Annual Report
2019-2020

Latrobe
HEALTH SERVICES

About us

Latrobe Health Services is one of Australia's largest not-for-profit private health insurers. We exist to guide and support our members, empowering them to take control of their health and providing choice for those needing access to health care.

We were established in 1951 to support industrial workers in the Latrobe Valley with improved access to health care services. These days, we continue to exist solely for the benefit of our 81,000 members and have a strong regional focus. We're also heavily invested in our community, this year donating $1.1M to charities, earning our reputation as 'the health fund with heart'.

Latrobe belongs to the Members Health Fund Alliance (MHFA). Whenever you see the MHFA symbol next to a health fund logo, you're looking at an insurer that exists to deliver the best possible service and benefits to its members, not to profit investors or overseas owners.

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

Highlights 2019/20

$173M
Premium revenue

$163M
Benefits paid to members

For every dollar Latrobe received in premiums 89c* was paid back in the form of benefits
89c*

48,369
Hospital episodes covered

$110K
The highest claim we paid for a member's treatment

121,326
Extras claims covered

New products
New Premier and Core Extras products launched

81,000
Members trust Latrobe with their private health insurance cover

85%
Members are based in Victoria

90,000
Member engagements in our Gippsland call centre

Members are in regional areas, half of those in Gippsland
44%

The Health Fund With Heart
Our first branding campaign featured in TVCs, on radio, billboards and shopping centre displays

Launched our new **Mobile app**

Branches Moe, Morwell, Traralgon and Bairnsdale

*Source Private Health Insurance Ombudsman State of Health Funds Report 2019 – total benefits paid as a % of total contributions

Highlights 2019/20

Proud owner

Gippsland's only acute medical and surgical private hospital Maryvale Private Hospital

400k

Hospital medical services paid for our members

35,000

Surgically implanted prosthetic devices paid for members

13 years

Average length of a membership

Zero

Compliance or regulatory breaches

8.4/10

Our members say they rate us 8.4/10 for trust in Latrobe (2020, Discovery Research)

Investment strategy

Implemented investment strategy to maximise the financial benefit to members

Launched our new **Website**

Our response to the Coronavirus pandemic

$8M

Coronavirus member support package

100%

Staff transitioned to working from home in response to COVID-19

936

Hours of staff health and wellbeing activities, including Premier's Active April, cooking, trivia and dance

$1M

Donation to support families and young people experiencing family violence and mental health issues

Responses collected from our daily staff sentiment survey

3,500

67

Average attendance at monthly staff forums, which were increased from quarterly to monthly

Established A virtual call centre

From the Chair and CEO

We are pleased to present the Latrobe Health Services Annual Report 2019/20, a year none of us will be quick to forget.

This year was one of significant change, and had challenges like none of us have ever experienced, so it was heartening to see our resilience, agility and capacity for innovation come to the fore and serve to strengthen our commitment to members and the community.

We were acutely aware that the Coronavirus (COVID-19) pandemic brought with it significant impacts for our members' health and wellbeing, as well as financial pain. Responding to the hardships endured, we implemented an $8M member support package that included deferral of the annual industry rate rise, premium suspensions and temporary downgrades of cover for members facing financial hardship, benefits for Coronavirus-related admissions regardless of the level of hospital cover and extras cover for services provided via telehealth. We're grateful for the patience of our members who endured temporary branch closures and changes to the way we work as we implemented a COVID-safe plan compliant with government directives. There was modification to our branches, including Perspex screens and social distancing, expanded self-service options and cashless transactions.

Support was also provided for members impacted during the summer bushfire season, with hardship suspensions for those directly impacted and premium waivers for firefighters working on the frontlines.

Despite the challenges that the year presented, improving the member experience was a key focus for us in 2019/20, and one which we tackled on a number of fronts. With affordability of private health insurance foremost in our minds, we further expanded and improved hospital and extras products, providing members with options on coverage and pricing to suit all circumstances. Other important changes to our products, including the removal of dependant excesses on hospital products and paying benefits for extras services delivered via telehealth, provided additional value for members. Our service levels also increased as a result of a significant uplift in technology to prioritise calls from members and new targets of answering 80% of calls within 20 seconds, which resulted in vastly improved call centre response times for the 90,000 members who engaged with us in this way. We also ran a sprint program to enhance member experience, including first-contact resolution for member enquiries.

Recognising that our members prefer interacting with us in different ways, we introduced email billing, reducing posted mail by 60%, and launched a new website and mobile app. The app enables members to claim on the go and update their details. The website too allows members to manage their memberships from the online portal. The popularity of these technologies is evident in their uptake, with 5,100 having downloaded the app since its launch in February and more than 110,000 users visiting the website throughout the year. We also renewed our commitment to a continued presence in our member communities for those members who prefer good, old-fashioned face-to-face service.

Our commitment to our community is unwavering. We were established in Gippsland in 1951 with a strong regional member focus, and our passion for regional communities is stronger than ever. This year, largely in response to the summer bushfires and the Coronavirus pandemic, we donated $1.1M to community organisations to assist families impacted as a result of these national emergencies and continued to work for improved health services in regional areas. This included our ongoing investment in Maryvale Private Hospital, Gippsland's only acute medical and surgical private hospital, which we established in 1991. In 2019/20 we confirmed a $10.76M investment for development works at Maryvale Private Hospital, some of which will be spent in the coming financial year. We also continued our support for community medical clinics and provided significant donations to family support agencies Anglicare ($350,000), Berry Street ($300,000) and Quantum ($350,000) and the Gippsland Emergency Relief Fund ($75,000). Staff involvement in 'Footy Day' and other fundraising activities also resulted in a contribution to several charities including support for Kids with Cancer and Share the Dignity, supporting women in poverty to gain access to sanitary products.

We've invested significantly in our people this financial year, implementing our Culture Action Plan, embedding strong communications and engagement and a collaborative culture. This was activated to an even greater extent with the transition to a 'work from anywhere' model in response to the health risks posed by the pandemic. New technology including collaboration and productivity tools, updated hardware and enhanced remote access supported our team to continue to interact and do their jobs remotely. With our team's health and wellbeing of highest priority, we rolled out our Employee Assistance Program, daily staff wellbeing surveys and regular communication rhythms, among other initiatives. The readiness of our staff to adapt to this new world, and adopt new technologies and changed ways of working, meant the transition was much smoother than it otherwise might have been.

