



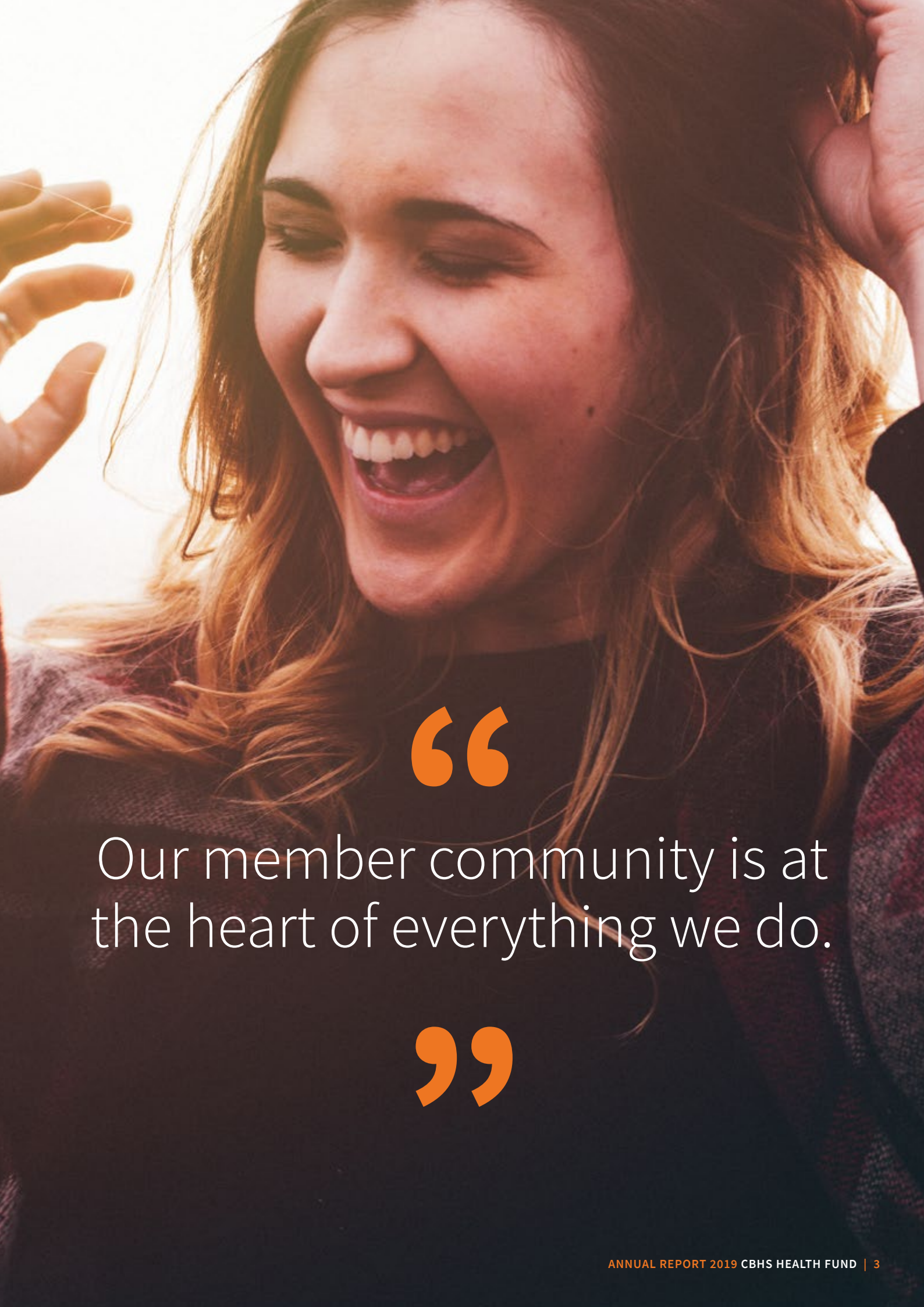
Annual Report 2019



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

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About CBHS



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



More care

The health and happiness of our members is at the heart of everything we do. Over the years we have helped our members access affordable private health care so they can maintain or return to good health.

By making proactive health and wellbeing options available, we aim to prevent illnesses and promote better health. With our Better Living programs, we have also been able to help our members manage their chronic health concerns and improve their quality of life.

“Seeing the strong correlation between my blood glucose level and exercise was dramatic for me. Before this program, exercise was the worst for me, but now I’m committed to daily exercise because I know the positive effects it has.” – Jane

These programs are not only improving our members’ lives, they are helping to maintain the long-term sustainability of the fund through reducing the number of hospital admissions.

More value

Australian Government’s Private Health Insurance Reforms

As part of the Australian Government’s private health insurance reforms that took effect from 1 April 2019, we made several changes to our product range to help deliver more value and make hospital cover more affordable. This included the introduction of age based discounts, \$750 excess on some Hospital covers and the categorisation of hospital products into Gold, Silver, Bronze and Basic.

The reforms are intended to make private health insurance (PHI) more transparent, affordable and simple and allow members and prospective members to better understand the value of their cover. We look forward to continuing to work with the Australian Government as they assess the impact of these changes and consider any further changes into the future.

Whitecoat Partnership

We want our members to make better and more informed choices when selecting health care providers. That’s why

in late 2018 we partnered with Whitecoat, Australia’s most comprehensive healthcare provider directory. Whitecoat’s directory includes more than 250,000 healthcare providers and over 750,000 customer reviews. More than four million Australians already use the service to find, choose and review healthcare providers based on their experience and we are encouraging our members to take advantage of the directory and submit their own provider reviews.

More support

As we continue to grow we remain focused on maintaining the same level of award-winning service that our members have come to expect. In 2019 we again invested in our Member Care team to ensure our members are satisfied and remain loyal. This has included making more staff available to speak to members when they need it and more investment in world-class digital services.

More stability

At the end of a challenging financial year for the PHI industry, we are pleased to have achieved growth above the industry rate. In addition to this, our investment in a robust risk framework and culture and the continued strong relationship we have built with the CBA puts CBHS in a solid position moving into the 2020 financial year.

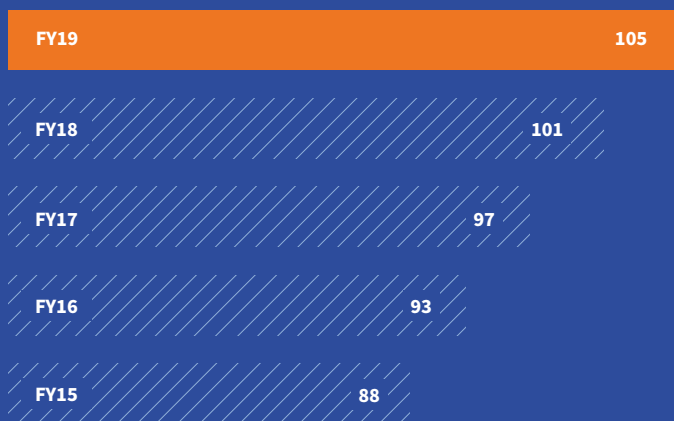
As we move into next year, we will continue to focus on ensuring that our members have products that provide the best value and their needs are being met with excellent service, whether it be face-to-face, on the phone or through one of our digital channels.

For whatever stage of life you and your family are at, CBHS is committed to your health and happiness.

Highlights

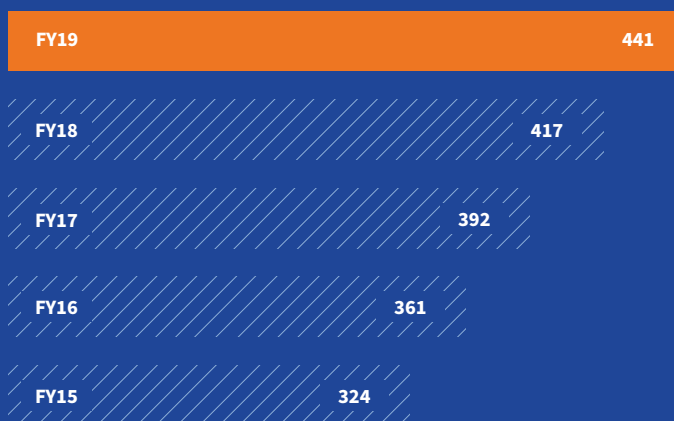
CBHS continues to provide more members with peace of mind, now with more than 105,000 memberships

Membership (thousand)



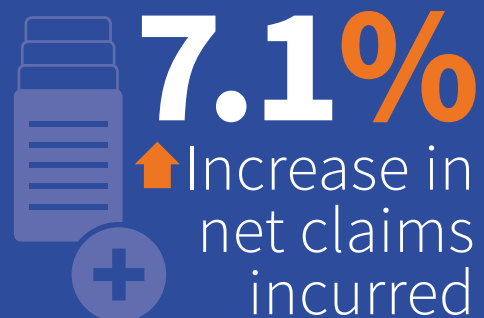
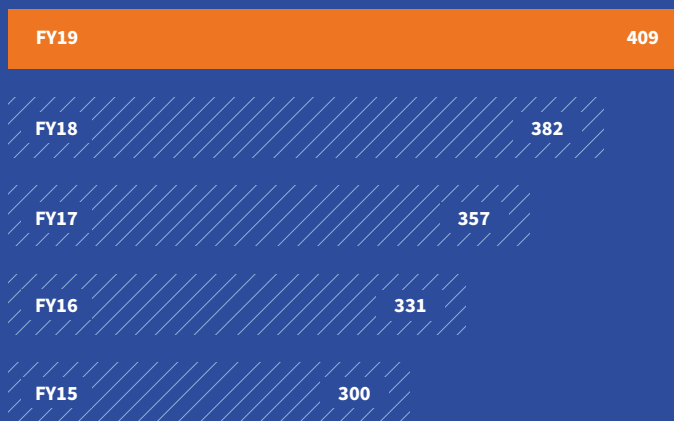
Membership growth has been better than industry average.

Premium Revenue (millions)

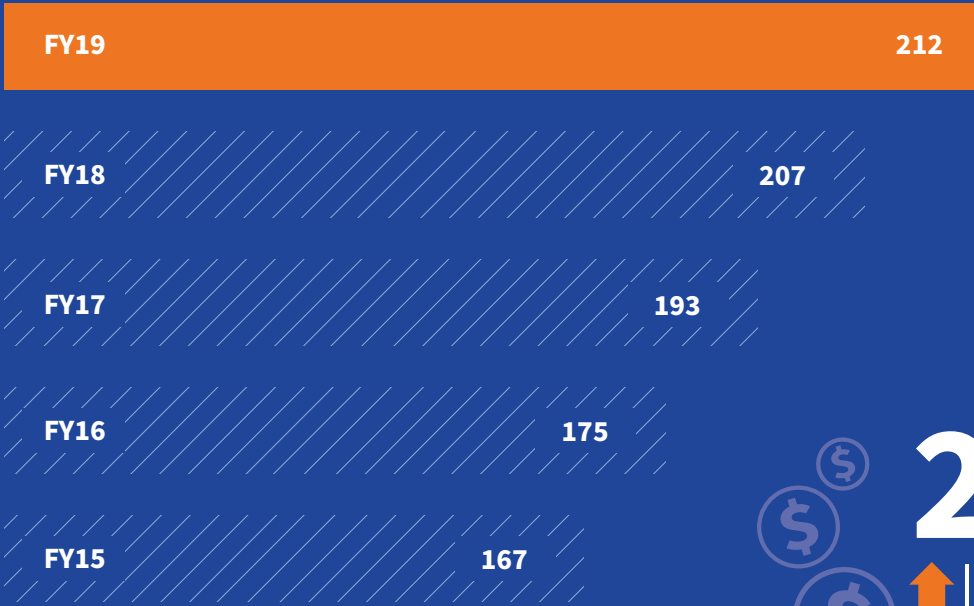


Increase in premium revenue is driven by membership growth and premium increases.

Net claims incurred (millions)



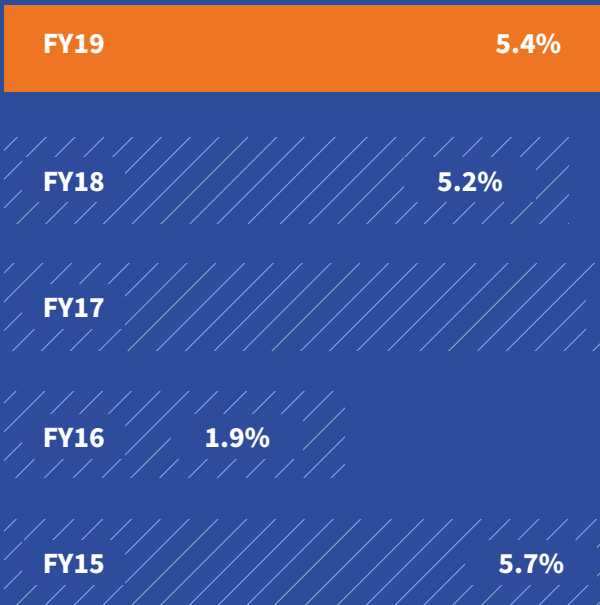
Net assets (millions)



2.4%
 ↑ Increase in net assets

Growth in net assets is underpinned by strong investment returns.

