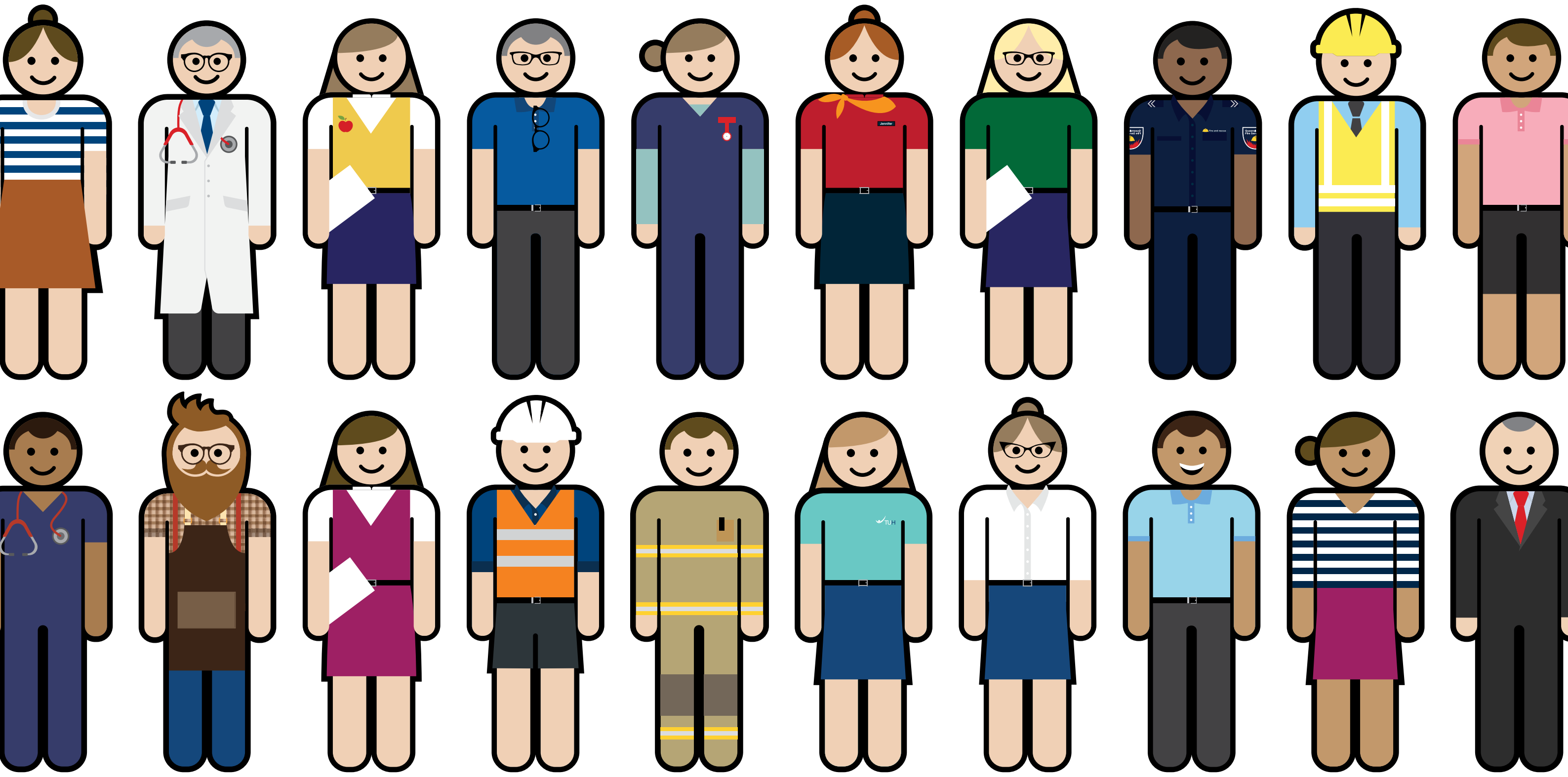
TUH Health Fund

MEMBERS OWN HEALTH FUND



Annual Report 2017

Our vision

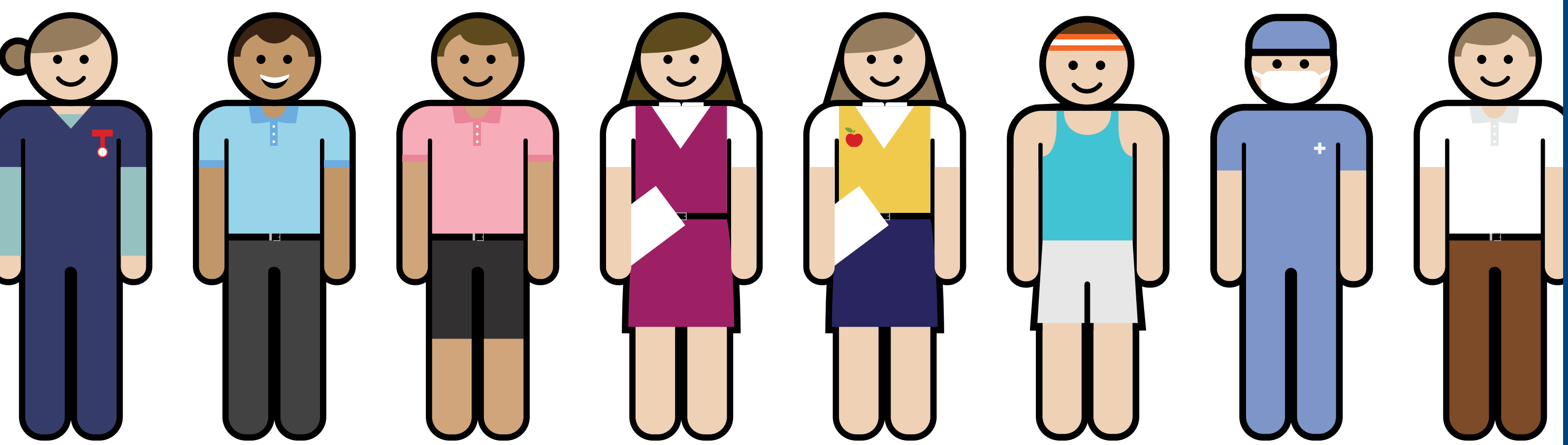
To be the lifetime health partner for union members and their families.

Our purpose

- To provide our members with access to high quality health care by delivering competitive products and benefits
- To improve our members' health and wellbeing by facilitating and delivering quality health services and outcomes
- To provide our members with exceptional and personal customer service
- To demonstrate our appreciation of our members, our employees, and our community
- To strengthen and grow our membership base to ensure the long-term viability of the health fund
- To act with integrity and in the best interests of members

Our mission

Better cover. Better health. Better life.



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Chair's report

John Battams

Over the past year, the board has focused on improving TUH's long-term future as a sustainable, member-focused health fund. TUH has grown rapidly since 2014. That growth, which was considerably above the industry average, was a necessary step in ensuring TUH's long term sustainability. But, as I noted last year, high growth comes with challenges that need to be managed including regulatory risks and pressure on capital. I am very pleased to confirm to you that your fund has continued to deliver growth at 3.3% over the 2016-17 year while significantly improving its regulatory capital position.

Like all funds, TUH has to balance the key concerns of its members (affordability, quality, member-focus) with the increasing complexity and rising health care costs facing the industry. Your board has worked with management to ensure that the fund's balance sheet has improved while returning more benefits to members than the industry average. In fact, for the 12 months to 30 June 2017, TUH returned approximately 88% of contributions to our members, compared to an average of 85% across the industry.

Last year I mentioned that the board had reviewed its strategic plan to address quality, affordability and equity. The board also developed a sustainability strategy to address financial and industry trends. I am very pleased to report that both these measures have contributed positively to the 2016-17 financial results. TUH is in a very sound financial position with assets in excess of $128.5 million, with the fund holding $77.2 million in managed investments and $22.8 million in owner-occupied and investment property. The increased value of investments and investment property contributed $3.1 million to the overall surplus of the fund. TUH reported a net surplus after investments of $8.3 million. These results are significantly better than the prior year and the board will continue to work with management to improve net operating results before investment income, whilst at the same time endeavoring to minimise premium increases.

