



Southern Cross  
Health Trust

# Southern Cross Health Trust 2014 Annual Report





# Contents

02	Chairman and Chief Executive Officer's report
04	Operational reviews <ul style="list-style-type: none"><li>• Southern Cross Hospitals Limited</li><li>• Southern Cross Benefits Limited</li></ul>
08	Statement of corporate governance
10	Board of Trustees
12	Financial statements



# Chairman and Chief Executive Officer's report

Terry Moore (left) and Graeme Hawkins

Southern Cross Health Trust is a charitable trust. Its vision is to make quality healthcare more affordable and accessible for a greater number of New Zealanders.

It does this by investing in health-related activities which align with its charitable purpose, including the provision of medical facilities and services; the employment of medical, nursing and other staff; and the provision of training opportunities. The Trust also engages in commercial activities which provide more capital to invest back into these charitable purposes.

## ACHIEVING THE RIGHT BALANCE

New Zealanders are fortunate to enjoy a high level of taxpayer-funded healthcare. However, a lack of incentives for personal contribution to health costs has, over time, led to a less-than-optimal private/public spending mix.

This imbalance will place growing pressure on Government funds as demand for health services continues to rise. New Zealand already has a much higher proportion of public expenditure on healthcare (83%) than similar OECD nations (such as Canada and Australia) with the proportion of private spending on health actually decreasing over the last decade.

To avoid placing further stress on our valued public services, it is vital that private healthcare options remain affordable and accessible to a wide range of New Zealanders. The presence of strong not-for-profit organisations like the Southern Cross Health Trust are, and will continue to be, an important factor in achieving this outcome.

The subsidiary businesses of the Trust must operate on commercial terms to remain competitive. However, any surpluses from Trust subsidiaries are reinvested in healthcare for New Zealanders. To achieve the Trust's vision, our focus will remain on investing in our healthcare facilities and staff, managing our pricing, and pursuing efficiency wherever possible.

## OUR CONTRIBUTION

The Southern Cross Health Trust's charitable purpose is achieved predominantly through subsidiary Southern Cross Hospitals. This network of nine wholly-owned and nine joint venture medical facilities across New Zealand provides care to around 65,000 patients annually. Trust surpluses are reinvested in a programme of continuous improvement in medical facilities, technology and the

overall patient experience. Several of the larger Southern Cross hospitals have been developed into health campuses, with on-site consulting rooms, imaging, ICU and higher level care facilities.

## GROWING THE HEALTH WORKFORCE

A key objective of the Trust is to develop the health workforce. Southern Cross Hospitals is the country's largest private surgical sector employer of registered nurses. In 2012 Southern Cross Hospitals established an in-house graduate nurse training programme to cater for an expected rise in demand for nursing staff. In the last two years over 50 graduate nurses have been recruited to take part in the programme. Our Hospitals business also continually develops and provides a variety of education courses and programmes to meet the needs of its 1000 plus staff and the evolving medical environment.

## ENHANCING PRIMARY CARE

Since 2010, the Trust has pursued involvement in the primary care sector through subsidiary Southern Cross Primary Care (SCPC). Our decision to work in this area was based on a view that a strong primary care sector is vital to a sustainable health system and better health outcomes for New Zealanders. SCPC has been working in partnership with practices to help GPs extend their scope of practice, make improvements to their business operations, and develop services that add value for patients.

## WORKING IN PARTNERSHIP

With fiscal pressure building on publicly funded services, more integration between all parts of the health sector is an important component in improving patient outcomes and affordability.

The Trust, through Southern Cross Hospitals, holds contracts with individual District Health Boards (DHBs) to ensure patients receive timely elective surgical treatment and have access to a wider range of services than might otherwise be possible. An example of an innovative, cost-effective outsourcing partnership was the 2013 build of a new theatre at Southern Cross Hospital Christchurch, which is dedicated solely to publicly-funded surgery while Canterbury DHB redevelops its facilities following the earthquakes.

Southern Cross Hospitals is also exploring other ways of working with DHBs in order to bring greater access to health services for New Zealanders. An example is the option of developing elective surgery facilities at Lakes District Hospital in Queenstown that could be utilised by both public and private patients. Discussions are continuing, however this option is currently 'on hold' while Southern DHB confirms its long-term plans for the area.

