that summarise the measurement bases used and that are relevant to an understanding of the financial statements are provided in the notes to the financial statements.

Notes to the Financial Statements

2) Net claims incurred

	2021 Current Year		2020 Prior Years		2021 Total	
	Provision movement \$'000	Profit and loss \$'000	Provision movement \$'000	Profit and loss \$'000	Provision movement \$'000	Profit and loss \$'000
Gross claims expense	-	355,348	31,461	-	31,461	355,348
Claims provided for	(70,456)	70,456	32,997	(32,997)	(37,459)	37,459
Risk equalisation and gov't levies paid	-	39,339	4,798	-	4,798	39,339
Risk equalisation and gov't levies provided for	(7,157)	7,157	523	(523)	(6,634)	6,634
Net claims incurred	(77,613)	472,300	69,779	(33,520)	(7,834)	438,780

Current year amounts relate to risks borne in the current financial year. Prior period amounts relate to a reassessment of the risks borne in all previous financial years.

	2020 Current Year		2019 Prior Years		2020 Total	
	Provision movement \$'000	Profit and loss \$'000	Provision movement \$'000	Profit and loss \$'000	Provision movement \$'000	Profit and loss \$'000
Gross claims expense	-	325,762	35,873	-	35,873	325,762
Claims provided for	(64,457)	64,457	4,522	(4,522)	(59,935)	59,935
Risk equalisation and gov't levies paid	-	40,489	5,469	-	5,469	40,489
Risk equalisation and gov't levies provided for	(5,322)	5,322	689	(689)	(4,633)	4,633
Net claims incurred	(69,779)	436,030	46,553	(5,211)	(23,226)	430,819

Claims liability movements are as follows:

	2021 \$'000	2020 \$'000
Opening balance	(69,779)	(46,553)
Prior year claims, risk equalisation and levies paid	36,259	41,341
Write back to profit and loss	(33,520)	(5,211)
Provision established for claims, risk equalisation and levies paid	(77,613)	(69,779)
Closing balance	(77,613)	(69,779)
Net movement	(7,834)	(23,226)

See note 17 for claims liability detail.

Recognition and measurement

Claims

Health insurance claims incurred include all claim losses during the year, whether reported or not, including the related handling costs and any adjustments to claims from previous years.

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

Notes to the Financial Statements

3) Revenue

	2021 \$'000	2020 \$'000
Direct premium revenue	482,319	461,486
Investment Income		
Interest income:		
• Cash and cash equivalents	10	118
• Term deposits	1,669	2,224
Distributions	8,439	5,112
Realised gain on disposal of financial assets through profit or loss	137	-
Total investment income	10,255	7,454
Other income		
Other revenue	37	25
Cost recovery - Health (Hubs)	627	623
Total other income	664	648

Recognition and measurement

Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised.

Premium revenue

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

Premium revenue comprises contributions received from members, inclusive of the Government rebate. The rebate is recognised in the consolidated statement of comprehensive income as premium revenue. Rebates due from the Government but not received at balance date are recognised as receivables.

Premium revenue is recorded on an earned basis, reflecting contributions received adjusted for the opening and closing contributions in advance and arrears. Contributions received in advance are recorded as a liability and contributions in arrears (to the extent recoverable) are recorded as an asset. Premium revenue relating to future financial periods is classified as unearned premium.

Investment income

Investment income consists of distribution income, interest income and changes in the fair value of investments in unit prices. Distribution income is recognised in the period when the right to receive payment is established.

Notes to the Financial Statements

4) Fair value gains/(losses) on financial assets

	2021 \$'000	2020 \$'000
Managed share funds gains	9,678	50
Managed bond fund losses	(324)	(165)
Managed multi assets fund gains	1,577	(387)
Managed property fund gains	2,085	(1,043)
Net (losses)/gains	13,016	(1,545)

Changes in the fair value of investments in unit prices are calculated as the difference between the fair value at balance date and the fair value at the previous valuation point and are recognised in the consolidated statement of comprehensive income.

Fair value of managed funds is based on unit prices provided by external fund managers at 30 June 2021.

Recognition and measurement

Refer to the note 11 for details on fair value gains/losses on financial assets.

5) Government levies

	2021 \$'000	2020 \$'000
NSW, ACT ambulance levies	6,067	5,847
Total government levies	6,067	5,487

Notes to the Financial Statements

6) Expenses

	Notes	2021 \$'000	2020 \$'000
Salaries and employee benefit expenses			
Salaries, bonuses and other costs		25,538	26,142
Superannuation expense		2,236	2,074
Total salaries and employee benefit expenses		27,774	28,216
Other underwriting expenses			
Information technology		3,131	2,836
Consultant, actuarial, audit and legal fees		2,614	1,964
Research, advertising and publicity		1,610	1,668
Other expenses		1,409	1,238
Electronic claims processing fees		1,407	1,364
Subscriptions for industry and purchasing associations		1,044	1,005
Aggregator commissions		1,132	857
Property expenses		826	748
Financial charges and taxes		818	601
Mailing and communication costs		714	658
Staff recruitment and wellness costs		411	727
Printing and stationery		232	288
Total other underwriting expenses		15,348	13,954
Depreciation and amortisation expenses			
Depreciation expense			
Fixtures, fittings and equipment		570	612
Right-of-use assets	(14c)	792	783
Total depreciation expenses		1,362	1,395
Amortisation expense			
Software		2,437	2,065
Total amortisation expense		2,437	2,065
Total depreciation and amortisation expense		3,799	3,460

Recognition and measurement

Employee benefits expense

The accounting policy for liabilities associated with employee benefits is set out in note 16.

Other underwriting expenses

With the exception of expenses related to salaries and employee benefit expenses, all other expenses are classified as underwriting expenses.

Acquisition cost for health insurance contracts

Refer to note 10 for details on deferred acquisitions costs.

Depreciation and amortisation

Refer to note 12 for details on depreciation of plant and equipment, note 13 for details on software amortisation and note 14 for depreciation of right-of-use assets.

Notes to the Financial Statements

7) Income tax expense

	2021 \$'000	2020 \$'000
(a) Income tax expense		
Current tax		
Current tax losses for the year	-	-
Adjustments for current tax of prior years	-	-
Current tax recovery	-	-
Deferred income tax		
(Decrease) / Increase in deferred tax assets	(176)	67
Decrease / (Increase) in deferred tax liabilities	-	-
Total deferred tax (expense) / benefit	(176)	67
Income tax (expense) / benefit	(176)	67
Income tax (expense) / benefit is attributable to:		
Loss from continuing operations	(176)	67
Profit from discontinued operations	-	-
	(176)	67
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Loss from continuing operations before income tax	(1,587)	(2,750)
	(1,587)	(2,750)
Tax at the Australian tax rate of 30% (2020: 30%)	(476)	(825)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Unused tax losses	652	758
Income tax (expense)/benefit	(176)	67
(c) Deferred tax assets		
The balance comprises temporary differences attributable to:		
Deferred acquisition costs	74	202
Indirect settlement costs	8	4
Sundry items	-	70
Accrued audit fees	13	6
Accrued expenses	63	55
Amortisation of software	22	17
	180	355

Notes to the Financial Statements

	\$'000
Movements	
Balance at 30 June 2020	355
• to profit or loss	(176)
• to other comprehensive income	-
Balance at 30 June 2021	180
(d) Unused tax losses for which no deferred tax asset has been recognised	
• tax losses from prior year	3,529
• tax losses from current year	652
Cumulative unused tax losses	4,181

Recognition and measurement

CBHS Health Fund Limited is a Private Health Insurer registered under the *Private Health Insurance Act 2007* and is exempt from income tax and capital gains tax under section 50-30 of the *Income Tax Assessment Act 1997*.

