



Annual Report 2022-23



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Introduction

Latrobe Health Services is an Australian-owned, not-for-profit, registered private health insurer with 95,000 members across Australia.

We pride ourselves on providing quality cover, and exceptional service when our members need us.

Latrobe Health Services was founded in 1950 by power industry workers to provide for the health care needs of residents in the Latrobe Valley, Victoria. Then, the focus was on providing medical services such as hospitals and ambulances. Much has changed since 1950 and Latrobe Health Services now provides hospital and extras coverage for members across Australia. However, the spirit of our founders' purpose remains.

Latrobe Health Services is still a regionally focused, not-for-profit private health insurer that exists to benefit and support its members and the communities in which they live. As part of the Members Health Fund Alliance (MHFA), we are committed to delivering the best possible service and benefits to our members.

We're active in supporting regional communities through our free heart health checks, funding a bulk billed post-traumatic stress disorder clinic, redeveloping Maryvale Private Hospital and supporting grass roots organisations. ♥

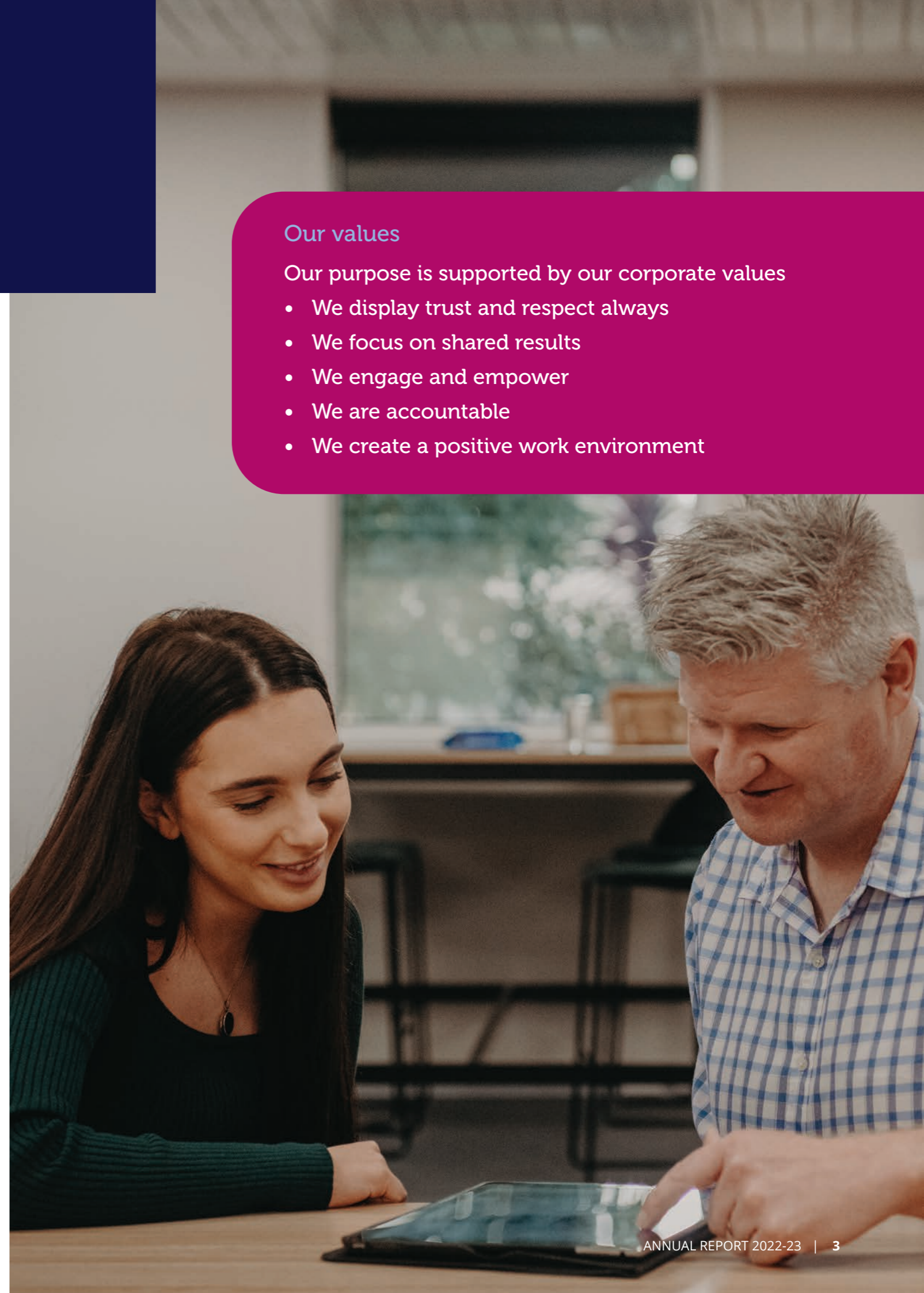
Our purpose

We enable our members and the community to take control of their health needs, now and into the future.

Our values

Our purpose is supported by our corporate values

- We display trust and respect always
- We focus on shared results
- We engage and empower
- We are accountable
- We create a positive work environment





Delivering on our purpose

We gave back more than \$5.1 million to our members through a cash giveback in December 2022

- ▶ Our members say they rate us 8/10[^] for trust
- ▶ \$208 million premium revenue received and \$168* million paid in benefits back to members
- ▶ More than 8,800 members served in branches
- ▶ Opened the Maryvale Member Experience Hub. Branches and hubs in Warragul, Moe, Traralgon and Bairnsdale



95,000 members trust Latrobe with their private health insurance cover

- ▶ We paid \$164 million in benefits for 52,000 hospital episodes (including prosthesis). Excluding prosthesis, we paid \$135 million in benefits.



We won five awards for our products and one for overall fund flexibility

Our purpose

We enable our members and the community to take control of their health needs, now and into the future.



84% of members are based in Victoria
43% of members are in regional areas



Completed almost 1,000 heart health checks for free across regional Victoria

Opened the \$15.96 million Maryvale Private Hospital redevelopment

- ▶ The highest individual claim made was \$120k for a member's treatment after complications with surgery, the member was in hospital for more than 100 days
- ▶ We paid \$21 million for 425,000 hospital medical episodes
- ▶ We paid \$29 million for our members 41,000 surgically implanted prosthetic devices
- ▶ 125 referrals to the PTSD assessment and treatment clinic and 761 appointments completed as part of the Phoenix Australia partnership
- ▶ More than 225 people attended our Gippsland Women's Health event

13 years average length of membership



Collected gifts for Quantum at Christmas and Easter

80c

For every dollar Latrobe Health received in premiums, 80c was paid back to members in the form of benefits

- ▶ Our members made 375,000 extras claims and we paid them \$18.5 million in benefits.

Our team spent 13,070 hours talking to members, prospective members and providers across the year. This is the equivalent of 545 days.

[^] Discovery Research Trust Survey 2022
^{*} net of risk equalisation



From the Chair and CEO



We are pleased to present this Annual Report for the 2022-23 year to our members. This year has again been one of considerable change as we continued to grow as a fund and an organisation. This year we have delivered another strong result, reflecting the work of our team and their unwavering focus on our members. Following another year of growth, we now have approximately 95,000 members who trust us with their health insurance.

At Latrobe Health Services, we believe our commitment to members and community sets us apart from other funds. As a not-for-profit health fund, we made it clear that we would not profit from the pandemic. This year we gave back more than \$9 million set aside for claims that were not made during the pandemic. This was achieved by deferring the April 2022 rate review to October (\$3.7 million), providing hardship support to members impacted by the pandemic (\$0.2 million) and returning \$5.1 million through our cash give back in December 2022. This forms part of a three-year program, where we've returned approximately \$17 million to members. You can read more about our commitment to members and community on page 12.

We continue to rise to meet our members changing expectations and aim to provide a better experience for them across every channel. This year, we have focused on delivering increased process automation, better use of systems and technology, and developing digital assets and functionality. This included introducing web chat, mobile app and website enhancements and, of course, keeping quality phone and face-to-face service available. In September 2022, we opened the Maryvale Member Experience Hub at Maryvale Private Hospital. Since opening, the new hub served 443 members in a hospital setting. We also zeroed in on our customer-facing training and service delivery, which has unquestionably resulted in favourable member satisfaction for

us this year. In our annual member satisfaction research, we saw improvements in 25 of 27 areas that drive member satisfaction.

This year, the board and executive reviewed and recommitted to our purpose. We believed the essence of our purpose still resonated and made minor changes only to it, settling on *"We enable our members and the community to take control of their health needs, now and into the future"*. This recommitment confirms that we're on the right track. We also took the opportunity to review our mission critical initiatives (MCIs) setting a clear direction for the next three years.

In May 2023 we became a member of the Australian Health Service Alliance (AHSA). While initially the member impact of this new hospital contracting arrangement is minimal, in future years it will allow us to explore exciting opportunities to add value and support our members with their health journeys. These include hospital substitute, broader health, medical gap and optical services.

This year we won five awards for our products, plus one award for overall fund flexibility. The awards, from Finder and WeMoney, are independently assessed by a panel of judges. This is solid recognition of the fund's efforts to expand its product range to meet members' needs and provide great value. For more about our award-winning health insurance, go to page 18.

As the sole owner of Maryvale Private Hospital in Morwell, we were very excited to open the \$15.96 million redevelopment. This major upgrade and expansion doubled the hospital's surgical throughput and included two new operating theatres and an additional 19 beds. A post-acute care recovery unit, new admission and waiting areas, consulting suites expansion, surgical sterilisation upgrade and staff, patient and visitor amenities were also part of the upgrade.

We've demonstrated our commitment to community through strong actions aimed to improve health. Following our successful participation in the Gippsland Healthy Hearts Study last year we renewed a partnership with Wesfarmers Health (which now owns Australian Pharmaceutical Industries) to deliver free heart health screenings across regional Victoria. We offer these screenings at community events and shopping centres for members and the community as well as at workplaces for our corporate clients. We've completed almost 1,000 heart checks under this new partnership. The checks continue to prove the importance of preventative screening with those requiring further action or advice referred to their GP.

We've also continued our work with Phoenix Australia to set up a bulk billed post-traumatic stress disorder (PTSD) telehealth clinic. Since its establishment last year, the clinic has seen 125 patients. Together with Phoenix Australia we've engaged GPs through webinars to increase education and understanding of PTSD and the importance of early intervention and diagnosis in improving patient outcomes.

Our support also extended to grassroots sponsorship including the Moe Arts Festival, the Gippsland Community Leadership Program and the Gippsland Business Awards. You can read more about our work in community on page 14 of this report.

It's the passion and commitment of our team that is the essence of our service mindset. We've again built on our employee value proposition (EVP) to ensure we recruit and retain people capable of delivering the service and experience our members expect and deserve. This year has seen a significant investment in the development of our people's capability, wellbeing and maintaining a highly constructive culture and mentally safe workplace. We continue to upgrade our technology and processes which improves both employee and member experience. This year we also renovated our head office in Newborough to ensure maximum productivity and collaboration. The office has been cleverly divided to create zones for socialising, focused and individual work, collaborative spaces, in addition to learning and development spaces.

"Following another year of growth, we now have approximately 95,000 members Australia wide."

A major reassessment of culture that we conduct every two years has indicated that the transformation results achieved in 2021 have been sustained and further strengthened in 2023. We received our second culture award from Human Synergistics for 'Culture Sustainability' across the desired constructive culture styles.



With increasing risks of cyberattacks, we've been laser focused about ensuring data security is high. We do this through technology improvements but also through monthly staff training and random tests to ensure staff are reporting suspicious emails and activity through the correct channels.

We are extremely proud of our fund and our team's resilience and capacity to achieve great outcomes for our members. We thank our colleagues on the Latrobe Health Services Board and the Executive Team for their energy, guidance and leadership through the last financial year and remaining focused on improving member experience and supporting fund growth. They've done this while also supporting staff, member and community wellbeing. Our team has been unwavering in their focus on and care for members, and we thank them for their dedication.

