

# Annual Report

2018/19



# Contents

About us	1
Purpose	2
Values	2
Highlights in 2018/19	3
From the Chair and CEO	5
Working to benefit our members and their communities	7
Our members	10
Our member-focused team	11
Charity and sponsorships	12
Directors' Report	13
Board of Directors	15
Executive Team	17
Financial Statements	19
Consolidated Statement of Profit or Loss and Other Comprehensive Income	19
Consolidated Statement of Financial Position	20
Consolidated Statement of Changes in Equity	21
Consolidated Statement of Cash Flows	22
Notes to the Financial Statements	23
Directors' Declaration	40



# About us

We have served the community since 1951, and with 68 years' experience, today more than 84,000 members trust Latrobe with their private health cover

Latrobe Health Services is a not-for-profit registered private health insurer that holds strong cultural values based on respect, honesty and trustworthiness. We care about our members and are committed to undertaking activities in an accountable manner and showing leadership in the private health insurance sector.

Latrobe is a Members Own Health Fund; whenever you see the Members Own symbol next to a health fund logo, you're looking at an insurer that exists to deliver the best possible service and benefits to its members, not to profit investors or overseas owners.



## Purpose

Like a friend, we guide and empower our members to take control of their health episodes now and in the future.



# Highlights in 2018/19

Supported the reopening of the  
**Yallourn North Medical Centre**

**\$113K for charity**  
Donations and support to the Yallourn North Medical Centre, Gippsland Family Medical Centre, Morwell Neighbourhood House, Baw Baw Food Relief, and Gippsland Emergency Relief Fund

**\$215K**  
The highest claim we paid for a member's treatment

**New Silver and Bronze**  
We launched Silver Plus, Silver and Bronze Plus products into our cover range

**46,957**  
Hospital episodes - benefits paid \$124M



Proud owner of Gippsland's only acute medical and surgical private hospital  
**Maryvale Private Hospital**

**382K**  
Occasions of hospital medical services paid for our members

**84,000**  
Members trust Latrobe with their private health insurance cover

**36,000**  
Surgically implanted prosthetic devices paid for members

**\$169M**  
Premium revenue



For every dollar Latrobe received in premiums  
**92c\***  
was paid back in the form of benefits

**8.5/10 trust**  
Our members say they rate us 8.5/10 for trust in Latrobe (2019, Discovery Research)

**\$150M**  
Benefits paid to members

An official sponsor of Morwell Neighbourhood House's therapy dog, Honeybell Lollipop



Branches and agencies in **Moe, Morwell, Bairnsdale, Traralgon, Sunbury and Warragul**

\*Source Private Health Insurance Ombudsman State of Health Funds Report - % Hospital related charges covered in Victoria

# From the Chair and CEO

We are pleased to present the Latrobe Health Services Annual Report 2018/19.

The 2018/19 financial year has represented significant change for Latrobe and for the private health insurance industry as a whole.

Latrobe welcomed the introduction of the Australian Government's major private health insurance reforms, which aim to make our industry simpler and easier to understand for our members. Latrobe supports the introduction of consistent tiers of cover across our industry (gold, silver, bronze and basic) and clinical categories and services – we believe this is a positive step for the sector towards greater transparency and making it easier for members to choose the right cover to meet their needs.

**We know that now, more than ever, we must look at how we can as an industry ensure we are reducing complexity, work through affordability challenges, and support Australians to have the cover they need. Recognising that nearly half of the Australian population has private health cover, it is important we are embracing reform to reinforce the value of private health insurance and the role it plays in our health system. Latrobe sees these reforms as strengthening the private health insurance sector by stimulating industry growth and enabling us to play our critical role in taking pressure off the public health system.**

Latrobe has long been a fund that offered its members gold-standard comprehensive covers only – we've traditionally held the view that having no exclusions on our products means our members are comprehensively covered throughout their health episodes. Throughout the process of responding to the reforms, Latrobe, for the first time ever, made the decision to introduce Silver and Bronze products to the market in 2018/19.

The Silver and Bronze products represent a shift for Latrobe where we recognise affordability is an enduring challenge for our members and want to offer our members products that cover their needs and enable them to afford a cover without paying for services they do not need. We remain focused on ensuring we have some of the most comprehensive products in the market, and the Silver Plus is a great example of this. The product covers expensive items such as joint replacements, dialysis, insulin pumps, pain management and sleep studies not commonly covered by silver products in the market and excludes pregnancy and weight loss, making this a comprehensive product for mature members who no longer need these services. We're excited to build diversity into our product range this financial year, and we are now on a path of continual review and innovation of our products to ensure we are reflecting the member voice in all that we do.

We continue to work with the Australian Prudential Regulation Authority (APRA) and welcome the introduction of standards and regulation to the private health insurance sector that will ensure our industry is continually positioning to be sustainable and resilient. Latrobe recognises we need to be able to respond strategically and adapt with innovation as we see significant shifts across our sector in operational requirements, and consumer behaviour and expectation. This year Latrobe has worked with APRA to enhance its risk, governance and business planning processes.

After nearly 30 years' of service, we farewelled retiring Director Peter Renwick from the Board and Managing Director Bruce Beatson from Latrobe. Both Peter and Bruce have played a significant

role in Latrobe Health Services, having steered the organisation through industry change and the merger with Federation Health in 2005 and ensured Latrobe is the member-focused and community-oriented health fund it is known as today. We thank Bruce and Peter for their many years of service, we wish them well in retirement, and congratulate them on their tremendous contribution to Latrobe.

Ian Whitehead stepped into the Chief Executive role in November 2018 and brought with him a wealth of experience in leading through change, innovation, business strategy, financial management and marketing expertise to Latrobe. Ian has led the delivery of Latrobe's Strategic Plan 2020 – 2030 which sets Latrobe on an exciting 10-year journey to be an innovative, modern and member-focused regional health fund that delivers real value and benefit to its highly engaged membership base.

Our commitment to our community is unwavering. We were established in Gippsland in 1951 with a strong regional member focus, and our passion for regional communities is stronger than ever. We know that we can make a real difference in the health and prosperity of our communities and that's why we continue to support recruitment and access to primary health care services in the Gippsland region.

This year we worked closely with the Yallourn North community to reopen a much-needed general practice in the town, ensuring the community now has access to two general practitioners three days a week. Over the next five years this investment will total more than \$150,000 and ensure continued access to these vital services for the community.

We 100% own Gippsland's only acute medical and surgical private hospital, Maryvale Private Hospital. We built the hospital nearly 30 years ago with Federation Health to enable Gippslanders to have access to quality private care in our region, and to reduce the need for our rural and remote members having to travel to metropolitan areas for care they need. This year we continued to support Maryvale Private Hospital and have been

working through a large-scale redevelopment effort for the hospital planned to commence in 2020 to ensure Gippslanders continue to have access to contemporary and first-rate care.

Our achievements are the net result of our people and their commitment to our members. We've invested significantly in our people this financial year, having launched a Culture Action Plan that focuses on engagement with staff and keeping the enthusiasm and energy alive in our workplace. Our commitment to our culture means our people continue to have a great place to work and our members, stakeholders and community see our passion across our offices and branches.

