GMHBA

GMHBA LIMITED
ABN 98 004 417 092

HEALTHIER TOGETHER

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Mission

SUPPORTING THE HEALTH OF OUR COMMUNITIES FOR GENERATIONS.

Vision

AUSTRALIA'S LEADING REGIONALLY BASED HEALTH FUND MOST RECOMMENDED BY OUR COMMUNITIES FOR THE CONTRIBUTION THAT WE MAKE TO THEIR HEALTH AND WELLBEING.

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WE'RE AN AUSTRALIAN NOT FOR PROFIT HEALTH INSURANCE AND CARE COMPANY.

WE HAVE SERVED THE COMMUNITY SINCE 1934, AND WITH 85 YEARS' EXPERIENCE, WE HAVE BECOME ONE OF AUSTRALIA'S LEADING REGIONALLY BASED PRIVATE HEALTH INSURERS.

Our approach is guided by our philosophy Healthier Together and decisions are made with our members first and foremost in mind.

Today, we are proud to cover more than 400,000 Australians through distinct brands: GMHBA Health Insurance, Frank Health Insurance, health.com.au and Budget Direct Health Insurance. We are committed to improving the health and wellbeing of our members, customers and the communities in which we operate.

Health insurance is our core business, but today we are more than just a health insurer. Our growing portfolio now includes eye care, dental care, primary care and allied health services in Victoria, which means we are playing an even bigger role in the health journey of our members and customers.

We look after our members by offering specialised health care programs and we engage the broader community in free public health seminars and a variety of health promoting programs, so we can be healthier together.

GMHBA WAY VALUES

BE PEOPLE FOCUSED

WORK WITH HEART BECAUSE PEOPLE MATTER

BE PURPOSEFUL

BEGIN WITH THE GOAL IN MIND AND MAKE IT HAPPEN

BE WORTHY OF TRUST

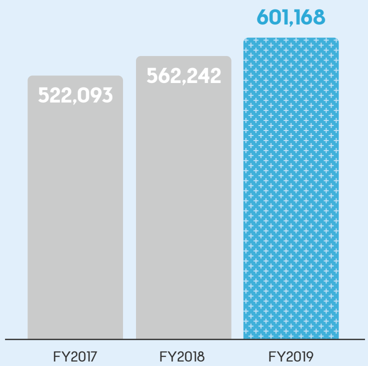
DO THE RIGHT THING AND DO THINGS RIGHT

BE REMARKABLE

BRING YOUR BEST AND STRIVE FOR BETTER

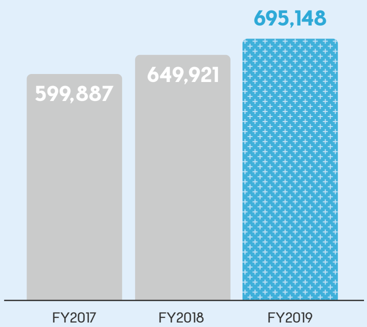
WE ARE PROUD TO REPORT OUR FINANCIAL HIGHLIGHTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019.

BENEFITS PAID ($'000)



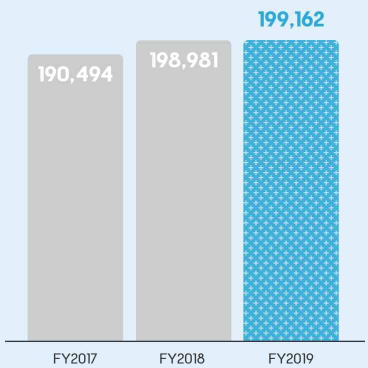
6.9% INCREASE

CONTRIBUTION INCOME ($'000)



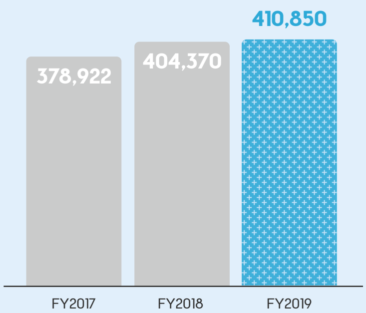
7.0% INCREASE

MEMBERSHIPS



0.09% INCREASE

TOTAL ASSETS ($'000)



1.6% INCREASE

FINANCIAL HIGHLIGHTS

$601 MILLION ANNUAL BENEFITS PAID

$39 MILLION INCREASE IN BENEFITS PAID

FOR EVERY DOLLAR RECEIVED IN PREMIUMS, 86 CENTS WAS PAID TO MEMBERS IN BENEFITS

MEMBERS

416,455 AUSTRALIANS COVERED

199,162 MEMBERSHIPS

181 INCREASE IN MEMBERSHIP IN FY19

MEDICAL CLAIMS

127,500 REPORTED HOSPITAL ADMISSIONS

54,264 SURGERIES CLAIMED

$279,061 PAID OUT FOR A PREMATURE NEWBORN

THE HIGHEST CLAIM OF FY19

2,018 NEWBORNS WELCOMED INTO THE WORLD

Figures include all health insurance brands in the GMHBA Consolidated Group.

WE ARE PROUD TO BE PART OF THE HEALTH JOURNEY OF OUR MEMBERS AND CUSTOMERS, SUPPORTING THEM TO LOOK AFTER AND MANAGE THEIR HEALTH.

SUPPORTING OUR COMMUNITY'S HEALTH AND WELLBEING

1,373
people attended our free health seminars

401
members accessed our Care Coordination Service

173
people received a free health screen

1,200
people listened to our Healthier Together podcasts

COMMUNITY AND STAFF CONTRIBUTIONS

$601,858
contributed to the community including:

$36,563
donated to the Give Where You Live Foundation via workplace giving

623.5
hours contributed via staff volunteering

1,643
people supported through the Victorian Eyecare Service

GMHBA'S HEALTH BUSINESSES

GMHBA Eye Care
Geelong + Waurn Ponds + Leopold + Ballarat

GMHBA Dental Care
Geelong + Portland

Primary Care
Belmont + Lara

Physiotherapy
Geelong

HIGHLIGHTS

A NEW CHAPTER FOR GMHBA

In October, we announced the decision to rebuild our current head office in Geelong's city centre. The new fit-for-purpose head office will be developed on the current site in Moorabool Street, in partnership with Quintessential Equity. It's an exciting chapter for GMHBA, which has operated from the current building since 1963. The decision ensures we will continue to operate from Geelong, a community GMHBA has been part of for 85 years.

NEW GMHBA HEALTH INSURANCE + EYE CARE STORE IN WESTFIELD GEELONG

The newest GMHBA Health Insurance + Eye Care store officially opened in Westfield Geelong in June. The new store offers improved facilities, equipment and optometry services for our members and customers, ensuring we continue to provide high-quality care to our community.

SPONSORSHIPS

Our partnership with the Geelong Cats and sponsorship of GMHBA Stadium provides us with the opportunity to reward lucky members and participants with unique Geelong Cats experiences.

- 41 participants made a commitment to their health and wellbeing as part of the GMHBA Cats Health Journey, which included health and fitness checks, one-on-one training sessions with Geelong Cats players, motivational talks from former Geelong captains, as well as healthy eating tips.
- 7,020 students participated in the primary school program Healthy Heroes with the Geelong Cats.

GMHBA & AIA VITALITY

Through GMHBA's partnership with AIA Vitality, our members have access to the globally renowned, scientifically-backed health and wellbeing program that rewards you for being healthy. AIA Vitality is changing the way we think about health insurance by encouraging and rewarding members for choosing to be healthier and by actively participating in their health journey.

- Over 2,000 GMHBA members are now being rewarded for healthy choices through their AIA Vitality membership.

I AM PLEASED TO PRESENT THE ANNUAL REPORT FOR GMHBA LIMITED FOR THE YEAR ENDED JUNE 2019.

GMHBA HAS DELIVERED WELL ON ITS PLANS FOR THE YEAR, ACHIEVING SATISFACTORY FINANCIAL RESULTS, WHILE GROWING OUR MEMBERSHIP AND POLICYHOLDER BASE.

STRATEGIC DIRECTION

We are determined to deliver a compelling value proposition for our customers. This proposition is to help improve the health of our customers and provide them greater value through better cover, better experience and a better sense of value overall. After a period of above industry growth, we are now finding much of the incremental business available to be unprofitable and have high lapse rates. As a result, we are shifting our focus to more targeted acquisition and retention of current members.

Through our strong local value proposition and commitment to Geelong and regional Victoria, we are aiming to become the health insurer and health service company most sought out by the community we have operated in for 85 years.

We see our role as private health insurer continuing to evolve as a trusted partner in the health journey of our members. Consistent with our strategy of diversifying income, while assisting members in their health journey, GMHBA now operates four eye care practices, two dental care practices, a physiotherapy practice and two primary care practices.

As reported last year, myOwn health insurance is an innovative joint venture with global insurance partner AIA Australia and South African financial services organisation, Discovery. myOwn offers health insurance bundled with the wellness program AIA Vitality.

This partnership has also allowed GMHBA access to the globally successful health and wellness program AIA Vitality. We are excited about the broader health benefits this program can bring to our members. AIA Vitality empowers members to better understand their health status and progress, while rewarding healthy lifestyle choices.

AFFORDABILITY

Health care costs continue to grow at rates above the level of inflation and average wage earnings growth. When combined with the many other financial pressures on households, we understand why some members are concerned regarding health insurance affordability.

The fundamental reason premiums increase is because each year, health funds are paying for more health care on behalf of their policyholders. Increased health care expenditure is driven by factors including an ageing population; increasing demand on services; complexity of treatments; rising health and medical costs; and a growing number of claims.

Despite these challenges, this year we were pleased to announce the lowest average premium increase in 11 years. We will continue to work with the government, the private health sector, our partners and within our own business to do everything we can to keep our premiums as low as possible.

We are also working closely with our providers to reduce out of pocket costs, as well as establishing new partnerships to ensure we are making health insurance more affordable for our members.

REFORMS

GMHBA welcomed the Australian Government's reforms to private health insurance and we were actively involved in the development of these industry-wide changes.

The reforms are designed to improve the affordability and reduce the complexity of private health cover in Australia and we're pleased to see the reforms delivering direct savings to our customers. These reforms will ultimately help consumers choose the health insurance product that's right for them and make it easier for our members to use their health insurance in a way that gives them the most value.

Ongoing reform is essential to contain costs in both the public and private health systems. GMHBA, directly and through its representative body Private Healthcare Australia, continues to advocate for reform that makes a real difference to our members. This includes increasing pricing transparency by providers, removing low value/no value care, reducing the systematic practice of encouraging public patients to be treated as a private patient, reducing unnecessary hospitalisation and reducing inappropriate billing practices.

Health reform takes time, commitment and goodwill from all stakeholders. We believe there is a pressing need for action to ensure the long-term sustainability and affordability of the private health system in Australia.

VALUE OF PRIVATE HEALTH INSURANCE

There has been significant media coverage around the value of health insurance and the sustainability of the system, as less young people take out private health insurance.

Roughly half of the Australian population is covered, so it is important to remember the value of private health insurance and the role it plays in our health system. A strong private health insurance sector is vital for Australia and it plays a critical role in taking pressure off the public health system.

Having private health insurance protects members and their families so they have the cover and treatment they require, by the doctor or specialist of their choice, when they need it most. Close to two out of three non-emergency surgeries are performed under private health cover. During a hospital stay, the experience of being a private patient can be profoundly important at what can be an extremely challenging and stressful time.

