

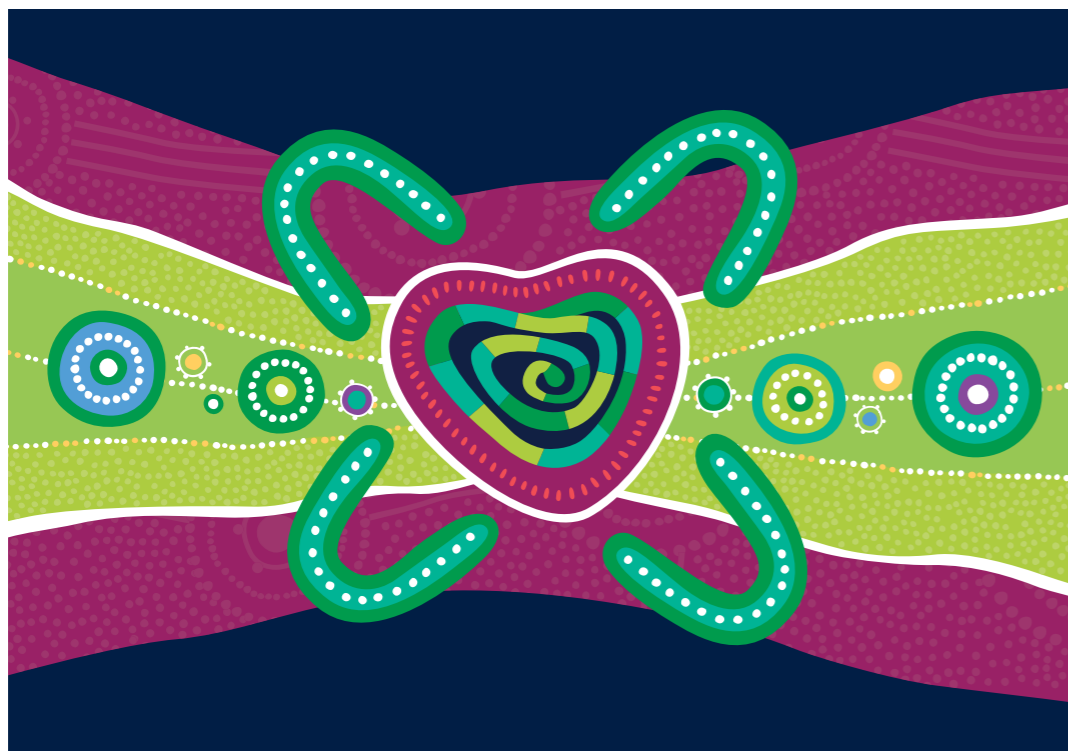


Teachers Health Group Annual Report

2021–2022

**TEACHERS
HEALTH** 

We're for teachers



Our cover design includes elements from our Reconciliation Action Plan (RAP) artwork (above), designed and created by Sydney-based artist, Charmaine Mumbulla.

About the artist

Charmaine Mumbulla is a Kurna/Narungga woman who is passionate about working on projects that support reconciliation and social justice.

About the artwork

In the artwork, a heart represents the values of Teachers Health Group, whose members are at the heart of everything they do. Heart is at the essence of Teachers Health's culture.

It defines the principles all employees work towards to create an exceptional member and employee experience. The symbols around the heart represent all members across Australia, including Teachers Health, Nurses & Midwives Health and UniHealth.

The design represents all three brands and reflects the unity they demonstrate in serving members together. Teachers Health Group's employees are also represented in the symbols around the heart. They are instrumental in bringing the organisation's promise to members to life – putting them at the heart of all they do.



Acknowledgement of Country

Teachers Health respectfully acknowledges the Traditional Custodians of this land. We also recognise that Aboriginal and Torres Strait Islander peoples were the first educators and healers and have held the knowledge of this land for many thousands of years. We pay respect to Elders past, present and future and extend that respect to all Aboriginal and Torres Strait Islander peoples and celebrate their enduring connections to and knowledge of the land, waterways and sky.



Kurt Fearnley - Gold medallist, disability activist, teacher and Teachers Health member since 2010



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Chairperson's report | Maree O'Halloran

It was a great honour to be appointed Chairperson of Teachers Federation Health Ltd (Teachers Health) by its Board of Directors effective 30 June 2022. Teachers Health is a trusted organisation with a long and proud history of providing private health insurance to those who dedicate their lives to looking after others. We are also Australia's largest industry-based health insurer.

Giving back following a challenging year

Financial year 2022 (FY22) will be remembered as another year in which we all faced further uncertainty due to the COVID-19 pandemic. Restrictions, particularly around lockdowns and access to healthcare services, created both personal and professional challenges for our members.

We know that our members, Australia's teachers, educators, nurses, midwives, and their families, continued to support their communities through extraordinarily difficult times. As part of our commitment to you, we worked hard to support your health and wellbeing with a number of new initiatives.

Our COVID-19 support package, now valued at around \$65 million¹, comprised initiatives such as a COVID savings give-back plan, which saw us return approximately \$31 million from COVID-19 claims savings to more than 178,000 eligible policyholders in August 2022. It also included the deferral from April to October of both the 2022 and 2020 premium increases which is expected to provide a further \$26 million saving for members. These measures were in addition to the rollover of the 2021 unused Extras annual limits.

In 2022, we delivered one of the lowest average premium increases across the private health insurance industry (2.17% compared to the industry average of 2.70%). It was our lowest premium increase in 20 years.

With the higher cost of living placing increased pressure on household budgets, these initiatives helped support our members at a time they needed it most.

As part of our commitment to helping members get the support they need during devastating times, we also invited those Teachers Health Group members who were directly impacted by the NSW and QLD floods to apply for three months free cover.

Sustainability

Teachers Health has an increasing focus on sustainability, climate change, and the importance of ethical and socially responsible investments. It is important for us as an organisation, and we know it is important to our members and communities. I'm pleased to report, in the last financial year, we transferred our Australian Equities investments to funds that exclude companies with material fossil fuel involvement to the extent possible and practical. Our International Equities investments had previously been transferred to socially responsible investment arrangements.

Thanks to our Go Green initiative, more members chose to receive electronic communications throughout the year, further reducing the use of paper and printed materials. We also reaffirmed our commitment to sustainably and ethically produced materials by supporting Indigenous businesses for our office supplies and consumables.

Recognising that a diverse and inclusive workplace is paramount to the sustainable future of our organisation, we prioritised building inclusive leadership capabilities of our managers in 2022. We were one of only 47 organisations in Australia to be recognised as an Inclusive Employer by the Diversity Council Australia 2021/22. We also outlined our commitment to the fair and humane treatment of those in our operations and supply chains through our Modern Slavery Statement.

These initiatives are an extension of our HEART values and genuine commitment to achieving positive change.

“ In FY22 we covered the lives of close to 390,000 people across Australia. ”

“ We were one of only 47 organisations in Australia to be recognised as an Inclusive Employer by the Diversity Council Australia 2021/22. ”

Building on stakeholder relationships

We continue to strengthen our relationships with partners and stakeholders from across the education, nursing and midwifery communities. We have always found enormous strength, opportunity and benefit from these relationships, and they remain pivotal to our membership growth.

For much of the year, the business development team was unable to enter workplaces to meet potential and current members due to COVID-19 lockdowns. There were similar disruptions when stakeholder conferences and events were cancelled, postponed, or moved online. Despite these challenges, the team adapted, maintaining an important presence through virtual workplace meetings.

When restrictions eased in the latter half of the financial year, the team was able to return to some in-person events. These included The DoE NSW School Spectacular launch, the AEU Federal Conference, the Public Education Foundation awards, Robina Hospital's Crazy Socks 4 Docs Day and the NSW Teachers Federation Principals' Conference, which was held in person for the first time in two years.

Nurses & Midwives Health merges with Teachers Health

On 1 January 2022, Nurses & Midwives Health successfully merged with Teachers Health, marking the start of an exciting new phase for the Group as we strengthen our long-term

future for the benefit of our members.

The merger has created operational and financial efficiencies by streamlining administrative and governance processes across Nurses & Midwives Health and Teachers Health, giving us more time to focus on what matters most – supporting our members. It also consolidated our position as Australia's largest industry health fund and one of the country's largest profit-for-member funds.

On behalf of the Teachers Health Group, I extend my sincere thanks to the Nurses & Midwives Health Board for their hard work and dedication over the past five years.

Together, they helped establish Nurses & Midwives Health as a fund renowned for supporting the health insurance needs of Australia's nurses, midwives, and their families.

Nurses & Midwives Health successfully merged with Teachers Health, marking the start of an exciting new phase for the Group.

Thank you

In closing, I would like to acknowledge the Teachers Health employees who again rose to the challenge during what was a difficult and uncertain year. For the second year in a row, they provided outstanding support and service to our members, continuing to be flexible, working from both home and office, during a challenging lockdown period. I thank them for their steadfast commitment to the HEART values of our organisation.

I thank my fellow Board of Directors whose experience, skill and insight helped ensure we stayed true to our purpose throughout



Chairperson, Maree O'Halloran, AM

the year. I acknowledge their dedication and thank them for their support to the long-term sustainability of the fund.

Finally, I thank Helen MacGregor for her outstanding contribution during 19 years as Chairperson of Teachers Health. Helen always led with the best interests of our members and stakeholders at heart and during her time as Chair saw Teachers Health grow to become Australia's sixth largest health insurer covering 390,000 lives around Australia. It is a privilege to succeed her as Chairperson.

I look forward to Helen continuing her relationship with Teachers Health through her work with the Teachers Health Foundation.

Looking forward

Overall, Teachers Health Group is in great shape. We are financially strong with a defined purpose, clear strategy, enduring commitment to our members, and a solid focus on resilience and sustainability. We are well placed to deliver better value health insurance for our members.

M O'Halloran, AM

Chairperson

1. The \$65m included deferred premium increases, COVID-19 savings give-back, expanded telehealth services, financial hardship assistance and increased access to Teachers Healthcare Services.

CEO's report | Brad Joyce

We started this financial year against a backdrop of further disruption and lockdowns due to the COVID-19 pandemic. The subsequent interruptions to hospital and health services not only created heightened pressure on the health system but continued to impact members' ability to use their benefits.

Since the start of the pandemic, we have maintained that any savings realised due to COVID-19 will be passed back to our members. I am pleased to report we stayed true to that promise in 2022, extending our COVID-19 support program to a total support package of around \$65 million¹.

Strong financial performance

Delivering on our promise to existing members and attracting new members are the pillars that underpin Teachers Health's growth objectives and long-term sustainability. In another year where COVID-19 disrupted our traditional engagements with the education, nursing and midwifery communities, our teams remained flexible and responsive to the needs of members. We added close to 5,000 new members in FY22 - a growth rate of 2.7%. We continued to maintain a high retention rate (over 96%) by offering quality, value-for-money health insurance and by putting members at the heart of everything we do.

As a profit-for-member health fund, we reinvest financial surpluses into developing capabilities to support members more efficiently, maintaining prudent capital reserves to ensure long-term sustainability and improving our products and benefits to meet member needs. We effectively navigated the volatility that stemmed from the pandemic through strong governance and responsible financial management. This has reinforced our strong financial position as we head into the future.

Despite volatility in investment returns toward the end of the financial year, Teachers Health Group delivered a net surplus of \$30.4m (FY21: \$56.0 million) with total assets growing to \$759 million (FY21: \$670 million) by year's end. As of 30 June 2022, the Teachers Health Group has recognised \$64.6 million as a deferred claims liability to provide for claims estimated to have been delayed due to COVID-19 restrictions and disruption which may be caught up and payable in the future.

More than insurance

Throughout 2022, Teachers Healthcare Services continued to support members' health and wellbeing with quality, evidence-based health management. It was particularly important that we maintained this support during COVID-19, with members still able to access cancer support services, chronic disease management programs and hospital substitute treatment services.

We also relocated our Teachers Health Centre in Parramatta to a new site in Phillip Street. This state-of-the-art facility provides high-quality eyecare and dental services to the local community.

“We stayed true to our promise of not profiting from the pandemic, delivering financial support of over \$31m to our members in FY22.”

Despite the lockdowns, our other Teachers Health Centres delivered more than 12,000 eyecare and over 31,000 dental patient consultations throughout the financial year. Maintaining these regular check-ups is critical to longer-term health outcomes and we have always worked hard to ensure these services remain accessible. While COVID-19 restrictions impacted the operations for the first half of the financial year, patient numbers have since recovered and are trending towards pre-COVID levels.

Supporting members to achieve better health outcomes through our wellbeing programs and dental and eyecare services is something we truly value. With current cost of living increases and affordability pressures, it is more important than ever we continue providing members with these valued benefits.

Supporting industry research

Just as important as these clinical services are the root causes of health challenges our members face. That is why Teachers Health also invests in finding ways to support a healthier life for our members.

The Teachers Health Foundation was established to fund medical research into conditions affecting the education community. During 2022, the Foundation supported two PhD students to undertake research on optimising teacher food and nutrition-related health and wellbeing and to better understand Australian schoolteachers' health needs and prevention options.

The Foundation is focused on supporting the translation of research findings into sustainable and evidenced-based programs, guides, policies and practices for teachers and school communities. Following our merger with Nurses & Midwives Health, we look forward to extending this program to include the nursing community as well.

Investing in capability

This year, we continued to invest in uplifting our capability through a range of initiatives aimed at facilitating better access for members, delivering enhanced digital interaction, improving the use of data and analytics in decision making, supporting improved internal processes and ensuring we continue to operate in a reliable, secure environment.

We finalised a roadmap to deliver a new, cloud-enabled health insurance platform that will ensure we have a solid technology base to build on for the future. It will deliver faster, more effective ways for members to access information, understand their health cover and manage their relationship with us. It will also create better efficiencies in how we operate the fund.

Supporting our staff in good times and bad

Despite the ongoing uncertainty over the past two and a half years, our staff have worked tirelessly to deliver for our members while embracing different ways of working.

To demonstrate our commitment to our staff and their families' wellbeing, we introduced

a new Employee Assistance Program in FY22. With access to free and confidential counselling sessions, wellbeing programs and seminars, staff can develop strategies for handling stress, life events and changes.

We also introduced a new way of working by formalising our hybrid working policy. This means certain roles within the organisation will now be able to blend on-site and remote working for greater flexibility and work-life balance.

Finally, in response to our increased membership growth, we welcomed 129 new employees during FY22.

Continuing our journey to reconciliation

At Teachers Health, we have always had a focus on building respectful relationships and working with our Aboriginal and Torres Strait Islander staff, members, stakeholders, and communities. However, we have also known there is more we can do. As Australia's sixth largest health fund, we are uniquely positioned to make a positive difference, and I am delighted to announce we launched our first Reconciliation Action Plan (RAP) – Reflect this year.

The RAP is an extension of our values, attitudes, beliefs and genuine commitment to achieving positive change. It outlines the practical steps we will take to create meaningful opportunities with Aboriginal and Torres Strait Islander peoples and achieve long-lasting and equitable outcomes.

You can read more about the RAP on page 16 of this report.

Teachers Health welcomes a new Chairperson

It is with great pleasure I welcome Maree O'Halloran, AM to the position of Chairperson, Teachers Federation Health Ltd.

Maree was appointed Director of Teachers Health in March 2021 and Chairperson on 30 June 2022.

A qualified lawyer, former teacher and past President of the NSW Teachers Federation, Maree has a long and proud history of supporting the teaching community. She also forged strong connections with the nursing and midwifery communities through her role as Chairperson, Nurses & Midwives Health - a



Group CEO, Brad Joyce

position she held until its merger with Teachers Health in January this year.

