

Concise Annual Report

For the year ended 30 June 2011



Financial Snapshot

(\$M)	2011	2010	Change	Change %
Premium revenue	329.75	298.97	30.78	10.30%
Gross Margin	38.88 11.79%	33.80 11.31%	5.08	15.03%
Management expense	22.64 6.87%	20.38 6.82%	2.26	11.09%
Net margin	16.24 4.92%	13.42 4.49%	2.82	21.01%
Investment & other	14.32	11.75	2.57	21.87%
Operating Surplus	30.56 9.27%	25.18 8.42%	5.38	21.37%
Total Assets	246.88	216.94	29.94	13.80%
Total Liabilities	72.48	74.13	-1.65	-2.23%
Total Capital Reserves	174.40	142.81	31.59	22.12%
Membership	102,037	97,723	4,314	4.41%
Market Share	1.78%	1.76%	-	-

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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"Our principal purpose as a mutual
is to deliver high trust services to
our contributors, to provide a form of
social infrastructure and protection
to support our contributors when
they need us most..."



Helen MacGregor

Chairperson



From the Chairperson

It is pleasing to report on another very strong performance of Teachers Federation Health Limited (TFH) for the 2011 financial year. Your fund continues to deliver outstanding value and excellent service to its policyholders, members of the Australian education union community and the community generally. As a proud not-for-profit organisation, our commitment to deliver the highest value health insurance remains undiminished and at the forefront of our business planning.

Our principal purpose as a mutual is to deliver high trust services to our contributors, to provide a form of social infrastructure and protection to support our contributors when they need us most and also to improve the overall wellbeing of our contributors and the community to whom we provide services. We use a range of measures to assess our success. Primarily they relate to the quality of our service delivery, growth in the services delivered, and the satisfaction of our contributors and employees rather than to traditional measures such as profit. All surpluses generated by TFH are reinvested back into the business to grow and improve the services we deliver and maintain premiums as low as is economically sustainable.

Operating Environment

Government Policy continues to play a significant role in shaping private health insurance in Australia. Uncertainty on the political landscape regarding the Federal Government's position in respect of the future of key private health insurance policies, such as means testing the 30% private health insurance rebate, continues to be unhelpful to the overall stability of the industry. Tampering with the principles that underpin the value of private health insurance in Australia

increases the likelihood of a fall in participation which can only add to public hospital stress and waiting times. Undoubtedly, sovereign risk for health funds remains a most significant issue for the private health insurance industry at this time. In addition, the prospect of further industry consolidation remains a very real threat to funds like TFH, either directly through a forced takeover or as a consequence of a reduction in the number of not-for-profit funds, and the flow on to key business partners who deliver critical services to the organisation.

Corporate Governance

The expectations of the general community as well as the industry regulator in relation to corporate governance standards mean that the effective operation of Boards and the role of directors continue as a priority focus. The Board remains keenly aware that the critical changes to the market in which we compete need to be carefully managed by TFH and that successful governance is a fundamental priority. The fund continues to meet all statutory and regulatory requirements in governance and financial reporting.

The inclusion in the annual report of sections detailing the corporate governance and remuneration principles and practices of the Company reflects the ongoing focus and commitment of the Board and management to achieving and demonstrating the highest standards of corporate governance and publicising this to contributors. Your 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.

Organisational Performance

The Board is vigilant in its responsibility to ensure TFH achieves sound commercial performance, balancing the provision of the highest value to contributors with generating a sustainable and responsible level of surplus to maintain sufficient capital reserves to meet the solvency and capital adequacy requirements the fund. In 2011, I am pleased to report the fund generated an operating surplus of \$30.6m, a significant improvement from last year, buoyed by increased policy growth, a lower level of overall claims expense and significantly improved investment returns. Capital reserves at 30 June 2011 of \$174.4m were slightly above the current target capital position of TFH and in excess of the minimum requirements under the prudential standards.

As a not-for-profit organisation, your fund returns to its policyholders, by way of benefits, as much of its contribution revenue as is commercially sustainable. 2011 has seen TFH pay out a record \$290.9m in benefits to contributors or over 89% of contributions received. These payments represented around \$2,900 in benefits per policy. The volume and cost of claims has increased markedly in recent times, a factor that will continue to put pressure on contribution rates. We continue to strive for excellence in our customer service and operations, and we have made further investments in technology and improvements in business processes, efficiencies and cost control to maintain an expense ratio of just 6.9%, one of the lowest in the industry and much less than the industry average of 9.1%.

Key Achievements

In 2011, TFH was very pleased to be recognised for two very important achievements. For the first time in the fund's proud history we gained recognition on the 2011 Employer of Choice for Women list. This prestigious national citation is a public acknowledgement of the organisation's efforts in the area of equal opportunity for women and in providing a fair and equitable workplace for all employees. Also in 2011 the fund welcomed its 100,000th contributor - a significant and important milestone, cementing the fund's position as the 7th largest health insurer in Australia and the largest of the industry based restricted access funds.

Membership growth and retention has and will continue as 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. We have and will continue to work closely with our education industry partners around Australia to maximise our mutual recruitment and retention opportunities, and gain a greater understanding of our potential contributor and membership base.