Private health insurance also provides cover for ancillary health services not covered by Medicare, such as dental, physiotherapy, optometry and chiropractic, which people don't always factor into the cost of their health care. These services perform a key role in keeping our members healthy and optimising function and quality of life.

Recent research shows that close to 75 per cent of private health insurance holders in Australia value it and want to keep it *(Ipsos)*. Our job is to continue working to ingrain value into everything we do. We expect our members to be active consumers and extract the maximum value from their policies and we will continue to support them in achieving this.

GOVERNANCE

In an environment of heightened public and regulatory scrutiny, strong and transparent corporate governance frameworks and practices underpin member and community expectations and are the basis for excellence in decision making.

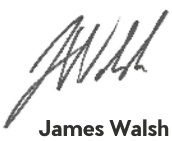
The Board and management of GMHBA continue to champion a culture that encourages transparency, as well as open and honest dialogue – both internally and with our members. Our governance structures are explained later in this report.

GMHBA has a diverse Board with an immense range of experience to draw upon. Regular Board renewal helps bring fresh ideas and is an important aspect of Board governance. The appointment of former Bendigo and Adelaide Bank Managing Director Mike Hirst in July 2018 added significant strength and experience to the Board as we face challenging external circumstances.

In September 2019, long-serving director Gerald Miller will retire from the Board, having given 12 years of valuable service to the fund. I wish to sincerely thank Gerald for his outstanding contribution to GMHBA and the local community over his term. Our next director appointment is expected to be announced soon.

THANK YOU

I wish to thank my fellow directors for their work on behalf of our members throughout the year. Thank you to CEO Mark Valena, his executive team and all staff throughout our brands and businesses for their dedicated efforts. Finally, and most importantly, I thank our loyal members and customers for continuing to choose GMHBA and its associated brands for the provision of their health insurance and health care services.



James Walsh
Chairman
GMHBA Limited

IN A TIME OF INDUSTRY-WIDE CHANGE, IT'S MORE IMPORTANT THAN EVER FOR GMHBA TO CONTINUE TO LOOK FOR WAYS TO OFFER VALUE AND EXCEPTIONAL CUSTOMER EXPERIENCE TO OUR MEMBERS.

TO ACHIEVE THIS, WE WILL BE GUIDED BY OUR 10-YEAR STRATEGY, DELIVERING ON OUR BRAND PROMISE: HEALTHIER TOGETHER.

PRIVATE HEALTH INSURANCE

The last financial year was a time of significant business transformation as we embarked on a major effort to implement the Australian Government reforms to private health insurance across both the GMHBA and Frank brands.

As part of the reforms, we undertook a full review of our product range to ensure all products were aligned to the new standardised product category tiers and clinical definitions.

For GMHBA, the product changes are about delivering a more sustainable product offering and for Frank, they are aimed at furthering the brand's promise of making health insurance simple and affordable.

The complexity of this work meant many of our members had changes to their policies, so ensuring a smooth transition was key and resulted in a significant increase in the number and length of customer contact centre enquiries. This challenged our usually high standards of service and we're working hard to improve this for our members.

In the long-term, the reforms are designed to make health insurance much simpler to navigate through increased transparency, giving customers the ability to compare products more easily. Next financial year, Budget Direct and health.com.au will implement these reforms.

CUSTOMER EXPERIENCE

As we place an increased focus on delivering a better customer experience for our members, we look to new ways of using technology and digital tools. As part of this, we have refreshed the GMHBA website, which makes it easier for prospective members to find the right product and for current members to navigate the site.

Our photo claiming offering and online claims tools were improved, which has meant more of our customers are able to successfully complete the online claiming tool process from start to finish. This has also enabled online claims for additional services, including physiotherapy, psychology and orthodontics.

Frank launched Australia's first voice app for private health insurance, giving customers the ability to use their Google Home Assistant to 'ask Frank' complicated questions about private health insurance. This encourages customers to direct their health insurance questions to Frank, rather than friends and family.

KEY PARTNERSHIPS

We are proud to offer our members a globally renowned health and wellness rewards program through our partnership with AIA Vitality.

To complement our AIA Vitality product portfolio, we recently introduced new GMHBA with AIA Vitality hospital only products, plus three extras products, to encourage more members to enjoy the benefits of the program.

AIA Vitality challenges the way we all think about health insurance by encouraging and rewarding our members for choosing to be healthier and by actively participating in their health journey, instead of mainly engaging with members when they have already experienced a health issue.

At scale, we see the program enabling long-term behavioural change, delivering better health and wellness outcomes and ultimately, reducing health care costs.

Our unique long-term partnership with the Geelong Cats continues to go from strength to strength. With GMHBA Stadium receiving a national award for best regional stadium, we're proud to be associating our brand with such a loved community asset.

The partnership provides GMHBA with the opportunity to reward our members with unique Geelong Cats experiences, along with opportunities to educate our youngest members about healthy choices. Throughout the past year, over 7,000 Year 3 and 4 students across the Geelong region participated in the Healthy Heroes program, which empowers young people to make good choices about their health and wellbeing.

We're also extremely proud to provide the backbone support to Active Geelong, a collective impact initiative on a mission to make Geelong Australia's most active city.

Active Geelong continues to build momentum and is working to identify barriers and opportunities to increase exercise throughout Geelong. Currently, there are two key focus areas – increasing physical activity in workplaces and empowering GPs to encourage and motivate their patients to be more active.

HEALTH SERVICES

Our diversification into general practice and allied health services means we can offer holistic, integrated care as we work towards improving the health outcomes of our members and customers.

In December, we acquired Geelong Physiotherapy, a business highly regarded for delivering effective care through a range of allied health services, with a key focus on individualised prevention and management. This acquisition supports GMHBA's health care and member value strategy. We are working collaboratively with Geelong Physiotherapy to deliver excellent care for existing patients, our members and other members of the community.

We also opened the newest GMHBA Health Insurance and Eye Care location at Westfield Geelong in June. This is an exciting step, aligning with our approach of repositioning our practices in high-traffic shopping centres to provide more convenient access for more members. The new store will also ensure we can continue to provide high-quality care to our members and customers through access to improved facilities and the latest optical equipment.

Operating since 2017, our Care Coordination Service (CCS) helps to facilitate care for members throughout the Geelong region with complex health conditions. The service provides support, information and access to health services for GMHBA members who hold any level of hospital cover at no cost.

The CCS has been key to supporting our most vulnerable members and participation in the program has continued to increase since its inception. Those who have utilised the program have reported very high satisfaction rates through our customer insights, reaffirming that our members strongly value the program's benefits.

LOOKING AHEAD

As the Chairman mentioned, it is a challenging time for the private health insurance industry. These challenges have required us to regroup, refocus and redesign the way we do business. With a much stronger emphasis on retaining our existing members, we are listening to their feedback to guide us as we place an increased focus on delivering an exceptional customer experience.

Guided by our values, we will empower our members to better understand the value of our products and services. Addressing affordability will play a key role in this, and we will continue the important work with industry and government on further regulatory reforms to address affordability at the highest level. By working closely with providers, we can also ensure that we only pay for care in the right settings, at the right time and at the right cost.

Despite the challenges the private health insurance industry is facing, our members, customers and community can be assured that our commitment to our mission and vision remains unchanged. We are working to make GMHBA an even stronger business, ensuring we are a valued partner in the health journey of our members and customers.

THANK YOU

I extend my thanks to our directors and executives for the leadership they have shown over the past financial year implementing our 10-Year Strategy. Thank you to our staff across all brands and businesses for their efforts and relentless focus on improving our organisation, embracing change and always working to put our customers at the heart of what we do. Your hard work has never been more important to the success of our business.

Mark Valena
Chief Executive Officer
GMHBA Limited

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ABN 98 004 417 092

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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THE DIRECTORS OF THE COMPANY AT ANY TIME DURING OR SINCE THE END OF THE FINANCIAL YEAR ARE:

JAMES WALSH

B.Com, MBA, FCA, GAICD.

Director since August 2005

Board Chairman

Chairman Remuneration & Capability Committee

Member Risk & Compliance Committee

Member Investment Committee

Chairman – GMHBA Land Co Pty Ltd

Chairman – GMHBA Services Pty Ltd

Chairman – health.com.au Pty Ltd

Chairman – MO Health Pty Ltd

Board advisor – AG Coombs Group Pty Ltd

Director – Rathaney Pty Ltd

Chairman – KM Property Funds Ltd (formerly Placer Property Ltd)

Director – Secos Group Limited

Director – Quintessential Equity 042 Pty Ltd (as trustee for QE 042 Trust)

Chartered Accountant

GERALD MILLER

BA, LLB. GAICD.

Director since September 2007

Chairman Audit Committee

Member Remuneration & Capability Committee

Director – GMHBA Services Pty Ltd

Director – health.com.au Pty Ltd

Director – ICT Geelong Ltd

Chair – AICD Director Nexus, Geelong

Lawyer and General Counsel, formerly registered psychologist

SUE RENKIN

RN, MBA, FCDA, GradDip Corp Gov, MAICD.

Director since July 2009

Chairman Health Services Committee

Member Remuneration & Capability Committee

Director – GMHBA Services Pty Ltd

Director – health.com.au Pty Ltd

Managing Director – Intuitively Focussed Pty Ltd

Chairman – Southern Metropolitan Cemeteries Trust

Director – National Imaging Facilities Governance Board

Member – Global Leadership Board International Women's Forum

Director – Eureka Group Holdings

Strategic Advisor to McKenzie Aged Care Services

BRIAN BENGER

B.Ec (Hons), AdvDip Fin Services (Superannuation), FAICD.

Director since February 2011

Chairman Investment Committee

Member Risk & Compliance Committee

Director – GMHBA Land Co Pty Ltd

Director – GMHBA Services Pty Ltd

Director – health.com.au Pty Ltd

Director – MO Health Pty Ltd

Chairman – Mercer Financial Advice (Australia) Pty Ltd

Director – Mercer Superannuation (Australia) Ltd

Director – Enginsure Pty Ltd

Director – Shandora One Pty Ltd (Trustee for SMSF)

Director – National Vineyard Fund of Australia Limited

Director – Kayinga Vineyard Limited

Director – Quintessential Equity 042 Pty Ltd (as trustee for QE 042 Trust)

VICKY PAPACHRISTOS

BE, MBA, MAICD.

Director since November 2011

Chairman Risk & Compliance Committee

Director – GMHBA Services Pty Ltd

Director – health.com.au Pty Ltd

Director – MO Health Pty Ltd

Director – Currant Marketing Pty Ltd

Director and Chair of the Audit & Risk Committee – Big River Industries Limited

MARIE BISMARK

MD, LLB, MBHL, MPH, FAFPHM, FAICD.

Director since March 2013

Member Health Services Committee

Member Investment Committee

Director – GMHBA Services Pty Ltd

Director – health.com.au Pty Ltd

Director – Summerset Group Holdings Limited

DENIS NAPTHINE

BV Sc. MVS MBA.

Director since August 2016

Director – GMHBA Services Pty Ltd

Director – health.com.au Pty Ltd

Member Audit Committee

Member Health Services Committee

Ambassador for Standing Tall – Warrnambool

Patron of Solve Disability Solutions

Patron of the Sir Rupert Hamer Awards

State Premier of Victoria 2013 – 2014

MIKE HIRST

B.Com, SF Fin, MAICD.