We are also supportive of the need for funders to control health costs. Health insurers are moving more procedures to a fixed cost arrangement (as done by ACC – another healthcare funder that purchases services from Southern Cross Hospitals). These arrangements aim to dampen premium inflation long-term, and are particularly beneficial for patients with shared cover policies that require co-payments.

## CHARITABLE SURGERIES

For many years the Trust has provided facilities, medical supplies and medical staff for elective surgeries performed free of charge for those in need. Two years ago this arrangement with surgeons was formalised and funding criteria established. Surgeons are able to apply via Hospitals to provide free surgery for patients who cannot access publicly-funded elective surgery in a reasonable timeframe, and who do not have means to fund it otherwise. Against a background of growing need, we are pleased to be meeting our targets and are working closely with specialists who wish to do more in this area.



Investing in facilities: Southern Cross Hospital Brightside purchased a 3D high-definition surgical video system – a New Zealand first.

## PERFORMANCE OF SUBSIDIARIES

The 2014 financial year saw the businesses of the Trust deliver solid results with a surplus of \$23.2 million. We are, however, budgeting for lower surpluses in coming years in what are becoming increasingly competitive markets.

- Southern Cross Hospitals returned a surplus while continuing to invest in new state of the art technology and an ongoing programme of facility upgrades. The entry of specialist-owned day stay facilities into the market is changing the mix of our hospitals case-load towards more complex patients and surgeries, which has an impact on operational costs.
- Southern Cross Benefits Ltd also returned a surplus, with Southern Cross Travel Insurance delivering another year of strong policyholder growth in both the New Zealand and Australian markets.
- Southern Cross Primary Care continued to work with GP practices to identify and develop areas that add value for GPs, patients and the wider health system.

## ACKNOWLEDGEMENTS

2014 saw a change in executive leadership at Southern Cross. After 12 years as Group CEO, Dr Ian McPherson stepped down at the end of June. Southern Cross Hospitals CEO Terry Moore was appointed CEO of Southern Cross Health Trust from 1 July. Mr Moore will also continue as CEO of Southern Cross Hospitals, while Dr McPherson will continue to work with the Trust and its Board in a strategic advisory role until 30 June 2015.

We would like to thank Dr McPherson for his valued contribution to Southern Cross and his ongoing drive to ensure New Zealanders receive the best possible value in healthcare. We would also like to thank all management and staff of Southern Cross Health Trust subsidiaries for their hard work and commitment to providing the best possible care and service for their patients and customers.

Terry Moore  
Chief Executive Officer

Graeme Hawkins  
Chairman





# Operational review

## Southern Cross Hospitals Limited

Terry Moore, Chief Executive Officer

**Our hospitals and medical facilities operate in an increasingly competitive environment, with new specialist-owned day-stay surgical facilities challenging our growth opportunities.**



Those facilities are focused on high volume, less complex elective surgical procedures - cataract surgery being one example. But despite their significantly lower operational costs (when compared to fully serviced 24 hour private hospitals), there is a worrying trend that this lower operational cost base is not translating into lower charges for the patient. The entry of these facilities also has the impact of shifting the case-load of surgeries performed at our hospitals towards more complex surgeries and patients.

To remain competitive, it is important our focus continues to be on finding innovations and efficiencies, improving our processes, and providing the best quality environment for our patients. We are also working to enhance our own day stay facilities (in both our wholly-owned hospitals and with our joint venture partners) to cater for this growing segment of the market.

### PATIENT VOLUMES

Patient volumes were in line with forecast but were slightly down on 2013 numbers, mainly due to the competitive pressures described above and a small overall reduction in the number of DHB outsourced elective surgeries performed at Southern Cross Hospitals.

The volume of ACC-funded patients rose slightly in 2014, while the volume of patients funded by health insurers remained fairly static. This is a reflection of the health insurance market itself; after several years of decline, the number of New Zealanders with health insurance is stabilising.

