

Concise Annual Report

For the year ended
30 June 2013



Financial Snapshot

(\$M)	FY1213	FY1112	Change	Change %
Premium Revenue	396.1	361.5	34.7	9.6%
Gross Margin	26.2 6.6%	40.8 11.3%	-14.6	-35.9%
Management Expense	27.6 7.0%	25.0 6.9%	2.6	10.5%
Net Margin	-1.4 -0.4%	15.8 4.4%	-17.3	-109.0%
Investment and Other	13.3	14.4	-1.1	-7.9%
Operating Surplus	11.8 3.0%	30.2 8.4%	-18.4	-60.9%
Total Assets	314.4	299.0	15.4	5.2%
Total Liabilities	98.0	94.4	3.6	3.8%
Total Capital Reserves	216.5	204.6	11.8	5.8%
Membership	114,680	107,963	6,717	6.2%
Market Share	1.82%	1.78%	-	-

Source: Data for this table comes from Teachers Federation Health'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.

There may be some discrepancies in the numbers above due to rounding.



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“Although the environment in which the Fund operates may change over time, Teachers Health Fund’s commitment to its policyholders, key stakeholders and the ‘educators’ community remains undiminished.”



From the Chairperson



Helen MacGregor

Chairperson

I am pleased to report that Teachers Federation Health has had another very successful year. The 2012–13 financial year saw intensifying competition in the private health insurance market as a whole with rising costs for medical and health services. At the same time many Australians reported feeling cautious and uncertain about their broad financial prospects.

Our Fund contributor base continued to grow steadily with new members across the country. The Fund paid policyholders over 93 cents for every dollar received in the way of claimed benefits and kept our management expense ratio at 7%, considerably lower than the industry average of 8.8%. The Fund revenue grew by 9.6% and we were able to maintain our capital at appropriate and stable levels while meeting our obligations for all claims and benefits.

The Operating Environment

Last year the Annual Report referred to the importance of Government policy in shaping private health insurance in Australia, in the context of the introduction of the Federal Government's means testing legislation for the Australian Government Rebate on private health insurance. I signalled at the time that for some of our policyholders, this means, depending on their income, the private health insurance rebate will reduce and in some instances, not be available.

New Federal Government legislation provide for further reductions in the amount of private health insurance rebate available to policyholders, firstly by indexing the private health insurance rebate to CPI and secondly through the removal of the private health insurance

rebate on the Lifetime Health Cover premium loading, will continue this process.

These changes, when considered together, will put more pressure on the ongoing affordability of private health insurance for our policyholders.

In response, your Fund has increased its efforts to understand the differing needs of our contributors and to develop and adjust our health insurance products, so as to be able to continue to provide the best value possible.

We have considered the various age demographics of our contributors and the emerging patterns of benefit claims, as well as putting in place more robust strategies for managing our capital reserves and investments. We have enhanced our marketing and recruitment strategies and sought to upgrade and broaden our capacity to communicate effectively with contributors to be able to respond to their issues promptly and efficiently.

Private health insurance can be a complex and confusing issue and we have made the task of explaining the value of our products and our mutual not-for-profit business model a priority. In particular, the support of our stakeholders in the education industry is critical in assisting the Fund to make contact with potential contributors.

Our foundation aim to be a private health insurer for teachers and the education industry where all profit is returned to the contributor members, remains our guiding principle and our business strategy is derived from this. We pay no dividend to investors or shareholders.

Your Fund's continued success is due to the strong relationship we have with the education community and our deep understanding of the needs of its policyholders. Although the environment in which the Fund operates may change over time, Teachers Health Fund's commitment to its policyholders, key stakeholders and the 'educators' community remains undiminished.

Governance

The health insurance regulator, the Private Health Insurance Administration Council, is continuing with its program of introducing a range of standards and operating procedures which cause the industry to both update and in some instances change the way it operates. Your Board keeps up to date with these changes and ensures that the Fund has in place the appropriate mechanisms to ensure best governance standards and compliance throughout the organisation.

We understand that our contributors and stakeholders expect the Fund to operate in a manner that complies with all legislation and is ethical and responsible. Our governance practices and compliance with statutory and regulatory requirements reflects this understanding.

Teachers Federation Health has developed practices that demonstrate the importance and value that it places on the people who work at the Fund. We ensure that our employees are treated equally with fairness and respect, free from harassment and discrimination. Our commitment is indicated in our recognition as an Employer of Choice for Women. We continue to report in the corporate governance section of the Annual Report, on the level of gender diversity in the work place. Participation by women in our workforce at all levels continues to be high.

Your Fund, through the Board and senior management, is committed to assisting all employees achieve their full potential and to develop and retain our talent. The Company has implemented a formal diversity policy and staff are involved in building support and understanding about issues of diversity including gender, age, ethnicity and cultural background.

The corporate governance statement in the Annual Report reflects the ongoing focus and commitment of the Board and management to achieving and demonstrating the highest standards of corporate governance. The Board continues to ensure that Directors' understanding of governance issues and the complex role of directors of companies such as ours is enhanced and strengthened through a commitment to ongoing director professional development and training, and to regular evaluation and reporting.

Late last year, Rod Brown and Denis Fitzgerald retired as Directors of the Board. I would like to thank them for their service as Directors and the insights and experience that

they brought to Board discussions. In November 2012 we welcomed Tim Mulroy as a new Director. Tim has had a long association with the education community which we serve. I am confident of his strong contribution to the future direction of the Fund and the Board's activities.

The Future

We continue to see the outlook for Teachers Federation Health as positive. The Fund is financially very strong, has a well performing management team and a sound business strategy. Our employees are committed to the business and share the vision "to be the first choice health insurance provider for all eligible members".

In Closing

I thank my fellow Directors for their support and commitment throughout the year and in particular, for their work on the various Board sub-committees.

Teachers Federation Health's management team and staff at every level in the organisation are integral to our ongoing success. The Board of Directors and I thank them for their effort and dedication throughout the year.

H M MacGregor

Chairperson



Dated this 19th day of September 2013
Sydney, NSW

From the CEO



Brad Joyce

Chief Executive Officer

Teachers Federation Health continues to deliver strong results, exceeding most of the financial and business goals we set in the 2012–13 Business Plan. The key features of the year's performance are strong growth in our contributor base and market share together with positive operating margins and underlying profitability. We also completed many initiatives aimed at strengthening our capability and improving our customer service and efficiencies.

Policyholder Growth

Our policyholder growth continues to be greater than the industry with a growth rate for the 12 months to June 2013 of 6.2% compared to the industry of 3.1%. This increase was measurably higher than the 2012 growth rate of 5.8%. Our continued strong growth is underpinned by strategies that focus on broadening our reach nationally through effective sales and marketing strategies, the clarity of design of our product portfolio and the emphasis on providing products and services that are seen as being value for money.

Our lapse rate of 3.5% was an improvement on the previous year's result of 4.4% and is well below the industry average lapse rate of 8.2%. We are aware that issues of private health insurance affordability and enhanced competitor activity are expected to present greater challenges to Teachers Federation Health in maintaining this high retention rate than in prior years. In response, we continue to work hard to maximise the value of our product offering to our policyholder base.

Going forward, we will look to replicate the achievements over recent years that have delivered consistently high levels of customer service and an overall enhanced customer experience, all of which have been a strong contributor to this retention rate. In a very competitive

market environment where there is a growing awareness about the ability to move between funds, this low lapse rate is significant and reflect a high level of satisfaction by our policyholders toward the products and services that we provide to them.

Performance

Teachers Federation Health's premium revenue rose 9.6% to \$396.1m in the 2012–13 financial year. The level of operating surplus of \$11.8m, while below the prior year, is considered sufficient at this time to sustain and further strengthen the business while ensuring that the Fund effectively manages its surplus capital.