We thank the Latrobe Board and the Executive Team for their incredible effort, guidance and leadership through change, and for their unwavering focus on our members and improving member experience. Finally, and most importantly, we thank the loyal members of Latrobe for continuing to support us and trust us to provide their private health cover.



**Ormond Pearson**  
Board Chairman



**Ian Whitehead**  
Chief Executive Officer



# Working to benefit our members and their communities



We're the proud owner of Gippsland's only private hospital, ensuring people in our community can access first-class private hospital care in their own backyard

Maryvale Private Hospital was established in 1991 and is 100 per cent-owned by us today. Maryvale is a tangible demonstration of our commitment to our members and the Gippsland community, ensuring that people do not have to travel to metropolitan Melbourne to access specialists or private hospital facilities.

Maryvale Private Hospital is a 46-bed acute care medical and surgical facility. It offers a comprehensive range of services through more than 20 medical specialties, including endocrinology, gastroenterology, oncology, orthopaedics, paediatrics, urology, surgery, dentistry and many more. It also has many specialist nurses in areas such as breast cancer support, diabetes management, palliative care and oncology.

The hospital has earned an excellent reputation for its quality of care, receiving outstanding feedback from patients, and is highly valued by the Gippsland community.

The hospital is administered by a chief executive officer and management team, overseen by a Board of Directors. The Board comprises community leaders who are committed to the hospital and the services it provides to the community it services.

Latrobe Health Services is passionate about ensuring the people of Gippsland have the health services they need and will continue to develop and improve Maryvale for the benefit of its members and the community.

38,000

Latrobe Health Services member admissions since establishment

44,758

Latrobe Health Service members inpatient occasions of service

133,145

Bed days of care for Latrobe Health Services members



## Yallourn North Medical Centre reopens – thanks to Latrobe

Yallourn North Medical Centre is again open and providing care to the community thanks to the support of Latrobe Health Services and the Yallourn North Action Group.

The town had been without a local GP health service since the closure of the centre in late 2017. Recognising how important primary healthcare services are in its communities, Latrobe Health Services joined forces with the Yallourn North Action Group to identify and support an alternative medical service provider to reopen the centre, in Reserve Street, Yallourn North.

In December 2018, Latrobe Health Services signed a Memorandum of Understanding with the Maryvale General Practice Group (trading as Yallourn North Medical Centre). Latrobe Health Services committed to providing the building for a peppercorn rent for five years plus fixtures and IT services – an investment of more than \$150,000 in support. This included a renovation of the centre that installed a new ceiling, carpet, air-conditioning, lighting, signage, furniture and security features.

Latrobe Health Services CEO Ian Whitehead said the excellent outcome was a group effort and a reminder of what strong community partnerships could achieve. "For us it's all about ensuring our communities get access to GPs and health services, and us playing a role in supporting the community in achieving that," he said.

"Our vision is to ensure we're supporting and giving back to our community, and we simply couldn't have done it without the strong advocacy from Yallourn North Action Group, together with driven and committed GPs from the Yallourn North Medical Centre, working towards the same goal," Mr Whitehead said.

Yallourn North Medical Centre was officially reopened on Monday 29 April with a barbecue breakfast cooked by CFA volunteers and attended by community members, CEO Ian Whitehead, local member for Morwell Russell Northe and Latrobe City councillor Graeme Middlemiss.

2 GPs

GPs and a medical receptionist are available to the community since the medical centre reopened

3 days

GPs work three days a week at the medical centre





## Our members

Latrobe prides itself on being a fund that really looks after its members. Our personalised service, understanding of regional communities, and focus on our members' needs is what sets us apart

**\$150M**

Benefits paid to our members

**92c\* back**

Benefits paid to our members

**New products**

New Silver, Silver Plus, and Bronze Plus products launched

**44,000**

Member engagements in the locally based Gippsland call centre

Understanding that affordability is a major challenge for members, Latrobe introduced comprehensive Silver and Bronze products to its range. The products include a range of expensive items not ordinarily found in tier-alike products in the market so we're able to ensure our members have the cover they need, when they need it – but aren't paying for things they don't need (such as pregnancy for mature members). Our Silver Plus product includes joint replacements, dialysis, insulin pumps, pain management and sleep studies – to name a few.

We're a fund known for its personalised service to members. Each year our call centre delivers more than 44,000 engagements with our members and providers. Our staff are engaged in an intensive two-week induction program where they learn our organisation's values, behaviours, products and how we support our members so that when they are talking to members they are able to look after them, support them through their health episodes, and give them the service they need.

We offer our members an online member self-service centre to ensure our members can manage key aspects of their membership when it is convenient to them. More than 33,000 members manage their profile online to update contact details, change banking information, view extras limits and waiting periods, and access key communication regarding their membership.

We established a Member Experience Steering Committee this year that meets weekly to understand opportunities to improve member experience. Each month we receive up to 300 pieces of feedback from our members, which the committee uses to determine continuous improvement projects. Latrobe has responded to this feedback by increasing its electronic and mobile communications, improving business operations and processes, and building a pipeline of projects for 2020 including product review, digital technology, and increased service levels and options.

\*Source Private Health Insurance Ombudsman State of Health Funds Report - % Hospital related charges covered in Victoria



## Our member-focused team

A focus on culture in 2018/19 has meant Latrobe and its valued staff have had a renewed focus on strengthening our positive work environment so we can continue to service members and regional communities

89

Employees working across regional Victoria

### Gender diversity

Across Latrobe's Board and Executive Team, there was a 50/50 balance in gender diversity in 2018/19

### Culture focus

Launched our new Culture Action Plan

### \$113K to charity

Our staff have led Latrobe's support and donation of \$113K to charities

Latrobe welcomed new Chief Executive Officer Ian Whitehead, who led the development and launch of Latrobe's Strategic Plan 2020–2030. The strategy sets Latrobe on an exciting 10-year journey to be an innovative, modern and member-focused regional health fund that delivers real value and benefit to its highly engaged membership base.

Supporting the organisation to deliver on its goals and driving the strategy is the Latrobe Executive Team, which has two new appointments: Chief Information Officer Kamran Channa and Chief Marketing Officer Kate Simmons.

Our achievements and the great experiences we provide to our members are the net result of our people and their commitment to our members. Latrobe has invested significantly in our people this financial year, having launched a Culture Action Plan that focuses on engagement with staff and keeping the enthusiasm and energy alive in our workplace. The work we've done on culture aligns to our values and behaviours – The Latrobe Way.

Our commitment to our culture means our people continue to have a great place to work and our members, stakeholders and community see our passion across our offices and branches.

Latrobe employees continue to look for opportunities to support members and their communities through charitable activities and donations. In 2018/19, Latrobe's employee working 'Charity Group' led charitable work with Morwell Neighbourhood House, Australian Red Cross, Yallourn North Medical Centre, Gippsland Family Medical Centre, Baw Baw Food Relief, and Gippsland Emergency Relief Fund. Through this work, 27 lives were saved from nine blood donations and more than \$113,000 was raised for the causes.

