



Southern Cross
Healthcare Group

Southern Cross Health Trust 2013 Annual Report



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Chairman and Chief Executive Officer's report

Ian McPherson (left) and Graeme Hawkins

The Southern Cross Health Trust (Trust) was established in 1977 for the purpose of assisting in the provision of medical facilities, services and research in New Zealand to supplement those provided by the public health system.

The Trust has three subsidiary businesses which directly or indirectly support the charitable purpose and objects of the Trust. These objects include the provision of medical facilities and services; the employment of medical, nursing and other staff; and the provision of training opportunities.

THE TRUST'S ROLE

It's no secret that the New Zealand public healthcare system is under enormous financial pressure; we have an ageing population; fewer taxpayers to fill the public purse; increasing incidence of chronic conditions and an ever-growing demand for new services and treatment options.

For this country to continue to care for the most vulnerable in our communities there needs to be big changes to funding, provision and mind-set in healthcare because the current model is simply unsustainable.

Southern Cross' size, scope and not for profit ethos can play an important role in getting the best possible value and quality healthcare for patients and customers.

Through the Southern Cross Hospitals business the Trust invests in a network of nine wholly owned hospitals and nine joint venture facilities throughout New Zealand. It is estimated that these hospitals provided 65,000 elective surgical procedures last year, including contracts for DHB and ACC patients.

Further, our not-for-profit philosophy means that any surpluses of the Southern Cross Health Trust are reinvested in the Trust's charitable objects, such as providing patient care.

PRIMARY CARE

Primary care delivered through general practice needs to be at the heart of a sustainable health system. Southern Cross is taking a role in helping to ensure that general practice remains a key component of the New Zealand healthcare system and is an attractive career for doctors, nurses and others within the primary care team. With this in mind Southern Cross Primary Care was established in 2010.



In partnership with five innovative practices, SCPC is now developing a framework which supports general practitioners to develop areas of special interest which stretches their scope of practice and provides added value to patients.

For example, not all procedures need the full resources of a hospital operating theatre. If less complex surgical procedures can be done by GPs in appropriate settings, this will provide more convenience and reduced costs for patients and make general practice a more attractive career option.

A case in point is skin excisions. Every year insurers and the Crown fund tens of thousands of skin procedures. If a greater proportion of these are carried out by general practitioners with demonstrated expertise in skin surgery then there are potentially very significant efficiencies to be gained for the New Zealand health system.

This year has also seen SCPC support the development of a patient portal which enables patients to communicate with their GP practice in a secure online environment, including the ability to order repeat prescriptions, book appointments, see test results, and email questions to their GP or nurse.

Branded as Health365, the patient portal has been trialled in five general practices. The pilot showed Health365 to be a technical success and, among several key learnings, has resulted in the identification of a business model based on a practice service fee.

Projects of this nature are an example of how SCPC can work collaboratively with others in the sector, combining resources and expertise to drive innovative developments that will benefit general practice and patients.

PERFORMANCE OF SUBSIDIARIES

In 2013 most Southern Cross Health Trust subsidiaries performed well in spite of a subdued economic climate and increasingly competitive markets.

- Southern Cross Hospitals' patient volumes were marginally up on the previous year. The increase was due to higher ACC funded volumes (as a result of lower ACC surgical declines) and higher DHB volumes.
- At Southern Cross Benefits Limited (SCBL), Southern Cross Travel Insurance (SCTI) returned a \$1.0 million surplus. Despite high levels of competition in its sector, SCTI achieved good growth in policyholder numbers in both the New Zealand and Australian markets. Ellenco Pet Insurance earned \$3.2 million in premiums, incurred \$2.4 million in claims and increased policy numbers by 6%.

- Southern Cross Primary Care added three practices to its portfolio and partnered with 'My Practice' to develop a new patient portal – benefiting general practice and New Zealanders.

Further details about of the performance and operations of Southern Cross Hospitals and SCBL are contained in the following pages.

Our sincere thanks to Southern Cross Hospitals CEO Terry Moore, SCBL CEO Craig Morrison, and SCPC General Manager Tracey Barron, their management teams and staff for their hard work throughout the year. The Trust's businesses are in very good hands.