Contributing to this lower operating surplus are two important factors. First, Teachers Federation Health passed on to its policyholders an average premium increase of 4.1% across all products, an increase well below the industry average of 5.6% and secondly we returned to policyholders 93.4 cents in every dollar of health insurance contributions.

Claims costs remain the single biggest expense for Teachers Federation Health. Inclusive of levies and payments in respect of risk equalisation, this year these totalled \$369.9m. This was an increase of 15.4% on the claims costs last year and was nearly four times the increase in premiums charged to policyholders. Continued claims inflation, driven mainly by higher utilisation from an ever ageing contributor base, continues to put pressure on the Funds' premiums. Successfully managing the factors that contribute to claims inflation remains a key focus for the organisation as we seek to contain the cost of claims inflation at manageable and sustainable levels.

Our management expense ratio of 7.0% was in line with the prior year's result and well ahead of the industry average of 8.8%. This reflects not only our strong control of expenses generally but also the ongoing level of investment that Teachers Federation Health has made to achieve efficiencies across the business by means of technology and the training of our employees.

Strategic Focus

Much of the work undertaken by the business during the year was focused on ways to further improve membership retention and increase growth (both in terms of revenue and membership). While pursuing this focus on growth we also continued to explore ways to build and enhance our capability to deliver service at levels considered best practice for the industry.

During the year we began to see the benefits of the relocation of our Melbourne premises to Bridge Road, Richmond. The significantly increased size of the eyecare centre and the introduction of dental care as part of the service offering from this facility is valued by our Victorian policyholders. More recently, we successfully completed the refurbishment of our premises in Newcastle which included the introduction of dental care from this centre, further enhancing our service offering from this key regional location.

The provision of wellness and disease management programs for our policyholders continues with the ongoing support of a range of initiatives and health related programs that promote healthy and active lifestyles for persons covered by our policies as well as our employees and the wider education community.

People

We continue to implement better ways to enable Teachers Federation Health to continue to attract, develop and retain the best people throughout the organisation. During the year, the majority of Teachers Federation Health's employees participated in learning activities specific to their development needs and the needs of the business.

Teachers Federation Health supports employees being able to maintain the right level of work-life balance. Our flexible work practices allows employees, subject to the specific requirements of their position and the needs of the business at any given time, to access flexible work options that include working from home and variable hours.

We were also very pleased to be awarded a citation as an Employer of Choice for Women for the third year in succession and for the Fund's Contact Centre to be recognised as the NSW Contact Centre of the Year (<30FTE) at the annual Australian Teleservices Association awards for the second year in a row.

The Community

Teachers Federation Health has a strong culture of engaging in and supporting employees participation in community activities where we operate. During the year, our Business Development team visited around 1,500 schools and education workplaces across the country, interacting with members and potential members to grow awareness of the Fund and directly support the intimate relationship the Fund has with its policyholders.

The value that we place on our relationships with the wider education community saw Teachers Federation Health become an inaugural sponsor of the NSW Public Education Awards and continue its support for existing initiatives such as sponsoring the WA Beginning Teacher of the Year Awards and New Educator Network events as well as various professional development and training programs for teachers and support staff at all levels. Teachers Federation Health also invested in new community activities such as becoming the current principal supporter of the Schools Swimming Scheme in NSW.

Other Revenue Streams

Solid investment returns were achieved in the year despite the difficult economic conditions resulting in \$14.1m income being earned on the Fund's investment portfolio. The Fund also benefited from the Teachers Eyecare and Dental businesses. These additional revenue streams are extremely important as they contribute substantially to the overall commercial success of the Fund and assist the Fund in minimising the unavoidable annual increase to premiums.

Looking Ahead

Looking ahead, Teachers Federation Health remains focused on operating the Fund in a responsible and sustainable manner that provides enhanced products and services to its policyholders. We will identify and optimise opportunities to grow our policyholder base, diversify the revenue stream of the Fund and remain very relevant in a dynamic and increasingly competitive market.

We will continue to closely monitor the escalating cost of health services driven by an ageing population, increased utilisation and increasing episodic costs and the ever increasing compliance demands on the industry.

The Fund remains well positioned to meet these challenges, guided by our sound business planning, 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.

BS Joyce

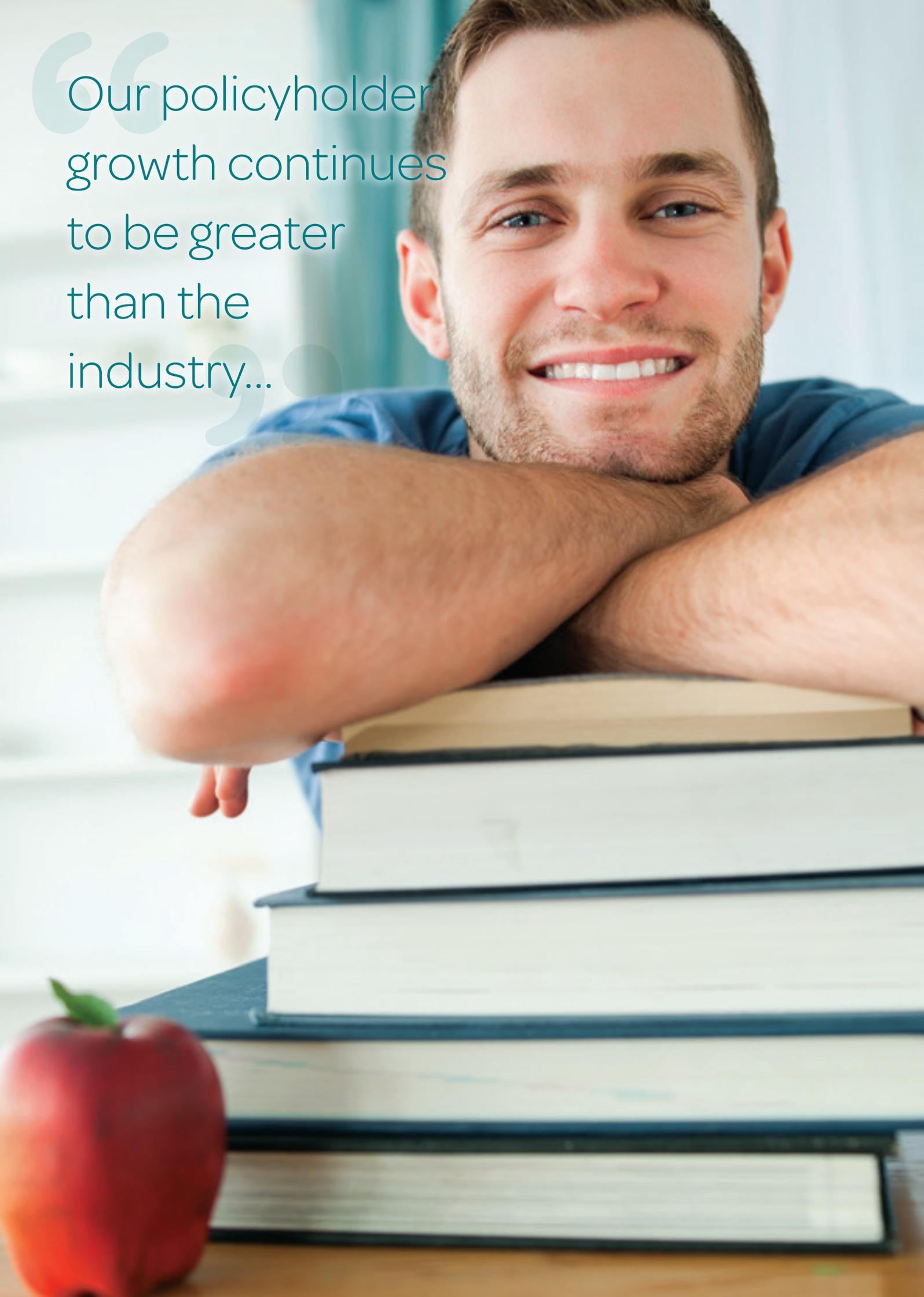
Chief Executive Officer



Dated this 19th day of September 2013
Sydney, NSW



“Our policyholder
growth continues
to be greater
than the
industry...”