Maree's broad range of skills and experience - including time spent as Chair of Teachers Mutual Bank and as a director of HESTA - complement those of our other Board Directors and enables us to continue putting our members' health and wellbeing first. I look forward to working with Maree as we continue to execute our business strategy.

Thank you

I extend a heartfelt thank you to our Teachers Health brand Ambassador, Kurt Fearnley, as well as brand Advocates Allana and Guy, Andrew and Melissa (and their families) for their ongoing support. Their willingness to go above and beyond, particularly over the last couple of years, has been truly appreciated. Having members willing to speak for our brand has helped create a greater connection between our members and our fund.

At the centre of it all is the fantastic team we have here at Teachers Health. I thank the Board of Directors for their tremendous support throughout the year as well as the executive team for their hard work and commitment to our strategic direction. I would also like to thank the staff, who once again showed extraordinary resilience and flexibility in the face of uncertainty. Together, you helped maintain our purpose of keeping members at the heart of everything we do.

Finally, I acknowledge the outstanding contribution and commitment of Helen MacGregor to Teachers Health (including our policyholders, employees and stakeholders) over an extensive period as a director and the last 19 years as Chair. It has been a privilege to have worked with Helen in my time as CEO and I wish her all the very best for the future.

B S Joyce
Group Chief Executive Officer

¹ The \$65m included deferred premium increases, COVID-19 savings give-back, expanded telehealth services, financial hardship assistance and increased access to Teachers Healthcare Services.

Performance highlights

Teachers Health Group - comprising Teachers Health, Nurses & Midwives Health and UniHealth - provides quality, private health insurance to those who dedicate their lives to helping others live a healthy and informed life. On 1 January 2022, Nurses & Midwives Health successfully merged with Teachers Health. Teachers Health, Nurses & Midwives Health and UniHealth now

operate as one health fund, whilst retaining their unique identities and brand. As one health fund, the efforts and resources of the Teachers Health Group are combined to strengthen the long-term future of all brands and the fund as a whole. Our promise is to make a real difference to the lives of teachers, educators, nurses, midwives and their families by putting members' health and

wellbeing at the heart of everything we do. Plus, we're for members, not profit which means we can focus on our members – including making sure they get the best possible value from their health insurance – instead of paying dividends to shareholders.

TEACHERS
HEALTH

Teachers Health is health insurance for education staff and their families.

NURSES
MIDWIVES
HEALTH

Nurses & Midwives Health is health insurance for nurses, midwives and their families.

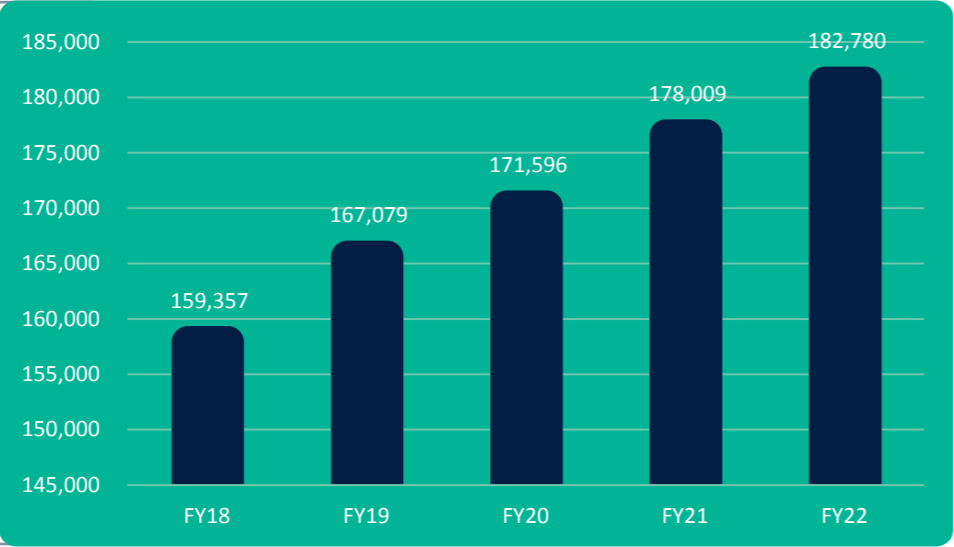
UNI
HEALTH

UniHealth is health insurance for higher education staff and their families.

Despite the restrictions and lockdowns which plagued Australia for the first half of the financial year, Teachers Health Group reported a strong performance for the year.

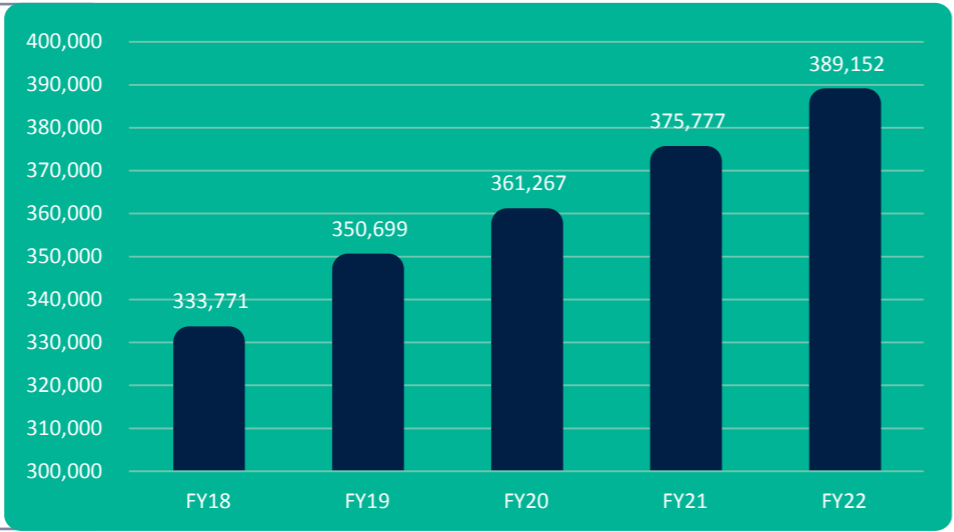
Members

Member numbers have continued to grow year-on-year, increasing by 2.7% in FY22.



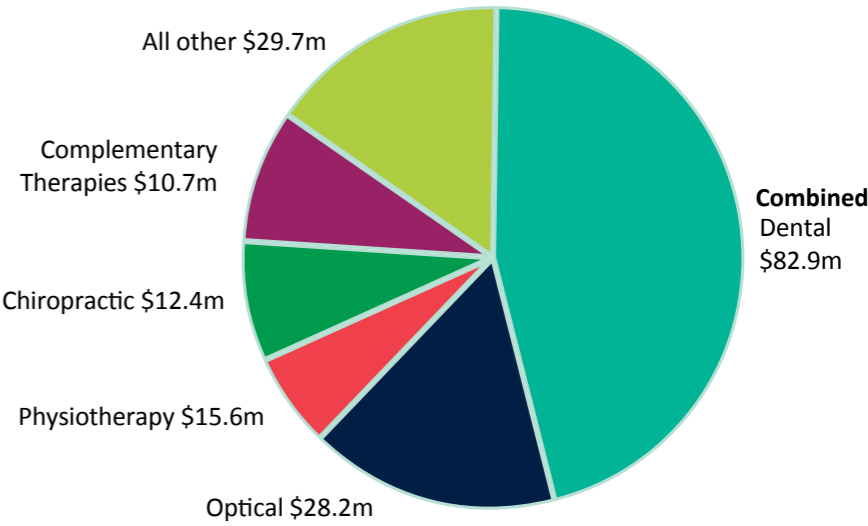
Lives Covered

Breaking this increase down into lives covered, we report an increase of 3.7%.



FY22 - Ancillary Claims Paid (\$) by Category

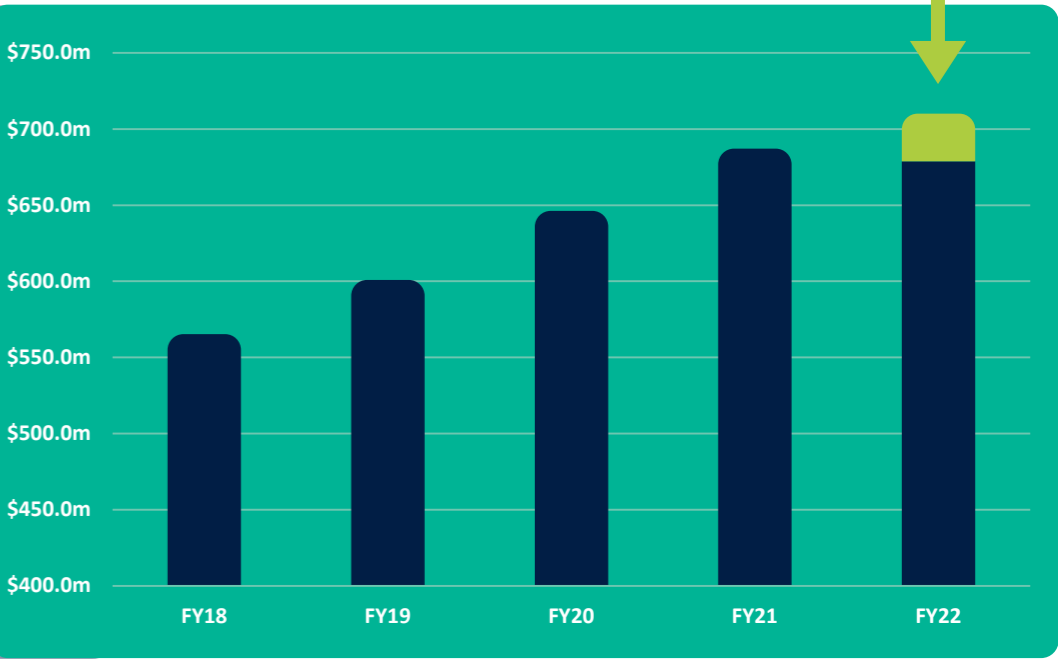
Combined Dental represents the largest category of ancillary claims paid in FY22.



Approximately \$31 million in COVID-19 give-back savings was announced in June 2022, and returned to members in August 2022.

Amount of Claims Paid

With interruptions to hospital and health services impacting members' ability to use their benefits, the number of claims paid decreased from FY21 to FY22. However, we offset this by repaying members through our COVID-19 give-back initiative.



These figures represent combined data from Teachers Health (including UniHealth) and Nurses and Midwives Health from FY18. Nurses and Midwives Health merged with Teachers Health on 1 January 2022.

MEMBERS
ARE AT THE
HEART OF
EVERYTHING
WE DO



117,532

People moving better¹¹



135,680

Brighter smiles²

2,929



Mums supported with the arrival of their new bundles³



97,669

Sets of eyes seeing more clearly⁴

37,204



Podiatry consults to keep people on their feet⁵



2,278
Hearts cared for⁶



6,518
Gym memberships supported⁷



996
New knees⁸



15,441
Massages to relax⁹

Disclaimer: Based on July 2021 – June 2022 data for Teachers Health Group. Footnotes: ¹¹ Physiotherapy including ante-post natal and physiotherapy device, Osteotherapy and Chiropractic services. ² Periodic oral examination. ³ Pregnancy related claims. ⁴ Optical frames, repairs & replacements, contact lens. ⁵ Podiatry consultation. ⁶ Hospital coronary care. ⁷ Preventative health product – health management – gym membership. ⁸ Total knee replacements. ⁹ Remedial massage. All the figures in the infographic relate to Teachers Health Group. Memberships refers to policyholders.

Corporate Social Responsibility



Aligning with our HEART values, Teachers Health has undertaken a variety of initiatives in FY22 that confirm our commitment to being a sustainable and ethical business that operates for the good of members and the wider community.

Govern with ethics and values

Demonstrating responsible leadership and governance, the **Teachers Health Code of Conduct** provides a robust framework of transparency, integrity, and accountability within our organisation.

The Code supports ethical decision making by informing Directors, employees, contractors, and consultants to Teachers Health of their responsibility to act in accordance with our principles and in compliance with all relevant laws and regulations.

In addition, Teachers Health is a voluntary signatory to the **Private Health Insurance Code of Conduct**, supporting improved clarity and accountability across the industry.

Our **Whistleblower Policy and Process** reinforces this commitment, facilitating the

disclosure of misconduct and supporting eligible informers. Recognising the importance of **Privacy and Data Protection**, we operate within a comprehensive framework of policies and protocols to protect our members' personal and confidential information.

In December 2021, we published our second **Modern Slavery Statement**. In addition to employee education, we assess and apply controls to reduce the risk of Modern Slavery practices within our supply chains and operations. For more information on our Modern Slavery Statement, please see page 17.

People focused

At Teachers Health, we recognise that our people are at the heart of everything we do. Therefore, building a diverse and inclusive workplace is essential to achieving an equitable and sustainable future for the organisation. Achievements in this space include:

- Recognition as an Inclusive Employer by the Diversity Council Australia 2021/22
- Representation of women on the Board sits at 60% for FY22. Representation has remained above our voluntary target of

40% for more than five years

- The provision of a staff wellbeing program and the rollout of a new Employee Assistance Program
- The review and strengthening of our WHS framework
- Fostering a COVID-safe work environment and transitioning to Hybrid Working arrangements
- A commitment to the learning and development of our employees.

Member centric

As the health fund for Australia's education staff, nurses, midwives, and their families, we're proud to cover approximately 390,000 lives.

Operating through various challenges throughout FY22, we've introduced several measures to support members' health and wellbeing. In addition to our COVID-19 give-back and support, we provided permanent access to an expanded range of telehealth services and benefits, provided relief for those affected by natural disasters or financial hardship, and increased the eligible dependants' age limit from 25 to 32 years.

Environmental impact

Ensuring we operate as a sustainable and eco-friendly organisation has become a sharper focus for us and also the broader healthcare industry.

In FY22, we continued our efforts by:

- Continuing to transition of our equity investments portfolio away from funds with substantial fossil fuel involvement
- Engaging members to opt for electronic communications through our Go Green initiative
- Recycling for disposable plastics at our Health Centre locations and reduction of waste across eyecare services
- Occupying a 5.5 rated office on the National Australian Built Environment Rating System (NABERS) for our head office
- Engaging sustainable and Indigenous businesses for the purchase of office supplies and consumables.

Community involvement

In January 2022, Teachers Health launched its inaugural Reconciliation Action Plan (RAP) beginning with our Reflect stage. For more information on our RAP, please see page 16.

Reinforcing our commitment to Indigenous Education, we sponsored the 16th Annual Nanga Mai Awards, celebrating achievements for both students and teachers.

Our charity partner Stewart House commemorated its 90th anniversary in June. Stewart House conducts optical tests and dental check-ups for children during their stay, and Teachers Health supports the children by donating frames/lenses as required.

Teachers Health has provided a dental chair to the Exodus Foundation and assisted with the start-up of their dental services. Work has commenced with the Asylum Seeker Centre to provide pro bono clinical services to asylum seekers.

We attended LGBTQIA+ events such as Midsumma Melbourne, Newcastle Pride Day, and Mardi Gras Fair Day Sydney to celebrate and engage with our LGBTQIA+ members and the wider community.

