

GMHBA LIMITED  
ABN 98 004 417 092

# ANNUAL REPORT

FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2020



# 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 nearly 370,000 Australians through distinct brands: GMHBA Health Insurance, Frank Health Insurance and health.com.au. 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 regional 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.

BE PEOPLE  
FOCUSED  
BE PURPOSEFUL  
BE WORTHY  
OF TRUST  
BE REMARKABLE



FINANCIAL + MEMBERSHIP HIGHLIGHTS

WE PRESENT SELECTED FINANCIAL HIGHLIGHTS FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020.



GMHBA + OUR COMMUNITY



AS A REGIONALLY BASED HEALTH FUND, BEING COMMUNITY MINDED IS INHERENT IN OUR CULTURE. GMHBA IS COMMITTED TO SUPPORTING OUR LOCAL COMMUNITY AND EMBRACES OPPORTUNITIES TO CONNECT WITH OUR MEMBERS AND BROADER COMMUNITY IN POSITIVE AND MEANINGFUL WAYS.

FINANCIAL HIGHLIGHTS

\$568 M ANNUAL BENEFITS PAID

\$31 M IN OPERATING CASH FLOWS, INCREASE OF \$25M FROM PRIOR YEAR

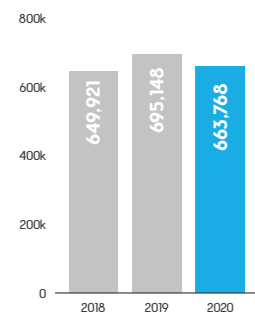
FOR EVERY DOLLAR RECEIVED IN PREMIUMS, 86 CENTS WAS PAID TO MEMBERS IN BENEFITS

MEMBERS

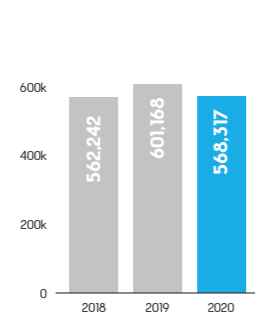
368,653 AUSTRALIANS COVERED

178,879 MEMBERSHIPS

CONTRIBUTION INCOME (\$'000)



BENEFITS PAID (\$'000)



MEDICAL CLAIMS

116,886 REPORTED HOSPITAL ADMISSIONS

50,507 SURGERIES CLAIMED

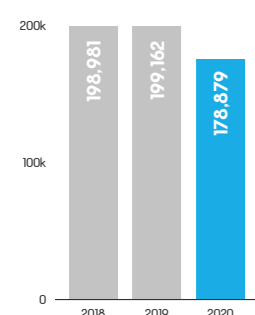
\$360,001 PAID OUT FOR A TRACHEOSTOMY WITH VENTILATION, THE HIGHEST CLAIM OF FY20

1,588 NEWBORNS WELCOMED INTO THE WORLD

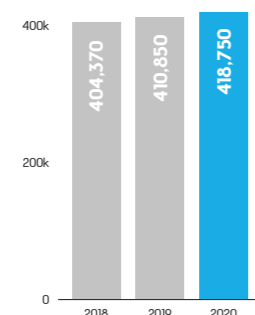
OUR FINANCIAL RESULT INCLUDES A PROVISION FOR A CATCH UP OF CLAIMS EXPECTED TO BE PAID IN FUTURE, DUE TO COVID-19 RESTRICTING ACCESS TO MEDICAL SERVICES.

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

MEMBERSHIPS



TOTAL ASSETS (\$'000)



COMMUNITY AND STAFF CONTRIBUTIONS

\$472,555 contributed to the community including:

\$19,226 contributed to community groups in response to the COVID-19 pandemic

648 hours contributed via staff volunteering

SUPPORTING OUR COMMUNITY'S HEALTH AND WELLBEING

114,209 occasions of care were provided by our health services businesses

444 people received a free health screen

3,800 flu vaccinations were delivered

GMHBA'S HEALTH BUSINESSES

GMHBA Eye Care Geelong + Waurn Ponds + Leopold + Ballarat

GMHBA Dental Care Geelong + Portland

Primary Care South Barwon Medical Centre + Lara Medical Centre

Physiotherapy Geelong Physiotherapy



# SUPPORTING OUR MEMBERS' HEALTH AND WELLBEING BECAME MORE IMPORTANT THAN EVER AS WE NAVIGATED THROUGH THE CHALLENGES OF THE COVID-19 PANDEMIC.

WE'RE PROUD OF THE MEASURES WE PUT IN PLACE TO EMPOWER AND SUPPORT OUR MEMBERS TO BE HEALTHIER AT HOME.

## HEALTHIER AT HOME

In response to the COVID-19 pandemic, GMHBA introduced Healthier at Home, a platform to provide tips, resources and articles for helping our members and community to keep healthy while staying home more often. The hub incorporates a wide range of well researched content with more than 100 health articles and podcasts.



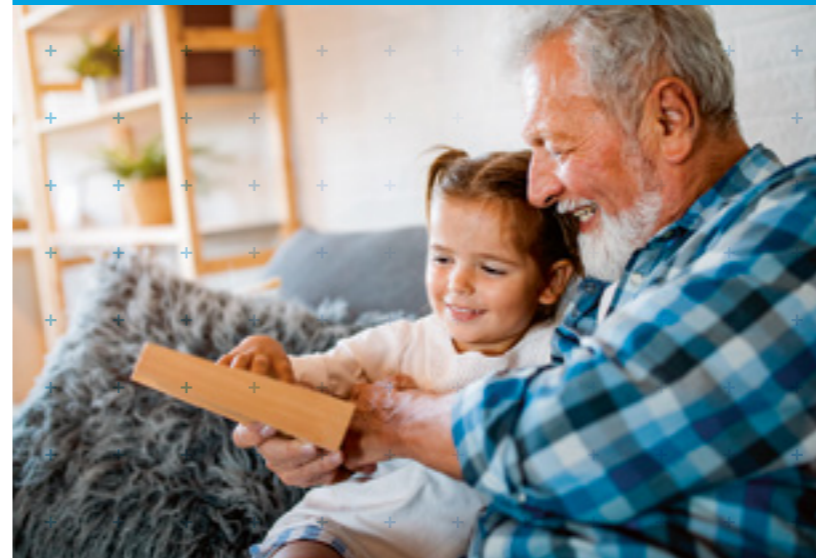
## KEEPING HEALTHY WITH KIESER

GMHBA has partnered with Kieser to bring leading physiotherapy and strength training direct to our members. Members can take advantage of Kieser with no out of pocket costs, including via telehealth, and can also access the Kieser Konnect app to manage their health remotely. Giving our members the opportunity to take part in Kieser's innovative physiotherapy program is one way we can help to ensure they have access to the right treatment, in the right place and at the right time.



## CARE COORDINATION SERVICE

GMHBA's Care Coordination Service (CCS) organises care for members who have complicated health problems, to provide support, information and access to health services. The CCS was expanded during COVID-19 to provide additional support to our most vulnerable members through check in phone calls and hand delivering care packages. More than 200 GMHBA members were contacted as part of the program, with more than half of those members taking up the offer of ongoing support phone calls from the team.



## GEELONG CATS PARTNERSHIP

During COVID-19, we adapted our unique partnership with the Geelong Cats, to find new and different ways to engage members. The GMHBA Fan Portal was moved to our members' homes, giving fans the exclusive opportunity to win a place in a live question and answer session on Zoom with some of their favourite players. Key Cats players also produced 'Healthier at Home' health and fitness videos to inspire and motivate our members to keep healthy over the lockdown period.



## EMBRACING TELEHEALTH

To support continuity of care for our members during COVID-19, GMHBA introduced telehealth benefits for a wide range of ancillary services for members with extras cover. We also offered access to telehealth consultations in our own medical and allied health practices. The introduction of telehealth benefits ensured our members were able to continue receiving the treatment they needed throughout the pandemic from the safety of their homes.



## AIA VITALITY

GMHBA's partnership with AIA Vitality provides our members access to the globally renowned, scientifically backed health and wellbeing program. Around 3,000 GMHBA members are now being rewarded for healthy choices through their AIA Vitality membership. In response to COVID-19, AIA Vitality at Home was developed to support members health and wellness at home, focusing on online workouts, tips for nutrition, recipes and mental wellbeing support, all while being rewarded.

## GMHBA LIMITED HAS PERFORMED SOUNDLY DURING A CHALLENGING YEAR FOR THE ORGANISATION AND ITS MEMBERS.

### STRATEGIC DIRECTION

We remain intent on delivering a compelling value proposition to members over their membership lifetime. This proposition includes high calibre health cover at affordable prices, the provision of a variety of health services (eye care, dental, physio and primary care) as well as access to AIA Vitality, a world leading wellness program.