Investment Returns



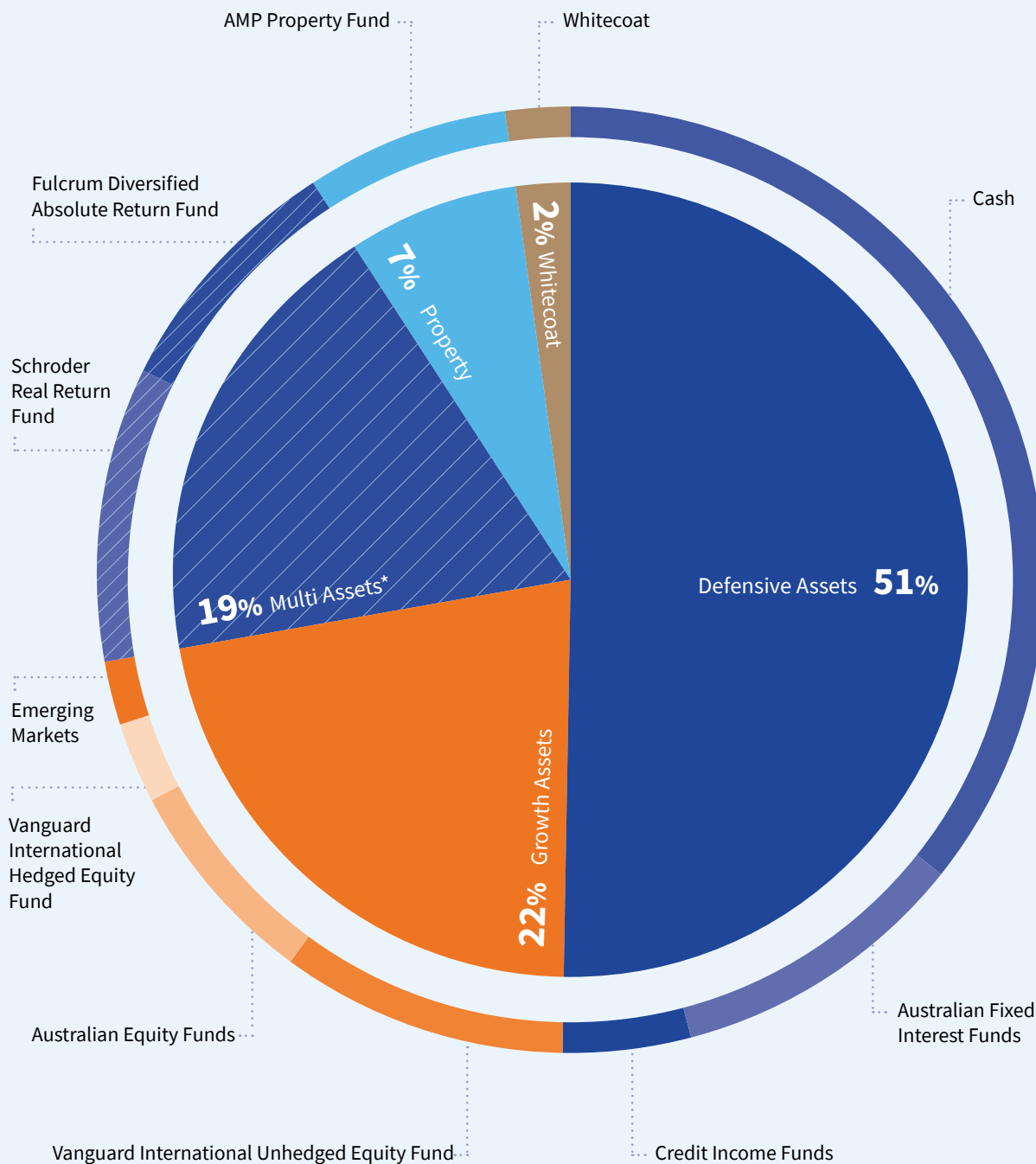
5.4%

Investment returns in **2019**

Investment returns in FY19 were marginally above FY18 and above forecast long term expectations. We expect investment returns to trend lower given market uncertainties and volatility.

Investment Portfolio

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



* As at 30 June 2019 more than 50% of funds within the Multi Asset Funds were in cash and bonds.

Five Year History

	2019	2018	2017	*2016	*2015
Income Statement					
Direct premium revenue	440,506	416,977	392,015	360,713	324,147
Benefits incurred	(362,678)	(336,739)	(312,033)	(286,669)	(258,315)
Health benefits risk equalisation trust fund	(40,987)	(40,274)	(40,587)	(39,610)	(37,222)
Government levies	(5,508)	(5,174)	(4,797)	(4,465)	(4,064)
Net claims incurred	(409,173)	(382,187)	(357,417)	(330,744)	(299,601)
Net movement in unexpired risk liability	(2,771)	-	-	-	2,154
Underwriting expenses	(39,020)	(34,120)	(31,201)	(26,043)	(21,074)
Underwriting profit	(10,398)	670	3,397	3,926	5,626
Investment and other income	16,986	14,602	14,765	4,300	12,087
Depreciation and amortisation	(1,660)	(981)	(594)	(471)	(495)
Profit / surplus before tax	4,928	14,291	17,568	7,755	17,218
Income tax benefit/(expense)	(34)	(26)	348	-	-
Profit / surplus after tax	4,894	14,265	17,916	7,755	17,218
Balance Sheet					
Current assets	90,987	96,000	92,234	142,713	104,581
Non current assets	224,653	205,872	192,219	116,257	135,437
Total assets	315,640	301,872	284,453	258,970	240,018
Current liabilities	102,166	93,406	90,398	83,665	72,536
Non current liabilities	1,768	1,654	1,508	674	606
Total liabilities	103,934	95,060	91,906	84,339	73,142
Net assets	211,706	206,812	192,547	174,631	166,876
Reserves					
Retained earnings	211,706	206,812	192,547	174,631	166,876
Total reserves	211,706	206,812	192,547	174,631	166,876

* Values refer to CBHS only as CBHS Corporate did not begin trading until FY 2017

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

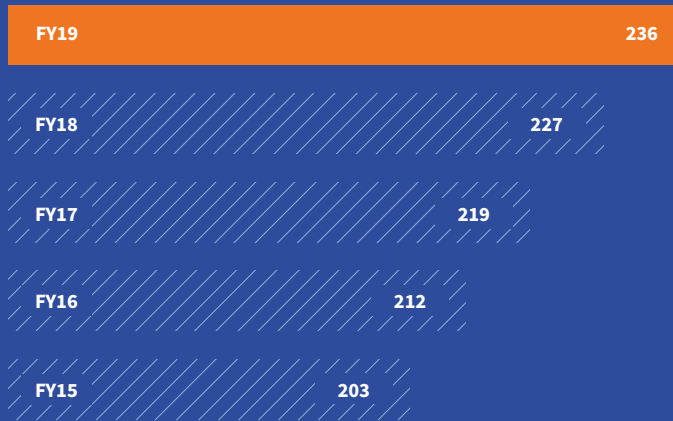
This is an accounting requirement.

It reflects CBHS’ investment in CBHS Corporate Health Pty Ltd, which has been established as a “for profit” business, for the long-term benefit of CBHS members.

The use of this terminology throughout this report does not change in any way the core values of the parent company, being a member owned, ‘not for profit’, organisation.

Delivering Value to Members

Insured persons (thousands)

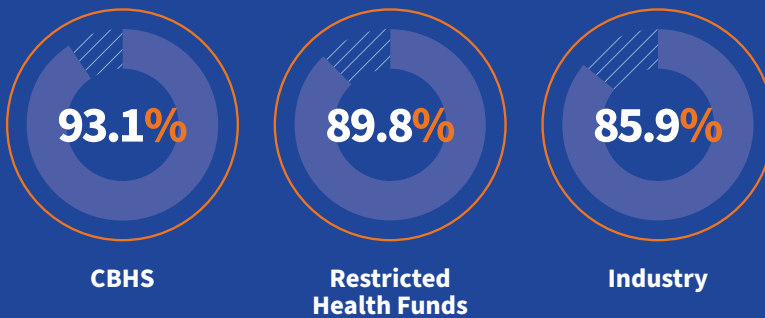


235,621

people now experience the benefits of CBHS membership



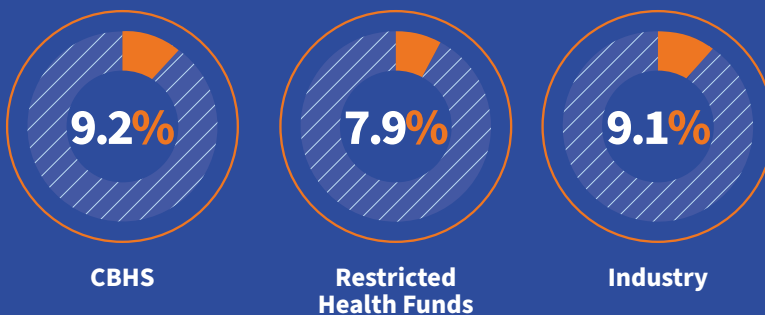
Claims Ratio



Note: Industry data source APRA Private Health Insurance Quarterly Statistical Report
 * Standard industry basis including payment to government risk equalisation trust fund

CBHS' member focus ensures we give back more to members than the industry average. In 2019 we paid out almost 93.1 cents in claims* for every premium dollar received.

Management Expense Ratio (MER)



Note: Industry data source APRA Private Health Insurance Quarterly Statistical Report

The management expense ratio has increased by 0.9% in financial year 2019 due mainly to further investments in our core systems, digital platforms, implementation of the Private Health Insurance reforms and building a presence in the overseas student market.

“

I've been a member of CBHS for nearly 40 years since I joined CBA at 16 years old. I've had around 20 surgeries during this time and CBHS has always been amazing. I would never go anywhere else and now my daughter has her own cover.

- Allie

”





Message from the Chairman



On behalf of the Board, I am pleased to present the 2019 Annual Report in my second year as Chairman.

The Board last year outlined several initiatives to address some of the key challenges facing the private health insurance (PHI) industry including affordability, out-of-pocket expenses and participation in PHI amongst our youth. Positive progress has been made with many of these initiatives including expansion of the CBHS Choice Network to assist with managing out-of-pocket dental and optical expenses, another year of low premiums rate rise (for the third year in a row) and the introduction of age-based discounting for members aged under 30 to attract and retain the youth.

The Board is cognisant that more needs to be done in this area and has focused on ensuring that many of our strategies and initiatives address these challenges. Despite these challenges, CBHS continues to achieve above market growth due in part to our loyal member base who advocate for CBHS and our focus on making PHI more affordable.

The Board is aware that the financial services sector continues to see increased supervision and regulatory changes with a focus on balancing the interests of the shareholder and the policy holder. As a member owned not-for-profit, we are strongly aligned, because our members are both policy holders and owners.

The Board continues to work with management to ensure that in this ever-changing environment, CBHS remains focused, sustainable, culturally aligned and agile.

Financial results

Total number of memberships increased from 100,800 in June 2018 to 105,239 in June 2019 resulting in an increase in premium revenue by 5.6% to \$440.5 million. We now have more than 235,000 people insured.

Benefit payments were up by 7.1% to \$409.2 million resulting in a claims payout ratio of 93.1%. This is the highest it's been in five years and is the percentage of what we pay for total member claims for each dollar we collect.

Overall, as we forecasted last year, we achieved a modest surplus of \$4.9 million as a result of another year of good investment returns. As you would appreciate investment returns can be volatile, however in years where investment returns are better than expected, we will endeavour to pass on these returns to our members in the form of lower premium rate increases.

CBHS has a conservative and long-term investment philosophy and continues to be highly defensive. Our investment portfolio stood at \$290.2 million at 30 June 2019, compared to \$282.6 million at 30 June 2018.

Our capital position remains strong, with total assets of almost \$315.6 million, no debt and net assets of \$211.7 million, compared to \$206.9 million a year earlier.

PHI Reforms

In October 2017, the Honourable Greg Hunt MP, Minister for Health, announced a series of reforms to the PHI industry which came into effect on 1 April 2019. The purpose of these reforms was to make PHI simpler and more affordable for Australians.

Pleasingly we've been able to implement all significant changes from 1 April 2019 without utilising the government allowed transitional period which many of our competitors have opted to do. Some of the reform initiatives we've adopted include:

New tiers for Hospital cover

Hospital policies, whether on their own or as part of a package, have been categorised into one of four tiers: Gold, Silver, Bronze or Basic. The tiering is designed to make it easier for members to understand what they are covered for and to enable simpler comparison of products from different health funds.