Due to COVID-19 we had limited opportunities to participate and engage in person with our

stakeholders compared to previous years, however, this year we have continued our support with of events such as:

Education:

- The NSW Teachers Federation Annual Conference
- The NSW Teachers Federation Principals' Conference
- The AEU Federal Conference
- The AEU VIC Women's Conference
- The AEU ACT Education Awards – Reconciliation Award
- The DoE NSW Education School Spectacular
- The DoE WA Education Awards – Primary School of the Year
- The DoE TAS Education Awards - Wellbeing Award
- The DoE QLD Teach Rural & Teach QLD Career Fairs
- Public Education Foundation – Early Career Teacher Scholarship & Tertiary Scholarships

Health:

- ANMF Federal Bi-annual Conference
- ANMF Vic Delegates Conference
- ANMF Vic Sustainability Conference

- ANMF SA Delegates Conference
- ANMF TAS Delegates Conference
- Australian College of Nursing Annual Conference
- International Nurses Day at QEII Jubilee Hospital
- RUOK Day at Gold Coast University Hospital
- Crazy Socks 4 Docs Day at Robina Hospital

Community:

- UNHCR – Silver Sponsor
- International Working Women's event – AEU, IEU, ANMF, THF

Teachers Health Foundation

Teachers Health created the Teachers Health Foundation to fund essential research into factors and conditions impacting the health and wellbeing of Australian educators. This research helps inform practical, evidence-based policies and programs to support the needs of the teaching community.

In 2022, the Foundation supported two PhD students to research Australian schoolteachers' health and nutritional requirements. We look forward to expanding the Foundation's focus to include research on Australian nurses' and midwives' wellbeing following our merger with Nurses & Midwives Health in 2022.



Correna Haythorpe Federal President AEU, Kurt Fearnley, Melissa Tinkler and Kevin Bates Federal Secretary AEU

Reconciliation Action Plan

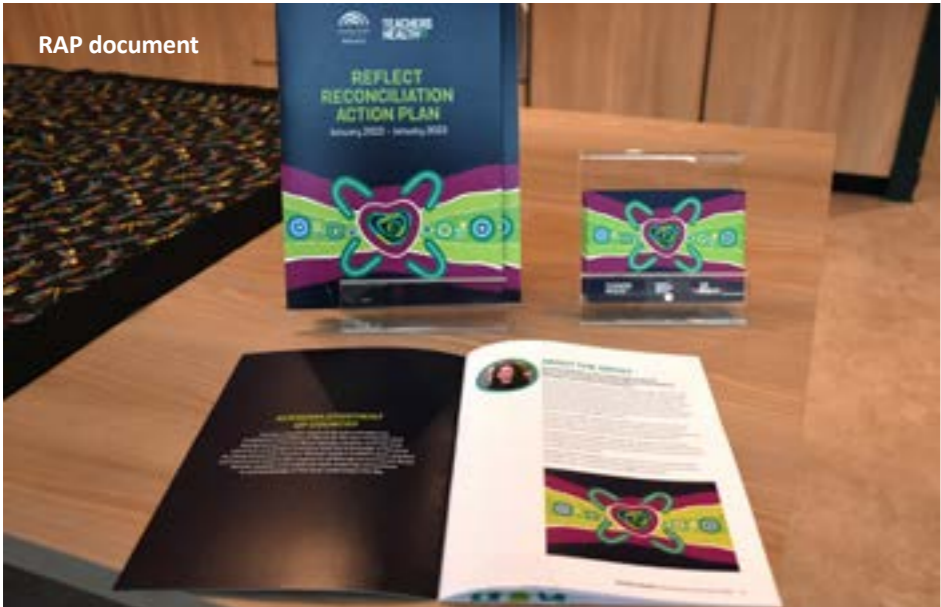


RAP launch event at Teachers Health

In January 2022, we launched the inaugural Teachers Health Reconciliation Action Plan (RAP). Embracing the role of RAP Champion, our CEO Brad Joyce announced the initiative as an opportunity to build trust, respect, and connections with Aboriginal and Torres Strait Islander peoples and cultures.

While this is our first formal RAP, we are building on longstanding relationships and partnerships with Aboriginal and Torres Strait Islander communities. As a key focus for the organisation, the RAP is an extension of our values and affirms our commitment to driving lasting positive change. We see a clear role for Teachers Health in helping to progress the national conversation on reconciliation and empowering indigenous voices, perspectives, and insights.

As part of this commitment to supporting an authentic narrative, the Teachers Health RAP Working Group comprises 12 staff and two external advisors with representation from Indigenous and non-Indigenous backgrounds. The Reflect phase of our RAP has been about establishing core foundations for reconciliation, ascertaining our current internal levels of understanding and awareness, and how we can enhance this through education, experiences and actions.



Uncle Alan Madden giving his Welcome to Country

Key achievements within FY2022 include:

- Formation of the RAP Working Group and Charter
- Launch of our RAP (Reflect) with all stakeholders experiencing a Welcome to Country from Uncle Alan Madden
- Animating our RAP Artwork to bring it to life incorporating the artist, Charmaine Mumbulla’s story
- Development of educational tools with our RAP intranet page and resources and implementing Acknowledgement of Country across our digital and physical presence
- Celebrating National Reconciliation Week and NAIDOC Week, providing education and information to staff to get involved. Our RAP Working Group experiencing the Illi-Langi, Rocks Aboriginal Dreaming Tour
- Connecting with Indigenous suppliers and stakeholders.

Our commitment to building respect, trust, and connection to Aboriginal & Torres Strait Islander peoples, communities, and cultures is a meaningful continuation of the Teachers Health values. As we plan the next phases of our reconciliation journey, using the RAP framework will help us to continue to build a diverse, welcoming, and inclusive organisation with people at the heart.



Illi-Langi, The Rocks Aboriginal Dreaming Tour

Modern Slavery Statement

At Teachers Health, we have a strong commitment to ethical and sustainable practices within all our operations and processes. As part of this undertaking, we are working to assess and reduce the risk of modern slavery in our supply chains and operations.

The Australian Government defines modern slavery as circumstances where “coercion, threats or deception are used to exploit victims and undermine or deprive them of their freedom”. Globally, there are 49 million people estimated to be living in some form of modern slavery.

Complying with the Modern Slavery Act 2018 (Cth), our Modern Slavery Statement outlines our position and actions taken to identify, assess and reduce the risk of modern slavery exposure within our operations, suppliers, and contractors.

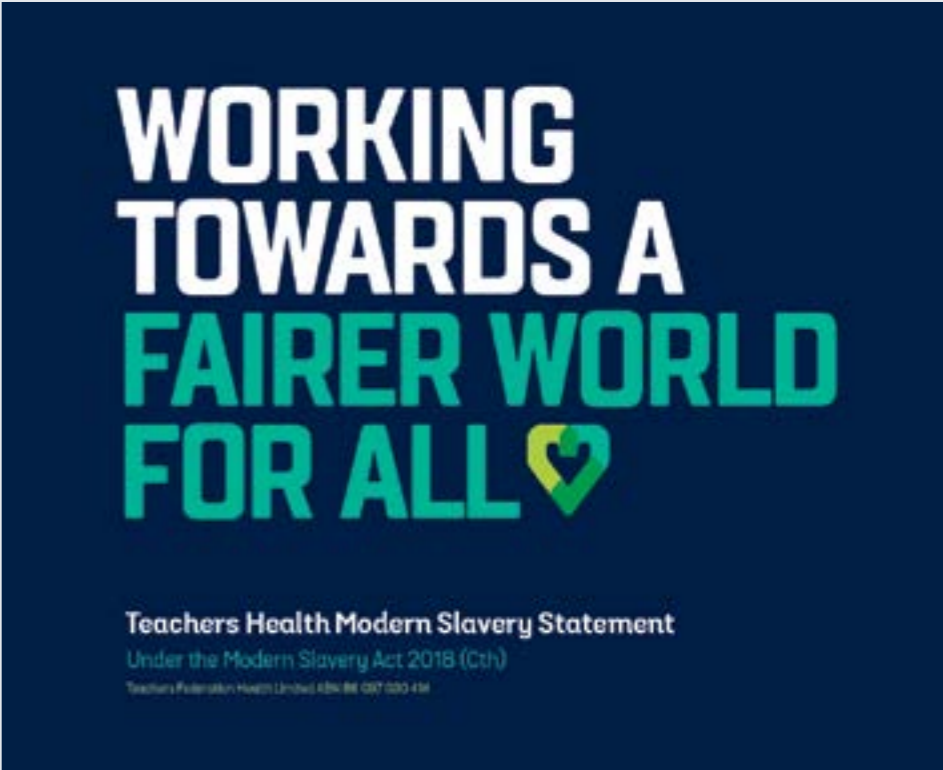
Our operations and the vast majority of our direct suppliers are located in Australia, which results in a low modern slavery risk profile. However, we recognise that we may have exposure to modern slavery risk beyond our

direct suppliers where visibility and our ability to influence are reduced.

Recognising the complexity of global supply chains, we are committed to a process of continuous improvement to develop our understanding and strengthen our business practices. We are proud to be part of a private health insurance industry-wide Community of Interest designed to identify and mitigate modern slavery risk exposure across the industry.

In FY22, we continued to engage with our direct suppliers and roll out our modern slavery questionnaire based on supplier spend, industry categories and depth within the supply chain. In addition, as part of our internal education and onboarding, all Teachers Health staff complete online learning modules designed to raise awareness of the identification and reporting requirements for modern slavery.

To learn more about our commitment to reducing the risk of modern slavery, please refer to our current Modern Slavery Statement.





Teachers Health employees Miriam and Lyn at Teachers Health Centre, Parramatta

Corporate Governance Statement

Governance at Teachers Health

Teachers Federation Health Ltd (Teachers Health or the Company) is a company limited by guarantee subject to the Corporations Act 2001 (Cth). The Company is a registered private health insurer and conducts a health benefits fund (the Fund).

The Board of Directors of the Company (Board) places high importance on the governance practices of Teachers Health, which it believes are vital to the performance, reputation and sustainability of the Fund. Teachers Health has adopted a comprehensive framework of corporate governance policies that are reviewed every two years.

As at 30 June 2022, the Board's corporate governance practices reflect the ongoing focus of the Board in discharging its responsibilities at an appropriate level to meet the full expectations of company members, policyholders, regulatory authorities, the general community and other stakeholders. The Company and the Fund are regulated by the Australian Prudential Regulation Authority (APRA). APRA issues prudential standards pertaining to governance in the private health insurance sector, and the Company provides regular reports to APRA.

Teachers Health's corporate governance policies and practices comply with APRA's Cross-industry Prudential Standard (CPS) 510 Governance. The Teachers Health corporate governance framework provides a solid foundation to enable ongoing compliance with APRA's prudential standards.

Effective on 1 January 2022, Teachers Health Fund merged with Nurses & Midwives Health Fund. Prior to the merger, Nurses & Midwives Health Fund was operated by Nurses & Midwives Health Pty Ltd, a separate corporate entity and wholly-owned subsidiary of the Company, with its own governance framework, which, as appropriate, replicated that of Teachers Health. As a registered private health insurer, Nurses & Midwives Health Pty Ltd was also regulated by APRA until its voluntary deregistration in June 2022.

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 in its

Board Charter. The Board Charter also details the membership and operation of the Board. The Board provides overall strategic guidance for Teachers Health 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, in conjunction with the CEO and senior executives, charting the direction, strategies and performance objectives for Teachers Health and monitoring the implementation of those strategic and business plans and performance objectives;
- Oversight of management, including the regular monitoring and assessment of the CEO and other senior executives' performance in achieving Board-approved strategies, budgets and key performance indicators;
- Approving remuneration policies and practices of the organisation, and reviewing the performance and remuneration of the CEO;
- Strategic stakeholder management including ensuring effective communication with Company members, policyholders, other stakeholders and the broader community;
- Oversight of ethics, conduct and culture of the organisation, including actively promoting ethical and responsible decision making and establishing and maintaining a code of conduct to guide Directors, senior executives and all employees in the practices necessary to maintain confidence in Teachers Health's integrity;
- Oversight of financial and capital management, including establishing and overseeing Teachers Health's accounting and financial management systems, regular monitoring of Teachers Health's financial results, financial condition and forecasts, reviewing and approving the annual financial report and approving decisions affecting the investments and capital of Teachers Health; 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 privacy, competition and consumer law and work health and safety) that govern the operations of Teachers Health, to ensure 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 the following sections of this Corporate Governance Statement.

The Board has delegated to the CEO the authority to manage and control the day-to-day affairs of Teachers Health other than those matters specifically reserved to itself in the Board Charter and the Delegation of Authorities 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 Teachers Health 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

The Board comprises ten Directors, each of whom is a non-executive Director. The Company's Constitution provides that the Board is made up of the following classes of Directors:

- Two ex-officio Directors, being the Branch President and the General Secretary of the Australian Education Union New South Wales Teachers Federation (NSWTF) Branch;
- Five independent specialist Directors;
- An independent specialist Chair; and
- Two Insured Persons elected independent Directors.

Teachers Health 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 Teachers Health's business and enhance its performance.

Details of each Director's qualifications, special responsibilities and attendance at meetings are set out in the Directors' report.

Corporate Governance Statement

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

Teachers Health 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. APRA mandates governance

and prudential standards that require ongoing compliance and all Directors must develop and maintain a sound understanding of these obligations.

All Directors must meet the Fit & Proper Policy requirements of the organisation. 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 organisation's current and future strategies;
- 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.

Directors are appointed and/or elected to the Board in accordance with the Constitution, which places limits on the period for which a Director may hold office. 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. Retiring Directors are eligible for re-election. Directors appointed to the Board (other than the elected member Directors) must have their appointment confirmed by the Company Members at the next Annual General Meeting.

Director induction and education

Directors participate in a formal induction program upon appointment, and in addition, the Board has also established a program of continuing education. The People and Remuneration Committee oversees and regularly reviews the induction procedures, continuing development and education program for Directors. This includes hosting sessions with experts in the particular fields relevant to Teachers Health operations and promoting attendance at relevant conferences and seminars. The training and education programs ensure that 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 external organisations such as the Australian Institute of Company Directors and the Governance Institute of Australia.

Board meetings

The Board meets at least eight times 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 Teachers Health, to monitor management's implementation of key strategic initiatives, financial performance and capital management, performance of the Risk Management Strategy and Framework and to consider the environment in which the Company 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 workshop held at least annually.

Independence and management of conflicts of interest

Board composition is an issue regularly considered by the Board and its committees. The Board places high importance on independence of any interests of stakeholders, management and competing or conflicting business interests as a prerequisite to discharging its review and oversight role effectively. Teachers Health has a close relationship with the Australian Education Union New South Wales Teachers Federation (NSWTF) Branch, which provides two ex-officio Directors.

With the introduction of APRA's CPS 510, particular consideration has been given to strengthening the Board's independence. A Director is considered independent if the Director is a non-executive Director who is not a member of management, not an ex-officio Director and is free of any business or other association that could materially interfere with the exercise of their unfettered and independent judgement.

A Director will not be independent who:

- Is employed, or has previously been employed in an executive capacity by Teachers Health, or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Within the last three years, has been a principal of a material professional adviser or material consultant to Teachers Health or another Group member or an employee materially associated with the service provided;
- Is a material supplier or customer of Teachers Health or another Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer; or

- Has a material contractual relationship with Teachers Health or another Group member other than as a Director of Teachers Health.

A Director who has, or has had in the last 12 months, an association with the Australian Education Union New South Wales Teachers Federation (NSWTF) Branch such as the Branch President, the Branch Deputy President, the General Secretary, a member of the Branch Executive, an Assistant Secretary or an Administrative Officer will not be considered independent.

All Directors, whether independent or not, must at all times bring an independent judgement to bear on all Board decisions.

Teachers Health has a Board Renewal Policy and succession planning arrangements which promote fresh ideas and independent thinking while retaining adequate expertise and business knowledge. Terms of tenure are staggered to support continuity and the appropriate transfer of knowledge and skill of Directors. In implementing the Board Renewal Policy consideration is also given as to whether each Director has served on the Board for a period which could, or could reasonably be perceived to, materially interfere with their independence or ability to act in the best interest of the Company.