Review of Operations

Data for this section comes from TFH's PHIAC 2 submission and PHIAC's June 2013 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 Ltd (TFH) achieved net policyholder growth of 6.2% or 6,717 net new policies in FY1213. This result was greater than the industry which recorded average growth of 3.1%.

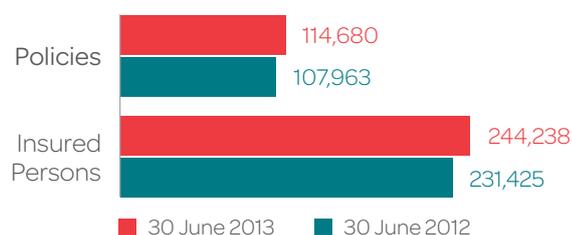
Over the last three years our cumulative average growth rate has been 5.5% p.a. compared to the industry's 3.3%. The average age of our hospital insured persons covered continues to increase marginally, increasing by 0.1 years to 41.4. The industry average also grew by 0.1 years to 39.9.

While TFH'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 FY1213, we achieved 12.6% net growth in Victoria, and net growth across remaining states of 15.1%. Lapse rates for the year reduced slightly notwithstanding the difficult economic conditions and TFH enjoys industry leading retention rates of around 96.5%.

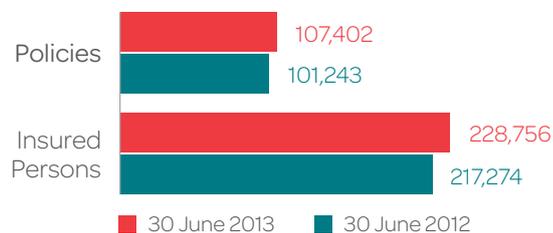
Premium Revenue

In FY1213, premium revenue grew by 9.6% to \$396.1m reflecting the positive impact of policyholder growth combined with the April 2013 government approved premium increases. This compared to an average industry increase of 7.5%. Our average annual premium revenue per policyholder in FY1213 was \$3,568 up from \$3,456, the previous year.

Total Membership



General Treatment Membership (Ancillary)



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.

Operating Margins

Benefit Payments

Including risk equalisation payments and state levies, TFH incurred total benefit payments of \$369.9m, a significant increase on FY1112 (\$320.6m). This equated to a cost per contributor of \$3,332 up from \$3,066 in FY1112. Utilisation also increased in FY1213 with total hospital treatment episodes up by 2,116 or 2.8% and general treatment episodes up by 161,165 or 9.4%.

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.

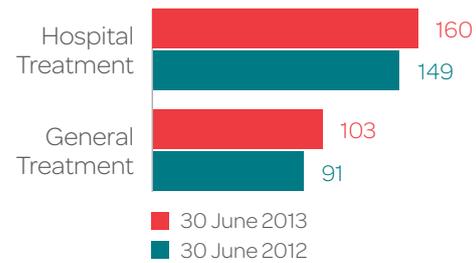
Administrative Costs

TFH continues to deliver high quality customer service at one of the lowest administrative costs in the industry. In FY1213 total administrative management expenses were \$27.6m, representing 7.0% of contribution income, well under the industry average of 8.8%.

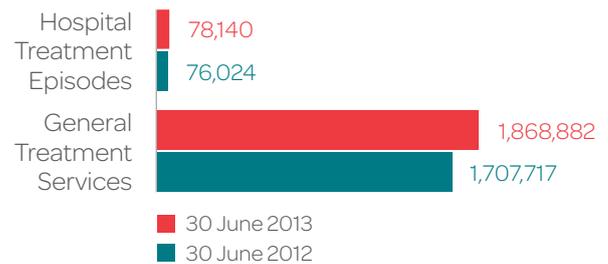
We continued to deliver greater automation and efficiencies across the business in FY1213 while maintaining customer service at a superior level. Faster processing of claims benefits our policyholders and enhances our financial performance and we continue to see more and more claims received electronically further enhancing service and customer satisfaction levels.

Continuous improvement to ensure the delivery of enhanced customer service and greater efficiencies remains an ongoing objective. TFH 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 FY1314. This in turn will further improve efficiencies and customer satisfaction and lead to lower administrative costs in the years ahead.

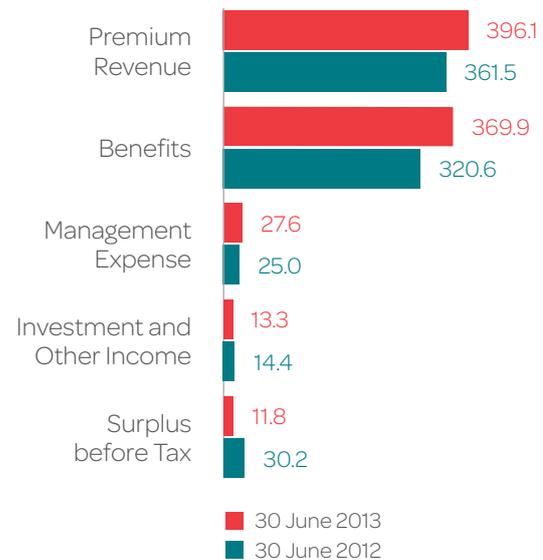
Benefits (\$'millions)



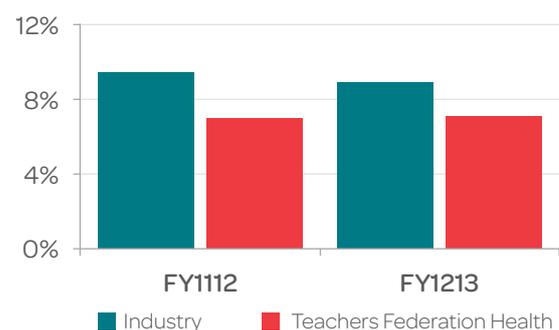
Episodes/Services



Financial (\$'millions)



Management Expense Ratio (%)



Operating Surplus

TFH's lower than average rate increase in April 2013, combined with effective management of TFH's capital position resulted in an operating surplus of \$11.8m. The industry as a whole recorded a surplus of \$1.1b.

Investments and Capital

Investments & Other Revenue

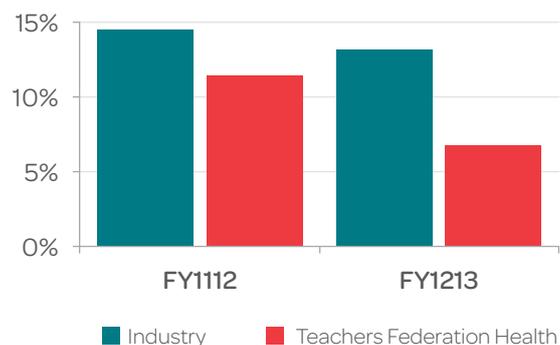
The investment performance of TFH reduced slightly to \$13.3m (FY1112: \$14.4m). The industry as a whole increased from \$456.8m to \$636.9m.

Capital

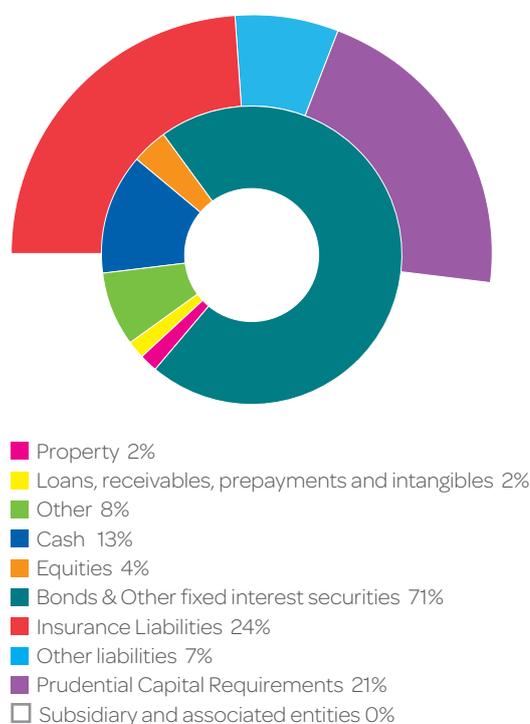
TFH is in a very sound financial position. The Fund currently holds excess assets of \$181.4m over its prudential solvency requirement of \$133.0m. Its insurance liabilities and prudential requirements are well matched against cash and other interest bearing deposits.

