

# Concise Annual Report

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For the year ended 30 June 2009



# Financial snapshot

(\$M)	2009	2008	Change	Change %
Premium revenue	<b>264.63</b>	<b>242.45</b>	22.18	9.15%
Gross Margin	<b>24.57</b> <b>9.28%</b>	<b>0.5</b> <b>0.2%</b>	24.07	4814%
Management expense	<b>18.47</b> <b>6.98%</b>	<b>18.43</b> <b>7.6%</b>	0.04	0.22%
Net margin	<b>6.1</b> <b>2.31%</b>	<b>(17.93)</b> <b>-7.39%</b>	24.03	-
Investment & other	<b>4.13</b>	<b>9.29</b>	-5.16	-55.54%
Operating Surplus/(Loss)	<b>10.23</b> <b>3.86%</b>	<b>(8.64)</b> <b>-3.56%</b>	18.87	-
Total Assets	<b>182.76</b>	<b>175.56</b>	7.20	4.10%
Total Liabilities	<b>65.13</b>	<b>68.16</b>	-3.03	-4.45%
Total Capital Reserves	<b>117.63</b>	<b>107.40</b>	10.23	9.53%
Membership	<b>94,346</b>	<b>90,172</b>	4,174	4.62%
Market Share	<b>1.75%</b>	<b>1.73%</b>	0.02%	1.15%

Source: Data for this table comes from TFH's PHIAC 2 Annual submission. This PHIAC data is calculated in accordance with PHIAC's prudential standards and therefore differs from figures in the financial statements which are prepared under Australian Accounting Standards.



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... Teachers Federation Health  
recorded strong performance for  
the 2009 financial year in the face  
of national & international financial  
instability & a year of continuing  
change for the Private Health  
Insurance industry ...



# Helen MacGregor

Chairperson



## From the Chairperson

It is pleasing to report on the strong performance of Teachers Federation Health for the 2009 financial year in the face of national and international financial instability and a year of continuing change for the Private Health Insurance Industry. Your fund continues to deliver outstanding value and excellent service to its contributors, key stakeholders in the Australian education union community and the community generally. Our commitment to our contributors, key stakeholders and the community remains undiminished, as a proud not-for-profit organisation.

### Operating Environment

Government Policy continues to play a significant role in shaping private health insurance in Australia. Changes to the Medicare Levy Surcharge during the period have been unhelpful to the overall growth of the industry. However, the ultimate impact appears to have been quite minor to date. As part of the 2009 budget, the Government proposed further industry changes in the form of means testing the 30% private health insurance rebate. Any such changes to government policy settings with regard to the private health insurance industry have the potential to be unsettling. Should the changes be eventually passed by the Senate, our view is they are unlikely to have a material impact on contributions to your fund. The budget also foreshadowed the conversion of the government owned health insurer Medibank Private to a for profit enterprise. When this is complete the industry will

shift from being predominantly “not-for-profit” to “for-profit” a major shift in industry dynamics. In addition, the prospect of further industry consolidation, remains a very real threat to Teachers Federation Health.

These changes arising in the industry together with an increasingly difficult regulatory environment will continue to drive changes and consolidation in the private health insurance sector in the future. A new focus for the industry regulator and new corporate governance standards mean that the effective operation of Boards and the role of directors will be of prime concern. The Board remains keenly aware that the critical changes to the market in which we compete need to be carefully managed by Teachers Federation Health and that successful governance is a fundamental priority.

### Organisational Performance

This year has seen Teachers Federation Health pay out a record \$240m in benefits to contributors or over 90% of contributions received, well above the industry average of 87%. We continued to strive for operational excellence resulting in further improvements in business processes, efficiencies and cost control enabling your fund to maintain an expense ratio of under 7%. This is much less than the industry average of 9.8%. At the same time the fund continued to achieve high customer satisfaction results in its annual survey with an overall satisfaction score for the year of 82.5 up from 79.8 in the previous year.

... to be the first choice  
health insurance provider  
for all eligible members ...



Sustainable economic performance remains a touchstone for your fund. The Board is vigilant in its responsibility to balance the objective of providing the highest value to contributors while generating a sustainable and responsible level of surplus to maintain sufficient capital reserves to meet the solvency and capital adequacy requirements of like organisations. In 2009, your fund generated an operating surplus of \$10.2m, a significant improvement from last year, notwithstanding the impact and difficulties of the global financial crisis. Capital reserves at 30 June 2009 of \$117.6m were slightly less than the current target capital position of Teachers Federation Health but well in excess of the minimum requirements under the prudential standards.