Director since July 2018

Director – GMHBA Services Limited

Director – health.com.au Pty Ltd

Member Audit Committee

Member Remuneration & Capability Committee

Deputy Chairman, Racing Victoria Limited

Honorary Member, Business Council of Australia

Member, Grow Strategic Directions Group

Former Managing Director of Bendigo and Adelaide Bank (until 2018)

Director – AMCIL Limited

CHIEF EXECUTIVE:

Mark Valena, BBus (Acc), CA, GAICD.

COMPANY SECRETARY:

Elizabeth Melville-Jones LLB, BA, MBA (Melb)

AUDITORS:

KPMG
Tower Two, Collins Square
727 Collins Street
Docklands, Victoria 3008

BANKERS:

National Australia Bank Limited

APPOINTED ACTUARY:

David Torrance, FIAA
Director, dbn actuaries Pty Ltd

GMHBA IS COMMITTED TO MAINTAINING HIGH STANDARDS OF CORPORATE GOVERNANCE, AS A FOUNDATION FOR EFFECTIVE DECISION MAKING AND TO SUPPORT THE BOARD IN FULFILLING ITS OBLIGATIONS. GMHBA IS REGULATED AND GUIDED BY THE CORPORATIONS ACT, APRA PRUDENTIAL STANDARDS, ITS CONSTITUTION AND CHARTER, AND OTHER LEGISLATION, INCLUDING THE PRIVATE HEALTH INSURANCE ACT 2007.

This statement provides an overview of the main corporate governance structures and practices that were in place throughout the financial year.

The role of the Board is to protect members' interests, while having regard to the interests of other stakeholders including GMHBA employees, regulators, and the local community. The Board reviews, monitors and approves a range of matters including setting and monitoring corporate strategy and plans, oversight of business performance, approving the Capital Management Plan and overseeing capital structure and investment activities, and approving risk management and compliance frameworks. The Company Secretary is accountable to the Board, through the Chairman, for all matters relating to the proper functioning of the Board.

Formal delegations of authority to permit efficient business operations are captured in the Instrument of Delegation, which is annually reviewed and approved by the Board to ensure that delegations remain appropriate. A suite of internal policies further support the governance of the Group and its compliance with legislative and regulatory obligations.

To assist it in carrying out its duties, the Board has five established committees which focus on specific areas as below. Additional committees may be formed from time to time as necessary.

Each committee has a charter and committee chairs report to the Board after each committee meeting. Details of the number of meetings of the Board and each committee, and attendance at those meetings during 2019 are set out in the Directors' Report.

GMHBA BOARD

Audit Committee

Maintenance of a framework of internal control to monitor the effectiveness of the audit and actuarial functions.

Approve the Internal Audit Plan and monitor performance against it.

Provide independent review of the integrity of the financial statements and accounts, review the appropriateness of accounting policies.

Review the performance and independence of the external auditor.

Risk & Compliance Committee

Oversee GMHBA's risk management framework and risk profile relative to the Board approved risk appetite and tolerance.

Promotion of a risk aware culture.

Monitor effective implementation of the Group's Risk Management Strategy and assess processes for managing key risk areas.

Monitor the effectiveness of the Group's compliance framework and review any significant legislative or regulatory changes that may impact that framework.

Investment Committee

Advise on the structure and allocation of the investment portfolio to preserve the security of the Company's investments and protect member funds.

Review the Investment Policy.

Oversee the Investment Management Strategy including asset allocation and setting investment parameters in line with risk appetite.

Appoint, monitor and evaluate the performance of the investment advisor.

Health Services Committee

Oversee key health services initiatives.

Oversee the alignment of the health services initiatives with the annual Business Plan.

Oversee the operation and effectiveness of clinical governance within GMHBA's Health Services businesses.

Remuneration Committee

Oversee the implementation and effectiveness of the Remuneration Policy.

Review and monitor Board and executive capability, performance and succession planning, including compensation arrangements for directors and senior management.

Monitor employee engagement, retention and wellbeing.

Recommend development programs and practices to enhance culture and workforce capability.

INDEPENDENCE AND MANAGEMENT OF CONFLICTS OF INTEREST

During 2019, all directors were non-executive and were judged by the Board to be independent and free of relationships or material interests that might influence their ability to act in the best interests of the Group and its members. A register of directors' interests is maintained and regularly reviewed, and an annual independence assessment is conducted to ensure this position remains current. The Board manages its meetings and proceedings to manage any instances of actual or perceived conflict of interest.

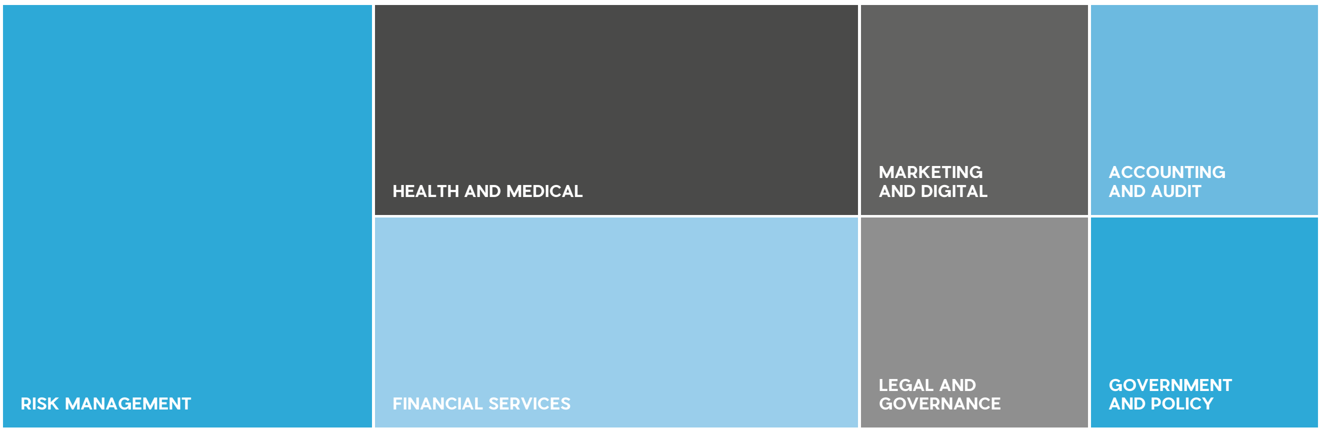
During 2019 a Fit & Proper Policy was adopted to support the regular assessment by GMHBA that all its Responsible Persons are fit and proper to perform their roles.

BOARD COMPOSITION AND PERFORMANCE

As at 30 June 2019, there were eight directors on the Board, with an average tenure of seven years.

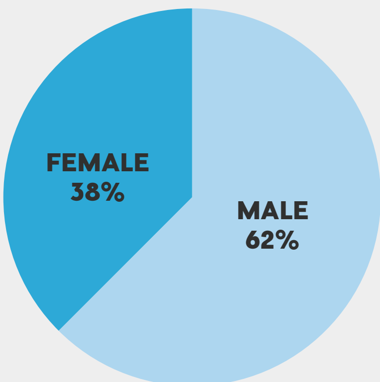
The Board considers that it has an appropriate mix of skills, experience and diversity necessary for a breadth of views and perspectives. Directors come from a range of backgrounds including experience in the areas below. Continuing education is provided to directors through combination of internal and external presentations, workshops, and conference attendance. The Board periodically considers its skills mix to ensure that it remains appropriate to enable the Board to continue to function at a high level.

DIRECTOR SKILLS MATRIX

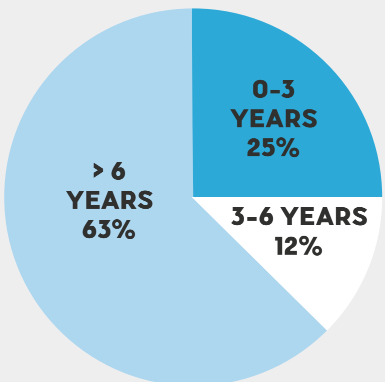


DIVERSITY OF GENDER AND A VARIETY OF TENURE ARE CONSIDERED IMPORTANT FACTORS IN THE COMPOSITION OF THE BOARD, AND ARE CURRENTLY DISTRIBUTED AS BELOW.

GENDER DIVERSITY



DIRECTOR TENURE



The Board conducts a regular assessment of its performance, and the performance of its committees and individual directors. During 2019 the Board and each committee participated in an internal performance evaluation survey, which contained a range of questions on structure and dynamics, strategic orientation and governance. The survey results and comments from directors suggesting improvement opportunities were shared and discussed at each committee meeting and with the Board. The overall finding was that the Board and its committees continue to operate effectively in their present structure and composition.

COMPLIANCE

GMHBA has a proactive approach to compliance at all levels within the organisation and a framework of monitoring and reporting, which helps to achieve legislative objectives and regulatory obligations.

The Company is committed to the prevention, and where necessary the identification and timely response to breaches of applicable laws, regulations, codes or standards. Employees are encouraged to raise any concerns with the Company's leaders, or through FairCall, the external operator of the whistleblower hotline service.

INTERNAL AUDIT FUNCTION

The internal audit function provided by Ernst & Young provides objective assurance and oversight of the Group's control framework. The Audit Committee is responsible for approving the program of internal audits to be conducted each financial year and for the scope of the work to be performed. The internal audit function, while operationally reporting to the Chief Executive, also reports to the Audit Committee and risks or control weaknesses identified through audits are incorporated into the organisational risk management framework. The Audit Committee meets with the internal auditor on a regular basis.

RISK MANAGEMENT

The Audit Committee and the Risk & Compliance Committee support the Board in its oversight of risk management and report on the status of risks to the Group through an integrated risk management framework which permits risks to be identified, assessed and appropriately managed. The risk management model is structured around the "three lines of defence", which together permit effective risk management across the organisation. GMHBA has a fully developed Business Continuity Policy and Plan to be invoked in the case of a significant business disruption event, and a comprehensive insurance program provides protection against residual risk exposures.

The Risk Appetite Tolerance Statements developed and approved during 2018 have been regularly updated during 2019, and the Board will make the annual Risk Management Declaration under APRA Prudential Standard CPS220.

GOVERNANCE

GMHBA is compliant with three new APRA Prudential Standards that came into effect on 1 July 2019, CPS510 – Governance, CPS 520 – Fit and Proper, and CPS 234 – Information Security. GMHBA also conducted a review during 2019 of its Whistleblower Policy and program in order to achieve compliance with the amended legislation.

CAPITAL MANAGEMENT PLAN

GMHBA's capital underpins our ability to conduct our business. At a minimum, capital provides the necessary reserves to ensure that we can now, and for the foreseeable future, meet our obligations to our members and to other creditors under all but the most rare and catastrophic circumstances. The Board annually reviews and approves the Capital Management Plan.

CODE OF CONDUCT

The Board's Governance Framework contains GMHBA's Code of Conduct which sets out expectations for the ethical and professional conduct necessary to meet the expectations of Fund members and other stakeholders. As these expectations may change over time, the Code is regularly reviewed.

GMHBA is also a signatory to the Private Health Insurance Code of Conduct, a self-regulatory code designed to maintain and enhance regulatory and compliance standards across the private health insurance industry.

DIRECTORS' REPORT

The directors present their report together with the consolidated financial statements of the Group comprising GMHBA Limited (the Company) and its subsidiaries (the Group) for the financial year ended 30 June 2019 and the Auditor's Report thereon.