In FY1213, total assets increased by \$15.4m to \$314.4m. Total liabilities of TFH increased by \$3.6m to \$98.0m. The capital reserves of TFH increased by \$11.8m to \$216.5m in FY1213 while the capital position of the industry as whole decreased by \$60.8m to \$5.8b. Total capital reserves per policyholder as at 30 June 2013 were \$1,950 similar to 2012 (\$1,957).

Gross Margin (%)



Teachers Federation Health assets vs liabilities as at 30 June 13



Directors' Report

The Board of Directors of Teachers Federation Health Limited (TFH or Company) has pleasure in submitting its report for the year ended 30 June 2013.

Directors

The names and details of the Directors in office at any time during the financial year, including the period until the date of this report, are as follows:

H M MacGregor

B.A. (USYD), Dip. Ed, M. Ed. (USYD), MAICD
Chairperson, independent non-executive Director
Appointed Director in June 2001

Special responsibilities:

Chairperson of the Board, Chairperson of the People and Remuneration Committee, member of the Strategy Committee, Audit and Finance Committee and the Risk and Governance Committee .

R L Brown

Dip. Teach. (Wollongong Inst. of Ed.)
Independent non-executive Director
Appointed Director in November 2004, and resigned as at 6 November 2012

Special responsibilities:

Prior to 6 November 2012, Chairperson of the Audit and Finance Committee and member of the Strategy Committee.

N E Dawson

B.A. (MAQ), Dip. Ed. (UNE), M. Ed. LL. M. (USYD), B. Leg S (MAQ), Grad Cert Leg P (UTS), MAICD
Independent non-executive Director
Appointed Director in September 2010

Special responsibilities:

Prior to 31 December 2012, member of the Risk and Governance Committee and member of the People and Remuneration Committee. As from 1 January 2013, Chairperson of the Risk and Governance Committee and member of the People and Remuneration Committee.

J Diamond

B.A. (USYD), Dip. Ed. (Sydney Teachers College)
Independent non-executive Director
Appointed Director in November 2005

Special responsibilities:

Member of the People and Remuneration Committee.

J M Dixon

B. Com. (Eco. and Acc.), Dip. Ed., Grad. Dip. Marketing
Independent non-executive Director
Appointed Director in June 2001

Special responsibilities:

Member of the Strategy Committee.

S M Edsall

B. Eco. (USYD), Dip Ed.
Independent non-executive Director
Appointed Director in June 2001

Special responsibilities:

Member of the Strategy Committee, and also, as from 1 January 2013, member of the Risk and Governance Committee.

D Fitzgerald

BA (Hons) Dip ED, Sydney University
Independent non-executive Director
Appointed Director in November 2011 and resigned as at 4 October 2012

Special responsibilities:

Prior to 4 October 2012, member of the Audit and Finance Committee.

M C Fogarty

B.A. (USYD), Dip. Ed. (USYD), M. Ed. (UTS), PHD (UTS)
Independent non-executive Director
Appointed Director in November 2011

Special responsibilities:

Member of the Audit and Finance Committee and People and Remuneration Committee.

M W Garner

Independent non-executive Director
Appointed Director in July 2011

Special responsibilities:

Member of the Risk and Governance Committee, and also, as from 1 January 2013, member of the Audit and Finance Committee.

M Mulheron

BA Dip Ed
Independent non-executive Director
Appointed Director in March 2012

Special responsibilities:

None.

T Mulroy

BA Dip Ed (NSW)
Independent non-executive Director
Appointed Director in November 2012

Special responsibilities:

As from 1 January 2013, member of the Audit and Finance Committee.

N S Smith

B.Fin.Admin. (UNE) C.A., MAICD
Independent non-executive Director
Appointed Director in September 2010

Special responsibilities:

Prior to 31 December 2012, Chairperson of the Risk and Governance Committee and a member of the Audit and Finance Committee. As from 1 January 2013, Chairperson of the Audit and Finance Committee and member of the Strategy Committee.

D Wynne

Dip. Teach. (Goulburn CAE), B. Ed. (CSU), Ext. Courses Ind. Law (UTS), MAICD
Independent non-executive Director
Appointed Director in June 2001

Special responsibilities:

Chairperson of the Strategy Committee, member of the People and Remuneration Committee and the Risk and Governance Committee.

Company Secretaries

The names of the Company Secretaries in office at the end of the year are:

B S Joyce

B Comm (University of Newcastle), FCPA, MAICD.
Appointed company secretary in November 2010
Mr Joyce was appointed Chief Executive Officer of TFH in 2006

D N Lethbridge

LLB (Otago, NZ), Grad Dip ACG, FCIS, GAICD
Appointed company secretary in April 2012
Mr Lethbridge was appointed Chief Operating Officer of TFH in February 2012

Company Objectives

TFH's long term objectives are:

- To maintain the commercial sustainability of the business through a combination of initiatives designed to grow revenue, manage benefits or deliver business efficiencies;
- To continue to ensure that TFH delivers the value propositions designed to attract and retain members by providing members with products and services that meet their needs, and through a level of service that our members recognise as superior;
- To operate an efficient business which focuses on ongoing business improvement, transformation and innovation and undertake activities that are designed to increase organisational capabilities through the retention, development and engagement of staff.

In the short term, TFH's objectives are to continue to execute the 2010-14 Strategic Plan and seek ways to improve membership retention and increase growth (both in terms of revenue and membership).

Company Strategy

The Company's strategy to deliver these objectives is through a number of strategic initiatives:

- Policyholder growth – to increase our organic policyholder growth across Australia;
- Diversification – to consider opportunities for non-organic growth;
- Health management – to develop an integrated wellness, prevention and disease management solution for our policyholders; and
- Capability – to enhance the efficiency and effectiveness of the business.

Principal Activities

The principal activities of TFH during the financial year were:

- the operation of its restricted access private health insurance business; and
- the operation of dental and eye care centres.

The Company also provides general and life insurance under an agency agreement with a third party provider.

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

These principal activities have contributed to TFH achieving its objectives. TFH operates a successful restricted access health insurance business which continues to deliver value and excellent service to its policyholders. The dental, eye care and health support services contribute in terms of the value proposition that TFH offers its policyholders, and also to the overall commercial success of TFH through the additional revenue generated from these activities.

Measuring Performance

The Company utilises a modified balanced scorecard as a touchstone to set and monitor its strategic objectives and guide each annual business plan to maintain alignment with the strategic direction of the Company. Key success factors and a range of operational key performance indicators are identified as part of the business planning process and reported against during the course of the financial year.