Age-based discounts

Health funds can now offer discounts to younger members. To encourage young eligible Australians to join CBHS and to maintain the long-term sustainability of the fund, we are offering discounts of up to 10% on Hospital policies where the main member or their partner is aged 18 – 29.

Higher excess options on Hospital policies

Members can now choose a higher \$750 excess option (\$1500 for families) on the Gold tier hospital products which enables members to get the best possible cover at an affordable price. CBHS also offers this option on Basic tier products encouraging more young members to join at an earlier age.

Management is proactively engaged with the Health Minister, Industry Associations and Health related stakeholders for the benefit of our members to restore the PHI sector to a more sustainable and affordable position. Both private and public patients must demand further reform, because private health is of public benefit.

Corporate strategy

The Board of Directors are conscious of the rapidly changing and increasingly competitive PHI environment in which CBHS operates. As a result, whilst the Board has signed off its strategic imperatives over the next 5 years, we are cognisant that we need to constantly review our strategies to ensure we remain agile and responsive to changes in the future.

At the heart of our corporate strategy are the four key themes which we believe will deliver on our commitment to the **Health and Happiness of our members:**

- Enhance Member Community Experience and Value – this is about providing a tailored approach to servicing the needs of our members and their families; providing guidance on the right products at the right price, improving quality care, and tools that help our members to better manage their health and healthcare decisions.
- Accelerate Core Delivery – this includes enhancing business agility through further investment in the core system, Forte. We will also rapidly implement new innovations through data science, Artificial Intelligence (AI) and digital health technology services to further support our members.
- Dynamic & Thriving Culture – in an increasingly changing business environment we want to ensure that we have a high performing and agile workplace culture to ensure the best staff provide the best service and products to our members.
- Diverse Distribution – this includes fostering a diverse distribution network to ensure the benefits of CBHS membership can be made available to all those who need it. This involves further strengthening our relationship with the CBA to allow CBHS to support its members wherever possible. We already do some of this through the Health Hubs located at various CBA offices and joint sponsorship of Can4Cancer.

Investment in Whitecoat

CBHS has taken an investment in a company called Whitecoat that we believe will provide our members with greater transparency of their health care. Whitecoat is currently an

online directory of doctors, surgeons, dentists and other practitioners that allows consumers to leave reviews based on their service experience.

In the coming months, Whitecoat will roll out their payment solution which will allow members a fast and convenient way to search, book, pay and claim. To achieve this, Whitecoat will integrate their payment solution with the medical service providers' Practice Management System. This is linked to a CBA Albert terminal and accessed by the patient via our mobile app.

Once fully deployed, our members will have greater access to information to help them make informed decisions about medical health services. It's then simply one step to claim and pay.

Corporate governance

I would like to welcome Hugh Podmore and Jayne Drinkwater who joined the CBHS Corporate Health Board (100% owned subsidiary of CBHS) in January 2019. Hugh and Jayne have extensive strategic and operational experience in financial services, private health insurance, policy frameworks and governance. They bring a wealth of experience to the CBHS Corporate Health Board and we warmly welcome them.

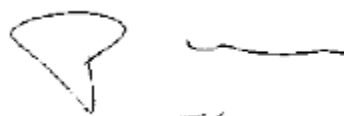
We remain confident that our robust financial position will sustain our long-term future and allow us to take advantage of growth opportunities and meet any new challenges that may emerge.

CBHS operates exclusively for the benefit of our members. We remain resolutely focused on providing value by operating our business as efficiently and effectively as possible.

I thank my fellow directors for their much valued input throughout the year. I also thank all our staff for their sustained and dedicated contribution during the year.

Finally, I particularly thank you, our members, for your ongoing support and engagement with CBHS. We look forward to a rewarding financial year 2020.

We look forward to delivering on our commitment to you, Healthier and Happier.



Peter MacCusprie
Chairman

Message from the Group CEO



The Chairman’s Address provides an overview of our performance for the financial year 2019. The most gratifying aspect for me this financial year has been that we have once again delivered a premium rate rise that is lower than the annual increase in hospital and medical costs. As a not-for-profit, we’re able to return any surpluses to our members, in this case, in the form of a low rate rise instead of distributing surpluses to shareholders. This is due to our strong investment returns and is one of the many ways CBHS is **making health insurance more affordable for our members**.

Three years of low rate rises have had a significant impact on the pricing of CBHS products relative to our competitors, especially in the Gold Hospital category which accounts for approximately 63% of our members. The chart below shows how CBHS Comprehensive Hospital (Gold) monthly premiums compares against various excess options available in the market.

In addition to providing the lowest premiums to most members, we also made significant progress in the following areas:

Reducing out-of-pocket expenses and improving our Hospital Substitute Treatment (HST) and Better Living Programs available to members

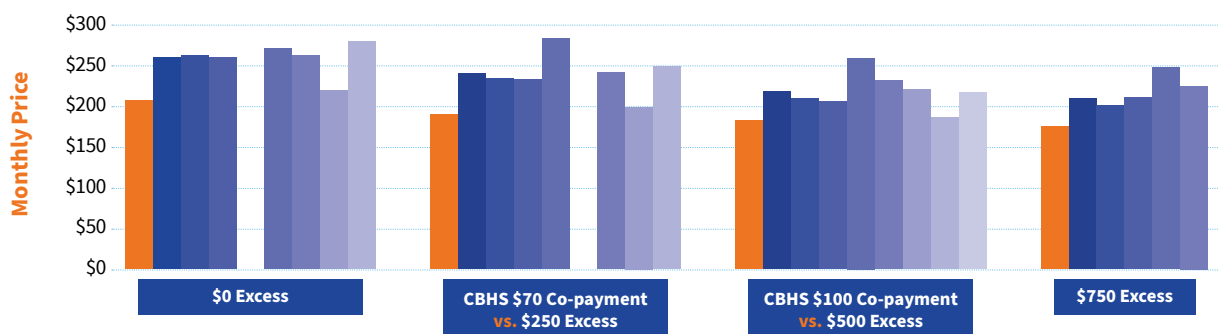
During the year we increased the number of providers on our CBHS Choice Network by 23%. We now offer our members access to more than 6,000 Choice Network providers across Australia to assist with reducing out-of-pocket costs for preventative dental care and optical services. 150,000 members accessed the Choice Network in the financial year 2019.

For a provider to be a part of the CBHS Choice Network they must be accredited to a high clinical standard and demonstrate a

commitment to delivering excellent service. This means the Choice Network offers members access to quality clinical care combined with a positive experience. We will continue to grow the CBHS Choice Network as part of our commitment to providing our members with access to quality care and reducing out-of-pocket expenses.

Utilisation of our HST and Better Living Programs has continued to grow. HST programs mainly focus on helping members who require complex medical care and/or rehabilitation to shorten their hospital stays. Whereas Better Living Programs focus on reducing the effects of risk factors associated with chronic disease and assists members through earlier identification and intervention to avoid hospital stays altogether. During the year, we broadened the scope of care available under both HST and Better Living Programs with a particular emphasis on more mental health care options; introduced cancer support programs to members and their families; and increased the focus on earlier clinical intervention, thereby reducing the number of preventable hospital admissions. Members participating in both HST and Better Living Programs receive care in the comfort of their own home that is comparable to what they would have received in hospital. Members can stay in their own environment, with continuing access to their social networks and maintain their regular lives as much as possible.

As a result of our efforts, compared to financial year 2018, the number of members who engaged in HST Programs doubled, whilst participation in Better Living Programs focusing on hospital avoidance tripled. Both initiatives have had excellent clinical outcomes and received very positive member feedback. We will continue to grow the range of HST and Better Living Programs and maintain their relevance and accessibility for our members.



■ CBHS Comprehensive Hospital (Gold) ■ CBHS' main competitor's Gold Hospital

The prices shown are as at 1 April 2019 for a Single policy in NSW without rebate. Source: privatehealth.gov.au.

Improving our services to members

We've introduced several initiatives to improve our service level to our members. As a result, we achieved outstanding outcomes on two of our internal measures of member satisfaction. These are: (1) Grade of Service – which is the percentage of inbound calls answered in under three minutes – exceeding 80% and (2) Net Promoter Score (NPS) of over 67%. NPS is a reflection that our members are satisfied and loyal, which was most pleasing given the challenges the broader industry faces to increase membership and maintain trust.

We continue to invest in our digital solutions to deliver world-class digital channel service and support. Our aim is to ensure that all member-facing digital services offer a world-class experience, with a high level of innovative solutions for our Member Care team. Key to this is the partnership with Salesforce as our CRM platform provider, supporting sales, marketing and service with a single 360 degree member view. This enables our team to have access to information at their fingertips when assisting members through their preferred service channel (phone, email or digital). The popularity of the digital channel continues to grow year-on-year with more than 80% of our interactions with members being digital or supported by a digital platform. This is evidenced by the growing popularity of the CBHS mobile app which nearly 50% of our members have adopted, close to 30,000 web chat sessions and more than 20% year-on-year increase in website visits. We're continuing to make further improvements into the financial year 2020, with a significant refresh of our website and mobile app targeting higher levels of personalisation, performance and DIY functionality.

Health Hubs

The Health Hubs continue to go from strength to strength. Health Hubs are now located right across Australia, in key CBA offices including Melbourne, Brisbane, Parramatta, Sydney Olympic Park, Darling Harbour's Commonwealth Bank Square, Sussex Street and Perth's Bankwest Place. In September 2018, we also introduced two mobile hubs that visit smaller locations in Hobart, Launceston, Adelaide, Melbourne and Sydney. These hubs are supported by the CBA and form a part of CBA's Health & Wellbeing Strategy.

The goal of the Health Hubs is to empower CBA staff (including many CBHS members) and provide them with easy access to health checks and onsite technology, coaching and information to allow them to manage and improve their health and wellbeing journey. The Health Hubs offer qualified allied health professionals in each location who conduct 1 to 1 consultations and coaching, plus group presentations that align with CBA's monthly health and wellbeing themes. The consultation focuses on several key themes including mental health support, mental resilience, nutrition, diet and general health. This improvement in CBA staff and our members' health leads to reduced claims costs and better health outcomes for our members. We are aware that the results from Health Hubs have been instrumental in potentially saving 110 lives and have identified numerous other people who required assistance as a result of high blood pressure and a high heart rate.

Some key statistics since the first Health Hub opened in September 2017 include:

- Over 150,000 total interactions with CBA staff who are predominately in the younger age category.
- More than 27,000 health checks for blood pressure, body fat, body mass index, diabetes and heart age using the onsite SiSU machine.
- 4,100 referrals to a GP where a SiSU health check has returned a result outside of the healthy range.

- Total weight loss of 1,565 repeat visitors of approximately 4 tonnes.

A white paper has been prepared, in conjunction with CBA, that quantifies the benefits of the Health Hubs to key stakeholders, including CBA.

CBHS Corporate

Our subsidiary, CBHS Corporate Health, has made significant progress in the financial year 2019. The fund was established in July 2017, with the express purpose of generating greater scale for CBHS and to provide greater opportunities for growth for the CBHS Group. As at the end of June 2019, CBHS Corporate had grown to over 3,000 members. The business continues to evolve and has served as a testing ground for many innovative ideas.

During the last financial year, CBHS Corporate launched health insurance products for international students studying here in Australia. We consider this as a complementary business to Overseas Visitors Health Insurance, which was launched in financial year 2018. The progression of a member from a student to overseas visitor, to an Australian resident policy holder will ensure a seamless transition of health insurance cover for all these different statuses.

The CBHS Corporate business remains on track to be profitable in the financial year 2021, and we expect that it will make a significant contribution to the value of the CBHS Group and our members.

A new office in the Sydney CBD

During the financial year we relocated some of our service staff to a new office in the Sydney CBD. The new office enables some of our service staff to be more closely located to the larger CBA offices. The new office also serves as a Disaster Recovery site, which has enabled a rationalising of our existing Disaster Recovery sites.

Employee Engagement Survey

On an annual basis, we conduct an employee engagement survey to gauge the opinions of staff across a range of areas including morale, health and wellbeing, communication and leadership. The survey is designed to assist CBHS to improve the quality of working life for employees and improve the level of service to our members.

In terms of overall employee engagement, CBHS achieved a score of 79.2% versus 77.4% in the previous year. This compares to the AON Hewitt HR Policies and Practices Report 2017 median engagement score of 71% and an average of 69 which indicates a strong level of engagement amongst CBHS employees.

	25th percentile	Median	75th percentile	Average	CBHS
Engagement score	60	71	78	69	79.2

Aon Hewitt HR Policies & Practices Report 2017

I want to thank our loyal members who are such great advocates of CBHS. I would also like to thank our staff for their dedication throughout the year as we see the organisation respond to many challenges and opportunities. And, finally, I want to thank the Board and Executive team for their unwavering commitment to our members, staff and key stakeholders and for their diligence throughout the year.