Looking Ahead

The outlook for TFH and the private health insurance industry remains positive even though the challenges will continue to be many. The goals, purpose and initiatives that are encompassed in the Company's Strategic Direction will continue to guide and drive the Board and management forward in what will undoubtedly be another exciting year. Your fund is in a very strong financial position with the capability in place to manage our response to the changes and challenges I have foreshadowed, as well as to take advantage of the opportunities that we expect will emerge. We look forward to working with our education union and industry partners, as we have done in previous years.

We will continue to enhance and broaden our product and service offering to meet the needs and expectations of our policyholders. Your fund will continue to be innovative and to focus on superior customer service, and excellence to ensure that the fund continues to offer value for money in the very competitive sector in which it operates.

Lastly, in the pursuit of all of our objectives, we will support the general principle that all of our activities should reflect our policy of being both economically viable and socially and environmentally responsible.

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 & Finance, Risk & Governance, 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 management team and staff at every level in the organisation who continue to contribute so much to our ongoing success. Their achievements in the execution of our strategic direction and development of our capabilities give the Board the confidence that your fund is well positioned to continue to build a sustainable future, to meet the challenges that lie ahead and to play a very relevant role in the private health insurance industry into the future.

H M MACGREGOR

Chairperson



Dated this 5th day of October 2011
Sydney, NSW

"...We will support the general principle
that all of our activities should reflect
our policy of being both economically
viable and socially and environmentally
responsible"



Brad Joyce

Chief Executive Officer



From the CEO

Teachers Federation Health Limited (TFH) delivered strong results during the year exceeding most of the business and financial goals we set in the 2011 business plan. We continued to grow our contributor base and market share, increased our operating margins and underlying profitability and completed many initiatives aimed at developing our workplace as an employer of choice and improving our customer service and efficiencies.

Growth

Against a backdrop of private health insurance industry growth of just 3.0%, TFH policy holder growth of 4.41%, was impressive and well above that achieved in the previous year. In January 2011, the fund welcomed its 100,000 contributor - a significant and important milestone - and finished the year with over 102,000 policies in force. While TFH 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. Our lapse rate of 2.1% was improved slightly on the previous year's result and was still well under the overall industry rate. Product innovation remains an important way that TFH can improve policy holder growth and retention and remains a key objective for the fund into the future.

TFH remains committed to providing high quality health cover at the lowest economically sustainable price. We increased premiums by an average of 4.89% across all products on 1 April 2011 lower than the industry average of 5.56%. In contrast however, the cost of claims increased by 10.5% in 2011. Net policyholder growth of 4,314 together with the 2011 premium increase resulted in the fund's contribution income increasing by 10.3% to \$329.7m in 2011.

Continued claims inflation, driven mainly by higher utilization from an ever aging contributor base will continue to put pressure on the fund's premiums. Maintaining price competitiveness and achieving growth in target younger age cohorts remains critical as a means of defraying increasing claims costs.

Performance

2011 saw further improvement in our operating margins that are now at a level we believe necessary to sustain and further strengthen the business. Claims costs remain the single biggest expense for TFH and in 2011, TFH paid out over 89.1 cents 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 TFH to maintain management overhead expenses to 6.8% and within our target range of 6% to 7% of contribution income, well ahead of the industry average of 9.1%.

Service

I am very pleased to report that in 2011 TFH gained recognition as an Employer of Choice for Women. It is very pleasing that the organisation's efforts in the area of equal opportunity for women and our efforts generally in providing a safe, fair and equitable workplace for all employees, where different backgrounds, experiences and contributions are valued, has been acknowledged publicly with this national citation.

Our ambition of sustainable growth is intrinsically linked to achieving outstanding customer service. This objective remains at the forefront of our decision making as we continually strive to improve our business practices and interactions to best meet our contributor's needs. Improvements in the service availability, functionality and accessibility of our website are steadily making it a major interaction point for sales, service and claiming. The introduction of online claiming and enhancement of other online customer service features has significantly increased traffic to the web site *teachershealth.com.au*. Further enhancements of this very important service and distribution channel will occur in the coming years including the introduction of mobile services.

In 2011 the fund continued to devote significant effort to the ongoing development of its health management strategy aimed at assisting persons covered by the fund's health insurance policies better manage their health and improve their health condition. The provision of wellness and disease management programs remains a core objective of the fund. TFH is committed to supporting a range of initiatives and health related programs that promote healthy and active lifestyles for persons covered by our policies, our employees and the wider education community and we look forward to the wider rollout of this service in the coming year through our *HealthMeasures* initiative and other new programs.

Efficiency

Significant operational improvements have again been achieved in 2011 as we have continued to optimise 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. These improvements have seen significant investments in business automation initiatives, information technology refreshment and staff development, yet have been achieved while continuing to maintain our administrative costs as one of the lowest in the industry.

Investment in technology that delivers a more efficient claims processing performance remains a priority for the fund. Improved turnaround of claims processing not only provides our policyholders with faster payments and improved service levels it also contributes significantly to a reduction of administrative costs. It also enables the fund to concentrate more on managing claims rather than processing transactions with staff able to devote more time in reviewing and analysing trends in claiming and utilisation to identify claims cost drivers and areas of claims leakage.