We launched our first ever branding campaign, introducing Latrobe as 'the health fund with heart' to audiences throughout Gippsland via television commercials, radio advertising, shopping centre display panels, billboards, traditional and online marketing. The campaign featured many of our own team, their friends and family members, and highlighted the attributes that we're so proud of: a fund that, at its heart, cares for its members and the community. The campaign served as springboard for expanded marketing activities in regional areas over the coming year.

The year 2019/20 also saw a major review of the Governance of Latrobe and its subsidiaries being undertaken, with refreshed constitutions for both Latrobe Health Services (July 2020) and its subsidiary, Maryvale Private Hospital (January 2020), being adopted.

The operating result for 2019/20 was ($14.676M) compared to the 2018/19 profit of $5.290M. The result was significantly impacted by a number of one-off events linked to the COVID-19 pandemic, including a regulator mandated deferred claims liability, the write down of property and assets and the write off of intangible assets. The combined impact of these costs was circa $17.3M.

A key focus of the fund this financial year has been to support our members through these challenging times – through extended hardship support and provisions, a member support package of over $8M, whilst maintaining a strong (above industry) payout ratio. The fund continues to be well funded with net assets of over $160M.

We thank the Latrobe Board and the Executive Team for their incredible effort, guidance and leadership through change and challenges alike, and for their unwavering focus on staff, member and community wellbeing during a year that none of us are likely to forget. As well we appreciate the efforts of our staff, who adapted with speed to the changing and uncertain world forced upon us by Coronavirus – their commitment to member service throughout these tumultuous times is commendable. Finally, and most importantly, we thank the loyal members of Latrobe for their continued support and trust. We wish you all good health for the coming year.

Ormond Pearson
Board Chairman

Ian Whitehead
Chief Executive Officer

Working to benefit our members and their communities

$8M

Support package to assist members impacted by COVID-19

97% Satisfied

Latrobe Health members who have used the services of Maryvale Private Hospital

We pride ourselves on looking after our members. Personalised service, an understanding of our members' needs and a commitment to working to improve access to health services for regional communities is what sets us apart.

In 2019/20 we stepped up our commitment to our members, recognising that many were encountering hardship like never before. In January 2020, as bushfires raged down the east coast of Australia, we offered premium waivers to members impacted by bushfires, and to those serving on the frontlines in NSW and Victoria. In response to the Coronavirus pandemic, in March 2020 we introduced a member support package to ease the financial burden on our members. Premium increases, applied every year on 1 April, were deferred for six months for all hospital and extras members, providing financial relief to Latrobe Health's 81,000 members. Hardship suspensions or temporarily reduced cover were applied for those members doing it particularly tough and we provided coverage for Coronavirus-related hospital admissions and extras services delivered via telehealth. While our workforce transitioned to working from home to ensure the safety of staff, members and the community, we continued to deliver the same standard of exceptional care for our members.

We're the proud owner of Gippsland's Maryvale Private Hospital.

The hospital is a 46-bed acute care medical and surgical facility which we established in 1991. Maryvale is a tangible demonstration of our commitment to improving access to health services for regional communities and is highly valued by our membership. In a 2020 survey of our Gippsland members, more than 85% of respondents said they or a family member had attended the hospital and of these, more than 97% were satisfied with their experience. We continued to support the Yallourn North Medical Centre and the Central Gippsland Family Practice.

Our products

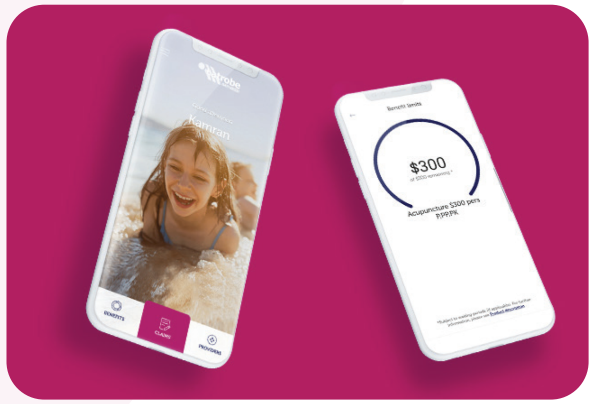
$163M

Benefits paid back to members

89c * back

Benefits paid to our members for every dollar of premium collected

*Source Private Health Insurance Ombudsman State of Health Funds Report 2019 – total benefits paid as a % of total contributions



We launched an increased range of products to meet the needs of all our members, including new Premier and Core Extras products.

Latrobe Health has long been a fund that offered its members gold-standard comprehensive covers only – we've traditionally held the view that having no exclusions on our products means our members are comprehensively covered throughout their health episodes. In 2019 we introduced Silver and Bronze hospital products to the market, recognising that affordability is an enduring challenge for our members.

We're excited to build further diversity into our product range and are on a path of continual review to ensure we reflect the member voice in all that we do. This year we increased our Silver and Bronze hospital ranges and launched new Premier and Core Extras products – providing more options on coverage and pricing to suit all circumstances. Additionally, we removed excesses for dependants from all our open hospital products, providing extra value on our hospital cover for families with children.

An exciting innovation in our product offerings was the inclusion of telehealth services for extras. Telehealth is the use of communications technologies such as telephone calls or videoconferencing to deliver health services, including diagnosis, treatment, self-management or prevention advice and educational information. Members whose Latrobe Health extras policy covered psychology, physiotherapy, dietetics, speech pathology, podiatry, counselling, occupational therapy, exercise physiology and osteopathy are now able to claim benefits for these services whether delivered via telehealth or face-to-face by a registered health care provider.

Our members

90,000

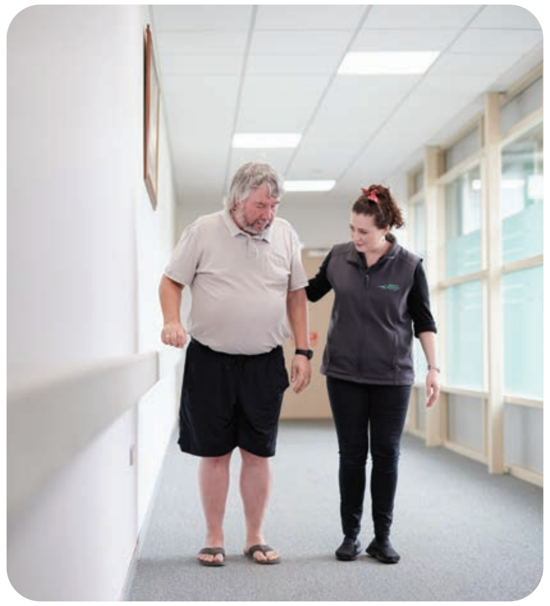
Member engagements in our Gippsland call centre

43,000

Members manage their accounts online

60%

Reduction in post due to the introduction of email communications



We're a fund known for its personalised service to members. This year, our call centre delivered more than 90,000 engagements with our members and providers and set a new target of 80% of calls answered within 20 seconds, resulting in a significant improvement in response times. We implemented new technology to prioritise member calls above all others and established welcome calls – a friendly way to assist our new members orient themselves with Latrobe's products and benefits. We also introduced email options for members invoices and accounts notices, reducing post by 60%.