## Charity and sponsorships



### An official sponsor of Morwell Neighbourhood House's therapy dog, Honeybell Lollipop

One of Latrobe Health Services 'pet' projects is its sponsorship of Honeybell, a golden retriever puppy at Morwell Neighbourhood House who is being trained as the first therapy dog in a Victorian neighbourhood house.

There have been many studies that prove therapy dogs reduce stress, lower blood pressure and provide a sense of comfort, confidence and companionship.

Morwell Neighbourhood House is established for those people and families who are experiencing poverty, disadvantage, distress or isolation within Morwell and surrounding areas. They provide welfare support including a food bank which is run three days a week, a free food store, a lawn mower bank and they have the only repair café in the Latrobe Valley.

Morwell Neighbourhood House is a place for the community; it is community-owned and community-managed while operating on the Community Development Model of Practice, building people, building communities and building relationships.

As Honeybell grows she will be trained as a therapy dog and will be the first therapy dog in a neighbourhood house in Victoria. Before heading off for some intensive training at Hanrob's Dog School, Honeybell's primary role has been to meet as many people as possible and receive as many pats and cuddles as she can. Once her training is completed she will be required to pass a temperament test, continue with ongoing training and provide the community with endless cuddles.



# Directors' Report

## Directors

The Directors hereby present the annual financial report of Latrobe Health Services Limited (Latrobe) and the controlled entity as a Consolidated Group for the financial year ended 30 June 2019 in accordance with the Corporations Act 2001 and the Australian Accounting Standards. The Directors in office during the financial year, together with their qualifications, experience and Committee responsibilities are set out following this report. Details of meeting attendance is contained within this report and their remuneration is included in Note 18.

## Principal Activities

The principal activities of Latrobe and its controlled entity during the financial year remain unchanged and were the provision of private health insurance within Australia and acute hospital services within the Gippsland region.

## Financial Results

The consolidated profit for the year was \$5,290,906 and is not subject to income tax.

## Review of Operations

A review of the operations and results of the Consolidated Group during the financial year are set out in the Chair and CEO Message which precedes this report.

## Changes in the State of Affairs

During the financial year there was no significant change in the state of affairs of the Consolidated Group.

## Subsequent Events

No matter or circumstance has arisen since the end of the previous financial year to the date of this report that has, or may, significantly affect the activities of the Consolidated Group, the results of those activities or the state of affairs of the Consolidated Group in the ensuing or any subsequent financial year.

Continuing members of the Board of Latrobe are Craig Dunstan, Geoffrey Hocking, Ormond Pearson, Kelly Humphreys, and Nathan Voll.

Peter Renwick resigned from his role on the Board effective 29 November 2018.

Bruce Beatson resigned from his role on the Board effective 28 December 2018.

## Directors' Interests and Benefits

Latrobe is a Consolidated Group limited by guarantee. As such, none of the Directors hold an interest but each, as a member of Latrobe, is liable to the extent of their undertaking under Latrobe's Company.

During the financial year, Latrobe paid Directors' and Officers' liability insurance for all of its Directors and Officers. The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability insurance contract, as such disclosure is prohibited under the terms of the contract.

The Constitution allows for the inclusion of indemnities in favour of persons who are or have been a Director or Officer of Latrobe. To the extent permitted by law, Latrobe indemnifies every person who is or has been a Director or Officer against any liability to any person incurred while acting in that capacity in good faith and against costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and ancillary matters and operates to the extent that the loss or liability is not covered by a valid and current insurance policy. Latrobe holds executed Deeds of Indemnity with the Directors and Executive Officers.

No non-executive Director has received any benefit since the end of the previous financial year, by reason of any contract with Latrobe or a related body corporate with a firm of which he or she is a member or with a Consolidated Group in which the Director has a substantial interest, with the exception of health insurance benefits paid to them as a result of them being health insurance policy holders of the health fund which is conducted by Latrobe in the ordinary course of its business.

## Proceedings on Behalf of Latrobe

No person has applied for leave of Court to bring proceedings on behalf of Latrobe or intervene in any proceedings to which Latrobe is a party for the purpose of taking responsibility on behalf of Latrobe for all or any part of those proceedings. Latrobe was not a party to any such proceedings during the year.

## Attendance of Directors' Meetings

The number of Board and Committee meetings held and the number of meetings attended by each Director is as follows:

Directors	Board of Directors		Audit Committee		Remuneration and Nomination Committee		Risk Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ormond Pearson	8	8	3	2	3	3	-	-
Nathan Voll	8	8	3	3	-	-	4	4
Kelly Humphreys	8	8	-	-	2	2	4	4
Geoffrey Hocking	8	7	3	3	-	-	4	4
Craig Dunstan	8	7	-	-	3	3	-	-
Bruce Beatson	5	4	1	1	1	1	2	2
Peter Renwick	5	3	-	-	1	1	-	-

## Auditor's Indemnification

Latrobe has not, during or since the financial year, in respect of any person who is or has been an auditor of Latrobe or a related body corporate, indemnified or made any relevant agreement for indemnifying against a liability incurred as an auditor, including costs and expenses in successfully defending legal proceedings, or paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an auditor for the costs or expenses to defend legal proceedings.

## Auditor's Independence Declaration

The auditor's independence declaration is included in the Annual Report and forms part of the Director's report for the financial year ended 30 June 2019.

Signed in accordance with a resolution of the Directors made pursuant to s298(2) of the Corporations Act 2001 on behalf of the Directors.



**Ormond Pearson**

Director

18 September 2019



# Board of Directors

The Board of Latrobe comprises five independent non-executive Directors. Further information on the governance of Latrobe is included in the Corporate Governance Statement. For the year ended 30 June 2019, the Directors of Latrobe at any time during or since the end of the financial year are:

## Ormond Pearson

*BHSC(MGT), FAICD, FIML, FIPA*

- Director since 2013 (Chair 2014 - current)
- Member of Audit Committee since 2014
- Member of Remuneration and Nomination Committee since 2015
- Director of Maryvale Private Hospital since 2015
- 30 years' experience as CEO of public hospitals and community health services, including part time consultancy and locum relief work

## Geoffrey Hocking

*GRAD DIP BUS ADMIN (EXEC OPS), GRAD CERT BUS (MGT), MIWA, MAICD*

- Director since 2013
- Member of Risk Committee since 2016 (Chair 2016 - current)
- Member of Remuneration and Nomination Committee (2014 - 2016)
- Member of Audit Committee since 2015
- Member of Gippsland Ports Board since 2011 (Chair since 2014)
- Deputy Chair of Victorian Environmental Water Holder Commission since 2011 (Chair of Risk and Audit Committee)
- Member of Gunaikurnai Traditional Owner Land Management Board since 2012
- 18 years' experience in senior management roles in the water industry and ASIC
- 15 years' experience in middle management roles in the public sector