CHANGES TO THE TRUST BOARD

We would like to pay tribute to eminent orthopaedic surgeon Dr Harley Gray, who retired from the Board on 30 June 2013. Dr Gray has been a Trustee of the Trust since July 2004 and served as a Director of Southern Cross Medical Care Society from 2004 to 2009. He also served on the Board of Southern Cross Healthcare Group from 2007 to 2013 and was Chairman of Trust subsidiary Southern Cross Hospitals from 2008 to 2013.

On behalf of the Board we would like to thank Dr Gray for his years of dedicated service and his contribution to the Trust and Southern Cross as a whole.

Dr Gray's role as Trustee of the Trust will be taken by Southern Cross Hospitals Board member Dr Philip Leightley.



Ian McPherson
Chief Executive Officer



Graeme Hawkins
Chairman



Operational review



Terry Moore, Chief Executive Officer

Southern Cross Hospitals directly supports the charitable purpose and objects of the Trust through provision of medical facilities and services; the employment of nursing and other staff; and the provision of training opportunities.

A STRONG POSITION FOR THE FUTURE

Southern Cross Hospitals had a solid performance in 2013. This is a reflection of the hard work that has gone into finding new, smarter ways of doing things in order to strengthen the business. Initiatives such as increasing theatre utilisation and savings made through tactical procurement are going a long way towards bolstering Southern Cross Hospitals for the challenges ahead.

The environment for non-public healthcare providers remains challenging and highly competitive. New technologies enable surgeries to be increasingly undertaken without patients requiring overnight hospital stays. In response, specialists are establishing their own day-stay facilities to treat patients.

Despite this, Southern Cross Hospitals has produced a positive financial result that enables continuing re-investment in staff education, services and network facilities – which, as New Zealand’s largest non-public hospital group, is imperative. One example of investment occurring in the last financial year, is the upgrade of the da Vinci® Si surgical robot in Christchurch. The upgrade enables more surgical capability and treatment options for those with gynaecological, urological or colorectal health issues. It is the first of its kind to be installed in New Zealand.

Our hospitals must operate on commercial terms to remain competitive. However, as a charitable trust any financial surpluses are invested in furthering the Trust’s objects. Southern Cross Hospitals’ aim is to provide New Zealanders with affordable, high quality healthcare services. This is a goal which closely aligns with the needs of the public sector and is demonstrated by the work we undertake with a number of District Health Boards (DHBs) on longer term healthcare delivery solutions.

An example is the opening of a new theatre in Christchurch, built to assist Canterbury DHB to meet its elective surgery targets until its major campus is rebuilt in around five years. The speedy completion of our earthquake remediation repairs in Christchurch and the fact we had modern buildings at the outset meant we were in a fortunate position to support Canterbury DHB.



da Vinci surgical robot

PATIENT VOLUMES TRACK UPWARDS

Work undertaken on behalf of DHBs contributed towards Southern Cross Hospitals' patient volumes marginally increasing on the previous year. The higher number of patients treated can also be attributed to higher ACC funded volumes as a result of lower ACC surgical declines.

There was not, however, an increase in the number of health insurance patients. Although the cost for elective surgery funded by health insurers in New Zealand increased, the volume of privately-funded surgery remains relatively subdued. This is primarily due to a continuing decrease in the number of New Zealanders with health insurance. The number of people insured declined by 0.7% in the 2013 year, following a drop of 1.3% in 2012.

The continued focus on the cost of healthcare services from both consumers and healthcare funders means increased emphasis on fixed cost, total procedure pricing. Southern Cross Hospitals already holds agreements for many surgical procedures with Southern Cross Health Society, New Zealand's largest health insurer. These agreements provide the Society's 800,000 plus members with good value and greater certainty about what their surgery will cost.

OUR FACILITIES

In the last financial year, Southern Cross Hospital Palmerston North merged with Aorangi Hospital to form a joint venture private hospital that's now called 'Crest'.

Both hospitals have a strong heritage and came together with the aim to provide more progressive and sustainable healthcare for the region.