Over the last year we have welcomed six general members to participate in the governance of Latrobe Health on behalf of all the policyholders. In October 2022 we appointed Greg Cole, Lynda Bertoli, John Brookes and Jodie Morley-Wilson and in July 2023 we appointed Jessica McNulty and Dan Garlick. All appointees are Latrobe Health members from different backgrounds with a variety of skills and experience. They have attended sessions covering a range of topics to support them in their new role. We thank them for their commitment to Latrobe Health and their fellow members.

This year we have worked with the Australian Institute of Company Directors to introduce an observership program, which has allowed Stephanie Thoo to join our Board and observe how it operates and makes decisions and provide feedback.

We'd also like to acknowledge Nathan Voll whose term is expiring next year and thank him for his contribution over the 12 years he has served on the Latrobe Health Board. Nathan's commitment and contribution to the fund and our members has been remarkable over this period.

We're looking forward to what the next year holds for our fund. Bedding down our new hospital contracting arrangements, pursuing technology improvements and continuing to support our members take control of their health means there are exciting times ahead for Latrobe Health. Finally, thank you to our loyal members. As a member-owned fund we exist to serve you and know you see the benefits of not-for-profit, member owned health insurance. Thank you for continuing to trust us with your health. ♥

Ormond Pearson
Board Chairman

Ian Whitehead
Chief Executive Officer



Corporate social responsibility

Latrobe Health Services is committed to operating as a socially responsible health fund. This is demonstrated through the following commitments.

Commitment to our members

Our commitment to members is expressed in our purpose and The Latrobe Way which informs how we work, inspiring us to deliver outstanding service to our members.

This year we continued to support our members manage the ongoing financial impacts of the COVID-19 pandemic. We recognised that due to lockdowns and suspension of elective surgeries, many members struggled to gain the full benefits of their health insurance. We again deferred our premium increase for six months to October 2022, collectively saving members \$3.7 million. In December 2022 we completed a \$5.1 million cash giveback to members ensuring we do not profit from the pandemic. This forms part of a three-year program, where we've returned approximately \$17 million to members.

However, our commitment to members is about more than just financial support. This year we made improvements to enable us to serve our members better including negotiating new hospital contracting arrangements, introducing web chat and supporting other initiatives to improve the health and wellbeing of our members.

Commitment to corporate governance

Latrobe Health Services maintains a standard of corporate governance supported by a robust governance framework. The framework sets out clearly defined roles, responsibilities and processes that promote ethical decision making to ensure the ongoing sustainability of the fund. Our ongoing sustainability is a valuable contribution towards the social and economic success of the communities we interact with.

Commitment to our community

Latrobe Health Services has been a long-term contributor to its member communities, which is demonstrated through our support for GP clinics, operation of Maryvale Private Hospital, and charitable giving to priority areas of community health. Our contributions are made through good corporate citizenship, behaving ethically, and generating value within member economies where there is a direct health-related need.

This year we supported Central Gippsland Family Practice to provide 7,604 GP services with no out of pocket costs for Latrobe Health members. After participating in the highly successful Gippsland Healthy Hearts Study last year, we have partnered with Wesfarmers Health to deliver almost 1,000 free heart health checks across regional Victoria. We also hosted a free women's health event in partnership with Jean Hailes for Women's Health for more than 225 women.

Commitment to compliance with the Modern Slavery Act

Latrobe Health Services values human rights and is committed to ensuring that all business is conducted according to ethical, professional and legal standards in a fair, honest and open manner. Latrobe Health is committed to:

- acting ethically and with integrity in all its business dealings and relationships
- implementing and enforcing effective procurement and contract management systems
- designing, implementing and monitoring controls to prevent or detect modern slavery offences

Latrobe's Modern Slavery Statement outlines our commitment to combatting modern slavery within our business and supply chains and is available on our website.

Commitment to our people and culture

The Latrobe Way defines our values and behaviours and supports our culture of being an inclusive, positive, constructive, safe and respectful work environment where learning and development is actively encouraged. We are focused on attracting the best people to serve our members and providing opportunities for employees to develop their skills and career pathways. We are proud of our efforts to provide employment opportunities for people in regional communities. This year we onboarded 33 new employees from regional and metropolitan areas.

Our people and culture strategy has a strong focus on diversity and inclusion, equal employment opportunities, a highly engaged and effective workforce, developing capability, and health, safety and wellbeing initiatives. We continue to support our people by investing in leadership and development training, providing secondment opportunities and competitive remuneration and employee benefits. One of our bigger pieces of work this year was to update our corporate health insurance offering for Latrobe Health staff through the review and rollout of an enhanced staff private health insurance benefits subsidy.

Commitment to our environment

Latrobe Health is committed to the sustainable use of resources, and legal and regulatory compliance in all our activities, including obligations under environmental legislation.

In early 2023, we renovated our Newborough head office. Fittings and fixtures chosen for this renovation were considered with the intention to improve environmental impact and staff well-being. Where possible the environmental principles of the manufacturers were chosen to help reduce the office's environmental impact. Considerations were given to life cycle analysis and end of life recyclability, manufacturers sustainability principles and quality assurance, percentage of recycled materials in each component and appropriate sustainability and environmental accreditation.

An upgrade of lighting to LED has been carried out at our Newborough, Traralgon and Bairnsdale sites. This will provide up to a 75% reduction in power bills, provide energy efficient lighting, and provide reductions in greenhouse gas emissions.

Commitment to our Industry Code of Conduct

Latrobe Health Services is a signatory to the Private Health Insurance Code of Conduct. The code is a commitment we have made to provide our members with a standard of customer service, accountability and transparency that goes beyond what is required by legislation.

The objective of the code is to maintain and enhance regulatory compliance and service standards across the private health insurance industry.

As a signatory to the code, Latrobe Health Services submitted a comprehensive, annual self-audit, to independent auditors who ensure we continue to adhere to the code. Throughout the year, we strengthened our approach to how we audit our compliance, to ensure greater transparency and alignment with the Private Healthcare Australia's Code of Conduct. ♥



Our members

- ▶ 95,000 members
- ▶ 5,677 new members this year
- ▶ 71,620 inbound member enquiries
- ▶ 39,401 outbound member interactions
- ▶ 6,051 new member inbound enquiries
- ▶ 14,539 inbound provider enquiries
- ▶ 8,892 members served in branches

Latrobe Health Services is a not-for-profit private health fund that exists to support our members. This year, we welcomed 5,677 new members to the fund.

We again demonstrated our dedication to members and regional Victoria by opening a new member experience hub at Maryvale Private Hospital. Since opening in September 2022, the new hub served 443 members in a hospital setting.

Our strong focus on member experience and understanding our members continued to be embedded in our approach to customer service. Listening to our members' feedback through regular surveys following engagement with our team has been invaluable to our understanding of what our members want, our staff training and improving the overall service we provide.

Our focus on improving accessibility to our contact centre was highlighted when we introduced chat functionality on our website. This has allowed our members and prospective members the convenience of contacting us directly and in real-time, to have their

routine enquiries answered. Not only has this broadened the ways in which our members can communicate with us but has ensured that members with more complex enquiries, requiring detailed interactions via voice have access to our expert staff in a timelier fashion, when and where required. Our call centre remains popular with many members and prospective members, where we spent more than 13,000 hours on the phone - this equates to more than 545 days.

In May 2023 we became a member of the Australian Health Service Alliance (AHSA). While initially the member impact of this new hospital contracting arrangement is minimal, in future years it will allow us to explore exciting opportunities to add value and support our members with their health journeys. These include hospital substitute, broader health, medical gap and optical services.

In 2022 we also ensured better access to our benefit bonus for members on eligible extras covers. Our benefit bonus can now be applied at the point of service via HICAPS, making it easier for members to access and use.



Giving back to our members

As a not-for-profit health insurer, we made a commitment that we would not profit from the pandemic. This is the third year we've returned money to our members. This year we returned \$9 million through multiple initiatives.

First, we delayed our rate rise from April 2022 until October 2022, giving our members the chance to return to a pandemic free lifestyle without the stress of their private health insurance policy increasing in price. As a not-for-profit, we do not increase our rates unless we have to. Delaying the rate rise saved all our members six months of increased premiums

In October 2022 we established a new partnership with the not-for-profit organisation Phoenix Australia, Australia's National Centre of Excellence in Posttraumatic Mental Health. This partnership set out to deliver accessible resources and bulk-billed specialist assessment and treatment services to regional Victorians

Our involvement funded Phoenix Australia's engagement with GPs in regional Victoria to educate and inform on how to recognise and diagnose post-traumatic stress disorder (PTSD), referrals to specialised PTSD psychiatrists, and develop online resources.

Our partnership then provides patients who are referred to Phoenix Australia's PTSD specialists a 12-month shared care mental health plan

to ensure their treatment is followed through. Since October 2022, 125 patients have been referred onto a Phoenix Australia PTSD specialist thanks to our funding.

In October 2022, we began a partnership with women's health organisation Jean Hailes to trial a new telehealth service at Maryvale Private Hospital. The trial hoped to bring access to women's health resources closer to home for Gippsland women. This was an Australian first trial and learnings from this will be used to inform future initiatives by Jean Hailes, Maryvale Private Hospital and Latrobe Health.

In December 2022 we returned \$5.1 million to eligible members through our member give back program. Eligible Latrobe Health members received a \$75 payment for single policy holders and \$150 payment for couple and family policy holders. Members who we were unable to contact to receive the cash back, were given free days of cover to the equivalent value of their give back.

Our members were highly satisfied with how we conducted the give back with respondents giving a net promoter score (NPS) of 81.

We're extremely proud of our give back initiatives and the positive impact they have on our members and community. Over three years we've returned approximately \$17 million to members. ♥



Our community

- ▶ Providing almost 1,000 free heart health checks across regional Victoria
- ▶ Opening the \$15.96 million redevelopment of Maryvale Private Hospital
- ▶ Collecting gifts for Quantum's Christmas and Easter appeals
- ▶ Partnering with Phoenix Australia to deliver a free bulk billed PTSD clinic
- ▶ Sponsoring a scholarship for the Gippsland Community Leadership Program

At Latrobe Health Services, we're passionate about good health in regional communities and improving access to health services for those who live outside metropolitan centres. We continue to demonstrate our commitment to community in a variety of ways.

This financial year we opened the \$15.96 million redevelopment of Maryvale Private Hospital, Gippsland's only private acute medical and surgical hospital. This redevelopment doubled the hospital's surgical throughput and delivers more surgical options and less need to travel for those within the region needing to access specialist health care.

We also continued our partnership with Wesfarmers Health to deliver free 15-minute free heart health checks across regional Victoria. This partnership is a continuation based on the success of Gippsland Healthy Hearts Study we participated in from May to June 2022. We've now completed almost 1,000 checks at events, workplaces and shopping centres. You can read more about this in our case study on page 15.

Again, our community support extended to grassroots initiatives including Moe's inaugural Show Me Some Art Festival in March. The festival provided opportunities to connect over art and raised funds for mental health support organisations Beyond Blue and Lifeline. Latrobe Health Services staff also participated in the

Quantum Christmas and Easter appeal by collecting gifts from staff and the community for those in need.

Supporting businesses and future leaders in Gippsland was a focus for us this year and we continued to support the Gippsland Business Awards and a Gippsland Community Leadership Program scholarship.

In October 2022 we established a new partnership with the not-for-profit organisation Phoenix Australia, Australia's National Centre of Excellence in Posttraumatic Mental Health. This partnership set out to deliver accessible resources and bulk-billed specialist assessment and treatment services to regional Victorians. This partnership has delivered 125 assessment and treatment plans – with 78% of these participants living in regional areas.

A total of 761 appointments have been delivered and within five weeks of the referral, compared to an average state wait time of six months. Thanks to our funding, these appointments have been provided at no cost – estimated to have saved patients collectively \$136,000.

Based on the success of the first six months of the program, we have entered into a further agreement with Phoenix Australia, extending our partnership until November 2024.



Delivering heart health checks

In June 2022, Latrobe Health Services supported and promoted the Australian first-of-its-kind Gippsland Healthy Hearts Study, established by API and Monash University, and led by Dr Mark Boyes. The study aimed to test the cardiovascular health of 500 Gippslanders to understand the current health of the region and provide better health outcomes for the future.