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

James Walsh
Gerald Miller
Sue Renkin
Brian Benger
Vicky Papachristos
Marie Bismark
Denis Napthine
Mike Hirst (appointed July 2018)

The qualifications, expertise and special responsibilities of directors are set out on page 14 to 15 of the Annual Report.

COMPANY MEMBERS

The Members of the Company at the date of this report are the same as the directors of the Company, as listed above.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the provision of benefits against claims by fund members relating to hospital, medical and ancillary services.

The Company, being not for profit, does not earn taxable income and is therefore not subject to income taxation, however certain subsidiaries within the Group are taxable entities (Refer Note 2.9). Total comprehensive income attributable to the Members of the Company for the year was $11.025 million (2018: $15.112 million).

REVIEW OF OPERATIONS

A review of the operations and results of the Group during the financial year are set out in the Chairman's and CEO's Report on pages 8 to 11.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during or since the end of the financial year up until the date of this report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has occurred since the end of the reporting period that may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

ENVIRONMENTAL REGULATIONS

The Group is not subject to any significant environmental regulation.

INFORMATION ON DIRECTORS

All directors are Members of the Company. No director has received any benefit since the end of the previous financial year, by reason of any contract with the Company or with a firm of which he or she is a member or with a company in which the director has a substantial interest, with the exception of the director benefits that may be deemed to have arisen in relation to their position as fund members of the health fund conducted by the Company.

LIKELY DEVELOPMENTS

Other than those matters raised in the Chairman and CEO reports, further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of the Company's directors (including meetings of committees of directors) held during the year ended 30 June 2019 and the number of meetings attended by each director. It should be noted that not all directors are members of all committees.

Directors	Meetings of directors held	Meetings of directors attended	Relevant committee meetings held	Relevant committee meetings attended	Additional meetings of directors held	Additional meetings of directors attended
James Walsh	10	10	15	15	2	2
Gerald Miller	10	9	11	11	2	2
Sue Renkin	10	9	10	9	2	0
Brian Benger	10	10	8	8	2	2
Vicky Papachristos	10	10	9	9	2	2
Marie Bismark	10	10	8	7	2	2
Denis Napthine	10	10	9	9	2	2
Mike Hirst	10	7	8	8	2	2

Relevant committee meetings refers to the number of committee meetings held during the time period in which a director was a member of a relevant committee.

INSURANCE OF OFFICERS

During the financial year, the Company paid to insure the directors and officers of the Company for any liability that may be brought against them while acting in their respective capacities for the Company.

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.

ROUNDING OF AMOUNTS

The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and amounts have been rounded off in accordance with that Instrument. All amounts shown in the financial statements are expressed to the nearest thousand dollars, unless otherwise stated.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 21.

For and on behalf of the Board of Directors,

James Walsh
Chairman GMHBA Limited

Gerald Miller
Director GMHBA Limited

Geelong, 27 August 2019

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of GMHBA Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of GMHBA Limited for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Rachel Milum

Rachel Milum

Partner

Melbourne

27 August 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 ($'000)	2018 ($'000)
Revenue			
Premium revenue		695,148	649,921
Total revenue from operating activities		695,148	649,921
Expenses			
Claims expense	2.6	(529,696)	(488,433)
Risk Equalisation Special Account levy		(71,472)	(73,809)
Total cost of fund benefits		(601,168)	(562,242)
Gross underwriting result		**93,980**	**87,679**
Underwriting expenses			
Employee benefits expenses		(31,868)	(27,041)
Marketing		(6,932)	(9,281)
Commission		(23,080)	(19,690)
Depreciation and amortisation		(3,483)	(2,919)
IT and communications		(6,339)	(5,295)
Professional fees		(3,814)	(3,475)
Other underwriting expenses		(8,496)	(8,217)
Total underwriting expenses		(84,012)	(75,918)
Net underwriting result		**9,968**	**11,761**
Health services and other revenue		10,161	9,600
Health services and other expenses		(12,995)	(14,190)
		(2,834)	(4,590)
Investment income and expenses			
Investment expenses		(557)	(501)
Interest income		5,917	5,678
Dividends		1,069	994
Unrealised investment gains		1,880	4,445
Realised investment gains		1,355	520
Share of net loss of equity accounted investees	5.5	(6,217)	(2,746)
		3,447	**8,390**
Profit before tax for the year		**10,581**	**15,561**
Income tax (benefit)/expense	2.9	(445)	449
Net profit after tax		**11,026**	**15,112**
Other comprehensive income		-	-
Total comprehensive income for the year		**11,026**	**15,112**
Attributable to			
Members of the Company		11,025	15,112
Non-controlling interests		1	-
		11,026	**15,112**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 ($'000)	2018 ($'000)
Current assets			
Cash and cash equivalents	3.1	57,651	50,096
Trade and other receivables	2.1	19,251	18,188
Financial assets	2.2	87,470	102,720
Other assets	2.3	18,922	18,417
Total current assets		**183,294**	**189,421**
Non-current assets			
Financial assets	2.2	127,629	127,636
Property, plant and equipment	2.4	24,209	14,912
Intangible assets and goodwill	2.4	38,846	39,861
Other assets	2.3	14,078	18,061
Investment in equity accounted investee	5.5	20,981	13,111
Deferred tax asset		1,813	1,368
Total non-current assets		**227,556**	**214,949**
Total assets		**410,850**	**404,370**
Current liabilities			
Trade and other payables	2.5	29,308	36,866
Employee benefits provisions	4.2	3,557	3,221
Other provisions	2.6	63,615	61,955
Other liabilities	2.7	67,107	68,118
Total current liabilities		**163,587**	**170,160**
Non-current liabilities			
Employee benefits provisions	4.2	439	346
Total non-current liabilities		**439**	**346**
Total liabilities		**164,026**	**170,506**
Net assets		**246,824**	**233,864**
Equity			
Retained earnings		244,068	233,043
Asset revaluation reserve		821	821
Total equity attributable to members		**244,889**	**233,864**
Non-controlling interests		1,935	-
Total equity		**246,824**	**233,864**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Attributable to Members of the Company				
	Retained earnings ($'000)	Asset revaluation reserve ($'000)	Total ($'000)	Non-controlling interests	Total ($'000)
Balance at 1 July 2017	217,931	821	218,752	–	218,752
Profit for the year	15,112	–	15,112	–	15,112
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	15,112	–	15,112	–	15,112
Balance at 30 June 2018	**233,043**	**821**	**233,864**	**-**	**233,864**
Balance at 1 July 2018	233,043	821	233,864	–	233,864
Profit for the year	11,025	–	11,025	1	11,026
Other comprehensive income	–	–	–	–	–
Total comprehensive income for the year	11,025	–	11,025	1	11,026
Issue of ordinary units in subsidiary to Non-controlling interests	–	–	–	1,934	1,934
Balance at 30 June 2019	**244,068**	**821**	**244,889**	**1,935**	**246,824**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 ($'000)	2018 ($'000)
Cash flows from operating activities			
Premium receipts		693,274	660,736
Benefits paid		(528,037)	(485,569)
Payments to suppliers and employees		(169,244)	(172,765)
Other income received		9,975	9,728
Net cash inflow from operating activities	**3.1(a)**	**5,968**	**12,130**
Cash flows from investing activities			
Purchase of financial assets		(133,767)	(155,888)
Purchase of property, plant and equipment and intangible assets		(11,105)	(3,307)
Acquisition of businesses, net of cash acquired		(765)	(2,238)
Dividends received		1,069	994
Interest received		6,183	5,732
Proceeds from sale of financial assets		152,124	145,907
Purchase of shares in Joint Venture		(14,086)	-
Net cash (outflow) from investing activities		**(347)**	**(8,800)**
Cash flows from financing activities			
Proceeds from issue of units to non-controlling interest		1,934	-
Net cash inflow from financing activities		**1,934**	**-**
Net increase in cash held		7,555	3,330
Cash and cash equivalents at beginning of the financial year		50,096	46,766
Cash and cash equivalents at end of the financial year	**3.1(b)**	**57,651**	**50,096**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. ABOUT THIS REPORT

The "About this report" section contains general information about the annual Financial Report, broken down into the following sub sections:

1.1 Company information

1.2 Basis of accounting

1.3 Basis of measurement

1.4 Use of estimates and judgements

1.5 Comparative information

1.6 Rounding of amounts

1.1 COMPANY INFORMATION

GMHBA Limited (the "Company") is a not for profit company, incorporated and domiciled in Australia. Its registered office is Suite 9, Level 1, 10 Moorabool Street Geelong VIC 3220. The consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually "Group Companies"). The Company is exempt from income tax by virtue of Section 50-30 item 6.3 of the Income Tax Assessment Act. Subsidiaries of the parent entity are for profit entities and subject to income tax.

1.2 BASIS OF ACCOUNTING

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB), and the Corporations Act 2001.

They were authorised for issue by the Board of Directors on 27th August 2019.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.3 BASIS OF MEASUREMENT

The accounting policies adopted in the preparation of this Financial Report have been applied consistently by the Group Companies and are the same as those applied for the previous reporting period unless otherwise noted. The Group's financial statements were prepared in accordance with the historical cost convention, except for the following:

- Financial instruments are measured at fair value through profit or loss;
- Land and Buildings are recorded at fair value with movements in value taken through the asset revaluation reserve; and
- Rewards benefit provision carried at present value.

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

1.4 USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Deferred acquisition costs, see note 2.3
- Valuation of intangible assets, see note 2.4
- Outstanding claims liability, see note 2.6
- Reward benefits, see note 2.6
- Liability adequacy test, see note 2.7

It is possible that outcomes within the next financial year that are different from the assumptions above could require a material adjustment to the carrying amount of the assets or liabilities affected.

1.5 COMPARATIVE INFORMATION

Where necessary, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

1.6 ROUNDING OF AMOUNTS

The Group is an entity to which ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 applies and amounts have been rounded off in accordance with that Instrument. All amounts shown in the financial statements are expressed to the nearest thousand dollars, unless otherwise stated.

2. MEMBER ASSETS

This section contains important information about the composition and use of our members' assets. The section is broken down into the following areas of focus:

2.1 Trade and other receivables

2.2 Financial assets

2.3 Other assets

2.4 Property, plant and equipment, and intangible assets

2.5 Trade and other payables

2.6 Other provisions

2.7 Other liabilities

2.8 Fair value measurement

2.9 Taxes

2.1 TRADE AND OTHER RECEIVABLES

Accounting Policies

Trade and other receivables

The carrying amounts of trade and other receivables approximate their fair value due to the short-term maturities of these assets.

The premium receivable as at 30 June 2019 consists of:

(i) Unclosed premium earned – this represents premiums in arrears measured up to 30 June 2019; and

(ii) Unclosed premium unearned – forecast premiums receivable from policyholders at 30 June 2019.

Federal Government rebate receivable represents premiums receivable from Medicare at the end of the period, relating to the Health Insurance Rebate portion of member contributions.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost less provision for impairment. Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Premium revenue

Premium revenue comprises amounts charged to fund members for insurance contracts. Premium revenue is recognised in the consolidated statement of profit or loss and other comprehensive income from the date of attachment of insurance risk, 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.