Major developments or additions to the Hospitals' network in the 2013 financial year included:

Invercargill – investing in a third theatre to accommodate increasing demand for private surgery in the region. Completion of this project is expected in February 2014.

Wellington – the expansion and refurbishment of day-stay areas and the addition of a fifth theatre to assist with increased volumes.

Hamilton – major expansion of the theatre sterile unit, including new equipment and increased storage space.

CONTINUOUS IMPROVEMENT

Southern Cross Hospitals has an on-going focus on delivering the highest standards of quality and patient safety. There were many successful continuous improvement initiatives implemented during the year including:

- undertaking a patient research project to reduce venous thromboembolism (VTE). VTE is one of the main mortality risks of any surgery. The project was aimed at understanding and increasing consumer engagement in their own VTE risk assessment and highlights the important role they can play in managing these risks.
- roll-out of robust wireless networks which have enabled staff to interact seamlessly with a wide range of mobile devices within a hospital for the benefit of patients.

The Southern Cross Hospitals management team and I would like to thank all staff in the network and those at our joint ventures for their continued hard work and commitment to exceptional service for the more than 65,000 patients who passed through our doors during the year.



Hamilton expansion





Operational review



Craig Morrison, Chief Executive Officer

Southern Cross Benefits Ltd (SCBL) is a wholly owned subsidiary of the Southern Cross Health Trust. The business was established to generate a strong, sustainable stream of funding to aid the Trust in fulfilling its charitable purpose and objects. It operates in both the travel and pet insurance markets, trading as Southern Cross Travel Insurance (SCTI) and Ellenco Pet Insurance respectively.

The financial year ended 30 June 2013 was a year of positive growth for SCBL with Southern Cross Travel Insurance finishing the year with strong sales and Ellenco Pet Insurance stabilising the business with investment in new IT and premises. Strategic operational improvements carried out during the year mean that SCBL businesses not only finished the year in strong positions but are well-placed for further market growth in the year ahead.

SOUTHERN CROSS TRAVEL INSURANCE

Both New Zealand and Australia hit new sales records during the financial year.

Having launched in Australia in 2009, SCTI continues to maintain solid growth in a highly-competitive market. The number of Australian travellers covered by SCTI policies grew by 16% in 2013, while the number of New Zealanders travelling with Southern Cross cover grew by 8%.

The screenshot shows the Southern Cross Travel Insurance website. At the top, there is a navigation menu with links for SCTI Home, TravelCare, Working Overseas, International Student, Visiting New Zealand, and Help. A yellow star character is positioned to the right of the navigation menu. Below the navigation menu, there is a large promotional banner for a \$25,000 prize draw. The banner includes the text "Your last chance to win... \$25,000!" and "Buy TravelCare online before the end of 2013 to be in the draw." Below the banner, there are several sections: "35% off TravelCare online" with a link to www.scti.com.au, "FASTTRACK your TravelCare claims" with a link to "Click here to stay in touch", and "Articles, tips & prizes" with a link to "Click here to stay in touch". At the bottom of the page, there is a footer with links for SCTI Products, Services, Help, and Other Southern Cross sites. A copyright notice for Southern Cross Benefits Ltd and a "Back to top" link are also present.



The consolidated travel insurance business returned a modest surplus for the financial year of \$1.0 million.

During the financial year, SCTI was again recognised for its high quality policies, topping the highly-regarded CANSTAR survey of Australia's best value international travel insurance policies. SCTI received this award for the fourth consecutive year – the only brand to achieve this in all four years the survey has been conducted.

We believe there is room to grow SCTI's market share further and aim to do this through an agile marketing strategy that allows us to measure, adjust and adapt tactics to continuously changing circumstances.

Another key area of attention for the year ahead is increasing the scrutiny of potentially fraudulent property claims through the use of software and SCTI's engagement with a specialist investigator.

SCTI is also focused on growing its customer base and repeat business by providing a fast and simple online purchase process, and excellent customer service in the event of a claim.