The study provided great insight into the poor heart health conditions of regional communities and the lack of resources and services available to them. This current partnership is a continuation based on the success of the Gippsland Healthy Hearts Study and the demand generated for them by our members and community. The health checks use a model of bringing preventative health screenings to the community where they are, which also reduces demand on regional GP services.

Starting in February of 2023, we have successfully held 11 free heart screening events totalling 972 heart health checks.

The heart health checks take only 15 minutes and are facilitated by a qualified pharmacist. The test checks key heart health indicators including blood pressure, heart rate, body composition, diabetes risk, and non-fasting cholesterol levels.

Results are given to participants immediately following the test with the pharmacists explaining what each result means and what

actions the participant should take next to improve their heart health.

Of the 972 heart health checks, 34.1% of participants recorded high blood pressure, triggering 377 patients to be referred to their GP for a follow up appointment. High blood pressure is the leading global preventable risk factor for cardiovascular disease accounting for 19.2% of all deaths globally in 2019.

Other results from the 972 heart health tests have shown that 71.8% of participants were overweight, 6.3% are predicted to develop Type 2 Diabetes in the next 5 years, and 37% of participants had not received a blood pressure check in the previous 12 months.

Coronary heart disease remains the dominant cause of death among Australians with heart health checks being the first step of prevention. By providing access to free heart health checks to regional communities, we hope that our efforts will impact many lives and bring awareness of preventative heart health recourses and services

Latrobe Health plans to continue the free heart health check-ups initiative to provide regional communities the best chance of preventing, receiving treatment and diagnosing of underlying heart conditions. ❤️



Our people

- ▶ Fourteen secondments, higher duties or internal recruitment opportunities provided to Latrobe Health staff
- ▶ Increased investment in leadership development and employee training
- ▶ Strong and continued focus on culture development
- ▶ Increased focus on building capability and confidence in managing mental health, and creating mentally safe and supportive working environments
- ▶ Improved our private health insurance offering for staff and immediate family

This year has seen a significant investment in the development of our people's capability, wellbeing and maintaining a highly constructive culture and mentally safe workplace.

We increased our focus on the training, growth and development of our people. The introduction of our frontline and emerging leaders' development programs has provided several secondment opportunities including team leaders, workforce planning, claims processing and back fill of senior leader parental leave vacancies.

Our continued flexible, hybrid and remote working has enabled us to retain and attract key skills and experiences to the business. The ability to provide flexibility across office and home locations is a positive contributor to reducing stress in managing lifestyle demands. This also allowed us to recruit a fully remote growth and retention team predominantly based in and around Geelong.

Regularly assessing our culture development efforts is part of our commitment to ensuring culture as a critical enabler of our strategic goals.

Our regular six monthly 'pulse checks' have reported strong progress across all identified priorities for action and outcomes. A major reassessment of culture we conduct every two years has indicated the transformation results achieved in 2021 have been sustained and further strengthened in 2023. We received our second culture award from Human Synergistics – this time for Culture Sustainability across the desired constructive culture styles.



A great place to work

It is the passion and commitment of our people at Latrobe Health Services that enables us to deliver for our members. Already strongly committed to our purpose and our values-based culture, the work we've done this year has continued to build Latrobe Health as a great place to work.

Our people continue to be empowered by our FLOW (Flexible Locations and Options for Work) model of working, which we've continued to evolve, drawing on lessons learnt through the pandemic. This year we renovated our head office in Newborough. The office has been cleverly divided to create zones for socialising, focused and individual work, collaborative spaces, learning and development spaces and more.

More than the spaces we operate in, we are committed to fostering a workforce that is resilient through the challenges of change. This helps establish our organisation as an employer of first choice and ensures our people are working in an environment that supports them to succeed.

Aligned with our people, culture and capability strategies, we implemented a range of development and learning initiatives to build a positive and inclusive workplace culture, where everyone feels safe and supported to talk about mental health, reach out for support early and, by doing so, improve their recovery.

In partnership with the Kindred Spirits Foundation and the Black Dog Institute, a series of workshops were delivered to leaders and staff focussed on *Understanding and Managing your Mental Health* and *Managing Team Wellbeing*. More than 70% of our people participated in this training. Based on pre-and post-training self-assessments, we saw a 33% increase in people's overall knowledge of workplace mental health upon completion of the workshops.

Further to this training, people leaders from all levels and across departments participated in a nine-month *Positive Leaders* program focussed on developing core psychological skills supporting wellbeing and resilience.

We also supported the physical health of our people by offering free 15-minute heart health checks to staff. These free health screenings measured key heart health indicators including blood pressure, heart rate, body composition, diabetes risk, and non-fasting cholesterol levels. Results are given to participants immediately following the test with the pharmacists explaining what each result means and what actions the participant should take next to improve their heart health. ❤️



Our products

- ▶ We received \$208 million in premium revenue
- ▶ We paid \$164 million* in benefits for 52,000 hospital episodes
- ▶ More than 370,000 extras services claims made and \$18.5 million in benefits paid
- ▶ We paid \$21 million for 425,000 hospital medical episodes
- ▶ Six award wins from Finder and WeMoney including win for most flexible health insurer

Being a member and service-focused organisation is important to our team but having great value products that cover our members for what they need is a vital part of the Latrobe Health Services equation.

We offer a diverse range of products to members and prospective members suited to their life stage - from basic cover to comprehensive cover



options. In the last year we've done significant work to understand market changes and gap analysis, seeking feedback from our customer experience team, our aggregator and conducting customer research.

Listening to our members and team has helped us develop a new suite of extras products which are expected to be available within the next year. Maintaining this new feedback loop from staff, aggregators and members will continue to be important while products are reviewed, updated and launched.

In the last year we have implemented new governance to our products to ensure a robust product development and management processes. We have also completed an audit on our premium pricing process to ensure there are appropriate steps in place to avoid key person risk and develop a streamlined process for premium rounds next year and in the future.

Our members continue to love the flexibility of our products and built-in benefits for members. This includes our supported discharge program, the ability to pause membership for overseas travel, fee free product changes (only changes in premium apply) and more. This was recognised by Finder and WeMoney with six award wins for our products. Read more about these award wins in the following case study.

* net of risk equalisation



Award winning products

This year we won two Finder awards and four WeMoney awards in their competitive private health insurance award categories.

Finder is a popular Australian financial comparison site that researches thousands of products to present the best value for customers. Finder's 2023 awards are independent and based on research done by their team of financial experts.

We won Finder's *Best Health Insurance for Comprehensive Extras* for our exceptional *Core Complete Extras Product* which covers all standard extras treatments, as well as nutrition, psychology, audiology, speech therapy, health appliances including blood glucose monitors and hearing aids.

We also won a Highly Commended award for our *Basic Extras product*. This excellent value package that offers all standard extras treatments at a lower cost compared to other funds.

WeMoney is an Australian financial app that helps users' budget and pay off debts. Focused primarily on a millennial and Gen Z audience, WeMoney's 2023 Awards are independent and judge products and services with a panel of financial experts.

We won four awards from WeMoney including their *Best for Flexibility Health Insurer* for in-built flexibility we provide in our products making it easy for members to use, join, switch, upgrade and pause cover when needed.

As a result of our diverse range of extras policies that provide high benefits limits at a low cost, we won WeMoney's highly competitive *Best for Extras* award.

Our *Bronze Hospital* and *Silver Hospital* policies were both awarded Finalists for WeMoney's *Best for Bronze Hospital* and *Best for Silver Hospital* respectively. Both were highly commended by the judging panel for offering a wide range of inclusions at a reasonable price for our members.

In the next year we will continue to review and improve our diverse product offering to ensure we're providing great value products that cover our members for what they need. ❤️





Director's report



The directors present their report, together with the financial statements, on the consolidated group (referred to hereafter as 'the consolidated group') consisting of Latrobe Health Services Limited (refer to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2023.

Directors

The following people were directors of Latrobe Health Services Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Ormond Pearson
- Nathan Voll
- Geoffrey Hocking
- Kelly Humphreys
- Craig Dunstan
- Kelly Johnston
- Andrea Buckland, Company Secretary

Principal activities

The principal activities of Latrobe Health Services and its controlled entity during the financial year were the provision of private health insurance within Australia and acute hospital services within the Gippsland region. There have been no significant changes in the nature of the group's activities during the year ended 30 June 2023.

Objectives

At Latrobe Health

- We understand, attract and retain members
- We deliver exceptional products and services for our members
- Our systems and processes are agile and adaptable
- We build strong relationships and strategic partnerships
- We connect with, and invest in, our community

We do this by:

- Having a highly engaged and adaptable team and culture
- A strong and sustainable core

Performance measures

We measure our performance by:

- Understanding our member base
- Member satisfaction
- Cost in member acquisition
- Various financial and non-financial matrices
- Our internal culture and engagement

Financial results

The profit for the consolidated group for the year is \$12,602,166 (2022: \$4,718,433) 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.

Significant changes in the state of affairs

During the financial year there was no significant change in the state of affairs of the consolidated group.

Dividend paid

The Constitution expressly prohibits the income and property of Latrobe Health Services to be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise to the Directors or Members of Latrobe Health Services. No dividends have been paid, nor are any recommended for payment from funds of Latrobe Health Services for the year ended 30 June 2023.

Matters subsequent to the end of financial year

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.

Directors' interests and benefits

Latrobe Health Services is a consolidated group limited by guarantee. As such, none of the directors hold an interest but each, as a member of Latrobe Health Services, is liable to the extent of their undertaking under Latrobe Health Services' company.

During the financial year, Latrobe Health Services paid Directors' and Officers' liability insurance for all 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 Health Services. To the extent permitted by

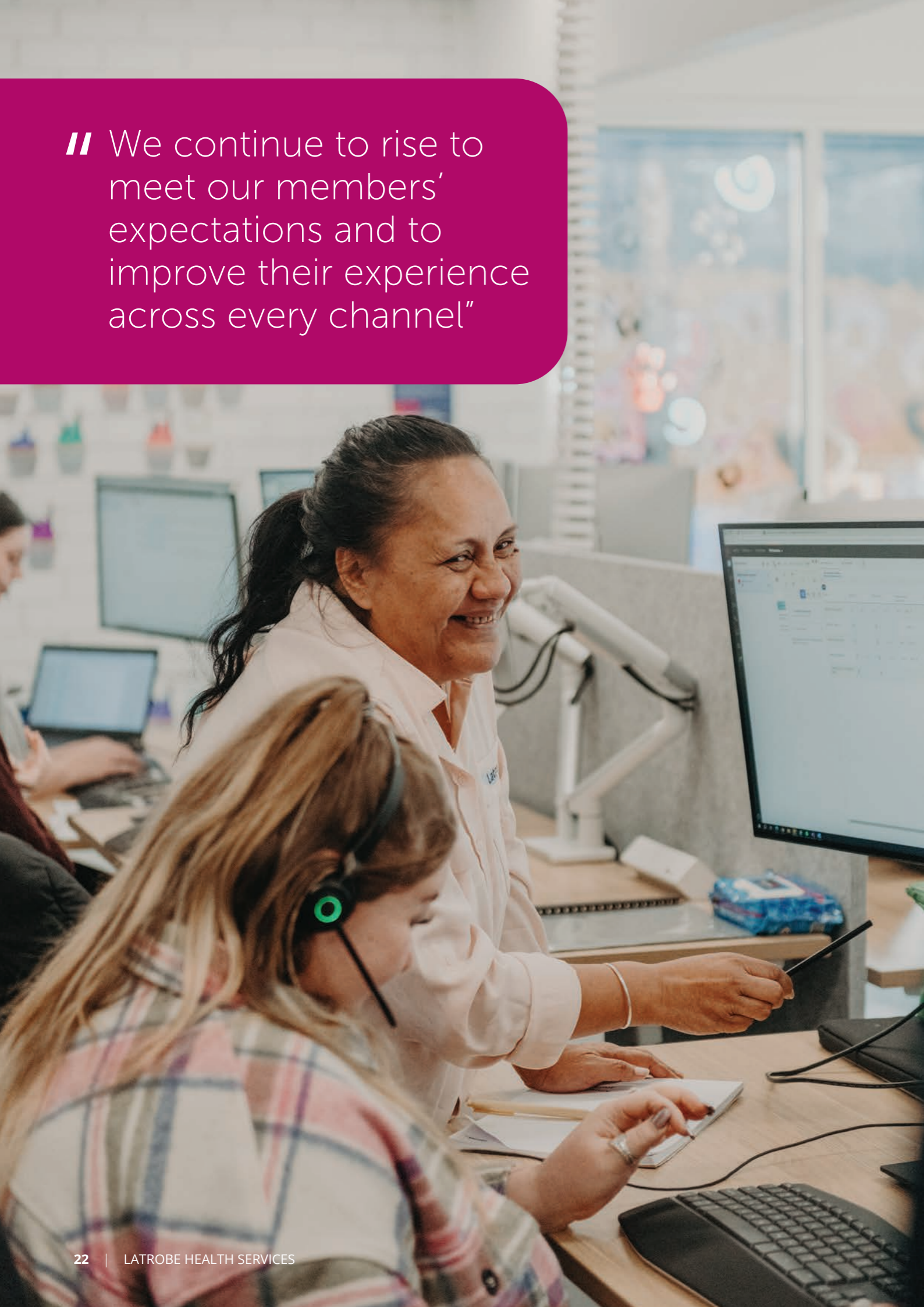
law, Latrobe Health Services indemnifies every person who is or has been a director or officer against any liability to any person incurred while acting in that capacity in good faith and against costs and expenses incurred by that person in that capacity in successfully defending legal proceedings and 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 Health Services 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 Health Services in the ordinary course of its business.