Financial Disclosure	2019 ($'000)	2018 ($'000)
Unclosed premium earned	1,547	1,500
Unclosed premium unearned	2,472	922
	4,019	**2,422**
Accrued investment income	604	871
Other debtors	2,159	1,927
Federal Government rebate receivable	12,469	12,968
	19,251	**18,188**

2.2 FINANCIAL ASSETS

Accounting Policies

Financial assets comprise investment assets held to back insurance liabilities. All investments are managed and performance is evaluated on a fair value basis for both external and internal reporting purposes in accordance with a documented Investment Management Strategy.

All investments are determined to be assets backing insurance liabilities and accordingly are designated as fair value through profit or loss upon initial recognition. They are initially recorded at fair value being the cost of acquisition excluding transaction costs and are subsequently remeasured to fair value at each reporting date.

Changes in the fair value from the previous reporting date (or cost of acquisition excluding transaction costs if acquired during the financial period) are recognised as realised or unrealised investment gains or losses in profit or loss. Purchases and sales of investments are recognised on a trade date basis, being the date on which a commitment is made to purchase or sell the asset.

Transaction costs for purchases of investments are expensed as incurred and presented in the statement of profit or loss and other comprehensive income as investment expenses on assets backing insurance liabilities. Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have transferred.

Investment revenue, comprising interest and dividends is brought to account on an accruals basis net of investment fees. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Financial Disclosure	2019 ($'000)	2018 ($'000)
Current		
Term deposits	74,378	96,521
Bonds	13,092	6,199
At fair value	**87,470**	**102,720**
Non-current		
Equity securities	44,495	40,459
Bonds	83,134	87,177
At fair value	**127,629**	**127,636**

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets are disclosed in note 3.2. Further detail regarding fair value measurement is disclosed in note 2.8.

2.3 OTHER ASSETS

Accounting Policies

Deferred Acquisition Costs

The Group incurs costs to acquire and establish members. These costs include commission paid to intermediaries. Deferred acquisition costs are capitalised and amortised in accordance with the pattern of the incident of risk. The Group capitalises these costs and amortises them on a straight-line basis in the statement of profit or loss and other comprehensive income.

Financial Disclosure	2019 ($'000)	2018 ($'000)
Current		
Prepayments	3,128	2,046
Deferred acquisition costs	15,517	16,103
Inventory	277	268
	18,922	**18,417**
Non-current		
Deferred acquisition costs	12,166	14,534
Prepayments	1,912	3,527
	14,078	**18,061**

2.4 PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Accounting Policies

Property, plant and equipment

Land and buildings are recorded at fair value (buildings are subsequently subject to depreciation) and plant and equipment are recorded in the financial statements at cost less accumulated depreciation and accumulated impairment losses.

Recoverable amount of non-current assets

Non-current assets, except for investments and land and buildings are recorded in the financial statements at cost less accumulated depreciation. The carrying values of all non-current assets are reviewed by management at regular intervals 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 has reviewed the assets and are of the opinion that there has been no impairment of the asset's current values within the asset classes.

Depreciation

Property, plant and equipment, other than land, is depreciated using either the diminishing value method or the straight line method over the period during which benefits are expected to be derived from the asset. Profits and losses on disposal of property, plant and equipment are taken into account in determining the profit for the year and recorded in other revenue/other underwriting expenses in the statement of profit or loss and other comprehensive income. The financial disclosure section outlines the depreciation rates applied to each asset class.

Intangible assets – Health.com.au customer list

Upon acquisition, an intangible asset was recognised attributable to the customer list of Health.com.au at acquisition. This represents the present value (at acquisition date) of the expected future incremental cash flows from the acquired book of members and is measured at cost less accumulated amortisation and any accumulated impairment losses. The useful life of the asset has been assessed as 13 years, and amortisation is calculated on a straight-line basis over this period and recognised through profit of loss.

Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss. The estimated useful life of the Members Own Health Funds license fee is 20 years and software is between 3 and 10 years.

Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill is not amortised but is tested annually for impairment, or more frequently if events or circumstances indicate that assets may be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets, defined as Cash Generating Units (CGUs). Goodwill is allocated to the Group's CGUs identified according to which CGU is expected to benefit from the synergies of the combination.

Below is a CGU level summary of the Group's goodwill balance and the key assumptions made in determining the recoverable amounts at 30 June 2019. Note that practices have been tested for impairment at an individual practice level, however goodwill attributable is shown at total Division level below.

Division	Goodwill allocation	
	2019 ($'000)	**2018 ($'000)**
Health.com.au	18,666	18,666
Eye Care	1,375	1,375
Primary Care (GPs)	2,855	2,949
Dental Care	956	1,381
Physiotherapy	1,038	-
	24,890	**24,371**

2.4 PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS (CONTINUED)

Inputs and key assumptions used for recoverable amount calculations

The recoverable amount of the CGUs is determined based on value-in-use calculations. These calculations use cash flow projections based on the budget and Business Plan approved by the Board. Cash flows beyond the projection period are extrapolated using the estimated growth rates, with a terminal value assumed in the calculations. The following key assumptions have been made in determining the recoverable amount of the CGUs:

Growth rate – Health.com.au: 2% Eye Care: 2.7% Primary Care: 4.2% Dental Care: 2.1%	The growth rates represent the weighted average growth rate used to extrapolate cash flows beyond the budget period. The growth rates are determined by taking into account the past and expected future growth rates, as well as external sources of data.
Discount rate – Health.com.au: 11% Eye Care: 11% Primary Care: 11% Dental Care: 11%	In performing the recoverable amount calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The discount rates used reflect specific risks relating to the relevant CGU.
Cash flows	Future cash flows have been estimated based on forecast revenue and expenses of the CGU, including: • Estimated change in the number of customers and changes in future revenue; • Estimated gross margins and sales volumes; and • Forecast claims, cost of sales and operating expenses.

The impairment testing resulted in an impairment loss being recognised in the Geelong Dental CGU of $425k (2018: $0), and the South Barwon Medical CGU of $94k (2018: $0). This charge is reflected in depreciation and amortisation expenses within profit or loss. Following the impairment losses recognised in these CGUs, the recoverable amount was equal to the carrying amount. Therefore, any adverse movement in a key assumption would lead to further impairment. There are no reasonably possible changes in key assumptions that could have resulted in an impairment charge in the current financial year in the remaining CGUs.

Financial disclosure

Reconciliation of carrying amount – Property, plant and equipment

Reconciliation of the carrying amounts of each class of property, plant and equipment at the beginning and end of the financial year are set out below:

	Land ($'000)	Buildings ($'000)	Furniture & fittings ($'000)	Office equipment ($'000)	Motor vehicles ($'000)	Capital WIP & Development costs[4] ($'000)	Total ($'000)
Depreciation rate	–	1.5%	10.0%	15.0–40.0%	22.5%	–	
Cost (or valuation as applicable)	6,243	3,000	2,980	4,497	76	825	17,621
Accumulated depreciation	–	–	(1,426)	(2,711)	(23)	–	(4,160)
Carrying amount at 30 June 2017	**6,243**	**3,000**	**1,554**	**1,786**	**53**	**825**	**13,461**
Additions[1]	–	–	82	62	–	2,568	2,712
Disposals[2]	–	–	(24)	(55)	(20)	–	(99)
Revaluation	–	–	–	–	–	–	–
Depreciation	–	(61)	(353)	(739)	(9)	–	(1,162)
Transfers	–	440	1,129	724	–	(2,293)	–
Cost	6,243	3,440	4,076	5,041	32	1,100	19,932
Accumulated depreciation	–	(61)	(1,687)	(3,262)	(10)	–	(5,020)
Carrying amount at 30 June 2018	**6,243**	**3,379**	**2,389**	**1,779**	**22**	**1,100**	**14,912**
Additions[1]	–	–	–	–	7	10,722	10,729
Disposals[2]	–	–	(11)	(39)	–	–	(50)
Revaluation	–	–	–	–	–	–	–
Depreciation[3]	–	(86)	(570)	(719)	(7)	–	(1,382)
Transfers	–	7	1,229	355	–	(1,591)	–
Cost	6,243	3,447	5,226	4,792	39	10,231	29,978
Accumulated depreciation	–	(147)	(2,189)	(3,416)	(17)	–	(5,769)
Carrying amount at 30 June 2019	**6,243**	**3,300**	**3,037**	**1,376**	**22**	**10,231**	**24,209**

1. Additions include the written down value of assets acquired in business combinations.
2. Balances shown net of accumulated depreciation.
3. Includes depreciation attributable to health services and health prevention activities.
4. Development costs include capitalised costs for the development of commercial property within the QE042 Trust entity.

2.4 PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS (CONTINUED)

Reconciliation of carrying amount – intangible assets

	Goodwill ($'000)	Health.com.au customer list ($'000)	License fee ($'000)	Software ($'000)	Domain names ($'000)	Software WIP ($'000)	Total ($'000)
Amortisation rate	–	7.7%	5.0%	10.0-30.0%	–	–	–
Carrying amount at 30 June 2017	**22,166**	**11,835**	**1,429**	**3,633**	**271**	**287**	**39,621**
Additions[1]	2,463	–	–	–	–	739	3,202
Disposals at written down value	–	–	–	(45)	–	–	(45)
Amortisation[2]	–	(1,068)	(128)	(816)	–	–	(2,012)
Transfers	–	–	367	456	–	(823)	–
Write-offs	(258)	–	–	(647)	–	–	(905)
Cost	24,371	13,882	2,181	5,872	271	203	46,780
Accumulated amortisation	–	(3,115)	(292)	(3,512)	–	–	(6,919)
Carrying amount at 30 June 2018	**24,371**	**10,767**	**1,889**	**2,360**	**271**	**203**	**39,861**
Additions[1]	1,038	–	–	–	–	369	1,407
Disposals at written down value	–	–	–	(26)	–	–	(26)
Amortisation[2]	–	(1,068)	(180)	(628)	–	–	(1,876)
Transfers	–	–	8	532	–	(540)	–
Write-offs	(519)	–	–	–	–	–	(519)
Cost	24,890	13,882	2,189	6,307	271	32	47,571
Accumulated amortisation	–	(4,183)	(472)	(4,070)	–	–	(8,725)
Carrying amount at 30 June 2019	**24,890**	**9,699**	**1,717**	**2,237**	**271**	**32**	**38,846**

1. Additions include the written down value of assets acquired in business combinations.
2. Includes amortisation attributable to health services and health prevention activities

Additional information on goodwill is included in note 5.7C.

2.5 TRADE AND OTHER PAYABLES

Accounting Policies

Risk equalisation special account

Under the provisions of the Private Health Insurance Risk Equalisation Policy Rules 2007, hospital benefits are submitted to the Risk Equalisation Special Account 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 Special Account an amount equivalent to the shortfall.
- Conversely, where the direct payment is proportionally greater than the average, the difference is paid to the Company from the Risk Equalisation Special Account.

Eligible claims are assessed on a quarterly basis.

Other payables

Liabilities are recognised for amounts payable in the future for goods and services received at balance date, whether or not billed to the Group. The Group's payables are all considered short term.

Financial Disclosure	2019 ($'000)	2018 ($'000)
Health Benefits Risk Equalisation Special Account	17,627	22,841
Creditors and accruals	11,681	14,025
	29,308	**36,866**

2.6 OTHER PROVISIONS

Accounting Policies

Insurance contracts

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

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period. The Company has determined that all current contracts with policyholders are insurance contracts.