Meetings of Directors

During the financial year, 29 meetings of Directors (including Committees of Directors) were held. Attendances by each Director during the year were as follows:

Name	Board Meetings		Committee Meetings							
	E	A	Risk & Governance Committee		Audit & Finance Committee		Strategy Committee		People & Remuneration Committee	
	E	A	E	A	E	A	E	A	E	A
R Brown	4	3			3	3	2	1		
N E Dawson	10	10	3	3					6	6
J Diamond	10	6							6	5
J M Dixon	10	7					4	3		
S M Edsall	10	9	2	2			4	4		
D Fitzgerald (resigned 4 October 2012)	3	3			3	2				
M C Fogarty	10	8			6	4			6	6
M W Garner	10	10	3	3	3	3				
H M MacGregor	10	10	3	3	6	6	4	4	6	6
M Mulheron	10	6								
T Mulroy (appointed 6 November 2012)	6	6			3	3				
N S Smith	10	10	1	1	6	6	2	2		
D Wynne	10	9	3	1			4	4	6	4

Table Key:

- E Number of meetings eligible to attend
- A Number of meetings attended

Members' Guarantee

The Company is limited by guarantee and hence has no contributed equity. If the Company is wound up, the Constitution states that all property (other than property forming part of a health benefits fund conducted by the Company) that remains after payment of all of the debts and liabilities of the Company shall be paid to an entity or organisation selected by the Directors, or in default by the court, which prohibits the distribution of its assets and income to its members. If the Company is wound up and cannot meet its debts, the Constitution states that each member of the Company is required to contribute a maximum of ten dollars (\$10.00) towards meeting any outstanding obligations of the Company. The total amount that members of the Company were liable to contribute at 30 June 2013 if the company was wound up was one hundred and eighty dollars (\$180.00).

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 Directors' Report.

Signed in accordance with a resolution of the Board of Directors

H M MacGregor

Director



Dated this 19th day of September 2013

Sydney, NSW

Grant Thornton Audit Pty Ltd
ACN 130 913 594

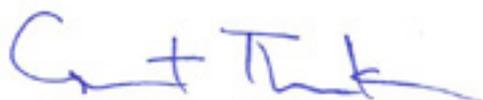
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**Auditor's Independence Declaration
To the Directors of Teachers Federation Health Limited**

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 2013, 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 AUDIT PTY LTD
Chartered Accountants



M A Adam-Smith
Partner - Audit & Assurance

Sydney, 19 September 2013

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Corporate Governance Statement

Governance at Teachers Health Fund

Teachers Federation Health Ltd (TFH or Company) is a Company limited by guarantee subject to the Corporations Act 2001 (Cth). The Board of Directors of the Company (Board) consistently places high importance on the governance of TFH, which it believes is vital to the well-being of the Company. Consequently, TFH has adopted a comprehensive framework of corporate governance guidelines and policies that are reviewed on a regular basis.

The Board's corporate governance practices are broadly based on the corporate governance principles issued by the ASX Corporate Governance Council's Principles and Recommendations (ASX Guidelines) as far as they are applicable to an unlisted, not-for-profit company limited by guarantee, and reflect the ongoing focus of the Board in discharging its responsibilities at an appropriate level to meet the full expectations of Company members, fund contributors, regulatory authorities and the general community.

A dedicated corporate governance statement on the Company's website (www.teachershealth.com.au) provides a detailed description of TFH's governance framework and associated practices, with links to key documents.

The Company provides regular reports to the Private Health Insurance Administration Council (PHIAC), the independent statutory authority responsible for monitoring and regulating the private health insurance industry.

Board of Directors

Roles and Responsibilities

The roles and responsibilities of the Board are set out in, and the Board operates in accordance with, the broad principles set out in its Board Charter. The Board Charter also details the membership and operation of the Board.

The Board provides overall strategic guidance for TFH and effective oversight of management. The Board ensures that the Company complies with its Constitution and all legal and regulatory requirements. The Board has reserved to itself the following specific responsibilities:

- Strategy including charting the direction, strategies and performance objectives for TFH and monitoring the implementation of those strategic and business plans and performance objectives;
- Oversight of management including the regular monitoring and assessment of senior executive's performance including the CEO in achieving Board approved strategies and budgets against key performance indicators set by the Board and approving senior executive remuneration policies and practices;
- Ethics guidance including actively promoting ethical and responsible decision-making and establishing and maintaining a code of conduct to guide its Directors, senior executives and all employees in the practices necessary to maintain confidence in TFH integrity;

- Oversight of financial and capital management including establishing and overseeing TFH accounting and financial management systems, monitoring TFH's financial results on an ongoing basis, reviewing and approving the annual financial report and approving decisions affecting the investments and capital of TFH; and
- Compliance and risk management including establishing, overseeing and regularly reviewing systems of internal compliance, risk management and control, and systems of legal compliance (including but not limited to work, health and safety) that govern the operations of TFH, and ensuring they are operating effectively.

The Board has delegated a number of its responsibilities to its Committees. The responsibilities of these Committees are set out in following sections of this Corporate Governance statement.

The Board has delegated to the Chief Executive Officer (CEO) the authority to manage and control the day to day affairs of TFH other than those specifically reserved to itself in the Board Charter and the Delegation of Authority Policy. The CEO is not a Director of the Company. Under the Company's Delegation of Authorities Policy, the CEO, Executive Management and other employees of TFH are authorised, within limits, to make certain decisions necessary to perform the work assigned to their positions. These authorities are exercised within an extensive system of internal controls.

Board Composition

At the date of this report, the Board comprises eleven (11) Directors, each of whom is a non-executive and independent Director in accordance with the criteria set out in the Private Health Insurance (Insurer Obligations) Rules 2007. As set out in the Company's Constitution, the Board is made up of the following classes of Directors:

- two (2) ex officio Directors, being the President of the NSW Teachers Federation and the General Secretary of the NSW Teachers Federation;
- six (6) elected member (policyholder) Directors;
- two (2) specialist Directors; and
- one (1) employee Director.

The Board Charter requires that Directors must at all times bring an independent judgement to bear on all Board decisions. Each Director has confirmed that he or she is independent (that is, free from any business or other association with TFH that could materially interfere with the Director's independent judgement). Details of each Director's skills, experience, expertise, qualifications, special responsibilities and attendance at meetings are set out in the Directors' Report.

The Chairperson is an independent and non-executive director appointed by the Board. The Chairperson's responsibilities include:

- leading the Board in reviewing and discussing Board matters;
- ensuring the efficient organisation and conduct of the Board's function;
- promoting constructive relations between Board members and between the Board and management; and
- reviewing corporate governance matters with the CEO and reporting on those matters to the Board.

Appointment and Election of Directors

TFH seeks to have a Board comprised of Directors that collectively have a range of skills, knowledge and experience to:

- understand and manage the risks to the organisation;
- understand and ensure compliance with the organisation's legal prudential obligations;
- effectively oversee the management of the organisation; and
- effectively contribute to the Board's deliberations and processes.

The private health insurance industry is heavily regulated and complex and as such Directors need to have qualifications or experience that enables them to work within this environment. PHIAC mandates governance and prudential standards that require ongoing compliance and all Directors must develop and maintain a sound understanding of these obligations. To this end, the Board has established a set of general criteria and skills that would ensure that all Directors of the Company would be able to carry out their responsibilities effectively.

Specific criteria may be developed for each appointment, having regard to:

- the immediate collective capacity of the Board in terms of the mix of skills, experiences, functional orientation and personal qualities;

- the Board’s renewal policy, succession plans and business development intentions; and
- diversity, but only as a secondary dimension to skills, experience and personal qualities.

The Board has developed a role description for Directors that details the role and responsibilities of Directors as well as the professional qualifications and skills required. Each Director has a letter of appointment setting out the terms and conditions of their appointment and to ensure that they clearly understand the corporate expectations of them.

Directors are appointed and/or elected to the Board in accordance with the Constitution, which places limits on the period in which an elected Director may hold office without re-election by the members of the Company. An elected member Director must not hold office without re-election for more than two years. Specialist directors are appointed for a term of up to three years and the employee Director is appointed for a term of up to two years. Retiring directors are eligible for re-election. Directors appointed to the Board (other than the elected member directors and the employee director) must have their appointment confirmed by the members at the Company’s next annual general meeting.

Director Induction and Education

Directors participate in an induction program upon appointment and in addition, the Board has also established a program of continuing education. This includes sessions with experts in the particular fields relevant to TFH’s operations and attendance at relevant conferences and seminars. The training and education programs ensure Directors keep up to date with developments in a dynamic and challenging industry. Directors are also encouraged to attend and actively participate in education sessions and courses offered by the Australian Institute of Company Directors.