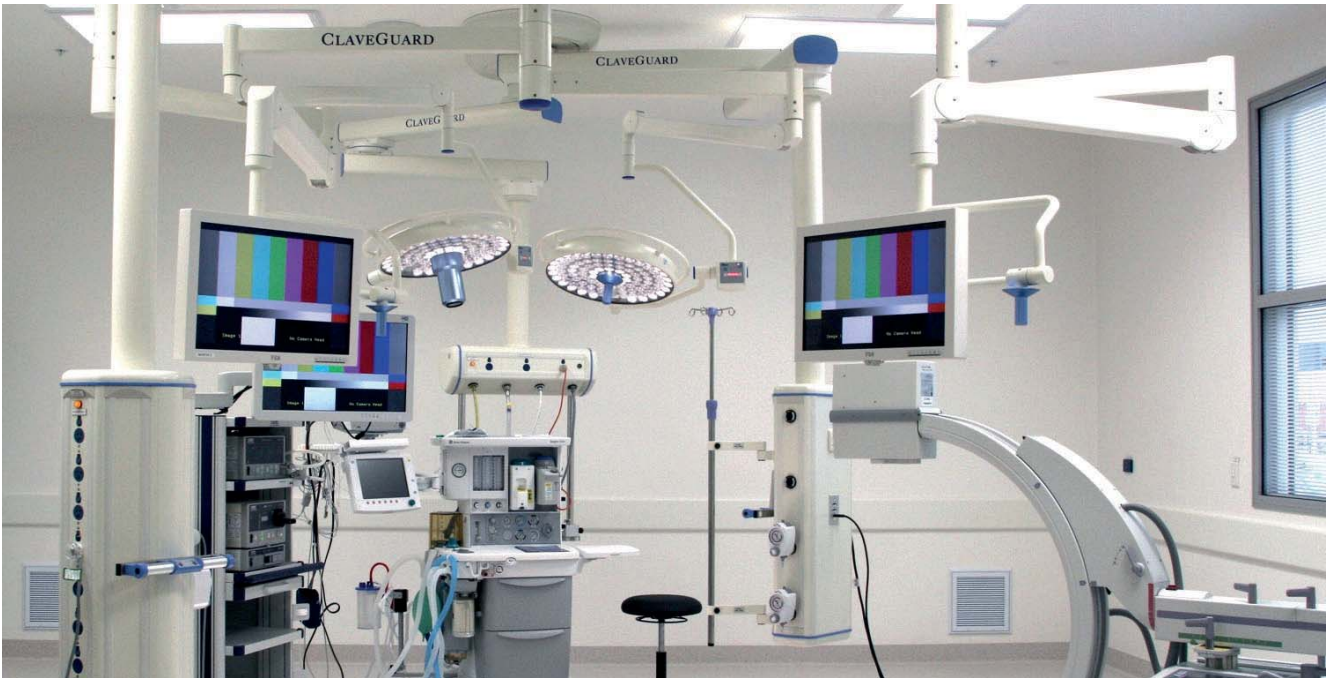
### OUR FACILITIES

Improvements, upgrades and investment highlights for the year ended 30 June 2014 included:

- Nelson's Manuka Street Hospital joining our network in a joint venture partnership. Owned by a local Charitable Trust, Manuka Street is a great fit for Southern Cross Hospitals. We are very pleased to be working with a like-minded partner in a growing region, and to extend our South Island presence. The partnership has already enabled investment in new equipment, benefiting local patients and specialists in the area.
- Southern Cross Hospital Brightside (Auckland) purchasing a 3D high-definition surgical video system, the first of its kind in New Zealand. The new system restores the depth perception that



Nelson's Manuka Street Hospital.



New state-of-the-art operating theatre in Invercargill.

was lost when surgeries moved from the traditional open procedure to the less invasive laparoscopic technique. It offers significant advantages for laparoscopic surgery training, and also enables more efficient surgeries through increased precision and accuracy.