Recognising that our members prefer to interact with us in different ways, we introduced a new mobile app in February 2020 to enable our members to claim on the go, track their claims, check benefits and limits, see payment details and find providers. We had 5,100 members download the app during 2019/20. Additionally, we made it easier for our members to claim on alternative therapies by introducing these modalities to HICAPS, enabling members to swipe their membership card at the point of service to have their benefits applied directly to the provider bill.

Our new website was launched in July 2019, providing a simpler, more elegant online experience for members and visitors to the site. More than 110,000 users viewed 498,000 online pages throughout the year. The website features a self-service portal for members to manage key aspects of their membership when it is convenient for them. This includes updating contact details, changing banking information, viewing extras limits and waiting periods, and accessing key communication regarding their membership. Our members also told us they have trouble locating providers near them, so we adopted the Health Share 'find a provider' platform which integrates with both our mobile app and our website.

In response to the pandemic we temporarily closed our Bairnsdale, Traralgon, Morwell and Moe branches to protect the health and wellbeing of staff, members and the community and to ensure compliance with government directives. But there's a part of us that still believes in old-fashioned, face-to-face service – and we have members who prefer it too. We're committed to maintaining a physical presence in our member communities and delivering the service we are known for through our branch presence into the future.

Helping our members transition from hospital to home

277

Supported Discharge Packages provided

1,747

Hospital 'bed days' saved

$481,000

In benefits paid for at-home services including rehabilitation, complex wound care and pain management

Rehabilitation at home is one of many innovations to our services for members provided under our Supported Discharge Packages.

Since 2003 we've been offering our members access to these packages, which are designed to ensure our members have access to customised clinical care, that they achieve optimal outcomes, and that we're able to minimise re-admission by addressing urgent short-term support needs of our members.

Our partnership with treating clinicians provides our members with a smooth, timely, clinically appropriate and safe transition from the hospital to home. The service is built around our members - we don't make the members fit a defined package, and the specific services required by a member are determined and coordinated by the treating clinical team with the member and their family.

Some of the services we support through our Supported Discharge package at home are: complex wound care, intravenous antibiotics, rehabilitation, palliative care, general home based nursing care, personal care, general self-care, household management, child care, home-based allied health services, residential convalescent care in a registered supported residential service, service coordination and support, provision of specialised equipment (not including routine aids such as frames and crutches), and home-based respite care.

We also recognise the importance of the primary care givers within a family and the challenges they face if they need to access health care themselves. We can work through these needs with the clinical team to ensure that appropriate supports can be provided.

Connected Communities

$75,000

Donated to bushfire relief

$1M

To support young people and families who experience family violence and mental illness

In what was a spectacularly extraordinary year – punctuated by the summer bushfires in Australia's eastern states and early in 2020 dominated by the Coronavirus pandemic – we stepped up our commitment to the community at a time when it needed us most.

Latrobe donated $75,000 to the Gippsland Emergency Relief Fund to support those directly impacted by the bushfires, including Sarsfield residents Kevin and Greta Perry. The couple lost their home of 43 years on New Year's Eve along with sheds, fencing and a boat. The home had been a sanctuary – for the couple, their son and granddaughters. "For my granddaughters, Sarsfield was a fun place. It was one and a quarter acres of climbing trees and cubby houses and building bird boxes," Kevin said. The grants they received – to buy food, clothes, accommodation and other essentials – didn't replace their home, but did help them bounce back. "When it first happens, you are in so much of a daze and it's difficult to understand what's going on," Kevin said. "To get the money it just allowed me to go and be a little normal for a minute. All I had was the clothes I was wearing."

Latrobe was also there to support vulnerable community members throughout the Coronavirus pandemic. Recognising the increased pressures being placed on families, we donated $350,000 each to Anglicare Victoria and Quantum Support Services and $300,000 to family support agency Berry Street – a total of $1M. The donation was used to provide additional youth mental health services, respond to and prevent family violence and employ staff to support children and young people.

One such program already seeing results as a result of this donation is Berry Street's GOALS (Going Out and Living Successfully) program for vulnerable young people who are unable to live with family for a number of reasons. The program provides sustainable, secure housing while supporting participants in education, training, employment and independent living. It develops their confidence and coping ability.

Tyler's going places

Tyler*, in his early 20s, had been living in the care of his grandparents and working casually when he lost his job as a result of the pandemic. Then he found Berry Street's GOALS program. This is his story:

Unfortunately, like many young people working casual hospitality roles, Tyler was let go due to COVID-19 after only a short time working. This was a significant knock to Tyler's confidence and put further stress on his living situation. He was referred to GOALS, accepted into the program and moved into one of the units.

As soon as he moved in, Tyler took pride in the space and could now call this home. Tyler can regularly be found mopping the floors or tidying the kitchen and prefers it if case managers take their shoes off at the door. Tyler has even been learning how to cook some more meals as a part of this newfound independence.

A short time after moving into the unit, Tyler got a part-time job and his Learners Permit. He is linked with the Berry Street L2P Program, which assists young people to gain the mandatory 120 hours on-road driving experience to get a driver's licence. Tyler has purchased a car with savings and is eager to get his licence, adding another level of independence.

Not only is Tyler a great role model for other young people in the program but a great example of how support systems like GOALS and other programs allow young people to feel safe and supported, enabling them to thrive. With the right resources, Tyler is really going places.

*Tyler's name has been changed for privacy reasons.

Above: One of the Berry Street units available for vulnerable young people. Below: Our CEO Ian Whitehead announcing the $1M community grant.

Our team

97

Employees working across regional Victoria

Gender diverse

63% female, 37% male across board, executive and management teams

Covid-19

All staff transitioned to working from home

Our staff proved their agility, adaptability and commitment to member service during what proved to be a very eventful year.