CBHS Corporate Health Pty Ltd is a tax paying entity and will be required to pay tax when it starts generating profits. The income tax expense or benefit for the period is the

tax payable or receivable on the current period's taxable income based on the applicable income tax rate adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and tax losses. Deferred tax assets are recognised if it is probable that future taxable amounts will be available to utilise these temporary differences and losses. No deferred tax assets for unused tax losses were recognised this financial year.

Notes to the Financial Statements

8) Cash and cash equivalents

	2021 \$'000	2020 \$'000
Cash at bank	7,965	4,166
Cash at call	9,355	14,343
Cash on hand	1	1
Total	17,321	18,510

a. Reconciliation of operating profit to net cash flows from operating activities

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in the bank net of unrepresented cheques and outstanding remittances from 30 June 2021. Cash and cash equivalents at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2021 \$'000	2020 \$'000
Operating profit / (loss)	33,820	(19,287)
Investment income	(10,118)	(7,454)
Interest on lease payments	88	128
Depreciation and amortisation	3,799	3,460
Fair value (gains) / losses on financial assets	(13,016)	1,545
(Gain) / loss on sale of assets	(137)	34
(Increase) / decrease in current receivables	(888)	705
Increase in deferred acquisition costs	(280)	(1,638)
Increase / (decrease) / increase in amount payable for HBREE*	1,454	(2,250)
Decrease / (increase) in deferred tax asset	176	(67)
Increase / (decrease) in accounts payable and accruals	69	(263)
Increase in unearned premium liability	5,874	6,778
Increase in claims liability	7,834	23,226
(Decrease) / increase in unexpired risk liability	(13,531)	10,820
Increase in current provisions	1,020	357
Increase in non-current provisions	1,124	398
Net cash flow from operating activities	17,288	16,492

* HBREE - Health Benefits Risk Equalisation Expense

Recognition and measurement

Cash and cash equivalents

Cash comprises cash on hand; cash in bank and "24 hour" money at call. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of change in value.

Notes to the Financial Statements

9) Trade and other receivables

	2021 \$'000	2020 \$'000
Premium receivable (a)	11,988	11,226
Investment income receivable	763	970
Prepayments	1,236	1,102
GST recoverable	143	235
Sundry debtors	347	263
Total	14,477	13,796

(a) Premium receivable comprises two components, the Federal Government's Private Health Insurance Rebate Scheme (PHI Rebate Scheme) \$9,617,000 (2020: \$8,652,000) and members who pay for their contributions in arrears or who are non-financial \$2,372,000 (2020: \$2,574,000).

- The rebate is accrued on a monthly basis and payment is due and payable within 30 days in the following month. Payment is normally received by the 15th day of the following month.
- The credit period for members who pay their contributions in arrears is 14 days. 7.5% of the Group's members pay for their contributions in arrears while the other 92.5% pay their contributions in advance. Members who fall into arrears by more than 14 days are not charged interest however they are classified as "non-financial" and no benefit will be paid.

Premium receivable for members in arrears at year end is made up of approximately 8,804 (2020: 8,976) members.

Services Australia is the only significant counterparty as at reporting date. Services Australia is the arm of the Federal Government that manages the PHI Rebate Scheme. As at 30 June 2021 the amount owing to the Group from Services Australia was \$9,617,000 (2020: \$8,652,000). This amount is guaranteed by the Federal Government.

Recognition and measurement

Financial Assets – trade and other receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'receivables'. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment.

Impairment of financial assets – trade and other receivables

Trade and other receivables are assessed for indicators of impairment at each balance sheet date. Such financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the financial assets have been impacted. For financial assets carried at amortised cost (such as receivables), the amount of the impairment is the difference between the assets carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The loss is recognised in the consolidated statement of comprehensive income.

Notes to the Financial Statements

10) Deferred acquisition costs

	2021 \$'000	2020 \$'000
Current	1,195	1,084
Non-current	909	740
Total current assets	2,104	1,824

Movements in deferred acquisition costs are as follows:

	2021 \$'000	2020 \$'000
Opening balance	1,824	186
Acquisition costs deferred during the year	1,555	2,413
Amortisation expense	(1,275)	(775)
Total current assets	2,104	1,824

Recognition and measurement

Commissions and merchant fees incurred in obtaining overseas students health insurance contracts are deferred as assets and recognised over the life of the contract where they can be reliably measured and where it is probable that

they will give rise to premium revenue that will be recognised in the consolidated statement of comprehensive income in subsequent reporting periods. All other acquisition costs incurred in obtaining insurance contracts are expensed and not deferred.

Notes to the Financial Statements

11) Financial assets at fair value through profit or loss

	2021 \$'000	2020 \$'000
Current assets		
Term deposits (a)	108,800	101,200
Total current assets	108,800	101,200
Non-current assets		
Term deposits	-	28,000
Managed multi assets fund at market value	84,116	55,515
Managed bond funds at market value	38,077	30,084
Managed share funds at market value	66,702	44,716
Managed property funds at market value	23,285	20,409
Investment in Whitecoat	-	4,888
Total non-current assets	212,180	183,612
Total financial assets at fair value through profit or loss	320,980	284,812

(a) These term deposits have maturity dates ranging from 9 July 2021 to 23 May 2022. The weighted average interest rate on these term deposits is 1.20% (2020: 1.12%).

Classification

The Group has classified its investments as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of comprehensive income in the period in which they arise.

Recognition and measurement

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs.

In estimating the fair value of financial assets the Group has adopted the following approach:

- where financial instruments are traded in active markets valuations are determined with reference to unadjusted quoted prices for identical assets, and
- where financial instruments are traded in non-active markets the valuations are based on comparable instruments and other valuation techniques.

Assets backing general insurance liabilities

All investments held by the Group have been determined to be assets backing general insurance liabilities, and accordingly are designated as "at fair value through profit or loss".

Notes to the Financial Statements

12) Fixture, fittings and equipment

	2021 \$'000	2020 \$'000
Gross carrying amount		
Balance as at 1 July	5,337	4,878
Additions	164	493
Disposals	(163)	(34)
Balance as at 30 June	5,338	5,337
Accumulated depreciation		
Balance as at 1 July	4,372	3,760
Disposals	(163)	-
Depreciation expense	570	612
Balance as at 30 June	4,779	4,372
Net book value		
Balance as at 30 June	559	965

Aggregate depreciation allocated during the year is recognised as an expense and disclosed in note 6 to the financial statements.