Teachers Health's Board is committed to ensuring a high standard of accountability and integrity in the way its business operates by demonstrating behaviour consistent with its values of member centricity, collaboration and teamwork, empowerment and accountability, continuous improvement and innovation, integrity and social responsibility.

Teachers Health has a Conflict of Interest Policy and Framework to assist it in managing conflicts of interest across the organisation by:

- Identifying and monitoring all actual and potential conflicts of interest;
- Avoiding conflicts of interest where possible;
- Managing a conflict of interest where it cannot be avoided; and
- Ensuring appropriate action is taken in the event of a conflict of interest arising.

Teachers Health also actively promotes ethical and responsible decision making. Directors are required to disclose conflicts and material personal interests, whether actual or potential, to the Board. A register of Directors'



Guy, Allana and family – Primary school teachers and Teachers Health members

interests is maintained and regularly reviewed. The People and Remuneration Committee annually assesses the independence of each Director in light of the interests disclosed by them.

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.



Teachers Health employees at Teachers Health Centre, Parramatta

Corporate Governance Statement

Fit and proper

Teachers Health has developed and implemented a Fit and Proper Policy to assist in assessing the fitness and propriety of Teachers Health Directors and other nominated persons (Responsible Persons) in line with APRA’s CPS 520 Fit and Proper prudential standard. Responsible Persons must have the appropriate skills, experience and knowledge to perform that role (“competencies”) and must act with the requisite character, diligence, honesty, integrity and judgement (“character”).

A person will be considered “fit and proper” if they are assessed to meet substantially the assessment criteria set out in this policy and, if appropriate, in the position description for their 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. 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’ skills, knowledge and experience, the assessment criteria apply to the Directors collectively, rather than each individual Director necessarily meeting all of the criteria, such that the Board as a whole meets the criteria. The policy includes a process for dealing with and reporting breaches of the policy.

Access to information and independent professional advice

Managers responsible for critical areas of the business are regularly requested to brief the Board and its committees to assist Directors in maintaining a strong understanding of Teachers Health’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, Directors are entitled to seek independent professional advice, at the expense of Teachers Health, to assist them in carrying out their duties as Directors. The procedure provides that any such advice is generally made available to all Directors.

Remuneration of Directors and executive management

In accordance with clause 15.8 of the Company’s Constitution, Directors may be paid in the aggregate up to the remuneration determined by resolution at a meeting of the Company Members.

In November 2021, the Company Members determined to change Directors’ remuneration from an aggregate amount to an annualised director fee model. This reflects industry practice and the increase in demands on Directors.

For the twelve months ended 30 June 2022, the total remuneration of key management personnel, which includes the Directors and executive management, is disclosed in the annual financial statements.

As required by legislation, superannuation is paid in respect of remuneration at the rate provided by the Superannuation Guarantee and Directors are entitled to receive a subsidy toward in-house health insurance on a pro-rata monthly basis up to the rate of \$1,333 p.a.

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. The Company provides Directors and Officers Insurance.

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. Teachers Health’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 outcomes of this process are reported to and discussed with the Board.

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 discussed with the People and Remuneration Committee and reported to the Board.

There are no short-term incentive, performance bonus 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 to ensure its ongoing effectiveness. The People and Remuneration Committee has oversight of this process.

This assessment may be by way of self-assessment and is periodically supplemented by sessions facilitated by an external consultant inclusive of interviews with Directors. The Chairperson and/or a facilitator if an external consultant is used, formally discusses the results of the performance review with individual Directors and the Board as a whole. The discussion also considers the overall effectiveness of the Board. Actionable recommendations are implemented as soon as practicable after the final Board performance evaluation is received.

Each of the Board’s committees also reviews its performance against the objectives of its respective charter annually.

Directors’ and officers’ insurance

Teachers Health 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 four committees to assist in the execution of its duties and to allow detailed consideration of complex issues. The standing committees are:

- Audit and Finance Committee,
- People and Remuneration Committee,
- Risk and Governance Committee, and
- Strategy Committee.

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 every two years. 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. Where there are matters of relevance to more than one committee, a joint meeting of those committees may be held to discuss the matter, or the matter may be dealt with by one committee before being referred to the other committee.

Details about the membership of committees and the attendance of members at committee meetings are set out in the Directors’ report. In addition to the four standing committees,

the Board may from time-to-time hold joint committee meetings and create ad-hoc Board committees as required.

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 Teachers Health and matters concerning the appointed actuary, the external auditors and internal auditors.

The purpose of the Committee is to provide an objective, non-executive review of the effectiveness of Teachers Health’s financial reporting and risk assurance framework.

The Committee is comprised of a minimum of three (3), and up to a maximum of five (5) non-executive members of the Board, a majority of whom are independent, and each of whom has appropriate financial experience and understanding of the private health insurance industry.

The Board determines the Chairperson of the Committee who is an independent non-executive member of the Board and not the Chairperson of the Board.

The Committee’s responsibilities also include, within the scope of its authority, to oversee, review and make recommendations to the Board on:

- All APRA statutory reporting requirements;
- 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 financial condition of Teachers Health and the health benefits fund conducted by Teachers Health;
- The appointment, role and performance of the Appointed Actuary;
- The effectiveness of Teachers Health’s internal control systems and internal audit function;
- The independent audit process including the appointment, independence, performance, remuneration and removal of the External Auditor;
- The investment activities of Teachers Health including investment policy, investment strategy, investment performance and appointment of investment advisors;
- The maintenance of an effective Whistleblower Policy and procedures, including how matters raised under the Whistleblower Policy are dealt with to ensure the appropriateness of action; and
- Undertake any special projects delegated by the Board or deemed necessary by the Committee.



Andrew – Teachers Health member

Corporate Governance Statement

The Committee Charter provides that the Committee meet not less than three (3) times per year. The Committee met four (4) times during the reporting year. The Committee has an opportunity to meet with the external auditor, including without management being present, at each Committee meeting.

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 Board composition, renewal and performance, human resource matters and compliance with employment laws and regulations.

The Committee is comprised of a minimum of three (3), and up to a maximum of five (5) non-executive members of the Board, the majority of whom are independent.

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 persons whose activities may, in the Committee's opinion, affect the financial soundness of Teachers Health and any other person specified by APRA;
- 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 direct reports of the CEO, other persons whose activities may, in the Committee's opinion, affect the financial soundness of Teachers Health and any other person specified by APRA;

- Periodically review with the CEO, the Teachers Health organisational capability and succession plan for employees, managers and executives; and
- Review people-related issues and policies generally.

The Committee Charter provides that the Committee meet not less than three (3) times per year. The Committee met eight (8) times during the reporting year.

Risk and Governance Committee

The Risk and Governance Committee has been established to assist the Board to fulfil its statutory and regulatory responsibilities by providing objective, non-executive oversight and review of the effectiveness of the implementation and operation of Teachers Health's risk management and compliance management frameworks.

The Committee is comprised of a minimum of three (3), and up to a maximum of five (5) non-executive members of the Board, a majority of whom are independent, with appropriate risk management and governance experience and understanding of the private health insurance industry. The Board determines the Chairperson of the Committee who is an independent non-executive member of the Board and not the Chairperson of the Board.

Within its scope of authority, the Committee reviews and makes recommendations to the Board on:

- Teachers Health's system of risk management and internal control, including:
 - The effectiveness of Teachers Health's Risk Management Strategy and Framework, having regard to the organisation's risk management culture;
 - The identification and assessment of the material risks facing Teachers Health considered against the organisation's risk appetite;

- The organisation's Business Continuity and Disaster Recovery Framework which has been updated to reflect the ongoing response to the COVID-19 pandemic; and
- The appropriate level of reporting on the performance and application of the risk management and internal control system throughout Teachers Health.
- Teachers Health's corporate governance policies and practices, including:
 - Teachers Health's systems and procedures for compliance with laws, regulations, internal policies and industry standards;
 - Corporate governance, regulatory and compliance issues including the Private Health Insurance Act 2007, Private Health Insurance (Prudential Supervision) Act 2015, APRA Rules, Prudential Standards and Reporting Standards, Ministerial Private Health Insurance Rules, the Corporations Act and ASIC requirements;
 - Review of material changes and disclosure of corporate governance policies and information to ensure effective communication of Teachers Health corporate governance practices; and
 - Best practice developments in corporate governance.

The Committee Charter provides that the Committee meet not less than three (3) times per year. The Committee met nine (9) 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 Teachers Health.

The Committee is comprised of a minimum of three (3) and up to a maximum of five (5) non-executive 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 Charter provides that the Committee meet not less than once (1 time) per year. The Committee met three (3) times during the reporting year.

Accountability and audit

External audit

The Group has appointed Ernst & Young ("External Auditor") to audit the records and financial statements of the Group for the 2022 financial year and also to perform various regulatory and compliance audits. Ernst & Young was appointed External Auditor on 26 November 2018.

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 before sign-off and any significant adjustments as a result of the auditor's findings.

The External Auditor reviews and tests the system of internal controls, to the extent necessary, to be able to issue 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 Company audit, the preparation and content of the audit report, the accounting policies adopted by Teachers Health and the independence of the auditor in relation to the conduct of the audit.

Internal controls

The financial and operational performance of Teachers Health is monitored by the Board through regular management reporting of performance against budgets and other relevant key performance indicators. The Board is responsible for the overall internal control framework and for reviewing its effectiveness. 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. PwC Australia was appointed as the internal auditor from 1 January 2016. The internal audit function provides an independent and objective review of the management of Teachers Health's risk management framework, the management of its material risks and the implementation of effective controls designed to manage these risks, and provides reasonable assurance against material loss by enabling the identification of matters that require the attention of management or the Board. These controls have been established by management and are reviewed periodically by internal audit through an internal audit plan agreed annually with the Audit and Finance Committee. Findings of reviews are reported to the Audit and Finance Committee and the Board.

Risk management

Teachers Health recognises effective risk management is good management practice, supports achieving organisational objectives and is an integral part of sound corporate governance. A detailed Risk Management Strategy and Framework based on ISO 31000:2018 has been developed and implemented by management and endorsed by the Board. This risk management framework is critical to the safety, reputation and sustainability of the operations of the business and to the ongoing viability of the health benefits fund operated by Teachers Health.

The various risk management practices are undertaken to provide a consistent approach to the identification, assessment, management and reporting of risk and support the overriding principle that business risk is everyone's responsibility – all staff, managers and contractors, not just the CEO, share that responsibility in various ways. Embedding an effective risk culture is an ongoing focus of Teachers Health to facilitate this. Various activities, including internal audit, provide reasonable assurance to the Board of the effectiveness of the risk management framework.

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 Teachers Health. The Board reviews Teachers Health's performance against its approved risk appetite on a quarterly basis.

Ethical standards

Code of Conduct

Teachers Health has adopted a Code of Conduct that applies to all Directors, officers, employees, contractors and consultants to Teachers Health. This Code sets out the ethical standards and rules of Teachers Health 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;
- Acting appropriately in relation to 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.

Corporate Governance Statement

Industry Code of Conduct

Teachers Health is a signatory to the Private Health Insurance Code of Conduct. The purpose of the Code is to promote informed relationships between Private Health Insurers (PHI), consumers and intermediaries, to enhance standards across the private health insurance industry.

Teachers Health is required to submit a certification or full self-audit each year attesting to, and for the full self-audit evidencing, compliance with the Code. Due to the release of a revised Code of Conduct in late 2021, the Code Compliance Committee did not require a certification or audit to be submitted by PHIs. Teachers Health will be required to submit a full self-audit in December 2022.

Diversity and inclusion

Teachers Health values diversity and inclusion and seeks to maintain an appropriate mix of skills, expertise and experience within the organisation, including on the Board, to successfully navigate the increasingly complex and dynamic business environment, enabling strong business performance and outcomes for our members.

A voluntary target for the representation of women on the Board was set at 40%, and representation on the Board has remained above the target for more than five years and is at 60% in 2022.

In accordance with the requirements of the Workplace Gender Equality Act 2012, Teachers Health lodged its 2022 annual public report with the WGEA. Access a copy of the report at wgea.gov.au.

The representation of women across the organisation as at 31 March 2022 is shown in the below table:

Category	Number	Percentage of category
Women on the Board	6	60%
Women in senior executive positions	4	44%
Women in management positions	18	44%
Women employees in the whole organisation	253	66%

Fostering a culture of diversity and inclusion continues to be an ongoing objective for Teachers Health so that the organisation attracts and retains a diversity of talented people that are well equipped to support the individual needs of all of our members.

Whistleblower Policy

Teachers Health is committed to the prevention and early identification of breaches of law, regulations, codes or standards relevant to the Company and its controlled entities. For this purpose, Teachers Health has developed and implemented a Whistleblower Policy. Teachers Health's whistleblower process facilitates the disclosure of misconduct and supports eligible whistleblowers.

The Whistleblower Policy encourages and provides a framework for all Teachers Health employees (and others) to report any corrupt or improper conduct or genuine matters or behaviours that they have reasonable grounds to believe contravene Teachers Health's policies or the law, including:

- Misconduct, or an improper state of affairs or circumstances;
- Contravention of any law administered by ASIC and/or APRA;
- Conduct that represents a danger to the public or the financial system; and
- An offence against any other law of the Commonwealth that is punishable by imprisonment for a period of 12 months or more.

Teachers Health allows for a number of avenues for reporting of disclosures. In addition to the prescribed categories of eligible recipients, Teachers Health has introduced an anonymous whistleblowing tool available through its website. The tool empowers eligible whistleblowers to report anonymously and is accessible from outside the organisation. Reports made through the online tool are triaged before being escalated through the whistleblowing process or redirected internally.

Reporting under the Modern Slavery Act 2018 (Cth)

In December 2021, Teachers Health published its second Modern Slavery Statement under the Modern Slavery Act 2018 (Cth). The

Modern Slavery Statement covers Teachers Health as well as its controlled entities in the Group and is available on the Teachers Health website.

The Modern Slavery Act 2018 (Cth) defines modern slavery as including eight types of serious exploitation: trafficking in persons; slavery; servitude; forced marriage; forced labour; debt bondage; deceptive recruiting for labour or services; the worst forms of child labour.

Modern slavery can occur in every industry and sector and has severe consequences for victims.

Teachers Health is continually assessing and taking measures to address the Group's risk of modern slavery practices in its operations and supply chain by:

- Performing initial and ongoing exposure assessments of its direct suppliers (tier 1);
- Using a supply chain management platform to assess the Group's exposure to modern slavery practices on an ongoing basis;
- Contributing to a Private Health Insurance Modern Slavery Community of Interest to support an industry-wide approach;
- Including clauses to address modern slavery risks in new and renewing supplier contracts considered to be in high-risk categories; and
- Providing e-learning on modern slavery across the organisation with focused training to be delivered to relevant staff to increase rigour in the procurement process.

Teachers Health periodically reviews the effectiveness of steps taken to address the risks of modern slavery practices in its operations and supply chain. Teachers Health aims to continually monitor and where necessary, improve any policies, procedures and systems to address modern slavery.



Molly, Melissa and Andrew – Teachers Health members



Guy, Allana and Parker – Teachers Health members

Directors' report

Your Directors present their report, together with the consolidated financial statements of the Group consisting of Teachers Federation Health Ltd (Teachers Health or the Company) and the entities it controlled (collectively referred to as the Group) at the end of or during the year ended 30 June 2022.