Our focus on culture was continued in 2019/20 with the implementation of our year 1 Culture Action Plan initiatives. This included two organisational 'pulse check' surveys and action planning for continuous culture improvement. An emphasis on collaboration was supported with some powerful IT solutions. We introduced staff to new collaboration and productivity tools including Teams, Sharepoint, Zoom, JIRA and Confluence. The introduction of a new Growth and Achievement planning process for all staff, significant investment in the coaching and development of leaders and improved recruitment processes forged increased capability within the team.

With the year's events including a restructure of the executive, leadership and some teams, as well as the Coronavirus pandemic, there was also a major focus on organisational change management and employee communication, engagement and involvement.

In March, the pandemic heralded a significant change to the way we work. All staff successfully transitioned to a 'work from anywhere' model in the early weeks of our Coronavirus response with equipment and ergonomic assessments completed to support this. The IT infrastructure requirements associated with such a transition were enormous: we fast-tracked enhanced remote access, established a virtual call centre, rolled out new Windows 10 laptops for all staff and enhanced cyber security controls and measures, providing greater visibility of our remote workers and protecting them against cyber threats. With staff health and wellbeing a priority, we introduced daily staff sentiment surveys to check individual health, safety and connection – highlighting where greater support may be needed - and put a stronger emphasis on regular, consistent communications in the form of one-to-one and team communications such as huddles and check ins. Using online tools, we broadened our health, wellbeing and connection activities to include virtual tea rooms, social activities such as trivia and yoga, and mental health support. We also introduced and rolled out our Employee Assistance Program.

Throughout this transition to working from home our staff proved just how adaptable and capable they are, demonstrating a continued commitment to member service – even with the temporary closure of our branches - and our organisational values. Our commitment to this culture was also evident in our charitable activities and donations.

Our values

In 2019/20, Latrobe's employee 'Charity Group' held a 'Footy Day' and other fundraising activities resulting in contributions to several charities including support for Kids with Cancer and Share the Dignity, supporting women in poverty to gain access to sanitary products.

Directors' Report

Directors

The Directors hereby present the annual financial report of Latrobe Health Services Limited (Latrobe) and the controlled entity as a Consolidated Group for the financial year ended 30 June 2020 in accordance with the Corporations Act 2001 and the Australian Accounting Standards. The Directors in office during the financial year, together with their qualifications, experience and Committee responsibilities are set out following this report. Details of meeting attendance is contained within this report and their remuneration is included in Note 18.

Principal Activities

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

Financial Results

The consolidated loss for the year was $14,676,183 and is not subject to income tax.

Review of Operations

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

Changes in the State of Affairs

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

Subsequent Events

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

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

Directors' Interests and Benefits

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

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

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

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

Proceedings on Behalf of Latrobe

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

Attendance of Directors' Meetings

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

	Board of Directors		Audit Committee		Remuneration and Nomination Committee		Risk Committee	
	Number of meetings							
Directors	Eligible	Attended	Eligible	Attended	Eligible	Attended	Eligible	Attended
Ormond Pearson	8	8	4	4	3	3	-	-
Nathan Voll	8	8	4	4	-	-	3	3
Kelly Humphreys	8	8	-	-	3	3	3	3
Geoffrey Hocking	8	8	4	4	-	-	3	3
Craig Dunstan	8	8	-	-	3	3	-	-

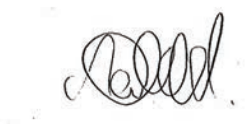
Auditor's Indemnification

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

Auditor's Independence Declaration

The auditor's independence declaration is included in the Annual Report and forms part of the Director's report for the financial year ended 30 June 2020.

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



Nathan Voll

Director

9 September 2020

Board of Directors

The Board of Latrobe comprises five independent non-executive Directors. Further information on the governance of Latrobe is included in the Corporate Governance Statement. For the year ended 30 June 2020, the Directors of Latrobe at any time during or since the end of the financial year are:

Ormond Pearson

BHSC(MGT), FAICD, FIML, FIPA

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

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

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 Gippsland Ports Board since 2011 (Chair since 2014)
- Deputy Chair of Victorian Environmental Water Holder Commission since 2011 (Chair of Risk and Audit Committee)
- Member of Gunaikurnai Traditional Owner Land Management Board (2012 - 2019)
- 18 years' experience in senior management roles in the water industry and ASIC
- 15 years' experience in middle management roles in the public sector

Kelly Humphreys

MMGT, GAICD, FAIM, Dip Fin Serv

- Director since July 2017
- Director of Raiz Invest Ltd (ASX:NSX) since 2020
- Director of the National Stock Exchange (ASX:NSX) since 2020
- Director of Accident Compensation Conciliation Service since 2017
- Commissioner of Victorian Building Authority since 2017
- An experienced non-executive director with extensive senior executive experience in the financial services sector, including General Manager roles with Victorian Managed Insurance Authority, Liberty Financial and Aon

Nathan Voll

BCOM, Grad Cert Bus MGT, MBA, FCPA, FAICD

- Director since 2011
- Member of Risk Committee since 2016
- Member of Audit Committee since 2011 (Chair 2011 - current)
- Director of West Gippsland Health Care Group Ltd (2010 - 2016)
- Director of Latrobe Community Health Services since 2016 (Deputy Chair 2019 - current)
- General Manager Corporate Services, Gippsland. Department of Justice and Regulation, Victoria (2010 – 2017)
- Independent Member, Audit Risk and Finance Committee, Gippsland Primary Health Network (2019 - current)
- Regional Finance Manager, Department of Education and Training since 2017
- Various other finance and business management roles

Executive Team

For the year ended 30 June 2020, the Executive Officers of Latrobe at any time during or since the end of the financial year are:

Ian Whitehead
GAICD, Masters (Marketing), BBus (Bachelor of Business Marketing and Economics)

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

Andrea Buckland
BBUS (Information Systems), MACC, CPA, FGIA

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

Kylie Debono
BSCI (Biological) HONS (Microbiology)

- Chief Risk Officer since 2015
- Experience as an executive manager across a range of industries since 2005. Responsible for leading, influencing and driving strategic planning initiatives, design and monitoring of governance, risk, organisational development and OH&S management frameworks.

Kamran Channa
Masters (Information Technology), BA (Computer Sciences)

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

Kate Jarvis
BA (Media Communications), ATCL, Dip Graphic Design

- Chief Marketing Officer since 1 April 2019
- Role expanded to Head of Marketing and Business Development on 4 February 2020.
- A senior, experienced and innovative communication and engagement professional skilled in media management, public relations, sales and marketing, customer service, best-practice engagement, communication, creative writing, design, and advertising.