Proceedings on behalf of Latrobe Health Services

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

// We continue to rise to meet our members' expectations and to improve their experience across every channel"



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		Risk Committee		Investment Committee		People and Culture Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ormond Pearson	8	8	3	3	-	-	4	3	3	2
Nathan Voll	8	8	3	3	3	3	4	4	-	-
Kelly Humphreys	8	7	-	-	3	3	4	3	3	3
Geoffrey Hocking	8	8	3	3	3	3	4	3	-	-
Craig Dunstan	8	7	-	-	-	-	4	4	3	3
Kelly Johnston	8	8	3	3	3	3	4	4	-	-

Auditor's indemnification

Latrobe Health Services has not, during or since the financial year, in respect of any person who is or has been an auditor of Latrobe Health Services 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

Grant Thornton Australia Limited continues in office in accordance with section 327 of the *Corporations Act 2001*. 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 2023. This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the *Corporations Act 2001*. ♥

Nathan Voll
Director

18 September 2023



Board of directors

Ormond Pearson – Board Chair

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

- Director since 2013 (Chair 2014 – current)
- Member of Audit Committee since 2014
- Member of People and Culture Committee since 2015
- Member of Investment Committee since 2020
- Director of Maryvale Private Hospital since 2015
- Over 30 years' experience as CEO of public hospitals and health services, including part-time consultancy.

Craig Dunstan

BCOM, LLB, MBA, Grad Dip Applied Finance, and Investment, FFINSIA, MAICD

- Director since 2016
- Member of Risk Committee (2016 – 2017)
- Member of People and Culture Committee since 2017 (Chair 2017 – 2020)
- Member of Investment Committee since 2020 (Chair since 2020)
- Chair of Futurity Investment Group Limited
- Director of Federated Investors Australia Services Limited
- Independent Director of industry super fund REI Super
- Managing Director of Vasco Trustees Limited
- Over 30 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 Macarthur Cook Limited.

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 People and Culture Committee (2014 – 2016)
- Member of Audit Committee since 2015
- Member of Investment Committee since 2020
- Member of Project Abacus Committee (Chair 2022 – 2023)
- Member of Gippsland Ports Board 2011 – 2020 (Chair 2014 – 2020)
- Deputy Chair of Victorian Environmental Water Holder Commission 2011 – 2020 (Chair of Risk and Audit Committees 2012 – 2016)
- Member of Gunaikurnai Traditional Owner Land Management Board (2012 – 2019)
- 20 years' experience in senior management/CEO roles in the water industry and ASIC
- 15 years' experience in middle management roles in the public sector.

Kelly Humphreys

MMMMGT, GAICD, FAIM, Dip Fin Serv

- Director since July 2017
- Member of Risk Committee since 2017
- Member of People & Culture Committee since 2019 (Chair since 2020)
- Member of Investment Committee since 2020
- Director of Raiz Invest Ltd (ASX: RZI) since 2020
- Director of the National Stock Exchange (ASX: NSX) since 2020
- Director of Workplace Injury Commission since 2017



- Commissioner of Victorian Building Authority since 2017
- An experienced non-executive director and Chair of Audit and Risk Committees with roles across financial services, building regulation and health

Kelly Johnston

BCOM, CPA, GAICD

- Director Since 2021
- Member Audit Committee since 2021
- Member of Risk Committee since 2021
- Member of Investment Committee since 2021
- 20 years of experience in finance roles across public and private sector including Senior finance roles at Australia Post, ANZ & Deputy CFO and Ahpra
- Previously a Director and Chair of the Finance Committee at the Queen Victoria Women's Centre.

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)
- Member of Investment Committee since 2020
- Member of Project Abacus Committee (2022 – 2023)
- Director of West Gippsland Health Care Group Ltd (2010 - 2016)
- Director of Latrobe Community Health Services since 2016 (Deputy Chair 2019 – current)

- General Manager Corporate Services, Gippsland Department of Justice and Regulation, Victoria (2010 – 2017)
- Director and Deputy Chair of Gippsland Primary Health Network (2021 – Chairman)
- Independent Member, Audit Risk and Finance Committee, Gippsland Primary Health Network (2019)
- Regional Finance Manager, Department of Education and Training since 2017
- Various other finance and business management roles.

Andrea Buckland, Company Secretary

BBUS (INFORMATION SYSTEMS), MACC, CPA, FGIA, GAICD

- Company Secretary since 2014
- Company Secretary, Maryvale Private Hospital
- Independent Member, Audit Risk and Finance Committee, Gippsland Primary Health Network
- Independent Member, Audit and Risk Committee, West Gippsland Catchment Management Authority
- Latrobe Health Services Chief Financial Officer (2011 – 2021)
- Experienced in financial strategy and management, governance, risk management and compliance



Executive team

Ian Whitehead, Chief Executive Officer

BBUS (MARKETING/ECONOMICS), POST GRAD, MASTERS, GAICD

Ian is an experienced Director and CEO having worked across financial services, health, property and technology sectors in not-for-profit and for-profit organisations. He is a director of Maryvale Private Hospital, and until recently was the Chair of the Australian Regional Health Group (resigned in 2023). Ian was also appointed to the AICD Victorian council in April 2023.

Ian joined Latrobe Health Services as CEO in November 2018 with expertise in business strategy, change management, finance, and marketing.

Kylie Debono, Chief Risk Officer

BSCI (BIOLOGICAL) HONS (MICROBIOLOGY), GAICD

Kylie is an experienced executive manager with expertise in leading, influencing and driving strategic planning activities, design and monitoring of governance, risk, organisational development, quality assurance and OH&S management frameworks. Kylie was appointed to the role of Chief Risk Officer in 2015.

Hannah Vincent, Chief Financial Officer

BBUS (ACCOUNTING/BANKING & FINANCE), CPA

Hannah is an experienced leader with expertise in financial management, strategic planning, data analytics and reporting. Hannah has developed her expertise working across both public and private sectors. Hannah was appointed to the role of Chief Financial Officer in 2021.

Seona Conway, Head of People and Culture

BCOM (ECONOMICS & COMMERCE), GRAD DIP ED, GRAD DIP HR, GAICD

Seona has more than 25 years in leadership development, organisational culture, change and human resources and has worked both as a consultant and as an executive leader. Seona partners with leaders at all levels and is focused on supporting individual and organisational development, growth and transformation. Seona was appointed to the role of Head of People and Culture in February 2020.

Kate Jarvis, Head of Marketing and Business Development

BA (MEDIA COMMUNICATIONS), ATCL, DIP GRAPHIC DESIGN

Kate is an experienced communications and marketing professional who has built brands and customer engagement across health, media, retail, technology and construction industries. Kate joined Latrobe Health Services in April 2019.

Kamran Channa, Chief Information Officer

MASTERS (INFORMATION TECHNOLOGY), BSC (COMPUTER SCIENCES)

Kam is a passionate technologist and a strategic leader with demonstrated success in leading enterprise IT strategy, operations, architecture, and risk management. Kam has extensive experience in leading cross-functional teams in the design and integration of best-in-class technology solutions. Kam's expertise is in driving technology programs that streamline operations, support innovation, and advance business strategy. Kam was appointed to the role of Chief Information Officer in March 2019.



Todd Pemberton, Head of Customer Experience

CertHE (Mathematics)

Todd is an experienced leader in customer experience and operational transformation. An expert in business operations, strategy, human centred design, process improvement, outsourced operations, and process automation. Todd has been the Head of Customer Experience since January 2022.

Hadyn Bernau, Interim Chief Financial Officer

(1 June 2022 – 30 September 2022)

BEc, BActSt, MActSt, FIAA, MAICD

Hadyn is our Interim Chief Financial Officer, appointed in June 2022. He is a skilled Actuary with significant experience in private health insurance as an Appointed Actuary, consultant and regulator. He is also an expert in strategy, product and data analytics.

John Rochstad-Lim, Interim Chief Financial Officer

(3 October 2022 – 8 June 2023)

BBus, MBus (Accountancy), MIPA, FGIA

John is our Interim Chief Financial Officer, appointed in October 2022. He is a qualified accountant with experience in Financial Management. John has developed his expertise working in both private and public sectors.

Pictured from left to right: Members of the Latrobe Health Executive Team John Roschtad-Lim, Kate Jarvis, Tammi Gove, Seona Conway, Ian Whitehead, Kylie Debono, Todd Pemberton, Andrea Buckland and Kamran Channa



Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Latrobe Health Services Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Latrobe Health Services Limited for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

D M Scammell

D M Scammell
Partner – Audit & Assurance
Melbourne, 18 September 2023

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Financial statements

Latrobe Health Services Limited Contents – 30 June 2023

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General Information

The financial statements cover Latrobe Health Services Limited as a consolidated entity consisting of Latrobe Health Services Limited and its entities it controlled at the end of, or during the year. The financial statements are presented in Australian dollars, which is Latrobe Health Services Limited's functional and presentational currency.

Latrobe Health Services Limited is a not -for-profit unlisted public company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business are

Registered office

32 - 34 Darlimurla Avenue Newborough VIC 3825

Principal place of business

32 - 34 Darlimurla Avenue Newborough VIC 3825

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 September 2023. The directors have the power to amend and reissue the financial statements.

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 30 June 2023**

	Notes	Consolidated Entity		Parent Entity	
		2023	2022	2023	2022
Revenue		\$	\$	\$	\$
Operating activities	2	226,147,473	208,668,148	207,829,235	192,970,951
Other income	2	12,144,173	(1,404,080)	10,657,178	(4,412,873)
Total revenue		238,291,646	207,264,068	218,486,413	188,558,078
Expenses					
Fund benefits paid to policy holders	3	163,609,167	153,548,539	163,609,167	153,548,539
Management expenses	4	53,271,761	47,733,487	32,077,451	28,680,352
State levies		524,581	484,845	524,581	484,845
Net revaluation decrease	10	8,792,943	1,600,000	8,792,943	1,600,000
Total expenses		226,198,452	203,366,871	205,004,142	184,313,736
Profit before income tax		12,093,194	3,897,197	13,482,271	4,244,342
Income tax expense	1 (b)	-	-	-	-
Profit from operations		12,093,194	3,897,197	13,482,271	4,244,342
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation of buildings		508,972	821,236	508,972	821,236
Other comprehensive income for the year		508,972	821,236	508,972	821,236
Total comprehensive income for the year		12,602,166	4,718,433	13,991,243	5,065,578
Total comprehensive income attributable to the members of Latrobe Health Services		12,602,166	4,718,433	13,991,243	5,065,578

The accompanying notes form part of these financial statements.