Board Meetings

The Board meets regularly during the year according to a schedule determined at the end of each calendar year. The scheduled meetings are supplemented by special purpose meetings where required. An extensive agenda is prepared for each meeting. The agenda enables Directors to be adequately informed about the operations of TFH, to monitor management’s implementation of key strategic initiatives and to consider the environment in which the health benefits fund operates. Matters of a strategic nature are given priority. In addition to the Board meetings, a structured Directors’ development and strategy review is the major focus of the Board Strategy Day held at least annually.

Conflicts of Interest

TFH actively promotes ethical and responsible decision making. Directors are required to disclose any conflicts and material personal interests to the Board. Where necessary the Board will evaluate whether a Director should participate in the consideration of a matter by using the mechanism set out in the Constitution and the Corporations Act 2001 (Cth). Directors regularly review their positions to assist in the avoidance of situations where the interests of the directors might affect, or appear to affect, decision making by the Board.

Fit and Proper

TFH has developed and implemented a Fit and Proper Policy for Responsible Persons to assist in assessing the fitness and propriety of TFH Responsible Persons (as defined in the policy). A person in a Responsible Person position must have the appropriate skills, experience and knowledge to perform that role (“competencies”) and must act with the requisite character, diligence, honesty, integrity and judgment (“character”). A person will be considered “Fit and Proper” if he or she is assessed to meet substantially the assessment criteria set out in this policy and, if appropriate, in the position description for their role.

A person’s fitness and propriety will be assessed against the assessment criteria listed in the policy, and any specific requirements set out in the position description for the Responsible Person role. The assessment consists of an attestation by the individual and the Company undertakes any necessary and relevant investigations to verify the information provided in the attestations including where considered appropriate or desirable referee checks, police checks and searches of appropriate registers. The policy includes a process for dealing with and reporting breaches of the policy.

Access to Company Information and Independent Professional Advice

Managers responsible for critical areas of the business are regularly requested to brief the Board and its Committees so as to assist Directors in maintaining their familiarity with, and understanding of TFH’s activities. These briefings contribute to the assessment made by the Board about the performance of management in running the business. External professionals and consultants also brief the Board and its Committees where appropriate.

The Board has in place a procedure whereby, after appropriate consultation, Directors are entitled to seek independent professional advice, at the expense of TFH to assist them to carry out their duties as Directors. The policy provides that any such advice is generally made available to all Directors.

Remuneration of Directors and Executive Management

In accordance with clause 15.9 of the TFH Constitution, Directors are to be paid, in the aggregate, the remuneration determined by resolution at a meeting of the Company members. In November 2012, the Company members determined an aggregate amount of \$100,000 is to be paid to Directors as a whole and divided among the Directors in accordance with the Director Remuneration Policy. For the twelve months ended 30 June 2013, the total remuneration paid and divided among the Directors was \$79,248.

TFH has a Directors' Remuneration Policy that guides and regulates the manner in which payments are made to Board members. Director remuneration is based on average standard hours for preparation for and attendance at Board and committee meetings with payments reflecting fair acknowledgement of participation time and effort by Directors. The payment rate is based on the hourly rate for a Head Teacher in schools. In addition, as required by legislation superannuation is paid in respect of remuneration at the rate provided by the Superannuation Guarantee Charge (9% for the reporting year, now 9.25%) and Directors receive in-house health insurance on a pro-rata monthly basis at the rate of \$1,333 pa (cumulative).

Directors are reimbursed for expenses to cover costs incurred when attending meetings, conferences, courses etc. and for professional registration fees; for example, membership of Australian Institute of Company Directors. Directors and Officers Insurance is provided by the Company. Reimbursement is also made to Directors for loss of salary or leave entitlement resulting from their attendance at Board and Committee meetings upon presentation to the CEO of appropriate documentation to validate the claim. Directors receive access to Directors training through Board seminars, endorsed conferences and seminars and industry based training for Company Directors.

The Board, based on recommendations from the People and Remuneration Committee, determines the remuneration of the CEO as part of the incumbent's terms and conditions of appointment. TFH's policy in respect of the CEO and Executive Management incorporates remuneration that is competitively set so the organisation can attract, motivate and retain high calibre executives to lead the Company. The People and Remuneration Committee review the remuneration of the CEO and Executive Management annually through a process that considers individual performance and relevant comparative market remuneration data from an independent third party.

The CEO and Executive Management have individual, team and overall business key performance indicators set each year. The People and Remuneration Committee annually reviews the performance of the CEO in a structured process that includes performance against targets set. The outcome of this review is reported to the Board as a whole. The CEO annually reviews the performance of Executive Management in a structured process that includes performance against targets set. The outcome of this review is reported to the People and Remuneration Committee.

There is no surplus share, performance payment or long term incentive payments (such as share options) made to any Director, the CEO or Executive Manager of the Company.

Board Performance

The Board has a policy of undertaking an annual assessment of its collective performance and the performance of individual Directors and of its Committees. This assessment may be by way of self-assessment, as was the case in 2012, and is periodically supplemented by, a third party facilitator, inclusive of interviews with Directors. The Chairperson formally discusses the results of the performance review with individual Directors and the Board as a whole. The discussion also considers the effectiveness of the Board and its contribution to the Company. Each of the Board's Committees also reviews its performance against the objectives of its respective Charter from time to time.

Directors' and Officers' Insurance

TFH maintains an insurance policy for the benefit of the Directors, the company secretary, officers and employees (as defined by the policy) insuring all insured persons against a liability (and not including any liabilities for which insurance is prohibited under s199B of the Corporations Act 2001 (Cth)). In accordance with commercial practice, the insurance policy prohibits the disclosure of the terms of the policy including the nature of the liability insured against and the amount of the premiums.

Board Committees

The Board has established a number of Committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Each Committee has its own written charter setting out its responsibilities, composition, structure and the manner in which the Committee is to operate. The charter of each Committee is reviewed from time to time. Board Committees have delegated authority within their charter of responsibilities and make recommendations to the Board. Activities of each Committee are reported to the Board at the next full Board meeting.

Details about the membership of Committees and the attendance of members at Committee meetings are set out in the Directors' Report.

Audit and Finance Committee

The Audit and Finance Committee has been established to assist the Board to fulfil its statutory and regulatory responsibilities relating to the financial reports, the financial condition of TFH and the health benefits fund conducted by TFH and matters concerning the appointed actuary and the auditors.

The Committee makes recommendations to the Board on the appropriateness of the accounting principles adopted by management, verification of those principles from internal and external auditors, investment objectives, strategic benchmarks, investment structure, investment target allocations and investment delegations for TFH's investment portfolio and monitors performance against the TFH Capital Management Plan.

The Committee comprises five (5) members each of whom have appropriate financial experience and understanding of the private health insurance industry. The Chairperson of the Board is not permitted to be Chairperson of the Audit and Finance Committee.

The Committee's responsibilities also include:

- an objective non-executive review of the effectiveness of the financial reporting framework to ensure the balance, transparency and integrity of published financial information;
- the appointment, role and performance of the Appointed Actuary;
- the effectiveness of TFH's internal control systems and internal audit function;
- assessment of the investment activities including strategy, objective and performance, and;
- the independent audit process including the appointment, independence, performance and remuneration of the External Auditor.

The Committee Charter provides that the Committee meet at least four (4) times per year. The Committee met six (6) times during the reporting year. The External Auditor met with the Committee three (3) times during the year and, on one occasion, without management being present.