The introduction of health care services over recent years improves the value proposition to our members in Geelong and regional Victoria, while providing important earnings diversification for the benefit of all members.

### COVID-19 IMPACT

The COVID-19 pandemic has had a significant impact on the performance and activities of GMHBA, as it has with so many individuals and other businesses. Our various activities have been impacted in many ways during the pandemic including deferral of elective surgeries, closure and/or amended operating procedures at our health services businesses. In a matter of days, our entire health insurance workforce of more than 400 employees were set up to work effectively from home.

As I write this report, renewed restrictions have been activated in Victoria leading to further significant adjustments to our operations. Throughout this period, we have remained focused on delivering high-quality service to our members and have significantly enhanced our communication frequency with members requiring support.

A range of initiatives designed to assist members were implemented as part of GMHBA's COVID-19 member response. These items are highlighted throughout this report, including in CEO Mark Valena's report following.

### FINANCIAL RESULTS

The trading results of the organisation are set out in significant detail within this report. In summary, it has been a challenging year to 30 June 2020 with declining health insurance participation rates, increasing health and therefore claim costs and then the impact of COVID-19.

Restrictions to elective surgery and health services during the lockdowns associated with COVID-19 have meant that members and customers have not always been able to access the care they are seeking at the right time.

GMHBA has responded with a wide range of ongoing initiatives to assist policyholders including telehealth, hardship suspensions, postponing the approved April rate increase and more. To the extent that the fund accrues additional capital over time as a result of lower benefit drawing rates, these benefits will be returned to members in one form or another such as lower premiums or increased benefits.

In finalising results for the year, following APRA guidelines, a significant provision was raised for 'catch up' claims that may occur once elective surgery restrictions are lifted. Given the continuing nature of these restrictions, and capacity constraints within the health system, many industry experts believe this provision is conservative.

Directors have also decided to write down the carrying value of the fund's investment in wholly owned subsidiary brand health.com.au. Tougher trading conditions have led us to form the view that this business unit will not generate the returns previously expected.

The net result is a loss of \$4.43m, reflecting the COVID-19 environment, which is challenging for all. Pleasingly, GMHBA's underlying business performance is solid, which we saw in the positive operating cash flow results for the year.

### MEMBERS' INTERESTS

As a member-owned not for profit business, GMHBA's fundamental purpose is to deliver choice and peace of mind to members during their time of need.

Close to two out of three non-emergency surgeries are performed under private health cover and given the significant surgery backlogs accruing in the public health system, private health insurance is a highly valuable protection should hospitalisation be required over the medium-term in Australia.

During the year to 30 June 2020, GMHBA supported 116,886 hospital admissions, 50,507 surgical procedures and more than 1.6m ancillary service visits for our policyholders. Our health services businesses attended to 114,209 occasions of care.

Our private health insurance business also returned approximately 86 cents in the dollar to members, while continuing to strive to offer value for money through targeted health insurance policies.

### REGULATORY REGIME

An ongoing supportive regulatory regime is necessary for a sustainable health system incorporating the critical private health sector.

The industry needs support to be able attract and retain younger members. It also requires concerted effort from all parties involved in the sector to control the cost of inputs such as prosthetics and low value care.

Australia and our private patients should be paying no more than globally competitive prices. Yet there are numerous examples of inefficient and unnecessary hospitalisations with care in the wrong settings, as well as inflated pricing that need to be brought into line if we are to continue to offer an affordable system.

### INVESTMENTS

As an insurer, GMHBA has significant levels of invested funds across a range of investment classes including cash, term deposits, government and corporate bonds as well as local and international equities.

Equity markets fell significantly in March as the pandemic impacted confidence in these markets. While our returns for the year were below initial expectations, overall the portfolio has stood up well and a positive return ahead of relevant benchmarks was achieved for the year.

As part of its investment portfolio, GMHBA has owned its head office site in Moorabool Street Geelong since the 1960s. For many years now and because of the significant growth of the fund, employees have been operating across a range of additional leased buildings. As a result, the fund has decided to invest in a new, efficient office building on the Moorabool Street site. This exciting project is well underway and will secure an appropriate office space for GMHBA's employees, as well as being a valuable long-term investment for the fund.

### GOVERNANCE

The GMHBA Ltd Board and management group is acutely aware of the need for high standards of organisational governance. Collectively we spend significant time and effort to meet the governance standards expected by our members and the community generally, as well as the prudential standards required by our regulators, ASIC and APRA. Our governance structures are outlined in more detail later in this report.

The GMHBA Board of directors is diverse with decades of experience across a range of relevant industries and professional skill sets. Regular Board renewal is an important feature of governance. The appointment of Claire Higgins during 2019 has added further strength to the Board. Claire has significant experience as an executive and director across a range of industries including health and health insurance. I am pleased to advise that Claire will be the next Chair of GMHBA Limited.

### THANK YOU

I thank my fellow directors, CEO Mark Valena, his management team and all employees within the GMHBA Limited Group for their tireless efforts during a very challenging year, particularly with the immense challenges thrown up by the ongoing pandemic.

This will be my final report as Chairman of GMHBA Limited having reached my maximum term as a director. It has been a pleasure and great honour to share stewardship of this wonderful organisation and I wish all involved in GMHBA continued success for generations to come.

Finally, I wish to acknowledge and thank our loyal members and customers for choosing GMHBA and its associated brands for their health insurance and health care needs.



James Walsh

Chairman  
GMHBA Limited

**CARING FOR OUR MEMBERS' HEALTH AND WELLBEING IS AT THE HEART OF EVERYTHING WE DO. AS THE WORLD HAS BEEN FACED WITH THE GREATEST HEALTH CRISIS WE HAVE SEEN IN OUR LIVES, SUPPORTING OUR MEMBERS HAS NEVER BEEN MORE IMPORTANT FOR GMHBA.**

**FINANCIAL RESULTS**

The financial results for the GMHBA Limited Group being a loss of \$4.43m after tax is less than prior years and below our expectations for the year. This result, however is understandable in the context of the challenges of the sector and the impacts of COVID-19.

The trading result, including the operation of the GMHBA and Frank brands, as well as ownership of health care practices was solid (\$10.2m). This result is pleasing and shows the underlying resilience of the core business, given it was materially impacted by:

- Our decision to withdraw from acquiring new customers through aggregators, as we don't believe this growth now justifies the cost, or is in the best interests of existing members;
- The adverse impact on contributions due to an increase in hardship cover suspensions as we assist our members through COVID-19; and
- The recognition of a material provision for 'catch up' COVID-19 claims, which may occur in the next financial year and are consistent with directions from our regulator.

The overall result for the GMHBA Limited Group was also impacted by:

- Unrealised losses of \$1.2m on our investment portfolio (primarily shares) reflecting the impact of COVID-19 on Australian and international stock markets. Noting that the investment returns still outperformed the comparative benchmarks and we have both the capacity and intent to hold those shares until market values recover;
- The partial write down of our investment in our wholly owned subsidiary, health.com.au, reflecting the challenges we expect this small insurer will have trading successfully in a challenging market; and
- More than expected losses incurred by myOwn health insurance, in which we hold a 41 per cent investment. This reflects the challenges faced by a start-up insurer in this difficult market. We have taken actions with our co-shareholders to improve future returns. GMHBA has also reduced its exposure to such losses through reducing our proportional shareholding.

In our view, the current year reported loss is not reflective of underlying performance or future plans for the business, which may be better represented by the strongly positive cash flows recorded for the year.

**SUPPORTING OUR MEMBERS THROUGH TOUGH TIMES**

As a not for profit health fund, GMHBA is committed to playing an ongoing role in helping our members and community through the challenging times we have been faced with.

The impacts of bushfires followed by the COVID-19 pandemic meant the 2020 financial year was tough for many Australians. Through these periods, we introduced significant support packages with a range of targeted measures and the option of premium relief for our members struggling financially. We also postponed our annual premium increases, which was substantial measure of support for all members across GMHBA and our associated brands.

We are proud of the support provided to our members and GMHBA will do everything possible to ease additional financial pressures throughout these continued challenges, including delivering returns to members in the form of lower premiums or additional product benefits.

**CUSTOMER EXPERIENCE AND RETENTION**

GMHBA has placed an increased focus on retention of our current customer base through ongoing efforts to ensure we are delivering the best possible customer experience.

Utilising direct member feedback has helped us improve our processes and the digital tools that empower members to better understand and use their health insurance product.

We want to be there for our members during the important moments in life and especially in the more stressful times when they may need to go into hospital.

With the Private Healthcare Australia annual high claims report revealing increasing numbers of young Australians needing support to manage mental health conditions, GMHBA has turned our attention to ensuring our members feel confident in accessing support in this ever-important area of our health system.