**Statement of Financial Position
As at 30 June 2023**

	Notes	Consolidated Entity		Parent Entity	
		2023	2022	2023	2022
Current assets		\$	\$	\$	\$
Cash and cash equivalents	5	50,131,126	46,185,864	47,964,602	44,157,039
Trade and other receivables	7	22,757,148	23,334,858	19,958,751	19,648,172
Assets held for sale	9	-	814,833	-	814,833
Other current assets	8	2,265,144	1,579,583	2,180,709	1,642,712
Total current assets		75,153,418	71,915,138	70,104,062	66,262,756
Non-current assets					
Other financial assets	6	164,125,404	162,944,495	164,125,404	162,944,495
Property, plant and equipment	10	12,956,280	10,869,832	10,626,452	10,254,834
Investment in subsidiary	11	-	-	3,500,000	2,500,000
Total non-current assets		177,081,684	173,814,327	178,251,856	175,699,329
Total assets		252,235,102	245,729,465	248,355,918	241,962,085
Current liabilities					
Trade and other payables	12	8,998,122	14,143,825	7,222,963	12,334,476
Provisions	13	27,198,409	31,502,892	25,126,215	29,564,187
Borrowings	14	257,820	-	-	-
Other liabilities	15	33,581,248	31,650,388	33,581,248	31,650,388
Total current liabilities		70,035,599	77,297,105	65,930,426	73,549,051
Non-current liabilities					
Trade and other payables	12	33,688	47,763	33,688	47,763
Provisions	13	286,027	300,884	80,561	45,271
Borrowings	14	1,193,909	-	-	-
Total non-current liabilities		1,513,624	348,647	114,249	93,034
Total liabilities		71,549,223	77,645,752	66,044,675	73,642,085
Net assets		180,685,879	168,083,713	182,311,243	168,320,000
Equity					
Retained earnings		179,355,671	167,262,477	180,981,035	167,498,764
Asset revaluation reserve		1,330,208	821,236	1,330,208	821,236
Total equity		180,685,879	168,083,713	182,311,243	168,320,000

The accompanying notes form part of these financial statements.

**Consolidated Statement of Changes in Equity
for the year ended 30 June 2023**

	Asset Revaluation Reserve	Retained Earnings	Total Equity
	\$	\$	\$
Parent entity			
Balance at 1 July 2021	-	163,254,422	163,254,422
Profit attributable to members	-	4,244,342	4,244,342
Other comprehensive income for the year	821,236	-	821,236
Balance at 30 June 2022	821,236	167,498,764	168,320,000
Consolidated Entity			
Balance at 1 July 2021	-	163,365,280	163,365,280
Profit attributable to members	-	3,897,197	3,897,197
Other comprehensive income for the year	821,236	-	821,236
Balance at 30 June 2022	821,236	167,262,477	168,083,713
Parent entity			
Balance at 1 July 2022	821,236	167,498,764	168,320,000
Profit attributable to members	-	13,482,271	13,482,271
Other comprehensive income for the year	508,972	-	508,972
Balance at 30 June 2023	1,330,208	180,981,035	182,311,243
Consolidated Entity			
Balance at 1 July 2022	821,236	167,262,477	168,083,713
Profit attributable to members	-	12,093,194	12,093,194
Other comprehensive income for the year	508,972	-	508,972
Balance at 30 June 2023	1,330,208	179,355,671	180,685,879

The accompanying notes form part of these financial statements.

**Consolidated Statement of Cash Flows
for the year ended 30 June 2023**

		Consolidated Entity		Parent Entity	
	Notes	2023	2022	2023	2022
		\$	\$	\$	\$
Cash flows from operating activities					
Receipts from operating activities		228,854,988	203,267,360	209,798,293	187,985,724
Payments to suppliers/employees		(225,852,351)	(202,143,614)	(204,986,664)	(183,491,122)
Interest received		1,351,025	107,728	1,291,029	98,502
Other income		1,542,565	4,049,356	113,299	1,018,356
Net cash provided by operating activities	17	5,896,227	5,280,830	6,215,957	5,611,460
Cash flows from investing activities					
Fixed asset purchases		(11,402,694)	(3,549,529)	(9,408,394)	(3,172,371)
Investment purchases		(2,000,000)	(8,000,000)	(2,000,000)	(8,000,000)
Payment for investment in subsidiary		-	-	(1,000,000)	-
Investment redemptions		10,000,000	-	10,000,000	-
Net cash used in investing activities		(3,402,694)	(11,549,529)	(2,408,394)	(11,172,371)
Cash flows from financing activities					
Proceeds from borrowings		1,493,410	-	-	-
Repayment of borrowings		(41,681)	-	-	-
Net cash provided by financing activities		1,451,729	-	-	-
Net increase/(decrease) in cash held					
		3,945,262	(6,268,699)	3,807,563	(5,560,911)
Cash at beginning of year		46,185,864	52,454,563	44,157,039	49,717,950
Cash at end of year	17	50,131,126	46,185,864	47,964,602	44,157,039

The accompanying notes form part of these financial statements.



Notes to the financial statements

For the year ended 30 June 2023

1. Summary of significant accounting policies

Basis of preparation

The financial statement covers Latrobe Health Services Limited and the controlled entity being Maryvale Private Hospital as the consolidated group.

The consolidated group is a not-for-profit unlisted public company limited by guarantee, incorporated and domiciled in Australia. A description of the nature of the consolidated group's operations and its principal activities is included in the directors' report, which is not part of the financial statements.

These general purpose financial statements of the consolidated group have been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board ('AASB'), the requirements of the Corporations Act 2001, and other authoritative pronouncements of the Australian Accounting Standards Board.

These consolidated financial statements were authorised for issue in accordance with a resolution of Directors on 18 September 2023.

Reporting Basis

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

New or Amended Accounting Standards and Interpretations adopted

The consolidated group has adopted all new, revised or amended 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.

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

New Accounting Standards for application in future periods

AASB17 Insurance Contracts

AASB 17 Insurance Contracts applies to reporting periods beginning on or after 1 January 2023 and will replace AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. The consolidated group will apply AASB 17 for the annual period beginning 1 July 2023 and ending 30 June 2024. The 30 June 2024 annual report will include the 30 June 2023 positions presented using AASB 17.

The consolidated group plans to use the simplified premium allocation approach under AASB 17 for all insurance contracts, which is similar in effect to the consolidated group's current measurement basis under AASB 1023.

The consolidated group has had a Gap & Option report performed to assess the requirements of AASB 17. No material gaps or system issues were identified.

The consolidated group has had quantitative analysis of the impact of implementing AASB 17 performed. The study investigated the impacts if AASB 17 was applied to the 2019 or 2020 financial years under a range of scenarios.

In summary, the consolidated group expects that AASB 17 will reduce the balance sheet assets and liabilities, with the impact on net assets expected to be relatively small. AASB 17 will cause variations in individual years' profits, but due to the short-tailed nature of the consolidated group's insurance liabilities any changes will be quickly offset. The expected profit impact for any future year of converting to AASB 17 is 'no impact'. AASB 17 is not expected to change the underlying performance of the fund.

In addition to the changes in presentation of the financial statements, substantial changes to the disclosures are also expected.

Latrobe now has a board-endorsed accounting policy for items covered by AASB17 and, management will implement AASB17 from 1 July 2023.

The consolidated group expects that AASB 17 will reduce the balance sheet assets and liabilities, that amount is \$2.094m. The Profit and Loss statement will have a gain of \$1.319m.

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) Revenue recognition

The consolidated group recognises revenue as follows:

Premium Revenue

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

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Interest income

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Hospital revenue

Revenue from a contract to provide services, is recognised over time as the services are rendered based on a fixed price in line with the customer's health fund provider's agreement in place with the hospital.

Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Other hospital income

Other hospital income is recognised when it is received or when the right to receive payment is established.

Dividend income

Dividend revenue is recognised when the right to receive payment is established. Dividends represent the income arising from Latrobe Health Services and controlled entities' investments in financial assets.

c) 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.

Where a fund has directly paid these benefits to the Risk Equalisation Trust Fund that is administered by APRA, 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.

d) 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.

e) 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.

f) Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

g) 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 3 months or less.

h) Inventories

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

i) Trade and other receivables

The group continuously monitors the credit quality of customers based on a credit rating scorecard. Where available, external credit ratings and/or reports on customers are obtained and used. The consolidated group's policy is to deal only with credit worthy counterparties. The credit terms range between 30 and 90 days. The credit terms for customers, as negotiated with customers, are subject to an internal approval process which considers the credit rating scorecard. Credit risk is assessed and re-evaluated through regular reviews of ageing analysis, together with reviewing credit limits per customer. Contractual receivables are subsequently measured at amortised cost, using the effective interest method, less an allowance for expected credit losses.

j) Property, plant, and equipment

Property, plant and equipment, with the exception of freehold land, are depreciated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to the consolidated group. Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Leasehold improvements are depreciated over the shorter of either their estimated useful life or the remaining term of the lease.

The useful lives are adjusted if appropriate at each reporting date. Estimated useful lives as at the reporting date are as follows:

Buildings - 50 years

Leasehold improvements - lesser of useful life or lease term

Plant and equipment - 3 to 10 years

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

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 two separate classes 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

Plant and equipment are measured on a cost basis. The carrying value 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. 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	2023 %	2022 %
Freehold buildings	2	2
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

Depreciation methods, useful lives and residual values are reassessed at each reporting date. 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.

k) 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 consideration of external and internal sources of information. 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 of disposals 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.

l) 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.

m) Leases

At inception of a contract, the consolidated group assesses whether the contract is, or contains, a lease.

A contract is a lease, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the consolidated group uses the definition of a lease in AASB 16.

Contracts may contain both lease and non-lease components. At the commencement or modification of a contract that contains a lease component, the consolidated group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The consolidated group recognises a lease asset and a lease liability at the lease commencement date. The lease asset is initially measured at cost comprising the amount of the initial measurement of lease liability; adjusted for any lease payments made at or before the commencement date less any lease incentives received; plus, any initial direct costs; and an estimate of the costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

The lease asset is subsequently depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis, unless the lease transfers ownership of the underlying asset to the consolidated group at the end of the lease term or the consolidated group is reasonably certain to exercise a purchase option. In that case, the lease asset is depreciated over the underlying asset's useful life, which is determined on the same basis as those of property, plant, and equipment. In addition, the leased asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined the consolidated group's incremental borrowing rate is used, being the rate that the consolidated group would have to pay to borrow the funds necessary to obtain an asset of similar value to the lease asset in a similar economic environment with similar terms, security, and conditions.

Lease payments included in the measurement of the lease liability comprise:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable.
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date.
- amounts expected to be payable by the consolidated group under residual value guarantees.
- the exercise price of a purchase option if the consolidated group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease unless the consolidated group is reasonably certain not to terminate the lease early.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The lease liability is measured at amortised cost using the effective interest rate method. It is re-measured when:

- there is a change in future lease payments arising from a change in an index or rate.
- if there is a change in the estimate of the amount expected to be payable under a residual value guarantee.
- if there is a change in the consolidated group's assessment of whether it will exercise a purchase, extension, or termination option: or
- if there is a revised in-substance fixed lease payment.

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying value of the right-of-use asset, unless the lease asset has been reduced to zero in which case the adjustment is recorded in profit or loss.

n) Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

o) Provisions

Provisions are recognised when the consolidated group has a legal or constructive obligation, because 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.

p) 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 2023 relating to the period beyond 30 June 2023 are recognised as unearned premium liabilities. Also, forecast premiums receivable from policy holders as at 30 June 2023 are recognised as unclosed business premiums.

q) Financial Instruments

Financial assets and financial liabilities are recognised when the consolidated group becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the consolidated group commits itself to either purchase or sell the asset.

Other financial assets (managed investments) are initially designated as 'at fair value through profit or loss'.

Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss.

Classification and subsequent measurement

Such assets are subsequently measured at either amortised cost or fair value depending on their classification.

Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Fair value movements are recognised in profit or loss.

Assets backing insurance liabilities

Assets backing health insurance liabilities are segregated from financial assets measured at fair value through profit or loss. These financial assets are held to back health insurance liabilities on the basis that these assets are valued at fair value in the statement of financial position and consist of liquid and high-quality investments, being cash and term deposits.

The management of financial assets and health insurance liabilities are closely monitored to ensure that investments are appropriate given the expected pattern of future cash flows arising from health insurance liabilities.