Other revenue streams

Significantly improved investment returns were achieved in 2011 due to the broader global economic recovery resulting in \$2.3m

additional income being earned on the fund's investment portfolio. The fund also benefited from the surplus generated from the Teachers Eyecare and Teachers Dental businesses as well as insurance commissions generated from the sale of travel and other Teachers Insurance Services policies. 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 to 2012, our challenge is to maintain the momentum we have built up in the business in recent years in the face of possible changes to government health insurance policy, other government reform agendas, more aggressive competition from large insurers and the ever present threat of industry consolidation. In addition, closely monitoring 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 will remain a priority for TFH in the coming year. We remain well positioned to meet these challenges in 2012 and beyond guided by our 2010-14 strategic direction, a committed and effective board, and dedicated and able staff who provide TFH with the capability to continue to achieve its goals and objectives.

B S JOYCE

Chief Executive Officer



Dated this 5th day of October 2011
Sydney, NSW

"In 2011, the fund welcomed its
100,000th contributor...
a significant and important
milestone, cementing the
fund's position as the
7th largest health
insurer in Australia"

ABC



Review of Operations

Data for this section comes from TFH's PHIAC 2 submission and PHIAC's June 10 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 4.4% or 4,314 net new policies in 2011. This result was greater than the industry which recorded average growth of 2.9%. Over the last 3 years our cumulative average growth rate has been 4.4% compared to the industry's 3.5%.

The average age of our hospital contributor base continues to increase marginally, increasing by 0.3 years to 41.6. The industry average grew by 0.1 years to 39.9 (*Source: FCR*).

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 2011, we achieved 7.8% net growth in Victoria, and net growth across remaining states of 9.4% (*Source Monthly Membership Report*).

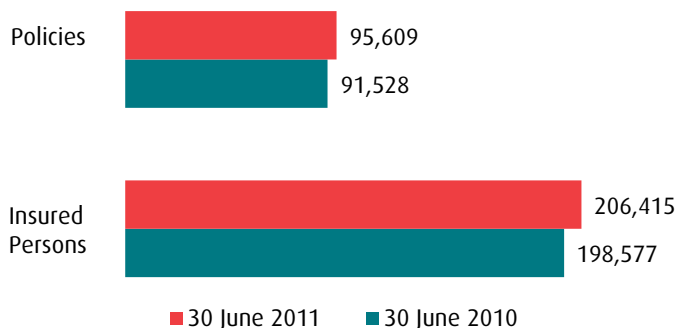
Lapse rates for the year remained relatively steady notwithstanding the difficult economic conditions and TFH enjoys industry leading retention rates of around 97.9%. (*Source: Monthly Termination Report*).

Premium Revenue

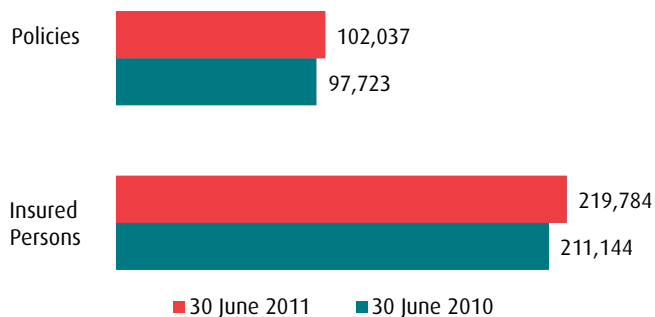
In 2011, premium revenue grew by 10.3% to \$329.7m reflecting the positive impact of policyholder growth combined with the 2011 government approved premium increases. This compared to an average industry increase of 8.8%. Our average annual premium revenue per policyholder in 2011 was \$3,231 up from \$3,059 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)



Benefits (\$'millions)



Operating Margins

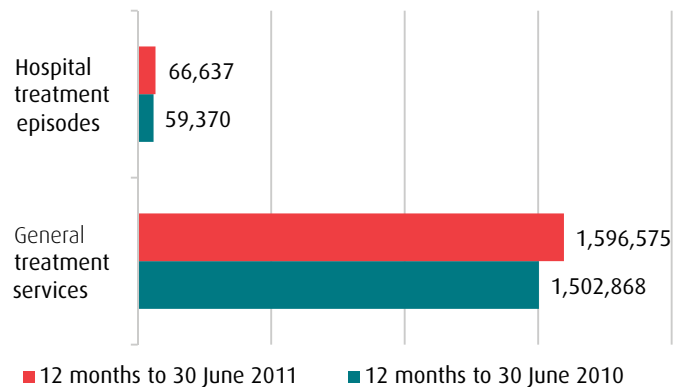
Benefit Payments

Including risk equalisation payments and state levies, TFH incurred total benefit payments of \$290.9m, an increase on 2010 (\$265.2m). This equated to a cost per contributor of \$2,851 up from \$2,714 in 2010. Utilisation also increased in 2011 with total hospital treatment episodes up by 7,267 or 12.2% and general treatment episodes up by 93,707 or 6.2%. 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.