Teachers Federation Health continues to support the principle that all our activities should reflect our policy of being both economically viable and environmentally and socially responsible. The health insurance policies we provide are a social good in themselves as they help to share the risk and financial burden of medical and hospital costs by creating financial solidarity between our contributors and the society at large. Your fund's governance practices and full compliance with statutory and regulatory requirements reflects the ongoing focus of the Board in discharging its responsibilities at a level to meet the full expectations of Company Members, fund contributors, regulatory authorities and the general community.

## Looking ahead

The outlook for Teachers Federation Health and the private health insurance industry remains positive even though the challenges will be many. Your fund is in a very strong financial position with the people capability in place to realise our vision "to be the first choice health insurance provider for all eligible members" and to manage our response to the changes and challenges foreshadowed as well as to take advantage of the opportunities that we expect will emerge.

The goals and purpose of the Fund's Business strategy will continue to guide and drive the Board and Management forward over the next 12 months in what will undoubtedly be another challenging year. Membership growth and retention remains a high priority to ensure that your Fund's position as a viable and highly respected industry based not-for-profit private health insurer is sustained into the future. Accordingly, we will continue to work closely with our education member partners around Australia to maximise our mutual recruitment and retention opportunities.

## In Closing

I thank my fellow directors for their contributions throughout the year and in particular for the work of directors on Board sub-committees – Audit & Risk, People & Remuneration and Strategy. Their commitment to ensuring the effectiveness of our compliance, governance, risk management and assurance systems is a strength for the fund.

I would also like to acknowledge and thank the senior management team and staff at every level in the organisation who continue to contribute so much to our ongoing success. Their achievements over the last three years in the execution of our strategic direction and development of our strategic capability give the Board the confidence that your Fund is well positioned to build a sustainable future and to meet the challenges that lie ahead.

H M MACGREGOR

Chairperson



Dated this 12th day of October 2009  
Sydney, NSW

Teachers Federation Health  
made solid progress during the  
year towards the business  
and financial goals we set in  
the 2009 business plan

ABC



# Brad Joyce

Chief Executive Officer



## From the CEO

Teachers Federation Health made solid progress during the year towards the business and financial goals we set in the 2009 business plan. We continued to grow our contributor base and market share, increased our operating margins and underlying profitability.

Against a backdrop of the global financial crisis and private health insurance industry growth of just 3.3%, Teachers Federation Health's policy holder growth of 4.6%, though less than the previous year was nonetheless impressive. While Teachers Federation Health's traditional heartland of NSW still accounts for the majority of our contributor base, we are continuing to achieve solid growth in other states indicating the success of our stated strategy of extending our brand reach and growing a relevant national presence.

2009 saw our operating margins recover from the previous year to a level approaching the range we believe necessary to sustain and further strengthen the business. Claims costs remain the single biggest expense for Teachers Federation Health and in 2009, Teachers Federation Health paid out over 90cents in every dollar of contribution income received. Successfully managing the factors that contribute to claims inflation remains a key focus for the organisation as we seek to contain claims inflation at manageable and sustainable levels. Greater automation and improved efficiencies across the business have enabled Teachers Federation Health to

maintain management overhead expenses broadly in line with 2008 and within our target range of 6% to 7% of contribution income, well ahead of the industry average of 9.8%.

During 2009, Teachers Federation Health expanded its private health insurance cover options with the introduction of extended family and single parent options as well as the introduction of new products at a mid level pricing point. Significant operational improvements have been achieved as we have continued to optimize work processes and build an enhanced capability to meet the many changes occurring in the private health insurance sector that continue to have the potential to reshape the industry and competitive dynamics. Further development of our distribution channels has been achieved over the year, with our South Australian and Western Australian presence now well established together with the launch of new web based member services functionality providing contributors with simpler ways of transacting business with the health fund. In 2009, Teachers Federation Health also expanded its eye care business with the opening of an eye care and member care center in the Newcastle suburb of Hamilton to support the large population of Teachers Federation Health contributors in that area.