Financial assets backing health insurance liabilities are designated at fair value through profit or loss. Initial recognition is at cost, and subsequent measure is at fair value in the statement of financial position, with any resultant unrealised profit or losses recognised in the income statement.

Australian Government Private Health Insurance rebate

This is the amount claimed as a cash amount, from the Department of Human Services for the Australian Government Private Health Insurance Rebate.

Unclosed business premium

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

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

r) Outstanding claims

The provision for outstanding claims provides for claims that have been incurred by policyholders, but not yet presented to the consolidated group for reimbursement. The provision is based on an actuarial assessment taking into account historical patterns of claim incidence and processing, where the central estimate of the present value of expected future payments arising from claims incurred at the end of each reporting period under insurance cover issued by the fund, plus a risk margin reflecting the inherent uncertainty in the central estimate.

This provision also allows for an estimate of claims handling costs, which include internal and external costs incurred in connection with the negotiation and settlement of claims.

The provision is calculated in accordance with the principals of the chain ladder method which can be used under the prudential regulations of the private health insurance industry.

s) Deferred claims liability

Latrobe Health Services estimated its deferred claims liability as at 30 June 2023 using the following methodology:

- Determined “accrual months” where hospital and extras services were restricted due to COVID-19 – these were determined to be March 2020 to December 2020 and October 2021 to March 2022.
- Estimated the shortfall in claims, or ‘missing claims’ during these months, by comparing actual claims to expected claims
- Applied assumed ‘deferral percentages’ to the total missing claims, to determine an appropriate estimate of deferred claims, including an allowance for risk equalisation and risk margin.
- For hospital, a deferral percentage of 55% was applied, based on claims analysis and benchmarking to APRA methods
- For extras, a deferral percentage of 0% was applied, on the basis that Latrobe Health Services rolled over unused extras limits in both 2021 and 2022.

The balance as at June 2023 is \$7 million. It is expected that the deferred claims liability balance is expected to be released or unwound as deferred claims materialise and claims are paid, given the limited disruption to medical services, previously arising from the impact of Covid-19

t) Liability adequacy test (“LAT”)

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.

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.

The benefits applied to the LAT exclude benefits relating to the expected catch-up of claims deferred due to lockdown restrictions as a result of the COVID-19 pandemic, as these claims are allowed for in the deferred claims liability.

Contributions in Advance

Premiums received from members prior to 30 June 2023 relating to the period thereafter are recognised as unearned premium liabilities (contributions in advance)/ The unearned premium liability is released to the consolidated statement of comprehensive income as revenue over the term of the contract.

u) 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 estimate 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.

Employee benefit 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 by the claims department and any part of the general administrative costs directly attributable to the claims function.

AASB 1023 requires a risk margin be applied to allow for the inherent uncertainty in the central estimate. The risk margin has been based on an analysis of the past experience of the consolidated group by the Appointed Actuary 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 impact of COVID-19 on the outstanding claims provision has been considered. Service levels have been estimated under COVID-19 relative to the operating environment prior to restrictions.

Deferred claims liability

As discussed in note 1 (q) the deferred claims liability has been calculated by the appointed actuary and is an estimate of claims delayed due to the impact of restrictions associated with COVID-19. A probability of 75% has been adopted for the purpose of determining the deferred claims liability for financial statements.

Liability adequacy test

As discussed in note 1(r), 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.

Impact of COVID-19

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the company. The Coronavirus (COVID-19) pandemic has had an impact upon the financial statements mainly with respect to deferred claims liability.

2. Revenue

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Operating activities				
Premium revenue	207,829,235	192,970,951	207,829,235	192,970,951
Hospital revenue- services transferred over time	18,318,238	15,697,197	-	-
Total revenue from operating activities	226,147,473	208,668,148	207,829,235	192,970,951
Other income				
Interest	1,422,965	117,876	1,362,969	108,651
Net (loss)/gain on financial assets at fair value through profit or loss	9,180,910	(5,513,711)	9,180,910	(5,513,710)
Other income	1,542,565	1,590,045	113,299	1,018,356
COVID-19 Cost recovery	-	2,428,058	-	-
Profit/(Loss) on disposal of property, plant and equipment	(2,267)	(26,348)	-	(26,170)
Total other income	12,144,173	(1,404,080)	10,657,178	(4,412,873)
Total revenue and other income	238,291,646	207,264,068	218,486,413	188,558,078
Policy holder contributions				
Gross contributions received	214,369,516	204,930,084	214,369,516	204,930,084
(Increase) contributions in advance	(1,930,860)	(1,166,285)	(1,930,860)	(1,166,285)
Increase contributions in arrears	(313,088)	188,850	(313,088)	188,850
Discounts	(4,296,333)	(10,981,698)	(4,296,333)	(10,981,698)
Total contributions received	207,829,235	192,970,951	207,829,235	192,970,951

3. Underwriting Results

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Fund benefits paid to policy holders	203,379,255	198,387,294	203,379,255	198,387,294
Amount received and receivable from the Risk Equalisation Trust Fund	(35,428,524)	(36,034,571)	(35,428,524)	(36,034,571)
Decrease to outstanding claims provision	(2,642,000)	(2,344,000)	(2,642,000)	(2,344,000)
Decrease to deferred claims provision	(1,540,000)	(2,385,557)	(1,540,000)	(2,385,557)
Decrease to unexpired risk provision	(87,000)	(4,209,000)	(87,000)	(4,209,000)
Increase/(decrease) to loyalty bonus provision	(72,564)	134,373	(72,564)	134,373
Total fund benefits paid to members	163,609,167	153,548,539	163,609,167	153,548,539

4. Management expenses

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Employee benefits expense	22,398,326	19,579,091	12,325,689	10,325,282
Depreciation and amortisation	1,032,276	656,788	752,805	539,466
Commission paid	6,198,274	5,930,287	6,198,274	5,930,287
Administrative expenses	5,670,323	6,145,758	4,460,139	5,121,676
Computer and software expenses	3,317,778	4,659,389	3,317,778	4,659,389
Strategic initiatives	3,688,939	873,549	3,688,939	873,549
Audit expenses	355,694	311,825	336,594	311,825
Legal expenses	92,578	104,360	92,578	104,360
Motor vehicle expenses	31,988	28,380	31,988	28,380
Infrastructure Expenses (Cleaning/Utilities/Maint)	1,445,597	1,493,558	391,388	373,724
Prosthesis	4,320,435	4,151,605	-	-
Medical supplies	2,884,105	2,382,270	-	-
Patient expenses	1,323,579	993,171	-	-
Financial charges and taxes	511,869	423,456	481,279	412,414
Total management expenses	53,271,761	47,733,487	32,077,451	28,680,352

5. Cash and cash equivalents

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Bank - Trading Account	22,265,463	14,201,240	20,098,939	12,172,415
Deposits with banks	27,865,663	31,984,624	27,865,663	31,984,624
Total Cash and cash equivalents	50,131,126	46,185,864	47,964,602	44,157,039

6. Other Financial assets

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Managed Investments at fair value through profit or loss				
Australian Inflation Plus Fund	38,386,824	47,127,272	38,386,824	47,127,272
Australian Shares Fund	14,830,559	17,906,815	14,830,559	17,906,815
Australian Sovereign Bond Fund	19,623,020	20,956,067	19,623,020	20,956,067
Term Deposit Funds	45,461,552	42,620,769	45,461,552	42,620,769
Global Credit Fund	16,357,036	17,493,923	16,357,036	17,493,923
Hedged International Shares Fund	8,743,810	7,554,210	8,743,810	7,554,210
International Shares Fund	10,693,567	9,285,439	10,693,567	9,285,439
Infrastructure Fund	8,029,036	-	8,029,036	-
Australian Unity Healthcare Property Trust	2,000,000	-	2,000,000	-
Total Non-Current Financial Assets	164,125,404	162,944,495	164,125,404	162,944,495

7. Trade and Other Receivables

The carrying amounts of trade and other receivables approximate their fair value due to the short-term maturities of these assets. An allowance for expected credit losses is not maintained as any uncollectible amounts are considered immaterial.

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Australian Government Private Health Insurance Rebate	4,343,110	3,834,066	4,343,110	3,834,066
Unclosed Business Premium				
Contributions in arrears	204,510	517,599	204,510	517,599
Unearned contributions	406,665	491,107	406,665	491,107
Accrued revenue	2,024,237	1,562,589	84,675	17,567
Trade debtors	2,854,444	4,919,590	1,995,609	2,777,926
Health benefits risk equalisation trust	12,924,182	12,009,907	12,924,182	12,009,907
Total current receivables	22,757,148	23,334,858	19,958,751	19,648,172

8. Other Current Assets

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Prepayments	868,496	906,559	658,754	750,738
Loan to Maryvale Private Hospital *	-	-	1,521,955	891,974
Inventory	727,227	673,024	-	-
Other	669,421	-	-	-
Total other current assets	2,265,144	1,579,583	2,180,709	1,642,712

*As at 30 June 2023, \$1,521,955 (2022: \$891,974) has been loaned to Maryvale Private Hospital. The short-term loan represents an interest-free funding agreement between Latrobe Health Services and the Hospital, for the payment of deposits on furniture, fixtures and equipment. This is to be repaid within 12 months and provided in instalments.

9. Assets Held for Sale

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Assets held for sale	-	814,833	-	814,833

The following properties were classified as assets held for sale:

- 30 McDonald St, Morwell
- 32-34 McDonald St, Morwell

These property sales were settled on 14th April, 2023.

The sale price for 30 McDonald St was \$500,000 and 32-34 McDonald St \$1,000,000.

10. Property, plant, and equipment

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Freehold land				
At valuation	1,890,000	1,715,000	1,890,000	1,715,000
Freehold buildings				
At valuation	7,330,983	6,321,495	7,330,983	6,321,495
Less accumulated depreciation	1,416,164	1,454,371	1,416,164	1,454,371
	5,914,819	4,867,124	5,914,819	4,867,124
Office furniture and equipment				
At cost	5,586,864	4,902,056	73,552	71,744
Less accumulated depreciation	3,514,828	4,542,825	36,977	23,814
	2,072,036	359,231	36,575	47,930
Fixtures and fittings				
At cost	1,400,699	1,355,432	993,280	614,520
Less accumulated depreciation	573,390	852,465	193,387	117,268
	827,309	502,967	799,893	497,252
Computer equipment				
At cost	3,535,628	2,832,143	2,699,800	2,037,528
Less accumulated depreciation	1,829,890	1,277,248	1,261,013	780,615
	1,705,738	1,554,895	1,438,787	1,256,913
Works in progress	461,686	1,767,685	461,686	1,767,685
Right of Use Assets				
At cost	154,049	204,698	154,049	204,698
Less accumulated amortisation	69,357	101,768	69,357	101,768
	84,692	102,930	84,692	102,930
Total property, plant and equipment	12,956,280	10,869,832	10,626,452	10,254,834

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 2023 financial year by an external assessor:

	Consolidated Entity 2023						WDV at End of Period
	WDV at Beginning of Period	Additions	Disposals	Net Revaluation Increase/(Decr ease)	Depn/Amort	Transfers *	
Freehold land	1,715,000	-	-	175,000	-	-	1,890,000
Freehold buildings	4,867,124	842,733	-	333,972	(129,010)	-	5,914,819
Office furniture and equipment	359,231	1,918,237	(1,416)	-	(204,016)	-	2,072,036
Fixtures and fittings	502,967	401,831	-	-	(77,489)	-	827,309
Computer equipment	1,554,895	720,883	(2,267)	-	(567,773)	-	1,705,738
Works In Progress	1,767,685	7,586,244	-	(8,892,243)	0	-	461,686
Right of Use Assets	102,930	35,750	-	-	(53,988)	-	84,692
Total fixed assets	10,869,832	11,505,678	(3,683)	(8,383,271)	(1,032,276)	-	12,956,280