Joanne Nixon
Exec. MBA (Dist.)

- Commenced as Head of Operational Delivery on 15 November 2019
- Joanne is an experienced executive manager with a passion for leading customer-focused business transformations. With expertise in business operations, service delivery, service design, change management and customer acquisition, Joanne has worked across multiple industries including financial services, technology and professional services.

Hannah Vincent
BBus (Accounting, Banking and Finance), CPA

- Commenced as Head of Product and Innovation on 1 April 2020
- Hannah is an experienced leader with a focus on continual improvement and delivering strategic outcomes. She has specific expertise in financial and product performance management, strategic planning, data analytics and reporting. Hannah has developed her proficiency working across both public and private sector.

Seona Conway
BEconomics & Commerce, Grad Dip Secondary Education, Grad Dip Human Resources

- Commenced as Head of People and Culture 3 February 2020
- 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

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

In relation to our audit of the financial report of Latrobe Health Services Ltd for the financial year ended 30 June 2020, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Crowe Vic

CROWE VIC

GORDON ROBERTSON
Partner
Date: 9 September 2020

Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020

		Economic Entity	
	Notes	2020 $	2019 $
Revenue			
Operating activities	2	188,899,139	185,930,579
Total revenue		188,899,139	185,930,579
Expenses			
Fund benefits paid to policy holders	3	163,554,501	150,932,553
Management expenses	4	33,131,193	28,908,246
State levies		431,999	410,530
Impairment of property, plant & equipment and intangibles		6,457,629	388,344
Total expenses		203,575,322	180,639,673
(Loss)/Profit before income tax		(14,676,183)	5,290,906
Income tax expense	1(b)	-	-
(Loss)/Profit from operations		(14,676,183)	5,290,906
Other comprehensive income			
Revaluation of property, plant & equipment and intangibles		-	(3,796,805)
Other comprehensive (loss)/income for the year		-	(3,796,805)
Total comprehensive (loss)/income for the year		(14,676,183)	1,494,101
Total comprehensive (loss)/income attributable to the entity		(14,676,183)	1,494,101

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	Consolidated Group 2020 $	Consolidated Group 2019 $
Current assets			
Cash and cash equivalents	6	17,398,928	10,610,980
Financial assets	7	187,805,774	187,286,025
Trade and other receivables	8	13,790,984	16,036,873
Other current assets	9	1,019,411	985,274
Total current assets		220,015,097	214,919,152
Non-current assets			
Property, plant and equipment	10	9,763,688	14,055,187
Intangible assets	11	-	619,477
Total non-current assets		9,763,688	14,674,664
Total assets		229,778,785	229,593,816
Current liabilities			
Trade and other payables	12	7,752,834	7,068,271
Provisions	13	33,009,564	19,171,518
Other liabilities	14	28,541,251	28,456,735
Total current liabilities		69,303,649	54,696,524
Non-current liabilities			
Trade and other payables	12	51,341	-
Provisions	13	212,240	9,554
Total non-current liabilities		263,581	9,554
Total liabilities		69,567,230	54,706,078
Net assets		160,211,555	174,887,741
Equity			
Asset revaluation reserve	15	-	-
Retained earnings		160,211,555	174,887,738
Total equity		160,211,555	174,887,738

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2020

	Asset Revaluation Reserve $	Retained Earnings $	Total Equity $
Economic entity			
Balance as at 1 July 2018	3,796,805	169,596,832	173,393,637
Profit attributable to members	-	5,290,906	5,290,906
Revaluation of assets	(3,796,805)	-	(3,796,805)
Balance as at 30 June 2019	-	174,887,738	174,887,738
Economic entity			
Balance as at 1 July 2019	-	174,887,738	174,887,738
(Loss)/Profit attributable to members	-	(14,676,183)	(14,676,183)
Revaluation of assets	-	-	-
Balance as at 30 June 2020	-	160,211,555	160,211,555

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2020

	Notes	Consolidated Group 2020 $	2019 $
Cash flows from operating activities			
Receipts from operating activities		186,620,970	183,844,475
Payments to suppliers / employees		(184,110,625)	(181,396,429)
Interest and other income		7,373,281	4,709,967
Net cash provided by operating activities		9,883,626	7,158,013
Cash flows from investing activities			
Fixed asset purchases		(2,595,929)	(2,295,724)
Proceeds on sale of fixed assets		20,000	-
Net cash provided by (used in) investing activities		(2,575,929)	(2,295,724)
Cash flows from financing activities			
Proceeds from issue of share capital		-	-
Net cash provided by financing activities		-	-
Net increase in cash held		7,307,697	4,862,289
Cash at beginning of year		197,897,005	193,034,716
Cash at end of year		205,204,702	197,897,005

Reconciliation of cash

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

		2020 $	2019 $
Cash and cash equivalents		17,398,928	10,610,980
Financial assets		187,805,774	187,286,025
Cash at end of year		205,204,702	197,897,005

The accompanying notes form part of these financial statements

Notes to the Financial Statements

For the year ended 30 June 2020

1. Summary of significant accounting policies

These consolidated financial statements and notes represent those of Latrobe Health Services Limited and the controlled entity as a Consolidated Group. The separate financial statements of the parent entity, Latrobe Health Services Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. These consolidated financial statements were authorised for issue in accordance with a resolution of Directors on 9 September 2020. The controlled entity is Maryvale Private Hospital Pty Ltd.

New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and mandatory for the current reporting period. The Consolidated Group has early adopted an amending Accounting Standard.

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

AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements

AASB 2018-3 establishes the disclosure requirements of AASB 16 Leases in financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (RDR). The amendment was adopted for the year ending 30 June 2020 by the Consolidated Group.

AASB 16 Leases

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of AASB 16 on the Group's consolidated financial statements is described below. The standard was adopted for the year ending 30 June 2020 by the Consolidated Group.

Impact of the new definition of a lease

The change in definition of a lease mainly relates to the concept of control. AASB 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Consolidated Group did not have any leases in the year ending 30 June 2019 and therefore there is no impact to prior year financial statements from application of the standard.