- Southern Cross Hospital Invercargill adding a third operating theatre, fitted with a state of the art, digital, high-resolution video system. This system offers surgeons an enhanced view of patient anatomy, and is particularly helpful for minimally invasive surgical techniques. It also has the advantage of being configured to work with other technology systems, meaning the hospital is not locked in to a particular supplier.
- Southern Cross Hospital Christchurch opening a new 'hybrid' operating theatre. The theatre is fitted with floor-mounted robotic technology to enable advanced radiology, pre- and post-surgical imaging, and vascular surgery to be carried out.
- Southern Cross Hospital Wellington completing a major refurbishment of its day stay surgical unit, enhancing day surgery services for Wellington patients and specialists while improving efficiency.
- Southern Cross Hospital Hamilton undergoing a major services infrastructure upgrade during the year.

During the 2014 financial year we became a supporter of the Health Quality & Safety Commission's "Open for better care" national patient safety campaign. The campaign focuses on reducing harm in the areas of falls, healthcare associated infections, perioperative harm and medication safety. We have a strong record in patient safety, and supporting this campaign is one way we can maintain and improve on the high standards we set ourselves.

Another has been the Southern Cross Hospitals "Blood Clots & You" initiative - developed with funding from the Health Quality & Safety Commission. Research suggests that each year around 1,500 New Zealand patients may develop hospital-associated clots, and one in ten will die as a result. With the use of information now provided to patients undergoing a surgical procedure, patients are able and encouraged to: self-assess; manage their risks; and, most importantly, know what to do if they have concerns about blood clots. Currently available in booklet form and online, it also includes a simple post-operative recovery plan and is available to all GPs, hospitals and surgeons throughout New Zealand.

The year also saw Southern Cross Hospitals establish a new Consumer Advisory Panel to provide an expert view on enhancing the patient experience from outside the organisation.

On this note, we are very pleased to report very strong patient satisfaction levels. Our most recent survey, utilising Best Practice methodology, found that 94% of patients were satisfied that the hospital met their most important expectations. This rating compares very favourably with private sector norms using the same survey methodology.

## QUALITY AND PATIENT SAFETY

Southern Cross Hospitals is committed to continuous improvement in the area of patient care. This includes initiatives to align with best practice in safety, post-surgical recovery and infection control, to ensure the best possible quality standards are maintained and the overall patient experience enhanced.





# Operational review

## Southern Cross Benefits Limited

Craig Morrison, Chief Executive Officer

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

2014 saw both SCBL businesses focused on growth. This included implementing IT and system improvements necessary to expand and service their respective customer bases efficiently, with a long-term view towards generating further returns for the Trust.



Southern Cross Travel Insurance (SCTI) delivered another year of strong policyholder growth while implementing a programme of business system improvements.

The business contributed a modest surplus to further the Trust's objectives. The 2014 surplus was impacted by a high number of large medical claims.

SCTI continued to grow its customer base at a much faster rate than growth in the underlying market. In Australia, the number of policyholders grew 29% during the year (with the number of overseas departures in Australia up 8% over the previous year), while in New Zealand the number of policyholders grew 20% (with overseas departures up 4%). This growth can be put down to a combination of factors – the strength of the Southern Cross brand, highly targeted and agile marketing, efficient customer service, and policies that are consistently rated as among those offering the best value in the market.

The screenshot shows the Southern Cross TravelCare website. At the top, there's a navigation menu with 'SCTI Home', 'TravelCare', 'Working Overseas', 'International Student', 'Visiting New Zealand', and 'Help'. Below the navigation is a 'Get a Quote' section with a form for Policy Type (Single Trip/Multi Trip), Dates (Start/End), Destination (Australia/South Pacific, Limited World, World), Traveller Ages, Southern Cross Health Society Member status, and a Promo Code field. A large promotional banner in the center reads 'Buy TravelCare and win... \$2,000 TODAY!' and 'You could also win this weeks \$1,000 draw and the next grand prize of \$20,000!'. To the right of the banner is a yellow star character with a cast on its leg and crutches. Below the banner, there's a 'TravelCare Key Benefits' list including 24-hour worldwide emergency assistance, overseas hospitalisation, medical evacuation, travel cancellations, lost/stolen items, personal accident, personal liability, and rental car excess. At the bottom, it states 'All policies come with Southern Cross Worldwide Assistance, giving you access to one of the world's largest networks of emergency medical resources 24 hours a day, 7 days a week.'