Looking ahead to 2010, our challenge is to maintain the momentum we have built up in the business in the face of shifting government health insurance policy and more

aggressive competition from large insurers. Continuing to closely monitor the escalating cost of health services driven by an ageing population, increased utilisation and increasing episodic costs; the impact of inevitable further industry consolidation and the ever increasing compliance demands on the industry remains a priority for Teachers Federation Health. We remain well positioned to meet these challenges in 2010 and beyond guided by a robust business plan, a committed and effective board, and dedicated and able staff who provide Teachers Federation Health with the capability to continue to achieve its goals and objectives.

**B S JOYCE**

Chief Executive Officer

A handwritten signature in black ink, appearing to read 'B S JOYCE', with a stylized flourish extending to the left.

Dated this 12th day of October 2009  
Sydney, NSW

# Review of operations

Data for this section comes from TFH's PHIAC 2 submission and PHIAC's June 09 Quarterly Statistics Report. This PHIAC data is calculated in accordance with PHIAC's prudential standards and therefore differs from figures in the financial statements which are prepared under Australian Accounting Standards.

## growth

### policyholder growth

Teachers Federation Health achieved net policyholder growth of 4.6% or 4,174 net new policies in 2009. This result was greater than the industry which recorded average growth of 3.3%. Over the last 3 years our cumulative average growth rate has been 5% compared to the industry's 4%.

Growth across key target markets continues to be strong with the 20 to 39 year age demographic growing by 6.9% in 2009, helping to keep the average age of our contributor base static.

While Teachers Federation Health's traditional heartland of NSW still accounts for the majority of our contributor base, we are continuing to achieve greater growth in other states. In 2009, we achieved 12.75% net growth in Victoria, 10.5% net growth in South Australia and net growth across remaining states of 11.1%.

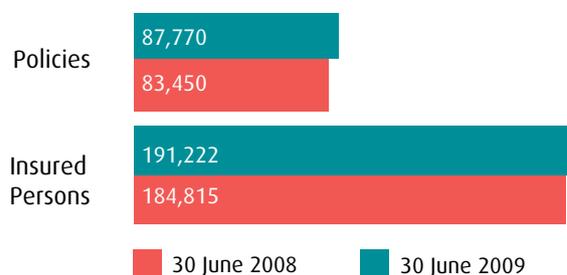
Lapse rates for the year remained relatively steady notwithstanding the difficult economic conditions and Teachers Federation Health enjoys industry leading retention rates of around 97%. Initiatives to improve our retention rates even further are currently underway.

### premium revenue

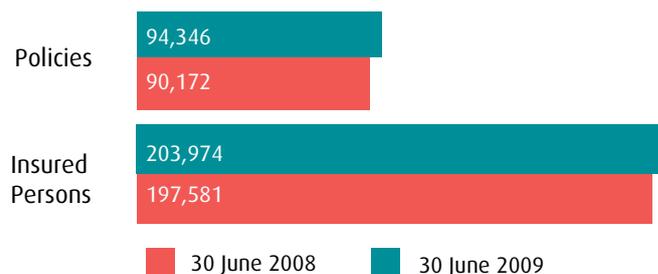
In 2009, premium revenue grew by 9.1% to \$264.6m reflecting the positive impact of policyholder growth combined with the 2009 government approved premium increases. This compared to an average industry increase of 7.3%. Our average annual premium revenue per policyholder in 2009 was \$2,804 up from \$2,689 the previous year.

Our pricing policy has and will continue into the future to reflect the need to cover growth in claims and achieve a sustainable and responsible level of operating surplus to maintain capital reserves at a level appropriate to a health fund of this size.

### hospital treatment membership



### general treatment membership (ancillary)



### financial (\$'millions)



# operating margins

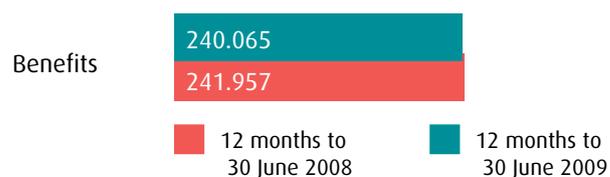
## benefit payments

Including risk equalisation payments and state levies, Teachers Federation Health incurred total benefit payments of \$240m, a slight reduction on 2008 (\$242m). This equated to a cost per contributor of \$2,570 down from a cost of \$2,683 in 2008. Though benefit payments decreased, utilisation increased in 2009 with total hospital treatment episodes up by 8,170 or 16.7% and general treatment episodes up by 62,097 or 4.5%. Investigating claiming patterns and service utilisation remains a key focus for the fund as we seek to better manage the factors that contribute to claims inflation. This analysis also assists us in identifying inappropriate claiming activity such as fraud and over servicing as well as helping us to refine our product portfolio.