## Nathan Voll

*BCOM, GRAD CERT BUS MGT, MBA, FCPA, FAICD*

- Director since 2011
- Member of Risk Committee since 2016
- Member of Audit Committee since 2011 (Chair 2011 - current)
- Director of West Gippsland Health Care Group Ltd (2010 - 2016)
- Director of Latrobe Community Health Services since 2016
- General Manager Corporate Services, Gippsland. Department of Justice and Regulation, Victoria (2010 - 2017)
- Regional Finance Manager, Department of Education and Training since 2017
- Various other finance and business management roles

## Kelly Humphreys

*MMGT, GAICD, FAIM, Dip Fin Serv*

- Director since July 2017
- Member of Risk Committee since 2017
- Member of Remuneration and Nomination Committee since 2018
- Member of College Council and Academic Board, ISN Psychology Pty Ltd since May 2019
- Commissioner of Victorian Building Authority since 2017
- Director of Accident Compensation Conciliation Service since 2017
- Extensive senior executive experience in the financial services sector, including General Manager roles with Victorian Managed Insurance Authority, Liberty Financial and Aon

## Craig Dunstan

*BCOM, LLB, MBA, GRAD DIP APPLIED FINANCE and INVESTMENT, FFINSIA, MAICD*

- Director since 2016
- Member of Risk Committee (2016 - 2017)
- Member of Remuneration and Nomination Committee since 2017 (Current Chair)
- Chair of Australian Scholarships Group Friendly Society Limited
- Director of Federated Investors Australia Services Limited
- Managing Director of Vasco Investment Managers Limited
- Over 25 years' experience in the financial services industry, including roles as General Manager Financial Services at Australian Unity Limited and Managing Director of former ASX listed MacarthurCook Limited

## Peter Renwick

*FCILT, MAICD*

- Director\* since 1988 (Chair 1996 - 2003, 2013 - 2014)
- Member\* of Remuneration and Nomination Committee since 2010
- Director of Maryvale Private Hospital Pty Ltd since 1997 (resigned on 28 May 2018)
- Over 39 years' experience in the bus transport industry and 24 years as owner of Latrobe Valley Bus Lines

\*Resigned on 29 November 2018

## Bruce Beatson

*FAIM, MAICD*

- Managing Director\* since 2011 (formerly Chief Executive Officer since 1989)
- Extensive management experience in the private health insurance industry and financial services industry
- Director of Maryvale Private Hospital Pty Ltd (resigned 27 November 2018, appointed 31 January 2019)
- Director of HAMB Systems Ltd (retired 4 December 2018)
- Chair of Australian Regional Health Group Ltd (resigned 14 December 2018)

\*Retired on 28 December 2018



# Executive Team



**Crowe VIC**  
 ABN 27 621 602 883  
 3 Napier Street  
 Warragul VIC 3820  
 PO Box 346  
 Pakenham VIC 3820  
 Main +61 (3) 5622 7500  
 Fax +61 (0) 5623 6948  
 www.crowe.com.au

For the year ended 30 June 2019, the Executive Officers of Latrobe at any time during or since the end of the financial year are:

**Ian Whitehead**

*BBUS (Marketing/Economics), PostGrad, Masters, GAICD*

- Commenced as Chief Executive Officer on 1 November 2018.
- Director of Maryvale Private Hospital Pty Ltd (appointed 27 November 2018)
- Deputy Chair of Australian Regional Health Group Ltd
- Experienced Chief Executive Officer with extensive expertise in business strategy, driving change, financial management and marketing across financial services, health and life insurance, property, retail and distribution and technology sectors
- Completed executive education programs at INSEAD (France) and Harvard (USA), holds a Masters and Post-Graduate in Marketing (Royal Melbourne Institute of Technology), and a Bachelor of Business in Marketing and Economics (Swinburne University of Technology)

**Andrea Buckland**

*BBUS (Information Systems), MACC, CPA*

- Chief Financial Officer since 2011
- Company Secretary since 2014
- Experienced in financial management, reporting, analysis and planning, process change and management of critical business transitions over a variety of industries including technology, manufacturing and professional services.

**Sue Schembri**

*MAICD*

- Chief Operations Officer, various positions since 1990
- Significant management experience in the private health insurance industry and financial

services industry.

**Kylie Debono**

*BSCI (Biological) HONS (Microbiology)*

- Chief Risk Officer since 2015
- Experience as an Executive Manager across a range of industries since 2005 responsible for leading, influencing and driving Strategic Planning initiatives, design and monitoring of governance, risk, organisational development and OH&S management frameworks

**Kate Simmons**

*BA (Media Communications), ATCL, Dip Graphic Design*

- Commenced as Chief Marketing Officer on 1 April 2019
- A senior, experienced and innovative communication and engagement professional skilled in media management, public relations, sales and marketing, customer service, best-practice engagement, communication, creative writing, design, and advertising

**Kamran Channa**

*Masters (Information Technology), BSc (Computer Sciences)*

- Commenced as Chief Information Officer on 17 March 2019
- Experienced technologist with years' experience in business and technology leadership, end to end inward and outward facing technology development, strategic and operational team development and people management, business applications and information systems implementation, vendor liaison, contract negotiation and relationship management, and program and project management

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE BOARD OF LATROBE HEALTH SERVICES LTD**

In relation to our audit of the financial report of Latrobe Health Services Ltd for the financial year ended 30 June 2019, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

**CROWE VIC**

**GORDON ROBERTSON**

**Partner**

**Date:** 18<sup>th</sup> September 2019

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe VIC, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees. © 2019 Findex (Aust) Pty Ltd



# Financial Statements

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2019

	Notes	Consolidated Group	
		2019 \$	2018 \$
Revenue			
Operating activities	2	185,930,579	181,147,542
<b>Total revenue</b>		<b>185,930,579</b>	181,147,542
Expenses			
Fund benefits paid to policy holders	3	150,932,553	145,801,215
Management expenses	4	29,296,590	26,858,108
State levies		410,530	405,465
<b>Total expenses</b>		<b>180,639,673</b>	173,064,788
<b>Profit before income tax</b>		<b>5,290,906</b>	8,082,754
Income tax expense	1(b)	-	-
<b>Profit for the year</b>		<b>5,290,906</b>	8,082,754
Other comprehensive income			
Revaluation of property, plant and equipment		(3,796,805)	(121,508)
<b>Other comprehensive income for the year</b>		<b>(3,796,805)</b>	(121,508)
<b>Total comprehensive income for the year</b>		<b>1,494,101</b>	7,961,246
<b>Total comprehensive income attributable to the entity</b>		<b>1,494,101</b>	7,961,246