Directors

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

M O'Halloran AM

AM, B.A., Dip. Ed., B. Leg. S., GDLP, LL.M., GAICD
Chairperson, non-executive Director
Appointed Director: March 2021

Special responsibilities:

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

H M MacGregor

B.A. (USYD), Dip. Ed, M. Ed. (USYD), MAICD
Former Chairperson, non-executive Director
Appointed Director: Appointed June 2001 and retired June 2022

Special responsibilities:

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

G M Ackroyd

Dip. Ed., B. Ed. (UOW), M. A. (UNSW), MAICD
Non-executive Director
Appointed Director: November 2019

Special responsibilities:

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

N E Dawson

B.A. (MAQ), Dip. Ed. (UNE), M. Ed. LL. M. (USYD), B. Leg S (MAQ), Grad Cert Leg P (UTS), Dip. ACG (GIA), FCIS, Chartered Secretary & Chartered Governance Professional, MAICD, AGIA, FANZCN
Non-executive Director
Appointed Director: September 2010

Special responsibilities:

Chairperson of the Risk and Governance Committee and member of the People and Remuneration Committee

A Gavrielatos OM

B.A., Dip. Ed.
Non-executive Director
Appointed Director: February 2020

Special responsibilities: None

T J Mulroy

B.A., Dip. Ed. (NSW), MAICD
Non-executive Director
Appointed Director: November 2012

Special responsibilities:

Member of the Audit and Finance Committee and the Strategy Committee

S Roberts

B. Ec. (Macq), FIAA, MAICD
Non-executive Director
Appointed Director: October 2017

Special responsibilities:

Chairperson of the Audit and Finance Committee

M Rosicky

B.A. Visual Arts, Dip. Ed., MAICD
Non-executive Director
Appointed Director: November 2013

Special responsibilities:

Member of the Risk and Governance Committee and the People and Remuneration Committee

M L Sharkey

B. Soc. Sci. (Welfare), BVET
Non-executive Director
Appointed Director: May 2021

Special responsibilities: None

D Wynne

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

Special responsibilities:

Deputy Chairperson of the Board, Chairperson of the Strategy Committee and member of the Audit and Finance Committee, 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 were:

B S Joyce

B. Comm. (University of Newcastle), FCPA, FAICD
Appointed Company Secretary in November 2010
Mr Joyce was appointed Chief Executive Officer of Teachers Health in 2006.

D N Lethbridge

LL. B., MBA, Grad. Dip. ACG, FGIA, FCG, GAICD
Appointed Company Secretary in April 2012
Mr Lethbridge was appointed Chief Operating Officer of Teachers Health in February 2012.

Objectives

Teachers Health's long-term objectives are:

- To continue to ensure that Teachers Health delivers the value propositions designed to attract and retain members by providing them with competitively priced products and services that meet their needs, and through a level of service that its members recognise as superior;
- To maintain the resilience and commercial sustainability of the business through a combination of initiatives designed to grow revenue, manage benefits, lift business capability and deliver business efficiencies; and
- To operate an efficient business which focuses on ongoing business improvement, transformation and innovation designed to increase organisational capabilities and undertake activities that will ensure the attraction, retention, development and engagement of high-quality employees.

Teachers Health's objectives have been reflected in the current Strategic Plan (FY2022-24) and seek ways to improve and increase growth and retention (both in terms of revenue and members) and lift the capability of the business to support this growth. The volatility created by, and uncertainty regarding, the duration and impact from the COVID-19 situation once again altered the traditional approach to the business planning process. Plans focused on both managing the current risk and uncertainty associated with the COVID-19 situation while ensuring the planning horizon addressed the need for enhanced sustainability and resilience outcomes for the organisation. An updated three-year strategy and business plan for the period July 2022 to June 2025 was approved by the Board in June 2022.

Strategy

Teachers Health's strategy to deliver these objectives is through a number of strategic initiatives:

- Membership growth – to increase the size and scale of the private health insurance business;
- Diversification and expansion – to consider opportunities to expand revenue sources from complementary and/or adjacent sectors and through other non-organic growth opportunities as appropriate to the overall strategic objectives of the organisation;

Directors' report

- Health management – to support the overall health and wellbeing of our members through the provision of integrated wellness, prevention and disease management services; and
- Capability – to enhance the efficiency, effectiveness and overall capability of the business to support its growth objectives and resilience.

Principal activities

The principal activities of the Group during the financial year were:

- The operation of its restricted access private health insurance business;
- The operation of and merger with Nurses & Midwives Health;
- The operation of Teachers Health Centres eye care and dental businesses; and
- The operation of Teachers Healthcare Services care coordination for chronic disease management and hospital substitute programs.

The Group also provided general insurance, travel and life insurance under authorised representative agreements.

These principal activities have contributed to Teachers Health's objectives. The Company operates a successful restricted access health insurance business which continues to deliver value and excellent service to its members. The dental, eye care, and health support services contribute to the value proposition that the Fund offers its members.

COVID-19 response

The Group has continued to adapt its response to the COVID-19 pandemic as conditions evolve. A range of strategies and initiatives have been implemented to support members and employees during the year.

During 2022, significant disruptions to health care access and delivery continued to impact the Group's policyholders. The Group observed lower claims than would have been considered usual in pre-pandemic conditions. Some treatments were deferred with an expectation of being caught up once pandemic conditions ease, but an increasing amount of claims that did not occur have been classified as permanent rather than temporary savings.

As at 30 June 2022, the Group carried a deferred claims liability of \$64.6 million on the Balance Sheet and set aside funds for these deferred claims. The Group estimates that as at 30 June 2022, it has committed to returning permanent COVID-19 savings by way of member support initiatives to a value of approximately \$65 million.

As a not-for-profit organisation, Teachers Health always has the health and wellbeing of members at the heart of everything we do and is committed to continuing to provide value-for-money health insurance. Teachers Health will continue to pass on any claims savings that do materialise back to members. The unpredictability of the COVID-19 pandemic, and uncertainty about the long-term impact on claiming, means that it's important that capital reserves are managed in a prudent way. Therefore, a responsible balance will be maintained between delivering additional COVID-19 benefits and support to members during the pandemic, and monitoring the impacts and continuing to return further savings as the outlook stabilises.

The Group has already implemented a range of initiatives to support members and return permanent claims savings during this challenging period, including:

- Announcement of the return of approximately \$31 million to eligible policyholders as direct payments;
- Premium increases were delayed by six months for the second time during the pandemic;
- Financial hardship relief was extended for members under financial stress due to COVID-19;
- Extended cover for all COVID-19 related treatments on all levels of Hospital cover;
- Roll-over of 2021 calendar year unused Extras cover annual limits for use in 2022 by eligible policyholders;
- A once-off influenza vaccination benefit for eligible policyholders;
- Eligibility criteria for the New Family Program were broadened to provide access to more members with Hospital cover;
- Mental Wellness Program is always available via Teachers Healthcare Services and was promoted to eligible members with Hospital cover; and

- For members with Extras cover, access to telehealth services was extended to a range of additional services. This allowed members to continue receiving ongoing treatment during periods of lockdown.

During periods with COVID-19 restrictions, the Teachers Health Centres continued to provide urgent eye care and dental services by appointment. At all times, the Teachers Health Centres adopted additional safety measures to protect patients, members and employees.

The Group encouraged employees to work remotely where appropriate, providing support to enable them to work from home ergonomically and safely, as well as access to the necessary equipment and technology. Employees were able to access flexible leave arrangements if required for COVID-19 related needs. The workforce stayed in touch and supported employees' health and wellbeing virtually, and those experiencing difficulties were also encouraged to access further support, such as via the Employee Assistance Program.

During periods of eased restrictions, COVID-safe opportunities were created for employees to return to working from the office. A hybrid work model has been adopted, which offers employees alternative ways of working and a more flexible work-life balance beyond the COVID-19 pandemic.

Measuring performance

Teachers Health uses a range of quantitative and qualitative metrics to set and monitor its performance against its overarching strategic objectives and to guide each annual business plan to maintain alignment with the strategic direction of the Group.

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. The performance objectives of the CEO and executives of the organisation are aligned to these same metrics and indicators, and individual performance is measured against these annually.

Meetings of Directors

During the financial year, 36 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	Board Meetings		Committee meetings							
			Risk & Governance Committee		Audit & Finance Committee		Strategy Committee		People & Remuneration Committee	
Name	E	A	E	A	E	A	E	A	E	A
G Ackroyd	12	11			4	4				
N Dawson	12	11	9	9					8	8
A Gavrielatos	12	1								
H M MacGregor ¹	12	12	9	9	4	4	3	3	8	8
T Mulroy	12	12			4	4	3	3		
M O'Halloran	12	12	5	5			3	3	8	8
S Roberts	12	12			4	4				
M Rosicky	12	12	9	9					8	8
M Sharkey	12	9								
D Wynne	12	12	9	9	4	3	3	3	8	8

1 Ms MacGregor retired as a non-executive director in June 2022.

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) towards meeting any outstanding obligations of the Fund.

The total amount that Members of the Company were liable to contribute at 30 June 2022 if the Company was wound up was one hundred and eighty dollars (\$180).

Indemnification of Directors

During or since the financial year, the Company has paid premiums in respect of contracts insuring any past, present or future Directors, Secretaries and other officers of the Company against certain liabilities. In accordance with common commercial practices, the insurance policies prohibit disclosure of the nature of the liabilities insured against and the amount of the premiums.

Indemnification of auditor

To the extent permitted by law, the Company has agreed to indemnify its auditor, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year ended 30 June 2022.

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 32 and forms part of this Directors' report.

Signed in accordance with a resolution of the Board of Directors



M O'Halloran, AM
Director

Dated this 28th day of September 2022
Sydney, NSW

Auditors independence declaration



EY
Building a better
working world

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Auditor's independence declaration to the directors of Teachers Federation Health Ltd

As lead auditor for the audit of the financial report of Teachers Federation Health Ltd for the financial year ended 30 June 2022, I declare 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;
- b. No contraventions of any applicable code of professional conduct in relation to the audit; and
- c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Teachers Federation Health Ltd and the entities it controlled during the financial year.


Ernst & Young


David Jewell
Partner
Sydney
28 September 2022

A member firm of Ernst & Young Global Limited
Liability limited by a scheme approved under Professional Standards Legislation



Guy – Teachers Health member



Financial statements

For the year ended 30 June 2022

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Signed reports

Directors' Declaration

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	2022	2021
		\$'000	\$'000
Premium revenue	5	853,770	801,189
Claims expense		(733,489)	(694,351)
Risk Equalisation Special Account recovery / (expense)		11,919	4,723
State levies		(16,060)	(14,818)
Net claims incurred		(737,630)	(704,446)
Unexpired risk liability (increase) / decrease	7	2,390	(42)
Other underwriting expenses	6	(72,993)	(65,426)
Underwriting result		45,537	31,275
Other revenue	5	10,147	11,986
Other expenses	6	(10,669)	(10,565)
Investment revenue / (expense)	5	(14,369)	23,559
Finance costs	6	(230)	(284)
Profit before income tax for the year		30,416	55,971
Income tax expense	2d	-	-
Profit for the year		30,416	55,971
Other comprehensive income – Property revaluation that will not be reclassified subsequently to profit or loss		-	-
Total comprehensive income for the year		30,416	55,971

This statement should be read in conjunction with the notes to the financial statements.

Consolidated statement of financial position

As at 30 June 2022

	Note	2022	2021
		\$'000	\$'000
Current assets			
Cash and cash equivalents	8	84,131	90,156
Trade and other receivables	12	37,489	28,997
Inventories	13	555	544
Financial assets	9	593,495	518,795
Other assets	14	2,052	2,139
Total current assets		717,722	640,631
Non-current assets			
Property, plant and equipment	15	17,892	17,560
Intangible assets	16	775	2,029
Right-of-use assets	17	23,098	9,470
Total non-current assets		41,765	29,059
Total assets		759,487	669,690
Current liabilities			
Trade and other payables	18	60,165	26,443
Unearned premium liabilities	7	54,832	66,486
Claims provisions	7	142,409	117,874
Unexpired risk liability	7	-	2,390
Lease liabilities	17	2,217	2,655
Other provisions	19	8,592	7,741
Total current liabilities		268,215	223,589
Non-current liabilities			
Lease liabilities	17	21,396	7,281
Other provisions	19	2,724	2,084
Total non-current liabilities		24,120	9,365
Total liabilities		292,335	232,954
Net assets		467,152	436,736
Equity			
Reserves	11	8,335	8,335
Retained earnings		458,817	428,401
Total equity		467,152	436,736

This statement should be read in conjunction with the notes to the financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2022

Note	Asset Revaluation Reserve	Retained Earnings	Total
	\$'000	\$'000	\$'000
Balance at 1 July 2020	8,335	372,430	380,765
Profit for the year	-	55,971	55,971
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	55,971	55,971
Balance at 30 June 2021	8,335	428,401	436,736
Profit for the year	-	30,416	30,416
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	30,416	30,416
Balance at 30 June 2022	8,335	458,817	467,152

This statement should be read in conjunction with the notes to the financial statements.

Consolidated statement of cash flows

For the year ended 30 June 2022

Note	2022	2021
	\$'000	\$'000
Cash flows from operating activities		
Receipts of premiums	839,712	793,864
Claims and levies paid	(688,152)	(696,005)
Other receipts from customers	10,255	11,896
Payments to suppliers and employees	(72,784)	(70,517)
Interest and distributions received	9,579	11,847
Finance costs paid	(244)	(298)
Net cash inflow from operating activities	8a 98,366	50,787
Cash flows from investing activities		
Movement in investments		
Proceeds	88,000	152,000
Purchases	(186,922)	(245,241)
Payments for intangibles	(67)	(652)
Payments for acquisitions	(290)	-
Payments for property, plant and equipment	(2,429)	(791)
Proceeds from sale of property, plant and equipment	13	61
Net cash (outflow) from investing activities	(101,695)	(94,623)
Cash flows from financing activities		
Payments for lease liabilities (principal element)	(2,696)	(2,459)
Net cash (outflow) from financing activities	(2,696)	(2,459)
Net change in cash and cash equivalents held	(6,025)	(46,295)
Cash and cash equivalents at beginning of financial year	90,156	136,451
Cash and cash equivalents at end of financial year	8 84,131	90,156

This statement should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

For the year ended 30 June 2022

SECTION 1: BASIS OF PREPARATION

1 Entity information

The general purpose financial statements are for the consolidated entity consisting of Teachers Federation Health Ltd (“the Company”) and its controlled entities (together comprising “the Group”). The Company, trading as Teachers Health, is a company limited by guarantee, incorporated and domiciled in Australia. The Company is a not-for-profit entity for the purpose of preparing financial statements.

The registered office and principal place of business of the Group is:

Teachers Federation Health Ltd
ABN 86 097 030 414
Level 4, Tower A
260 Elizabeth Street
SYDNEY NSW 2000

2 Basis of preparation

a) Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments for which the fair value basis of accounting has been applied.

The financial statements are presented in Australian dollars with all values rounded to the nearest thousand dollars unless otherwise stated, in accordance with ASIC Rounding in Financial/Directors’ Reports Instrument 2016/191.

Comparative information has been reclassified where required for consistency with the current year’s presentation.

b) Statement of compliance

The financial statements have been prepared in accordance with Accounting Standards (including Australian Accounting Interpretations), other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements incorporate the published views from ASIC and APRA on the measurement and recognition of a deferred

claims liability in response to the unique circumstances arising from the COVID-19 pandemic. ASIC published an FAQ on “COVID-19 implications for financial reporting and audit” regarding the financial years ended 30 June 2020 and 30 June 2021, stating “Private health insurers should recognise a claims liability where an insured person who knows that they have a condition is likely to continue their cover until the surgical procedure has been performed”, in effect requiring a provision at each reporting date for the backlog of medical procedures that were expected to occur from March 2020 to 30 June 2022, but did not due to COVID-19.