During 2014, independent research house CANSTAR rated SCTI first-equal among 29 New Zealand travel insurers in an annual survey of policies. In awarding SCTI's TravelCare policy five stars for "outstanding value" in both the international and trans-Tasman travel insurance categories for the second year running, CANSTAR commented that "Southern Cross stood out for its highly competitive premiums, the ability to claim online, and its strong policy features."

In Australia, SCTI has now received the CANSTAR five star "outstanding value" award for international travel insurance for six consecutive years - the only brand to have received the award in all six of the years the survey has been conducted. Australian financial product comparison website Mozo also awarded SCTI first place among 57 travel insurance providers for offering the best value in comprehensive travel insurance in its 2014 product review.

Though this recognition is pleasing, we are very aware that travel insurance is a highly competitive market. As such, SCTI is focused on system improvements that ensure the online purchase and claims process is easy to use and efficient for our growing number of customers, encouraging return business and word of mouth recommendations.

SCTI also continues to work proactively to raise awareness of the importance of travel insurance. A widely reported example was the release of our 'top ten' highest value claims for the previous year - the highest being a \$245,000 claim from a customer requiring medical care while holidaying in the US.



Southern Cross Pet Insurance (formerly Ellenco Pet Insurance) also continued to make operational improvements while growing its customer base. The year concluded with a total of 11,815 pets insured - up 8% on the number insured at the end of the 2013 financial year. Total claims costs were \$2.93m, while premium income was \$3.80m.

Since purchasing the pet insurance business in March 2012, Southern Cross Pet Insurance had been operating with legacy systems inherited from the previous owners. These were not considered sufficient to grow the business, and during the year were replaced with a new system that allows the business to expand efficiently, and provide an enhanced level of customer service.

The year ahead will see the business move towards direct online sales, and the introduction of a new, simplified set of products.



# 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.

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## BOARD ROLE AND CHARTER

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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 2014 are:

Graeme S Hawkins (Chairman)

Dr Douglas D Baird

Catherine Drayton (appointed 11 February 2014)

Carole B Durbin

Gregory W Gent

Elizabeth (Liz) M Hickey

Dr Philip Leightley (appointed 1 July 2013)

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.

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## DELEGATION FRAMEWORK

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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.

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## COMMITTEES

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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 (Chair), Catherine Drayton, Graeme Hawkins and Keith Taylor.

### Remuneration Committee

The 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 Remuneration Committee comprises Carole Durbin (Chair), Doug Baird, Greg Gent and Graeme Hawkins.

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## EXTERNAL AUDIT INDEPENDENCE

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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.

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## LOANS TO TRUSTEES

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



# Board of Trustees



## Board of Trustees

(L to R) Catherine Drayton, Doug Baird, Liz Hickey, Greg Gent, Graeme Hawkins, Philip Leightley, Keith Taylor.  
Inset: Carole Durbin.

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## GRAEME HAWKINS

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(BSc, BCom, ACA, DistFInstD)  
Chairman

Graeme Hawkins joined the Trust Board in October 2008, and was appointed Chairman on 1 July 2009. He is also Chairman of the Trust's subsidiary companies – Southern Cross Hospitals, Southern Cross Benefits and Southern Cross Primary Care. Mr Hawkins has been a professional director for more than 20 years. He is a director of Cavalier Corporation Ltd and Acting Chairman of 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. He is also Chairman of Southern Cross Medical Care Society.

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## DR DOUGLAS BAIRD

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(BSc, MB, ChB, DipObst)

Dr Douglas Baird was appointed as a Trustee in 2007 and also sits on the Boards of two Trust subsidiaries – Southern Cross Hospitals and Southern Cross Primary Care. 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 is also a Director of Southern Cross Medical Care Society.

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## CATHERINE DRAYTON

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(BCom, LLB, FCA)

Catherine Drayton joined the Trust Board in 2014 and also sits on the Boards of two Trust subsidiaries – Southern Cross Hospitals and Southern Cross Primary Care. She is a professional, non-executive director on a variety of boards including engineering consultancy company BECA Group Limited, Christchurch International Airport and Ngai Tahu Holdings Corporation Limited. Past board appointments include Meridian Energy. Born, bred and resident in Christchurch, Ms Drayton is a member of the University of Canterbury Council and chair of the audit & risk committee for the Christchurch Earthquake Recovery Authority (CERA). She is a former partner in charge of assurance and advisory services for Pricewaterhouse Coopers in Central and Eastern Europe. She is a member of the NZ Institute of Chartered Accountants and sits on the Institute's board. Ms Drayton is also a Director of Southern Cross Medical Care Society.