**IMPROVING PRODUCT VALUE**

As a member-based health fund, we continually try to add more value into our private health insurance products. Additional value is also a key way we can be part of our members' health journey.

In our home market in Geelong, we are continually enhancing member value outside of hospital settings, such as through our GMHBA-owned allied health and primary care practices.

In recent years, we have delivered higher optical and dental limits using GMHBA practices, lower out of pocket medical costs through AHSA Access Gap Cover, lower fees for dental services through the Smile network and no gap pathology through Australian Clinical Labs.

The COVID-19 pandemic also presented us with unique challenges around product value due to cancellation of elective surgery, along with members being unable to fully utilise their ancillary cover as they normally would. These challenges required us to shift our focus to ensure we offer support and value in new and different ways, including embracing telehealth and forming new partnerships.

**KEY PARTNERSHIPS**

GMHBA has proudly partnered with Kieser, one of Australia's leading providers of integrated physiotherapy, rehabilitation and strength training.

The partnership gives our members access to Kieser, including via telehealth, without paying out of pocket costs. Members can also follow elements of the program from home with the Kieser Konnect app.

With members potentially unable to access regular health services during COVID-19 including cancelled elective surgeries, this partnership came at a time when access to quality care such as physiotherapy became more important than ever for members living with injuries and pain.

Offering our members access to AIA Vitality, the personalised, science backed health and wellbeing program is still a key way we are helping members look after and manage their health.

AIA Vitality is about supporting members to better understand their health, and we are starting to see the benefits of this program in attracting a younger demographic to GMHBA, who are actively engaged in improving their health outcomes through the program.

We look forward to seeing where the partnership with AIA Australia takes us in delivering better health and wellness outcomes to members through long-term behavioural change.

COVID-19 has also required us to adapt our unique partnership with the Geelong Cats, looking at new and different ways to engage members.

The GMHBA Fan Portal was moved to our members' homes, giving fans the exclusive opportunity to win a place in a live question and answer session with some of their favourite players. We also enlisted some key Cats players to produce 'Healthier at Home' health and fitness videos – helping to inspire and motivate our members to keep healthy over the lockdown period.

We will continue to work with our partners to bring this kind of value to our members, no matter what may be happening in the world.

**MORE THAN JUST A HEALTH INSURER**

We're proud to support the health of our members, patients and community through our health services businesses, which incorporates a diverse, regionally based portfolio of general practice and allied health services.

GMHBA no longer just engages with members when they have already developed a health issue – we are actively part of supporting members to understand the importance of maintaining and achieving good health.

GMHBA's Care Coordination Service, which organises care for members who have complicated health problems, provides additional support, information and access to health services at no cost. During COVID-19, the service was expanded to support our most vulnerable members, such as the elderly or those who live alone.

The expansion included offering weekly check in phone calls, as well as hand delivering care packages to members' homes. Feedback we received from members about this service and their trust in GMHBA was overwhelmingly positive.

**LOOKING AHEAD**

There is no doubt the impacts of COVID-19 will continue well into the new financial year. Despite these challenges, as well as those faced by the private health insurance industry, GMHBA is committed to being here for our members.

We understand value and affordability is a key issue across the sector, which is why it is more important than ever for us to stay focused on improving our members' health, together with optimising the funding of their care and the value we can deliver in their home markets.

We are working to future-proof our business model to ensure GMHBA is an even stronger business and a valued partner in the health journey of our members and customers.

**THANK YOU**

I wish to thank our directors, executives and staff across GMHBA for demonstrating leadership, embracing change and always putting our members and customers at the forefront of everything we do.

In what has been a tremendously challenging time professionally and personally, I want to recognise how well we have stepped up as a business in adapting our service models to continue to meet the needs of our members and our people.

Lastly, I'd like to thank and give my best wishes to our current Chairman, Jim Walsh, who will be concluding in September following his 15-year contribution as a director of GMHBA Limited. I would like to personally thank Jim for his leadership and commitment to looking after the best interests of our members.



**Mark Valena**

Chief Executive Officer  
GMHBA Limited

# ANNUAL REPORT

FOR THE FINANCIAL YEAR  
ENDED 30 JUNE 2020

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**THE DIRECTORS OF THE COMPANY AT ANY TIME DURING 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  
 Director – Secos Group Limited  
 Director – MO Support Pty Ltd  
 Director – Quintessential Equity 042 Pty Ltd (as trustee for QE 042 Trust)



**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  
 Director – Eureka Group Holdings  
 Strategic Advisor to GJK Facility Services and McKenzie Aged Care Services  
 National Imaging Facilities Governing Board  
 Chairman – South East Melbourne Primary Health Network



**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 of Mercer Financial Advice (Australia) Pty Ltd  
 Director of 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)  
 Director – MO Support Pty Ltd  
 Director – National Vineyard Fund of Australia (no.4) Pty Ltd



**VICKY PAPACHRISTOS**

BE, MBA, MAICD.

Director since November 2011  
 Chairman Risk & Compliance Committee  
 Member Audit 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  
 Director – MO Support Pty Ltd



**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 – The Young and Well CRC  
 Director – Summerset Group Holdings Limited



**DENIS NAPHTHINE**

BV Sc. MVS MBA, AO.

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

## THE DIRECTORS OF THE COMPANY AT ANY TIME DURING THE FINANCIAL YEAR ARE:



### MIKE HIRST

B.Com, SF Fin, MAICD.

Director since July 2018  
Member Audit Committee  
Member Remuneration & Capability Committee  
Director – GMHBA Services Limited  
Director – health.com.au Pty Ltd  
Deputy Chairman, Racing Victoria Limited  
Honorary Member, Business Council of Australia  
Director, AMCIL Limited  
Commissioner – National COVID-19 Commission



### CLAIRE HIGGINS

B.Com, Accounting, Economics, Comm Law

Director since September 2019  
Chairman Audit Committee  
Member Risk & Compliance Committee  
Member Remuneration & Capability Committee  
Director – health.com.au Pty Ltd  
Director – GMHBA Services Pty Ltd  
Director – Ryman Healthcare Limited  
Chair – REI Superannuation Pty Ltd  
Trustee – Helen Macpherson Smith Trust



### GERALD MILLER

Retired September 2019  
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

#### 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:

Andrew Matthews, FIAA  
(from 1 April 2020)  
David Torrance, FIAA  
(until 1 April 2020)

## GMHBA STRIVES TO MAINTAIN HIGH STANDARDS OF CORPORATE GOVERNANCE AS A FOUNDATION FOR PRUDENT AND EFFECTIVE DECISION MAKING, TO SUPPORT THE BOARD IN FULFILLING ITS LEGAL AND REGULATORY OBLIGATIONS AND FOR GENERAL BEST PRACTICE.

This Statement provides an overview of the main corporate governance structures and practices that were in place throughout the year. During 2020, as well as the scheduled number of Board and Committee meetings a number of additional briefings and special purpose meetings were held as part of GMHBA's response to the COVID-19 pandemic.

The Board is responsible for the overall strategic direction of the organisation, undertaken in a way that protects members' interests and also has 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 corporate strategy and plans, business performance, capital structure and planning, investment activities and risk management and compliance frameworks.

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 supports the governance of the Group and its compliance with legislative and regulatory obligations.

To assist in carrying out its duties, the Board has five established Committees which focus on specific areas as described below. Additional Committees may be formed from time to time as necessary. The Charter for each Committee is available on GMHBA's website. Committee Chairs report to the Board after each Committee meeting with a summary of the main items considered.

Details of the number of meetings of the Board and each Committee, and attendance at those meetings, during 2020 are set out in the Directors' Report. A governance structure also exists for reporting to the Board on the investment into the new Geelong head office building which is currently under construction.

### INDEPENDENCE AND MANAGEMENT OF CONFLICTS OF INTEREST

During 2020 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.

All Responsible Persons undertook Fit and Proper checking during 2020 with no concerns raised.

### BOARD COMPOSITION

As at 30 June 2020 there were eight directors on the Board with an average tenure of six years. Further details of each director are found on page 14 of this Annual Report. During 2020 Gerald Miller retired from the Board, having reached his maximum tenure, and Claire Higgins was appointed as a director bringing substantial experience in health, superannuation and audit as well as a strong local Geelong connection.

Directors have a range of expertise and experience which allows for a breadth of views and perspectives. They come from a range of backgrounds with successful executive careers. Continuing education is provided to directors through a combination of internal and external presentations, workshops, and conference attendance. Directors periodically consider the skills mix to ensure that it remains appropriate and enables the Board to continue to function at a high level.

In September 2020 James Walsh will retire from the Board, having reached the maximum tenure permitted under the Constitution, and Claire Higgins will be appointed as Board Chair.