The application of AASB 16 for leases signed in February 2020:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

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

AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts

AASB 2020-5 amends AASB 17 Insurance Contracts by deferring its effective date to annual periods beginning on or after 1 January 2023 and amends AASB 4 Insurance Contracts to permit eligible insurers to continue to apply AASB 139 Financial Instruments: Recognition and Measurement until they are required to apply AASB 9 Financial Instruments alongside AASB 17. Insurers are eligible if the percentage of the total carrying amount of insurance liabilities are greater than 90% (AASB 4 para 20D). The amendment was early adopted for the year ending 30 June 2020 by the Consolidated Group.

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

	Notes	Consolidated
Percentage of Liabilities		
Total liabilities	22	65,657,432
Liabilities connected with insurance		
Claims payable	12	3,913,305
Unearned premium liability	12	471,599
Outstanding claims	13	11,709,000
Deferred claims	13	11,470,000
Unexpired risk	13	5,977,000
Contributions in advance	14	28,541,251
Total Insurance Liabilities		62,082,155
Percentage of liabilities		**94.6%**

AASB 9 Financial Instruments

When this Standard is first adopted by the Consolidated Group for the year ending 30 June 2024, there will be no material impact on the transactions and balances recognised in the financial statements.

AASB17 Insurance Contracts

This standard will be first adopted by the Consolidated Group for the year ending 30 June 2024. Preliminary work has been completed through a gap analysis, but the Group has not yet assessed the full impact of this Standard.

Basis of preparation

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

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

Accounting policies

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

a. Principles of consolidation

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

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

b. Income tax

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

c. Inventories

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

d. Property, plant and equipment

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

Property

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

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

Plant and equipment

The carrying values of all plant and equipment are reviewed annually by Management to ensure that they are not stated at amounts in excess of their recoverable amounts. Except where stated, recoverable amounts are not determined using discounted cash flows. Management have reviewed the assets and are of the opinion that there has been no impairment of the assets' current values within the asset classes.

Depreciation

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

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

	2020	2019
	%	%
Class of fixed asset		
Freehold land	Nil	Nil
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

The depreciation rate for freehold buildings has been reviewed and is considered appropriate.

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

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

e. Leases

For any new contracts entered into on or after 1 July 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

(i) The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

(ii) The Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

(iii) The Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

The Group has elected not to apply the recognition and measurement criteria above to:

(i) Short term leases

where the lease term does not exceed 12 months;

(ii) Leases of low value assets

leases for which the underlying asset has a fair value below $10,000.

Lease payments for leases that have been designated as short-term leases or leases of low value assets are expensed on either a straight-line basis over the lease term or another systematic basis.

f. Financial instruments

Initial recognition and measurement

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

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

(i) Loans and receivables

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

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

(ii) Held-to-maturity investments

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

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

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

(iii) Financial liabilities

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

Impairment

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

Derecognition

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

g. Impairment of non-financial assets

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

A review of the carrying amount of the Maryvale Private Hospital (MPH) land and buildings and the carrying value of the plant and equipment in Maryvale Private itself has been undertaken at June 2020. The valuation of the MPH building used a discounted cash flow methodology. As a result of this process, a Directors Valuation has been adopted for MPH land and buildings of $475k resulting in a valuation movement of ($4.259M) The carrying value of the plant and equipment has been impaired to zero resulting in an impairment loss of ($579k)

h. Employee benefits

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

i. Provisions

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

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

j. Cash and cash equivalents

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

k. Revenue recognition

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

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

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

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

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

l. Unearned premium liability

Premiums received or receivable up to the end of the financial year are recorded as revenue for the period from the date of the attachment of risk. Premiums received prior to 30 June 2020 relating to the period beyond 30 June 2020 are recognised as unearned premium liability. Also, forecast premiums receivable from policy holders as at 30 June 2020 are recognised as unclosed business premiums.

m. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Consolidated Group during the reporting period, which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

n. Goods and Services Tax (GST)

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

o. Health benefits risk equalisation trust fund

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

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

p. Outstanding claims

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

AASB 1023 requires a risk margin be applied to allow for the inherent uncertainty in the central estimate. The Consolidated Group adopted a risk margin of 4.5% giving in excess of 75% probability of adequacy (with one month's hindsight). 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 three years. The liability for outstanding claims provides for claims received, but not assessed and claims incurred, but not received. The liability is based on an actuarial assessment taking into account historical patterns of claim incidence and processing.

The liability also allows for an estimate of claims handling costs which include internal and external costs incurred in connection with the negotiation and settlement of the claims department and any part of the general administrative costs directly attributable to the claims function. The allowances for the claims handling cost as at 30 June 2020 is 1.30% of the claims. 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.

q. Deferred claims liability

A liability has been established for claims estimated to be missing (deferred) in the service months of March, April, May and June 2020 due to COVID-19 restrictions. The approach has been prescribed by APRA for the purposes of financial reporting and capital adequacy and supported by ASIC. The liability reflects that there is a proportion of claims that did not occur and are assumed to be deferred for both hospital and general treatment. The value of the deferred claims liability takes account of patterns of claims by clinical category in prior periods compared to the current period. A 75% probability of adequacy has been adopted for reporting.

r. Liability adequacy test

Under AASB 1023 the Consolidated Group is required to perform a liability adequacy test to determine whether the carrying amount of insurance liabilities is adequate based on expected future cash flows. The test is carried out with the inclusion of a risk margin and is undertaken at the level of portfolio contracts that are subject to broadly similar risks and are managed together as a single portfolio. Any deficiency arising is recognised by writing down any related intangible assets, then the related deferred acquisition costs with any remaining balance being recognised as an unexpired risk liability.

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

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

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.

s. 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.

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

The Consolidated Group assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate several key estimates and assumptions. Assessment of Maryvale Private Hospital plant and equipment resulted in an impairment, as disclosed in Note 1g.

Employee benefits provision

As discussed in note 1(h), the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Outstanding claims

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

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. This is the first time that such as estimation has been made. 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.

t. Intangible assets

Licences

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

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

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

Amortisation

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

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

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

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

u. Impact of COVID-19

The impact of COVID-19 has been considered for the Consolidated Group.

The impact to hospital revenue due to elective surgery restrictions has been offset by entering into the Private Hospital Funding Agreement (COVID-19) with the State of Victoria. The agreement offers viability for MPH during the COVID-19 pandemic and restrictions to elective surgery. The funding arrangements support maintenance of staff levels and the ability to assist in servicing public patients; it does not enable profit from the agreement.