Underwriting insurance contracts expose the Company to liquidity risk through payment obligations of unknown amounts on unknown dates. Liquidity risk is the risk of having insufficient cash resources to meet payment obligations. The assets held to back insurance liabilities consist largely of money market securities, fixed interest investments and other highly liquid assets. Asset management is designed to provide consistency between forecasted claims payment obligation and asset maturity profiles.

Management of liquidity risk is incorporated into GMHBA's Risk Management Strategy, Liquidity Management Plan and investment framework.

Insurance Risk Management

The risk management framework offers a level of assurance that the Group's risks are administered thoroughly and astutely. The risk management plan addresses the operational risks of the Group.

The framework is inclusive of a risk management plan, which is the process of planning, organising, directing and controlling the resources and activities of an organisation in order to minimise the adverse effects of accidental losses to the organisation. It is recognised as an integral part of good management practice, which involves a process consisting of steps which when undertaken in sequence, enable continual improvement in decision-making. Risk management is as much about identifying opportunities as avoiding or mitigating losses.

The risk management plan defines management responsibilities and the processes involved in mitigating identified qualitative and quantitative risks through a set of developed guidelines. The risk management plan is subject to a formal review process to ensure continued effectiveness.

Outstanding claims liability

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. Changes in claims estimates are recognised in profit or loss in the reporting period in which the estimates are changed.

Claims that have been incurred by fund members, but not yet presented to the Company for reimbursement, are estimated based on the claims experience in previous accounting periods. Outstanding claims are not discounted as they are usually settled within six 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. GMHBA adopted a risk margin of 5.5% (2018: 7%) giving in excess of 75% probability of adequacy, whilst Health.com.au adopted a risk margin of 15% (2018: 15%) in order to give a 75% probability of adequacy. The risk margins have been based on an analysis of the past experience of the respective health benefits funds by our Appointed Actuary on the adequacy of the provision over prior years.

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 and any part of the general administrative costs directly attributable to the claims function. The allowance for the claims handling cost at 30 June 2019 is 1.5% (2018: 1.5%) of the claims liability for the GMHBA fund. For Health.com.au Pty Ltd, the allowance is 1.5% (2018: 1.5%) for ancillary and 3.0% (2018: 3.0%) for hospital.

2.6 OTHER PROVISIONS (CONTINUED)

Accounting Policies (continued)

Reward benefits

The Company operates a reward benefits entitlement program for certain eligible fund members. Fund members receive an additional annual allocation of benefits as long as their eligible cover is maintained. In addition, the 'Rewards' product entitles eligible fund members to accumulate annual allocations, which they can use to claim additional benefits.

Provision is made for the future liability for claims under the Rewards entitlements. The Group has provided for the total eligible benefit to combined fund members as at 30 June 2019 with due allowance for both expected timing of payments and foregone benefit entitlements on the basis that it is likely that not all fund members will use their full entitlement. The provision is reflective of the expected net cost to the Group, after Risk Equalisation. This allowance is reviewed periodically and the provision is currently 76% (2018: 76%) of the Reward entitlement in respect of membership up to 30 June 2019 for the GMHBA program, and 47% (2018: 42%) for the Frank program.

Financial Disclosure	2019 ($'000)	2018 ($'000)
Current provisions		
Outstanding claims (a)	51,615	46,311
Risk margin	242	3,567
	51,857	**49,878**
Reward benefits (b)	11,758	12,077
	63,615	**61,955**

(a) Outstanding claims including risk margin

Gross Claims – undiscounted

The reconciliation of the provisions are as follows:

	2019 ($'000)	2018 ($'000)
Balance at beginning of year	49,878	45,956
Add: claims incurred	524,777	480,087
Less: claims settled	(522,798)	(476,165)
Net outstanding claims liability	**51,857**	**49,878**

Benefits paid

	2019 ($'000)	2018 ($'000)
Gross Claims – undiscounted		
Current year	531,764	492,563
Prior year	(2,068)	(4,130)
Total benefits paid	**529,696**	**488,433**

Current year benefits relate to claim events that occurred in the current financial year. Prior year benefits relate to a reassessment of the claim events that occurred in all previous financial periods.

(b) Reward benefits

	2019 ($'000)	2018 ($'000)
Balance at beginning of year	12,077	13,135
Add: Benefits accrued	5,571	4,206
Less: Benefits utilised	(5,890)	(5,264)
	11,758	**12,077**

2.7 OTHER LIABILITIES

Accounting Policies

Liability adequacy test

Under AASB 1023 the Company 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 margins adopted are 3.3% for the GMHBA Limited fund and 3.0% for the Health.com.au Pty Ltd fund; both of which correspond 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. No deficiency was identified in the GMHBA Limited or Health.com.au Pty Ltd funds.

Unearned premium liability

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

Financial Disclosure	2019 ($'000)	2018 ($'000)
Unearned premium liability	64,635	67,196
Unclosed business premiums	2,472	922
Unexpired risk liability	–	–
	67,107	**68,118**

2.8 FAIR VALUE MEASUREMENT

Accounting policies

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the methods disclosed in the notes specific to that asset or liability.

Term Deposits

The fair value of term deposits is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a market interest rate. These investments are held for a set term and rolled over at maturity.

Equity securities

The fair value of listed equity securities is determined by reference to their quoted closing bid price at the reporting date. International equity securities are also determined by reference to their quoted closing bid price at the reporting date, however are also subject to foreign exchange movements, see note 3.2.

Bonds

The fair value of bonds are evaluated using market accepted formulae such as those set out in the Prospectuses for Australian Government Bonds, Indexed Bonds, and Treasury Bills. Valuation is derived via any one of 3 methods; direct sourcing from market participants, average spread over benchmark bonds or swap curve, or matrix yield curves, and are quoted to 3 decimal places.

Land and buildings

The Group uses Opteon (Victoria) Specialised Pty Ltd, a valuations and advisory services company which employs accredited independent valuers, to determine the fair value of its land and buildings. Fair value is determined directly by reference to market based evidence, which is the amounts for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. A full valuation of land and buildings is performed at intervals not greater than three years, with the effective date of the most recent valuation being 30 June 2017 and the next valuation expecting to be performed no later than 30 June 2020. Increments/decrements from the revaluation of the Group's land and buildings are reflected in the asset revaluation reserve.

2.8 FAIR VALUE MEASUREMENT (CONTINUED)

Fair Value Hierarchy

The table below separates financial assets and financial liabilities based on a hierarchy that reflects the significance of the inputs used in the determination of fair value. The fair value hierarchy has the following levels:

Level 1 – quoted prices

Quoted prices (unadjusted) in active markets for identical assets and liabilities are used.

Level 2 – other observable inputs

Inputs that are observable (other than Level 1 quoted prices) for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) are used.

Level 3 – unobservable inputs

Inputs for the asset or liability that are not based on observable market data (unobservable inputs) are used. No transfers between fair value hierarchy levels have occurred during the period. Where the determination of fair value for an instrument involves inputs from more than one category, the level within which the instrument is categorised in its entirety is determined on the basis of the highest level input that is significant to the fair value measurement in its entirety. This table does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Level 1 ($'000)	Level 2 ($'000)	Level 3 ($'000)	Total ($'000)
30 June 2019				
Cash and cash equivalents	57,651	–	–	57,651
Term deposits	74,378	–	–	74,378
Equity securities	44,495	–	–	44,495
Bonds	3,948	92,278	–	96,226
Land and buildings	–	–	9,543	9,543
Total	**180,472**	**92,278**	**9,543**	**282,293**
30 June 2018				
Cash and cash equivalents	50,096	–	–	50,096
Term deposits	96,521	–	–	96,521
Equity securities	40,459	–	–	40,459
Bonds	5,460	87,916	–	93,376
Land and buildings	–	–	9,622	9,622
Total	**192,536**	**87,916**	**9,622**	**290,074**

Valuation technique and unobservable inputs for level 3

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Land and buildings (Level 3)	*Income capitalisation method and market approach:* The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets Based on requirements in accordance with the International Valuations Standards 2011	• Recent sales of comparable land in a comparable geographical region • General market and economic conditions	The estimated fair value would increase / (decrease) if: • expected market rental growth were higher/(lower); • void periods were shorter/(longer); • the occupancy rate were higher/(lower); • the rent-free periods were shorter/(longer); or • the capitalisation rate were lower/(higher).

2.9 TAXES

Accounting Policies

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.9 TAXES (CONTINUED)

Financial Disclosure

Current income tax expense

Tax recognised in profit or loss **Current tax expense**	**2019** **($'000)**	**2018** **($'000)**
Current period	2,323	2,757
Deferred tax expense		
Origination and reversal of temporary differences	(2,768)	(2,308)
Total tax (benefit)/expense	**(445)**	**449**

Reconciliation of effective tax rate	**2019** **($'000)**	**2018** **($'000)**
Profit for the year attributable to the Company	11,025	15,112
Total tax (benefit)/expense	(445)	449
Profit excluding tax	**10,580**	**15,561**
Tax using the Company's domestic tax rate of 30%	3,174	4,668
Tax effect of tax exempt profits of GMHBA Limited[1]	(5,820)	(5,454)
Tax effect of non-deductible Group share of joint venture loss	1,865	824
Tax effect of other non-deductible expenses	336	411
	(445)	**449**

1: GMHBA Limited is an income tax exempt entity and tax is payable only on taxable entities within the GMHBA Limited Group.

3. CAPITAL MANAGEMENT

This section outlines the ways in which the Company manages financial risks and cash flow requirements associated with operating in the insurance industry. It is split into the following sub sections:

3.1 Cash flows

3.2 Management of financial risks

3.3 Commitments and contingencies

3.1. CASH FLOWS

For the purposes of the statement of cash flows, cash includes cash on hand and bank deposits at call within 90 days. Cash and cash equivalents are carried at cost which, due to their short-term nature, approximates fair value.

(a) Reconciliation of net cash provided by operating activities to profit:	2019 ($'000)	2018 ($'000)
Profit for the year	11,026	15,112
Realised investment gains	(1,355)	(520)
Depreciation and amortisation	3,483	2,919
Impairments and loss on disposal of PPE and intangibles	675	-
Unrealised investment (gain)	(1,880)	(4,445)
Interest and dividends received	(6,695)	(6,171)
Share of loss of Joint Venture and Associate	6,217	2,746
Income tax (benefit)/expense	(445)	449
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(1,597)	114
Decrease/(increase) in other assets and investments	3,744	(8,872)
(Decrease) in trade and other payables	(7,821)	(1,518)
Increase in provisions	1,659	2,864
(Decrease)/increase in other liabilities	(1,010)	8,435
Increase in employee benefits	412	568
(Increase)/decrease in current and deferred tax assets and liabilities	(445)	449
Net cash inflow from operating activities	**5,968**	**12,130**

(b) Reconciliation of cash

For the purposes of the cash flow statement, cash includes cash on hand and bank deposits at call within 90 days, net of any outstanding bank overdraft. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the Balance Sheet:

	2019 ($'000)	2018 ($'000)
Cash on hand	186	159
Cash at bank	57,465	49,937
	57,651	**50,096**

The Group has no credit standby arrangements or loan facilities.

3.2 MANAGEMENT OF FINANCIAL RISKS

The Group is exposed to the following financial risks in the normal course of business; (a) Market Risk (including Currency Risk (i), Interest Rate Risk (ii) and Price Risk (iii)), (b) Credit Risk, and (c) Liquidity Risk.