### BOARD PERFORMANCE

The Board conducts a regular assessment of its performance, and the performance of its Committees and individual directors. During 2020 the performance assessment was conducted internally using a survey and self-assessment tool which contained a range of questions on structure and dynamics, strategic orientation and governance. The Chairman held individual discussions with each director to consider their individual performance and obtain further input into improvement opportunities. The survey results and comments from directors 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.

### 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 material business 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. The framework complies with APRA Prudential Standard CPS220 – Risk Management.

GMHBA has a fully developed Business Continuity Policy and Plan to be invoked in the case of a significant business disruption event. The BCP, including the Disaster Recovery Plan, have been updated to reflect the response to the COVID-19 pandemic. A comprehensive insurance program provides protection against residual risk exposures.

Risk Appetite Tolerance Statements have been regularly updated during 2020, and the Board will make the required annual Risk Management Declaration to APRA.

**COMPLIANCE**

GMHBA has a proactive approach to compliance at all levels within the organisation. A framework of monitoring and reporting helps to satisfy legislative and regulatory obligations.

The Group Whistleblower Policy is widely available and 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**

The internal audit service provided by Ernst & Young provides objective assurance and oversight of the Group's control framework. The Board 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. Internal Audit reports organisationally to the Chief Executive, and also to the Audit Committee. 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.

**GOVERNANCE**

The external auditor KPMG has conducted a review under Prudential Standard HPS310 for assurance of compliance with all applicable Prudential Standards.

**CODE OF CONDUCT**

GMHBA's Code of Conduct sets out the high standard of ethical and professional conduct necessary to meet the expectations of Fund members and other stakeholders. The Code applies to all GMHBA directors, executive and employees who are required to observe these standards.

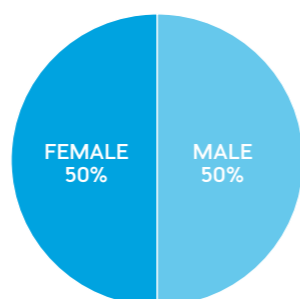
GMHBA is also a signatory to the Private Health Insurance Code of Conduct, a self-regulatory code designed to maintain and enhance high standards of regulatory and compliance behaviour across the private health insurance industry.

**DIRECTOR SKILLS MATRIX**

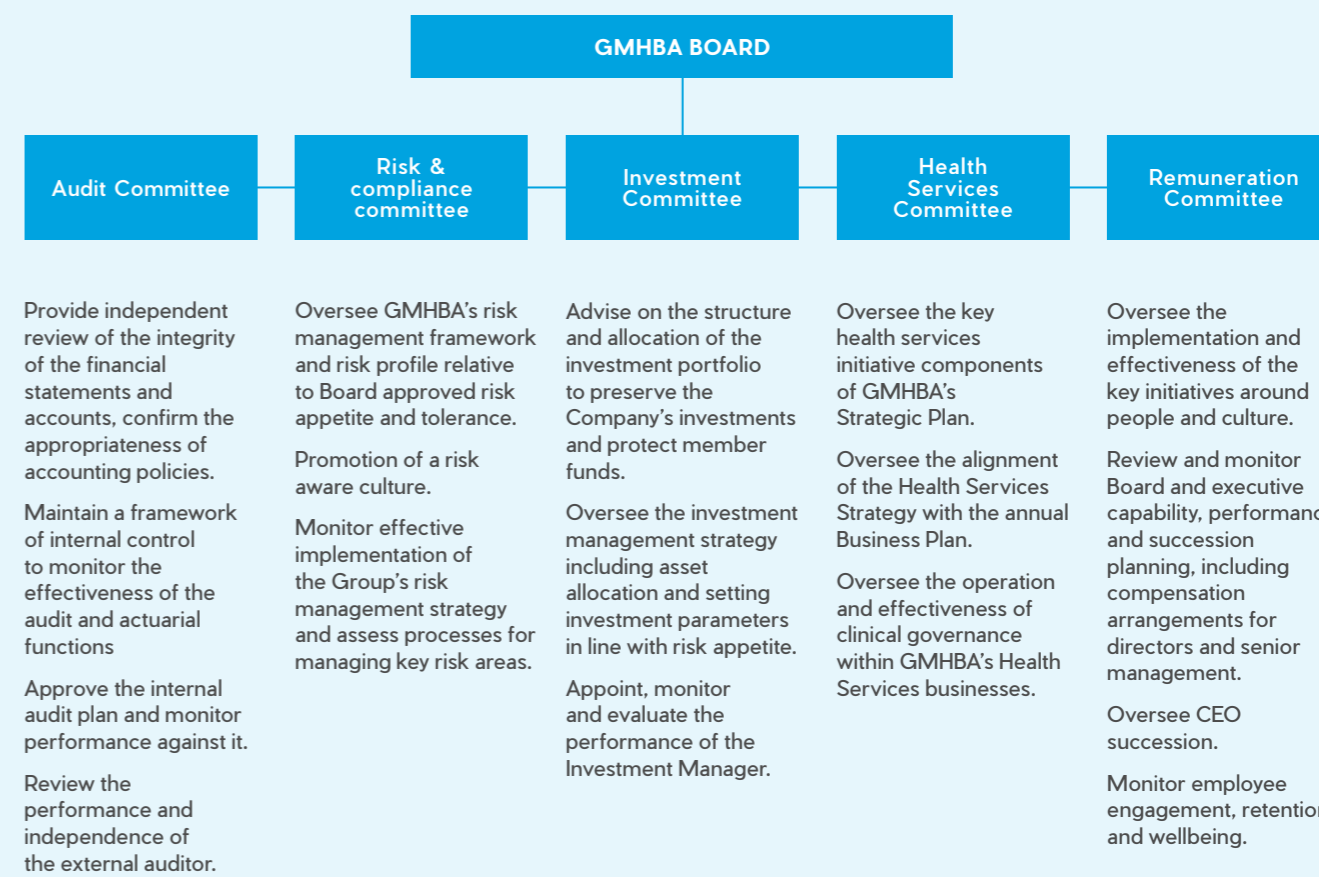
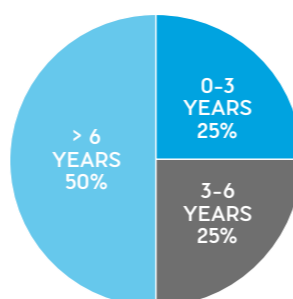
RISK MANAGEMENT	
ACCOUNTING AND AUDIT	LEGAL AND GOVERNANCE
FINANCIAL SERVICES	GOVERNMENT AND POLICY
HEALTH AND MEDICAL	MARKETING AND DIGITAL

**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 Chairman of the Board is not the Chairman of the Risk Committee. At least one member of the Audit Committee is also a member of the Risk Committee. Any director may attend meetings of any Committee. The Company Secretary is accountable to the Board, through the Chairman, for all matters relating to the proper functioning of the Board.

## 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 2020 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  
Sue Renkin  
Gerald Miller (retired September 2019)  
Brian Bengger  
Vicky Papachristos  
Marie Bismark  
Denis Napthine  
Mike Hirst  
Claire Higgins (appointed September 2019)

The qualifications, expertise and special responsibilities of directors are set out on page 14 to 16 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 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 loss attributable to the members of the Company for the year was \$4.423 million (2019: \$11.025 million profit).

### 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.

The impact of the COVID-19 pandemic has been significant for all parts of the business and the environment, particularly in Victoria remains highly uncertain. GMHBA's member support response and write-down decisions, and the regulatory directive to the industry to recognise a material provision for 'catch up' claims that may occur, have together culminated in the reported loss despite solid trading results and strong cashflows.

The capital position remains sound and prudent management of the investment portfolio continues with guidance from JB Were. The new head office building under construction in Geelong represents a significant long-term investment for the Fund.

GMHBA will continue to increase and promote member value through ongoing private health insurance product improvements, within our health and primary care practices, and through key partnerships with AIA Vitality, Kieser and the Geelong Cats.

### SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs for 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

The impact of the COVID-19 pandemic is ongoing. It is not practical to estimate the potential impact after the reporting date. The situation is rapidly developing and is in part dependent on measures imposed by Governments in various jurisdictions in which the Group operates. No other 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 2020 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 held	Additional meetings attended
Jim Walsh	11	11	15	15	2	2
Gerald Miller*	2	2	4	4	N/A	N/A
Sue Renkin	11	10	10	9	2	2
Brian Bengger	11	10	9	9	2	2
Vicky Papachristos	11	11	9	9	2	2
Marie Bismark	11	11	9	9	2	2
Denis Napthine	11	11	9	9	2	2
Mike Hirst	11	11	11	11	2	2
Claire Higgins**	9	9	9	9	2	2

\* Gerald Miller retired from the Board at the Annual General Meeting held 24 September 2019.