The board is immensely proud of being able to share the success of TUH's growth and sustainability strategy with you. We are now preparing for a period of change in health insurance, with government reform and industry disruption likely, as well as slow or no member growth across the industry. I am confident that the sustainability measures in 2016-17, combined with our ongoing strategic emphasis on member experience and health outcomes, will ensure TUH continues to provide excellent value and security for members.

We are very grateful to have the ongoing support of our two principal education unions, the QTU and the QIEU, which continue to provide strong support to the fund. The ongoing level of commitment from these values-based organisations is even more important to us in an environment of increasing competition from other funds and disruptors. Support is continuing to grow from other unions, particularly the Queensland Nurses and Midwives' Union, United Voice, United Firefighters Union and a number of others. Strong relationships with key unions will continue to be a focus for TUH.

I would like to acknowledge the enormous contribution of the Directors, management and staff for their ongoing commitment to our members and the success of the fund.

CEO's report

Rob Seljak

Sustainability

During the 2016-17 financial year, TUH experienced more moderate growth (3.3%) compared to the previous two years (both over 12%). In comparison, the industry average growth rate was around 1%. The focus changed from growth to sustainability as part of a strategy by the board to ensure TUH remains a strong and successful health fund long into the future. Some product changes were required to avoid what is known as adverse selection, when members switch from other health fund products with less benefits than TUH and join TUH for the sole purpose of making claims against their cover. In some cases, these transferring members make significant claims then leave us for cheaper products. This behaviour affects the premiums paid by our members. TUH has to remain vigilant in assessing the market to ensure loyal TUH members are not disadvantaged by adverse selection or competitor activity.