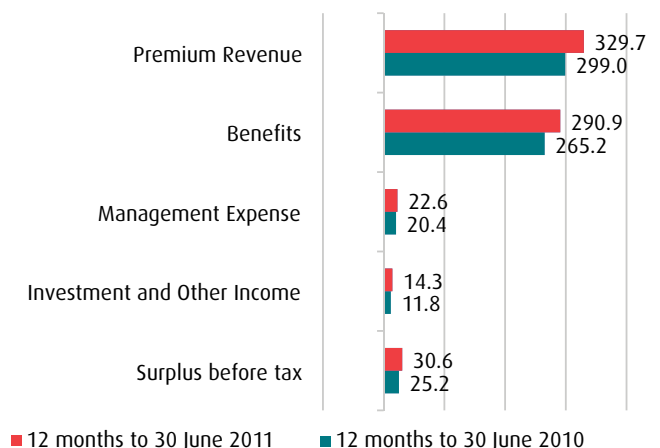
Administrative Costs

TFH continues to deliver high quality customer service at one of the lowest administrative costs in the industry. In 2011 total administrative management expenses were \$22.6m, representing 6.9% of contribution income, well under the industry average of 9.1%. We continued to deliver greater automation and efficiencies across the business in 2011 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 objective in 2012. 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 2012. This in turn will further improve efficiencies and customer satisfaction and lead to lower administrative costs in the years ahead.

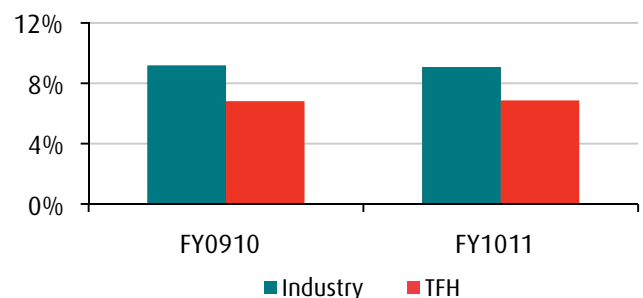
Episodes / Services



Financial (\$'millions)



Management Expense Ratio (%)



Operating Surplus

The increase in premium revenue exceeded the increase in benefit payments. The overall gross margin performance of TFH therefore improved in 2011 to 11.8%, above our sustainable target range of 8% to 10%. Efficient and low cost delivery of service enabled the fund to achieve a net margin in 2011 of 4.9%, above its sustainable long term target of 3%, and a solid operating surplus of \$30.6m on the back of improving equity and investment returns. The industry as a whole recorded a record surplus of \$1.1 billion.

Investments and Capital

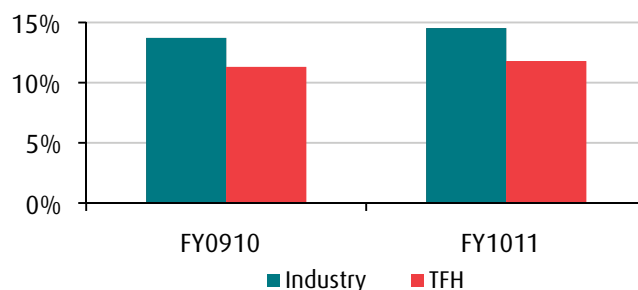
Investments & Other Revenue

The investment performance of TFH remained strong in 2011. Investment and other revenue increased from \$11.8m in 2010 to \$14.3m in 2011. The industry as a whole improved from \$553.6m to \$595.6m (Source: From PHIAC Quarterly June 11 statistics: HRB & Other Revenue).

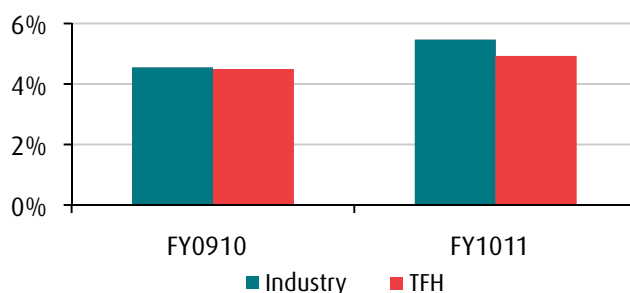
Capital

TFH is in a very sound financial position. The fund currently holds excess assets of \$150.5m over its prudential solvency requirement of \$95.0m. Its insurance liabilities and prudential requirements are well matched against cash and other interest bearing deposits. In 2011, total assets increased by \$30.3m to \$245.5m. Total liabilities of TFH decreased by \$1.3m to \$71.1m, largely due to faster processing of claims. The capital reserves of TFH increased by \$31.6m to \$174.4m in 2011 while the capital position of the industry as whole increased by \$80.5m. Total capital reserves per policyholder as at 30 June 2011 were \$1,709 up from \$1,461 in 2010.