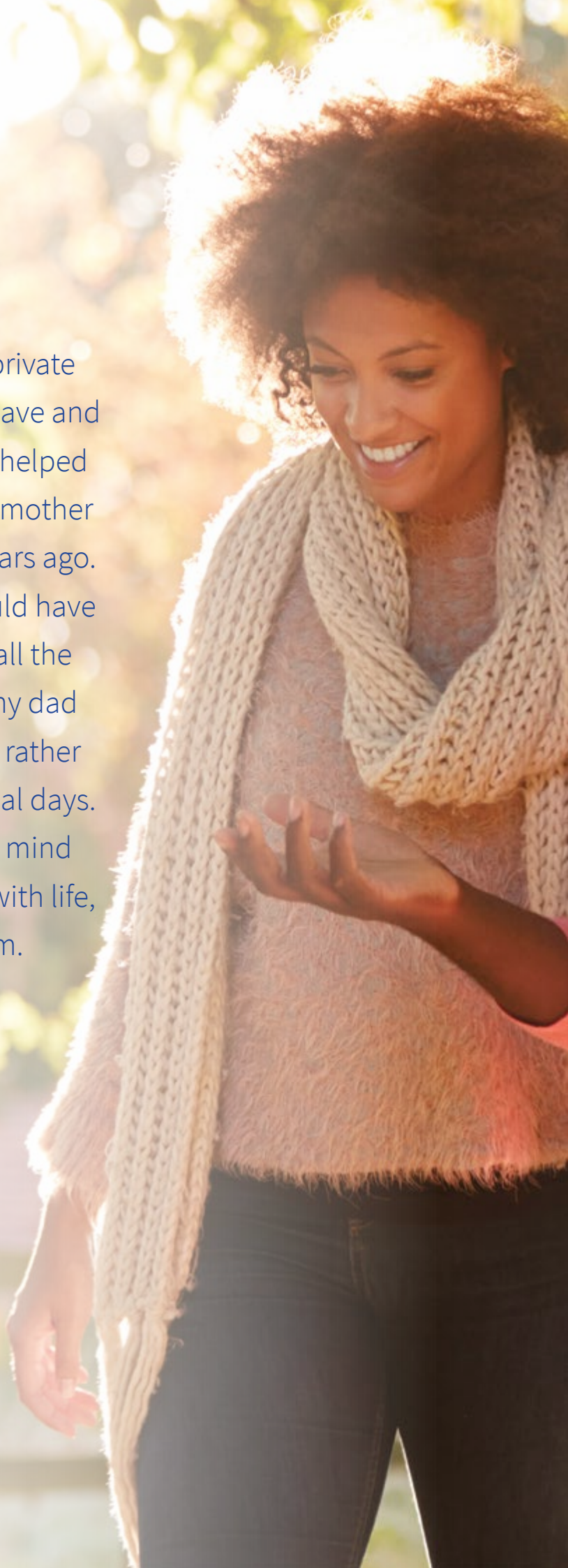
Andrew Smith
Group CEO and Executive Director

“

Our family has comprehensive private health cover with CBHS - always have and definitely always will now. CBHS helped my family immensely, mainly my mother who died of brain cancer a few years ago. Without the help of CBHS we would have lost our family home to pay for all the hospital and medical bills and my dad would have been forced to work rather than care for my mother in her final days. CBHS not only gave us peace of mind with finances but peace of mind with life, freeing us up to be with Mum.

- Nicole

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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”) for the year ended 30 June 2019.

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, where applicable and where in the best interest of CBHS, to adopt the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

This statement is current as at 30 August 2019 and has been approved by the Board of CBHS.

Lay Solid Foundations for Management & Oversight

The Board & Management

The Board is accountable to its members for the performance and governance of CBHS. 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 2018. The Board Charter is reviewed no less than annually.

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

- Overseeing and monitoring performance against CBHS' corporate strategy;
- Oversight of the Senior Management team;
- Oversight of financial and capital management and reporting requirements;
- 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 his Senior Management team the responsibility for running the day-to-day business of CBHS. For the purposes of this report "Group" refers to CBHS Health Fund Limited and CBHS Corporate Health Pty Ltd.

The Group CEO may authorise his Senior 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.

Fit & Proper Reviews

CBHS has introduced a revised 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.

Director's & Senior Management Fit & Proper Reviews

CBHS conducts a Fit & Proper assessment on Directors and Senior Management in accordance with the CBHS Group Fit & Proper Policy.

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") disqualified persons check; and
- A bankruptcy check

Director & Senior Management Agreements

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

Ms 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 experience in-house and in private practice. Ms Nott is responsible for managing the legal and governance functions across the CBHS Group and is a member of the Law Society of NSW and a Fellow of the Governance Institute of Australia

Diversity

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 we aim to have equal representation of males and females in the selection process.

CBHS has completed the Workplace Gender Equality Agency ("WGEA") report during this reporting period. A copy of the Public WGEA Report 2019 is available on the CBHS website.

Performance of the Board, Its Committees & Individual Directors

In accordance with the Governance Standard, a Board Renewal & Performance Assessment Policy ("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.

This Policy is reviewed no less than annually and was last reviewed by the Board in May 2019.

A performance evaluation was undertaken in August 2019 to assist with identifying any potential skill gaps and to review the existing Directors who, having retired and being eligible for

re-election submitted a nomination to the Board as part of the 2019 Board election process.

Performance Of Senior Management

The performance of Senior 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 his Senior Management team to the People & Remuneration Committee.

Deed of Access, Insurance & Indemnity for Directors and Officers (Senior Management)

The Deed of Access, Insurance & 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 the Board to Add Value

Composition of the Board

The CBHS Constitution provides that there must be a minimum of five (5) Directors and no more than seven (7) Directors, excluding the Chief Executive Officer. The Board may have a maximum of two (2) Directors who are not members of CBHS.

The Board may appoint the Chief Executive Officer 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 3 November 2016. The Executive Director is not subject to the requirement to automatically retire nor is he 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 seven (7) Independent Non-Executive Directors all of whom are CBHS members.

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

Details of the number of times the Board and its Committees met throughout 2018-19 and the individual attendances of the Directors at those meetings is provided in the Director's Meeting section of the Director's Report on page 31 of the 2019 Annual Report.

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

recommendations, advice and research as instructed by the Board with respect to the nominations process.

Tenure & 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 (2) Directors must retire from office at the annual general meeting.

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

Director	Appointed	Last Elected at an AGM
Peter Andrew MacCuspie (Chairman)	2015	2018
John Eric Matthews	2008	2017
Adrian James Hondros	2017	2017
Marielle Desiree Latour	2010	2016
Andrew Robin Smith	2016	N/A
(Malcolm) Jay MacGregor	2017	2017
Nicolette Liesbeth Rubinsztein	2018	2018
Fintan Benedict Thornton	2012	2018

The current Directors who nominated to be elected or re-elected at the 2019 Annual General Meeting (AGM) are:

- Ms Marielle Latour, having reached her maximum tenure of three (3) years; and
- Mr Adrian Hondros who volunteered himself for re-election so as to comply with the CBHS Constitution which requires at least two Directors to retire from office at the annual general meeting.

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 2019 Annual General Meeting by the Returning Officer.

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



“

CBHS came to our aid greatly, some years ago after I had had my first cancer surgery. I needed two extremely expensive injections prior to radioactive treatment, and having dealt with so many other hospital accounts, surgeon accounts, other specialists' accounts, we approached CBHS for help. CBHS granted our special consideration request which provided a one-off payment towards the injections which were unfortunately not claimable through Medicare. We will always be grateful and remember the awesome assistance CBHS granted us at that truly difficult time.

– Diana

”

NB Photo does not feature the member who provided the testimonial

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 & Education

Newly appointed Directors participate in an induction program which involves sessions with Senior 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.

The Company Secretary maintains a register of all training completed by Directors.

Act Ethically and Responsibly

Conflict of Interests

Directors are required to comply with the requirements of section 191 of the Corporations Act 2001 (**the Act**) 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.

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, Senior Management and other employees.

CBHS has a Group Whistle-blower Protection Policy which supports the operation of the Group Ethics Policy.

Safeguard Integrity in Corporate Reporting & Recognise and Manage Risk

Committees

To assist the Board in carrying out its responsibilities, the Board has established four (4) Committees, being the Audit Committee, Risk Committee, Asset & Liability Committee and People & Remuneration Committee.

Each Committee operates under a Charter, which is 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 group 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 (3) 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.

A copy of the Audit Committee Charter is available on the CBHS website.

The Committee's members are:

Marielle Latour (Chair)

(Malcolm) Jay MacGregor

Fintan Thornton

Prior to 1 July 2019, the Audit Committee was combined with the Risk Committee. Details of the number of times the Audit & Risk Committee met throughout 2018-19 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors Report on page 31 of the 2019 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 the Group.

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 Senior Management.

External Audit

PricewaterhouseCoopers (PwC) is the current external auditor for CBHS.

In line with current legislation, CBHS requires that the partner be changed after five (5) years of being appointed. In November 2016, the lead partner was changed, and Ms Renae Cooper was appointed.

The external auditor meets with the Audit Committee on a regular basis without Senior 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 Standard; and
- to ensure that financial and non-financial risks are clearly identified and well managed.

The Risk Committee has three (3) members who are Non-Executive Directors.

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

A copy of the Risk Committee Charter is available on the CBHS website.

The Committee's members are:

Marielle Latour (Chair)

(Malcolm) Jay MacGregor

Fintan Thornton

Prior to 1 July 2019, the Risk Committee was combined with the Audit Committee. Details of the number of times the Audit & Risk Committee met throughout 2018-19 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors Report on page 31 of the 2019 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 (3) members who are Non-Executive Directors.

A copy of the Asset & Liability Committee Charter is available on the CBHS website.

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 2018-19 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors Report on page 31 of the 2019 Annual Report.

People & Remuneration Committee

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

- reviewing remuneration arrangements for senior executives and non-executive directors;
- reviewing CBHS' 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 executive 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 (3) members who are Non-Executive Directors.

A copy of the People & Remuneration Committee Charter is available on the CBHS website.

The Committee's members are:

John Matthews (Chairman)

Adrian Hondros

Nicolette Rubinsztein

Details of the number of times the People & Remuneration Committee (formerly known as the HR Strategy & Governance Committee) met throughout 2018-19 and the individual attendances of the members at those meetings is contained in the Committee Meetings section of the Directors Report on page 31 of the 2019 Annual Report.

Additional information on the Director's qualifications and experience can be found on page 28-30 of the Directors Report section in the 2019 Annual Report.

Annual Financial Accounts

Prior to the Financial Accounts being approved by the Board, Senior 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 group financial statements comply with appropriate Accounting Standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Annual General Meeting

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

Respect the Rights of Members

CBHS Information & 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.

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 2 November 2016, where members approved an

aggregate remuneration of \$400,000 per annum. The aggregate sum is divided between the Directors as agreed by the Board.

Details of Directors' remuneration are set out in note 23 a).

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.

Senior Management Remuneration

CBHS' policy in respect of Senior Management incorporates remuneration that is competitively set so that CBHS can attract, motivate and retain high calibre Senior 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.

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 for the manner in which the people 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 in September 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.