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## CAROLE DURBIN

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(BCom, LLB(Hons), FInstD)

Carole Durbin was appointed as a Trustee in 2006 and also sits on the Boards of three Trust subsidiaries – Southern Cross Hospitals, Southern Cross Benefits and Southern Cross Primary Care. Ms Durbin is also 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. Ms Durbin is also a Director of Southern Cross Medical Care Society.

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## GREG GENT

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Greg Gent joined the Trust Board in 2011 and also sits on the Boards of two Trust subsidiaries – Southern Cross Hospitals and Southern Cross Primary Care. Mr Gent 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; a director of New Zealand Institute for Plant and Food Research; and 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.

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## ELIZABETH HICKEY

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

Liz Hickey is a chartered accountant and member of the Institute of Directors who joined the Trust Board in 2009. She also sits on the Boards of three Trust subsidiaries – Southern Cross Hospitals, Southern Cross Benefits and Southern Cross Primary Care. Ms Hickey is a trustee of

the University of Auckland Foundation, and a director of Diabetes New Zealand Inc. 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, and is a Fellow and past-President of the NZ Institute of Chartered Accountants. Ms Hickey is also a Director of Southern Cross Medical Care Society.

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## PHILIP LEIGHTLEY

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(MB, BS, BSc, DA, FRCA, FANZCA)

Dr Philip Leightley joined the Trust Board in 2013. He has been a Director of Trust subsidiary Southern Cross Hospitals since 2009 and also now serves on the Board of a second subsidiary, Southern Cross Primary Care. Dr Leightley is a practicing specialist anaesthetist with Anaesthesia Auckland, and works at a range of Auckland private hospitals. He is a former founding shareholder and then director of the Auckland Surgical Centre which was purchased by Southern Cross Hospitals in 2005. He has chaired a number of private hospital committees and has worked in the private hospital environment for more than 25 years.

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## KEITH TAYLOR

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(BSc, BCA, FIA, FInstD)

Keith Taylor was appointed as a Trustee in 2010 and also sits on the Boards of three Trust subsidiaries – Southern Cross Hospitals, Southern Cross Benefits and Southern Cross Primary Care. Mr Taylor 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 Holdings Limited and Speirs Group, and deputy chair of the Reserve Bank of New Zealand and the Earthquake Commission. He is a director of Port Marlborough and Butland Holdings, and 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. Mr Taylor is also a Director of Southern Cross Medical Care Society.

# Financial statements

The following information is an extract from the Southern Cross Health Trust audited 2014 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](mailto: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 2014

	Group		Parent	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
Revenue	282,527	265,315	-	-
Direct Expenses	218,338	201,660	936	893
<b>Gross surplus/(deficit)</b>	<b>64,189</b>	<b>63,655</b>	<b>(936)</b>	<b>(893)</b>
<b>Administration and other expenses</b>	<b>52,055</b>	<b>51,664</b>	<b>2,002</b>	<b>1,603</b>
Impairment of fixed assets	-	(316)	-	-
Impairment of investments	-	1,000	481	3,958
<b>Operating surplus/(deficit)</b>	<b>12,134</b>	<b>11,307</b>	<b>(3,419)</b>	<b>(6,454)</b>
Share of profit from equity accounted investments	6,775	5,159	-	-
Financing income	2,245	2,292	1,164	1,448
Financing expenses	133	424	41	83
<b>Net financing income</b>	<b>2,112</b>	<b>1,868</b>	<b>1,123</b>	<b>1,365</b>
Insurance compensation	207	59	-	-
Other income	3,090	3,514	-	-
<b>Net surplus/(deficit) before taxation</b>	<b>24,318</b>	<b>21,907</b>	<b>(2,296)</b>	<b>(5,089)</b>
Taxation expense	3	4	-	-
<b>Net surplus/(deficit) after taxation</b>	<b>24,315</b>	<b>21,903</b>	<b>(2,296)</b>	<b>(5,089)</b>
<b>Other comprehensive income:</b>				
Movement in foreign currency translation reserve	(1,155)	(975)	-	-
<b>Net comprehensive surplus/(deficit) for the year</b>	<b>23,160</b>	<b>20,928</b>	<b>(2,296)</b>	<b>(5,089)</b>
<b>Attributable to:</b>				
Trustees of the Trust	23,160	20,928	(2,296)	(5,089)
<b>Net comprehensive surplus/(deficit) for the year</b>	<b>23,160</b>	<b>20,928</b>	<b>(2,296)</b>	<b>(5,089)</b>