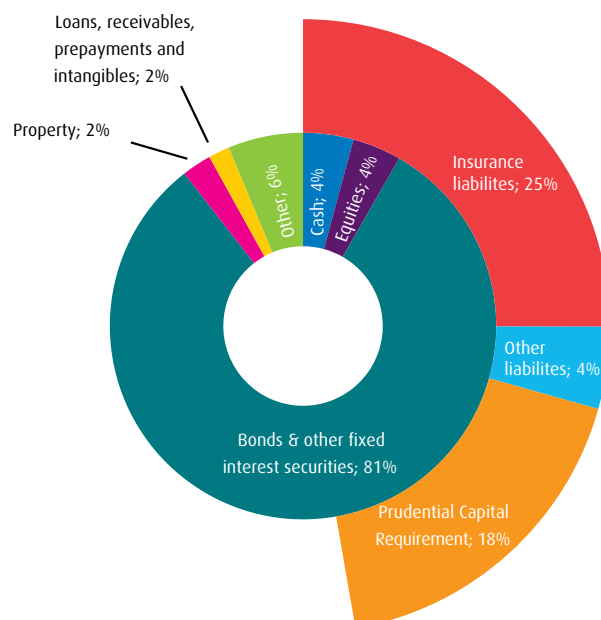
Gross Margin (%)



Net Margin (%)



TFH assets vs liabilities as at 30 June 11



"In 2011, premium revenue grew by 10.3% to \$329.7m reflecting the positive impact of policyholder growth"



Directors' Report

Your directors present their report on the company for the financial year ended 30 June 2011

Company Objectives

Short term

The 2011-12 Business Plan has a particular focus on:-

- Continued RenewALL business improvement momentum
- Development of a high performance culture
- Continued national expansion
- Enhanced capability, technology and continuous improvement.
- Position/prepare the organisation for future opportunities and challenges.
- Wellness, prevention and disease management
- Continued improvements in efficiency, teamwork and employee satisfaction & engagement
- The pursuit of value innovation and membership value

Long term

The key objectives of the 2010-14 strategy are:-

- National Expansion including scale market presence and influence and expansion of health related businesses
- A high performance culture with a focus on ongoing business improvement, transformation and innovation
- Non organic growth
- Health management including the implementation of comprehensive and integrated wellness, prevention and disease management solutions under the broader health cover umbrella
- Maximisation of member value including opportunities that best leverage points of differentiation and sustainable competitive advantage

Company Strategy

Short term

The short term strategy is famed around the general principle of positioning and preparing the organisation for future opportunities and challenges.

Long term

The longer term strategy of the fund is to achieve commercially sustainable growth within its prescribed market, both organically and through merger, acquisition and greenfields opportunities without compromise to the needs and interests of the current fund policy holders. This will ensure alignment of the fund's growth and service aspirations with the requirement to secure and grow the fund's capital base while enhancing the overall value proposition for contributors.

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.

The principal activities of 2010-11 were framed around the objective of maximising the organisation's potential and delivered key outcomes in the following domains:-

- Contributors
- Employees
- Work processes
- Technology
- Governance framework
- Industry and broader community in which the fund operates.

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.

Directors

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

R L Brown, Dip. Teach. (Wollongong Inst. of Ed.)

Non-executive director

Mr Brown has been a director of TFH for more than 7 years. Mr Brown is chairperson of the audit & finance committee. Mr Brown is also a member of the strategy committee and was chairperson of the audit & risk committee.

N E Dawson, B.A. (MAQ), Dip. Ed. (UNE), M.Ed. LL. M (USYD), B. Leg S (MAQ), Grad Cert Leg P (UTS)

Non-executive director

Mr Dawson was appointed a director of TFH on 22 September 2010. Mr Dawson is a member of the risk & governance committee.

J Diamond, B.A. (USYD), Dip. Ed. (Sydney Teachers College)

Non-executive director

Ms Diamond has been a director of TFH for 8 years. Ms Diamond is a member of the people & remuneration committee and was a member of the strategy committee.

J M Dixon, B. Com. (Eco. and Acc.), Dip. Ed., Grad. Dip. Marketing

Non-executive director

Mr Dixon has been a director of TFH for more than 10 years. Mr Dixon is a member of the strategy committee.

S M Edsall, B.Eco. (USYD), Dip. Ed.

Non-executive director

Ms Edsall has been a director of TFH for more than 10 years. Ms Edsall is a member of the strategy committee and has been a member of the audit & finance committee and the people & remuneration committee.

M C Fogarty, B.A. (USYD), Dip. Ed. (USYD), M. Ed. (UTS), PHD (UTS)

Non-executive director

Dr. Fogarty has been a director of TFH for more than 9 years. She retired on 28 February 2010 and was reappointed on 2 November 2010. Dr Fogarty is a member of the audit & finance and people & remuneration committees.

M W Garner

Non-executive director

Mr Garner was appointed a director of TFH on 27 July 2011.

J Irving, Dip. Teach. (Sydney Teachers College)

Non-executive director

Mr Irving was a director of TFH for the past 3 years, and retired on 7 July 2010. Mr Irving was a member of the people & remuneration committee.

R Lipscombe, B.A., Dip. Ed. (USYD)

Non-executive director

Mr Lipscombe has been a director of TFH for 3 years.