The accompanying notes form part of these financial statements

## Consolidated Statement of Financial Position

For the year ended 30 June 2019

	Notes	Consolidated Group	
		2019 \$	2018 \$
Current assets			
Cash and cash equivalents	6	10,610,980	9,544,435
Financial assets	7	187,286,025	183,490,281
Trade and other receivables	8	16,036,873	14,745,318
Other current assets	9	985,274	987,530
<b>Total current assets</b>		<b>214,919,152</b>	208,767,564
Non-current assets			
Property, plant and equipment	10	14,055,187	17,327,236
Intangible assets	11	619,477	658,194
<b>Total non-current assets</b>		<b>14,674,664</b>	17,985,430
<b>Total assets</b>		<b>229,593,816</b>	226,752,994
Current liabilities			
Trade and other payables	12	7,068,271	5,106,691
Provisions	13	19,171,518	20,098,226
Other liabilities	14	28,456,735	27,901,753
<b>Total current liabilities</b>		<b>54,696,524</b>	53,106,670
Non-current liabilities			
Provisions	13	9,554	252,687
<b>Total non-current liabilities</b>		<b>9,554</b>	252,687
<b>Total liabilities</b>		<b>54,706,078</b>	53,359,357
<b>Net assets</b>		<b>174,887,741</b>	173,393,637
Equity			
Asset revaluation reserve	15	-	3,796,805
Retained earnings		174,887,738	169,596,832
<b>Total equity</b>		<b>174,887,738</b>	173,393,637

The accompanying notes form part of these financial statements

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2019

	Asset Revaluation Reserve	Retained Earnings	Total Equity
	\$	\$	\$
Consolidated Group			
Balance as at 1 July 2017	3,918,313	161,514,078	165,432,391
Profit attributable to the entity	-	8,082,754	8,082,754
Other comprehensive income	(121,508)	-	(121,508)
Balance as at 30 June 2018	3,796,805	169,596,832	173,393,637
Consolidated Group			
Balance as at 1 July 2018	3,796,805	169,596,832	173,393,637
Profit attributable to the entity	-	5,290,906	5,290,906
Other comprehensive income	(3,796,805)	-	(3,796,805)
Balance as at 30 June 2019	-	174,887,738	174,887,738

The accompanying notes form part of these financial statements

## Consolidated Statement of Cash Flows

For the year ended 30 June 2019

	Notes	Consolidated Group	
		2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from operating activities		183,844,475	178,625,150
Payments to suppliers / employees		(181,396,429)	(174,614,956)
Interest and other income		4,709,967	4,287,452
Net cash provided by operating activities		7,158,013	8,297,646
Cash flows from investing activities			
Fixed asset purchases	10	(2,295,724)	(1,050,087)
Proceeds on sale of fixed assets		-	-
Net cash used in investing activities		(2,295,724)	(1,050,087)
Net increase in cash held		4,862,289	7,247,559
Cash at beginning of year		193,034,716	185,787,157
Cash at end of year		197,897,005	193,034,716

### Reconciliation of cash

Cash at end of the financial year as shown in the Statement Of Cash Flows is reconciled to items in the Statement Of Financial Position as follows:

Cash and cash equivalents	6	10,610,980	9,544,435
Financial assets	7	187,286,025	183,490,281
Cash at end of year		197,897,005	193,034,716

The accompanying notes form part of these financial statements



# Notes to the Financial Statements

For the year ended 30 June 2019

## 1. Summary of significant accounting policies

These consolidated financial statements and notes represent those of Latrobe Health Services Limited and the controlled entity as a Consolidated Group. The separate financial statements of the parent entity, Latrobe Health Services Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. These consolidated financial statements were authorised for issue in accordance with a resolution of Directors on 18 September 2019. The controlled entity is Maryvale Private Hospital Pty Ltd.

### New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and mandatory for the current reporting period. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

New and revised Standards and Interpretations effective for the current reporting period that are relevant to the Consolidated Group are:

#### AASB 2016-6 Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts

AASB 2016-6 allows entities whose predominate activities are insurance related the option of delaying implementation until 2021 to align with the implementation of AASB-17 Insurance Contracts. An insurer's activities are predominately connected with insurance if the percentage of the total carrying amount of liabilities connected with insurance are greater than 90% (para 20D). The amendment was adopted for the year ending 30 June 2019 by the Consolidated Group.

	Notes	Consolidated
<b>Percentage of Liabilities</b>		
Total liabilities	22	51,770,260
Liabilities connected with insurance		
Claims payable	12	4,363,003
Unearned premium liability	12	592,519
Outstanding claims	13	12,209,000
Unexpired risk	13	2,895,000
Contributions in advance	14	28,456,735
Total Insurance Liabilities		48,516,257
<b>Percentage of liabilities</b>		<b>93.7%</b>

#### AASB 2017-3 Amendments to Australian Accounting Standards - Clarifications to AASB 4

AASB 2017-3 confirms that in Australia, compliance with AASB 1023 General Insurance Contracts ensures simultaneous compliance with AASB 4 Insurance Contracts. The amendment was adopted for the year ending 30 June 2019 by the Consolidated Group.

The following new Accounting Standards and Interpretations issued by the AASB have been reviewed by the Consolidated Group:

#### AASB 9 Financial Instruments

When this Standard is first adopted by the Consolidated Group for the year ending 30 June 2021, there will be no material impact on

the transactions and balances recognised in the financial statements.

#### AASB 16 Leases

When this Standard is first adopted by the Consolidated Group for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.

#### AASB 17 Insurance Contracts

The Consolidated Group has not yet assessed the full impact of this Standard.

#### Basis of preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements of the Australian Accounting Standards Board and the Corporations Act 2001. The Consolidated Group is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

#### Accounting policies

The presentation currency used for the preparation of these financial statements is Australian dollars.

#### a. Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Latrobe Health Services Limited at the end of the reporting period. Latrobe Health Services Limited controls an entity when it is exposed to, or has the rights to, variable returns from its involvement with the entity and it has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Latrobe Health Services Limited. They are de-consolidated from the date that control ceases.

In preparing the consolidated financial statements,

all inter-group balances and transactions between entities in the Consolidated Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

#### b. Income tax

The Consolidated Group is exempt from income tax by virtue of Section 50-30 item 6.3 of the Income Tax Assessment Act.

#### c. Inventories

Inventories are measured at the lower of cost and net realisable value.

#### d. Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

#### Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on triennial valuations by external independent valuers.

Land and buildings are treated as a class of assets. Increases and decreases in the carrying amount arising on revaluation of individual assets within the land and buildings class are offset against one another within that class. An increase is credited directly to the revaluation reserve, except where it reverses a revaluation decrement previously recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, in which case it is credited to that Statement. A decrease is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, except where a credit balance exists in the revaluation reserve, in which case it is debited to that reserve.

#### Plant and equipment

The carrying values of all plant and equipment are reviewed annually by Management to ensure that they are not stated at amounts in excess of

their recoverable amounts. Except where stated, recoverable amounts are not determined using discounted cash flows. Management have reviewed the assets and are of the opinion that there has been no impairment of the assets' current values within the asset classes.

### Depreciation

The depreciable amount of all property, plant and equipment, excluding land, is depreciated on a straight-line basis over the assets' useful life to the Consolidated Group commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	2019 %	2018 %
Freehold land	Nil	Nil
Freehold buildings	2	Nil
Leasehold improvements	25	25
Office furniture and equipment	10 - 15	10 - 15
Fixtures and fittings	10 - 15	10 - 15
Computers	20	20
Motor vehicles	22.5	22.5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

### e. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with

the lessor, are charged as expenses on a straight-line basis over the lease term.