(a) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market factors. Market risk comprises three types of risk: currency risk (due to fluctuations in foreign exchange rates), interest rate risk (due to fluctuations in market interest rates) and price risk (due to fluctuations in market prices). The following policies and procedures are in place to mitigate the Group's exposure to market risk.

- A Risk Management Plan and Investment Policy setting out the assessment and determination of what constitutes market risk for the Group.
- The Investment Committee is responsible for compliance with the Investment Plan which it monitors for any exposures or breaches. It is also the role of the Investment Committee to determine action plans in mitigation of market risk.

(i) Currency Risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group has exposure to currency risk via its investments in international equities that are denominated in a currency other than the respective functional currency of the Group, the Australian dollar (AUD). The currencies in which these transactions primarily are denominated are Euro, CHF, USD and GBP with the investment carried at fair value with gains and losses through profit or loss. The Group carries a small amount of cash in foreign currency for the purpose of settling trades of international equities.

Exposure to currency risk

The summary quantitative data about the Group's exposure to currency risk is as follows.

	30 June 2019					30 June 2018			
($'000 AUD)	**Euro**	**JPY**	**USD**	**GBP**	**Other**	**Euro**	**CHF**	**USD**	**GBP**
Equities	4,951	896	23,042	–	1,070	4,453	948	20,341	1,140
Cash	78	5	37	115	8	9	–	915	–
Net statement of financial position exposure	**5,029**	**901**	**23,079**	**115**	**1,078**	**4,462**	**948**	**21,256**	**1,140**

As at 30 June 2019, had the Australian dollar moved, as illustrated in the table below, with all other variables held constant, other comprehensive income would have (increased)/decreased as follows:

	2019 ($'000)		2018 ($'000)	
	+10%	-10%	+10%	-10%
Euro to AUD	(457)	559	(406)	496
CHF to AUD	(1)	1	(86)	105
USD to AUD	(2,195)	2,683	(1,932)	2,362
GBP to AUD	(10)	13	(104)	127
JPY to AUD	(82)	100	–	–

(ii) Interest Rate Risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rate. The Group invests primarily in financial instruments with fixed and floating interest rates which expose the Group to fair value interest rate risk.

The Group is exposed to interest rate risk as it places funds in term deposits and bonds. The Group has adopted an investment strategy that delivers a diversified portfolio with a greater weighting to defensive assets versus growth assets. The Group achieves a balance mitigating the exposure to interest rate risk while optimising the return by allowing some flexibility to the external investment advisor.

The Group's exposure to interest rate risk is set out below:

			Fixed interest maturing in:			
2019	**Note**	**Variable interest rate ($'000)**	**1 year or less ($'000)**	**Over 1 to 5 years ($'000)**	**Non-interest bearing ($'000)**	**Total ($'000)**
Financial assets						
Cash	3.1	56,865	–	–	786	57,651
Receivables	2.1	–	–	–	19,251	19,251
Term deposits	2.2	–	74,378	–	–	74,378
Equity securities	2.2	–	–	–	44,495	44,495
Bonds	2.2	96,226	–	–	–	96,226
		153,091	**74,378**	**-**	**64,532**	**292,001**
Weighted average interest rate %		2.09	2.40			
Financial liabilities						
Payables	2.5	–	–	–	29,308	29,308
		–	–	–	29,308	29,308
Net financial assets		**153,091**	**74,378**	**-**	**35,224**	**262,693**

			Fixed interest maturing in:			
2018	**Note**	**Variable interest rate ($'000)**	**1 year or less ($'000)**	**Over 1 to 5 years ($'000)**	**Non-interest bearing ($'000)**	**Total ($'000)**
Financial assets						
Cash	3.1	48,078	–	–	2,018	50,096
Receivables	2.1	–	–	–	18,188	18,188
Term deposits	2.2	–	96,521	–	–	96,521
Equity securities	2.2	–	–	–	40,459	40,459
Bonds	2.2	93,376	–	–	–	93,376
		141,454	**96,521**	**-**	**60,665**	**298,640**
Weighted average interest rate %		2.83	2.50			
Financial liabilities						
Payables	2.5	–	–	–	36,866	36,866
		–	–	–	36,866	36,866
Net financial assets		**141,454**	**96,521**	**-**	**23,799**	**261,774**

3.2 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

(a) Market Risk (continued)

(ii) Interest Rate Risk (continued)

The following table illustrates the sensitivity on net profit for the year ended 30 June 2019 to a reasonably possible change in interest rates of +/-1% (2018: +/- 1%). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at balance sheet date, with all other variables held constant.

	2019 ($'000)		2018 ($'000)	
Net result	+1%	-1%	+1%	-1%
Fair value risk				
Fixed rate instruments				
Term deposits	(283)	287	(399)	406
Bonds	(135)	135	(187)	187
Cash flow risk				
Variable rate instruments				
Cash	962	(962)	471	(465)
Bonds	949	(949)	923	(923)

The Group actively manages its investments in high-quality liquid fixed interest securities and cash for the duration of the fixed interest period. This should be taken into consideration when considering the impact of the above movement.

(iii) Price Risk

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market. At 30 June 2019 the Group investments are composed of term deposits, bonds and equities. The Group holds its term deposits to maturity and does not trade these investments.

The Group is exposed to equity securities price risk due to equity investments that are classified as fair value through profit and loss. The Group is indirectly exposed to commodity risk through its investments in listed equities. The Group manages the price risk arising from investments in equity securities, through the diversification of its investment portfolios. Diversification of the portfolios is performed by the Group's investment advisor in accordance with the mandates set by the Group.

A 10% decrease in the price of listed equities within the equity portfolio would result in a loss of $4.45m. A 10% increase in the price of listed equities within the equity portfolio would result in a gain of $4.45m. The unrealised gain or loss would be recognised as a fair value movement and disclosed in the statement of profit or loss and other comprehensive income.

(b) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause financial loss to the other party by failing to meet its contracting obligations and arises principally from the Group's receivables and investments. The carrying amount of financial assets represents the maximum exposure.

Credit risk in relation to trade receivables is considered low with the balance largely comprising the Federal Government rebate, accrued interest on strong credit-rated assets and with premiums earned having a history of low credit risk. Measurement is based on unbiased support and taking into account past experience. The Group minimises concentrations of credit risk by undertaking transactions with a large number of customers/contributors. The Group is not materially exposed to any individual customer, however is exposed to credit risk through insurance, risk equalisation and investments.

Credit risk in respect of insurance and risk equalisation receivables is actively monitored through the risk management plan which includes analysis of claiming patterns. The Group developed and adopted an Investment Plan to manage the return of the investment portfolio within defined risk categories. The Group minimises concentrations of investment risk by undertaking direct investment transactions with a wide variety of suitably rated financial institutions, and through the appointment of a reputable and appropriate investment advisor.

The *Standard & Poor's (S&P's)* credit rating as at 30 June 2019 for the term deposits of $74.4m, bonds of $96.2m and cash of $57.7m, which represents its maximum credit exposure on these assets, is as follows:

Term deposits		Bonds		Cash	
S&P credit rating	**% of portfolio**	**S&P credit rating**	**% of portfolio**	**S&P credit rating**	**% of portfolio**
AAA	-	AAA	1%	AAA	-
AA+	-	AA+	-	AA+	-
AA	-	AA	4%	AA	-
AA-	-	AA-	34%	AA-	-
A-1+	75%	A+	10%	A-1+	86%
A-1	-	A	7%	A-1	11%
A-2	24%	A-	20%	A-2	-
		BBB+	5%		
		BBB	19%		
Unrated	1%	Unrated	-	Unrated	3%

The above table details the percentage of the Group's term deposits, bonds and cash investment portfolio, based on the number of deposits held and the S&P credit rating as at 30 June 2019.

The fair value of the equity securities has been determined by reference to quoted stock exchanges. The Group has assessed whether any of the financial assets are impaired. Based on the risk management measures undertaken by the Group, there is no objective evidence that any financial assets are impaired below the fair market value as stated.

(c) Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions as required by the Liquidity Management Plan, without incurring unacceptable losses or risking damage to the Group's reputation. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and holds a high percentage of highly liquid investments.

Financial liabilities comprise trade and other payables at the reporting date. The balance of $29.31m (2018: $36.87m) is gross and undiscounted and has committed cash flows of two months or less and exclude the impact of netting agreements.

(d) Capital Management

The capital structure of the Group consists of cash reserves, investments, and other assets. Operating cash flows are used to maintain and increase the Group's investments. The Group's investments at reporting date are composed of term deposits, bonds and investments in the equity market. Management and the Investment Committee along with the Board continue to monitor market conditions. The Group does not have any external borrowings.

The Group manages its capital to enable it to continue as a going concern and protect members' funds. Total equity attributable to Members of the Company and percentage increases are as follows:

Year	$'000	Increase
2014	160,729	14.40%
2015	183,866	14.40%
2016	200,087	8.82%
2017	218,752	9.33%
2018	233,864	6.91%
2019	244,889	4.71%

The Group's health benefits funds are required to maintain sufficient capital to comply with APRA's solvency and capital adequacy standards. The solvency standard aims to ensure that health benefits funds have enough cash or liquid assets to meet all of its liabilities as they become due, even if the cash flow is 'stressed'. The standard consists of a requirement to hold a prescribed level of cash, and also mandates a Liquidity Management Plan. Private health insurers are required to have, and comply with, a Board endorsed Capital Management Policy and Liquidity Management Plan. The Liquidity Management Plan exists to ensure the health benefits fund continues to comply with the solvency requirements set out in the Solvency Standard by setting minimum liquidity requirements of the health benefits fund and describing the actions GMHBA Limited will perform in order to comply with the liquidity requirements.

Health benefits funds are required to comply with these standards on a continuous basis and report results to APRA quarterly. The Group's health benefits funds have been in compliance with these standards throughout the year.

3.3 COMMITMENTS AND CONTINGENCIES

Accounting Policies

Leases

The Group has several operating leases for the Group's accommodation (in which a significant portion of the risks and rewards of ownership are not transferred to the Group). The lease payments are recognised as an expense in the consolidated statement of profit or loss and other comprehensive income on a straight line basis over the term of the lease.

The following is a schedule by years of future minimum rental payments required under operating leases that have non-cancellable lease terms in excess of one year as at 30 June 2019.

Financial Disclosure	2019 ($'000)	2018 ($'000)
Due:		
Not later than one year	1,608	1,383
Later than one year but not later than five years	2,184	2,153
	3,792	**3,536**

4. REMUNERATION OF OUR PEOPLE

This section contains important information about the remuneration of staff and key management personnel (KMP). Disclosures are broken down into the following categories:

- 4.1 Key management personnel
- 4.2 Employee benefits

4.1 KEY MANAGEMENT PERSONNEL

Under AASB 124 "Related Party Disclosures" financial disclosures are required for the key management personnel. Under the standard key management personnel are defined as:

"Those people 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."

Directors

The names of persons who were directors of the Company at any time during the financial year are as follows:

James Walsh	Brian Benger
Denis Napthine	Gerald Miller
Sue Renkin	Mike Hirst (appointed July 2018)
Vicky Papachristos	Marie Bismark

Compensation of key management personnel – directors

	2019 ($)	2018 ($)
Short term benefits	842,487	757,660

No long-term benefits or termination benefits were paid to directors at balance date.

Compensation of key management personnel – management

	2019 ($)	2018 ($)
Short term benefits	3,157,563	2,573,023
Termination benefits	–	74,211
	3,157,563	**2,647,234**

Management includes the Chief Executive Officer and eight other executive managers. No termination benefits or long-term benefits were paid to key management personnel during the 2018-19 financial year.