H M MacGregor, B.A. (USYD), Dip. Ed, M. Ed. (USYD)

Chairperson and non-executive director

Ms MacGregor has been a director for more than 10 years and chairperson of TFH for the past 9 years. Ms MacGregor is chairperson of the people & remuneration committee and is a member of the strategy committee, audit & finance committee and the risk & governance committee.

M McGee

Non-executive director

Ms McGee was a director of TFH for more than 8 years and retired on 30 June 2011.

B Seymour, Dip. Mus. Ed., B.A. (MAQ), M.A. (USYD)

Non-executive director

Ms Seymour has been a director of TFH for 8 years. Ms Seymour was a member of the audit & finance committee.

N S Smith, B. Fin. Admin. (UNE) C.A., MAICD

Non-executive director

Ms Smith was appointed a director of TFH on 22 September 2010. Ms Smith is chairperson of the risk & governance committee and a member of the audit & finance committee,

D Wynne, Dip. Teach. (Goulburn CAE), B. Ed. (CSU), Ext. Courses Ind. Law (UTS)

Non-executive director

Mr Wynne has been a director of TFH for more than 10 years. Mr Wynne is the chairperson of the strategy committee, a member of the people & remuneration committee and a member of the audit & governance committee.

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

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

Company secretary

Mr Joyce was appointed Chief Executive Officer of TFH in 2006 and company secretary in November 2010.

N S Isenberg, B.A. LL.B., Dip Ed. (USYD) Public Notary (NSW), FAICD, FTIA, Accredited Specialist Business Law

Company secretary

Mr Isenberg was appointed company secretary and Manager, Legal and Compliance of TFH in February 2011.

Meetings of Directors

During the financial year, 27 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Name	Director Meetings		Committee Meetings							
			Risk & Governance Committee		Audit & Finance Committee (formerly Audit & Risk Committee)		Strategy Committee		People & Remuneration Committee	
	E	A	E	A	E	A	E	A	E	A
R L Brown	11	9	-	-	5	5	6	5	-	-
N E Dawson	8	7	1	1	-	-	-	-	-	-
J Diamond	11	10	-	-	-	-	3	3	4	4
J M Dixon	11	10	-	-	-	-	6	6	-	-
S M Edsall	11	9	-	-	-	-	3	3	3	3
M C Fogarty	7	7	-	-	2	2	-	-	1	1
M W Garner	-	-	-	-	-	-	-	-	-	-
J Irving	-	-	-	-	-	-	-	-	-	-
R Lipscombe	11	7	-	-	-	-	-	-	-	-
H M MacGregor	11	11	1	1	5	5	6	6	4	4
M McGee	11	11	-	-	-	-	-	-	-	-
B Seymour	11	7	-	-	3	1	-	-	-	-
N S Smith	8	6	1	1	2	2	-	-	-	-
D Wynne	11	10	1	0	-	-	6	5	4	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 if 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) towards meeting any outstanding obligations of the company. The total amount that members of the company were liable to contribute at 30 June 2011 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 16 and forms part of this directors' report.

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

A handwritten signature in black ink, reading "Helen MacGregor". The signature is written in a cursive, flowing style.

H M MacGregor

Director

Dated this 22nd day of September 2011
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 2011, 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



A G Rigele
Director - Audit & Assurance

Sydney, 22 September 2011

Corporate Governance

Framework

The role and responsibilities of the Board of Directors (the Board) are set out 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 Teachers Federation Health Limited (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 executives' 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;
- Stakeholders including ensuring effective communication with members, policyholders, other stakeholders and the broader community;
- Ethics 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 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 OH&S) that govern the operations of TFH, and ensuring they are operating effectively.

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 delegations of authority manual. These authorities are exercised within an extensive system of internal controls.

The 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 in 2007 (the 2nd edition of Corporate Governance Principles and Recommendations) 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. The Board

is confident that the corporate governance framework provides a solid foundation to enable a smooth transition into a new compliance environment, including compliance with any prudential standard issued by the Private Health Insurance Administration Council (PHIAC) through the course of 2011.

TFH is committed to keeping its Members and contributors informed about general developments in corporate governance and the practical impact of those developments for TFH.

Board of Directors

The Board comprises twelve Directors, each of whom is required by the Constitution to be a non-executive Director. The Board Charter requires that directors must at all times bring an independent judgement to bear on all Board decisions. Accordingly, 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 experience, qualifications, special responsibilities and attendance at meetings are set out in the Directors' Report.

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 Board has also adopted a "Fit and Proper Policy for Responsible Persons" to ensure that Members and policyholders are represented by Directors of suitable character, integrity and competence.

The Board meets at least eleven times per 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.

Teachers Federation Health Limited actively promotes ethical and responsible decision making. Directors are required to disclose any conflicts and material personal interest 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. 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.

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 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 at the request of the Chairperson.

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 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.

Performance Assessment

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 and is periodically supplemented by facilitation by a third party 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.

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. The Government regulatory agency the Private Health Insurance Administration Council (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 fully details, the role and responsibilities of directors as well as the professional qualifications and skills required.

Directors are appointed and/or elected to the Board in accordance with the Constitution. At each AGM of the Company at least three elected directors must retire. Retiring directors may be eligible for re-election. Directors who are appointed under clause 15.2(a) (iii) of the Constitution are entitled to hold office for three years. Directors appointed to the Board must have their appointment confirmed by the members at the Company's next general meeting.