Recognition and measurement

Fixture, fittings and equipment

Fixture, fittings and equipment are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on fixtures, fittings and equipment. Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value being zero. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period with the effect of any changes recognised on a prospective basis.

Fixture, fittings and equipment are assessed for indicators of impairment at each balance sheet date. Such assets

are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the assets. Fixture, fittings and equipment are carried at depreciated cost, the amount of the impairment is the difference between the asset's carrying amount and the current market value. The loss is recognised in the consolidated statement of comprehensive income.

The following estimated useful lives are used in the calculation of depreciation:

Description	Useful life
Computer equipment	3 years
Furniture and fittings	7 years
Office equipment	4 years

Notes to the Financial Statements

13) Intangible assets

Software	2021 \$'000	2020 \$'000
Gross carrying amount		
Balance as at 1 July	17,908	9,652
Additions	4,637	8,256
Disposals	(1,165)	
Transfer / adjustment	(63)	
Balance as at 30 June	21,317	117,908
Accumulated amortisation		
Balance as at 1 July	2,829	764
Disposals	(1,165)	
Amortisation expense	2,438	2,065
Balance as at 30 June	4,102	2,829
Net book value		
Closing balance as at 30 June	17,215	15,079

Intangible assets

Costs incurred in developing products or systems that will contribute to future economic benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the projects.

Software is recorded at cost less accumulated amortisation and impairment. Amortisation is charged on a straight-line basis over the estimated useful life. The estimated useful life and amortisation method is reviewed at the end of each annual reporting period, with any changes in the accounting estimate being accounted for on a prospective basis.

Intangible assets are assessed for indicators of impairment at each balance sheet date. Intangibles are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition the estimated future cash flows of the intangible assets have been impacted. For intangible assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying and the present value of estimated future cash flows, discounted at the original effective interest rate. The loss is recognised in the consolidated statement of comprehensive income.

Description	Useful life
Software	3-7 years

Notes to the Financial Statements

14) Right-of-use assets and lease liabilities

a. Right-of-use assets

	2021			2020		
	Properties	Office Equipment	Total right of use assets	Properties	Office Equipment	Total right of use assets
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Right-of-use asset	2,409	138	2,547	2,409	124	2,533
Accumulated depreciation	1,548	27	1,575	774	8	782
Balance as at 30 June	861	111	972	1,635	116	1,751

b. Lease Liabilities

	2021 \$'000	2020 \$'000
Current	884	979
Non-current	353	1,206
Total	1,237	2,185

c. Amounts recognised in the consolidated statements of comprehensive income

The consolidated income statement shows the following amounts related to leases:

	Notes	2021 \$'000	2020 \$'000
Depreciation charges of right-of-use assets	6	792	782
Interest on lease liabilities	14(c)	88	128

d. Accounting policy

The Group leases various offices and the rental contracts are for fixed periods of one to three years but may have extension options.

Leases are recognised as a right-of-use asset with a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Notes to the Financial Statements

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs
- any restoration costs

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

15) Trade and other payables

	2021 \$'000	2020 \$'000
Amounts due to the Health Benefits Risk Equalisation Trust Fund (a)	9,623	8,169
Accruals (b)	929	1,740
Trade payables (b)	2,074	1,194
Total	12,626	11,103

(a) The credit period provided to the Group by APRA for amounts due to the Health Benefits Risk Equalisation Trust Fund is 14 days from the date of invoice paid quarterly. Thereafter, interest is charged at 15% on the outstanding balance. The Group has procedures in place to ensure this payment is made by the due date.

(b) For other payables balances, the credit period on purchases of goods and services can vary between seven and 30 days. No interest is charged on late payments. The Group has procedures in place to ensure all payments are made by the due date.

Health Benefits Risk Equalisation Trust Fund

Under the provisions of the *Private Health Insurance Act 2007*, all health insurers must participate in the Risk Equalisation Trust Fund (RETF).

The RETF is an estimated provision calculated based on the proportion of hospital and medical claims of all persons aged 55 years and older as well as any person with high cost claims. The final amount payable to the RETF are determined by APRA after the end of each calendar quarter. Estimated provisions for amounts payable are recognised on an accruals basis.

Recognition and measurement

Trade and other payables

Trade payables and other accounts payable are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services.

Notes to the Financial Statements

16) Provisions

	2021 \$'000	2020 \$'000
Current provision		
Employee benefits (a)	2,036	1,772
Provision for employee performance payments (b)	2,364	2,045
Unallocated premiums (c)	567	748
Doubtful debts (d)	157	204
Provision for redundancies (e)	665	-
Total current provision	5,789	4,769
Non- current provision		
Employee benefits (f)	1,574	1,209
Makegood (g)	700	700
Provision for employee performance payments (h)	1,015	257
Total non-current provision	3,289	2,166
Total provisions	9,078	6,935

(a) The current provision for employee benefits is annual leave accrued and is expected to be paid within 12 months.

(b) The provision for employee performance payments is expected to be paid within 12 months.

(c) The Group systems do not currently allow the allocation of member premiums to their account for any part day payments. The provision balance represents the accumulation of unallocated members' premiums over a period of more than 10 years when the current systems were introduced. Corrective actions to ensure affected members' premiums are allocated have been taken.

(d) The provision for doubtful debts is related to a group of members who are in arrears and the likelihood they will not pay.

(e) The provision for redundancies relates to restructuring costs associated with a reduction in the number of employees.

(f) The non-current provision for employee benefits is long service leave accrued and expected to be paid after 12 months.

(g) The non-current provision for makegood is expected to be paid when the rental lease is terminated and the premises vacated.

(h) The provision for employee performance payments is expected to be paid within two years, subject to continuing improved performance being met and continued employment.

Notes to the Financial Statements

Movement in current provisions

	Annual leave provision \$'000	Performance payments provision \$'000	Unallocated premiums \$'000	Doubtful debts provision \$'000	Provision for redundancies (\$'000)	Total \$'000
Balance at 30 June 20	1,772	2,045	748	204	-	4,769
Used during the year	(1,636)	(1,932)	(379)	-		(3,947)
Unused amounts reversed				(47)		(47)
Additional provisions recognised	1,900	2,251	198	-	665	5,014
Balance at 30 June 21	2,036	2,364	567	157	665	5,789

Movement in non-current provisions

	Long service leave provision \$'000	Performance payments provision \$'000	Makegood provision \$'000	Total \$'000
Balance at 30 June 20	1,209	257	700	2,166
Used during the year	(41)	-	-	(41)
Unused amounts reversed	-	-	-	-
Additional provisions recognised	406	758	-	1,164
Balance at 30 June 21	1,574	1,015	700	3,289

Recognition and measurement

Provision

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from members, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

Employee benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits cover performance payments, annual leave and long service leave. Sick leave is non-vesting and is accounted for as incurred.

The liability for performance payments, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date, is calculated at current remuneration rates which are expected to be paid when the liability is settled.