SCTI completed several major projects during the last financial year that contributed to increased sales and turnaround times on claims. Over the next year SCTI's transition to a new IT environment will enable even greater customer-orientated functionality, designed to increase sales, reward loyalty and allow SCTI to respond more quickly to the market.

ELLENCO PET INSURANCE

In 2012, SCBL purchased the policies, systems, intellectual property and operating assets of Christchurch-based Ellenco Pet Insurance (Ellenco).

During the 2013 financial year, business operations were successfully transitioned from Christchurch to Hamilton without any disruption to customers.

Total claims costs were \$2.4 million while premium income was \$3.2 million. Net growth of six percent in the number of pet policies, saw Ellenco end the year with a total of 10,943 pets insured.

This was a solid performance in a period of substantial change for the business. We anticipate further growth opportunities in future years.

THANKS

I would like to offer huge thanks to my team for their hard work over the year and their efforts in delivering world class levels of customer satisfaction.



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[Frequently asked questions >>](#)

Statement of corporate governance

The Southern Cross Health Trust is a Charitable Trust registered as a charitable entity under the Charities Act 2005. Its purpose is to assist in the provision of medical facilities, services and research to supplement those provided by the Government. The Trust also undertakes ancillary activities to provide funding streams to assist it to achieve its charitable objects.

The Trust adheres to principles designed to further its charitable objects and to ensure good corporate governance of its affairs.

BOARD ROLE AND CHARTER

The Trust is governed by a Board of Trustees in accordance with the Trust Deed establishing the Southern Cross Health Trust, and the Board Charter. Subsidiary Boards operate in accordance with their own Board Charters. The Trust and its subsidiaries exist to further the Trust's charitable purposes in accordance with the Trust Deed.

The Board Charter describes the Trust's purpose and objects, the Board's role and governance processes, and the Board's relationship with management.

The role of the Board is to govern the Trust to fulfil the Trust's charitable purpose and objects. The Board directs and supervises the management of the Trust and its business, including:

- ensuring the Trust operates exclusively for charitable purposes
- ensuring the objects and strategies of the Trust are understood and that strategic and business plans are in place to achieve them
- establishing policies for strengthening the performance of the Trust including ensuring management proactively seeks to build the Trust's business through innovation, initiative, technology, new products and development of its business capital
- monitoring the performance of management
- appointing the CEO
- identifying steps necessary to protect the Trust's financial position
- ensuring the Trust's financial statements are true and fair and otherwise conform with legal requirements

- ensuring the Board and management adhere to high ethical standards
- ensuring the Trust has appropriate risk management and regulatory compliance policies and procedures in place.

The Board endorses the principles set out in the Code of Practice for Directors as adopted and approved by the Institute of Directors in New Zealand Inc. The Board has also adopted its own Code of Conduct and Ethics Policy to provide guidance to the Board, management and employees on how it expects them to conduct themselves when undertaking business on behalf of the Trust and its subsidiaries.

The Trustees in office as at 30 June 2013 are:

Graeme S Hawkins (Chairman)

Dr Douglas D Baird

Carole B Durbin

Gregory W Gent

Dr Harley Gray (retired as at 30 June 2013)

Elizabeth (Liz) M Hickey

Phillip J Meyer

Keith B Taylor

All Trustees disclose any actual or potential conflicts of interest. Should a conflict of interest arise during the course of Board business the affected Trustee is expected to excuse him or herself from the discussion and does not vote on those matters.

The Board meets formally on a regular scheduled basis and holds additional meetings as required. At each normal meeting the agenda will include a report from the CEO covering operational and financial performance of the Trust and subsidiaries, capital expenditure proposals, and major issues and opportunities. At intervals of not greater than one year the Board will review the Trust's goals and strategies, approve budgets and financial statements, and undertake other activities listed in the Board Charter.

The Board reviews its own performance annually.

DELEGATION FRAMEWORK

Responsibility for the day-to-day operation and administration of the Trust is delegated by the Board to the Chief Executive Officer and senior management. The CEO is authorised to make decisions in accordance with the strategy, plans, budgets and the specific delegation framework approved by the Board.