Chairperson

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.

The Chairperson of the Board must be an independent director and may not be the CEO of the Company.

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 fulfil its statutory and fiduciary 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 investment portfolio and monitors performance against the TFH Capital Management Plan. The Committee comprises four (4) 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 internal control systems and internal audit function; and
- the independent audit process including the appointment, independence, performance and remuneration of the external auditor.

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 four (4) members of the Board. The principal responsibilities of the Committee are to:

- 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 and other management and professional staff not covered by the TFH staff agreement;
- 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.

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 four (4) independent non-executive Board Members.

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.

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 PHI 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.

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). 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.

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 Standard (AS/NZS 4360:2004) has been designed 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. Each committee reviews various aspects of strategic risk on a regular 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.

Monitoring and Systems

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 Auditors review and test the system of internal controls, to the extent necessary, for an independent opinion on the financial statements at the end of the year.

The internal audit function provides an independent and

objective internal audit review of TFH 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.

Fit and Proper Policy for Responsible Persons

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) both prior to their appointment and on an ongoing basis. 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. In the case of Directors, the assessment criteria apply to the Directors “collectively”, rather than each individual Director necessarily meeting all the criteria, such that the Board as a whole meets the criteria.

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;
- 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 interest of TFH.

Code of Conduct

TFH has adopted a Code of Conduct that applies to all directors, officers, employees, contactors 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 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 annually completes a self audit of ongoing compliance against the requirement of the Code and submits the outcome of this self audit to the Industry Compliance Committee.



Remuneration Report

Remuneration of Directors

In accordance with clause 15.9 of the Teachers Federation Health Limited Constitution, directors are to be paid, in the aggregate, the remuneration determined by resolution at a meeting of the Company Members. In November 2010, the Company Members determined an aggregate amount of \$70,000 is to be paid to directors as a whole and divided among the twelve directors in accordance with the Director Remuneration Policy. For the twelve months ended 30 June 2011, the total remuneration paid and divided among the directors was \$62,653.67.

A Directors' Remuneration Policy was developed in 2007 to guide and regulate 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 (currently 9%) 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 fund. Directors receive access to Directors training through Board seminars, endorsed conferences and seminars and industry based training for Company Directors.

Remuneration of the CEO and Executive Management

The Board, based on recommendations from the People & Remuneration Committee, determines the remuneration of the Chief Executive Officer as part of the incumbent's terms and conditions of appointment. Teachers Federation Health Limited 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 & Remuneration Committee reviews the remuneration of the CEO, Executive Management and other management and professional staff 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 & 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 & 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.

"The outlook for TFF
and the private health
insurance industry remains
positive even though the
challenges will continue
to be many"



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 2011 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 report and the information contained in the concise financial report has been derived from the full 2011 financial report of Teachers Federation Health Limited.

Statement of Comprehensive Income

Surplus for the year of \$30,560,928 was up \$5,381,063 from the prior year (2010: \$25,179,865), largely due to a nil unexpired risk liability being recognised in the current year (2010: \$2,789,000) and an increase in investment revenues by \$3,757,108 to \$13,762,580 (2010: \$10,005,472).

Contribution income of \$329,745,876 increased 10.29% from the prior year (2010: \$298,975,720) due to an increase in members and premium rates. Benefits paid and hospital levies of \$293,652,844 increased by 8.93% (2010: \$269,582,082). 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 \$30,262,641 from \$215,225,317 in 2010 to \$245,487,958 in 2011, representing an increase of 14.06%. This increase was mainly attributable to an increase in the surplus and sound investment performance.

Total liabilities decreased by \$1,321,816 from \$72,411,289 in 2010 to \$71,089,473 in 2011 of which is mainly attributable to the reduction of the unexpired risk liability to zero.

Equity has increased by 22.12% from \$142,814,028 in 2010 to \$174,398,485 in 2011. This was due to the net surplus for the year increasing retained earnings by \$30,560,928 and the revaluation of strata title property increasing reserves by \$1,023,529.

Statement of Cash Flows

Cash has increased by \$569,810 from \$9,839,579 in 2010 to \$10,409,389 in 2011 representing an increase of 5.79%. The net cash inflow from operating activities has decreased by \$2,807,834 from \$32,072,426 in 2010 to \$29,264,592 in 2011 due to an increase in benefits paid and payments to suppliers and employees. Excess cash has continued to be invested. Net cash used in investing activities has reduced in line with operating activities from \$30,892,266 in 2010 to \$28,694,782 in 2011.