People and Remuneration Committee

The People and Remuneration Committee has been established to assist the Board in fulfilling its statutory and regulatory responsibilities and to oversee, review and make recommendations to the Board relating to human resource matters and compliance with employment laws and regulations. The Committee is comprised of five (5) members of the Board. The principal responsibilities of the Committee are to:

- make recommendations to the Board on the necessary and desirable competencies of the Board, Board succession plans, the process of evaluation of the performance of the Board, its Committees and Directors;
- make recommendations to the Board on the appointment of new Board member candidates, having regard to their skills, experience and expertise;
- develop and review induction procedures, continuing development and education programs for Board directors;
- establish and conduct the annual performance evaluation of the CEO and report to the Board the outcomes of this review;

- review with the CEO the outcomes of the annual performance evaluation of direct reports to the CEO and other key staff as identified by the committee from time to time;
- review the conditions of employment and annual remuneration of the CEO and report the outcomes of this review to the Board;
- review and approve the recommendations of the CEO relating to the conditions of employment and annual remuneration of the Executive Management;
- periodically review with the CEO, the TFH organisational capability and succession plan for employees, managers and executives; and
- review people-related issues and policies generally.

The Committee met six (6) times during the reporting year.

Risk and Governance Committee

The Risk and Governance Committee has been established to assist the Board fulfil its statutory and fiduciary responsibilities relating to the effectiveness of TFH's risk management and TFH's process for monitoring compliance with laws, regulations and TFH's policies. The Committee develops and recommends to the Board for approval, corporate governance principles, policies and practices which should apply to TFH. The Committee comprises five (5) members of the Board.

The Committee also make recommendations to the Board on:

- TFH's systems and procedures for compliance with laws, regulations, internal policies and industry standards;
- TFH's system of risk management and internal control including:
 - the effectiveness TFH's risk management and internal control framework, including the TFH Risk Management Plan and Risk Register, having regard to TFH's risk management culture;
 - the identification and assessment of the material risks facing TFH considered against TFH's risk appetite;
 - the TFH Business Continuity and Disaster Recovery Plan; and
 - the appropriate level of reporting on the performance and application of the risk management and internal control system throughout TFH;

- best practice developments in corporate governance;
- TFH corporate governance policies and practices;
- corporate governance, regulatory and compliance issues including the Private Health Insurance Act 2007, PHIAC Standards and Regulations, the Corporations Act and ASIC requirements; and
- disclosure of corporate governance policies and information to ensure effective communication of TFH corporate governance practice.

The Committee met three (3) times during the reporting year.

Strategy Committee

The Strategy Committee has been established to assist the Board in fulfilling its responsibilities relating to the development and implementation of corporate strategy for TFH. The Committee is comprised of five (5) members of the Board.

The principal responsibilities of the Committee are to:

- review strategy and recommend refinements, as necessary, to the Board to enhance the Company's competitive position and long term performance;
- consider viable and likely opportunities and threats that are expected to be presented to the Company as further rationalisation and change occurs in the private health insurance industry;
- inform the Board of any other strategic developments and make appropriate recommendations as required;
- work with management on the development and articulation of any strategic plan or initiative for recommendation to the Board; and
- assist management with recommendations regarding specific strategies such as new products or new markets.

The Committee met four (4) times during the reporting year.

Accountability and Audit

External Audit

The Company has retained Grant Thornton (“External Auditor”) to audit its records and financial statements of the Company for the 2013 financial year.

The Audit and Finance Committee meets with the External Auditor during the year to:

- discuss the external audit, identify any significant changes in structure, operations, internal controls or accounting policies likely to impact the financial statements;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made; and
- finalise annual reporting, review the preliminary financial report prior to sign-off and any significant adjustments as a result of the auditor’s findings.

The financial and operational performance of TFH is monitored by the Board monthly through regular management reporting of performance against budgets and other relevant key performance indicators. These budgets have been established by management and approved by the Board. The External Auditor reviews and tests the system of internal controls, to the extent necessary, for an independent opinion on the financial statements at the end of the year.

The External Auditor is invited to attend the Annual General Meeting and is available to answer questions from members of the company on the conduct of the audit, the preparation and content of the audit report, the accounting policies adopted by TFH and the independence of the auditor in relation to the conduct of the audit.

Internal Controls

The Board is responsible for the overall internal control framework and for reviewing its effectiveness. The key features of the control environment include the Charters of the Board and each of its Committees and a clear organisational structure with documented delegation of authority from the Board to Executive Management.

Internal Audit

Internal audit operates under its own Charter. The internal audit function provides an independent and objective internal audit review of TFH’s risks and how the key internal controls are designed and are operating so as to provide reasonable assurance against material misstatement or loss by enabling the timely identification of problems that require the attention of management or the Board. These controls have been established by

management and are reviewed from time to time by the internal auditor and the findings of this review reported to the Audit and Finance Committee and the Board.

Following a tender process for the sourcing of internal audit services, KPMG were appointed the Company’s Internal Auditor for a three (3) year term from 28 September 2012. For the period, 1 July 2012 to 28 September 2012, the Company’s internal audit was provided by Trevor Edgoose Management Services Pty Limited.

Risk Management

TFH has a comprehensive system of risk management and controls. This risk management framework is critical to the safety, reputation and sustainability of the operations of the Company and to the ongoing viability of the health benefits fund operated by TFH. A detailed Risk Management Plan based on the Australian/New Zealand Risk Management Standard: AS/NZS ISO 31000:2009 has been developed and implemented by management and endorsed by the Board. The various risk management practices are undertaken to provide reasonable assurance to the Board of the effectiveness of the risk management framework within the overriding principle that business risk is a basic line management responsibility – all managers, not just the CEO, share that responsibility.

Both the Board and the Risk and Governance Committee receive frequent updates about the management of risk. At each Board meeting, the CEO updates the Board on developments in relation to the material business risks facing TFH. The Board reviews and set TFH’s risk appetite on an annual basis.

Annually, the CEO and other senior managers responsible for risk management provide a declaration to the Board regarding the structure, management and effectiveness of the Company’s risk management systems. A similar declaration is provided by the Board to the industry regulator, PHIAC, as part of the annual compliance reports.

Ethical Standards

Code of Conduct

TFH has adopted a Code of Conduct that applies to all Directors, officers, employees, contractors and consultants to TFH. This code sets out the ethical standards and rules of TFH and provides a framework to guide compliance with legal and other obligations to stakeholders including:

- the avoidance of conflicts of interest or disclosure of conflicts of interest if one occurs;
- the appropriate use of corporate opportunities and other benefits;
- compliance with the Privacy Act 1988 (Cth);
- the integrity and security of confidential information;
- dealing honestly and fairly with all parties; and
- compliance with relevant laws and regulations.

Industry Code of Practice

TFH operates under the Private Health Industry (PHI) Code of Conduct. The Code forms the basis for the manner in which the people of TFH perform their work and requires TFH to operate its business in an open and honest manner with contributors, employees, providers, the regulator and the health insurance industry. The purpose of the Code is to enhance regulatory compliance and service standards across the industry.

TFH has regularly submitted annual self audits and has been assessed by the PHI Code of Conduct – Compliance Committee as being a compliant fund. Recently the PHI Code of Conduct – Compliance Committee determined that TFH should be invited to participate in the triennial self audit process. Consistent with the above, TFH is now required to submit a certification yearly that states it is compliant with the code and self audit. Every three years, TFH will have to complete and submit a full self audit. The next full self audit is due in 2014.

Diversity

TFH seeks to maintain an appropriate mix of skills, expertise, experience and diversity on the Board to ensure an understanding of and competence to deal with current and emerging issues relating to TFH business and enhance the performance of the Company. Diversity in this context includes, but is not limited to gender, age, ethnicity and cultural background.

The Company has implemented a formal diversity policy, including measurable objectives for achieving gender diversity.