### f. Financial instruments

#### Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Consolidated Group becomes a party to the contractual provisions of the instrument. For financial assets, this is equivalent to the date that the Consolidated Group commits itself to either purchase or sell the asset (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

#### (i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

#### (ii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments and it is the Consolidated Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period, which will be classified as current assets.

If during the period the Consolidated Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire category of held-to-maturity investments would be tainted and would be reclassified as

available-for-sale.

#### (iii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

#### Impairment

At the end of the reporting period, the Consolidated Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

#### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

#### g. Impairment of non-financial assets

At the end of each reporting period, the Consolidated Group assesses whether there is any indication that a non-financial asset may be impaired. The assessment will include considering external sources of information and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value, less costs to sell and value in use to the asset's carrying value. Any excess of the asset's carrying value over

its recoverable amount is expensed to the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

### h. Employee benefits

Provision is made for the Consolidated Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 1 year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 1 year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

### i. Provisions

Provisions are recognised when the Consolidated Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

### j. Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 6 months or less.

### k. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Consolidated Group and the recognition can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

### Premium income



Premium income is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income from the attachment date, as soon as there is a basis on which it can be reliably measured. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract.

The proportion of premium received or receivable not earned in the Consolidated Statement of Profit or Loss and Other Comprehensive Income at the reporting date is recognised in the Consolidated Statement of Financial Position as unearned premium liability.

#### **Interest income**

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument.

#### **Hospital income**

Hospital income is recognised as revenue at the time of patient admission once it can be reliably measured and is probable an invoice will be raised.

#### **l. Unearned premium liability**

Premiums received or receivable up to the end of the financial year are recorded as revenue for the period from the date of the attachment of risk. Premiums received prior to 30 June 2019 relating to the period beyond 30 June 2019 are recognised as unearned premium liability. Also, forecast premiums receivable from policy holders as at 30 June 2019 are recognised as unclosed business premiums.

#### **m. Trade and other payables**

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Consolidated Group during the reporting period, which remain unpaid.

The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

#### **n. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net

of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Consolidated Statement of Financial Position are shown inclusive of GST.

#### **o. Health benefits risk equalisation trust fund**

Under the provisions of the Private Health Insurance Risk Equalisation Policy Rules 2007, hospital benefits are submitted to the risk equalisation trust fund and shared amongst all health benefit funds in the following circumstances:

Where a fund has directly paid these benefits, which are proportionally less than the average of other funds in the State, it is required to pay to the risk equalisation trust fund an amount equivalent to the shortfall. Conversely, where the direct payment is proportionally greater than the average, the difference is paid to the fund from the risk equalisation trust fund. Eligible claims are assessed on a quarterly basis.

#### **p. Outstanding claims**

Claims that have been incurred by policy holders, but not yet presented to the Consolidated Group for reimbursement, are estimated based on the claims experience in previous accounting periods. Outstanding claims are not discounted as they are usually settled within 6 months of the reporting date. The provision is calculated in accordance with the principles of the chain ladder method which can be used under the prudential regulations of the private health insurance industry.

AASB 1023 requires a risk margin be applied to allow for the inherent uncertainty in the central estimate. The Consolidated Group adopted a risk margin of 4.5% giving in excess of 75% probability of adequacy (with 1 month's hindsight). The risk margin has been based on an analysis of the past experience of the Consolidated Group by the Appointed Actuary (dbn Actuaries Pty Ltd) on the adequacy of the provision over the prior 3 years. The liability for

outstanding claims provides for claims received, but not assessed and claims incurred, but not received. The liability is based on an actuarial assessment taking into account historical patterns of claim incidence and processing. The liability also allows for an estimate of claims handling costs which include internal and external costs incurred in connection with the negotiation and settlement of the claims department and any part of the general administrative costs directly attributable to the claims function. The allowances for the claims handling cost as at 30 June 2019 is 1.50% of the claims.

#### **q. Liability adequacy test**

Under AASB 1023 the Consolidated Group is required to perform a liability adequacy test to determine whether the carrying amount of insurance liabilities is adequate based on expected future cash flows. The test is carried out with the inclusion of a risk margin and is undertaken at the level of portfolio contracts that are subject to broadly similar risks and are managed together as a single portfolio.

Any deficiency arising is recognised by writing down any related intangible assets, then the related deferred acquisition costs with any remaining balance being recognised as an unexpired risk liability.

The liability adequacy test is required to be performed to determine whether the unearned premium liability (premiums in advance) is adequate to cover the present value of expected cash flows relating to future claims arising from rights and obligations under current insurance coverage, plus an additional risk margin to reflect the inherent uncertainty in the central estimate. The risk margin adopted was 3.8% which corresponds to a 75% probability of adequacy.

If the present value of the expected future cash flows relating to future claims, plus the additional risk margin to reflect the inherent uncertainty in the central estimate, exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, then the

unearned premium is deemed to be deficient.

#### **r. Critical accounting estimates and judgements**

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Consolidated Group. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### **Estimation of useful lives of assets**

The Consolidated Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### **Impairment of non-financial assets other than goodwill and other indefinite life intangible assets**

The Consolidated Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### **Employee benefits provision**

As discussed in note 1(h), the liability for employee benefits expected to be settled more than

12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

#### Outstanding claims

As discussed in note 1(p), the liability for outstanding claims is based on an actuarial assessment taking into account historical patterns of claims incidence and processing. The liability also allows for an estimate of claims handling costs which include internal and external costs incurred in connection with the negotiation and settlement of the claims department and any part of the general administrative costs directly attributable to the claims function.

#### Liability adequacy test

As discussed in note 1(q), a liability adequacy test is performed. The test is carried out with the inclusion of a risk margin and is undertaken at the level of portfolio contracts that are subject to broadly similar risks and are managed together as a single portfolio. Any deficiency arising is recognised by writing down any related intangible assets, then the related deferred acquisition costs with any remaining balance being recognised as an unexpired risk liability.

#### s. Intangible assets

##### Licences

Licences are brought to account at cost less, where applicable, any accumulated amortisation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

The carrying amount of intangible assets are

reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the estimated replacement cost of the asset.