Policy holder contributions have been impacted by an estimated $1.5m by the six-month deferral of the approved April 2021 increase to October 2021. There were 490 COVID-19 hardship suspensions at the end of June, an estimated impact on contributions of $385k. Sales for the period from April to March were lower than budget by approximately 30%, an estimated impact on contributions of $300k. A $1m donation was made to Gippsland community organisations to support youth mental health and family violence.

The impact to payment of benefits as a result of elective surgery restrictions and reduced access to general treatment providers has been allowed for in the provision of the deferred claims liability as disclosed under Note 1s.

Notes to the Financial Statements

For the year ended 30 June 2020

	Notes	Consolidated Group 2020 $	Consolidated Group 2019 $
2. Operating activities			
Policy holder contributions	5	173,005,805	169,181,543
Interest		3,576,896	4,798,153
Other income		1,815,883	464,204
Profit / (loss) on disposal of property, plant and equipment		523	499
Hospital income		10,500,032	11,486,180
Total revenue		188,899,139	185,930,579
3. Fund benefits paid to policy holders			
Fund benefits paid to policy holders		175,740,905	177,018,175
Amount receivable risk equalisation trust		(26,238,404)	(26,667,622)
(Decrease) / increase to outstanding claims provision		(500,000)	(201,000)
(Decrease) / increase to deferred claims provision		11,470,000	-
Increase / (decrease) to unexpired risk provision		3,082,000	783,000
Total fund benefits paid to members		163,554,501	150,932,553
4. Management expenses			
Employee benefits expense		16,098,898	13,941,842
Depreciation		1,003,359	1,382,622
Amortisation		45,917	38,717
Commissions Paid		4,651,759	4,620,573
Other management expenses		10,986,048	8,546,901
Financial charges and taxes		345,212	377,589
Total management expenses		33,131,193	28,908,246
5. Policy holder contributions			
Gross contributions received		177,654,362	174,017,713
Increase contributions in advance		(84,516)	(554,982)
(Decrease) / Increase contributions in arrears		(26,658)	(9,213)
Discounts		(4,537,383)	(4,271,974)
Total contributions received		173,005,805	169,181,544

Notes to the Financial Statements

For the year ended 30 June 2020

	Notes	Consolidated Group 2020 $	Consolidated Group 2019 $
6. Cash and cash equivalents			
Cash on hand		6,815	30,335
Bank - National		17,392,113	10,580,645
Total Cash and cash equivalents		17,398,928	10,610,980
7. Financial assets			
Held-to-maturity investments			
Bendigo & Adelaide Bank		41,864,305	44,174,542
Bank of Queensland		49,043,374	46,626,310
Commonwealth Bank of Australia		12,446,721	17,654,755
Members Equity Bank		24,730,798	21,021,236
National Australia Bank		39,063,556	39,786,592
Suncorp-Metway		17,329,730	14,760,332
Westpac Banking Corporation		3,327,290	3,262,258
Total Financial assets		187,805,774	187,286,025
8. Trade and other receivables			
Federal Government Private Health Insurance Rebate		3,148,895	3,072,760
Contributions in arrears		221,093	247,751
Accrued revenue		1,315,595	2,570,114
Trade debtors		1,384,884	1,737,275
Health benefits risk equalisation trust		7,248,918	7,816,454
Unearned contributions		471,599	592,519
Total current receivables		13,790,984	16,036,873
9. Other current assets			
Prepayments		510,091	518,387
Inventory		509,320	466,887
Total other current assets		1,019,411	985,274

Notes to the Financial Statements
For the year ended 30 June 2020

	Notes	Consolidated Group 2020 $	Consolidated Group 2019 $
10. Property, plant and equipment			
Freehold land			
At valuation		2,236,000	2,286,000
At cost		-	-
		2,236,000	2,286,000
Freehold buildings			
At valuation		6,637,025	10,802,034
Less accumulated depreciation		1,061,755	748,125
		5,575,270	10,053,909
Leasehold improvements			
At cost		302,405	302,405
Less accumulated depreciation		302,405	302,405
		-	-
Motor vehicles			
At cost		45,683	163,522
Less accumulated depreciation		45,683	163,522
		-	-
Office furniture and equipment			
At cost		5,834,806	6,405,976
Less accumulated depreciation		5,041,706	5,816,440
Less accumulated loss on impairment		535,864	-
		257,236	589,536
Fixtures and fittings			
At cost		941,173	925,855
Less accumulated depreciation		751,906	713,180
Less accumulated loss on impairment		21,168	-
		168,099	212,675
Computer equipment			
At cost		4,663,676	4,080,007
Less accumulated depreciation		3,194,008	3,166,940
Less accumulated loss on impairment		21,785	-
		1,447,883	913,067
Subtotal property, plant and equipment		9,684,488	14,055,187

Notes to the Financial Statements
For the year ended 30 June 2020

	Notes	Consolidated Group 2020 $	Consolidated Group 2019 $
10. Property, plant and equipment continued...			
Right of Use Asset-Leased Motor Vehicles			
At cost		86,400	-
Less accumulated amortisation		7,200	-
		79,200	-
Total property, plant and equipment		9,763,688	14,055,187

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 2020 financial year:

Consolidated Group 2020	WDV at Beginning $	Additions $	Disposals $	Impairment $	Depn $	WDV at End $
Freehold land	2,286,000	-	-	(50,000)	-	2,236,000
Freehold buildings	10,053,909	1,083,046	-	(5,248,054)	(313,631)	5,575,270
Leasehold improvements	-	-	-	-	-	-
Motor vehicles	-	-	-	-	-	-
Office furniture and equipment	589,536	440,124	(826)	(535,864)	(235,734)	257,236
Fixtures and fittings	212,675	27,007	-	(21,168)	(50,415)	168,099
Computer equipment	913,067	984,472	(24,292)	(21,785)	(403,579)	1,447,883
Right of Use Asset- Leased motor Vehicles	-	86,400	-	-	(7,200)	79,200
Total fixed assets	14,055,187	2,621,049	(25,118)	(5,876,871)	(1,010,559)	9,763,688

Notes to the Financial Statements

For the year ended 30 June 2020

Revaluations

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

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

- Lot 1 Maryvale Road, Morwell
- 52-54 Franklin Street, Traralgon
- 9 Moore Street, Moe
- 32 McDonald Street, Morwell
- 30 McDonald Street, Morwell

The Consolidated Group engaged Valued Care to perform a revaluation review for Maryvale Private Hospital, 286 Maryvale Rd, Morwell. The revaluation review was used as the basis for a Directors Valuation.