COMMITTEES

The Board forms committees when it is efficient or necessary to facilitate decision making. The Trust Board has, or participates in, standing committees and convenes other committees for specific purposes as required. The standing committees are:

Audit Committee

The Audit Committee's objectives are to assist the Board in discharging its responsibilities to exercise due care, diligence and skill in relation to oversight of financial functions, audit functions and risk management. Specific responsibilities include reviewing the content and disclosure of the Annual Report's Financial Statements; ensuring the Board makes informed decisions regarding accounting policies, practices and disclosures; recommending the appointment of external and internal auditors; reviewing the annual external and internal audit plans; ensuring that adequate internal control systems are in place; and ensuring management has established a risk management framework to effectively identify, treat, monitor and report key business risks. The Audit Committee comprises Liz Hickey, Harley Gray, Graeme Hawkins, Phillip Meyer (Chair) and Keith Taylor.

Group Remuneration Committee

The Group Remuneration Committee's objectives include providing advice to the Trust Board in relation to: the remuneration, employment conditions, development and performance management of the Chief Executive Officer and senior executives, and other remuneration related matters including standard terms and conditions of employment. The Group Remuneration Committee comprises Carole Durbin (Chair), Doug Baird, Greg Gent and Graeme Hawkins.

EXTERNAL AUDIT INDEPENDENCE

The Board is committed to auditor independence. The Audit Committee is responsible for making recommendations to the Board concerning the appointment of external auditors and their terms of engagement.

LOANS TO TRUSTEES

The Southern Cross Health Trust does not make loans to Trustees.

Board of Trustees



Board of Trustees

(L to R) Phillip Meyer, Carole Durbin, Dr Harley Gray, Dr Doug Baird, Graeme Hawkins, Greg Gent, Liz Hickey, Keith Taylor.

GRAEME HAWKINS

(BSC, BCom, ACA, FlnstD)
Chairman

Graeme Hawkins was appointed as a Trustee in 2008 and as Chairman in 2009. He is Chairman of Trust subsidiary Southern Cross Benefits Limited and a Director of Trust subsidiaries Southern Cross Hospitals Limited and Southern Cross Primary Care Limited. He is also Chairman of Southern Cross Medical Care Society, which is an independent and separate legal entity within the Southern Cross Healthcare Group. Mr Hawkins has been a professional director for 20 years; he is a director of Cavalier Corporation Ltd and Ports of Auckland Ltd. From 2001 to 2007 he was an appointed director of Fonterra Co-operative Group and is a former chairman of Auckland Healthcare, now Auckland District Health Board. Earlier in his career he held a number of strategic and financial roles at Fletcher Challenge and is a former CEO of Dominion Breweries.

DR DOUGLAS BAIRD

(MBChB, DipObst, FRNZCGP)

Dr Douglas Baird was appointed as a Trustee in 2007. He is a Director of Trust subsidiary Southern Cross Hospital Limited and of Southern Cross Medical Care Society. He is managing director of Aotea Health Services and medical director for two accident and medical clinics in

Auckland. Dr Baird is a past chairman of the Independent Practitioners Association Council (IPAC), was a founding director of ProCARE Health (which represents more than 500 GPs in Auckland) and of BPACnz (an organisation dedicated to effective use of resources by health providers). He has served in elected and advisory roles with the Auckland District Health Board, the ACC Medical Misadventure Unit and the Office of the Health and Disability Commissioner. Dr Baird has a Diploma of Obstetrics and is a Fellow of the Royal New Zealand College of General Practice.

CAROLE DURBIN

(BCom, LLB(Hons), FlnstD)

Carole Durbin was appointed as a Trustee in 2006 and is also a Director of Trust subsidiaries Southern Cross Benefits Limited and Southern Cross Hospitals Limited. Ms Durbin is a director of New Zealand-owned Fidelity Life. A part-time consultant to Simpson Grierson, one of New Zealand's leading legal firms, Ms Durbin has also held a number of previous board appointments including DamWatch Services Ltd, Simpson Grierson, Transpower NZ, software developer Synergy International (now Fronde), and was an Earthquake Commissioner. Until October 2009 she was chair of Mighty River Power, having been on that board since 1998. She is a Fellow of the Institute of Directors.