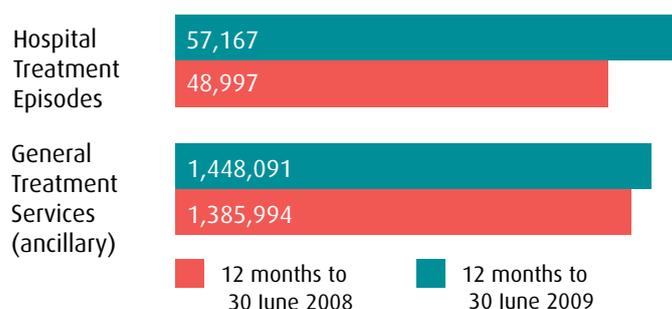
## administrative costs

Teachers Federation Health continues to deliver the highest quality customer service at one of the lowest administrative costs in the industry. In 2009 total administrative management expenses were \$18.46m, only a 0.2% increase over 2008 representing 6.9% of contribution income, well under the industry average of 9.76%. We continued to deliver greater automation and efficiencies across the business in 2009 while maintaining customer service at a superior level. Faster processing of claims benefits our policyholders and enhances our financial performance and we continue to see more and more claims received electronically further enhancing service and customer satisfaction levels. Continuous improvement to ensure the delivery of enhanced customer service and greater efficiencies remains a major objective in 2010. Teachers Federation Health business strategy is to continue to provide its contributors with simpler ways to make claims, provide information and transact business with the fund. Enabling a larger proportion of customer enquiries and transactions through electronic and telephonic channels remains a key focus for the fund as we seek to add enhanced functionality and convenience in 2010. This in turn will further improve efficiencies and customer satisfaction and lead to lower administrative costs in the years ahead.

## financial (\$'millions)



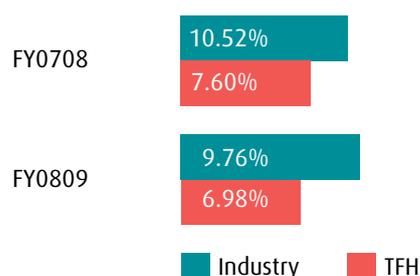
## episode/service



## financial (\$'millions)



## management expense ratio (%)



## operating surplus

As a result of increased premium revenue and steady benefit payments, the overall gross margin performance of Teachers Federation Health improved in 2009 to 9.28% within the sustainable target range of 8% to 10%. Efficient and low cost delivery of service enabled the fund to achieve a net margin in 2009 of 2.3%, just outside its sustainable long term target of 3%, and a solid operating surplus of \$10.2m notwithstanding the difficult economic conditions that resulted from the global financial crisis. In contrast the industry as a whole recorded a decline in profitability of \$184.3m.

# investments and capital

## investments & other revenue

The investment performance of the fund was negatively impacted by the global financial crisis in 2009. Investment and other revenue declined from \$9.3m in 2008 to \$4.1m in 2009 but the fund performed significantly better than the industry as a whole that recorded an overall investment loss in 2009.

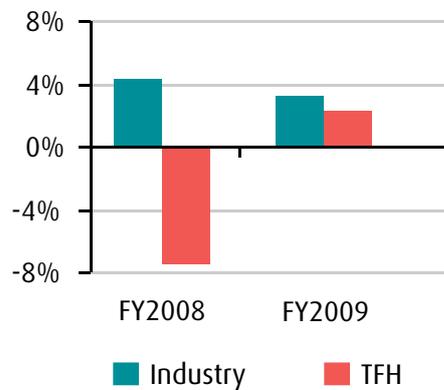
## capital

Teachers Federation Health is in a very sound financial position. The fund currently holds excess assets of \$100.9m over its prudential solvency requirement of \$81.9m. Its insurance liabilities and prudential requirements are well matched against cash and other interest bearing deposits. In 2009, total assets increased by \$7.2m to \$182.8m while in contrast, the industry's total assets decreased by \$402m. Total liabilities of the fund decreased by \$3.0m to \$65.1m while the industry's liabilities rose over the same period by \$287.6m. Overall the capital reserves of Teachers Federation Health increased by a little over \$10m to \$117.6m in 2009 while the capital position of the industry as whole declined by nearly \$700m. Total capital reserves per policyholder as at 20 June 2009 were \$1,246.6 up from \$1,191.1m in 2008.