The liability for long service leave entitlements represents the present value of the estimated future cash outflows to be made. In determining future cash outflows, consideration has been given to future increases in salary rates, and the probability that employees will remain with the Group for the period of time necessary to qualify for long service leave. The calculation includes related on-costs. In calculating the present value, the estimates of future cash outflows are discounted using the rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability.

Employee entitlement expenses and contributions made to superannuation funds by the Group are recognised in the consolidated statement of comprehensive income due.

Notes to the Financial Statements

17) Claims liability

a. Claims liability

	2021 \$'000	2020 \$'000
Outstanding claims – central estimate of the expected future payments for claims incurred (i)	42,796	31,606
Claims handling costs	1,243	941
Risk margin (ii)	2,617	2,345
Deferred claims liability	23,800	29,565
Risk equalisation	7,157	5,322
Total claims liability	77,613	69,779

i. The expected future payments are not discounted due to the short tail nature of health insurance, as claims are generally settled within twelve months.

ii. The risk margin of:

- CBHS Health Fund Limited 5.00% (2020: 6.10%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2020: 75%).
- CBHS Corporate Health Pty Ltd 10.0% (2020: 11.3%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2020: 75%).
- The risk margin does not apply to the deferred claims liability.

b. Risk margin

Process for determining risk margin

The outstanding claims risk margin was determined allowing for the relative uncertainty of the outstanding claims central estimates for health insurance contracts issued by the Group. Uncertainty was analysed by comparing the initial outstanding claims central estimate of past months with that provision again determined after

a further period of processing allowing for more accurate estimates of the outstanding claims. The relative differences between the initial central estimate of the provision and the later central estimate of the provision are then analysed to provide a basis from which to set the risk margin.

Although there are some claims paid for health insurance services that have been incurred for more than 12 months, these claims are small in number. Most activity in hospital and medical benefits after more than 12 months of the date of service are reversals due to compensation settlements. This activity is usually around 0.4% of total incurred claims in a month (the Group pays claims that are likely to be subject to compensation when the claimant gives an undertaking that the benefits will be repaid to the Group upon compensation settlement). Also around 0.3% of ancillary benefit services for which benefits are payable are claimed (and paid) more than 12 months after the date of service. These very small changes in the total incurred claims in any month are reasonably predictable and included in the estimated provision that is determined 12 months after the initial provision date.

The overall provision is intended to have a 75% probability of adequacy.

	2021	2020
Risk margin (CBHS Health Fund Limited)	5.00%	6.10%
Risk margin (CBHS Corporate)	10.0%	11.3%

Notes to the Financial Statements

c. Reconciliation of movement

Changes in the gross outstanding claims liability can be analysed as follows:

	2021 \$'000	2020 \$'000
As at 1 July	69,779	46,553
Claims incurred during the year	438,780	430,819
Claims paid during the year	(430,946)	(407,593)
As at 30 June	77,613	69,779

Recognition and measurement

Outstanding claims liability

The outstanding claims liability is measured as the central estimate of the present value of expected future payments against claims incurred at the reporting date under health insurance contracts issued by the Group, with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The expected future payments include those in relation to claims reported but not yet paid, claims incurred but not reported, anticipated claims handling costs and the expected payment to the Health Benefits Risk Equalisation Trust Fund.

Claims handling costs include administration costs regarding the processing of these claims.

In assessing the outstanding claims liability, the Group seeks advice from its Appointed Actuary.

Provision is made during the year for the estimated cost of claims incurred but not settled at balance date, including the cost of claims incurred but not yet reported to the Group.

The estimated cost of claims includes direct expenses to be incurred in settling claims and any risk equalisation related to the hospital and medical portion of claims. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

The estimation of claims incurred but not reported (IBNR) is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Group, where more information about the claim event is generally available. IBNR claims may often not be apparent to the Group until several months later. In calculating the estimated cost of unpaid claims the Group uses a variety of estimation techniques, generally based upon actuarial analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance

is made, however for changes or uncertainties which may create distortions in the underlying assumptions or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in internal or external processes which might accelerate or slow down the payment of claims, compared with the information from previous periods;
- the effects of inflation;
- medical and technological developments;
- increase in membership;
- increase in utilisation; and
- seasonal changes in utilisation.

Given the uncertainty in establishing claims provisions, a risk margin is added to determine the liability balance. The risk margin is based on analysis of the volatility of historical claims experience. This past experience is assumed to be representative of future experience.

Details of specific assumptions used in deriving the outstanding claims liability during the year are detailed in note 27(a).

Deferred claims liability

The liability for deferred claims is measured by estimating the proportion of claims that have not occurred during the financial year due to the delay of elective surgery and temporary closure of general providers as a result of COVID-19.

If cover remains in place, a responsibility exists to provide for these claims that have been deferred given members would have had used and therefore claimed on hospital, surgical and ancillary services had the pandemic not arisen. The provision is management's estimate of the percentage of claims which did not occur during the financial year that are anticipated to be deferred to next year.

Notes to the Financial Statements

18) Unearned premium liability

	2021 \$'000	2020 \$'000
Unearned premium liability as at 1 July	41,653	34,875
Deferral of premiums on contracts written in the period	47,528	41,653
Earning of premiums written in previous periods	(41,653)	(34,875)
Unearned premium liability as at 30 June	47,528	41,653

19) Unexpired risk liability

The Group completed a liability adequacy test as at 30 June 2021 and it was determined that there was no deficiency to recognise (2020: \$13,531,000).

a. Unexpired risk liability

	2021 \$'000	2020 \$'000
Unexpired risk liability as at 1 July	13,531	2,711
(Decrease)/increase recognition of additional risk liability in the period	(13,531)	10,820
Unexpired risk liability as at 30 June	-	13,531

b. Movement recognised in the statement of comprehensive income

	2021 \$'000	2020 \$'000
Gross movement in unexpired risk liability	(13,531)	10,820
Net movement in unexpired risk liability	(13,531)	10,820
Total movement recognised in the income statement	(13,531)	10,820

Notes to the Financial Statements

c. Calculation of deficiency

The liability adequacy test is performed at a portfolio level. The calculations are shown below:

i. CBHS Health Fund	2021 \$'000	2020 \$'000
(i) Unearned premium liability component		
Unearned premium liability (A)	33,681	29,804
Central estimate of expected future cash flows arising from future claims on unearned premium liability (B)	31,842	30,003
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	919	866
Net deficiency (B+C-A)	-	(1,065)
(ii) Unclosed business liability component		
Unclosed business liability (A)	634	841
Central estimate of expected future cash flows arising from future claims on unclosed business (B)	599	847
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	17	24
Net deficiency (B+C-A)	-	(30)
(iii) Insurance contracts renewable before the next pricing review		
Insurance contracts renewable before the next pricing review (A)	428,033	347,876
Central estimate of expected future cash flows arising from future claims on insurance contracts renewable, allowing for differences between classes (B)	404,668	350,202
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	11,680	10,105
Net deficiency (B+C-A)	-	(12,431)
Total deficiency (i)+(ii)+(iii)	-	(13,526)