4.2 EMPLOYEE BENEFITS

Accounting Policies

Salaries and wages and annual leave

Liabilities for salaries and wages and annual leave are recognised and are measured as the amount unpaid at the reporting date based on remuneration rates expected to apply when the obligation is settled, including on-costs, in respect of employees' services up to that date.

Long service leave

A liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using interest rates on national corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash flows.

Financial Disclosure	2019 ($'000)	2018 ($'000)
Current		
Employee annual leave	2,186	2,012
Employee long service leave	1,371	1,209
	3,557	**3,221**
Non-current		
Employee long service leave	439	346
	439	**346**

5. OTHER IMPORTANT INFORMATION

This section contains other important information relevant to the Financial Report, as required by accounting standards. Disclosures are broken up into the following sections:

- 5.1 Auditor's remuneration
- 5.2 New accounting standards
- 5.3 Company information
- 5.4 Controlled entities
- 5.5 Equity accounted investees
- 5.6 Related parties
- 5.7 Acquisitions
- 5.8 Parent entity disclosures
- 5.9 Subsequent events

5.1 AUDITOR'S REMUNERATION

Financial Disclosure	2019 ($)	2018 ($)
Audit and review of Financial Reports and other regulatory returns	254,800	254,800
Taxation and other services	8,000	-
	262,800	**254,800**

5.2 NEW ACCOUNTING STANDARDS

The Group adopted AASB 15 Revenue from contracts with customers in the year ended 30 June 2019. The Group's premium revenue is recognised under AASB 1023 General Insurance Contracts which is not impacted by AASB 15. Therefore, the impact of this standard is limited to revenue from health services businesses, with the impact being immaterial to the Group financial statements. The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application that are available for early adoption at 30 June 2019, but have not been applied in preparing this Financial Report:

AASB amendment	Nature of change to accounting policy
AASB 9: Financial instruments: Financial assets and Financial liabilities	Application date of standard: 1 January 2018 Application date for GMHBA: 30 June 2022 (The AASB passed amendment AASB 2016-6, (and subsequently 2017-3) which amends the effective date of AASB 9 to that of AASB 17 for those entities with predominantly insurance based activities. GMHBA intends to apply this exemption and will defer adoption of AASB 9 accordingly.) The new standard includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and supplements the new general hedge accounting requirements previously published. It supersedes AASB 9 (issued in December 2009 – as amended) and AASB 9 (issued in December 2010 – as amended). Under the new standard, financial assets are to be measured at either amortised cost or fair value. Only investments in simple debt instruments managed on a contractual yield basis can be measured at amortised cost. All other financial assets must be measured at fair value through profit and loss. Investments in equity instruments not held for trading may be measured at fair value with all changes recognised in other comprehensive income. The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale. The adoption of the revised AASB 9 is expected to have an impact on the Group's financial assets, but not impact on the Group's financial liabilities. As the Group currently classifies its investments at fair value through profit or loss, the Group does not expect this to have a material impact.

5.2 NEW ACCOUNTING STANDARDS (CONTINUED)

AASB amendment	Nature of change to accounting policy
AASB 16: Leases	Application date of standard: 1 January 2019 Application date for GMHBA: 30 June 2020 AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. The Group will recognise new assets and liabilities for its operating leases of retail and office premises (see Note 3.3). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense as paid, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised. In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability. Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of $8.1 million as at 1 July 2019 and additional right of use assets equal to the new lease liability. The Group plans to apply AASB 16 initially on 1 July 2019, using the modified retrospective approach. Therefore, an equal and opposing asset and liability will be raised on this date with no effect on retained earnings, and with no restatement of comparative information. The Group plans to apply the following practical expedients: • To grandfather the definition of a lease on transition. This means that it will apply AASB 16 to all contracts entered into before 1 July 2019 and identified as leases in accordance with AASB 117. • To treat short term leases and low value leases for non-retail premises as they would have been treated under the old standard. All retail leases will be treated consistently under the new standard for comparability, regardless of value and time to expiry. • To apply a single discount rate to retail leases with similar characteristics on a portfolio basis • To grandfather the previous assessment of onerous and impaired leases. This means it will rely on a previous assessment of whether leases are onerous in accordance with AASB 137 immediately before the date of initial application as an alternative to performing an impairment review. Instead, the Company adjusts the carrying amount of the Right of Use asset at the date of initial application by the previous carrying amount of its onerous lease provision.
AASB 17 Insurance Contracts (effective from 1 January 2021)	Application date of standard: 1 January 2021 Application date for GMHBA: 30 June 2022 This standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. The Company is yet to undertake a detailed assessment but expects a material impact from this standard.

5.3 COMPANY INFORMATION

GMHBA Limited is a public company limited by guarantee. If the Company is wound up, the constitution states that each Company Member is required to contribute a maximum of $20 towards meeting any outstanding obligations of the Company. At 30 June 2019 the number of Company Members was eight (2018: seven).

5.4 CONTROLLED ENTITIES

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group's subsidiaries are outlined in the following table.

Name	Principal place of business	Ownership interest	
		2019	2018
Health.com.au Pty Ltd	Victoria, Australia	100%	100%
GMHBA Services Pty Ltd	Victoria, Australia	100%	100%
GMHBA Armstrong Creek Unit Trust	Victoria, Australia	100%	100%
GMHBA Land Co Pty Ltd	Victoria, Australia	100%	100%
QE042 Trust	Victoria, Australia	81%	-

In 2019 the Group acquired 81% of units in the QE042 Trust, which was established during the financial year. This subsidiary will develop and own commercial property in Geelong, providing office space for the parent entity (and third-party tenants), and an investment return for the Group.

5.5 EQUITY ACCOUNTED INVESTEES

Accounting policies

The Group's interest in equity-accounted investees comprises interests in an unlisted joint venture entity – MO Health Pty Ltd (trading as MyOwn Health Insurance). A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. An associate is an entity in which the Group has significant influence, but not control. Interests in joint ventures and associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence or joint control ceases.

The following table summarises the financial information of MO Health Pty Ltd as included in their own financial statements, adjusted for fair value adjustments at acquisition. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in MO Health Pty Ltd. As at 30 June 2019, the net loss reported by MO Health Pty Ltd represented an indicator of impairment. The Group performed value-in-use (VIU) calculations to assess whether the carrying value of the investments was impaired. The VIU calculations supported the carrying value (2018: nil impairment).

Financial disclosure – *MO Health Pty Ltd*	2019 ($'000)	2018 ($'000)
Interest in joint venture	20,981	13,111
Percentage ownership interest	**51%**	**51%**
Current assets	41,476	24,203
Non-current assets	15,165	8,042
Current liabilities	15,502	6,536
Non-current liabilities	-	-
Net assets	41,139	25,709
Group's share of net assets (51%)	20,981	13,111
Carrying amount of investment in joint venture	**20,981**	**13,111**
Revenue	29,806	6,253
Expenses	41,996	11,638
Net (loss)	(12,190)	(5,385)
Group's share of net (loss)	**(6,217)**	**(2,746)**
Dividends received by the Group	**-**	**-**

5.6 RELATED PARTIES

At 30 June 2019, the Group had a balance of $5k receivable (2018: $53k) from MO Health Pty Ltd – a joint venture in which GMHBA Limited has an equity interest (refer to note 5.5). The balance has since been settled. Throughout the year, GMHBA recharged certain costs to MO Health Pty Ltd for providing operational and administrative support to MO Health Pty Ltd. Total recharges were immaterial to the Group result and were at cost with no mark-up applied. There were no other transactions with related parties of the Group during the period.

5.7 ACQUISITIONS

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration payable is measured at fair value at the acquisition date. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Physiotherapy practice

On 3 December 2018 GMHBA Limited obtained control of the operations of a physiotherapy practice in Geelong by acquiring 100% of the business' assets and liabilities. The decision to purchase the practice is consistent with the Group's implementation of its 10-Year Strategy to become a health and care company with a diversified income stream and expanded member offering that complements the core health insurance business.

In the seven months to 30 June 2019, the business contributed revenue of $0.4m and a net profit after tax of $0.1m to the Group's results. If the acquisition had occurred on 1 July 2018, management estimates that consolidated revenue would not have been materially different.

A. Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	$'000
Cash - completion date	751
Cash - deferred	15
Cash – contingent consideration	262
Total consideration transferred	**1,028**

Contingent cash consideration of $262k is payable by the Group within 12 months after transaction date subject to the achievement of certain patient targets by the acquiree.

B. Acquisition related costs

The Group incurred acquisition-related costs for legal and due diligence work performed. The total amount incurred was immaterial to the Group result and has been included in 'professional fees' in the consolidated statement of profit or loss and other comprehensive income in 2019.

C. Identifiable assets acquired and liabilities assumed and goodwill arising

Assets and liabilities assumed were immaterial to the Group financial statements. Goodwill arising from the acquisition has been recognised as follows.

	Note	$'000
Consideration transferred	5.7 A	1,028
Fair value of identifiable net assets		(10)
Goodwill on acquisition		**1,038**

The excess of the consideration transferred over the fair value of the net identifiable assets acquired is recorded as goodwill. The goodwill is attributable primarily to the reputation of the practice.

5.8 PARENT ENTITY DISCLOSURES

As at and throughout the financial year ended 30 June 2019, the parent entity of the Group was GMHBA Limited. Parent entity financial results are as follows.

	2019 ($'000)	2018 ($'000)
Result of parent entity		
Net profit for the year	19,392	17,922
Total comprehensive income for the year	**19,392**	**17,922**
Financial position of parent entity at year end		
Current assets	153,703	164,458
Total assets	**395,345**	**381,518**
Current liabilities	133,953	139,592
Total liabilities	**134,321**	**139,886**
Total equity of parent entity comprising of:		
Retained earnings	260,203	241,811
Asset revaluation reserve	821	821
Total equity	**261,024**	**241,632**

5.9 SUBSEQUENT EVENTS

No matter or circumstance has occurred since the end of the reporting period that may materially affect the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

DIRECTORS' DECLARATION
FOR THE YEAR ENDED 30 JUNE 2019

In accordance with a resolution of the directors of GMHBA Limited, the directors declare:

That the financial statements and notes set out on pages 22 to 49:

(a) comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and

(b) give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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

Signed for and on behalf of the Board.

James Walsh
Chairman GMHBA Limited

Gerald Miller
Director GMHBA Limited

Geelong, 27 August 2019

Independent Auditor's Report

To the members of GMHBA Limited

Opinion

We have audited the ***Financial Report*** of GMHBA Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2019;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

Other Information

Other Information is financial and non-financial information in GMHBA Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and *the Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Group and Company's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

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

KPMG

KPMG

Rachel Milum

Rachel Milum

Partner

Melbourne

27 August 2019

GMHBA is a registered not for profit private health insurer

ABN 98 004 417 092

GMHBA Limited is a public company limited by guarantee and incorporated in Australia

Registered office and principal place of business:
Suite 9, Level 1, 10 Moorabool Street, Geelong VIC 3220

GMHBA Limited

Suite 9, Level 1,
10 Moorabool Street,
Geelong VIC 3220

PO Box 761, Geelong Vic 3220

Phone: 1300 446 422

Fax: (03) 5221 4582

Email: service@gmhba.com.au

Website: gmhba.com.au