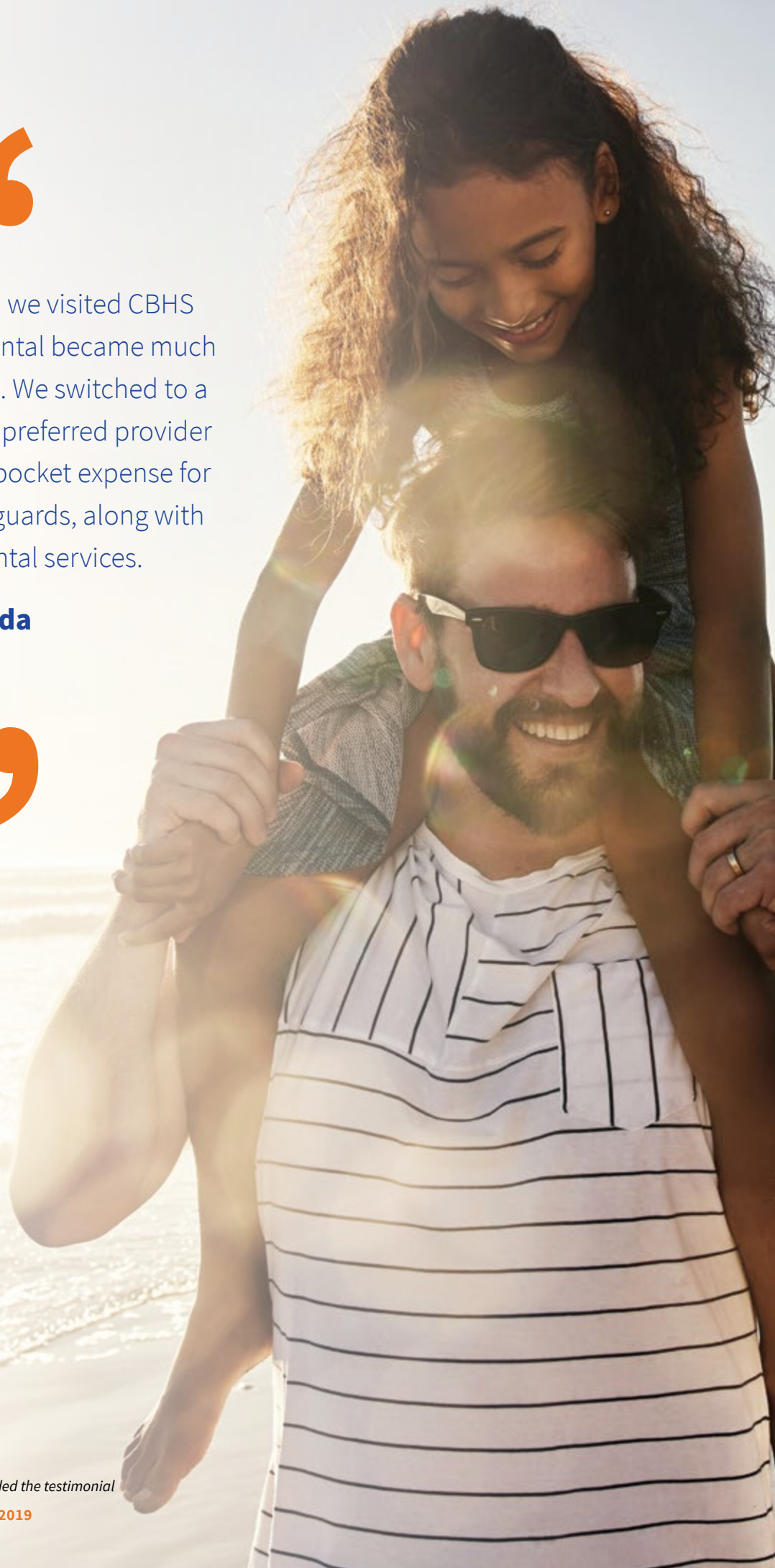


“

I was delighted when we visited CBHS preferred providers. Dental became much more affordable for us. We switched to a CBHS Choice Network preferred provider and we had no out of pocket expense for the children’s mouth guards, along with several other dental services.

- Manda

”





Director's Report

The Directors submit their report together on the consolidated entity consisting of CBHS Health Fund Limited ('parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019. Throughout the report the consolidated entity is referred to as CBHS.

Board of Directors

The following persons held office as Directors during or since the end of the financial year:

-  Peter Andrew MacCuspie (Chairman)
-  John Eric Matthews (Deputy Chairman)
-  Adrian James Hondros
-  Marielle Desiree Latour
-  Malcolm 'Jay' MacGregor
-  Nicolette Liesbeth Rubinsztein
-  Fintan Benedict Thornton
-  Andrew Robin Smith (Group Chief Executive Officer & Executive Director)

Information on Directors

Director

Peter Andrew MacCuspie

Mr MacCuspie has been a Director of CBHS since November 2015 and was elected as Board Chairman on 22 March 2018.

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

He mentors a range of senior executives and enjoys spending time with his three children, photography, writing, podcasting and discussing poetry.

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

Director

John Eric Matthews

Mr Matthews has been a member of CBHS since 1964. He has been a Director since September 2008, was elected Deputy Chairman on 5 November 2015 and is 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 Finance Committee for the United Grand Lodge of NSW & ACT.

Mr Matthews has 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.

Director

Adrian James Hondros

Mr Hondros was 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.

Information on Directors

Director

Marielle Desiree Latour

Ms Latour has been a Director since May 2010 and is Chair of the Audit Committee and Risk Committee.

Ms Latour is also a Director of CBHS' 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 is a former Director of My Credit Union Limited, that through a merger, increased member value and provided enhanced products and services. She was also a member of the Audit and Risk Committees. Ms Latour is currently also a director of Autism Spectrum Australia Ltd and Australian Sports Technologies Network (ASTN).

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

Director

Malcolm 'Jay' MacGregor

Mr MacGregor was appointed to the Board in May 2017 and is a member of the Audit Committee, Risk 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 and Whitecoat Operating Pty Ltd.

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

Director

Nicolette Liesbeth Rubinsztein

Ms Rubinsztein was appointed to the Board in March 2018 and is a member of the People & Remuneration Committee.

Ms Rubinsztein is currently a non-executive director at Zurich Australia Limited, One Path Insurance, SuperEd, UniSuper, Class Ltd and is President of the Actuaries Institute. 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.

Information on Directors

Director

Fintan Benedict Thornton

Mr Thornton was 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 Superannuation in Colonial First State's Distribution team. Mr. Thornton has previously been 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 (i.e. investments), risk management, communications, governance and strategy development. Amongst other appointments, Mr Thornton was actuary to Qantas Airways, the 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.

Director

Andrew Robin 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.

Previously, Mr Smith was the CEO and Managing Director of InvoCare Limited for almost ten years. Prior to InvoCare, he held a number of senior executive positions for over 10 years in retail and 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 is the current Chair of PHA's Audit Committee. Mr Smith is also a Non-Executive Advisory Board member of AFEAPty Limited, 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 in Australia & New Zealand and is a Fellow of the Australian Institute of Company Directors.

Non-Director Committee Member

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 and CBHS Corporate during the financial year were:

Directors	Board - CBHS		Audit & Risk Committee - CBHS****	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
A.J Hondros	9	8	-	1*
M.D Latour	9	8	4	4
P.A MacCuspie	9	9	-	1*
M.J MacGregor	9	9	4	4
J.E Matthews	9	8	-	1*
N. Rubinsztein	9	8	-	1*
A.R Smith	9	9	-	4**
F.B Thornton	9	9	4	4

Directors/Committee Members	People & Remuneration Committee - CBHS		Asset & Liability Committee - CBHS	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
A.J Hondros	4	3	-	-
M.D Latour	-	-	-	-
P.A MacCuspie	-	-	-	-
M.J MacGregor	-	-	4	4
J.E Matthews	4	4	-	-
G. Parlevliet	-	-	4	4
N. Rubinsztein	4	4	-	-
A.R Smith	-	4**	-	4**
F.B Thornton	-	-	4	4

Directors	Board - CBHS Corporate		Audit & Risk Committee - CBHS Corporate	
	No. of meetings eligible to attend	No. of meetings attended	No. of meetings eligible to attend	No. of meetings attended
H Capra	9	9	4	4
M.D Latour	9	9	4	4
C.J Bels	9	9	4	4
D Molina	9	9	-	4**
A.R Smith	9	9	-	4**
J Drinkwater	3	3***	-	-
H Podmore	3	3***	-	-

*Attended Committee meetings as an observer **Attended Committee meetings as an attendee

Appointed on 18 January 2019 * Prior to 1 July 2019, the Audit Committee and the Risk Committee were combined.

Director's Report

During the financial year, CBHS paid a premium in the respect of a contract insuring past and present Directors, the Company Secretary 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.

CBHS has not otherwise, during or since the financial year, indemnified or agreed to indemnify an Officer or Auditor of CBHS or any related body corporate against a liability incurred as an Officer or Auditor.

Principal activities

The principal activity of the Group 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 (PS) Act 1995*, 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 2019, CBHS Corporate did not declare a dividend and no dividends were paid.

Review of operations

The Profit after tax for the financial year was \$4,894,059 (2018: \$14,265,286). 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 (CBHS Corporate), is a tax paying entity. Income tax has been recognised based on the Group Income Tax Policy as set out in Note 7, section c. A review of operations and the results for the financial year are set out in the Chairman and 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 end of financial year which have significantly affected, or may significantly affect, the Group, the results of those operations or the state of affairs of the Group.

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 22 to the accounts.

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 independences as set out in APES 110 Code of Ethics for Professional Accountants.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 33 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.

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 at Parramatta 30 August 2019

Auditor's Independence Declaration



As lead auditor for the audit of CBHS Health Fund Limited for the year ended 30 June 2019, 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

Parramatta
30 August 2019

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

For the year ended 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Direct premium revenue	(3)	440,506	416,977
Direct claims expense		(360,812)	(334,496)
Net movement in outstanding claims liability (claims & other component)		(2,301)	(2,366)
Net movement in outstanding claims liability (risk equalisation component)		435	123
Health benefits risk equalisation trust fund		(40,987)	(40,274)
Government levies	(5)	(5,508)	(5,174)
Net claims incurred	(2)	(409,173)	(382,187)
Net movement in unexpired risk liability	(18b)	(2,711)	-
Salaries and employee benefit expense	(6)	(24,750)	(21,919)
Other underwriting expenses	(6)	(14,270)	(12,201)
Underwriting result		(10,398)	670
Investment income	(3)	11,122	11,630
Fair value (losses)/gains on financial assets at fair value through profit or loss	(4)	4,472	2,465
Other income	(3)	1,392	507
Depreciation and amortisation expense	(6)	(1,660)	(981)
Profit before income tax		4,928	14,291
Income tax benefit / (expense)	(7)	(34)	(26)
Profit after income tax		4,894	14,265
Other comprehensive income		-	-
Profit for the period		4,894	14,265
Total comprehensive income for the year		4,894	14,265

Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	2019 \$'000	2018 \$'000
Current assets			
Cash and cash equivalents	(8)	12,638	12,476
Trade and other receivables	(9)	14,962	14,324
Deferred acquisition costs	(10)	87	-
Financial assets at fair value through profit or loss	(11)	63,300	69,200
Total current assets		90,987	96,000
Non-current assets			
Deferred acquisition costs	(10)	99	-
Financial assets at fair value through profit or loss	(11)	214,260	200,950
Fixture, fittings and equipment	(12)	1,118	926
Intangible assets	(13)	8,888	3,674
Deferred tax asset	(7)	288	322
Total non-current assets		224,653	205,872
Total assets		315,640	301,872
Current liabilities			
Trade and other payables	(14)	13,616	13,096
Outstanding claims liability	(16)	46,553	44,687
Unearned premium liability	(17)	34,875	31,895
Unexpired risk liability	(18a)	2,711	-
Provisions	(15)	4,411	3,728
Total current liabilities		102,166	93,406
Non-current liabilities			
Provisions	(15)	1,768	1,654
Total non-current liabilities		1,768	1,654
Total liabilities		103,934	95,060
Net assets		211,706	206,812
Reserves			
Retained earnings		211,706	206,812
Total reserves	(19)	211,706	206,812

Consolidated Statement of Changes in Equity

For the financial year ended 30 June 2019

	Accumulated profits	Contributed capital	TOTAL
	\$'000	\$'000	\$'000
Balance at 1 July 2018	206,812	-	206,812
Profit / (loss) for the year	4,894	-	4,894
Balance at 30 June 2019	211,706	-	211,706

Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	2019 \$'000	2018 \$'000
Notes	Inflows (Outflows)	Inflows (Outflows)
Cash flows from operating activities		
Receipts from members	442,851	417,240
Payments to members, employees and suppliers	(444,064)	(413,194)
Net cash flow provided by operating activities	(8b) (1,213)	4,046
Cash flows from investing activities		
Payments for fixture, fittings, equipment and intangibles	(7,067)	(2,948)
Interest and investment income received	11,380	11,263
Payments for fair value financial assets	(6,738)	(65,174)
Redemption from managed funds	3,800	50,715
Net cash flow used in investing activities	1,375	(6,144)
Increase in cash and cash equivalents	162	(2,098)
Cash and cash equivalents at the beginning of financial year	12,476	14,574
Cash and cash equivalents at the end of financial year	(8a) 12,638	12,476

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 is to provide health insurance services and related wellbeing services to current and former employees of the Commonwealth Bank of Australia Group, their partners and family members. CBHS Corporate Health Pty Ltd (CBHS Corporate) 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 services to corporate clients and overseas workers and students.

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. Amounts have been rounded off in the Financial Reports 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 30 August 2019. The Directors have the power to amend and reissue the financial statements.

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, except for the revaluation of certain non-current assets and assets backing general insurance liabilities. Cost is based on the fair values of the consideration given in exchange for assets.

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 2018:

- AASB 15 Revenue with contracts with customers.
- AASB 2016-6 Applying AASB 9 Financial instruments with AASB 4 insurance contracts
- AASB 2017-3 Clarifications to AASB 4

The adoption of these standards did not have any material impact on the current period or any prior period and is not likely to affect future periods.