*Probability of Adequacy

Notes to the Financial Statements

ii. CBHS Corporate	2021 \$'000	2020 \$'000
(i) Unearned premium liability component		
Unearned premium liability (A)	13,199	10,980
Central estimate of expected future cash flows arising from future claims on unearned premium liability (B)	9,539	5,884
Risk margin (as per table below) on claims cost and 2.5% on management expenses at 75% PoA* (C)	341	175
Net deficiency (B+C-A)	-	-
(ii) Unclosed business liability component		
Unclosed business liability (A)	17	60
Central estimate of expected future cash flows arising from future claims on unclosed business (B)	13	40
Risk margin (as per table below) on claims cost and 2.5% on management expenses at 75% PoA* (C)	1	2
Net deficiency (B+C-A)	-	-
(iii) Insurance contracts renewable before the next pricing review		
Insurance contracts renewable before the next pricing review (A)	4,480	3,348
Central estimate of expected future cash flows arising from future claims on insurance contracts renewable, allowing for differences between classes (B)	4,141	3,203
Risk margin (as per table below) on claims cost and 2.5% on management expenses at 75% PoA* (C)	191	150
Net deficiency (B+C-A)	-	(5)
Total deficiency (i)+(ii)+(iii)	-	(5)

*Probability of Adequacy

	2021	2020
Risk margin (CBHS Health Fund Limited)	2.95%	2.95%
Risk margin (CBHS Corporate)	5.0%	5.0%

Notes to the Financial Statements

Recognition and measurement

Liability adequacy test and unexpired risk liability

The liability adequacy test is required to be performed to determine whether the unearned premium liability is adequate to cover the present value of expected cash flows relating to future claims arising from rights and obligations under current insurance contracts, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. In estimating the unexpired risk liability, the Group uses a variety of estimation techniques, generally based upon actuarial analyses of historical experience. Allowance is made, however for changes or uncertainties which may create distortions in the underlying assumptions, or which might cause the cost of future claims to increase or reduce in a similar manner with the outstanding claims liability.

The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the insurance liability, then the insurance liability is deemed to be deficient. The Group applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of outstanding claims liability. The entire deficiency is recognised immediately in the consolidated statement of comprehensive income.

In assessing the unexpired risk liability, the Group seeks advice from its Appointed Actuary.

Details of specific assumptions used in deriving the unexpired risk liability during the year are detailed in note 27(b).

20) Total Reserves

	2021 \$'000	2020 \$'000
Retained earnings		
Balance at beginning of financial year	191,906	211,706
Operating profit / (loss)	33,820	(19,287)
AASB 16 adoption adjustment	-	(513)
Total retained earnings end of financial year	225,726	191,906
Balance at end of financial year	225,726	191,906

Notes to the Financial Statements

21) Parent entity financial information

a. Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Balance Sheet	2021 \$'000	2020 \$'000
Assets		
Current assets	126,648	117,354
Total assets	374,096	337,241
Liabilities		
Current Liabilities	129,480	128,386
Total liabilities	134,006	132,737
Net assets	240,090	204,504
Equity		
Retained Profits	240,090	204,504
Total equity	240,090	204,504
Profit or loss for the year	35,585	(16,605)
Total comprehensive income for the year	35,585	(16,605)

b. Guarantees entered into by the parent entity

The parent entity did not provide any guarantees during the financial year (2020: nil).

c. Contingent liabilities of parent entity

The parent entity did not have any contingent liabilities as at 30 June 2021 (2020: nil).

d. Contractual commitments for the acquisition of property, plant or equipment

As at 30 June 2021, the parent entity did not have any commitments for the acquisition of property, plant or equipment (2020: nil).

e. Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

i. Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of CBHS Health Fund Limited. No dividends were received during the financial year (2020: nil).

Notes to the Financial Statements

22) Related Parties

During the year thirteen Directors of the Group were members of the Fund. Membership was on terms and conditions no more favourable than those adopted when dealing with an unrelated individual in an arm's length transaction.

Related Party Transactions

During the financial year, CBHS Health Fund Limited provided management services to CBHS Corporate as set out in a Management Service Agreement. The value of services provided to CBHS Corporate for the financial year was \$2,116,075 (2020: \$3,413,451).

In 2019 CBHS Health Fund Limited acquired shares in Whitecoat Holdings Pty Ltd. CBHS Health Fund Limited paid a monthly licence fee and a management services fee to Whitecoat Operating Pty Ltd. The value of these services for the financial year was \$242,218 (2020: \$315,000). CBHS Health Fund Limited nominated Malcolm 'Jay' MacGregor to be a Director of Whitecoat Holdings Pty Ltd and Whitecoat Operating Pty Ltd and Mr MacGregor received fees from Whitecoat Operating Pty Ltd until May 2021, when CBHS Health Fund Limited sold all of its shares in Whitecoat Holdings Pty Ltd to CBA. The total amount of the sale proceeds was \$5,215,110 plus a maximum earnout payment of \$4,529,000 subject to revenue targets being achieved over a three year period. As at June 2021, no financial asset with respect to the earnout was recognised.

23) Remuneration of auditors

	2021 \$	2020 \$
Audit of financial statements	219,739	226,456
Audit and review of regulatory returns	84,718	78,915
Total remuneration for audit and assurance services	304,457	305,371
Taxation services	22,440	22,195
Total remuneration for taxation services	22,440	22,195
Assisting with AASB 7 disclosures	4,200	4,000
Agreed upon procedures	4,200	4,000
Total remuneration for other services	8,400	8,000
Total remuneration of PricewaterhouseCoopers Australia	335,297	335,566

The auditor of the Group is PricewaterhouseCoopers.

Notes to the Financial Statements

24) Remuneration of Directors and other key management personnel

	2021 \$	2020 \$
a) Directors' remuneration		
Short-term employment benefits	402,068	392,638
Post-employment benefits (9.50% statutory superannuation guarantee)	36,917	31,418
Total Directors' remuneration	438,985	424,056
	2021 \$	2020 \$
b) Other key management personnel remuneration		
Short-term employment benefits	2,931,029	2,821,513
Post-employment benefits (9.50% statutory superannuation guarantee)	171,015	166,314
Total key management personnel remuneration	3,102,044	2,987,827
Total Directors' and other key management personnel remuneration	3,541,029	3,411,883

25) Liability of members

CBHS Health Fund Limited is a company limited by guarantee, incorporated and operating in Australia. The liability of the members is limited. Every voting member of CBHS Health Fund Limited undertakes to contribute to the assets of CBHS Health Fund Limited, in the event of the company being wound up while still a voting member, or within one year after ceasing to be a voting member, for payment of the debts and liabilities of the company (contracted before ceasing to be a voting member) and of the costs, charges and expenses of winding up for members, shall not exceed ten dollars (\$10.00).

26) Contingent liability

There are no contingent liabilities that we are aware of that may affect the financial position of the Group in the future (2020: nil).