## financial (\$'millions)



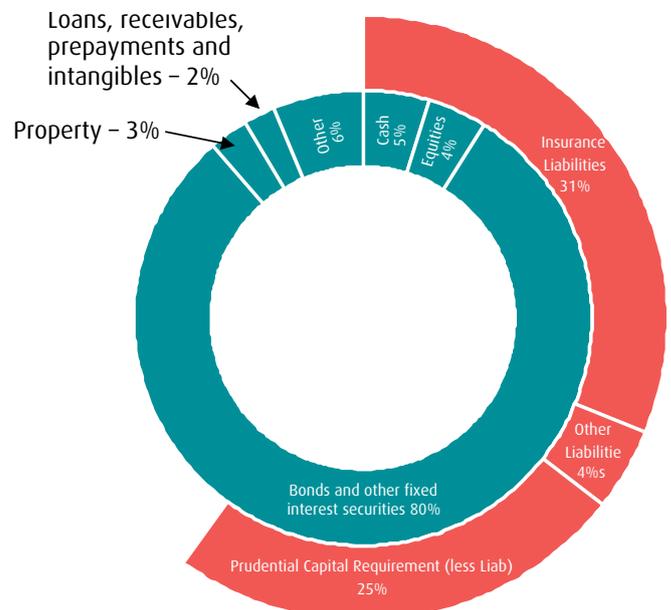
## net margin (%)



## financial (\$'millions)



## TFH assets vs liabilities as at 30 June 09



# Directors' report

Your directors present their report on the company for the financial year ended 30 June 2009

## Directors

The names of the directors in office at any time during or since the end of the year are:

Name	Qualifications	Board Experience (yrs)	Special Responsibilities			
			A	B	C	D
R L Brown	Administration Officer	13.5	-	X	X	-
J Diamond	Administration Officer	6	-	-	X	-
J M Dixon	Manager	12	-	-	X	-
N Edsall <sup>1</sup>	Teacher	0.5	-	-	-	-
S M Edsall	Research Officer	8	X	X	-	X
M C Fogarty	Deputy Principal	9	X	X*	-	-
J Irving	General Manager	2	-	-	-	X
R Lipscombe <sup>2</sup>	Trade Union Officer	0.5	-	-	-	-
H M MacGregor <sup>^</sup>	Consultant	10	X*	X	X*	X*
M McGee	Senior Claims Officer	10	-	-	-	-
T Moriarty <sup>3</sup>	Teacher	5	-	-	-	-
M O'Halloran <sup>4</sup>	Trade Union Officer	2.5	-	-	-	-
B Seymour	Manager	5.5	-	-	-	-
D Wynne	Training Officer	15	X	-	X	X

Table Key:

A Ad Hoc Governance Committee member  
B Audit & Risk Committee member  
C Strategy Committee member  
D People & Remuneration Committee member  
^ Chairperson of the board of directors

<sup>1</sup> Appointed on 25 March 2009  
<sup>2</sup> Appointed on 25 November 2008  
<sup>3</sup> Resigned on 25 March 2009  
<sup>4</sup> Resigned on 31 October 2008  
\* Chairperson of committee

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Frank Gehrman held the position of company secretary during the financial year. He is a Fellow of the Chartered Secretaries of Australia and holds diplomas in Financial Management and Financial Planning. He has had over 32 years board experience.

Teachers Federation Health's  
surplus was \$10.2 million... a notable  
improvement on last year...



## Principal activities

The principal activity of the company during the financial year was the provision of private health insurance.

There were no significant changes in the nature of the company's principal activities during the financial year.

## Operating results

The profit of the company for the financial year after providing for income tax amounted to \$10,227,919 (2008: loss of \$8,641,645).

## Review of operations

Membership of products providing hospital cover increased by 5.2% over the twelve months to 30 June 2009 while membership of products providing cover for general treatment increased by 5.5% over the same period. Total net contributor growth for the year was 4,174. Contributor growth was achieved in all states with Victoria growing by 12.8%, South Australia by 10.5%, Queensland by 8.8%, NSW by 3.1% and all other states/territories combined by 10.9%.