The Company is an EOWA Employer of Choice for Women. The number of woman across the organisation as at the date of this report is as follows:

Category	Number	Percentage of category
Women on the Board	5	45%
Women in senior executive positions	2	22%
Women in management positions	15	68%
Women employees in whole organisation	139	61%

Whistleblower Policy

TFH has developed and implemented a Whistleblower Policy that encourages and provides a framework for all TFH employees to report any corrupt or improper conduct or any genuine matters of behaviours that they honestly believe contravene TFH policies or the law including:

- dishonest behaviour;
- fraudulent activity;
- corrupt practices;
- illegal activities;
- unethical activity including a breach of the TFH Code of Conduct;
- unsafe work practices; and
- intimidation, harassment, discrimination, disadvantage or adverse treatment in relation to a person's employment; and any other conduct that may cause financial or non-financial loss to TFH or be otherwise detrimental to the interests of TFH.

Teachers Federation
Health is proud to be
an EOWA Employer of
Choice for Women.



Discussion and Analysis of the Financial Statements

Information on Teachers Federation Health Limited financial statements

The financial statements and disclosures in the concise financial report have been derived from the full FY2013 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.

Statement of Profit or Loss or other Comprehensive Income

Surplus for the year of \$11,838,090 was down \$18,408,208 from the prior year (FY2012: \$30,246,298), largely due to an increase in benefit payments by \$46,278,249 to \$343,681,501 (FY2012: \$297,403,252).

Premium revenues of \$396,130,213 increased 9.59% from the prior year (FY2012: \$361,450,926) due to an increase in members and premium rates. Net claims incurred of \$366,662,471 increased by 16.20% (FY2012: \$315,545,059). The additional claims result from a combination of member increases in recent years and the increased costs of services.

Statement of Financial Position

Total assets increased by \$15,332,518 from \$297,029,487 in FY2012 to \$312,362,005 in FY2013, representing an increase of 5.16%.

Total liabilities have also increased by \$3,494,428 from \$92,384,704 in FY2012 to \$95,879,132 in FY2013 due to an increase in provisions for outstanding claims.

Equity has increased by 5.78% from \$204,644,783 in FY2012 to \$216,482,873 in FY2013. This was due to the net surplus for the year increasing retained earnings by \$11,838,090.

Statement of Cash Flows

Cash increased by \$21,813,714 from \$17,905,379 in FY2012 to \$39,719,093 in FY2013 representing an increase of 121.83%. The net cash inflow from operating activities decreased by \$26,377,931 from \$45,330,205 in FY2012 to \$18,952,274 in FY2013 due to an increase in benefits paid to members. Excess cash has been invested, with net cash used in investing activities in the current year being \$2,861,440 (FY2012: \$37,834,215).

Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2013

	Note	2013	2012
		\$	\$
Premium revenue	2	396,130,213	361,450,926
Claims expense		(343,681,501)	(297,403,252)
Risk equalisation trust fund expense		(14,296,811)	(10,445,199)
State levies		(8,684,159)	(7,696,608)
Net claims incurred		(366,662,471)	(315,545,059)
Unexpired risk liability (increase)/decrease		(3,286,081)	(5,084,221)
Claims handling expenses		(13,441,414)	(12,328,254)
Other underwriting expenses		(13,660,009)	(12,185,603)
Underwriting expenses		(30,387,504)	(29,598,078)
Underwriting result		(919,762)	16,307,789
Investment revenue	2	14,057,821	14,932,866
Other revenues		8,855,577	6,885,774
Impairment losses		-	-
Fair value gain on investment trusts		-	(880,294)
Cost of goods sold		(2,270,600)	(2,007,667)
Other expenses		(7,448,417)	(4,590,477)
Finance costs		(436,529)	(401,693)
Surplus before income tax		11,838,090	30,246,298
Income tax expense		-	-
Surplus for the year after income tax		11,838,090	30,246,298
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		11,838,090	30,246,298

Statement of Financial Position

As at 30 June 2013

	2013	2012
	\$	\$
Current assets		
Cash and cash equivalents	39,719,093	17,905,379
Trade and other receivables	18,824,009	21,585,911
Inventories	307,590	299,454
Financial assets	90,479,000	88,412,000
Other current assets	1,804,356	2,046,886
Total current assets	151,134,048	130,249,630
Non-current assets		
Financial assets	145,090,574	155,721,657
Property, plant and equipment	15,995,647	10,804,343
Trade and other receivables	-	63,998
Intangible assets	141,736	189,859
Total non-current assets	161,227,957	166,779,857
Total assets	312,362,005	297,029,487
Current liabilities		
Trade and other payables	17,091,954	16,075,689
Other current liabilities	32,086,045	41,755,836
Provisions	45,567,796	33,508,114
Total current liabilities	94,745,795	91,339,639
Non-current liabilities		
Provisions	1,133,337	1,045,065
Total non-current liabilities	1,133,337	1,045,065
Total liabilities	95,879,132	92,384,704
Net assets	216,482,873	204,644,783
Equity		
Reserves	1,725,225	1,725,225
Retained earnings	214,757,648	202,919,558
Total equity	216,482,873	204,644,783

Statement of Changes in Equity

For year ended 30 June 2013

	Share Capital	Asset Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2011	-	1,725,225	172,673,260	174,398,485
Total comprehensive income for the year	-	-	30,246,298	30,246,298
Increase in valuation of property in use	-	-	-	-
Balance at 30 June 2012	-	1,725,225	202,919,558	204,644,783
Total comprehensive income for the year	-	-	11,838,090	11,838,090
Balance at 30 June 2013	-	1,725,225	214,757,648	216,482,873

Statement of Cash Flows

For year ended 30 June 2013

	2013	2012
	\$	\$
Cash flows from operating activities		
Receipts from members' premiums	389,669,999	372,499,307
Benefits paid to members	(358,476,960)	(324,469,294)
Receipts from customers	9,772,158	7,006,331
Payments to suppliers and employees	(32,796,061)	(23,191,539)
Interest received	11,219,667	13,887,093
Finance costs	(436,529)	(401,693)
Net cash provided by operating activities	18,952,274	45,330,205
Cash flows from investing activities		
Proceeds from sale of investments	110,492,047	472,332,015
Purchase of intangibles	(96,830)	(18,733)
Purchase of property, plant and equipment	(7,533,777)	(3,297,797)
Purchase of investments	(100,000,000)	(507,849,700)
Net cash used in investing activities	2,861,440	(37,834,215)
Net change in cash and cash equivalents held	21,813,714	7,495,990
Cash and cash equivalents at beginning of financial year	17,905,379	10,409,389
Cash and cash equivalents at end of financial year	39,719,093	17,905,379

Notes to the Financial Statements

For the year ended 30 June 2013

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.

2 Revenue

	2013	2012
	\$	\$
Premium revenue	396,130,213	361,450,926
Investment revenue	14,057,821	14,932,866
Other revenue		
Eyecare centres	7,090,694	5,607,433
Dental centres	1,448,826	949,864
Other revenue	316,057	328,477
Total other income	8,855,577	6,885,774

3 Events After the Balance Sheet Date

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.



Directors' Declaration

The Directors of the Company declare that the concise financial report for the financial year ended 30 June 2013, as set out on pages 28 to 33:

- (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 2013 and has been derived from and is consistent with the full financial report of the Company.

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

H M MacGregor

Director



Dated this 19th day of September 2013
Sydney, NSW

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

Report on the concise financial report

We have audited the accompanying concise financial report of Teachers Federation Health Limited, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows 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 2013. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly reading the concise financial report is not a substitute for reading the audited financial report.

Directors responsibility for the concise financial report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 Concise Financial Reports, and the Corporations Act 2001, and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures which were conducted in accordance with Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements. 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 2013. Our audit report on the financial report for the year was signed on 19 September 2013 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.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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 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.

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 have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Teachers Federation Health Limited would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's opinion

In our opinion, the concise financial report of Teachers Federation Health Limited for the year ended 30 June 2013 complies with Accounting Standard AASB 1039 Concise Financial Reports.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Adam-Smith
Partner - Audit & Assurance

Sydney, 19 September 2013



Teachers Federation Health Limited

Trading as Teachers Health Fund

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

For the well-being of teachers & their families.