Notes to the Financial Statements

27) Actuarial assumptions and methods

a. Claims liability

Outstanding claims liability

Hospital, Medical, Ambulance and Ancillary cover

With the insured services of these products there can be some months delay between the incurred service and the service being paid by the Group. The ultimate expected cost for these claims is determined by projecting the known claims reported and paid using historic patterns of claim development.

Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liability for CBHS Health Fund Limited.

Estimate	Key Variable 2021 \$'000	Key Variable 2020 \$'000
Estimated Medical and Ancillary Incurred Claims Cost	13,586	13,495
Estimated Hospital Incurred Claims Cost	20,063	17,385

The following assumptions have been made in determining the outstanding claims liability for CBHS Corporate.

Estimate	Key Variable 2021 \$'000	Key Variable 2020 \$'000
Estimated Hospital and Medical Incurred Claims Cost	399	366
Estimated Ancillary Incurred Claims Cost	114	148

Estimate %	CBHS Health Fund		CBHS Corporate	
	Key Variable 2021 %	Key Variable 2020 %	Key Variable 2021 %	Key Variable 2020 %
Claims Handling Expense – Hospital	2.5	2.5	2.5	2.5
Claims Handling Expense – Medical	5.0	5.0	2.5	2.5
Claims Handling Expense – Ancillary	5.0	5.0	5.0	5.0
Risk Equalisation (Outstanding Claims Component)	18.0	18.0	35.5	85
Risk Margin	5.0	6.1	10.0	11.3

Notes to the Financial Statements

Process used to determine assumptions

Hospital and Medical Incurred Claims Cost

This is determined by projecting the total paid claims for each month incurred at the balance date using seasonal factors and historic reporting patterns.

Ancillary Incurred Claims Cost

This is determined by projecting the total paid claims for each month incurred at the balance date using historic patterns.

Claims Handling Expense Rate

Claims handling expenses were calculated by reference to past experience of claims handling costs as a percentage of past claims.

Risk Equalisation (Outstanding Claims Component)

This is determined by applying the projected relationship between net risk equalisation claims and paid claims to the hospital and medical outstanding claims.

Sensitivity analysis

Summary

The Group conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed.

Impact of changes in key variables CBHS Health Fund

	Key Variable Change 2021 %	Changes in Outstanding Claims Component* 2021 \$'000	Key Variable Change 2020 %	Changes in Outstanding Claims Component* 2020 \$'000
Incurring Claims	+10	3,912	+10	3,570
	-10	(3,912)	-10	(3,570)
Expense Rate	+10	122	+10	93
	-10	(122)	-10	(93)
Risk Equalisation (Outstanding Claims Component)	+10	705	+10	516
	-10	(705)	-10	(516)

*Excludes risk margin

Impact of changes in key variables CBHS Corporate Health

	Key Variable Change 2021 %	Changes in Outstanding Claims Component* 2021 \$'000	Key Variable Change 2020 %	Changes in Outstanding Claims Component* 2020 \$'000
Incurring Claims	+10	53	+10	53
	-10	(53)	-10	(53)
Expense Rate	+10	3	+10	1
	-10	(3)	-10	(1)
Risk Equalisation (Outstanding Claims Component)	+10	11	+10	16
	-10	(11)	-10	(16)

*Excludes risk margin

Notes to the Financial Statements

Deferred claims liability

The following details the changes in key estimates on the COVID-19 claims liability.

- A 4% increase/decrease in the expected claims level would result in the following (increase)/decrease to the profit/loss after income tax.

		2021	2020
Sensitivity 1	Claims +4%	\$6.4m	\$1.2m
	Claims -4%	(\$6.4m)	(\$1.2m)

- An increase/decrease of 10 percentage points in the adopted savings for COVID-19 hospital claims would result in the following (increase)/decrease to the profit/loss after income tax.

		2021	2020
Sensitivity 2	Hospital Savings +10%	(\$4.8m)	\$2.0m
	Hospital Savings -10%	\$4.8m	-

- An increase/decrease of 10 percentage points in the adopted savings for COVID-19 ancillary claims would result in the following (increase)/decrease to the profit/loss after income tax.

		2021	2020
Sensitivity 3	Extras Savings +10%	(\$1.6m)	\$1.2m
	Extras Savings -10%	\$1.6m	(\$1.2m)

Notes to the Financial Statements

b. Unexpired risk liability

Actuarial assumptions

The following assumptions have been made in determining the unexpired risk liability. The table below is a combination of the unexpired risk liability from 1) unearned premium liability and 2) insurance contracts to be renewed before the next pricing review.

Estimate	Key Variable 2021 \$'000	Key Variable 2020 \$'000
Estimated Claims Cost - CBHS Health Fund Limited	375,254	331,521
Estimated Claims Cost - CBHS Corporate Health Pty Ltd	2,913	2,196

Estimate %	CBHS Health Fund		CBHS Corporate	
	Key Variable 2021 %	Key Variable 2020 %	Key Variable 2021 %	Key Variable 2020 %
Risk Equalisation (relating to above estimated claim)	9.0	7.5	23.3	24.6
Risk Margin	2.95	2.95	5.0	5.0

Process used to determine assumptions

Estimated Claims Cost

This is determined by projecting the claims from (1) unearned premium liability and (2) renewable contracts to the next pricing review, based on historic reporting patterns.

Risk equalisation (relating to above estimated claim)

The proportion of claims for each product that are claimed under the risk equalisation arrangements is kept constant. The net deficit per single equivalent unit is projected based on using the Group experience of the average change from quarter to quarter.

The liability is intended to have a 75% probability of adequacy.

Process for determining the risk margin

The risk margin was determined allowing for the relative uncertainty of the budget projection central estimates of benefits. The budget projection is used to determine the likely future claims experience of the unearned premiums and contractual obligations.

Uncertainty was analysed by comparing the nine-month rolling central estimates of budgeted benefits with those actually incurred. The relative differences between the central estimate of the budget forecasts and the actual benefits are then examined on an empirical basis, providing the basis for the selected risk margin.

Estimate	2021	2020
Risk Margin (CBHS Health Fund Limited)	2.95%	2.95%
Risk Margin (CBHS Corporate Health Pty Ltd)	5.0%	5.0%

Notes to the Financial Statements

Sensitivity analysis

Summary

The Group conducts sensitivity analyses to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed.

Impact of changes in key variables CBHS Health Fund

	Key Variable Change 2021 %	Changes in unexpired Risk Component* 2021 \$'000	Key Variable Change 2020 %	Changes in unexpired Risk Component* 2020 \$'000
Estimated Claims Cost	+10	26,065	+10	34,206
	-10	-	-10	(13,526)
Risk Equalisation (relating to above estimated claim)	+10	-	+10	2,803
	-10	-	-10	(2,803)

*Excludes risk margin

Impact of changes in key variables CBHS Corporate Health

	Key Variable Change 2021 %	Changes in unexpired Risk Component* 2021 \$'000	Key Variable Change 2020 %	Changes in unexpired Risk Component* 2020 \$'000
Estimated Claims Cost	+10	104	+10	178
	-10	-	-10	(5)
Risk Equalisation (relating to above estimated claim)	+10	-	+10	10
	-10	-	-10	(5)

*Excludes risk margin

Notes to the Financial Statements

28) Insurance contracts – risk management policies and procedures

The financial condition and operation of the Group is affected by a number of key risks including insurance risk, interest rate risk, credit risk, market risk, liquidity risk, compliance risk, fiscal risk and operational risk.