	Parent Entity 2023						WDV at End of Period
	WDV at Beginning of Period	Additions	Disposals	Net Revaluation Increase/(Decr ease)	Depn/Amort	Transfers *	
Freehold land	1,715,000	-	-	175,000	-	-	1,890,000
Freehold buildings	4,867,124	842,733	-	333,972	(129,010)	-	5,914,819
Office furniture and equipment	47,930	3,352	(1,416)	-	(13,291)	-	36,575
Fixtures and fittings	497,252	378,760	-	-	(76,119)	-	799,893
Computer equipment	1,256,913	662,271	-	-	(480,397)	-	1,438,787
Works In Progress	1,767,685	7,586,244	-	(8,892,243)	-	-	461,686
Right of Use Assets	102,930	35,750	-	-	(53,988)	-	84,692
Total fixed assets	10,254,834	9,509,110	(1,416)	(8,383,271)	(752,805)	-	10,626,452

	Consolidated Entity 2022						WDV at End of Period
	WDV at Beginning of Period	Additions	Disposals	Net Revaluation increase	Depn/Amort	Transfers *	
Freehold land	1,715,000	-	-	-	-	-	1,715,000
Freehold buildings	3,985,801	165,686	-	821,236	(105,599)	-	4,867,124
Office furniture and equipment	93,226	314,023	(820)	-	(47,198)	-	359,231
Fixtures and fittings	266,053	341,800	(39,948)	-	(64,938)	-	502,967
Computer equipment	2,270,595	1,370,504	(13,721)	-	(380,441)	(1,692,042)	1,554,895
Works In Progress	267,443	1,500,242	-	-	-	-	1,767,685
Right of Use Assets	157,737	3,805	-	-	(58,612)	-	102,930
Total fixed assets	8,755,855	3,696,060	(54,489)	821,236	(656,788)	(1,692,042)	10,869,832

	Parent Entity 2022						WDV at End of Period
	WDV at Beginning of Period	Additions	Disposals	Net Revaluation increase	Depn/Amort	Transfers *	
Freehold land	1,715,000	-	-	-	-	-	1,715,000
Freehold buildings	3,985,801	165,686	-	821,236	(105,599)	-	4,867,124
Office furniture and equipment	26,530	35,970	(820)	-	(13,750)	-	47,930
Fixtures and fittings	266,053	335,939	(39,948)	-	(64,792)	-	497,252
Computer equipment	1,982,129	1,277,211	(13,672)	-	(296,713)	(1,692,042)	1,256,913
Works In Progress	267,443	1,500,242	-	-	-	-	1,767,685
Right of Use Assets	157,737	3,805	-	-	(58,612)	-	102,930
Total fixed assets	8,400,693	3,318,853	(54,440)	821,236	(539,466)	(1,692,042)	10,254,834

* The devaluation of works in progress of \$8,892,243 relates to the write down of the hospital redevelopment in line with the previous valuation assessment taking current market conditions into consideration.

** Transfers (2022) relate to the derecognition of software assets where Latrobe does not control the source code.

Revaluations

The revaluation of freehold land and buildings are treated as other comprehensive income. 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 Valuers & Advisors to perform the revaluation for the following properties:

- 52-54 Franklin St, Traralgon, valued at a fair value of \$1,200,000 at 30 June, 2023.
- Lot 1 Maryvale Rd, Morwell, valued at a fair value of \$375,000 at 30 June, 2023.
- 9 Moore St, Moe, valued at a fair value of \$330,000 at 30 June, 2023.

11. Investment in Subsidiary

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
Investment in MPH	-	-	3,500,000	2,500,000
Total Investment in MPH	-	-	3,500,000	2,500,000

12. Trade and other payables

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
Current	\$	\$	\$	\$
Trade creditors	8,544,148	13,597,011	6,768,989	11,787,662
Unearned premium liability	406,665	491,107	406,665	491,107
Lease liability	47,309	55,707	47,309	55,707
Total current payables	8,998,122	14,143,825	7,222,963	12,334,476
Non Current				
Lease liability	33,688	47,763	33,688	47,763
Total non current payables	33,688	47,763	33,688	47,763

13. Provisions

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
Current				
Outstanding claims	15,491,000	17,985,000	15,491,000	17,985,000
Outstanding claims risk margin	1,028,000	1,176,000	1,028,000	1,176,000
Total outstanding claims	16,519,000	19,161,000	16,519,000	19,161,000
Loyalty Bonus	197,309	269,873	197,309	269,873
Deferred claims- hospital	7,022,000	8,562,000	7,022,000	8,562,000
Total deferred claims	7,022,000	8,562,000	7,022,000	8,562,000
Unexpired risk				
Contributions in advance	-	87,000	-	87,000
Total unexpired risk	-	87,000	-	87,000
Employee Benefits				
Annual leave	1,735,379	1,723,192	799,131	802,290
Long service leave	1,679,659	1,603,179	543,713	585,376
Employee Benefits	3,873	3,873	3,873	3,873
Paid Parental Leave	41,189	92,775	41,189	92,775
Total employee benefits	3,460,100	3,423,019	1,387,906	1,484,314
Total current provisions	27,198,409	31,502,892	25,126,215	29,564,187
Non-current				
Long service leave	286,027	300,884	80,561	45,271
Total non-current provisions	286,027	300,884	80,561	45,271

Outstanding claims liability - central estimate

The outstanding claims liability comprises the central estimate and a risk margin. The central estimate is an estimate of the level of claims liability that is intended to contain no intentional under or over estimate. The risk margin is added to the central estimate of outstanding claims to achieve a desired probability of adequacy.

Key estimate: The central estimate is determined based on analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected central estimate is based on judgemental consideration of the results of this analysis and other qualitative information. The central estimate is calculated excluding the impact of the Risk Equalisation Trust Fund. A separate estimate is made of levies payable to and recoveries from the Risk Equalisation Trust Fund.

Risk margin

An overall risk margin is determined after consideration of the uncertainty surrounding the outstanding claims liability. The risk margin applied to Latrobe Health Services' outstanding claims central estimate (net of risk equalisation) at 30 June 2023 is 7.0% (2022: 6.8%).

Key estimate: The risk margin is determined based on an analysis of past experience. In determining the risk margin, the analysis examined the volatility of past payments in comparison to the central estimate. The risk margin has been estimated to equate to Latrobe Health Services' objective of achieving a probability of adequacy of at least 75% (2022: 75%).

Deferred claims liability

The deferred claims liability is based on best estimate, taking into account relevant risks and uncertainties, of expenditure required to settle claims deferred as a result of surgeries and other health services restricted for policyholders as a result of the COVID-19 pandemic.

Key estimate: The deferred claims liability is calculated by comparing the difference between the actual and expected claims since the commencement of COVID-19 restrictions from March 2020. The liability is then derived by applying a deferral rate (percentage of gross reduction in claims to date due to COVID-19 that is expected to be caught up in later periods) as follows:

- Hospital - 55% (2022: 55%) of gross claims reduction in 2023
- Ancillary - 0% (2022: 0%) of gross claims reduction in 2023

The assumption for the claims handling expense is 2.4% (2022:2.4%) of the claims cost.

14. Borrowings

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
Current Borrowings	\$ 257,820	\$ -	\$ -	\$ -
Non-Current Borrowings	1,193,909	-	-	-
Total Borrowings	1,451,729	-	-	-

During the financial year, funding of \$3.0m from the National Australia Bank ('NAB') was approved to fund the purchase of furniture, fixtures and equipment in relation to the hospital redevelopment. Of this amount, \$1.493m was drawn down. The borrowings are principal and interest payment loans, repayable in monthly instalments of \$29,678 and due to mature in 2028. The variable interest rate is 7.1506% (2022: 0%). Current borrowings consist of 12 month principal repayments, with the remaining balance to be repaid within 5 years from the date of draw down.

15. Other Liabilities

Premiums received from members prior to 30 June 2023 relating to the period thereafter are recognised as contributions in advance.

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
Contributions in advance	\$ 33,581,248	\$ 31,650,388	\$ 33,581,248	\$ 31,650,388
Total other liabilities	33,581,248	31,650,388	33,581,248	31,650,388

It is expected that all contributions held in advance will be recognised as revenue over the next 12 months.

16. Capital commitments

There were no capital commitments for expenditure as at 30 June 2023 (30 June 2022 as below).

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
Freehold land and buildings	\$ -	\$ 8,426,538	\$ -	\$ 8,426,538
Hospital equipment	-	2,702,450	-	2,702,450
Total capital commitments	-	11,128,988	-	11,128,988

17. Cash flow information

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
(a) Reconciliation of cash and cash equivalents				
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:				
Cash and cash equivalents	22,265,463	14,201,240	20,098,939	12,172,415
Deposits with banks	27,865,663	31,984,624	27,865,663	31,984,624
Cash at end of year	50,131,126	46,185,864	47,964,602	44,157,039
(b) Reconciliation of cash flows from operations with surplus				
Net Profit	12,093,194	3,897,197	13,482,271	4,244,342
Non-Cash Flows in Profit				
Depreciation & Amortisation	1,032,276	656,788	752,805	539,466
Net loss/(gains) on financial assets at FVPL	(9,180,910)	5,513,710	(9,180,910)	5,513,710
(Impairment)/revaluation gain on assets	8,792,943	1,600,000	8,792,943	1,600,000
Changes in assets and liabilities				
(Increase)/decrease in receivables	761,185	(6,727,690)	(33,742)	(6,135,491)
(Increase)/decrease in inventories	(54,203)	(20,156)	-	-
Increase/(decrease) in payables	(5,159,778)	7,626,987	(5,125,588)	7,265,775
Increase/(decrease) in provisions	(4,319,340)	(8,432,291)	(4,402,682)	(8,582,627)
Increase/(decrease) in other liabilities	1,930,860	1,166,285	1,930,860	1,166,285
Cash Flows from operations	5,896,227	5,280,830	6,215,957	5,611,460

18. Controlled entities

Controlled entities consolidated

Subsidiary of the Consolidated Group:	Maryvale Private Hospital Pty Ltd
Country of incorporation	Australia
Percentage owned (%)	100%

19. a Related party transactions

Parent entity

Latrobe Health Services Limited is the parent entity.

Associates

Interests in associates are set out in note 18.

Key management personnel

Disclosures relating to key management personnel are set out in note 19(b) below.

Transactions with related parties

Throughout the year, Latrobe Health Services recharged certain costs to Maryvale Private Hospital for providing operational and administrative support to the Hospital. Total recharges were immaterial to the Group result and were at cost with no mark-up applied.

The related party transactions for the Consolidated Group comprise of the following:

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Company Secretary Oncharge	45,000	45,000	45,000	45,000
Properties and facilities charges	20,000	20,000	20,000	20,000

Loans to/from related parties

The following balances are outstanding at the reporting date in relation to loans to/from with related parties:

Current payables:

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Short term loan to Maryvale Private Hospital	1,521,955	891,974	1,521,955	891,974

The short-term loan represents an interest-free funding agreement between Latrobe Health Services and the Hospital, for the payment of deposits on furniture, fixtures and equipment. This is to be repaid within 12 months and provided in instalments.

Terms and conditions

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

19.b Remuneration of key management personnel

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:

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
Short term benefits	3,265,719	2,944,791	2,599,613	2,361,801
Post-employment benefits	227,180	197,107	227,180	197,107
Long term benefits	97,438	83,329	97,438	83,329
Total key management personnel compensation	3,590,337	3,225,227	2,924,231	2,642,237

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, and managed funds overseen by the investment committee.

The Consolidated Group manages its capital according to its Capital Management Policy to ensure it will be able to continue as a going concern and protect policy holder funds.

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.

21. Financial Instruments

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
	\$	\$	\$	\$
The following outlines the categories of financial assets and liabilities:				
(a) Categories of financial assets and liabilities				
Financial assets at amortised cost				
Trade and other receivables	22,757,148	23,334,858	19,958,751	19,648,172
Cash and cash equivalents	50,131,126	46,185,864	47,964,602	44,157,039
	72,888,274	69,520,722	67,923,353	63,805,211
Financial assets fair value through profit or loss - assets backing insurance liabilities				
Managed Investments	164,125,404	162,944,495	164,125,404	162,944,495
	164,125,404	162,944,495	164,125,404	162,944,495
Financial liabilities				
Trade and other payables	8,998,122	14,143,825	7,222,963	12,334,476
Borrowings	1,451,729	-	-	-

a) Financial risk management

The entity's financial instruments consist of deposits with bank, short term and long term investments, accounts receivables, accounts payable and bank borrowings.

The main risks the entity is exposed to through its financial instruments are market risk, credit risk and liquidity risk.