\*\* Claire Higgins joined the GMHBA Board on 24 September 2019. She was appointed Chair of the Audit Committee and member of the Risk & Compliance Committee in September 2019 and joined the Remuneration & Capability Committee in April 2020.

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 23.

For and on behalf of the Board of Directors,

**James Walsh**



Chairman GMHBA Limited

Geelong, 26th August 2020

**Claire Higgins**



Director GMHBA Limited  
Chair Audit Committee



## 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 2020 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  
Rachel Milum

Partner

Melbourne

26 August 2020

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 (\$'000)	2019 (\$'000)
<b>Revenue</b>			
Premium revenue		663,768	695,148
Total revenue from operating activities		663,768	695,148
<b>Expenses</b>			
Claims expense	2.6	(513,587)	(529,696)
Risk Equalisation Special Account levy		(54,730)	(71,472)
Total cost of fund benefits		(568,317)	(601,168)
<b>Gross underwriting result</b>		<b>95,451</b>	<b>93,980</b>
<b>Underwriting expenses</b>			
Employee benefits expenses		(33,228)	(31,868)
Marketing		(7,490)	(6,932)
Commission		(18,638)	(23,080)
Depreciation and amortisation		(13,452)	(3,483)
IT and communications		(7,074)	(6,339)
Professional fees		(2,819)	(3,814)
Other underwriting expenses		(8,860)	(8,496)
Total underwriting expenses		(88,475)	(84,012)
<b>Net underwriting result</b>		<b>3,890</b>	<b>9,968</b>
Health services and other revenue		9,624	10,161
Health services and other expenses		(12,276)	(12,995)
		(2,652)	(2,834)
<b>Investment income and expenses</b>			
Investment expenses		(553)	(557)
Interest income		4,011	5,917
Dividends		941	1,069
Unrealised investment (loss)/gains		(1,210)	1,880
Realised investment gains		1,741	1,355
Share of net loss of equity accounted investees	5.5	(11,828)	(6,217)
		<b>(6,898)</b>	<b>3,447</b>
<b>(Loss)/profit before tax for the year</b>		<b>(5,660)</b>	<b>10,581</b>
Income tax (benefit)	2.9	(1,232)	(445)
<b>Net (loss)/profit after tax</b>		<b>(4,428)</b>	<b>11,026</b>
<b>Other comprehensive income</b>			
		-	-
<b>Total comprehensive (loss)/income for the year</b>		<b>(4,428)</b>	<b>11,026</b>
<b>Attributable to</b>			
Members of the Company		(4,423)	11,025
Non-controlling interests		(5)	1
		<b>(4,428)</b>	<b>11,026</b>

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 2020

	Note	2020 (\$'000)	2019 (\$'000)
<b>Current assets</b>			
Cash and cash equivalents	3.1	57,720	57,651
Trade and other receivables	2.1	16,685	19,251
Financial assets	2.2	93,543	87,470
Other assets	2.3	16,363	18,922
<b>Total current assets</b>		<b>184,311</b>	<b>183,294</b>
<b>Non-current assets</b>			
Financial assets	2.2	151,940	127,629
Property, plant and equipment	2.4	32,873	24,209
Intangible assets and goodwill	2.4	27,596	38,846
Other assets	2.3	9,833	14,078
Investment in equity accounted investees	5.5	9,152	20,981
Deferred tax asset		3,045	1,813
<b>Total non-current assets</b>		<b>234,439</b>	<b>227,556</b>
<b>Total assets</b>		<b>418,750</b>	<b>410,850</b>
<b>Current liabilities</b>			
Trade and other payables	2.5	21,190	29,308
Employee benefits provisions	4.2	4,143	3,557
Other provisions	2.6	79,878	63,615
Other liabilities	2.7	62,578	67,107
<b>Total current liabilities</b>		<b>167,789</b>	<b>163,587</b>
<b>Non-current liabilities</b>			
Lease liability	3.3	5,069	-
Employee benefits provisions	4.2	519	439
<b>Total non-current liabilities</b>		<b>5,588</b>	<b>439</b>
<b>Total liabilities</b>		<b>173,377</b>	<b>164,026</b>
<b>Net assets</b>		<b>245,373</b>	<b>246,824</b>
<b>Equity</b>			
Retained earnings		240,466	244,068
Asset revaluation reserve		-	821
<b>Total equity attributable to members</b>		<b>240,466</b>	<b>244,889</b>
Non-controlling interests		4,907	1,935
<b>Total equity</b>		<b>245,373</b>	<b>246,824</b>

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 2020

	Attributable to Members of the Company			Non-controlling interests (\$'000)	Total (\$'000)
	Retained earnings (\$'000)	Asset revaluation reserve (\$'000)	Total (\$'000)		
<b>Balance at 1 July 2018</b>	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
<b>Balance at 30 June 2019</b>	<b>244,068</b>	<b>821</b>	<b>244,889</b>	<b>1,935</b>	<b>246,824</b>
<b>Balance at 1 July 2019</b>	244,068	821	244,889	1,935	246,824
(Loss) for the year	(4,423)	-	(4,423)	(5)	(4,428)
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	(4,423)	-	(4,423)	(5)	(4,428)
Transfer from Asset Revaluation Reserve to Retained earnings on disposal of Land and Buildings	821	(821)	-	-	-
Issue of ordinary units in subsidiary to Non-controlling interests	-	-	-	2,977	2,977
<b>Balance at 30 June 2020</b>	<b>240,466</b>	<b>-</b>	<b>240,466</b>	<b>4,907</b>	<b>245,373</b>

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 2020

	Note	2020 (\$'000)	2019 (\$'000)
<b>Cash flows from operating activities</b>			
Premium receipts		659,959	693,274
Benefits paid		(497,324)	(528,037)
Payments to suppliers and employees		(140,986)	(169,244)
Other income received		9,557	9,975
<b>Net cash inflow from operating activities</b>	<b>3.1(a)</b>	<b>31,206</b>	<b>5,968</b>
<b>Cash flows from investing activities</b>			
Purchase of financial assets		(166,232)	(133,767)
Purchase of property, plant and equipment and intangible assets		(11,189)	(11,105)
Acquisition of businesses, net of cash acquired		-	(765)
Dividends received		941	1,069
Interest received		4,203	6,183
Proceeds from sale of financial assets		138,163	152,124
Purchase of shares in Joint Venture		-	(14,086)
<b>Net cash (outflow) from investing activities</b>		<b>(34,114)</b>	<b>(347)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of units to non-controlling interest		2,977	1,934
<b>Net cash inflow from financing activities</b>		<b>2,977</b>	<b>1,934</b>
Net increase in cash held		69	7,555
Cash and cash equivalents at beginning of the financial year		57,651	50,096
<b>Cash and cash equivalents at end of the financial year</b>	<b>3.1(b)</b>	<b>57,720</b>	<b>57,651</b>

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
- 1.7 Uncertainty due to the Coronavirus pandemic

### 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 26th August 2020.

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.

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. Further information regarding estimation uncertainty for the year ended 30 June 2020 can be found in note 1.7.

### 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.

### 1.7 UNCERTAINTY DUE TO THE CORONAVIRUS PANDEMIC

The ongoing COVID-19 pandemic has increased the estimation uncertainty in the preparation of these Consolidated Financial Statements. The estimation uncertainty is associated with:

- the extent and duration of the disruption to business arising from the actions by governments, businesses and consumers to contain the spread of the virus;
- the level to which the health system can create capacity to service the backlog of treatments caused by restrictions as well as those already expected to occur in the 2021 financial year;
- the extent and duration of the expected economic downturn, including increasing unemployment and declines in consumer discretionary spending; and
- the effectiveness of government and central bank measures that have and will be put in place to support businesses and consumers through this disruption and economic downturn.

The Group has developed various accounting estimates in these Consolidated Financial Statements which reflect expectations and assumptions as at 30 June 2020 about future events that the directors believe are reasonable in the circumstances. There is a considerable degree of judgement involved in preparing forecasts. The underlying assumptions are also subject to uncertainties which are often outside the control of the Group. Accordingly, actual economic conditions are likely to be different from those forecast since anticipated events frequently do not occur as expected, and the effect of those differences may significantly impact accounting estimates included in these financial statements.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to outstanding claims provision, deferred claims liability, fair value measurement, and recoverable amount assessments of non-financial assets such as goodwill. Readers should carefully consider these disclosures considering the inherent uncertainty described above.

## 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 2020 consists of:

- (i) Unclosed premium earned – this represents premiums in arrears measured up to 30 June 2020; and
- (ii) Unclosed premium unearned – forecast premiums receivable from policyholders at 30 June 2020.

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.