New standards and interpretations not yet adopted by CBHS

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods and have not been adopted early by CBHS. CBHS' assessment of the impact of these new standards and interpretations is set out below:

i. 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 2021; however, the International Accounting Standards Board has tentatively decided to extend this to 1 January 2022. CBHS has elected to apply this temporary exemption as it meets the

relevant criteria, including that the Company does not engage in any significant activity unconnected with insurance, and the carrying amount of the insurance liabilities within the scope of AASB 1023 (being outstanding claim liability, unearned premium liability and unexpired risk liability) exceed 80% of the carrying amount of CBHS 's total liabilities.

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

Impact on financial assets

CBHS'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, reflecting the business model for managing and evaluating the investment portfolio. 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 includes 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 will not materially impact these balances.

Impact on financial liabilities

Financial liabilities within the scope of AASB 1023, such as outstanding claims liability, are outside the scope of AASB 9 and are therefore unaffected by the new requirements. Trade and other payables also includes other financial liabilities measured at amortised cost arising from CBHS's activities, the accounting for which is materially unchanged by AASB 9.

i. AASB 16 Leases (effective from 1 January 2019)

AASB 16 will primarily affect the accounting by lessees and will result in the recognition of almost all the leases on the balance sheet. The standard removes the current distinctions between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all the lease contracts.

The standard will affect primarily CBHS' operating leases. As at reporting date CBHS has non-cancellable operating lease commitments of \$3.2m relating to the lease of office space. CBHS estimates that at transition it will recognise right-of-use assets of \$2.5m and lease liabilities of \$3.0m.

CBHS intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to its first adoption.

CBHS currently plans to apply AASB 16 for the annual period beginning 1 July 2019.

ii. AASB 17 Insurance Contracts

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

The standard introduces three new measurement approaches for accounting for insurance contracts. These include general models, also referred to as the Building Block Approach for long term contracts, the Premium Allocation Approach for short term contracts and a Variable Fee Approach for direct participating products.

CBHS has formed a project team to assess the impact of this change on the operations and financial statements of the

Notes to the Financial Statements

business. Changes in disclosure requirements and possible impacts on the profit and loss are expected.

The standard has a current effective date of 1 January 2021. Since issuing the standard the IASB has agreed to propose a one year delay to the effective date. This, and other matters, are currently being considered in the exposure draft issued on 26 June 2019. The current expected effective date for CBHS is for the annual period beginning 1 July 2022.

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 2019 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 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.

Material subsidiaries

CBHS’ principal subsidiaries as at 30 June 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by CBHS, and the proportion of ownership interests held equals the voting rights held by CBHS. 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		Principal Activities
		2019	2018	
CBHS Corporate Health Pty Ltd	Australia	100%	100%	Private Health Insurance

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:

- 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
- 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

Notes to the Financial Statements

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 CBHS' 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 judgments. 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 CBHS' 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
16	Outstanding claim liability	55
18	Unexpired risk liability	57

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

	2019 Current Year		2018 Prior Years		2019 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	-	328,031	32,781	-	32,781	328,031
Outstanding claims provided for	(40,394)	40,394	5,311	(5,311)	(35,083)	35,083
Risk equalisation and gov't levies paid	-	40,820	5,675	-	5,675	40,820
Risk equalisation and gov't levies provided for	(6,159)	6,159	920	(920)	(5,239)	5,239
Net claims incurred	(46,553)	415,404	44,687	(6,231)	(1,866)	409,173

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.

	2018 Current Year		2017 Prior Years		2018 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	-	303,493	31,003	-	31,003	303,493
Outstanding claims provided for	(38,093)	38,093	4,694	(4,694)	(33,399)	33,399
Risk equalisation and gov't levies paid	-	39,588	5,860	-	5,860	39,588
Risk equalisation and gov't levies provided for	(6,594)	6,594	887	(887)	(5,707)	5,707
Net claims incurred	(44,687)	387,768	42,444	(5,581)	(2,243)	382,187

Outstanding claims liability movements are as follows:

	2019 \$'000	2018 \$'000
Opening balance	(44,687)	(42,444)
Prior year claims, risk equalisation and levies paid	38,456	36,863
Write back to profit and loss	(6,231)	(5,591)
Provision established for claims, risk equalisation and levies paid	(46,553)	(44,687)
Closing balance	(46,553)	(44,687)
Net movement	(1,866)	(2,243)

See note 16 for detail

Notes to the Financial Statements

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.

3) Revenue

	2019	2018
	\$'000	\$'000
Direct premium revenue	440,506	416,977
Investment income		
Interest revenue:		
Cash and cash equivalents	494	226
Term deposits	2,577	3,009
Distributions	8,051	7,219
Realised gain on disposal of investments	-	1,176
Total investment income	11,122	11,630
Other income		
Licence fee & other revenue	719	98
Cost recovery – (Health Hubs)	673	409
Total other income	1,392	507

Recognition and measurement

Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to CBHS 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 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 recognised in the income statement from the attachment date over the period of the contract. Premium revenue relating to future financial periods is classified as unearned premium. Revenue includes the movement in contributions in arrears which is assessed based on the likelihood of collection established from past experience.

Investment income

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Net fair value gains or losses are recognised in the period for all financial assets classified as at fair value through profit or loss.

Notes to the Financial Statements

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

	2019	2018
	\$'000	\$'000
Managed share funds gains (a)	2,281	2,700
Managed bond fund gains (a)	1,229	133
Managed multi assets fund gains (a)	628	(475)
Managed property fund gains (a)	334	107
Net (losses)/gains	4,472	2,465

(a) Fair value of managed funds is based on unit prices provided by fund managers at 30 June 2019.

Recognition and measurement

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

5) Government Levies

	2019	2018
	\$'000	\$'000
NSW, ACT ambulance levies	5,508	5,174
Total government levies	5,508	5,174

Notes to the Financial Statements

6) Expenses

	2019	2018
	\$'000	\$'000
Salaries and employee benefit expenses		
Salaries, bonuses and other costs	22,672	20,111
Superannuation expense	2,078	1,808
Total salaries and employee benefit expenses	24,750	21,919
Other underwriting expenses		
Information technology	2,703	2,003
Research, advertising and publicity	1,974	1,705
Consultant, actuarial, audit and legal fees	1,822	1,470
Property expense	1,574	1,303
Other expenses	1,346	1,112
Electronic claims processing fees	1,307	1,049
Subscriptions for industry and purchasing associations	1,000	920
Staff recruitment and wellness costs	917	760
Financial charges and taxes	571	545
Mailing and communication costs	534	526
Printing and stationery	373	351
Aggregator commissions	149	457
Total other underwriting expenses	14,270	12,201
Depreciation and amortisation expenses		
Depreciation Expense		
Fixtures, fittings and equipment	745	556
Total depreciation expenses	745	556
Amortisation Expense		
Software	915	425
Total amortisation expense	915	425
Total Depreciation and amortisation expense	1,660	981

Recognition and measurement

Employee benefits expense

The accounting policy for liabilities associated with employee benefits is set out in note 15.

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 the note 12 for details on depreciation and note 13 for details on amortisation.

Notes to the Financial Statements

7) Income tax expense

	2019	2018
	\$'000	\$'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	34	26
(Decrease) / Increase in deferred tax liabilities	-	-
Total deferred tax expense / (benefit)	34	26
Income tax expense / (benefit)	34	26
Income tax expense / (benefit) is attributable to:		
Loss from continuing operations	34	26
Profit from discontinued operations	-	-
	34	26
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax	(3,471)	(2,732)
Profit from discontinuing operation before income tax expense	-	-
	(3,471)	(2,732)
Tax at the Australian tax rate of 30% (2018 30%)	(1,041)	(820)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Unused tax losses	1,075	846
Income tax expense / (benefit)	34	26
(c) Deferred tax balances		
The balance comprises temporary differences attributable to:		
Unexpired risk liability	48	-
Deferred acquisition costs	69	86
Indirect settlement costs	2	1
Sundry items	140	211
Accrued audit fees	12	9
Accrued expenses	11	13
Amortisation of software	6	2
	288	322

Notes to the Financial Statements

	\$'000
Movements	
Balance at 30 June 2018	322
- to profit or loss	(34)
- to other comprehensive income	-
Balance at 30 June 2019	288
(d) Unused tax losses for which no deferred tax asset has been recognised	
- Tax losses from prior year	1,696
- Tax losses from current year	1,075
Cumulative unused tax losses	2,771

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 revenue for the period is the tax payable 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 unused 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.

8) Cash and cash equivalents

	2019	2018
	\$'000	\$'000
Cash at bank	5,633	3,946
Cash deposits – "24 hour At-Call"	7,004	8,529
Cash on hand	1	1
Total	12,638	12,476

a) Reconciliation of cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand and in the bank net of un-presented cheques and outstanding remittances from 30 June 2019. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows;

	2019	2018
	\$'000	\$'000
Cash and cash equivalents	12,638	12,476
Total cash and cash equivalents	12,638	12,476

Notes to the Financial Statements

b) Reconciliation of operating profit to net cash flows from operating activities

	2019	2018
	\$'000	\$'000
Operating profit	4,894	14,265
Interest and investment income received & receivable	(11,122)	(11,630)
Depreciation and amortisation	1,660	981
Net decrement/(increment) arising from the revaluation of current and non-current financial assets	(4,472)	(2,465)
Loss on sale of assets	-	12
Increase in current receivables	(896)	(297)
Increase in deferred acquisition costs	(186)	-
Increase /(decrease) in amount payable for HBREE*	188	(497)
Decrease in deferred tax asset	34	26
Increase in accounts payable and accruals	332	231
Increase in unearned premium liability	2,980	142
Increase in outstanding claim liability	1,866	2,243
Increase in unexpired risk liability	2,711	-
Increase in current provisions	683	889
Increase in non-current provisions	115	146
Net cash flow from operating activities	(1,213)	4,046

* 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.

9) Trade and other receivables

	2019	2018
	\$'000	\$'000
Premium receivable (a)	11,841	11,206
Investment income receivable	1,431	1,688
Prepayments	1,017	1,016
GST recoverable	169	155
Sundry debtors	504	259
Total	14,962	14,324

Notes to the Financial Statements

a) Premium receivable comprises two components, the Australian Government's Private Health Insurance Rebate Scheme (PHI Rebate Scheme) \$8,963,028 (2018: \$8,719,422) and members who pay for their contributions in arrears or who are non-financial \$2,877,929 (2018: \$2,486,581).

- 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. 9.3% of CBHS' members pay for their contributions in arrears while the other 90.7% 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 9,766 (2018: 9,758) members.

Medicare Australia is the only significant counterparty as at reporting date. Medicare Australia is the arm of the Australian Government that manages the PHI Rebate Scheme. As at 30 June 2019 the amount owing to CBHS from Medicare Australia was \$8,963,028. This amount is guaranteed by the Australian 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 measured at amortised cost using the effective interest method less 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 of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost (such as receivables), the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The loss is recognised in profit or loss

10) Deferred acquisition costs

	2019 \$'000	2018 \$'000
Current	87	-
Non-current	99	-
Total current assets	186	-

Movements in deferred acquisition costs are as follows:

	2019 \$'000	2018 \$'000
Opening balance	-	-
Acquisition costs deferred during the year	197	-
Amortisation expense	(11)	-
Balance at end of financial year	186	-

Recognition and measurement

Commissions incurred in obtaining overseas students health insurance contracts are deferred and recognised over the life of the contract. 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

	2019	2018
	\$'000	\$'000
Current assets		
Term deposits (a)	63,300	69,200
Total current assets	63,300	69,200
Non-current assets		
Term deposits (b)	28,000	41,000
Managed multi assets fund at market value (c)	54,820	46,163
Managed bond funds at market value (d)	42,889	36,117
Managed share funds at market value (e)	62,790	57,750
Managed property funds at market value (f)	20,874	19,920
Investment in Whitecoat (g)	4,887	-
Total non-current assets	214,260	200,950
Total financial assets at fair value through profit or loss	277,560	270,150

- a) These term deposits have maturity dates ranging from 25 July 2019 to 29 May 2020. The weighted average interest rate on these term deposits is 2.68% (2018: 2.52%).
- b) These term deposits have maturity dates ranging from 28 October 2021 to 21 December 2021. The weighted average interest rate on these term deposits is 3.42% (2018: 3.37%).
- c) As at 30 June 2019 CBHS had \$54,819,914 (2018: \$46,163,418) invested in two externally managed multi asset funds. The funds are managed by a professional fund manager.
- d) As at 30 June 2019 CBHS had \$42,889,212 (2018: \$36,117,014) invested in three externally managed bond funds. The funds are managed by professional fund managers.
- e) As at 30 June 2019 CBHS had \$62,789,688 (2018: \$57,749,898) invested in externally managed share funds. This balance is comprised of one managed Australian share fund \$21,207,731 (2018: \$19,996,037) and three managed international share funds \$41,581,957 (2018: \$37,753,861). The funds are managed by professional fund managers.
- f) As at 30 June 2019 CBHS had \$20,874,086 (2018: \$19,919,711) invested in an externally managed property fund. This fund is managed by a professional fund manager.
- g) As at 30 June 2019 CBHS had \$4,887,500 (2018:\$0) invested in Whitecoat, a search and comparison website to help consumers find healthcare providers.