GREG GENT

Greg Gent was appointed as a Trustee in 2011. He is a Northland dairy farmer with a wealth of governance experience. From 2001 to 2011 he was a director of New Zealand's largest co-operative business, Fonterra. Prior to Fonterra's formation he was chairman of Northland Dairy and Kiwi Co-op Dairies. He is chairman of Farmers Mutual Group and Pengxin New Zealand Farm Management Limited and a director of New Zealand Institute for Plant and Food Research. He was appointed to the Northland District Health Board by the Minister of Health in 2010. Mr Gent is also a Director of Southern Cross Medical Care Society.

DR HARLEY GRAY CNZM

(ChM, MMedSc, FRACS)

Dr Harley Gray was appointed as a Trustee in 2004 and was Chairman of Trust subsidiary Southern Cross Hospitals Limited (he retired from these two roles with effect on 30 June 2013). Dr Gray was an eminent orthopaedic surgeon at Auckland's Middlemore Hospital until 2000 and is a former President of the NZ Orthopaedic Association and the Auckland Medico Legal Society. He was made a Companion of the New Zealand Order of Merit in 2003.

ELIZABETH HICKEY

(MCom(Hons), FCA, MInstD, MNZM)

Liz Hickey is a chartered accountant and member of the Institute of Directors who was appointed as a Trustee in 2009. Ms Hickey is president of the Institute of Chartered Accountants (NZICA), a director of Diabetes New Zealand Inc., a co-opted member of the ASB Community Trust's Audit and Risk Committee, and a Director of Southern Cross Medical Care Society. Her past governance experience includes being a director of Radio New Zealand, Genesis Power and Environmental Science and Research. She has served on both the New Zealand and international boards of the World Association of Girl Guides and Girl Scouts. She is a Fellow of the NZICA.

PHILLIP MEYER

(FAIM, FNZIM, AFinD, F Fin)

Phillip Meyer was appointed as a Trustee in 2002 and is also a Director of Trust subsidiaries Southern Cross Benefits Limited and Southern Cross Hospitals Limited. An experienced company director and investment banker, Mr Meyer is chairman of Australian Financial Services Group and Institute of Directors (Wellington Branch), and a trustee of Young Enterprise Trust, Crimestoppers Trust and Zealandia. Mr Meyer is also a Director of Southern Cross Medical Care Society. He is a national councillor and Accredited Fellow of the Institute of Directors in NZ, and a member of the NZ Markets Disciplinary Tribunal, Financial Services Institute of Australasia and the Returned Services Association Executive Management Committee. He is also national chairman of the Salvation Army Red Shield Appeal Committee and a member of its Investment Committee.

KEITH TAYLOR

(BSc, BCA, FIA, FInstD)

Keith Taylor was appointed as a Trustee in 2010. He has over 30 years' experience in the insurance and financial services industries as a chief executive, chief financial officer and actuary. He is chair of the Government Superannuation Fund, Gough Gough & Hamer and Speirs Group, and deputy chair of the Earthquake Commission. He is a director of the Reserve Bank of New Zealand, Port Marlborough, Butland Holdings and Southern Cross Medical Care Society. He is a member of the Carey Baptist College Board. He has previously been a director of property, insurance, trustee and investment companies in both New Zealand and Australia.

Financial statements

The following information is an extract from the Southern Cross Health Trust audited 2013 financial statements.

- 13 Statements of Comprehensive Income
- 14 Statements of Changes in Trust Funds
- 16 Statements of Financial Position
- 17 Statements of Cash Flows

The complete audited financial statements are available on request:

Email:
communications@southerncross.co.nz

Or write to:
Southern Cross Health Trust
PO Box 6772 Wellesley Street
Auckland 1141