11. Intangible assets

During the current financial year members agreed to the deregistration of the Members Own Health Fund (MOHF) and the fund ceased business on the 1 April 2020. The original investment resulted in the creation of an intangible asset with an expected useful life of 20 years. The balance remaining at 30 June 2020 of $580, 759 has now been written off in full.

	Notes	Consolidated Group 2020 $	Consolidated Group 2019 $
At cost		-	779,760
Less accumulated amortisation		-	160,283
Total intangible assets		-	619,477

	Consolidated Group 2020					
	Opening Balance $	Additions $	Disposals $	Impairment $	Amortisation $	Closing Balance $
Intangible assets	619,477	-	-	(580,760)	38,717	-
Total intangible assets	619,477	-	-	(580,760)	38,717	-

12. Trade and other payables

	Notes	Consolidated Group 2020 $	Consolidated Group 2019 $
Current			
Trade creditors		7,253,084	6,475,752
Unearned premium liability		471,599	592,519

Notes to the Financial Statements

For the year ended 30 June 2020

12. Trade and other payables coninued..

	Notes	Consolidated Group 2020 $	Consolidated Group 2019 $
Current continued...			
Lease liability		28,151	-
Total current payables		7,752,834	7,068,271
Non-current			
Lease liability		51,341	-
Total non current payables		51,341	-

13. Provisions

Current			
Outstanding claims		11,205,000	11,683,000
Outstanding claims risk margin		504,000	526,000
Total outstanding claims		11,709,000	12,209,000
Deferred claims - hospital		10,690,000	-
Deferred claims - ancillary		780,000	-
Total deferred claims		11,470,000	-
Unexpired risk			
Contributions in advance		1,432,000	482,000
Unclosed business premium		26,000	4,000
Expected contract renewals		4,519,000	2,409,000
Total unexpired risk		5,977,000	2,895,000
Employee benefits			
Annual leave		1,425,333	1,311,072
Long service leave		1,990,514	2,366,446
Other employee benefits		437,717	390,000
Total employee benefits		3,853,564	4,067,518
Total current provisions		33,009,564	19,171,518
Non-current			
Long service leave		212,240	9,554
Total employee benefits		212,240	9,554

14. Other current liabilities

	Notes	Consolidated Group 2020 $	2019 $
Contributions in advance		28,541,251	28,456,735
		28,541,251	28,456,735

15. Asset revaluation reserve

The asset revaluation reserve records revaluations of non-current assets. The asset revaluation reserve has a nil balance at the 30 June 2020.

16. Capital commitments

A capital commitment of $10.76m has been made for changes to the hospital building at 286 Maryvale Road, comprising construction of a new central sterilising department (CSSD), an additional operating theatre, endoscopy suite, purpose built day surgery unit, and expansion of the post anaesthetic care unit (PACU), including additional equipment required for these areas. As at 30 June 2020 a commitment of $7.4M has been made in the FY21 capital budget and $0.76M has been spent on project development.

Capital commitments at 30 June 2020

	Notes	Consolidated Group 2020 $	2019 $
Freehold land and buildings		8,375,323	6,000,000
Hospital equipment		1,624,677	-
		10,000,000	6,000,000

17. Controlled entities

Controlled entities consolidated

Subsidiary of Latrobe Health Services Limited:	Maryvale Private Hospital Pty Ltd
Country of incorporation:	Australia
Percentage owned (%):	100%

Notes to the Financial Statements
For the year ended 30 June 2020

18. Key management personnel compensation

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether Executive or otherwise) of that entity is considered key management personnel.
The totals of remuneration paid to key management personnel of the Consolidated Group during the year are as follows:

	Notes	2020 $	2019 $
Key management personnel compensation		2,121,396	3,202,215

19. Other related party disclosures

There are no related party transactions to disclose.

20. Capital management

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

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

Year	$	% increase / (decrease)
2016	159,636,134	9.33
2017	165,432,391	3.60
2018	173,393,637	4.81
2019	174,887,738	0.86
2020	160,211,555	(8.39)

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

Notes to the Financial Statements

For the year ended 30 June 2020

21. Financial risk management

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

	Notes	Consolidated Group 2020	Consolidated Group 2019
		$	$
Financial assets			
Cash and cash equivalents	6	17,398,928	10,610,980
Held-to-maturity investments	7	187,805,774	187,286,025
Trade and other receivables	8	13,790,984	16,036,873
Total financial assets		218,995,685	213,933,878
Financial liabilities			
Trade and other payables	12	7,752,834	7,068,271
Total financial liabilities		7,752,834	7,068,271

22. Parent Entity

	Notes	Parent Entity 2020	Parent Entity 2019
		$	$
Statement of Financial Position			
Current assets		213,611,554	211,207,863
Total assets		225,868,987	225,463,110
Current liabilities		65,582,742	51,760,706
Total liabilities		65,657,432	51,770,260
Net assets		160,211,555	173,692,850
Statement of Comprehensive Income			
(Loss)/Surplus for the year		(14,676,183)	5,290,906
Other comprehensive income		-	(3,796,805)
Total comprehensive income		(14,676,183)	1,494,101

Notes to the Financial Statements

For the year ended 30 June 2020

23. Contingent liabilities

There are no contingent liabilities as at 30 June 2019 and 30 June 2020.

24. Events after the reporting period

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Consolidated Group's operations, the results of those operations, or the Consolidated Group's state of affairs in future financial years.

25. Consolidated Group information

Consolidated Group structure

The Consolidated Group is limited by guarantee. If the Consolidated Group is wound up, the Constitution states that each Consolidated Group Member is required to contribute a maximum of $100 towards meeting any outstanding obligations of the Consolidated Group. As at 30 June 2020, the number of Consolidated Group Members was 8 (2019: 8).

Principal registered office

The principal registered office of the Consolidated Group is:

Latrobe Health Services Limited

32 McDonald Street, Morwell, Victoria, 3840

PO Box 41, Morwell, Victoria, 3840

Telephone: 1300 362 144

Facsimile: (03) 5128 9289

Email: info@lhs.com.au

Website: latrobehealth.com.au

Directors' Declaration

In the Directors' opinion:

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

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

Nathan Voll

Director

9 September 2020

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

Opinion

We have audited the financial report of Latrobe Health Services Ltd (the Company and its subsidiary (the Group)), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and

(b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

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

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, 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.

Other Information

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

CROWE VIC

GORDON ROBERTSON
Partner
Dated at Warragul this 10th day of September 2020.

Notes

Latrobe
HEALTH SERVICES