Statement of Comprehensive Income

For the year ended 30 June 2011

	Note	2011	2010
		\$	\$
Premium Revenue	2	329,745,876	298,975,720
Claims expense		(271,703,131)	(245,606,232)
Risk equalisation trust fund expense		(14,723,974)	(16,847,848)
State levies		(7,225,739)	(7,128,002)
Net claims incurred		(293,652,844)	(269,582,082)
Unexpired risk liability decrease		2,789,000	4,409,000
Claims handling expenses		(11,088,415)	(10,037,135)
Other underwriting expenses		(10,873,181)	(9,817,753)
Underwriting expenses		(19,172,596)	(15,445,888)
Underwriting result		16,920,436	13,947,750
Investment revenue	2	13,762,580	9,748,299
Other revenues	2	6,414,467	5,678,587
Impairment losses		(927,980)	-
Fair value gain/(loss) on equity trusts		1,016,735	1,247,441
Cost of goods sold		(2,305,469)	(2,132,392)
Other expenses		(3,869,556)	(2,844,147)
Finance costs		(450,285)	(465,673)
Surplus before income tax		30,560,928	25,179,865
Income tax expense		-	-
Surplus for the year after income tax		30,560,928	25,179,865
Other comprehensive income for the year, net of income tax	-	-	-
Total comprehensive income for the year		30,560,928	25,179,865

Statement of Financial Position

As at 30 June 2011

	2011	2010
	\$	\$
Current assets		
Cash and cash equivalents	10,409,389	9,839,579
Trade and other receivables	14,658,486	13,402,253
Inventories	300,874	336,240
Financial assets	149,287,269	84,331,275
Other current assets	126,690	103,506
Total current assets	174,782,708	108,012,853
Non-current assets		
Financial assets	61,292,497	98,576,207
Property, plant and equipment	9,063,054	8,325,878
Intangible assets	349,699	310,379
Total non-current assets	70,705,250	107,212,464
Total assets	245,487,958	215,225,317
Current liabilities		
Trade and other payables	7,613,414	9,489,878
Other current liabilities	25,329,825	23,660,592
Provisions	37,624,710	38,468,258
Total current liabilities	70,567,949	71,618,728
Non-current liabilities		
Provisions	521,524	792,561
Total non-current liabilities	521,524	792,561
Total liabilities	71,089,473	72,411,289
Net assets	174,398,485	142,814,028
Equity		
Reserves	1,725,225	701,696
Retained earnings	172,673,260	142,112,332
Total equity	174,398,485	142,814,028

Statement of Changes in Equity

For the year ended 30 June 2011

	Share Capital	Asset Revaluation Reserve	Retained earnings	Total
	\$	\$	\$	\$
Balance at 1 July 2009	-	701,696	116,932,467	117,634,163
Total comprehensive income for the year	-	-	25,179,865	25,179,865
Balance at 30 June 2010	-	701,696	142,112,332	142,814,028
Total comprehensive income for the year	-	-	30,560,928	30,560,928
Increase in valuation of strata title property	-	1,023,529	-	1,023,529
Balance at 30 June 2011	-	1,725,225	172,673,260	174,398,485

Statement of Cash Flows

For the year ended 30 June 2011

	2011	2010
	\$	\$
Cash flows from operating activities		
Receipts from members' premiums	330,688,427	301,034,969
Benefits paid to members	(295,139,643)	(263,744,480)
Receipts from customers	6,796,002	5,767,097
Payments to suppliers and employees	(25,663,928)	(20,544,461)
Interest received	13,034,019	10,024,974
Finance costs	(450,285)	(465,673)
Net cash provided by operating activities	29,264,592	32,072,426
Cash flows from investing activities		
Proceeds from sale of investments	183,980,678	135,986,498
Purchase of intangibles	(582,907)	(244,756)
Purchase of property, plant and equipment	(1,260,847)	(2,317,008)
Purchase of investments	(210,831,706)	(164,317,000)
Net cash used in investing activities	(28,694,782)	(30,892,266)
Net change in cash and cash equivalents held	569,810	1,180,160
Cash and cash equivalents at beginning of financial year	9,839,579	8,659,419
Cash and cash equivalents at end of financial year	10,409,389	9,839,579

Notes to the Financial Statements

For the year ended 30 June 2011

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 full financial report complies with all Australian Equivalents to International Financial Reporting Standards (IFRS) in their entirety.

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

2: Revenue

	2011	2010
	\$	\$
Premium revenue	329,745,876	298,975,720
Investment revenue	13,762,580	9,748,299
Other revenue		
Eyecare centres	5,609,377	5,344,063
Other revenue	805,090	334,524
Total other income	6,414,467	5,678,587

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 2011, as set out on pages 26 to 31.

- (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 2011 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

A handwritten signature in black ink, appearing to read 'Helen Macgregor', written in a cursive style.

Dated this 5th day of October 2011
Sydney, NSW

Grant Thornton Audit Pty Ltd
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Independent Auditor's Report To the Members of Teachers Federation Health Limited

Report on the concise financial report

The accompanying concise financial report of Teachers Federation Health Limited comprises the statement of financial position as at 30 June 2011, the statement of 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 2011. 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 2011. Our audit report on the financial report for the year was signed on 22 September 2011 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 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

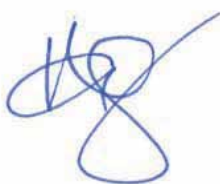
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's opinion

In our opinion, the concise financial report of Teachers Federation Health Limited for the year ended 30 June 2011 complies with Accounting Standard AASB 1039 Concise Financial Reports.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



A G Rigele
Director - Audit & Assurance

Sydney, 5 October 2011





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.