The Board of Directors of the Group determines the entity's risk appetite and approves the risk management strategies, policies and practises to ensure that risks are identified and managed within the context of this appetite.

Some of the key features of the Group's risk management framework includes the:

- Audit Committee and the Risk Committee's responsibility to assist the Board in fulfilling its statutory and fiduciary duties relating to the financial reports, the risk management framework, the independence of the auditors and regulatory compliance;
- Asset & Liability Committee's responsibility to monitor investment-related activities;
- Annual endorsement of a) Risk Management Strategy and b) Risk Appetite Statement which sets out the ways in which the Group will mitigate strategic and operational risks;
- Management of risk and compliance through the utilisation of risk management software; and
- Various internal policies, procedures and information systems including:
 - Management's regular assessment and reporting on key risks. Risk profiles are reviewed regularly and where necessary policies and procedures are implemented to mitigate the risk;
 - the specific identification and addressing of insurance risk within the Group risk profile;
 - the Internal Audit function which provides management and the Board independent assurance of the internal control environment;
 - the annual Management Certification and Representation Questionnaire provides the Board certifications from management about the accuracy of the representation of financial data and the effectiveness of internal controls;
 - annual Risk Management Declaration, attested by the Chief Risk Officer for the Chairs of the Risk Committee and Board to sign and submit to APRA;
 - an investment strategy weighted to defensive investment assets and capital preservation;
 - the monitoring and review of compliance with Solvency and Capital Adequacy standards as required by the *Private Health Insurance (Prudential Supervision) Act 2015*, and the strategic benchmarks set by the Board;
 - the setting of key performance indicators under the Business Plan together with the monitoring and re-forecasting of targets throughout the course of the year;

- a product design and approval process that includes sign-off by business units (Marketing, Finance and Operations), the Appointed Actuary, Compliance and Legal prior to Board approval;
- a rigorous pricing review;
- review and approval of the budget and forecast/s compiled by management; and
- continuous monitoring of performance against budget and forecast/s.

Insurance Risk

The provision of Private Health Insurance in Australia is governed by the *Private Health Insurance Act 2007*. The regulatory factors which impact the Group insurance risk include the:

- principle of community rating which precludes health insurers from discriminating against people based on factors which include medical condition, gender, race, religious belief or age;
- Risk Equalisation scheme which, in effect, re-allocates some of the risk of private health insurers which relates to the age profiles of their health funds; and
- review and approval by the Federal Minister for Health and Aged Care of all Health Insurance premium increases

Concentration Risk

CBHS Health Fund Limited is a not-for-profit private health insurer, exclusively for current and former employees of the CBA, divested CBA businesses as well as their family members.

This exclusive market base is key to the diversified CBHS Health Fund Limited policyholder membership base.

Credit Risk

Credit risk is the potential of loss arising from failure of a debtor or counterparty (in relation to loans to counterparty), to meet their contractual obligations.

The Group is exposed to credit risk through the operation of its Private Health Insurance business and management of its financial assets (credit risk of financial assets is addressed in note 30 (f)).

In terms of non-financial assets, credit risk relates to the Services Australia rebate receivable (a government organisation administering the Private Health Insurance Government rebate scheme) and premium receivable from policyholders. Premiums in arrears are continuously monitored. No claims are paid on policies with contributions in arrears unless the policies fall under the Financial Assistance Package extended to members who experience financial hardship as a result of COVID-19.

Interest Rate Risk

The Group's interest rate risk is limited to those of its financial assets in note 30 (d).

All other receivables are non-interest bearing.

Notes to the Financial Statements

Compliance Risk

In operating a health fund, the Group is required to comply with the requirements set out in the *Private Health Insurance Act 2007*.

The Group has established internal controls to ensure that it meets its compliance requirements under the Act. These measures include:

- external legal input in relation to the drafting of its health benefits fund rules;
- monitoring and management of compliance obligations through the utilisation of risk management software;
- implementation of a compliance framework including dedicated compliance reviews of operational practices to ensure the Group complies with all legislative and regulatory requirements and conduct;
- regular documented internal control reviews of changes to regulations;
- completion of the annual Management Certification and Representation process by senior managers; and
- internal audit assessments of compliance arrangements.

Other

Market Risk and Liquidity Risk are addressed at note 30 (g).

29) Segment information

The Group operates only in one business and geographical segment, which is providing private health insurance and related wellbeing services in Australia.

30) Financial instruments

a. Capital risk management

Capital adequacy and solvency standards are established by APRA and are an integral component of the regulatory reporting framework. APRA issues Solvency and Capital Adequacy Standards (Prudential Standard HPS 100 Solvency Standard (HPS 100) and Prudential Standard HPS 110 Capital Adequacy (HPS 110)), which are designed to ensure that health funds adhere to prudent capital and investment policies.

Capital is managed in accordance with the Group's Capital Management Policy. It provides a framework for the management and monitoring of capital in line with the Board's risk appetite. This document is underpinned by;

- a Risk Appetite Statement which articulates the risk capacity of the Group as a whole, appetite for different types of risk and expresses the risk tolerance for each material risk; and
- an Investment Policy Statement which defines the Board's investment beliefs, a strategic asset allocation and specific rules around investments; and
- a Liquidity Management Plan which defines targets and responsibilities of tasks in the management of liquid assets.

The Board can confirm that it was in full compliance with the requirements of the capital standards.

b. Significant accounting policies

Significant accounting policies, including the criteria for recognition, the basis of measurement and the basis on which revenue and expenses are recognised in respect of each class of financial asset and liability are disclosed in notes to the financial statements.

c. Financial risk management objective

The Group's principal financial instruments comprise receivables, payables, and investments (term deposits and managed funds). The Group manages its exposure to key financial risks in accordance with the Group's risk management framework. The objective of the risk management framework is to protect the future financial assets of the Group.

The main risks arising from the Group's financial instruments are market risk (including interest rate and price risk), credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate risks and assessments of market forecasts for interest rates. Ageing analyses are monitored to manage credit risk and liquidity risk is monitored through the development of rolling cash flow forecasts.

The primary responsibility for identification and control of financial risks rests with the Group Chief Executive Officer, Group Chief Risk Officer and Group Chief Financial Officer.

d. Interest rate risk management

The Group is exposed to interest rate risk on its investment portfolio and bank deposits. The investment portfolio comprises both fixed and variable interest rate investments. The risk is managed by maintaining a high proportion in fixed interest rate investments. As at 30 June 2021 the fair value of investments with a fixed interest rate was \$108,800,000 (2020: \$129,200,000).