# Southern Cross Health Trust

## STATEMENTS OF CHANGES IN TRUST FUNDS for the year ended 30 June 2014

Group 2014	Attributable to the Trustees of the Trust			
	Retained surpluses \$000	Capital reserve \$000	Foreign currency translation reserve \$000	Total reserves \$000
Opening balance	268,540	250	3	268,793
<b>Total comprehensive surplus:</b>				
Surplus after taxation	24,315	-	-	24,315
<b>Other comprehensive income:</b>				
Movement in foreign currency translation reserve	-	-	(1,155)	(1,155)
<b>Total comprehensive surplus/(deficit)</b>	<b>24,315</b>	<b>-</b>	<b>(1,155)</b>	<b>23,160</b>
<b>Closing balance</b>	<b>292,855</b>	<b>250</b>	<b>(1,152)</b>	<b>291,953</b>

Group 2013	Attributable to the Trustees of the Trust			
	Retained surpluses \$000	Capital reserve \$000	Foreign currency translation reserve \$000	Total reserves \$000
Opening balance	246,637	250	978	247,865
<b>Total comprehensive surplus:</b>				
Surplus after taxation	21,903	-	-	21,903
<b>Other comprehensive income:</b>				
Movement in foreign currency translation reserve	-	-	(975)	(975)
<b>Total comprehensive surplus/(deficit)</b>	<b>21,903</b>	<b>-</b>	<b>(975)</b>	<b>20,928</b>
<b>Closing balance</b>	<b>268,540</b>	<b>250</b>	<b>3</b>	<b>268,793</b>

# Southern Cross Health Trust

## STATEMENTS OF CHANGES IN TRUST FUNDS for the year ended 30 June 2014 (continued)

Parent 2014	Attributable to the Trustees of the Trust		
	Retained surpluses \$000	Capital reserve \$000	Total reserves \$000
Opening balance	175,890	250	176,140
Total comprehensive surplus:			
Deficit after taxation	(2,296)	-	(2,296)
Other comprehensive income	-	-	-
Total comprehensive deficit	(2,296)	-	(2,296)
Closing balance	173,594	250	173,844

Parent 2013	Attributable to the Trustees of the Trust		
	Retained surpluses \$000	Capital reserve \$000	Total reserves \$000
Opening balance	180,979	250	181,229
Total comprehensive surplus:			
Deficit after taxation	(5,089)	-	(5,089)
Other comprehensive income	-	-	-
Total comprehensive deficit	(5,089)	-	(5,089)
Closing balance	175,890	250	176,140