APRA has published the “Application of the Capital Framework for COVID-19 Related Disruptions”, which endorsed the recognition of a deferred claims liability and further outlined guidance for its measurement. APRA issued measurement guidance to all private health insurers on 22 June 2020 specifying the treatment of the deferred claims liability for prudential reporting to APRA as at 30 June 2020. APRA’s most recent updated guidance prior to the reporting date was issued on 21 March 2022. APRA’s guidance was adopted by the Group for both prudential reporting to APRA and financial reporting as at 30 June 2020, 30 June 2021 and 30 June 2022. Further detail on the Group’s deferred claims liability is provided in note 7.

A statement of compliance with International Financial Reporting Standards cannot be made due to the Company applying not-for-profit sector specific requirements contained in Australian Accounting Standards.

The financial statements were authorised for issue by the Directors on 28th September 2022.

c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2022 and the results of all subsidiaries for the year then ended. The Company and its subsidiaries together are referred to in these financial statements as the Group. Further details of the Company’s subsidiaries and other entities are set out in Note 20.

The parent controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through

its power over the subsidiary. All subsidiaries have a reporting date of 30 June 2022.

All transactions and balances between Group companies are eliminated on consolidation. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

d) Income tax

The Company is a private health insurer within the meaning of the Private Health Insurance Act 2007 and is exempt from income tax assessment under section 50-30 of the Income Tax Assessment Act 1997. Teachers Healthcare Services Pty Ltd had no taxable profits in the current and prior year.

e) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

f) Segment reporting

The Group operates predominantly in one operating segment, being the provision of private health insurance in Australia.

3 Adoption of new and revised accounting standards

The Group has adopted all new and amended Australian Accounting Standards and interpretations issued by the AASB that are mandatory for the current reporting period. The amendments did not have a material impact on amounts recognised in the current or prior periods, and are not expected to significantly affect future periods.

4 Critical accounting estimates and judgement

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Actual results may differ from these estimates.

The key areas in which critical estimates are applied are as described below:

a) Fair value of directly-held properties

Directly-held property is measured at fair value at last valuation date less subsequent depreciation. The Group engages independent registered valuers to value each of its directly-held properties once every three years and reviews for indicators of impairment annually. Details of specific estimates and judgments used in deriving the valuation of property in use at balance date are detailed in Note 15.

b) Outstanding claims liability

Provision is made at balance date for the liability for outstanding claims which is

measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under insurance contracts issued by the Company.

The expected future payments include those in relation to claims incurred but not yet reported, together with allowances for Risk Equalisation Special Account (RESA) consequences and claims handling expenses. This ‘central estimate’ of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason, the inherent uncertainty in the central estimate must also be considered and a risk margin is added. Actual results could differ from the estimate.

Details of specific key estimates and judgments used in deriving the outstanding claims liability at balance date are detailed in Note 7a.

c) Deferred claims liability

Provision is made at balance date for the liability for claims that were expected to be incurred during the period impacted by the COVID-19 pandemic from March 2020 to June 2022, but were delayed due to restrictions and circumstances impacting on health services providers and persons insured.

The expected future payments reflected in this estimate include those which have been estimated as delayed, together with allowances for RESA consequences and claims handling expenses. Actual results could differ from the estimate.

Details of specific key estimates and judgments used in deriving the deferred claims liability at balance date are detailed in Note 7b.

d) Unexpired risk liability

The unexpired risk liability is determined as the excess of benefits, risk equalisation, state levies, claims related expenses plus a risk margin over the premiums for the relevant period. Projected benefits, risk equalisation, state levies and claims related expenses were determined from projections adjusted for recent experience and based on no membership growth.

Details of specific key estimates and judgments used in deriving the unexpired risk liability at year end are detailed in Note 7c.

SECTION 2: OPERATING PERFORMANCE

5 Revenue	2022	2021
	\$’000	\$’000
Premium revenue	853,770	801,189
Other revenue	10,147	11,986
Distribution income	7,210	8,080
Interest income	2,321	2,966
Changes in the fair value of investment in unit trusts	(23,900)	12,513
Investment revenue / (expense)	(14,369)	23,559
Total revenue	849,548	836,734

Premium revenue

Premium revenue is recorded on an accruals basis, reflecting contributions received, adjusted for the opening and closing contributions in advance and in arrears. Contributions received in advance are recorded as a liability and contributions in arrears (to the extent recoverable) are recorded as an asset. Premiums on unclosed business are brought to account using estimates based on payment cycles nominated by the policyholder.

Other revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the rendering of a service is recognised upon the delivery of the services to the customers. Other revenue is recognised as the performance obligations of contracts are satisfied.

Investment revenue

Investment revenue consists of distribution income, interest income and changes in

the fair value of investments in unit trusts. Distribution income is recognised when the right to receive the income is established. Changes in the fair value of investments in unit trusts are calculated as the difference between the fair value at sale, or balance date, and the fair value at the previous valuation point and are recognised in profit or loss.

All revenue is reported net of the amount of goods and services tax (GST).

Notes to the financial statements (continued)

For the year ended 30 June 2022

6 Expenses

	2022	2021
	\$'000	\$'000
Employee expenses	(45,022)	(39,151)
Depreciation and amortisation	(6,668)	(6,159)
Consultancy and professional fees	(2,969)	(5,583)
Marketing and publicity costs	(6,978)	(5,587)
Information technology expenses	(9,248)	(7,055)
Commission costs	(1,694)	(1,774)
Occupancy costs	(1,857)	(1,886)
Cost of goods sold	(1,542)	(2,018)
Administration and other expenses	(7,667)	(6,764)
Finance costs	(247)	(298)
Total expenses (excluding claims and unexpired risk expenses)	(83,892)	(76,275)

7 Health insurance liabilities

Claims are recorded as an expense in the period in which the service has been provided to the member. During the period, claims that were expected to occur but were delayed due to the COVID-19 pandemic were recognised as a deferred claims liability and included in the claims expense (see note 7b). The cost of claims therefore represents the claims paid during the period adjusted for the movement in the outstanding claims liability and the deferred claims liability.

Risk equalisation relates to amounts recoverable from or payable to the Risk Equalisation Special Account (RESA) which is administered by APRA. Risk equalisation is recognised in the statement of financial performance based on the amounts received or paid during the year and the amount receivable or payable at the end of each reporting period.

In the prior year, separate risk margins and assumptions were used for the two health benefits funds operated by the Group, being

Teachers Health and Nurses & Midwives Health. These two funds merged on 1 January 2022 and thereafter the Group operated a single health benefits fund under multiple brands. As at 30 June 2022 a consistent set of assumptions is used to measure the Group's insurance liabilities.

Claims provisions	2022	2021
	\$'000	\$'000
Outstanding claims liability	77,820	77,652
Deferred claims liability	64,589	40,222
Total claims provisions	142,409	117,874

(a) Outstanding claims liability	2022	2021
	\$'000	\$'000
Central estimate of the expected future payments for claims incurred	71,310	71,087
Claims handling costs	1,055	1,106
Expected payments to the RESA in relation to the central estimate	(970)	(1,072)
Risk margin	6,425	6,531
Total outstanding claims liability	77,820	77,652

Movements in the outstanding claims liability	2022	2021
	\$'000	\$'000
Outstanding claims liability at the beginning of the year	77,652	58,448
Change in claims incurred for the prior year	(6,702)	(2,215)
Claims incurred during the year	685,663	709,297
Claims paid during the year	(678,741)	(688,157)
Change in claims handling costs component	(52)	279
Outstanding claims liability at the end of the year	77,820	77,652

The liability for outstanding claims provides for claims received but not assessed and claims incurred but not received. The liability is based on an actuarial assessment taking into account historical patterns of claim incidence and processing. It is measured as the central estimate of the present value of expected future payments arising from claims incurred at the end of each reporting period.

Key assumptions and estimates

Expected future payments

The outstanding claims liability has been estimated based on historical experience and future expectations as to claims. The calculation was determined taking into account actual claims and membership as at the balance date.

The outstanding claims estimate is derived based on three valuation classes, namely Hospital, Medical and General Treatment services. Diversification benefits within a valuation class are implicitly allowed for through the model adopted. The determination of the risk margin has also implicitly allowed for diversification between valuation classes based on an analysis of past correlations in deviations from the adopted model.

The central estimate of outstanding claims is calculated gross of any estimated risk equalisation recoveries. A separate estimate is then made of the net amount's receivable from or payable to the RESA in relation to the central estimate and included in the outstanding claims liability.

As claims for private health insurers are generally settled within one year, no discounting of claims is applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material.

Risk margin

The risk margin has been applied to reflect the inherent uncertainty of the central estimate. A risk margin of 9.0% (2021: 9.0%) has been applied to the underlying liability, which has been estimated to equate to a probability of adequacy of 75%.

The risk margin has been based on an analysis of past experience of the Fund. This analysis examined the volatility of past payments that have not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility.

Claims handling costs

The liability also allows for an estimate of the costs associated with achieving settlement of outstanding claims. The claims handling costs both directly and indirectly associated with individual claims and have been calculated with reference to the past experience of total claims handling costs as a percentage of past claims payments.

Notes to the financial statements (continued)

For the year ended 30 June 2022

(b) Deferred claims liability	2022	2021
	\$'000	\$'000
Central estimate of the expected future payments for deferred claims	64,471	39,279
Expected payments to the RESA in relation to the central estimate	(837)	327
Claims handling costs	955	616
Total deferred claims liability	64,589	40,222

Movements in the deferred claims liability:	2022	2021
	\$'000	\$'000
Deferred claims liability at the beginning of the year	40,222	51,175
Deferred claims recognised/(adjusted) during the year	36,432	(4,879)
Deferred claims paid	(11,239)	(5,861)
Change in claims handling costs component	(826)	(213)
Deferred claims liability at the end of the year	64,589	40,222

Provision is made at balance date for the liability for claims that were expected to be incurred during the period impacted by the COVID-19 pandemic from March 2020 to June 2022, but were delayed due to restrictions and circumstances impacting on health services providers and persons insured.

Key assumptions and estimates

The deferred claims liability reflects liabilities relating to treatments that were expected to be incurred during the period impacted by the COVID-19 pandemic from March 2020 to June 2022, but were delayed due to community lockdowns and restrictions on elective surgery and allied health provision.

APRA issued measurement guidance to all private health insurers on 22 June 2020 specifying the treatment of the deferred claims liability for prudential reporting to APRA as at 30 June 2020. APRA's most recent updated guidance prior to the reporting date was issued on 21 March 2022. APRA's guidance was adopted by the Group for both prudential reporting to APRA and financial reporting as at 30 June 2020, 30 June 2021 and 30 June 2022.

The Group's methodology for estimating the deferred claims liability has been reviewed over the course of the pandemic, taking into account the increasing internal and external

information available for analysis. As a result, the methodology has been refined compared to the previous year to improve the accuracy of the estimate.

In determining the deferred claims liability at 30 June 2022, the difference between expected and actual claims during the period of March 2020 to June 2022 has been analysed by service month. For each service month where expected claims exceed actual claims, an accrual portion is selected (separately for each claims modality) that determines the proportion of that month's experience that is recognised as COVID-related claims.

Deferral assumptions were set for each clinical category according to the likelihood that the treatments were deferred due to COVID-19. These are applied to the COVID-related claims savings to calculate the deferred claims liability.

A time-weighted release of the deferred claims liability has been introduced into the

valuation methodology in 2022 to reflect the consequences of the prolonged pandemic conditions, and the reducing probability that deferred claims can or will be caught up as time passes. Further, during the year where it was reasonable to attribute higher-than-usual claims to the realisation of COVID-19 deferred claims, a corresponding amount was then released from the deferred claims liability.

After allowing for the revised methodology, the proportion of claims that did not occur as expected during the COVID-19 pandemic until 30 June 2022 and were treated as deferred was approximately 53% of the hospital and medical claims and approximately 25% of the ancillary claims.

The provision has been set at a level estimated to equate to a probability of adequacy of 75%.

Allowance has been made in the deferred claims liability for claims handling costs and the RESA consequence of the deferred claims.

(c) Unexpired risk liability	2022	2021
	\$'000	\$'000
Unearned premium	-	182
Unearned unclosed business	-	1
Constructive obligation	-	2,207
Total unexpired risk liability	-	2,390

At reporting date, the Group assesses the sufficiency of the unearned premium liability to cover all expected future cash flows relating to future claims against current health insurance contracts. This assessment is referred to as the Liability Adequacy Test ('LAT').

The LAT is performed to ensure that unearned premiums (unearned premium liabilities) and premiums expected to be received based on a current policyholders' option to renew their existing contract (constructive obligation) are adequate to cover the expected liabilities arising from the policyholders' existing rights and obligations. The expected liabilities include benefits, member servicing costs and a margin for risk. The period of the projections is up until the next price review or change in contractual benefits.

If the present value of the expected future claims cash flows plus the additional risk margin exceeds the unearned premium

liability, then the unearned premium liability is deemed to be deficient. The Group applies a risk margin to achieve the same probability of sufficiency for future claims as is achieved by the estimate of the outstanding claims liability.

Key assumptions and estimates

The unexpired risk liability is determined as the excess of claims, risk equalisation, state levies, and claims-related expenses plus a risk margin over the premiums for the relevant period. Projected claims, risk equalisation, state levies and claims-related expenses were determined from projections, adjusted for recent experience and based on no membership growth.

The liability adequacy test performed as at 30 June 2022 resulted in no unexpired risk liability for the Group. As at 30 June 2021 the unexpired risk liability related to the business of wholly-owned subsidiary, Nurses & Midwives Health Pty Ltd. On 1 January

2022 the health benefits fund operated by Nurses & Midwives Health Pty Ltd merged with Teachers Health. The liability adequacy test was applied at the merger date for the merged fund and no unexpired risk liability was required for the Group.

The risk margin applied in performance of the liability adequacy test for the Group was 3.0% (2021: 3.0% for Teachers Health and 7.5% for Nurses & Midwives Health), which was also estimated to equate to a probability of adequacy of 75%.

While it is assumed there will be increased claims payments over the period covered by the liability adequacy test due to the catch-up of treatments deferred during the period ended 30 June 2022 due to COVID-19 impacts, these claims payments have not been included in the unexpired risk liability calculation as they are provided for in the deferred claims liability at balance date.

SECTION 3: INVESTMENT PORTFOLIO AND CAPITAL

8 Cash and cash equivalents	2022	2021
	\$'000	\$'000
Cash on hand	5	5
Cash at bank	84,126	90,151
Total cash and cash equivalents	84,131	90,156

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents are held at fair value through profit or loss.

Notes to the financial statements (continued)

For the year ended 30 June 2022

(a) Reconciliation of cash flows from operating activities:	2022	2021
	\$'000	\$'000
Profit for the year	30,416	55,971
- Depreciation and amortisation	6,668	6,159
- Net loss on disposal of property, plant and equipment	5	31
- Fair value losses / (gains) on investment trusts	24,222	(12,277)
Changes in operating assets and liabilities		
- Decrease / (increase) in trade receivables	(8,311)	(1,503)
- Decrease / (increase) in inventories	(11)	13
- Decrease / (increase) in other assets	98	(839)
- Increase / (decrease) in payables	33,298	1,365
- Increase / (decrease) in other liabilities	(10,164)	(6,425)
- Increase in claims provision and unexpired risk liability	22,145	8,292
Net cash inflow from operating activities	98,366	50,787

9 Financial assets at fair value	2022	2021
	\$'000	\$'000
Term deposits, at fair value	360,138	300,138
Fixed income trusts, at fair value	143,794	141,363
Equity trusts, at fair value	70,605	77,294
Property and infrastructure trusts, at fair value	18,957	-
Total financial assets	593,495	518,795

Financial instruments

(a) Financial risk management

The Group's business and activities are affected by a variety of financial risks, including market risk, liquidity risk and credit risk. A comprehensive risk management system is in place to manage financial and non-financial risks.