The company reported an operating surplus before unexpired risk adjustment of \$8,647,919 (2008: \$136,355) and an operating surplus after unexpired risk adjustment of \$10,227,919 (2008: loss of \$8,641,645). A gross margin of 8.7% before unexpired risk reserve adjustment generated during the year is significantly higher than in 2008 (being 3.8%). Management expenses were reduced during the year relative to contribution income, being 7% (2008: 7.6%), and have thus remained significantly lower than the industry average. Investment income was slightly lower in the past year, due primarily to lower interest rates being earned and reduced return on the equity portfolio during the year.

The overall improvement in operating performance resulted from:

- Increased contribution income;
- Reduced benefits expense;
- Reduced contributions to the risk equalisation pool;
- Reduced management expenses relative to contribution income; and
- Release of a portion of the unexpired risk reserve provision

## Significant changes in state of affairs

No significant changes in the company's state of affairs occurred during the financial year.

## After balance date events

Subsequent to balance date the company has executed a contract for the lease of an additional premise as part of its planned expansion within Surry Hills. This expansion will result in anticipated setup costs of approximately \$650,000.

## Future development, prospects and business strategies

The company will continue to pursue the business activities as a registered health benefits organisation.

## Environmental issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

## Dividends paid or recommended

As the company is a company limited by guarantee and a not-for-profit organisation, no dividends have been paid, declared or recorded.

## Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

## Indemnifying officers or auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

## Proceedings on behalf of company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Looking ahead to 2010,  
our challenge is to maintain  
the momentum we have  
built up in the business ...



## Meetings of directors

During the financial year, 25 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Name	Director Meetings				Committee Meetings					
	E	A	Ad Hoc Governance Committee		Audit and Risk Committee		Strategy Committee People &		People & Remuneration Committee	
			E	A	E	A	E	A	E	A
R L Brown	11	9	-	-	6	6	5	5	-	-
J Diamond	11	11	-	-	-	-	5	5	-	-
J M Dixon	11	8	-	-	-	-	5	5	-	-
N Edsall	4	4	-	-	-	-	-	-	-	-
S M Edsall	11	11	1	-	5	4	-	-	2	2
M C Fogarty	11	10	1	1	6	6	-	-	-	-
J Irving	11	11	-	-	-	-	-	-	2	2
R Lipscombe	7	6	-	-	-	-	-	-	-	-
H M MacGregor	11	10	1	1	6	6	5	5	2	2
M McGee	11	11	-	-	-	-	-	-	-	-
T Moriarty	7	6	-	-	-	-	-	-	-	-
M O'Halloran	3	3	-	-	-	-	-	-	-	-
B Seymour	11	5	-	-	-	-	-	-	-	-
D Wynne	11	9	1	1	-	-	5	5	2	2

Table Key:

E Number of meetings eligible to attend

A Number of meetings attended

## Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17 and forms part of this report.

Signed in accordance with a resolution of the Board of Directors:

H M MacGregor

Director



Dated this 23rd day of September 2009  
Sydney, NSW



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**Auditor's Independence Declaration  
To the Directors of Teachers Federation Health Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Teachers Federation Health Limited for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON NSW  
Chartered Accountants



M A Adam-Smith  
Partner

Sydney, 23 September 2009

# Discussion and analysis of the financial statements

## Information on Teachers Federation Health Limited Financial Report

The financial statements and disclosures in the concise financial report have been derived from the 2009 financial report of Teachers Federation Health Limited.

A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The discussion and analysis is provided to assist members in understanding the concise financial report. The discussion and analysis is based on Teachers Federation Health Limited's financial statements and the information contained in the concise financial report has been derived from the full 2009 Financial Report of Teachers Federation Health Limited.

## Income Statement

Profit for the year of \$10,227,919 was up \$18,869,564 from the prior year (2008: loss of \$8,641,645), largely due to increased contribution income and reduced contributions to the risk equalisation pool.

Contribution income of \$264,630,849 increased 9.15% from the prior year (2008: \$242,452,446) due to an increase in members. Benefits paid and hospital levies of \$241,644,905 increased by \$8,465,758 or 3.63% (2008: \$233,179,147). The additional claims result from a combination of member increases in recent years and the increased costs of services.

## Balance Sheet

Total assets increased by \$7,379,757 from \$173,250,256 in 2008 to \$180,630,013 in 2009, representing an increase of 4.26%. This increase was mainly attributable due to a significant surplus in cash thus leading acquisitions in bills of exchange, promissory notes and equity investments.