##### Amortisation

Licences are amortised over their useful life to the Consolidated Group commencing from the time the asset is held ready for use. Licences are amortised over a 20 year period on a straight line basis.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial performance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

An intangible asset is derecognised upon disposal or when there is no future economic benefit to the Consolidated Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

## Notes to the Financial Statements

For the year ended 30 June 2019

	Notes	Consolidated Group	
		2019 \$	2018 \$
<b>2. Operating activities</b>			
Policy holder contributions	5	169,181,543	165,147,447
Interest		4,798,153	4,179,437
Other income		464,204	499,604
Profit / (loss) on disposal of property, plant and equipment		499	(358)
Hospital income		11,486,180	11,321,412
		<b>185,930,579</b>	<b>181,147,542</b>
<b>3. Fund benefits paid to policy holders</b>			
Fund benefits paid to policy holders		177,018,175	166,498,165
Amount receivable risk equalisation trust		(26,667,622)	(21,632,950)
(Decrease) / increase to outstanding claims provision		(201,000)	900,000
Increase to unexpired risk provision		783,000	36,000
		<b>150,932,553</b>	<b>145,801,215</b>
<b>4. Management expenses</b>			
Employee benefits expense		13,941,842	13,826,400
Depreciation		1,382,622	689,141
Amortisation		38,717	38,717
Commissions Paid		4,620,573	4,338,761
Other management expenses		8,935,247	7,573,570
Financial charges and taxes		377,589	391,519
		<b>29,296,590</b>	<b>26,858,108</b>
<b>5. Policy holder contributions</b>			
Gross contributions received		174,017,713	169,944,671
Increase contributions in advance		(554,982)	(736,939)
(Decrease) / Increase contributions in arrears		(9,213)	43,395
Discounts		(4,271,974)	(4,103,680)
		<b>169,181,544</b>	<b>165,147,447</b>



## Notes to the Financial Statements

For the year ended 30 June 2019

Notes	Consolidated Group	
	2019 \$	2018 \$
<b>6. Cash and cash equivalents</b>		
Cash on hand	30,335	30,335
Bank - National	10,580,645	9,514,100
	<b>10,610,980</b>	9,544,435
<b>7. Financial assets</b>		
Held-to-maturity investments		
Bendigo & Adelaide Bank	44,174,542	35,573,985
Bank of Melbourne	-	10,376,622
Bank of Queensland	46,626,310	32,537,397
Commonwealth Bank of Australia	17,654,755	26,285,723
Members Equity Bank	21,021,236	16,042,277
National Australia Bank	39,786,592	26,359,828
Suncorp-Metway	14,760,332	21,000,000
Westpac Banking Corporation	3,262,258	15,314,449
	<b>187,286,025</b>	183,490,281
<b>8. Trade and other receivables</b>		
Federal Government Private Health Insurance Rebate	3,072,760	2,986,235
Contributions in arrears	247,751	256,964
Accrued revenue	2,570,114	1,925,397
Trade debtors	1,737,275	1,599,254
Health benefits risk equalisation trust	7,816,454	7,429,504
Unearned contributions	592,519	547,964
	<b>16,036,873</b>	14,745,318
<b>9. Other current assets</b>		
Prepayments	518,387	519,021
Inventory	466,887	468,509
	<b>985,274</b>	987,530

## Notes to the Financial Statements

For the year ended 30 June 2019

Notes	Consolidated Group	
	2019 \$	2018 \$
<b>10. Property, plant and equipment</b>		
<b>Freehold land</b>		
At valuation	2,286,000	2,088,640
At cost	-	-
	<b>2,286,000</b>	2,088,640
<b>Freehold buildings</b>		
At valuation	10,802,034	13,705,871
Less accumulated depreciation	748,125	-
	<b>10,053,909</b>	13,705,871
<b>Leasehold improvements</b>		
At cost	302,405	302,405
Less accumulated depreciation	302,405	302,405
	<b>-</b>	-
<b>Motor vehicles</b>		
At cost	163,522	261,049
Less accumulated depreciation	163,522	260,064
	<b>-</b>	985
<b>Office furniture and equipment</b>		
At cost	6,405,976	6,253,812
Less accumulated depreciation	5,816,440	5,618,001
	<b>589,536</b>	635,811
<b>Fixtures and fittings</b>		
At cost	925,855	905,392
Less accumulated depreciation	713,180	658,147
	<b>212,675</b>	247,245
<b>Computer equipment</b>		
At cost	4,080,007	3,516,926
Less accumulated depreciation	3,166,940	2,868,242
	<b>913,067</b>	648,684
	<b>14,055,187</b>	17,327,236

## Notes to the Financial Statements

For the year ended 30 June 2019

### 10. Property, plant and equipment cont...

#### Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the 2019 financial year:

	Consolidated Group					
	2019					
	WDV at Beginning	Additions	Disposals	Revaluation	Depn	WDV at End
	\$	\$	\$	\$	\$	\$
Freehold land	2,088,640	-	-	197,360	-	2,286,000
Freehold buildings	13,705,871	1,478,674	-	(4,382,511)	(748,125)	10,053,909
Leasehold improvements	-	-	-	-	-	-
Motor vehicles	985	-	-	-	(985)	-
Office furniture and equipment	635,811	171,906	(3,212)	-	(214,969)	589,536
Fixtures and fittings	247,245	20,465	-	-	(55,035)	212,675
Computer equipment	648,684	628,639	(748)	-	(363,508)	913,067
<b>Total fixed assets</b>	<b>17,327,236</b>	<b>2,299,684</b>	<b>(3,960)</b>	<b>(4,185,151)</b>	<b>(1,382,622)</b>	<b>14,055,187</b>

#### Revaluations

The revaluation of freehold land and buildings are based on the assessment of their current market value. The revaluations are made in accordance with a policy of revaluing land and buildings every 3 years on a rolling basis.

The Consolidated Group engaged Lee Property to perform the revaluations for the following properties:

- 38 Comans Street, Morwell
- 36 McDonald Street, Morwell
- 9 Service Lane, Yallourn North

The Consolidated Group engaged m3 Property to perform the revaluation for the following property:

- Level 12, 343 Little Collins Street, Melbourne

The Consolidated Group engaged Valued Care to perform the revaluation for the following property:

- Maryvale Private Hospital

## Notes to the Financial Statements

For the year ended 30 June 2019

### 11. Intangible assets

	Notes	Consolidated Group	
		2019	2018
		\$	\$
At cost		779,760	779,760
Less accumulated amortisation		160,283	121,566
		<b>619,477</b>	658,194

	Consolidated Group					
	2019					
	Opening Balance	Additions	Disposals	Impairment	Amortisation	Closing Balance
	\$	\$	\$	\$	\$	\$
Intangible assets	658,194	-	-	-	38,717	619,477
<b>Total intangible assets</b>	<b>658,194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>38,717</b>	<b>619,477</b>

### 12. Trade and other payables

	Notes	Consolidated Group	
		2019	2018
		\$	\$
<b>Current</b>			
Trade creditors		6,475,752	4,558,727
Unearned premium liability		592,519	547,964
		<b>7,068,271</b>	5,106,691



## Notes to the Financial Statements

For the year ended 30 June 2019

### 13. Provisions

	Notes	Consolidated Group	
		2019 \$	2018 \$
<b>Current</b>			
Outstanding claims		11,683,000	11,956,000
Outstanding claims risk margin		526,000	454,000
Total outstanding claims		12,209,000	12,410,000
<b>Unexpired risk</b>			
Contributions in advance		482,000	274,000
Unclosed business premium		4,000	1,000
Expected contract renewals		2,409,000	1,837,000
Total unexpired risk		2,895,000	2,112,000
<b>Employee benefits</b>			
Annual leave		1,311,072	1,320,771
Long service leave		2,366,446	2,245,578
Other employee benefits		390,000	2,009,877
Total employee benefits		4,067,518	5,576,226
<b>Total current provisions</b>		<b>19,171,518</b>	<b>20,098,226</b>
<b>Non-current</b>			
<b>Employee benefits</b>			
Long service leave		9,554	252,687
Total employee benefits		9,554	252,687
<b>Total non-current provisions</b>		<b>9,554</b>	<b>252,687</b>

## Notes to the Financial Statements

For the year ended 30 June 2019

### 14. Other current liabilities

	Notes	Consolidated Group	
		2019 \$	2018 \$
Contributions in advance		28,456,735	27,901,753
		28,456,735	27,901,753

### 15. Asset revaluation reserve

The asset revaluation reserve records revaluations of non-current assets.