The Board has overall responsibility for the establishment and oversight of the risk management framework and is supported by the Audit and Finance Committee, Risk and Governance Committee and management

in monitoring and managing the Group's financial risk exposures. The following policies have been established and are regularly reviewed to support effective financial risk management and to meet the Company's prudential regulatory obligations:

- Capital Management Plan;
- Pricing Philosophy;
- Liquidity Management Plan; and
- Investment Policy.

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, investments in equity fixed income and property and infrastructure trusts, accounts receivable, payables and leases. The Group is not a direct party to any derivative instruments at 30 June 2022 (2021: nil).

The totals for each category of financial instrument, measured in accordance with AASB, are as follows:

Financial assets	2022	2021
	\$'000	\$'000
Cash and cash equivalents	84,131	90,156
Financial assets at fair value through profit or loss:		
- Equity trusts	70,605	77,294
- Fixed income trusts	143,794	141,363
- Property and infrastructure trusts	18,958	-
- Term deposits	360,138	300,138
Financial assets at amortised cost:		
-Trade and other receivables	37,554	28,997
Total financial assets	715,180	637,948

Financial liabilities	2022	2021
	\$'000	\$'000
Financial liabilities at amortised cost:		
- Trade and other payables	60,231	26,443
- Lease liabilities	23,613	9,936
Total financial liabilities	83,844	36,379

Classification

The Group classifies its financial assets into the following measurement categories:

- Those to be measured at fair value through profit or loss; and
- Those to be measured at amortised cost.

The classification depends on the nature of the financial assets and the contractual terms of the relevant cash flows.

Assets backing private health insurance liabilities

All financial assets backing private health insurance liabilities are classified as fair value through profit or loss. The Group has determined that cash and cash equivalents and financial assets are held to back private health insurance liabilities.

Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are recognised initially at fair value. Transaction costs related to instruments classified at fair value through profit or loss are expensed to profit or loss immediately. All other financial assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to initial recognition, for financial assets measured at fair value through profit or loss, realised and unrealised gains or losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial assets, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Notes to the financial statements (continued)

For the year ended 30 June 2022

(b) Fair value measurement

Fair value hierarchy

The tables below separate financial assets and financial liabilities according to a hierarchy that reflects the significance of the inputs used in the determination of fair value. The fair value hierarchy has the following levels:

Level 1 Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The Group's financial assets and liabilities as identified above have carrying amounts that are reasonable approximations for fair values.

2022	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Assets at fair value through profit or loss				
Term deposits	360,138	-	-	360,138
Equity trusts	-	70,605	-	70,605
Fixed income trusts	-	143,794	-	143,794
Property and infrastructure trusts	-	-	18,958	18,958
Total assets at fair value through profit or loss	360,138	214,399	18,958	593,495
Assets at fair value through other comprehensive income (OCI)				
Property in use	-	-	12,408	12,408
Total assets at fair value through OCI	-	-	12,408	12,408

2021	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Assets at fair value through profit or loss				
Term deposits	300,138	-	-	300,138
Equity trusts	-	77,294	-	77,294
Fixed income trusts	-	141,363	-	141,363
Total assets at fair value through profit or loss	300,138	218,657	-	518,795
Assets at fair value through other comprehensive income (OCI)				
Property in use	-	-	12,667	12,667
Total assets at fair value through OCI	-	-	12,667	12,667

Change in level 3 assets

Level 3 investments consist of investments in unlisted property and infrastructure directly held Australian property. An assessment of the current impact of COVID-19 on the performance of the Level 3 component of the investments has been undertaken and that performance has not changed sufficiently to currently warrant any additional sensitivity being included.

	Property in use	Property and infrastructure trusts
	\$'000	\$'000
Balance as at 30 June 2021	12,667	-
Change in valuation of property in use for the period:		
- Additions	-	18,890
- Depreciation expense	(259)	-
- Change in fair value of property and infrastructure trusts	-	67
Balance as at 30 June 2022	12,408	18,957
The Group holds land and buildings at fair value of \$12.4 million classified as Level 3. The Level 3 fair value of land and buildings has been derived using the market value approach. The key inputs under this approach are the current observable prices in an active market for similar properties in the same location and condition, and the net market rental income as at valuation date, capitalised at an appropriate market yield. Adjustment has been factored to recognise the uncertainty regarding the duration and impact of the	COVID-19 pandemic and the implications for the commercial property market. The Group holds investments in real estate and infrastructure funds of \$19.0 million. The valuations of these trusts are based on unit prices provided by the fund administrator of the trusts and form the basis of fair value. The assets of the trusts are valued by the Fund Administrator and the NAVs of the trusts are calculated in accordance with the constitutions of the trusts. The fund	administrator values the trust assets in accordance with standard market practice and market prices are generally sourced from third parties. Where no independent pricing source is available to value an asset, the investment manager will liaise with the fund administrator to determine the value of the asset in accordance with acceptable industry standards.

10 Financial risk management

(a) Capital management

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, in order to continue to provide benefits for stakeholders, whilst maintaining an optimal capital structure.

The Group must satisfy APRA Prudential Standards HPS 100 (Solvency) and HPS 110 (Capital Adequacy) under the Private Health Insurance (Prudential Supervision) Act.

In brief, the intention of these standards is to ensure that the health benefits fund of a private health insurer has sufficient, appropriate assets available to be able to

demonstrate that it will be able to meet future policyholder and creditor obligations under a range of adverse circumstances.

The Group's Board-endorsed financial risk management policies are designed to ensure compliance with solvency and capital adequacy requirements and include internal targets and triggers to govern monitoring and management actions. The fund fully met its capital and solvency requirements at all times during the financial year.

(b) Market risks

The Group's overall investment strategy seeks to assist it in meeting its financial targets,

while minimising potential adverse effects on financial performance. During the current and previous financial year, the Group's financial assets were exposed to a range of market risks, most notably interest rate risk and equity price risk.

Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at reporting date whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. No disclosure has been made below in relation to financial liabilities as the Group does not have material interest rate risk exposure on its financial liabilities as at 30 June 2022.

	Weighted average effective interest rate	Maturing within 1 year	Fixed interest rate maturing 1 to 5 years	Fixed interest rate maturing greater than 5 years	Total
	%	\$'000	\$'000	\$'000	\$'000
2022					
Financial assets					
Cash and cash equivalents	0.98%	84,131	-	-	84,131
Term deposits	0.75%	360,138	-	-	360,138
Fixed income trusts	4.41%	143,794	-	-	143,794
Total interest-bearing financial assets		588,063	-	-	588,063
2021					
Financial assets					
Cash and cash equivalents	0.28%	90,156	-	-	90,156
Term deposits	0.67%	300,138	-	-	300,138
Fixed income trusts	1.44%	141,363	-	-	141,363
Total interest-bearing financial assets		531,657	-	-	531,657

Notes to the financial statements (continued)

For the year ended 30 June 2022

The following table illustrates sensitivities to the Group’s exposures to changes in interest rates. The table indicates the impact on how profit or loss and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2022		2021	
	+3.00%	-3.00%	+1.00%	-1.00%
	\$’000	\$’000	\$’000	\$’000
Interest rate movement				
Impact on net result for the year	6,838	(6,838)	2,315	(2,315)
Impact on equity	6,838	(6,838)	2,315	(2,315)

Equity price risk

The Group holds investments in equity trusts. These investments are held for long-term strategic purposes rather than trading. The following table illustrates sensitivities to the Group’s exposures to changes in equity prices. The table indicates the impact on how profit or loss and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2022		2021	
	+5.00%	-5.00%	+5.00%	-5.00%
	\$’000	\$’000	\$’000	\$’000
Equity price movement				
Impact on net result for the year	3,530	(3,530)	3,865	(3,865)
Impact on equity	3,530	(3,530)	3,865	(3,865)

Property and infrastructure assets price risk

The Group holds investments in real estate and infrastructure trusts. These investments are held for long-term strategic purposes rather than trading. The following table illustrates sensitivities to the Group’s exposures to changes in real asset prices. The table indicates the impact on how profit or loss and equity values reported at balance date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	2022		2021	
	+5.00%	-5.00%	+5.00%	-5.00%
	\$’000	\$’000	\$’000	\$’000
Real asset price movement				
Impact on net result for the year	948	(948)	-	-
Impact on equity	948	(948)	-	-

Insurance risk

The Group’s health insurance activities primarily include pricing, claims management and investment management.

Because of the specific requirements of health insurance community rating, risks must be accepted at a standard premium rate that is not individually risk rated. The Group is also required to participate in an industry-wide arrangement to effectively provide reinsurance support so the industry as a whole shares the hospital cost of high-risk groups (the Risk Equalisation Special Account). Risk equalisation provides some protection to high cost claims however it exposes the Company to claims from other health insurers.

While the Group has the ability to determine premium rates and benefits payable within certain parameters, there is limited ability to price for risk.

Other market risks

The Group has exposure to foreign currency risk through investments in unhedged global equities. This exposure is monitored against the investment policy. The Group has no material risk to foreign currency risk at balance date.

The Group has no material exposure to commodity price risk.

(c) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages this risk through the following mechanisms:

- Preparing forward looking cash flow analysis in relation to its operational, investing and financing activities;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Investing only in surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Cash flows realised from financial assets reflect management’s expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management’s expectations that financing facilities will be rolled forward.

The tables below reflect an undiscounted contractual maturity analysis for financial assets and liabilities.

Maturity analysis	Due < 1yr	Due 1 – 5yrs	No fixed date	Total
2022	\$’000	\$’000	\$’000	\$’000
Financial assets — cash flows realisable				
Cash and cash equivalents	84,131	-	-	84,131
Investment income receivable	1,206	-	-	1,206
Term deposits	360,138	-	-	360,138
Equity trusts	70,605	-	-	70,605
Fixed income trusts	143,794	-	-	143,794
Property and infrastructure trusts	-	18,958	-	18,958
Trade and other receivables	36,349	-	-	36,349
Total anticipated inflows	696,223	18,958	-	715,181
Financial liabilities — cash flows realisable				
Trade and other payables	60,231	-	-	60,231
Lease liabilities	2,217	21,395	-	23,612
Total anticipated outflows	62,448	21,395	-	83,843
Net inflow / (outflow) on financial instruments	633,775	(2,437)	-	631,338

Maturity analysis	Due < 1yr	Due 1 – 5yrs	No fixed date	Total
2021	\$’000	\$’000	\$’000	\$’000
Financial assets — cash flows realisable				
Cash and cash equivalents	90,156	-	-	90,156
Investment income receivable	931	-	-	931
Term deposits	300,138	-	-	300,138
Equity trusts	77,294	-	-	77,294
Fixed income trusts	141,363	-	-	141,363
Trade and other receivables	28,066	-	-	28,066
Total anticipated inflows	637,948	-	-	637,948
Financial liabilities — cash flows realisable				
Trade and other payables	26,443	-	-	26,443
Lease liabilities	2,655	7,281	-	9,936
Total anticipated outflows	29,098	7,281	-	36,379
Net inflow on financial instruments	608,850	(7,281)	-	601,569

Notes to the financial statements (continued)

For the year ended 30 June 2022

(d) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contractual obligations that could lead to a financial loss to the Group.

Management monitors credit risk by actively assessing the rating quality and liquidity of counterparties. Standard & Poor's ratings of publicly rated assets are used and mapped to the corresponding grade for APRA reporting purposes. Below is an analysis of the credit risk profile of financial assets at balance date.

	APRA grading					
	1	2	3	4	Unrated	Total
2022	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	84,126	-	-	-	5	84,131
Investment income receivable	823	383	-	-	-	1,206
Term deposits	235,138	125,000	-	-	-	360,138
Equity trusts	-	1,358	-	-	69,247	70,605
Fixed income trusts	58,352	66,667	13,150	725	4,900	143,794
Real assets trusts	9	1,445	-	-	17,503	18,957
Trade and other receivables	-	-	-	-	36,349	36,349
Total	378,448	194,853	13,150	725	128,004	715,180
% of total	52.92%	27.25%	1.84%	0.1%	17.90%	

	APRA grading					
	1	2	3	4	Unrated	Total
2021	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents	90,151	-	-	-	5	90,156
Investment income receivable	834	97	-	-	-	931
Term deposits	218,138	82,000	-	-	-	300,138
Equity trusts	-	1,575	-	-	75,719	77,294
Fixed income trusts	67,970	59,300	10,076	535	3,482	141,363
Trade and other receivables	-	-	-	-	28,066	28,066
Total	377,093	142,972	10,076	535	107,272	637,948
% of total	59.11%	22.41%	1.58%	0.08%	16.82%	

11 Reserves

Asset revaluation reserve

The asset revaluation reserve records the cumulative revaluations of non-current assets. The current balance of this reserve has been recognised as a result of the revaluation of properties in use since acquisition.

Asset revaluation reserve movement	
	\$'000
Balance at 30 June 2020	8,335
Revaluation of property in use	-
Balance at 30 June 2021	8,335
Revaluation of property in use	-
Balance at 30 June 2022	8,335

SECTION 4: OTHER ASSETS AND LIABILITIES

12 Trade and other receivables

	2022	2021
	\$'000	\$'000
Trade receivables	91	187
Premiums in arrears	1,627	1,516
Medicare rebate receivable	23,629	21,564
Investment income receivable	1,206	931
Amounts receivable from the Risk Equalisation Special Account	7,389	1,241
Other receivables	3,547	3,558
Total trade and other receivables	37,489	28,997

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method. The Expected Credit Loss simplified approach under AASB 9 has been applied. Unless otherwise stated, all receivables are expected to be settled within 30-60 days.

The receivable for premiums in arrears is adjusted to take into account the probability of receiving the revenue, included in Trade and other receivables. The probability factors are the Group's best estimate of the probability of receiving the funds based on past experience. The premium in arrears considered to be impaired or non-collectable at balance date was not material.

Amounts receivable from the Risk Equalisation Special Account (RESA)

Risk equalisation relates to amounts recoverable from or payable to the RESA which is administered by APRA. The Group was in a net RESA recoverable position at the end of 2022 and 2021. The RESA amount is calculated and settled on a quarterly basis.

13 Inventories

Inventories are measured at the lower of cost and net realisable value and relate to the Group's health centre businesses. Cost is determined on the basis of full purchase price.

14 Other assets

	2022	2021
	\$'000	\$'000
Prepayments	2,037	2,127
Other	15	12
Total other assets	2,052	2,139

Notes to the financial statements (continued)

For the year ended 30 June 2022

15 Property, plant and equipment	Note	2022	2021
		\$'000	\$'000
Property in use			
At fair value	(a)	12,925	12,925
Accumulated depreciation		(517)	(258)
Total property in use		12,408	12,667
Leasehold improvements			
At cost		14,352	12,944
Accumulated depreciation		(10,576)	(9,523)
Total leasehold improvements		3,776	3,421
Plant & equipment			
At cost		9,099	8,313
Accumulated depreciation		(7,391)	(6,841)
Total plant & equipment		1,708	1,472
Total property, plant and equipment		17,892	17,560

(a) The fair value of property at balance date was estimated using observable data on recent transactions and rental yields for similar properties. Property in use was last revalued by the Directors as at 30 June 2020 using the results of independent valuations conducted in June 2020, reduced by an allowance for the heightened uncertainty and risk of volatility in the property market arising from the COVID-19 pandemic. No material change to the valuation of the property was observed as at 30 June 2022.