Recognition and measurement

Investments

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, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into 'trade and other receivables' and 'financial assets at fair value through profit or loss'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Notes to the Financial Statements

Financial assets at fair value through profit or loss

CBHS has classified its investments (term deposits and managed funds) 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 profit or loss.

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

- where financial instruments are traded in active markets and valuations are determined with reference to unadjusted quoted prices for identical assets, CBHS has utilised the market value of these instruments as advised by relevant financial institutions.
- Where financial instruments are traded in a non-active market CBHS has based the valuation on forecast price earnings multiples for similar type start up growth businesses.

Assets backing general insurance liabilities

All investments held by CBHS have been determined to be assets backing general insurance liabilities, and accordingly are designated as “at fair value through profit or loss”. These are initially recorded at cost and subsequently re-measured at fair value. Interest earned or dividends/distributions received are included in interest income or fair value gains/(losses).

12) Fixture, fittings and equipment

	2019 \$'000	2018 \$'000
Gross carrying amount		
Balance as at 1 July	3,987	3,726
Additions	937	460
Disposals	(46)	(152)
Transfers / adjustments	-	(47)
Balance as at 30 June	4,878	3,987
Accumulated depreciation		
Balance as at 1 July	3,061	2,692
Disposals	(46)	(140)
Depreciation expense	745	556
Transfer / adjustments	-	(47)
Balance as at 30 June	3,760	3,061
Net book value		
Balance as at 30 June 2018	926	1,034
Balance as at 30 June 2019	1,118	926

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.

Notes to the Financial Statements

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

13) Intangible assets

	2019 \$'000	2018 \$'000
Software		
Gross carrying amount		
Balance as at 1 July	4,173	1,677
Additions	6,129	2,488
Disposals	(650)	(38)
Transfer / adjustment	-	46
Net adjustment from revaluation increment	-	-
Balance as at 30 June	9,652	4,173
Accumulated amortisation		
Balance as at 1 July	499	66
Disposals	(650)	(38)
Amortisation expense	915	425
Transfer / adjustment	-	46
Net adjustment from revaluation increment	-	-
Balance as at 30 June	764	499
Net book value		
Balance as at 30 June 2018	3,674	1,611
Balance as at 30 June 2019	8,888	3,674

Intangible assets

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.

Description	Useful life
Software	3-5 years

Notes to the Financial Statements

14) Trade and other payables

	2019	2018
	\$'000	\$'000
Amounts due to the Health Benefits Risk Equalisation Trust Fund (a)	10,419	10,231
Accruals (b)	1,539	1,327
Trade payables (b)	1,658	1,538
Total	13,616	13,096

a) The credit period provided to CBHS 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. CBHS has procedures in place to ensure this payment is made by the due date.

b) For other trade creditors, the credit period on purchases of goods and services can vary between 7 and 30 days. No interest is charged on late payments. CBHS has procedures in place to ensure all payments are made by the due date.

Recognition and measurement

Trade and other payable

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

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.

15) Provisions

	2019	2018
	\$'000	\$'000
Current provision		
Employee benefits (a)	1,358	1,059
Provision for employee performance payments (b)	1,876	2,069
Unallocated premiums (c)	1,018	600
Doubtful debts (d)	159	-
Total current provision	4,411	3,728
Non-current provision		
Employee benefits (e)	1,068	954
Makegood (f)	700	700
Total non-current provision	1,768	1,654
Total provisions	6,179	5,382

Notes to the Financial Statements

- 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) CBHS 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 non-current provision for employee benefits is long service leave accrued and expected to be paid after 12 months.
- f) The non-current provision for makegood is expected to be paid when the rental lease is terminated and the premises vacated.

Movement in provisions

	Annual leave provision \$'000	Performance payments provision \$'000	Unallocated premiums \$'000	Doubtful debts provision \$'000	Long service leave provision \$'000	Makegood provision \$'000	Total \$'000
Balance at 30 June 18	1,059	2,069	600	-	954	700	5,382
Used during the year	(1,442)	(1,686)	(245)	-	(87)	-	(3,460)
Unused amounts reversed	-	(550)	-	-	-	-	(550)
Additional provisions recognised	1,741	2,043	663	159	201	-	4,807
Balance at 30 June 19	1,358	1,876	1,018	159	1,068	700	6,179

Recognition and measurement

Provision

Provisions are recognised when CBHS has a present obligation (legal or constructive) as a result of a past event, it is probable that CBHS 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 wage and salary rates, and the probability that employees will remain with CBHS 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 CBHS are recognised against profit when due.

Notes to the Financial Statements

16) Outstanding claims provision

a) Outstanding claims liability

	2019	2018
	\$'000	\$'000
Outstanding claims – central estimate of the expected future payments for claims incurred (i)	36,823	34,690
Claims handling costs	1,103	1,050
Risk equalisation	6,156	6,594
Risk margin (ii)	2,471	2,353
Gross outstanding claims liability	46,553	44,687

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 5.50% (2018: 5.50%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2018: 75%).
- CBHS Corporate Health 14.6% (2018: 17.1%) of the underlying liability has been estimated to equate to a probability of adequacy of approximately 75% (2018: 75%).

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 CBHS. Uncertainty was analysed by comparing the initial outstanding claims central estimates 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 1.5% of total incurred claims in a month. (CBHS pays claims that are likely to be subject to compensation when the claimant gives an undertaking that the benefits will be repaid to CBHS upon compensation settlement). Also around 0.2% 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.

Description	2019	2018
Risk margin (CBHS)	5.50%	5.50%
Risk Margin (CBHS Corporate)	14.6%	17.1%

Notes to the Financial Statements

c) Reconciliation of movement

	2019	2018
	\$'000	\$'000
Changes in the gross outstanding claims liabilities can be analysed as follows:		
As at 1 July	44,687	42,444
Claims incurred during the year	409,173	382,187
Claims paid during the year	(407,307)	(379,944)
As at 30 June	46,553	44,687

Recognition and measurement

Outstanding claim liabilities

The liability for outstanding claims 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 CBHS, 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, CBHS 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 CBHS.

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. CBHS takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. 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.

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 CBHS, where more information about the claim event is generally available. IBNR claims may often not be apparent to CBHS until several months later. In calculating the estimated cost of unpaid claims CBHS 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.

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

Notes to the Financial Statements

17) Unearned premium liability

	2019 \$'000	2018 \$'000
Unearned premium liability as at 1 July	31,895	31,753
Deferral of premiums on contracts written in the period	34,875	31,895
Earning of premiums written in previous periods	(31,895)	(31,753)
Unearned premium liability as at 30 June	34,875	31,895

18) Unexpired risk liability

CBHS performed the liability adequacy test as at 30 June 2019 and it was determined that there is a deficiency to recognise. (2018: no deficiency recognised).

a) Unexpired risk liability

	2019 \$'000	2018 \$'000
Unexpired risk liability as at 1 July	-	-
Increase recognition of additional risk liability in the period	2,711	-
Unexpired risk liability as at 30 June	2,711	-

b) Movement recognised in the statement of comprehensive income

	2019 \$'000	2018 \$'000
Gross movement in unexpired risk liability	2,711	-
Net movement in unexpired risk liability	2,711	-
Total movement recognised in the income statement	2,711	-

* Probability of Adequacy

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

	2019 \$'000	2018 \$'000
(i) Unearned premium liability component		
Unearned premium liability (A)	32,131	30,496
Central estimate of expected future cash flows arising from future claims on unearned premium liability (B)	31,498	29,548
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	849	796
Net deficiency (B+C-A)	(216)	-
(ii) Unclosed business liability component		
Unclosed business liability (A)	1,046	1,081
Central estimate of expected future cash flows arising from future claims on unearned premium liability (B)	1,025	1,047
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	28	28
Net deficiency (B+C-A)	(7)	-
(iii) Insurance contracts renewable before the next pricing review		
Insurance contracts renewable before the next pricing review (A)	346,377	326,370
Central estimate of expected future cash flows arising from future claims on insurance contracts renewable, allowing for differences between classes (B)	339,550	316,222
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	9,155	8,522
Net deficiency (B+C-A)	(2,328)	-
Total deficiency (i)+(ii)+(iii)	(2,551)	-

* Probability of Adequacy

ii. CBHS Corporate

	2019 \$'000	2018 \$'000
(i) Unearned premium liability component		
Unearned premium liability (A)	1,648	302
Central estimate of expected future cash flows arising from future claims on unearned premium liability (B)	1,339	284
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	67	18
Net deficiency (B+C-A)	-	-
(ii) Unclosed business liability component		
Unclosed business liability (A)	16	16
Central estimate of expected future cash flows arising from future claims on unearned premium liability (B)	16	15
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	1	1
Net deficiency (B+C-A)	(1)	-

Notes to the Financial Statements

	2019	2018
	\$'000	\$'000
(iii) Insurance contracts renewable before the next pricing review		
Insurance contracts renewable before the next pricing review (A)	3,929	3,397
Central estimate of expected future cash flows arising from future claims on insurance contracts renewable, allowing for differences between classes (B)	3,874	3,188
Risk margin (as per table below) on claims cost and 1.5% on management expenses at 75% PoA* (C)	214	202
Net deficiency (B+C-A)	(159)	-
Total deficiency (i)+(ii)+(iii)	(160)	-

* Probability of Adequacy

Description	2019	2018
Risk margin (CBHS)	2.75%	2.75%
Risk Margin (CBHS Corporate)	6.0%	6.7%

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, CBHS 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 claim 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. CBHS 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 income statement. The deficiency is recognised in the balance sheet as the "Unexpired Risk Liability".

If the liability adequacy test identifies that the insurance liability exceeds the expected future cash flows relating to future claims taking into account the additional risk margin then no recognition occurs in the income statement and balance sheet.

In assessing the unexpired risk liability, CBHS 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).

19) Total reserves

	2019	2018
	\$'000	\$'000
Retained earnings		
Balance at beginning of financial year	206,812	192,547
Profit/surplus after tax	4,894	14,265
Total retained earnings end of financial year	211,706	206,812
Balance at end of financial year	211,706	206,812

Notes to the Financial Statements

20) Parent Entity Financial Information

a) Summary financial information

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

Balance Sheet	2019	2018
	\$'000	\$'000
Assets		
Current assets	85,022	90,871
Total assets	322,723	307,432
Liabilities		
Current Liabilities	99,332	92,561
Total liabilities	101,100	94,214
Net Assets	221,623	213,218
Equity		
Retained Profits	221,623	213,218
Total Equity	221,623	213,218
Profit or loss for the year	8,405	17,023
Total comprehensive income for the year	8,405	17,023

b) Guarantees entered into by the parent entity

The parent entity did not provide any guarantees during the financial years 2019 or 2018

c) Contingent liabilities of parent entity

The parent entity did not have any contingent liabilities as at 30 June 2019 or 30 June 2018.

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

As at 30 June 2019, the parent entity did not have any commitments for the acquisition of property, plant or equipment.

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 2019.

Notes to the Financial Statements

21) Related Parties

During the year seven Directors of CBHS 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 2019, CBHS Health Fund provided Management Services to CBHS Corporate as set out in a Managed Service Agreement. The value of services provided to CBHS Corporate for the financial year 2019 was \$2,595,321 (2018: \$2,130,140).

During the year CBHS acquired shares in Whitecoat Holdings Pty Ltd. CBHS pays a monthly licence fee and a management services fee to Whitecoat Operating Pty Ltd. The value of these services for the financial year 2019 was \$183,750 (2018: \$0). Malcolm 'Jay' Macgregor is currently a Director of Whitecoat Holdings Pty Ltd and Whitecoat Operating Pty Ltd and receives directors fees.