# Southern Cross Health Trust

## STATEMENTS OF FINANCIAL POSITION as at 30 June 2014

	Group		Parent	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Current assets</b>				
Cash and cash equivalents	39,148	45,263	17,249	5,029
Trade and other receivables	27,707	25,988	152	391
Financial assets	41,435	30,892	6,000	-
Inventories	3,390	3,460	-	-
Insurance recovery receivable	206	202	-	-
Advances to subsidiary	-	-	3,061	2,542
<b>Total current assets</b>	<b>111,886</b>	<b>105,805</b>	<b>26,462</b>	<b>7,962</b>
<b>Non-current assets</b>				
Investments	38,417	30,431	147,600	147,600
Derivative financial instruments	3	28	-	-
Property and equipment	179,556	164,703	24	31
Intangible assets	5,441	4,858	-	-
Leasehold improvements	761	859	259	328
Goodwill	9,472	9,472	-	-
Advances to subsidiary	-	-	-	21,346
Related party receivables	183	249	-	-
<b>Total non-current assets</b>	<b>233,833</b>	<b>210,600</b>	<b>147,883</b>	<b>169,305</b>
<b>Total assets</b>	<b>345,719</b>	<b>316,405</b>	<b>174,345</b>	<b>177,267</b>
<b>Current liabilities</b>				
Trade and other payables	20,161	17,016	490	416
Provisions	150	219	-	-
Employee entitlements	6,009	6,129	11	11
Insurance contract liabilities	26,404	22,261	-	-
Deferred investment liability	500	500	-	-
Advances from subsidiary	-	-	-	700
<b>Total current liabilities</b>	<b>53,224</b>	<b>46,125</b>	<b>501</b>	<b>1,127</b>
<b>Non-current liabilities</b>				
Finance lease	-	37	-	-
Derivative financial instruments	-	64	-	-
Deferred lease income	-	344	-	-
Deferred investment liability	542	1,042	-	-
<b>Total non-current liabilities</b>	<b>542</b>	<b>1,487</b>	<b>-</b>	<b>-</b>
<b>Total liabilities</b>	<b>53,766</b>	<b>47,612</b>	<b>501</b>	<b>1,127</b>
<b>Net assets</b>	<b>291,953</b>	<b>268,793</b>	<b>173,844</b>	<b>176,140</b>
<b>Trust funds</b>				
Retained earnings	292,855	268,540	173,594	175,890
Capital reserve	250	250	250	250
Foreign currency translation reserve	(1,152)	3	-	-
<b>Trust funds</b>	<b>291,953</b>	<b>268,793</b>	<b>173,844</b>	<b>176,140</b>

# Southern Cross Health Trust

## STATEMENTS OF CASH FLOWS for the year ended 30 June 2014

	Group		Parent	
	2014 \$000	2013 \$000	2014 \$000	2013 \$000
<b>Cash flows from/(to) operating activities</b>				
Receipts from customers	286,054	266,016	15	-
Payments to suppliers & employees	(222,134)	(214,620)	(2,504)	(2,059)
Payment of direct claims	(30,913)	(24,272)	-	-
Receipts of reinsurance recoveries	209	260	-	-
Interest received	1,974	2,162	1,104	1,448
Interest paid	(61)	(399)	(41)	(82)
Dividends received	-	1	-	-
Taxation paid	3	5	-	-
Insurance compensation received	202	2,110	-	-
Other income received	3,469	3,289	-	-
<b>Net cash flows from/(to) operating activities</b>	<b>38,803</b>	<b>34,552</b>	<b>(1,426)</b>	<b>(693)</b>
<b>Cash flows from/(to) investing activities</b>				
Proceeds from sale of property and equipment	4	1	-	-
Distributions from joint ventures and associates	5,463	4,168	-	-
Purchase of investments	(11,003)	(3,465)	(6,000)	-
Purchase of property and equipment	(29,790)	(16,139)	-	-
Additions to leasehold improvements	(32)	(37)	-	(37)
Purchase of intangible assets	(1,940)	(3,093)	-	-
Investment in hospital partnerships and associates	(7,358)	(1,314)	-	-
Receipt of inter-company advance	-	-	19,646	4,038
Loan (to)/from associate party	62	(249)	-	-
<b>Net cash flows from/(to) investing activities</b>	<b>(44,594)</b>	<b>(20,128)</b>	<b>13,646</b>	<b>4,001</b>
<b>Cash flows from/(to) financing activities</b>				
Payments on finance lease	(37)	(23)	-	-
<b>Net cash flows from/(to) financing activities</b>	<b>(37)</b>	<b>(23)</b>	<b>-</b>	<b>-</b>
Net (decrease)/increase in cash and cash equivalents	(5,828)	14,401	12,220	3,308
Opening cash and cash equivalents	45,263	31,149	5,029	1,721
Effect of exchange on foreign currency cash balances	(287)	(287)	-	-
<b>Closing cash and cash equivalents</b>	<b>39,148</b>	<b>45,263</b>	<b>17,249</b>	<b>5,029</b>

**Southern Cross Health Trust**

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