Movements in carrying amounts	Property in use	Leasehold improvements	Plant & equipment	Total
	\$'000	\$'000	\$'000	\$'000
Carrying amount at 30 June 2020	12,925	4,325	2,068	19,318
Additions	-	70	721	791
Disposals	-	-	(93)	(93)
Depreciation expense	(258)	(974)	(1,224)	(2,456)
Carrying amount at 30 June 2021	12,667	3,421	1,472	17,560
Additions	-	1,416	1,089	2,505
Disposals	-	(9)	(16)	(25)
Depreciation expense	(259)	(1,054)	(835)	(2,148)
Carrying amount at 30 June 2022	12,408	3,775	1,708	17,892

Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Property in use is shown at its fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction). Valuations are performed every three years or when it is likely there has been a material movement in the value of the assets.

Increases in the carrying amount arising on revaluation of properties in use are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same class of asset are charged against the related revaluation reserve directly in equity. All other decreases are charged to profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Leasehold improvements, plant and equipment

Leasehold improvements and plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than it's estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the profit or loss.

Depreciation

Depreciation is calculated on a straight-line basis to write off the cost or revalued amount of each item of property, plant and equipment over its expected useful life to the Group, commencing from the time the asset is ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the assets. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period date.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Property	2%
Leasehold improvements	15-25%
Plant and equipment	20-33%

Impairment of non-financial assets

At each balance date, the Group reviews the carrying values of its tangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset's carrying value over its recoverable amount is expensed to the profit or loss.

16 Intangible assets	2022	2021
	\$'000	\$'000
Computer software		
Cost	6,486	6,432
Accumulated amortisation	(6,113)	(4,403)
Net carrying value	373	2,029
Other intangibles		
Cost	455	-
Accumulated amortisation	(53)	-
Net carrying value	402	-
Total intangible assets	775	2,029

Movements in carrying amounts	Computer software	Other intangibles	Total
	\$'000	\$'000	\$'000
Carrying amount at 30 June 2020	2,445	-	2,445
Additions	652	-	652
Amortisation expense	(1,068)	-	(1,068)
Carrying amount at 30 June 2021	2,029	-	2,029
Additions	67	455	522
Amortisation expense	(1,723)	(53)	(1,776)
Carrying amount at 30 June 2022	373	402	775

Notes to the financial statements (continued)

For the year ended 30 June 2022

Computer software

Computer software has a finite useful life and is carried at cost, less accumulated amortisation and impairment losses. Amortisation is calculated on a straight-line basis to allocate the cost of the software over their useful lives, being three years. The remaining useful life of software assets is regularly reviewed.

Software as a Service (SaaS) arrangements are service contracts providing the Group with rights to access the cloud provider’s application software over the contract period. Costs incurred to configure or customise, and the ongoing fees to obtain access to the cloud

provider’s application software, are generally recognised as operating expenses when the services are received. Some of these costs incurred are for the development of software code that enhances, modifies or creates additional capability to existing on-premise systems or applications controlled by the Group and meets the recognition criteria for an intangible asset. These costs are recognised as intangible software assets and amortised over the useful life of the software on a straight-line basis.

Impairment of intangible assets

At each balance date, the Group reviews the carrying values of it’s intangible assets to

determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset’s fair value less costs to sell and value in use, is compared to the asset’s carrying value. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

Any excess of the asset’s carrying value over it’s recoverable amount is expensed to the profit or loss.

17 Leases

This note provides information for leases where the Group is a lessee. Set out below, are the carrying amounts of the Company’s right-of use assets and lease liabilities in the consolidated statement of financial position and the movements during the period.

	2022	2021
	\$’000	\$’000
Right-of-use assets		
Property	23,098	9,470
Lease liabilities		
Current	2,217	2,655
Non-current	21,396	7,281
Total lease liabilities	23,613	9,936
Movements in carrying amounts	Right-of-use assets	Lease liabilities
	\$’000	\$’000
Carrying amount at 30 June 2020	11,812	12,104
Additions	291	291
Depreciation expense	(2,633)	-
Interest expense	-	298
Payments	-	(2,757)
Carrying amount at 30 June 2021	9,470	9,936
Additions	16,372	16,372
Depreciation expense	(2,744)	-
Interest expense	-	248
Payments	-	(2,943)
Carrying amount at 30 June 2022	23,098	23,613

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset, less any lease incentives received. The right-of-use asset is subsequently measured under the cost

model and depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is reviewed for indicators of impairment and adjusted for certain re-measurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that have not been paid at the commencement date, discounted using the Group’s incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a lease modification that is not accounted for as a separate lease, there is a change in future lease payments arising from a change in an index or rate, if there is a change in the

Group’s estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of other income.

18 Trade and other payables

	2022	2021
	\$’000	\$’000
COVID-19 member give-back payable	31,713	-
Claims payable	22,206	23,009
Trade and other payables	6,246	3,434
Total trade and other payables	60,165	26,443

COVID-19 member give-back payable

Since the outbreak of the COVID-19 pandemic, the Group has maintained that it will not profit from the pandemic. The Group extended its COVID-19 package of member support with the announcement in June 2022 of a direct payment to eligible policyholders, with payments made in August 2022. The payments were funded from permanent claims savings the Group estimates have resulted from COVID-19 restrictions and disruption to health care services. The amount payable has been recognised as a liability at

reporting date and as a claims expense, with an allowance for the communication and administration of the payments recognised within other underwriting expenses.

Trade creditors, claims payable and other payables

Trade creditors, claims payable and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future

payments in respect of the purchase of these goods and services. Trade and other payables are generally settled within three months, are unsecured and undiscounted.

Claims payable relate to health insurance claims incurred, assessed and processed but not settled as at the reporting date. Due to the certainty of the amount payable, a risk margin is not applied. The estimated liability for claims incurred but not reported as at reporting date is recognised in the Claims Provisions (see note 7).

19 Other provisions

	2022	2021
	\$’000	\$’000
Current		
Employee benefits	8,592	7,741
Total current provisions	8,592	7,741
Non-current		
Employee benefits	1,631	1,236
Make good on leased premises	1,093	848
Total non-current provisions	2,724	2,084

Notes to the financial statements (continued)

For the year ended 30 June 2022

Movements in other provisions	Employee benefits	Make good on leased premises	Total
	\$'000	\$'000	\$'000
Balance at 30 June 2020	7,870	848	8,718
Amounts used during the year	(4,036)	-	(4,036)
Amounts raised during the year	5,143	-	5,143
Balance at 30 June 2021	8,977	848	9,825
Amounts used during the year	(4,290)	-	(4,290)
Amounts raised during the year	5,535	246	5,781
Balance at 30 June 2022	10,222	1,093	11,316

Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result, and that outflow can be reliably measured. Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

Make good on leased premises

In accordance with certain lease agreements, the Group is obligated to restore leased premises to their original condition at the end of the lease term. A provision has been made to provide for this. This provision is expected to be released against payments made to return premises to their original condition on termination of rental lease and vacation of premises.

Employee benefits

Short-term employee benefits

Short-term employee benefits include wages and salaries, non-monetary benefits, personal leave and annual leave. Short-term employee benefits expected to be settled within twelve months are measured at the undiscounted amounts expected to be paid when the liabilities are settled. The liability for annual leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefits

Long-term employee benefits include obligations in respect of long service leave, which is the amount of future benefit that employees have earned in return for their services in the current and prior periods. The liability for long service leave is measured at the present value of the expected future payments to be made to employees.

The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash outflows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

The Group presents employee benefit obligations as current liabilities in the statement of financial position if it does not have an unconditional right to defer settlement for at least twelve months after the reporting period, irrespective of when the actual settlement is expected to take place.

Post-employment benefits plans

The Group provides post-employment benefits through employee superannuation plans.

Employee superannuation plans

The Group pays fixed contributions into independent entities in relation to superannuation and insurance for individual employees. The Group has no legal or constructive obligations to pay contributions in addition to its fixed contributions, which are recognised as an expense in the period that relevant employee services are received.

SECTION 5: OTHER DISCLOSURES

20 Group structure

The parent entity within the Group is Teachers Federation Health Ltd.

Name of entity	Country of incorporation and principal place of business	Principal activity	Group's proportionate share of ownership	
			2022	2021
Nurses & Midwives Health Pty Ltd ⁽¹⁾	Australia	Providing private health insurance	N/A	100%
Teachers Healthcare Services Pty Ltd	Australia	Broader health cover services of care coordination	100%	100%
Teachers Federation Health Foundation Pty Ltd ⁽²⁾	Australia	Trustee for foundation, funding and promoting medical research	100%	100%
Teachers Dental (Surry Hills) ⁽³⁾	Australia	Dental services	100%	51%

1. Nurses & Midwives Health Pty Ltd was wound up and deregistered in June 2022.

consolidated financial statements. Teachers Federation Health Ltd acquired the other joint venture partner's 49% interest on 1 December 2021. From that date the business is 100% owned by the Group and is conducted within the Teachers Federation Health Ltd entity. The acquisition was immaterial to the Group.

and eligible communities through the multiple brands of Teachers Health, UniHealth and Nurses & Midwives Health. The merger allows the Group to combine its efforts and resources more efficiently for the benefit of members and the fund.
2. This trustee entity did not actively trade during the year and hence no impact on the consolidated statement of profit or loss and other comprehensive income. The activities of Teachers Health Foundation do not form part of the consolidated Group.

On 1 January 2022, the Nurses & Midwives Health fund merged with the Teachers Health fund, enabling the Group to operate as one health fund and engaging with its members

Nurses & Midwives Health Pty Ltd net assets of \$13,040,921 were transferred to Teachers Federation Health Ltd on the effective date of the merger and the parent's investment and loans to the subsidiary were extinguished. No consideration was paid.
3. Teachers Dental (Surry Hills) was an unincorporated joint venture entity that was not material to the Group's

Parent entity information

Information relating to Teachers Federation Health Ltd:

	2022	2021
	\$'000	\$'000
Statement of financial position		
Current assets	717,937	616,325
Total assets	759,701	661,779
Current liabilities	269,270	216,271
Total liabilities	292,224	224,707
Reserves	8,335	8,335
Retained earnings	459,142	428,737
Total equity	467,477	437,072
Statement of profit or loss or other comprehensive income		
Profit for the year	30,405	56,070
Other comprehensive income	-	-
Total comprehensive income	30,405	56,070

Notes to the financial statements (continued)

For the year ended 30 June 2022

21 Related party transactions

The following table details transactions with related parties.

	Note	2022	2021
		\$	\$
Teachers Dental (Surry Hills) – Profit distribution	(a)	226,779	458,398
Teachers Dental (Surry Hills) – Management fees	(b)	536,663	1,669,680
		763,442	2,128,078

(a) The Group received profit distribution from Teachers Dental (Surry Hills).

(b) The Group charged Teachers Dental (Surry Hills) for premises rental, personnel and resources supplied.

The total amount due from Teachers Dental (Surry Hills) to the Group was \$0 at 30 June 2022 (\$17,325 at 30 June 2021).

The key management personnel compensation included within employee expenses is:

	2022	2021
	\$	\$
Short-term employee benefits		
Salary and fees	4,225,140	3,712,165
Other benefits	280,592	337,923
	4,505,732	4,050,088
Post-employment benefits		
Superannuation	265,180	229,764
Total key management personnel compensation	4,770,912	4,279,852

Key management personnel are those who have the responsibility for planning, directing and controlling the activities of the Group and consist of the Directors, CEO and direct reports.

22 Auditor's remuneration

	2022	2021
	\$	\$
Fees paid or payable to Ernst and Young as auditor of the Group:		
- Audit of annual financial reports	171,349	191,342
- Audit or review of other regulatory requirements	94,654	103,177
Total auditor's remuneration	266,003	294,519

23 Commitments and contingent liabilities

The Group had contingent liabilities at 30 June 2022 in respect of bank guarantees backed by term deposits, issued in respect of premises leases of \$2,137,999 (2021: \$ 2,137,999).

24 Significant events after the reporting period

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

25 New accounting standards for application in future periods

The Australian Accounting Standards Board (AASB) has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group does not anticipate early adoption of these standards. Apart from the standard below, other accounting standings and interpretations issued but not yet effective are not expected to have a material impact on the financial statements of the Group. A discussion of those future requirements and their impact on the Group follows:

AASB 17 Insurance Contracts (applicable to reporting periods commencing on or after 1 January 2023)

On 19 July 2017, the Australian Accounting Standard Board issued AASB 17 Insurance Contracts, incorporating the recently issued IFRS 17 Insurance Contracts. This will replace AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. The Standard will change the accounting for insurance contracts by the Group.

On 25 June 2020, the International Accounting Standards Board ("IASB") issued 'Amendments to IFRS 17' to address concerns and implementation challenges raised in consultation processes with the industry. This was adopted by the AASB in July 2020. The new standard now comes into effect for annual periods beginning on or after 1 January 2023 with earlier application permitted. The standard becomes effective for the Group from 1 July 2023.

The Standard introduces three new measurement approaches for accounting for insurance contracts. These include the General Measurement Model (GMM), which is the default model to be applied to contracts, the Premium Allocation Approach (PAA), which may be applied to short term contracts and the Variable Fee Approach, to be applied to direct participating products.

AASB 17 permits the use of the simplified Premium Allocation Approach (PAA) where either:

- The contract boundary of each contract within the portfolio is one year or less; or
- The measurement of the liability for remaining coverage at inception of a contract is not materially different than if applying GMM which involves estimating future cash flows and risks from existing policies and taking profit to account over the policy period, adjusting the profit over the life of the contract when actual experience varies from expected.

The PAA operates in a manner similar to the way private health insurance contracts are accounted for under AASB 1023 General Insurance Contracts. Eligibility of contracts within the Groups' portfolio have been assessed as having a contract boundary within one year or less and it is likely the simplified approach under the PAA can be adopted.

The standard introduces substantial changes to the presentation and disclosure of insurance line items in the financial statements, introducing new line items on the balance sheet and statement of comprehensive income and increased disclosure requirements compared with existing reporting requirements.

Existing insurance contract line items on the balance sheet will be replaced with insurance contract assets and liabilities.

Directors' declaration

The Directors of Teachers Federation Health Ltd declare that:

1. The consolidated financial statements and notes, as set out on pages 35 to 62, are in accordance with the Corporations Act 2001 and:
 - i. comply with Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
 - ii. give a true and fair view of the Group's financial position as at 30 June 2022 and of the performance for the year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that Teachers Federation Health Ltd will be able to pay its debts as and when they become due and payable.

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



M O'Halloran, AM
Director

Dated this 28th day of September 2022
Sydney, NSW

Independent auditor's report



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Independent Auditor's Report to the Members of Teachers Federation Health Ltd

Opinion

We have audited the financial report of Teachers Federation Health Ltd (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter - Private Health Insurance Basis of Accounting

We draw your attention to Note 1 'Statement of Compliance' within the Financial Statements. This note describes the incorporation of the published views of the Australian Securities and Investments Commission (ASIC) and the Australian Prudential Regulation Authority (APRA) on the measurement and recognition of a deferred claims liability in response to the unique circumstances arising from the COVID-19 pandemic.

In our view, this matter is fundamental to the users' understanding of the Consolidated Financial Report and the financial position and performance of the Group. Our Opinion is not modified with respect to this matter.

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Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.


Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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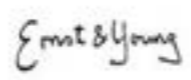


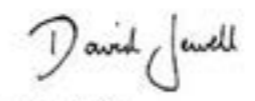
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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.


 Ernst & Young


 David Jewell
 Partner
 Sydney
 28 September 2022

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“ I’ve been with Teachers Health for over a decade, and they weren’t just the choice for me because I am a teacher. I wanted and needed the best health and physical outcomes that I could get to become the best in the world with the sport that I chose. ”

Kurt Fearnley - Gold medallist, disability activist, teacher and Teachers Health member since 2010





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

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