Total liabilities have decreased by \$2,848,162 from \$65,844,012 in 2008 to \$62,995,850 in 2009 due to a decrease in the outstanding claims and unexpired risk liability provisions.

Equity has increased by 9.52% from \$107,406,244 in 2008 to \$117,634,163 in 2009. This was due to the net profit for the year increasing retained earnings by \$10,227,919.

## Cash Flow Statement

Cash has increased by \$597,433 from \$8,061,986 in 2008 to \$8,659,419 in 2009 representing an increase of 7.41%. The net cash inflow from operating activities has decreased by \$23,679,641 from \$37,719,201 in 2008 to \$14,039,560 in 2009 due to an increase in benefits paid to members, payments to suppliers and employees and decrease in interest received.

# Income statement

For the year ended 30 June 2009

	Note	2009	2008
		\$	\$
<b>Premium revenue</b>	2	264,630,849	242,452,446
Claims expense		(222,007,357)	(210,905,327)
Risk equalisation trust fund expense		(12,820,189)	(15,897,195)
State levies		(6,817,359)	(6,376,625)
<b>Net claims incurred</b>		(241,644,905)	(233,179,147)
Unexpired risk liability decrease/(increase)		1,580,000	(8,778,000)
Claims handling expenses		(9,010,169)	(7,752,750)
Other underwriting expenses		(8,994,869)	(9,756,560)
<b>Underwriting expenses</b>		(16,425,038)	(26,287,310)
<b>Underwriting result</b>		6,560,906	(17,014,011)
Investment revenue	2	9,889,937	9,999,233
Other revenue	2	5,288,711	20,215,030
Impairment losses		(5,000,000)	(428,430)
Fair value losses on equity trusts		(1,832,614)	(1,523,103)
Cost of goods sold		(2,186,080)	(17,742,545)
Finance costs		(444,181)	(487,231)
Other operating expenses		(2,048,760)	(1,660,588)
<b>Profit/(loss) attributable to members before tax</b>		10,227,919	(8,641,645)
Income tax expense		-	-
<b>Profit/(loss) attributable to members after tax</b>		10,227,919	(8,641,645)

# Balance sheet

As at 30 June 2009

	2009	2008
	\$	\$
<b>Current assets</b>		
Cash and cash equivalents	8,659,419	8,061,986
Trade and other receivables	10,865,748	9,377,606
Inventories	329,679	570,584
Financial assets	48,513,035	55,647,506
Other current assets	59,541	17,450
<b>Total current assets</b>	<b>68,427,422</b>	<b>73,675,132</b>
<b>Non-current assets</b>		
Trade and other receivables	-	10,780
Financial assets	104,771,504	92,106,204
Intangible assets	165,426	-
Property, plant and equipment	7,265,661	7,458,140
<b>Total non-current assets</b>	<b>112,202,591</b>	<b>99,575,124</b>
<b>Total assets</b>	<b>180,630,013</b>	<b>173,250,256</b>
<b>Current liabilities</b>		
Trade and other payables	5,519,389	5,995,972
Short-term provisions	38,046,110	43,659,700
Other current liabilities	18,831,518	15,633,896
<b>Total current liabilities</b>	<b>62,397,017</b>	<b>65,289,568</b>
<b>Non-current liabilities</b>		
Long-term provisions	598,833	554,444
<b>Total non-current liabilities</b>	<b>598,833</b>	<b>554,444</b>
<b>Total liabilities</b>	<b>62,995,850</b>	<b>65,844,012</b>
<b>Net assets</b>	<b>117,634,163</b>	<b>107,406,244</b>
<b>Equity</b>		
Issued capital	-	-
Asset revaluation reserve	701,696	701,696
Retained earnings	116,932,467	106,704,548
<b>Total equity</b>	<b>117,634,163</b>	<b>107,406,244</b>

These financial statements should be read in conjunction with the accompanying notes.