Notes to the Financial Statements

The Group's exposures to interest rates on financial assets are detailed below:

	Weighted average effective interest rate %	2021 \$'000	2020 \$'000
Cash deposits – "24 hour at call"	0.00	9,355	14,343
Term deposits designated at fair value through profit or loss	1.20	108,800	129,200

Interest rate sensitivity analysis

The sensitivity analyses below have been determined on the exposure to interest rate movements on the investment portfolio at reporting date and the stipulated change taking place at the beginning of the financial year and held

constant throughout the reporting period. A 25 basis point increase or decrease is used when reporting interest risk internally and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net profit would have been affected as follows:

	Profit Higher/(Lower)	
	2021 \$'000	2020 \$'000
+0.25% (25 basis points) per annum	272	323
-0.25% (25 basis points) per annum	(272)	(323)

This is mainly attributable to the Group's exposure to variable interest rates on its investments.

e. Price risks

The Group is exposed to price risks arising from its investments in cash, share, bond and multi asset managed funds. These investments are held for strategic, rather than trading purposes. The Group mitigates its price risk with an investment policy weighted to defensive assets.

Price risk sensitivity - managed funds

The sensitivity analyses below have been determined based on the exposure to unit price risks at the reporting date. If the unit prices of the managed funds had moved as illustrated in the table below, with all other variables held constant, net profit would have been affected as follows:

	Profit Higher/(Lower)	
	2021 \$'000	2020 \$'000
+5% per annum	22,149	14,308
-5% per annum	(22,149)	(14,308)

Notes to the Financial Statements

f. Credit risk management

Credit risk is the potential for loss arising from the failure of a debtor or counterparty (in relation to loans to that counterparty), to meet their contractual obligations.

The Group's investments are with Board approved financial institutions and managed investment schemes. For investments held directly, these instruments are subject to Board approved counterparty limits.

Credit exposure by credit rating:	2021 \$'000	2020 \$'000
Cash and cash equivalents		
A series rating	9,355	14,343
B series rating	-	-
Unrated	-	-
	9,355	14,343
Financial assets at fair value through the profit or loss		
A series rating	83,800	104,200
B series rating	25,000	25,000
Unrated *	212,180	155,612
	320,980	284,812

* Note the funds invested are not rated however the fund invests in entities that may be rated

Financial instruments designated as at "fair value through profit or loss"	2021 \$'000	2020 \$'000
Carrying amount of financial instruments designated as at "fair value through profit or loss"	108,800	129,200
Principal amount of financial instruments designated as at "fair value through profit or loss"	108,800	129,200
Cumulative changes in fair value attributed to changes in credit risk	(31)	(386)
Changes in fair value attributable to changes in credit risk recognised during the period	355	400

At reporting date, there are no significant concentrations of credit risk relating to financial instruments designated at fair value through profit or loss. The carrying amount reflected above represents the Group's maximum exposure to credit risk.

Notes to the Financial Statements

g. Liquidity risk management

Liquidity risk arises from the possibility that the Group may be unable to settle a transaction on the due date. The ultimate responsibility for liquidity risk management rests with the Group Chief Executive Officer and Group Chief Financial Officer. The Group manages liquidity risk by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Group continues to review its Capital Management Plan to assist in managing the Group's medium and long-term funding and liquidity requirements.

Liquidity and interest risk tables

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table outlines the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table only includes principal cash flows arising from trade and other payables that are non-interest bearing.

	Less than 1 month	1-3 months \$'000	3 months to 1 year \$'000	1-5 years (\$'000)	Total \$'000
2021					
Trade and other payables	2,074	9,623	929	-	12,626
Lease liabilities	82	247	608	349	1,286
2020					
Trade and other payables	1,194	8,169	1,740	-	11,103
Lease liabilities	88	265	713	1,252	2,318

h. Fair value control framework

Fair values are subject to a control framework designed to ensure that they are either determined, or validated, by a function independent of the risk taker. The ultimate responsibility for the determination of fair values lies with the Group Chief Financial Officer who establishes the accounting policies and procedures governing valuation and is responsible for ensuring that these comply with relevant accounting standards. For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilised.

The fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- ii) 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 2); and
- iii) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Notes to the Financial Statements

i. Fair value of financial instruments

As at 30 June 2021, the split of the financial assets at fair value through the profit and loss into the fair value hierarchy is as follows:

2021	Level i: \$'000	Level ii: \$'000	Level iii: \$'000	Total \$'000
Assets <i>Fair value through profit or loss</i>				
Term deposits	108,800	-	-	108,800
Managed multi asset fund	-	84,116	-	84,116
Managed share funds	-	66,702	-	66,702
Managed bond funds	-	38,077	-	38,077
Managed property funds	-	23,285	-	23,285
Investment in other entities	-	-	-	-
Total	108,800	212,180	-	320,980

As at 30 June 2020, the split of the financial assets at fair value through the profit and loss into the fair value hierarchy is as follows:

2020	Level i: \$'000	Level ii: \$'000	Level iii: \$'000	Total \$'000
Assets <i>Fair value through profit or loss</i>				
Term deposits	129,200	-	-	129,200
Managed multi asset fund	55,515	-	-	55,515
Managed share funds	44,716	-	-	44,716
Managed bond funds	30,084	-	-	30,084
Managed property funds	-	20,409	-	20,409
Investment in other entities	-	-	4,888	4,888
Total	259,515	20,409	4,888	284,812

At 30 June 2021, all financial instruments which were valued using unadjusted quoted prices in active markets for identical assets, were classified as level 1.

Where financial instruments were valued based on inputs other than quoted prices included within level 1, they were classified as level 2. Managed funds were reclassified from level 1 to level 2 at 30 June 2021 following a reassessment of the observability of external price sources used in the valuation of those assets.

No financial instruments were classified as level 3 at 30 June 2021. In the prior year, for financial instruments classified as level 3, the fair value was reliant on external valuations and the finance department's assessment of business performance against the original strategic objectives. These investments were classified as level 3

as they were not based on observable market inputs and were complex and judgemental to value. In determining the fair value, the valuations took into consideration historical performance compared against original forecasts, future projected revenue and comparable trading companies and market transactions. The valuations were reviewed by the Group and considered appropriate to value the investments at the balance date.

30) Additional company information

The registered office and principal place of business of the Group is:

Level 5, 79 George Street
Parramatta NSW 2150
Tel: (02) 9843 7603

Directors' Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out between pages 38 and 80 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as when they become due and payable.

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

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



P A MacCuspie
Chairman



A R Smith
Group Chief Executive Officer & Executive Director

Dated 26 August 2021



Independent auditor's report

To the members of CBHS Health Fund Limited

Our opinion

In our opinion:

The accompanying financial report of CBHS Health Fund Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 30 June 2021
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report section* of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Liability limited by a scheme approved under Professional Standards Legislation.

Other information

The directors are responsible for the other information. The other information comprises the information included in the 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 on the other information that we obtained prior to the date of this auditor's report, 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* and for 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 ability of the Group 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 Group 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 the 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/ar3.pdf. This description forms part of our auditor's report.



PricewaterhouseCoopers



R Cooper
Partner

26 August 2021