22) Remuneration of auditors

	2019 \$	2018 \$
Audit of the financial statements, statutory returns and regulatory requirements	193,894	179,470
Total remuneration for audit and assurance services	193,894	179,470
Taxation services	22,440	10,200
Total remuneration for taxation services	22,440	10,200
Scrutineering of Board elections	-	12,240
Assisting with AASB 7 disclosures	4,000	4,000
Agreed upon procedures	4,000	4,000
GST impact of overseas visitor products	10,710	-
Total remuneration for other services	18,710	20,240
Total remuneration of PricewaterhouseCoopers Australia	235,044	209,910

The auditor of CBHS is PricewaterhouseCoopers

Notes to the Financial Statements

23) Remuneration of directors and other key management personnel

a) Directors remuneration	2019	2018
	\$	\$
Short-term employment benefits	360,882	323,655
Post-employment benefits (9.50% statutory superannuation guarantee)	28,789	21,689
Total directors' remuneration	389,671	345,344
b) Other key management personnel remuneration	2019	2018
	\$	\$
Short-term employment benefits	2,456,340	2,303,720
Post-employment benefits (9.50% statutory superannuation guarantee)	150,451	121,509
Total key management personnel remuneration	2,606,791	2,425,229
Total directors and other key management personnel remuneration	2,996,462	2,770,573

24) Liability of members

CBHS is a company limited by guarantee, incorporated and operating in Australia. The liability of the members is limited. Every voting member of CBHS undertakes to contribute to the assets of CBHS, in the event of CBHS 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 CBHS (contracted before ceasing to be a voting member) and of the costs, charges and expenses of winding up, not exceeding ten dollars (\$10.00).

25) Contingent liability

There are no contingent liabilities that we are aware of that may affect the financial position of CBHS in the future..

26) Lease Commitments

Non-cancellable operating leases

CBHS leases office space under non-cancellable operating leases which expire within 4 years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the lease are renegotiated.

	2019	2018
	\$'000	\$'000
Commitments for minimum lease payments in relation to non-cancellable operating lease are payable as follows:		
Within one year	878	563
Later than one year but not later than five years	2,350	2,150
Later than five years	-	-
Total	3,228	2,713

Recognition and measurement

Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to CBHS as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Notes to the Financial Statements

27) Actuarial assumptions and methods

a) 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 CBHS. 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 liabilities for CBHS.

	Key Variable 2019 \$'000	Key Variable 2018 \$'000
Estimate		
Estimated Medical and Ancillary Incurred Claims Cost	12,852	12,888
Estimated Hospital Incurred Claims Cost	16,827	16,815

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

	Key Variable 2019 \$'000	Key Variable 2018 \$'000
Estimate		
Estimated Hospital and Medical Incurred Claims Cost	116	61
Estimated Ancillary Incurred Claims Cost	192	104

	CBHS		CBHS Corporate	
	Key Variable 2019 %	Key Variable 2018 %	Key Variable 2019 %	Key Variable 2018 %
Estimate %				
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	21.0	109.0	65.0
Risk Margin	5.5	5.5	14.6	17.1

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

CBHS 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	Changes in Outstanding Claims Component*	Key Variable Change	Changes in Outstanding Claims Component*
	2019 %	2019 \$'000	2018 %	2018 \$'000
Incurring claims	+10	3,398	+10	3,477
	-10	(3,398)	-10	(3,477)
Expense rate	+10	109	+10	105
	-10	(109)	-10	(105)
Risk equalisation (OSC Component)	+10	599	+10	653
	-10	(599)	-10	(653)

*Excludes risk margin

Impact of changes in key variables CBHS Corporate Health Fund

	Key Variable Change	Changes in Outstanding Claims Component*	Key Variable Change	Changes in Outstanding Claims Component*
	2019 %	2019 \$'000	2018 %	2018 \$'000
Incurring claims	+10	32	+10	21
	-10	(32)	-10	(21)
Expense rate	+10	1	+10	-
	-10	(1)	-10	-
Risk equalisation (OSC Component)	+10	16	+10	7
	-10	(16)	-10	(7)

*Excludes risk margin

Notes to the Financial Statements

Unexpired risk liability

Actuarial assumptions

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

	Key Variable		Key Variable	
	2019	2018	2019	2018
	\$'000		\$'000	
Estimate				
Estimated Claims Cost	320,525	294,004		
	CBHS		CBHS Corporate	
	Key Variable Change 2019	Key Variable Change 2018	Key Variable Change 2019	Key Variable Change 2018
Estimate %	%	%	%	%
Risk equalisation (relating to above estimated claim)	9.3	10.6	34.0	32.4
Risk margin	2.75	2.75	6.0	6.7

Process used to determine assumptions

Estimated Claims Cost

This is determined by projecting the claims from (1) unearned premium liabilities 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 CBHS experience of the average change from quarter to quarter.

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.

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

Description	2019	2018
Risk margin (CBHS)	2.75%	2.75%
Risk Margin (CBHS Corporate)	6.0%	6.7%

Notes to the Financial Statements

Sensitivity analysis

Summary

CBHS 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 2019 %	Changes in unexpired Risk Component* 2019 \$'000	Key Variable Change 2018 %	Changes in unexpired Risk Component* 2018 \$'000
Estimated Claims Cost	+10	32,766	+10	28,347
	-10	(2,551)	-10	-
Risk equalisation (relating to above estimated claim)	+10	3,335	+10	1,704
	-10	(2,551)	-10	-

* Excludes risk margin

Impact of changes in key variables CBHS Corporate

	Key Variable Change 2019 %	Changes in unexpired Risk Component* 2019 \$'000	Key Variable Change 2018 %	Changes in unexpired Risk Component* 2018 \$'000
Estimated Claims Cost	+10	267	+10	241
	-10	(160)	-10	-
Risk equalisation (relating to above estimated claim)	+10	91	+10	73
	-10	(91)	-10	-

* Excludes risk margin

28) Insurance contracts – risk management policies and procedures

The financial condition and operation of CBHS 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 CBHS determines the entity's risk appetite and approves the risk management strategies, policies and practices to ensure that risks are identified and managed within the context of this appetite.

Some of the key features of CBHS' risk management framework include the:

- Audit & Risk Committee's responsibility is to assist the Board fulfil 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 Plan which sets out the ways in which CBHS will mitigate strategic and operational risks;
- monitoring and management of risk through the utilisation of risk management software; and
- various internal policies, procedures and information systems including:
 - o CBHS 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;
 - o the specific identification and addressing of insurance risk within CBHS risk profile;
 - o the Internal Audit function which provides management and the Board independent assurance of the internal control environment;
 - o 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;
 - o an investment strategy heavily weighted to defensive investment assets and capital preservation;
 - o 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;
 - o the setting of key performance indicators under the annual Business Plan together with the monitoring and re-forecasting of targets throughout the course of the year;
 - o a product design and approval process that includes sign off by business units (Marketing, Finance and Operations), the Appointed Actuary and Legal prior to Board approval;
 - o a rigorous pricing review;
 - o review and approval of the budget and forecast/s compiled by management; and
 - o 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 CBHS 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 benefits funds; and
- review and approval by the Federal Minister for Health and Ageing of all Health Insurance premium increases

Notes to the Financial Statements

Concentration Risk

CBHS Health Fund Limited is a not for profit private health insurer, exclusively for current and former employees of the Commonwealth Bank Group 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.

CBHS 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 Medicare 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..

Interest Rate Risk

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

All other receivables are non-interest bearing.

Compliance Risk

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

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

- internal and external legal input in relation to the drafting of its health benefits fund rules;
- dedicated compliance reviews of operational practices;
- 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

CBHS 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.

Notes to the Financial Statements

Capital is managed in accordance with CBHS' 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 CBHS 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 expense 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

CBHS' principal financial instruments comprise receivables, payables, short and long-term deposits and units in managed funds. CBHS manages its exposure to key financial risks in accordance with the company's risk management framework. The objective of the risk management framework is to protect the future financial assets of CBHS.

The main risks arising from CBHS' financial instruments are market risk (including interest rate and price risk), credit risk and liquidity risk. CBHS 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 CBHS Group Chief Executive Officer, Chief Risk Officer and Chief Financial Officer.

d) Interest rate risk management

CBHS is exposed to interest rate risk on its cash deposits and term 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 2019 the fair value of investments with a fixed interest rate was \$91,300,000 (2018: \$110,200,000).

CBHS' exposures to interest rates on financial assets are detailed below:

	Weighted average effective interest rate %	2019 \$'000	2018 \$'000
Cash deposits – "24 hour at call"	1.50	7,004	8,529
Term deposits designated at fair value through profit or loss	2.90	91,300	110,200

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.

Notes to the Financial Statements

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)	
	2019 \$'000	2018 \$'000
+0.25% (25 basis points) per annum	228	276
-0.25% (25 basis points) per annum	(228)	(276)

This is mainly attributable to CBHS' exposure to variable interest rates on its investments.

e) Price risks

CBHS 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. CBHS mitigates its price risk with an investment policy weighted to defensive natured 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)	
	2019 \$'000	2018 \$'000
+5% per annum	14,327	13,320
-5% per annum	(14,327)	(13,320)

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.

CBHS' 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

	2019 \$'000	2018 \$'000
Cash and cash equivalents		
A series rating	7,004	8,529
B series rating	-	-
Unrated	-	-
	7,004	8,529
Financial assets at fair value through the profit or loss		
A series rating	66,300	85,200
B series rating	25,000	25,000
Unrated *	186,260	159,950
	277,560	270,150

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

Notes to the Financial Statements

Financial instruments designated as at “fair value through profit or loss”

	2019 \$'000	2018 \$'000
Carrying amount of financial instruments designated as at “fair value through profit or loss”	91,300	110,200
Principal amount of financial instruments designated as at “fair value through profit or loss”	91,300	110,200
Cumulative changes in fair value attributed to changes in credit risk	(786)	(1,160)
Changes in fair value attributable to changes in credit risk recognised during the period	374	642

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 CBHS maximum exposure to credit risk.

g) Liquidity risk management

Liquidity risk arises from the possibility that CBHS 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 Chief Financial Officer. CBHS 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. CBHS continues to review its Capital Management Plan to assist in managing the company’s medium and long-term funding and liquidity requirements.

Liquidity and interest risk tables

The following table details CBHS’ 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 CBHS 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 \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000
2019					
Trade and other payables	1,658	10,419	1,539	-	-
2018					
Trade and other payables	1,538	10,231	1,327	-	-

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 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. At 30 June 2019, with the exception of Investment in other entities, all financial instruments held by CBHS were traded in active markets.

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 2019, the split of the financial assets at fair value through the profit and loss into the fair value hierarchy is as follows:

	Level 1: quoted prices in active markets (i) \$'000	Level 2: valuation techniques based on observable market data (ii) \$'000	Level 3: valuation techniques incorporating information other than observable market data (iii) \$'000	Total \$'000
2019				
Assets				
<i>Fair value through profit or loss</i>				
Term deposits	91,300	-	-	91,300
Managed multi asset fund	54,820	-	-	54,820
Managed share funds	62,790	-	-	62,790
Managed bond funds	42,889	-	-	42,889
Managed property funds	20,874	-	-	20,874
Investment in other entities	-	-	4,887	4,887
Total	-	-	4,887	277,560

As at 30 June 2018, the split of the financial assets at fair value through the profit and loss into the fair value hierarchy is as follows:

	Level 1: quoted prices in active markets (i) \$'000	Level 2: valuation techniques based on observable market data (ii) \$'000	Level 3: valuation techniques incorporating information other than observable market data (iii) \$'000	Total \$'000
2018				
Assets				
<i>Fair value through profit or loss</i>				
Term deposits	110,200	-	-	110,200
Managed multi asset fund	46,163	-	-	46,163
Managed share funds	57,750	-	-	57,750
Managed bond funds	36,117	-	-	36,117
Managed property funds	19,920	-	-	19,920
Total	270,150	-	-	270,150

At 30 June 2019, with the exception of Investment in other entities, all financial instruments held by CBHS are traded in active markets, hence categorisation level 1. Financial assets are valued using unadjusted quoted prices in active markets for identical assets. Financial assets in this category are managed funds.

Quoted unit prices for the managed funds are provided by the respective fund manager. The unit price is determined based on the sum of the last traded prices of the underlying shares at the end of the trading day divided by the number of units issued to unit holders. When determining the fair value of the managed fund the exit unit price is used.

The directors consider that the carrying amounts of the financial assets and liabilities in the financial statements approximate the fair values.

31) Additional company information

The registered office and principal place of business of CBHS is:

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

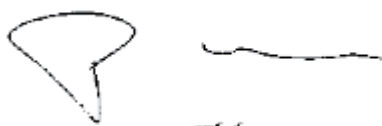
Director's Declaration

In the Directors' opinion:

- (a) the financial statements and notes set out between pages 34 and 73 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 CBHS' financial position as at 30 June 2019 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that CBHS 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 at Parramatta 23 August 2019

Independent Audit 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 CBHS) is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of CBHS' financial position as at 30 June 2019 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

CBHS' financial report comprises:

- the consolidated statement of financial position as at 30 June 2019
- 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 a summary of significant accounting policies
- 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 CBHS 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* (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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Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report comprises the directors' report included in the annual report for the year ending 30 June 2019, 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 identified above 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 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 *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 CBHS 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 CBHS 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_files/ar3.pdf. This description forms part of our auditor's report.

PricewaterhouseCoopers

PricewaterhouseCoopers

R Cooper
Partner

Parramatta
30 August 2019

R Cooper

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