Southern Cross Health Trust

STATEMENTS OF COMPREHENSIVE INCOME for the year ended 30 June 2013

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Revenue	265,315	250,360	-	-
Direct expenses	208,648	195,406	893	939
Gross surplus / (deficit)	56,667	54,954	(893)	(939)
Administration expenses	23,547	23,076	285	297
Other expenses	21,129	18,952	1,318	1,101
Reversal of impairment	(316)	-	-	-
Impairment of assets	1,000	1,841	3,958	-
Operating surplus / (deficit)	11,307	11,085	(6,454)	(2,337)
Share of profit and losses from equity accounted investments	5,159	4,491	-	-
Financing income	2,292	2,296	1,448	1,713
Financing expenses	424	859	83	1
Net financing income	1,868	1,437	1,365	1,712
Net insurance compensation	59	1,403	-	-
Other income	3,514	3,426	-	1,150
Net surplus / (deficit) before tax	21,907	21,842	(5,089)	525
Taxation expense / (benefit)	4	(74)	-	-
Net surplus / (deficit) after tax	21,903	21,916	(5,089)	525
Other comprehensive income:				
Movement in foreign currency translation reserve	(975)	(252)	-	-
Total comprehensive income for the year	20,928	21,664	(5,089)	525
Attributable to:				
Trustees of the Trust	20,928	21,813	(5,089)	525
Non-controlling interest	-	(149)	-	-
Total comprehensive income for the year	20,928	21,664	(5,089)	525

Southern Cross Health Trust

STATEMENTS OF CHANGES IN TRUST FUNDS for the year ended 30 June 2013

Group 2012	Attributable to the Trustees of the Trust					
	Retained surpluses \$000	Capital reserve \$000	Foreign currency translation reserve \$000	Total \$000	Non- controlling interest \$000	Total Trust funds \$000
Balance as at 1 July 2011	224,572	250	1,230	226,052	582	226,634
Total comprehensive income:						
Surplus /(deficit) after taxation	22,065	-	-	22,065	(149)	21,916
Other comprehensive income:						
Movement in foreign currency translation reserve	-	-	(252)	(252)	-	(252)
Total comprehensive income for the year	22,065	-	(252)	21,813	(149)	21,664
Acquisition of non-controlling interest	-	-	-	-	(433)	(433)
Balance as at 30 June 2012	246,637	250	978	247,865	-	247,865
Group 2013	Attributable to the Trustees of the Trust					
	Retained surpluses \$000	Capital reserve \$000	Foreign currency translation reserve \$000	Total \$000	Non- controlling interest \$000	Total Trust funds \$000
Balance as at 1 July 2012	246,637	250	978	247,865	-	247,865
Total comprehensive income:						
Surplus after taxation	21,903	-	-	21,903	-	21,903
Other comprehensive income:						
Movement in foreign currency translation reserve	-	-	(975)	(975)	-	(975)
Total comprehensive income for the year	21,903	-	(975)	20,928	-	20,928
Balance as at 30 June 2013	268,540	250	3	268,793	-	268,793

Southern Cross Health Trust

STATEMENTS OF CHANGES IN TRUST FUNDS for the year ended 30 June 2013 (continued)

Parent 2012	Attributable to the Trustees of the Trust		
	Retained surpluses \$000	Capital reserve \$000	Total Trust funds \$000
Balance as at 1 July 2011	180,454	250	180,704
Total comprehensive income			
Surplus after taxation	525	-	525
Other comprehensive income:	-	-	-
Total comprehensive income for the year	525	-	525
Balance as at 30 June 2012	180,979	250	181,229

Parent 2013	Attributable to the Trustees of the Trust		
	Retained surpluses \$000	Capital reserve \$000	Total Trust funds \$000
Balance as at 1 July 2012	180,979	250	181,229
Total comprehensive income			
Deficit after taxation	(5,089)	-	(5,089)
Other comprehensive income:	-	-	-
Total comprehensive income for the year	(5,089)	-	(5,089)
Balance as at 30 June 2013	175,890	250	176,140