## 2.1 TRADE AND OTHER RECEIVABLES (CONTINUED)

### 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	2020 (\$'000)	2019 (\$'000)
Unclosed premium earned	1,279	1,547
Unclosed premium unearned	939	2,472
	<b>2,218</b>	<b>4,019</b>
Accrued investment income	412	604
Other debtors	2,366	2,159
Federal Government rebate receivable	11,689	12,469
	<b>16,685</b>	<b>19,251</b>

## 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	2020 (\$'000)	2019 (\$'000)
<b>Current</b>		
Term deposits	81,994	74,378
Bonds	11,549	13,092
At fair value	<b>93,543</b>	<b>87,470</b>
<b>Non-current</b>		
Equity securities	50,846	44,495
Bonds	101,094	83,134
At fair value	<b>151,940</b>	<b>127,629</b>

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	Note	2020 (\$'000)	2019 (\$'000)
<b>Current</b>			
Prepayments		3,806	3,128
Deferred acquisition costs		10,457	15,517
Right of use asset	3.3	1,821	-
Inventory		279	277
		<b>16,363</b>	<b>18,922</b>
<b>Non-current</b>			
Right of use asset	3.3	4,599	-
Deferred acquisition costs		3,950	12,166
Prepayments		1,284	1,912
		<b>9,833</b>	<b>14,078</b>

## 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 except as outlined 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 considered 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 or 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 software is between 3 and 10 years.

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

### 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.

### Goodwill

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 2020. Note that practices have been tested for impairment at an individual practice level, however goodwill attributable is shown at total Division level below.

Growth rate – health.com.au: -10%	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. Health.com.au cash flows are projected to decline at 10% per year across the projection period, reflecting recent experience and expectations for future operating performance of the health.com.au CGU.
Eye Care: 2.1%	
Primary Care: 3.8%	
Dental Care: 1.7%	
Physiotherapy: 2.8%	
Discount rate – health.com.au: 9.2%	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.
Eye Care: 10%	
Primary Care: 10%	
Dental Care: 10%	
Cash flows	Future cash flows have been estimated based on forecast revenue and expenses of the CGU, including: <ul style="list-style-type: none"> <li>Estimated change in the number of customers and changes in future revenue;</li> <li>Estimated gross margins and sales volumes; and</li> <li>Forecast claims, cost of sales and operating expenses.</li> </ul>

Division	Goodwill allocation	
	2020 (\$'000)	2019 (\$'000)
health.com.au	9,895	18,666
Eye Care	1,375	1,375
Primary Care (GPs)	2,855	2,855
Dental Care	956	956
Physiotherapy	1,038	1,038
	<b>16,119</b>	<b>24,890</b>

### 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:

The impairment testing resulted in an impairment loss being recognised in the health.com.au CGU of \$8,771k (2019: \$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. As indicated in Note 1.7, the calculation of recoverable amount in this current environment is subject to significant uncertainty. The impact of social restrictions and also elective surgery restrictions on impairment has been calculated based on the Entity's best estimate using information available. In the event the impacts are more or less severe and/or restrictions are extended, this is likely to have a corresponding impact on impairment.

### 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 <sup>4</sup> (\$'000)	Total (\$'000)
Depreciation rate	0.0%	1.5%	10.0%	15.0–40.0%	22.5%	0.0%	
Cost (or valuation as applicable)	6,243	3,440	4,076	5,041	5,041	1,100	19,932
Accumulated depreciation	-	(61)	(1,687)	(3,262)	(3,262)	-	(5,020)
<b>Carrying amount at 30 June 2018</b>	<b>6,243</b>	<b>3,379</b>	<b>2,389</b>	<b>1,779</b>	<b>1,779</b>	<b>1,100</b>	<b>14,912</b>
Additions <sup>1</sup>	-	-	-	-	7	10,722	10,729
Disposals <sup>2</sup>	-	-	(11)	(39)	-	-	(50)
Depreciation	-	(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)
<b>Carrying amount at 30 June 2019</b>	<b>6,243</b>	<b>3,300</b>	<b>3,037</b>	<b>1,376</b>	<b>22</b>	<b>10,231</b>	<b>24,209</b>
Additions <sup>1</sup>	-	-	-	-	-	16,262	16,262
Disposals <sup>2</sup>	(2,450)	(3,224)	(99)	(19)	-	1	(5,791)
Depreciation <sup>3</sup>	-	(85)	(952)	(761)	(9)	-	(1,807)
Transfers	-	9	334	1,236	-	(1,579)	-
Cost	3,793	-	4,517	4,546	39	24,915	37,810
Accumulated depreciation	-	-	(2,197)	(2,714)	(26)	-	(4,937)
<b>Carrying amount at 30 June 2020</b>	<b>3,793</b>	<b>-</b>	<b>2,320</b>	<b>1,832</b>	<b>13</b>	<b>24,915</b>	<b>32,873</b>

- Additions include the written down value of assets acquired in business combinations.
- Balances shown net of accumulated depreciation. During the year the Group disposed of head office land and buildings to the QE042 Trust. Consideration received was materially in line with the carrying amount immediately prior to disposal.
- Includes depreciation attributable to health services and health prevention activities.
- 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	0.0%	7.7%	5.0%	10.0–30.0%	0.0%	0.0%	-
<b>Carrying amount at 30 June 2018</b>	<b>24,371</b>	<b>10,767</b>	<b>1,889</b>	<b>2,360</b>	<b>271</b>	<b>203</b>	<b>39,861</b>
Additions <sup>1</sup>	1,038	-	-	-	-	369	1,407
Disposals at written down value	-	-	-	(26)	-	-	(26)
Amortisation <sup>2</sup>	-	(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)
<b>Carrying amount at 30 June 2019</b>	<b>24,890</b>	<b>9,699</b>	<b>1,717</b>	<b>2,237</b>	<b>271</b>	<b>32</b>	<b>38,846</b>
Additions <sup>1</sup>	-	-	-	-	-	717	717
Disposals at written down value	-	-	-	(6)	-	(32)	(38)
Amortisation <sup>2</sup>	-	(1,068)	(180)	(605)	-	-	(1,853)
Transfers	-	-	-	717	-	(717)	-
Write-offs	(8,771)	-	(1,305)	-	-	-	(10,076)
Cost	16,119	13,882	452	6,140	271	-	36,864
Accumulated amortisation	-	(5,251)	(220)	(3,797)	-	-	(9,268)
<b>Carrying amount at 30 June 2020</b>	<b>16,119</b>	<b>8,631</b>	<b>232</b>	<b>2,343</b>	<b>271</b>	<b>-</b>	<b>27,596</b>

1. Additions include the written down value of assets acquired in business combinations.

2. Includes amortisation attributable to health services and health prevention activities

## 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	2020 (\$'000)	2019 (\$'000)
Health Benefits Risk Equalisation Special Account	10,417	17,627
Creditors and accruals	10,773	11,681
	<b>21,190</b>	<b>29,308</b>

## 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 considering 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.

## 2.6 OTHER PROVISIONS (CONTINUED)

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% (2019: 5.5%) giving in excess of 75% probability of adequacy, whilst health.com.au adopted a risk margin of 15% (2019: 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 2020 is 1.3% (2019: 1.5%) of the claim's liability for the GMHBA fund. For health.com.au Pty Ltd, the allowance is 1.5% (2019: 1.5%) for ancillary and 3.0% (2019: 3.0%) for hospital.

### Deferred Claims Liability (DCL)

At balance date, a provision has been recognised to capture the shortfall of claims, which under ordinary operating circumstances, could have been expected to be incurred in the reporting period. The value of this liability has been calculated in line with the APRA prescribed approach, to reflect the difference between the pattern of claims in prior periods compared to the pattern of claims in the current year for the period 1 March 2020 to 30 June 2020, with adjustments for policy count and product mix. This central estimate comprises the value of these claims which did not occur, net of risk equalisation. The percentage of claims that did not occur which has been allowed for in this central estimate is 100% for hospital treatment and 85% for general treatment.

Given the material uncertainty in future claiming patterns caused by the Coronavirus pandemic, as directed by APRA and ASIC, this liability has been recognised to manage the associated underwriting risk and a prudent approach for capital management. This liability is expected to unwind throughout FY21 and offset the backlog of claims from FY20 that are expected in FY21.

### 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. During the year, accumulation of additional rewards allocations under the GMHBA program ceased. Members are able to utilise their existing entitlement until December 2021 but will no longer accrue further entitlements.

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 2020 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 52% (2019: 76%) of the Reward entitlement in respect of membership up to 30 June 2020 for the GMHBA program, and 47% (2019: 42%) for the Frank program.