(i) Market risk

Interest rate risk

The entity's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on those financial assets. The entity manages this risk by adopting a defensive investment strategy.

At the balance date, the entity had the following financial assets exposed to Australian variable interest rate risk:

	Weighted average interest rate		Consolidated Entity		Parent Entity	
	2023	2022	2023	2022	2023	2022
Cash and cash equivalents	4.20%	0.91%	50,131,126	46,185,864	47,964,602	44,157,039
Fixed Interest Investments			119,828,432	128,198,031	119,828,432	128,198,031
			169,959,558	174,383,895	167,793,034	172,355,070

If interest rates had differed for the entire reporting period by 100 basis points, with all other variables remaining constant, the result after tax and equity would have been affected as follows:

Judgements of reasonably possible movements	2023	2022	2023	2022
Cash and cash equivalents, term deposits and fixed interest investments	\$	\$	\$	\$
+100 bps (2022: +10 bps)	1,699,596	1,743,839	1,677,930	1,723,551
-100 bps (2022: +10 bps)	-1,699,596	-1,743,839	-1,677,930	-1,723,551

Other market price risk

The entity is exposed to equity securities price risk. This arises from investments held by the company and classified on the statement of financial position as financial assets at fair value through profit and loss which consists of investments in fixed interest and managed investments. It is managed by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each country, sector, and market.

Total equity holdings in Australian share funds, hedged internal shares fund and international shares fund were \$34,267,936 at 30 June (2022 \$34,746,464).

The following sensitivity analysis is based on the equity price risk exposures in existence at balance date. Had the market prices moved, as illustrated in the table below, with all other variables held constant, the result after tax and equity would have been affected as follows:

Judgements of reasonably possible movements	2023	2022	2023	2022
Investments in equities	\$	\$	\$	\$
+100 bps (2022: +10 bps)	342,679	347,465	342,679	347,465
-100 bps (2022: +10 bps)	-342,679	-347,465	-342,679	-347,465

(ii) Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any loss allowance, as disclosed in the financial statements. Due to the nature of the industry and value of individual policies, the Consolidated Group does not request any collateral nor is it the policy to secure its premiums in arrears and trade and other receivables. The Consolidated Group regularly monitors its premiums in arrears, with the result that exposure to bad debts is not significant. The credit risk in respect to premiums in arrears, incurred on non-payment of premiums, will only persist during the grace period of 90 days as specified in the Fund Rules when the policy may be terminated.

The Consolidated Group is not exposed to claims whilst a membership is in arrears. Trade and other receivables are monitored regularly and escalated when they fall outside of terms. There are no significant concentrations of premium credit risk within the entity.

The Consolidated Group does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into.

Debtors consist predominately of government bodies in relation to premium reductions, and banking institutions in relation to accrued interest receivables.

The Consolidated Group does not have any material credit risk exposure to any one party to financial instruments. The company has assessed the maximum amount of exposure and determined the credit quality of the financial instruments held at 30 June 2023 is sound.

The credit risk in respect of cash balances held with banks and deposits with banks are managed via diversification of bank deposits and are only with major reputable financial institutions.

(iii) Strategic Asset Allocation

The investment policy only applies to the investment reserve managed by Latrobe Health.

The target allocation limit is:

Asset classes	Interim	Allowable	Actual
	SAA	Range	SAA
Growth Assets	17%	10%-35%	21%
Australian Shares	8.0%	0%-15%	10.8%
International Shares Unhedged	4.5%	0%-8%	5.5%
International Shares Hedged	4.5%	0%-8%	4.9%
Defensive Assets	83%	65%-90%	79%
Australian Sovereign Bond Fund	10%	0%-20%	10.10%
Australian Inflation Plus Fund	20%	10%-30%	22.50%
International Fixed Income	9%	0%-15%	8.50%
Term deposits	44%	35%-60%	37.80%

(iv) Liquidity risk

The Consolidated Group manages liquidity risk by monitoring forecast cash flows and ensuring adequate cash is available.

The table below reflects all contractually fixed pay-offs for settlement and interest resulting from recognised financial liabilities as at 30 June 2023, as well as the respective undiscounted cash flows for the respective upcoming fiscal years. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2023. The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows.

Trade payables and other financial liabilities mainly originate from the financing of assets used in ongoing operations such as property, plant and equipment and investments in working capital. These assets are considered by the entity in the overall liquidity risk. To monitor existing financial liabilities as well as to enable an effective overall controlling of future risks, the Consolidated Group has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial liabilities. The remaining contractual maturities of the entity's financial liabilities and estimated timing of net cash outflows from claims liabilities are:

2023 \$	Under 6 months	6-12 months	Total contractual cash flows	Carrying amount
Trade and other payables	8,998,122	33,688	9,031,810	9,031,810
Borrowings	178,065	79,755	257,820	257,820
	9,176,187	113,443	9,289,630	9,289,630
2022 \$	Under 6 months	6-12 months	Total contractual cash flows	Carrying amount
Trade and other payables	14,143,825	47,763	14,191,588	14,191,588
	14,143,825	47,763	14,191,588	14,191,588

(iv) Insurance risk management

The Consolidated Group provides private health insurance across a range of services, including: hospital insurance for private patients, ancillary or extras cover. These services are written as two types of contracts: hospital and/or general treatment cover.

The table below provides an overview of the key variables upon which the cash flows of the insurance contracts are dependent.

Type of contract: Hospital cover	
Details of contract workings	Defined benefits paid for hospital treatment, including accommodation, medical and prostheses costs.
Nature of claims	Hospital benefits defined by the insurance contract or relevant deed.
Key variables that affect the timing and uncertainty of future cash flows	Claims incidence and claims inflation.
Type of contract: Ancillary cover	
Details of contract workings	Defined benefits paid for ancillary treatment, such as dental, optical and physiotherapy services.
Nature of claims	Ancillary benefits defined by the insurance contract or relevant deed.
Key variables that affect the timing and uncertainty of future cash flows	Claims incidence and claims inflation.

Insurance risks are managed through the use of claims management procedures, close monitoring of experience, the holding of capital in excess of prudential requirements, the ability to vary premium rates, and risk equalisation.

Claims management

Strict claims management ensures the timely and correct payment of claims in accordance with policy conditions and provider contracts. Claims are monitored on a monthly basis to track the experience of the products.

Experience monitoring

Monthly financial and operational results, including portfolio profitability and prudential capital requirements, are reported to management committees and the Board. Insurance risks and experience for the industry are also monitored by the regulator, APRA.

Prudential capital requirements

All private health insurers are required to comply with prudential capital requirements providing a buffer against certain levels of adverse experience. The Board has a target level of capital which exceeds the regulatory requirement.

Ability to vary premium rates

The Consolidated Group has the ability to vary future premium rates subject to the approval of the Federal Minister for Health.

Risk equalisation

The Private Health Insurance Act requires resident private health insurance contracts to meet community rating requirements, prohibiting health insurers from discriminating between people on the basis of their health status, gender, race, sexual orientation, religious belief, age (except as allowed under Lifetime Health Cover provisions), increased need for treatment or claims history. To support these restrictions, all private health insurers must participate in the Risk Equalisation Trust Fund under which all private health insurers share the cost of proportions of the eligible claims of all persons aged 55 years and over, and claims meeting the high cost claim criteria.

Concentration of health risk

The consolidated group has health insurance contracts covering several classes of health insurance business, including: hospital insurance for private patients, general treatment cover. This business does not result in significant exposure to concentrations of risk because contracts written cover a large volume of persons across all regional Victoria.

b) Capital management

Latrobe Health's health benefits fund is required to maintain sufficient capital to comply with APRA's solvency and capital adequacy standards. The solvency standard aims to ensure that the fund has enough cash or liquid assets to meet all its liabilities as they become due, even if the cash flow is 'stressed'. The standard consists of a requirement to hold a prescribed level of cash and mandates a liquidity management plan. The capital adequacy standard aims to ensure that there is sufficient capital within a health benefits fund to enable the ongoing conduct of the business of the fund.

No additional requirements to capital have arisen with the advent of COVID19.

The standard consists of a requirement to hold a prescribed level of assets to be able to withstand adverse experience and mandates a capital management policy. The capital management policy includes target capital levels, capital trigger points and corrective action plans. The health benefits fund is required to comply with these standards on a continuous basis and report results to APRA on a quarterly basis. The fund has been in compliance with these standards throughout the year. The Board has in place a capital management policy for the health benefits fund. Capital is managed against this policy and performance is reported to the Board on a monthly basis.

c) Net Fair Values

The net fair value of assets and liabilities approximates their carrying value.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the financial statements.

22. Fair value hierarchy

The entity classifies the fair value measurement of its investments by level of the following fair value measurement hierarchy:

Level 1: Quote prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the entity's assets measured and recognised at fair value at 30 June 2023 on a recurring basis.

Consolidated Entity					
	2023	Level 1	Level 2	Level 3	Total
	\$				
Financial Assets					
- Cash and cash equivalents		50,131,126	-	-	50,131,126
- Managed Investments		-	164,125,404	-	164,125,404
Land and Buildings		-	-	7,804,819	7,804,819
Total		50,131,126	164,125,404	7,804,819	222,061,349

Consolidated Entity					
	2022	Level 1	Level 2	Level 3	Total
	\$				
Financial Assets					
- Cash and cash equivalents		46,185,864	-	-	46,185,864
- Managed Investments		-	162,944,495	-	162,944,495
Land and Buildings		-	-	6,582,124	6,582,124
Total		46,185,864	162,944,495	6,582,124	215,712,483

Parent Entity					
	2023	Level 1	Level 2	Level 3	Total
	\$				
Financial Assets					
- Cash and cash equivalents		47,964,602	-	-	47,964,602
- Managed Investments		-	164,125,404	-	164,125,404
Land and Buildings		-	-	7,804,819	7,804,819
Total		47,964,602	164,125,404	7,804,819	219,894,825

Parent Entity					
	2022	Level 1	Level 2	Level 3	Total
	\$				
Financial Assets					
- Cash and cash equivalents		44,157,039	-	-	44,157,039
- Managed Investments		-	162,944,495	-	162,944,495
Land and Buildings		-	-	6,582,124	6,582,124
Total		44,157,039	162,944,495	6,582,124	213,683,658



Directors' declaration

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable; and

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.

Nathan Voll
Director
18 September 2023

Valuation techniques

Level 1 The fair value of financial instruments traded in active markets (such as exchange traded equities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the consolidated group is the current bid price. These instruments are included in level 1.

Level 2 The fair value of financial instruments that are not traded in an active market is determined using a variety of valuation techniques based on similar instruments, yield curve calculations using the mid yield, vendor or independent developed models. These valuations are performed by Mercer Investments (Australia) Limited.

Level 3 Land and buildings at fair value, where the valuation technique is based on significant unobservable inputs are included in level 3. Land and buildings are valued in accordance with the methodology outlined in Note 9. There were no changes made during the financial year to the valuation techniques applied as at 30 June 2023.

There were no significant transfers between the levels during the current or prior financial year.

23. Auditor's remuneration

	Consolidated Entity		Parent Entity	
	2023	2022	2023	2022
Grant Thornton	\$ 134,300	\$ 122,850	\$ 115,200	\$ 104,850

Grant Thornton has been engaged to express an opinion of the financial statements, and the attached notes, as a whole.

24. Contingent Liabilities

There are no contingent liabilities as at 30 June 2023 (2022: Nil).

25. Subsequent Events

No matter or circumstance has arisen since 30 June 2023 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.

26. 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 2023, the number of consolidated group members was 9 (2022: 8).

Principal Registered Office

Latrobe Health Services Limited
32 Darlimurla Ave
Newborough Victoria 3825
Telephone: 1300 362 144
Email: info@lhs.com.au
Website: latrobehealth.com.au

Independent Auditor's Report

To the Members of Latrobe Health Services Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Latrobe Health Services Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated 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 2023 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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

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

Responsibilities of the Directors' for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.



Grant Thornton Audit Pty Ltd
 Chartered Accountants



D M Scammell
 Partner – Audit & Assurance

Melbourne, 18 September 2023



Our purpose:
We enable our members and the community to take control of their health needs, now and into the future.



Award-winning health insurance