Southern Cross Health Trust

STATEMENTS OF FINANCIAL POSITION as at 30 June 2013

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Current assets				
Cash and cash equivalents	45,263	31,149	5,029	1,721
Trade and other receivables	25,988	23,781	391	434
Financial assets	30,892	23,136	-	-
Inventories	3,460	3,528	-	-
Insurance recovery receivable	202	2,253	-	-
Advance to subsidiary	-	-	-	1,500
Total current assets	105,805	83,847	5,420	3,655
Non-current assets				
Financial assets	-	5,002	-	-
Investments	30,431	26,812	147,600	150,600
Derivative financial instruments	28	39	-	-
Property, plant and equipment	164,703	163,702	31	39
Intangible assets	4,858	3,207	-	-
Leasehold improvements	859	951	328	362
Goodwill	9,472	9,472	-	-
Advance to subsidiary	-	-	23,888	26,683
Related party receivables	249	-	-	-
Total non-current assets	210,600	209,185	171,847	177,684
Total assets	316,405	293,032	177,267	181,339
Current liabilities				
Trade and other payables	17,016	17,393	416	110
Provisions	219	113	-	-
Employee entitlements	6,129	6,025	11	-
Insurance contract liabilities	22,261	20,875	-	-
Deferred investment liability	500	-	-	-
Advance from subsidiary	-	-	700	-
Total current liabilities	46,125	44,406	1,127	110
Non-current liabilities				
Finance lease	37	60	-	-
Derivative financial instruments	64	316	-	-
Deferred lease income	344	385	-	-
Deferred investment liability	1,042	-	-	-
Total non-current liabilities	1,487	761	-	-
Total liabilities	47,612	45,167	1,127	110
Net assets	268,793	247,865	176,140	181,229
Trust funds				
Retained earnings	268,540	246,637	175,890	180,979
Capital reserve	250	250	250	250
Foreign currency translation reserve	3	978	-	-
Parent interest	268,793	247,865	176,140	181,229
Non controlling interest	-	-	-	-
Trust funds	268,793	247,865	176,140	181,229

Southern Cross Health Trust

STATEMENTS OF CASH FLOWS for the year ended 30 June 2013

	Group		Parent	
	2013 \$000	2012 \$000	2013 \$000	2012 \$000
Cash flows from operating activities				
Receipts from customers	265,991	251,708	-	13
Payments to suppliers and employees	(215,600)	(201,635)	(2,059)	(2,742)
Payments of direct claims	(23,999)	(24,681)	-	-
Interest received	2,162	2,525	1,448	1,713
Interest paid	(399)	(879)	(82)	(1)
Dividends received	1	-	-	1,150
Payment of income tax	5	26	-	-
Insurance compensation	2,110	750	-	-
Other income	3,289	2,702	-	-
Net cash flows from operating activities	33,560	30,516	(693)	133
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment	1	-	-	-
Distributions from hospital partnerships and associates	4,168	3,973	-	-
Purchase of investments	(2,688)	(1,077)	-	-
Purchase of property, plant and equipment	(16,139)	(19,124)	-	(34)
Additions to leasehold improvements	(37)	-	(37)	-
Purchase of intangible assets	(3,093)	(1,572)	-	-
Investment in hospital partnerships and associates	(1,314)	(674)	-	-
(Payment)/Receipt of inter-company advance	-	-	4,038	500
Investment in subsidiary	-	-	-	(1,500)
Acquisition of non-controlling interest	-	(320)	-	-
Loan with associated party	(249)	-	-	-
Acquisition of business (net of cash acquired)	-	(176)	-	-
Net cash flows from investing activities	(19,351)	(18,970)	4,001	(1,034)
Cash flows from financing activities				
Proceeds from finance lease	(23)	(44)	-	-
Repayment of borrowings	-	(7,300)	-	-
Repayment of subordinated shareholder loan	-	(180)	-	-
Close out of financial derivative	-	(156)	-	-
Net cash flows from financing activities	(23)	(7,680)	-	-
Net increase/(decrease) in cash and cash equivalents	14,186	3,866	3,308	(901)
Cash & cash equivalents at beginning of year	31,149	27,283	1,721	2,622
Effect of exchange rate movement on foreign currency balances	(72)	-	-	-
Cash & cash equivalents at end of year	45,263	31,149	5,029	1,721

Southern Cross Health Trust

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Southern Cross
Healthcare Group