Financial Disclosure	2020 (\$'000)	2019 (\$'000)
<b>Current provisions</b>		
Outstanding claims (a)	42,505	51,615
Risk margin	(81)	242
	<b>42,424</b>	<b>51,857</b>
Deferred claims liability	30,318	–
Reward benefits (b)	7,136	11,758
	<b>79,878</b>	<b>63,615</b>

## (a) Outstanding claims including risk margin

### Gross Claims - undiscounted

The reconciliation of the provisions are as follows:

	2020 (\$'000)	2019 (\$'000)
Balance at beginning of year	51,857	49,878
Add: claims incurred	483,044	524,777
Less: claims settled	(492,477)	(522,798)
<b>Net outstanding claims liability</b>	<b>42,424</b>	<b>51,857</b>

### Benefits paid

	2020 (\$'000)	2019 (\$'000)
Gross Claims - undiscounted		
Current year	514,707	531,764
Prior year	(1,120)	(2,068)
<b>Total benefits paid</b>	<b>513,587</b>	<b>529,696</b>

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

	2020 (\$'000)	2019 (\$'000)
Balance at beginning of year	11,758	12,077
Add: Net benefits accrued after adjustment to provision factor	56	5,571
Less: Benefits utilised	(4,678)	(5,890)
	<b>7,136</b>	<b>11,758</b>

## 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 3.5% 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 2020 relating to the period beyond 30 June 2020 are recognised as an unearned premium liability. Also, forecast premiums receivable from policyholders at 30 June 2020 are recognised as unclosed business premiums.

Financial Disclosure	Note	2020 (\$'000)	2019 (\$'000)
Unearned premium liability		59,919	64,635
Lease liability - current	3.3	1,720	–
Unclosed business premiums		939	2,472
		<b>62,578</b>	<b>67,107</b>

## 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 is 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 a valuation having been performed at 30 June 2020 and the next valuation expecting to be performed no later than 30 June 2023. Increments/decrements from the revaluation of the Group's land and buildings are reflected in the asset revaluation reserve. No revaluations were required as a result of the external valuation at 30 June 2020.

### 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)
<b>30 June 2020</b>				
Cash and cash equivalents	57,720	-	-	57,720
Term deposits	81,994	-	-	81,994
Equity securities	50,846	-	-	50,846
Bonds	3,892	108,751	-	112,643
Land and buildings	-	-	3,793	3,793
<b>Total</b>	<b>194,452</b>	<b>108,751</b>	<b>3,793</b>	<b>306,996</b>
<b>30 June 2019</b>				
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
<b>Total</b>	<b>180,472</b>	<b>92,278</b>	<b>9,543</b>	<b>282,293</b>

### 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)	<i>Income capitalisation method and market approach:</i> 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	<ul style="list-style-type: none"> <li>Recent sales of comparable land in a comparable geographical region</li> <li>General market and economic conditions</li> </ul>	The estimated fair value would increase / (decrease) if: <ul style="list-style-type: none"> <li>expected market rental growth were higher/(lower);</li> <li>void periods were shorter/(longer);</li> <li>the occupancy rate were higher/(lower);</li> <li>the rent-free periods were shorter/(longer); or</li> <li>the capitalisation rate were lower/(higher).</li> </ul>

## 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.

### Financial Disclosure Current income tax expense

Tax recognised in profit or loss	2020 (\$'000)	2019 (\$'000)
<b>Current tax expense</b>		
Current period	3,148	2,323
<b>Deferred tax expense</b>		
Origination and reversal of temporary differences	(4,380)	(2,768)
<b>Total tax (benefit)</b>	<b>(1,232)</b>	<b>(445)</b>

Reconciliation of effective tax rate	2020 (\$'000)	2019 (\$'000)
(Loss)/profit for the year attributable to the Company	(4,428)	11,025
Total tax (benefit)	(1,232)	(445)
<b>(Loss)/profit excluding tax</b>	<b>(5,660)</b>	<b>10,580</b>
Tax using the Company's domestic tax rate of 30%	(1,698)	3,174
Tax effect of tax exempt profits of GMHBA Limited <sup>1</sup>	(3,047)	(5,820)
Tax effect of non-deductible Group share of joint venture loss	3,548	1,865
Current year losses for which no deferred tax asset was recognised	(379)	–
Tax effect of other non-deductible expenses	344	336
	<b>(1,232)</b>	<b>(445)</b>

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 Lease liabilities

### 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:	2020 (\$'000)	2019 (\$'000)
(Loss)/profit for the year	(4,428)	11,026
Realised investment gains	(1,741)	(1,355)
Depreciation and amortisation	3,667	3,483
Impairments and loss on disposal of PPE and intangibles	10,113	675
Unrealised investment loss/(gain)	1,210	(1,880)
Interest and dividends received	(5,144)	(6,695)
Share of loss of Joint Venture and Associate	11,828	6,217
Income tax (benefit)	(1,232)	(445)
<i>Changes in assets and liabilities</i>		
Decrease/(increase) in trade and other receivables	1,801	(1,597)
Decrease in other assets and investments	13,804	3,744
(Decrease) in trade and other payables	(8,118)	(7,821)
Increase in provisions	16,263	1,659
(Decrease) in other liabilities	(6,250)	(1,010)
Increase in employee benefits	665	412
(Increase) in current and deferred tax assets and liabilities	(1,232)	(445)
<b>Net cash inflow from operating activities</b>	<b>31,206</b>	<b>5,968</b>

### 3.1. CASH FLOWS (CONTINUED)

#### (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:

	2020 (\$'000)	2019 (\$'000)
Cash on hand	186	186
Cash at bank	57,534	57,465
	<b>57,720</b>	<b>57,651</b>

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.

(\$'000 AUD)	30 June 2020					30 June 2019			
	Euro	USD	GBP	JPY	Other	Euro	CHF	USD	Other
Equities	5,110	25,966	-	1,502	1,491	4,951	896	23,042	1,070
Cash	-	161	106	4	9	78	5	37	8
<b>Net statement of financial position exposure</b>	<b>5,110</b>	<b>26,127</b>	<b>106</b>	<b>1,506</b>	<b>1,500</b>	<b>5,029</b>	<b>901</b>	<b>23,079</b>	<b>1,078</b>

As at 30 June 2020, 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:

	2020 (\$'000)		2019 (\$'000)	
	+10%	-10%	+10%	-10%
Euro to AUD	(465)	568	(457)	559
CHF to AUD	(1)	1	(1)	1
USD to AUD	(2,511)	3,069	(2,195)	2,683
GBP to AUD	(10)	12	(10)	13
JPY to AUD	(137)	167	(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.

### 3.2 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

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

2020	Note	Variable interest rate (\$'000)	Fixed interest maturing in:		Non-interest bearing (\$'000)	Total (\$'000)
			1 year or less (\$'000)	Over 1 to 5 years (\$'000)		
<b>Financial assets</b>						
Cash	3.1	56,436	-	-	1,284	57,720
Receivables	2.1	-	-	-	16,685	16,685
Term deposits	2.2	-	81,994	-	-	81,994
Equity securities	2.2	-	-	-	50,846	50,846
Bonds	2.2	112,643	-	-	-	112,643
		<b>169,079</b>	<b>81,994</b>	-	<b>68,815</b>	<b>319,888</b>
Weighted average interest rate %		1.09%	1.23%			
<b>Financial liabilities</b>						
Payables	2.5	-	-	-	21,190	21,190
		-	-	-	21,190	21,190
<b>Net financial assets</b>		<b>169,079</b>	<b>81,994</b>	-	<b>47,625</b>	<b>298,698</b>

2019	Note	Variable interest rate (\$'000)	Fixed interest maturing in:		Non-interest bearing (\$'000)	Total (\$'000)
			1 year or less (\$'000)	Over 1 to 5 years (\$'000)		
<b>Financial assets</b>						
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
		<b>153,091</b>	<b>74,378</b>	-	<b>64,532</b>	<b>292,001</b>
Weighted average interest rate %		2.09	2.40			
<b>Financial liabilities</b>						
Payables	2.5	-	-	-	29,308	29,308
		-	-	-	29,308	29,308
<b>Net financial assets</b>		<b>153,091</b>	<b>74,378</b>	-	<b>35,224</b>	<b>262,693</b>

The following table illustrates the sensitivity on net profit for the year ended 30 June 2020 to a reasonably possible change in interest rates of +/-1% (2019: +/- 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.

	2020 (\$'000)		2019 (\$'000)	
<b>Net result</b>	+1%	-1%	+1%	-1%
<b>Fair value risk</b>				
<i>Fixed rate instruments</i>				
Term deposits	(322)	327	(283)	287
Bonds	(304)	304	(135)	135
<b>Cash flow risk</b>				
<i>Variable rate instruments</i>				
Cash	1,126	(1,126)	962	(962)
Bonds	1,118	(1,075)	949	(949)

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 2020 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 \$5.47m. A 10% increase in the price of listed equities within the equity portfolio would result in a gain of \$5.47m. 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 considering 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.