# Statement of changes in equity

For the year ended 30 June 2009

	Retained earnings	Asset revaluation reserve	Total
	\$	\$	\$
Balance at 1 July 2007	115,346,193	-	115,346,193
Revaluation of land and buildings	-	701,696	701,696
Net income recognised directly in equity	-	701,696	701,696
Loss for the year	(8,641,645)	-	(8,641,645)
Total recognised income and expense for the period	(8,641,645)	701,696	(7,939,949)
Balance at 30 June 2008	106,704,548	701,696	107,406,244
Net income recognised directly in equity	-	-	-
Profit for the year	10,227,919	-	10,227,919
Total recognised income and expense for the period	10,227,919	-	10,227,919
Balance at 30 June 2009	116,932,467	701,696	117,634,163

# Cash flow statement

For the year ended 30 June 2009

	2009	2008
	\$	\$
<b>Cash flow from operating activities</b>		
Receipts from members' premiums	267,756,236	242,248,567
Benefits paid to members	(246,729,270)	(203,444,384)
Receipts from customers	5,263,456	4,002,554
Payments to suppliers and employees	(20,521,406)	(14,880,458)
Interest received	8,714,725	10,280,153
Finance costs	(444,181)	(487,231)
<b>Net cash provided by operating activities</b>	<b>14,039,560</b>	<b>37,719,201</b>
<b>Cash flows from investing activities</b>		
Proceeds from disposal of investments	129,133,255	18,969,071
Payment for purchase of investments	(141,496,698)	(51,467,506)
Payment for property, plant and equipment	(883,294)	(1,640,663)
Payment for intangibles	(195,390)	-
<b>Net cash used in investing activities</b>	<b>(13,442,127)</b>	<b>(34,139,098)</b>
<b>Cash flows from financing activities</b>		
<b>Net cash provided by financing activities</b>	<b>-</b>	<b>-</b>
<b>Net increase in cash held</b>	<b>597,433</b>	<b>3,580,103</b>
Cash at beginning of year	8,061,986	4,481,883
<b>Cash at end of year</b>	<b>8,659,419</b>	<b>8,061,986</b>

# Notes to the financial statements

For the year ended 30 June 2009

## Note 1: Statement of significant accounting policies

The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of Teachers Federation Health Limited. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Teachers Federation Health Limited as the full financial report. A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

All amounts presented are in Australian dollars.

The accounting policies have been consistently applied by the company and are consistent with those of the previous year.

## Note 2: Revenue

	2009	2008
	\$	\$
Premium revenue	264,630,849	242,452,446
Investment revenue	9,889,937	9,999,233
<b>Other revenue</b>		
Sales of development properties	354,726	16,076,590
Eyecare centres	4,428,758	3,660,434
Other revenue	505,227	478,006
<b>Total other income</b>	<b>5,288,711</b>	<b>20,215,030</b>

## Note 3: Segment reporting

The company operates predominantly in one business segment, being the provision of health benefits, and in one geographical segment, being Australia. The company also provides eye care services, however the operations in this business segment are limited and as such are not required to be disclosed on the basis of materiality. As part of its activities as a health benefits provider, the company undertakes investments. The property development activities form part of these investment activities and are not considered to be a separate business segment.

## Note 4: Events subsequent to reporting date

Subsequent to balance date the company has executed a contract for the lease of an additional premise as part of its planned expansion within Surry Hills. This expansion will result in anticipated setup costs of approximately \$650,000.

# Directors' declaration

The directors of the company declare that: the concise financial report of Teachers Federation Health Limited for the financial year ended 30 June 2009, as set out on pages 18-23:

- a. complies with Accounting Standard AASB 1039: Concise Financial Reports; and
- b. is an extract from the full financial report for the year ended 30 June 2009 and has been derived from and is consistent with the full financial report of Teachers Federation Health Limited.

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

H M MACGREGOR

Director



Dated this 12th day of October 2009  
Sydney, NSW

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### **Independent Auditor's Report To the Members of Teachers Federation Health Limited**

The accompanying concise financial report of Teachers Federation Health Limited comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of Teachers Federation Health Limited for the year ended 30 June 2009 and the discussion and analysis. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

#### **Directors responsibility for the concise financial report**

The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Teachers Federation Health Limited for the year ended 30 June 2009. Our audit report on the financial report for the year was signed on date and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis and other disclosures which were not directly derived from

the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039 Concise Financial Reports.

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

**Independence**

In conducting our audit, we complied with applicable independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Teachers Federation Health Limited on 23 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

**Auditor's opinion**

In our opinion, the concise financial report, including the discussion and analysis of Teachers Federation Health Limited for the year ended 30 June 2009 complies with Accounting Standard AASB 1039 Concise Financial Reports.



GRANT THORNTON NSW  
Chartered Accountants



M A Adam-Smith  
Partner

Sydney, 12 October 2009







## Teachers Federation Health

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Teachers Federation Health is a signatory to the Private Health Insurance Code of Conduct.