### 16. Capital commitments

A capital commitment has been made for changes to the hospital building at 286 Maryvale Road, including construction of a new central sterilising department (CSSD), expansion of the post anaesthetic care unit (PACU), alteration to establish a minor procedures room and purpose built day surgery unit, additional consulting suites and a new administration building, including additional equipment required for these areas. As at 30 June 2019 the commitment made for this capital project in the 2019/20 budget is \$6.0M. This is in addition to the \$0.62M spent on project development as at 30 June 2019 (\$0.33M FY19, \$0.29M FY18). Subsequent to the \$6.0M commitment in the 2019/20 Budget, a business case for the project will be presented to the Latrobe Board in September providing project scope and design details and further costings details. This business case will need to be approved by the Latrobe Board for the project to proceed.

### Funds spent during the year

	Notes	Consolidated Group	
		2019 \$	2018 \$
Maryvale Private Hospital Building Project		333,917	292,542
		333,917	292,542

### Capital commitments at 30 June 2019

	Notes	Consolidated Group	
		2019 \$	2018 \$
Freehold land and buildings		6,000,000	1,545,000
Hospital equipment		-	827,000
		6,000,000	2,372,000

## Notes to the Financial Statements

For the year ended 30 June 2019

### 17. Controlled entities

#### Controlled entities consolidated

Subsidiary of Latrobe Health Services Limited: Maryvale Private Hospital Pty Ltd

Country of incorporation: Australia

Percentage owned (%): 100%

### 18. Key management personnel compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity is considered key management personnel.

The totals of remuneration paid to key management personnel of the Consolidated Group during the year are as follows:

	Notes	2019 \$	2018 \$
Key management personnel compensation		3,202,215	2,263,773

### 19. Other related party disclosures

There are no related party transactions to disclose.

### 20. Capital management

The capital structure of the Consolidated Group consists of cash reserves and investments representing policy holder funds. Operating cash flows are used to maintain and increase the Consolidated Group's investments. The Consolidated Group's investments at reporting date mainly consist of term deposits. Management and the Board of Directors monitor market interest rates. The Consolidated Group does not have any external borrowings.

The Consolidated Group manages its capital to ensure it will be able to continue as a going concern and protect policy holder funds. Capital reserves have increased as follows:

Year	\$	% increase
2015	146,018,695	4.75
2016	159,636,134	9.33
2017	165,432,391	3.60
2018	173,393,637	4.81
2019	174,887,738	0.86

The Consolidated Group is subject to externally imposed capital requirements under the *Private Health Insurance Act 2007* and aims to maintain capital reserves at a sufficient level to sustain the fund in the long term from the adverse effect of the risks that it is exposed to.

## Notes to the Financial Statements

For the year ended 30 June 2019

### 21. Financial risk management

The Consolidated Group's financial instruments consist mainly of deposits with banks, local money market instruments, held-to-maturity investments, accounts receivable and payable and leases. The carrying amounts for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

		Consolidated Group	
	Notes	2019 \$	2018 \$
<b>Financial assets</b>			
Cash and cash equivalents	6	10,610,980	9,544,435
Held-to-maturity investments	7	187,286,025	183,490,281
Trade and other receivables	8	16,036,873	14,745,318
Total financial assets		213,933,878	207,780,034
<b>Financial liabilities</b>			
Trade and other payables	12	7,068,271	5,106,691
Total financial liabilities		7,068,271	5,106,691

### 22. Parent Entity

		Parent Entity	
	Notes	2019 \$	2018 \$
<b>Statement of Financial Position</b>			
Current assets		211,207,863	204,813,478
Total assets		225,463,110	224,000,253
Current liabilities		51,760,706	50,555,914
Total liabilities		51,770,260	50,606,616
Net assets		173,692,850	173,393,637
<b>Statement of Comprehensive Income</b>			
Surplus for the year		5,290,906	8,082,754
Other comprehensive income		(3,796,805)	(121,508)
Total comprehensive income		1,494,101	7,961,246



## Notes to the Financial Statements

For the year ended 30 June 2019

### 23. Contingent liabilities

There are no contingent liabilities as at 30 June 2019 and 30 June 2018.

### 24. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group's state of affairs in future financial years.

### 25. Consolidated Group information

#### Consolidated Group structure

The Consolidated Group is limited by guarantee. If the Consolidated Group is wound up, the Constitution states that each Consolidated Group Member is required to contribute a maximum of \$100 towards meeting any outstanding obligations of the Consolidated Group. As at 30 June 2019, the number of Consolidated Group Members was 8 (2018: 8).

#### Principal registered office

The principal registered office of the Consolidated Group is:

Latrobe Health Services Limited

32 McDonald Street, Morwell. Victoria. 3840

PO Box 41, Morwell. Victoria. 3840

Telephone: 1300 362 144

Facsimile: (03) 5128 9289

Email: [info@lhs.com.au](mailto:info@lhs.com.au)

Website: [latrobehealth.com.au](http://latrobehealth.com.au)

## Directors' Declaration

In the Directors' opinion:

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards - Reduced Disclosure Requirements, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto give a true and fair view of the Consolidated Group and Consolidated Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Consolidated Group will be able to pay its debts as and when they become due and payable.

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



**Ormond Pearson**

Director

18 September 2019

## Independent Auditor's Report to the Members of Latrobe Health Services Ltd

### Opinion

We have audited the financial report of Latrobe Health Services Ltd (the Company and its subsidiary (the Group)), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

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

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 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.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe VIC, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees. © 2019 Findex (Aust) Pty Ltd

### Other Information

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

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

### Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

The directors are responsible for overseeing the Company's financial reporting process.

### Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of



our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



**CROWE VIC**



**GORDON ROBERTSON**

**Partner**

Dated at Warragul this 19<sup>th</sup> day of September 2019.



1300 362 144

[latrobehealth.com.au](http://latrobehealth.com.au)

Bairnsdale  
Shop 9 Riviera Plaza,  
80 Main Street

Moe  
9 Moore Street

Morwell  
32 McDonald Street

Traralgon  
54 Franklin Street

Warragul (agent)  
Shop 5, 76 Smith  
Street

Sunbury (agent)  
Shop 6, 103 Evans  
Street