### 3.2 MANAGEMENT OF FINANCIAL RISKS (CONTINUED)

The Standard & Poor's (S&P's) credit rating as at 30 June 2020 for the term deposits of \$82.0m, bonds of \$112.6m 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	6%	AAA	-
AA+	-	AA+	-	AA+	-
AA	-	AA	3%	AA	-
AA-	-	AA-	26%	AA-	-
A-1+	75%	A+	11%	A-1+	87%
A-1	-	A	4%	A-1	-
A-2	25%	A-	21%	A-2	4%
		BBB+	19%		
		BBB	10%		
Unrated	-	Unrated	-	Unrated	9%

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 2020.

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 \$21.19m (2019: \$29.31m) is gross and undiscounted and has committed cash flows of 2 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/(decreases) are as follows:

Year	\$'000	Increase
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%
2020	240,466	(1.81%)

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 its liabilities as they become due, even if the cash flow is 'stressed'. The standard consists of a requirement to hold a prescribed level of cash and mandates a liquidity management plan. 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 each fund 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 LEASE LIABILITIES

#### Accounting Policies

##### Leases

The Group has initially applied AASB 16 Leases from 1 July 2019. The group applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported, under AASB117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not been applied to comparative information.

AASB 16 introduced 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 recognises new assets and liabilities for its operating leases of retail and office premises. The nature of expenses related to those leases has changed because the Group has recognised 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. As at 1 July 2019, the Group recognised additional lease liabilities of \$7.9 million and additional right-of-use assets equal to the new lease liability. In addition, the Group no longer recognises provisions for operating leases that it assesses to be onerous. Instead, the Group includes the payments due under the lease in its lease liability. No onerous leases were identified on 1 July 2019 or at balance date.

The Group applied the following practical expedients in adopting AASB 16:

- To grandfather the definition of a lease on transition. This means that it applies 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 are 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 has relied 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.
- To expense rent concessions agreed between the Group and individual landlords falling in the period 1 March 2020 to 30 June 2021 as incurred through the statement of profit and loss.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 4.19%

### 3.3 LEASE LIABILITIES (CONTINUED)

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 2020.

Financial Disclosure	2020 (\$'000)	2019 (\$'000)
Due:		
Not later than one year	1,721	1,608
Later than one year but not later than five years	5,069	2,184
	<b>6,790</b>	<b>3,792</b>
<b>Right of use asset:</b>		
Right of use asset balance at 1 July	7,888	-
Additions to right of use asset	1,463	-
Derecognition of right of use asset	(1,144)	-
Depreciation of ROU asset	(1,787)	-
<b>Balance at 30 June</b>	<b>6,420</b>	<b>-</b>
<b>Amounts recognised in profit or loss:</b>		
Depreciation of ROU asset	1,822	-
Interest on Lease Liability	315	-
Lease expenses for short term leases	63	-
<b>Balance at 30 June</b>	<b>2,200</b>	<b>-</b>
<b>Amounts recognised in the statement of cashflows:</b>		
Lease payments made	1,841	-
Variable lease payments not included in the above calculation of lease liability	262	-
<b>Total cash outflow for leases</b>	<b>2,103</b>	<b>-</b>

### 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 Bengier  
Denis Napthine  
Gerald Miller (retired Sep-19)  
Sue Renkin  
Mike Hirst  
Vicky Papachristos  
Marie Bismark  
Claire Higgins (appointed Sep-19)

#### Compensation of key management personnel - directors

	2020 (\$)	2019 (\$)
Short term benefits	858,039	842,487

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

#### Compensation of key management personnel - management

	2020 (\$)	2019 (\$)
Short term benefits	2,663,002	3,157,563
Termination benefits	118,069	-
	<b>2,781,071</b>	<b>3,157,563</b>

Management includes the Chief Executive Officer and eight other Executive Managers.

### 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	2020 (\$'000)	2019 (\$'000)
<b>Current</b>		
Employee annual leave	2,519	2,186
Employee long service leave	1,624	1,371
	<b>4,143</b>	<b>3,557</b>
<b>Non-current</b>		
Employee long service leave	519	439
	<b>519</b>	<b>439</b>

### 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 Parent entity disclosures
- 5.8 Subsequent events

#### 5.1 AUDITOR'S REMUNERATION

Financial Disclosure	2020 (\$)	2019 (\$)
Audit and review of Financial Reports and other regulatory returns	299,800	254,800
Taxation and other services	-	8,000
	<b>299,800</b>	<b>262,800</b>

## 5.2 NEW ACCOUNTING STANDARDS

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application but have not been applied in preparing this financial report:

AASB amendment	Nature of change to accounting policy
AASB 17 Insurance Contracts (effective from 1 January 2022)	<p>Application date of standard: 1 January 2022</p> <p>Application date for GMHBA: 30 June 2023</p> <p>This standard establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued. Based on a limited assessment, the adoption of this standard is primarily anticipated to impact the Group's results due to changes around the deferral of customer acquisition costs. Changes from this standard are not anticipated to impact the pattern of revenue recognition on private health insurance contracts due to their short-term nature. The impact has not been quantified at 30 June 2020.</p> <p>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 to coincide with the adoption of AASB 17. 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.</p>

## 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 2020 the number of Company members was 8 (2019: 8).

## 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	
		2020	2019
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%	81%

## 5.5 EQUITY ACCOUNTED INVESTEEES

### Accounting policies

The Group's interest in equity-accounted investees comprises interests in an unlisted joint venture entity – MO Support Pty Ltd (holding company for the health fund 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 Support 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 Support Pty Ltd. As at 30 June 2020, 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 (2019: nil impairment).

Financial disclosure - MO Support Pty Ltd	2020 (\$'000)	2019 (\$'000)
Interest in joint venture	9,152	20,981
<b>Percentage ownership interest</b>	<b>41.4%</b>	<b>51%</b>
Current assets	54,443	41,476
Non-current assets	2,178	15,165
Current liabilities	28,482	15,502
Net assets	28,139	41,139
Group's share of net assets	11,654	20,981
<b>Carrying amount of investment in joint venture</b>	<b>9,152</b>	<b>20,981</b>
Revenue	50,839	29,806
Expenses	77,639	41,996
Net (loss)	(26,800)	(12,190)
<b>Group's share of net (loss)</b>	<b>(11,828)</b>	<b>(6,217)</b>
<b>Dividends received by the Group</b>	<b>-</b>	<b>-</b>

During the year, the group's ownership in the MyOwn Health Insurance Joint Venture was diluted due to additional capital contributions by the Joint Venture partner. The group's share of net assets represents the net assets of the Joint Venture attributable to the group based on the ownership percentage at balance date, whereas group's share of net loss was calculated considering the changes in ownership percentage throughout the period during which the loss was incurred.

### 5.6 RELATED PARTIES

At 30 June 2020, the Group had a balance of \$60k receivable (2019: \$5k) from MO Support 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 Support Pty Ltd for providing operational and administrative support to MO Support 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 PARENT ENTITY DISCLOSURES

As at and throughout the financial year ended 30 June 2020, the parent entity of the Group was GMHBA Limited. Parent entity financial results are as follows.

	2020 (\$'000)	2019 (\$'000)
<b>Result of parent entity</b>		
Net profit for the year	10,157	19,392
<b>Total comprehensive income for the year</b>	<b>10,157</b>	<b>19,392</b>
<b>Financial position of parent entity at year end</b>		
Current assets	153,881	153,703
<b>Total assets</b>	<b>413,403</b>	<b>395,345</b>
Current liabilities	136,754	133,953
<b>Total liabilities</b>	<b>142,222</b>	<b>134,321</b>
<b>Total equity of parent entity comprising of:</b>		
Retained earnings	271,181	260,203
Asset revaluation reserve	-	821
<b>Total equity</b>	<b>271,181</b>	<b>261,024</b>

### 5.8 SUBSEQUENT EVENTS

The impact of the COVID-19 pandemic is ongoing. It is not practical to estimate the potential impact after the reporting date. The situation is rapidly developing and is in part dependent on measures imposed by Governments in various jurisdictions in which the Group operates. No other 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.

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

That the financial statements and notes set out on pages 24 to 52:

- (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 2020 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

Geelong, 26th August 2020

Claire Higgins



Director GMHBA Limited



## 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 2020 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 2020;
- 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.



### 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](http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf). This description forms part of our Auditor's Report.

KPMG

Rachel Milum

Partner

Melbourne

26 August 2020



**GMHBA LIMITED**  
ABN 98 004 417 092

GMHBA is a registered not for profit private health insurer  
GMHBA Limited is a public company limited by guarantee and incorporated in Australia  
Registered office and principal place of business:  
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