Member satisfaction

Members are at the heart of everything we do and we are focused on providing our members with value, as well as exceptional customer service. We proactively survey our members who interact with us and we receive very positive results. We acknowledge that we operate in a very competitive industry and we will continue to work very hard for our members to ensure they can depend on us when they need us most. Typically, over 95% of our members who participate in independently conducted surveys report that they are either satisfied or very satisfied with TUH.

Member benefits

During the year TUH paid out $149 million in member benefits. This is an increase of $23 million or 18% on 2015-16. The percentage increase in hospital and general treatment benefits were similar. Benefits for public hospital admissions continue to increase as public hospitals seek to increase their revenues from privately insured patients. The Department of Health issued a discussion paper during the year seeking comments on options to address this issue. TUH assisted our industry association in preparing a submission to the paper.

TUH stakeholder engagement

TUH continually engages with our key stakeholders to improve our access to current and potential members and our reputation in the community. We have formal and informal arrangements with a number of unions and other organisations to promote TUH to their members. Our longest-standing and most successful partnerships are with the Queensland Teachers' Union and the Queensland Independent Education Union.

Health Hub

In 2016-17, the TUH Health Hub continued to deliver efficient and effective services to TUH members. The eyecare team delivered 8,080 eye tests and undertook 2,064 optical scans. The dental team also had a busy year attending to 23,269 patient visits and providing 75,479 dental services, while our allied health service professionals provided almost 15,000 services throughout the year.

Dental continued its expanded scope of services available to members, with continued professional development focusing on rotary endodontics to deliver clinically better results, in-chair tooth bleaching and same day crown services. The dental laboratory was overhauled with a CAD-CAM system implemented. The images produced by the dentist using the intra oral scanner are sent to the laboratory allowing technicians to design and mill same day crowns, reducing costs.

The TUH dental service's commitment to safe clinical practice for TUH members was demonstrated by achieving Quality in Practice re-accreditation against the stringent National Safety and Quality Health Service Standards. This ensures that our services are consistently delivered at the highest standards including infection control.

Our optometry services continued to move with the times with a new chair and console installed to provide a more streamlined and comfortable experience for members, without compromising clinical practice.

Reflecting TUH's commitment to its members, care coordination services were launched to assist members who have complex health needs or post hospital discharge requirements. Our registered nurses are on hand to assist members with identifying their healthcare needs and coordinating access to services to enable members to recover and be healthier in the long term.

Member app

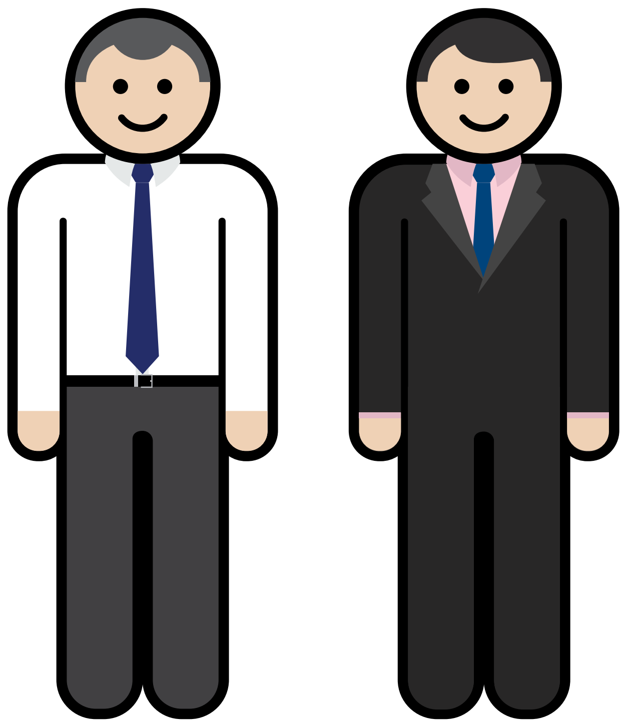
In February 2017, TUH released a new version of its mobile app. The new app, which has been downloaded 5,000 times already, retained the popular claims function from the first version and added considerable new functionality. This includes personalising the main screen with your own favourites, the ability to update contact details, view benefit usage and request a replacement membership card. Members can also find TUH contact details, make a Health Hub appointment and refer a friend straight from their iOS or Android mobile device.

White Ribbon

During the year, TUH undertook the White Ribbon Australia Workplace Accreditation Program to improve policies, procedures, training and communication to create a safer and more respectful workplace. With national statistics showing that one in five women experience harassment within the workplace, this is an Australia-wide issue that TUH will continue to make a priority. TUH is now officially recognised by White Ribbon Australia as a pioneer in contributing to national cultural change to prevent and respond to violence against women.

The future

The government undertook a number of reviews into the private health sector. The aims of these reviews are to make the health care system more efficient, more consumer-friendly and more affordable. None of these reviews have resulted in any significant reforms being announced by the government during the year. Affordability is a critical issue for TUH members and those joining health insurance for the first time. Government reform is critical in containing the spiralling cost of health care delivery that drives premium increases. TUH will continue to support reform that improves the value of private health insurance.

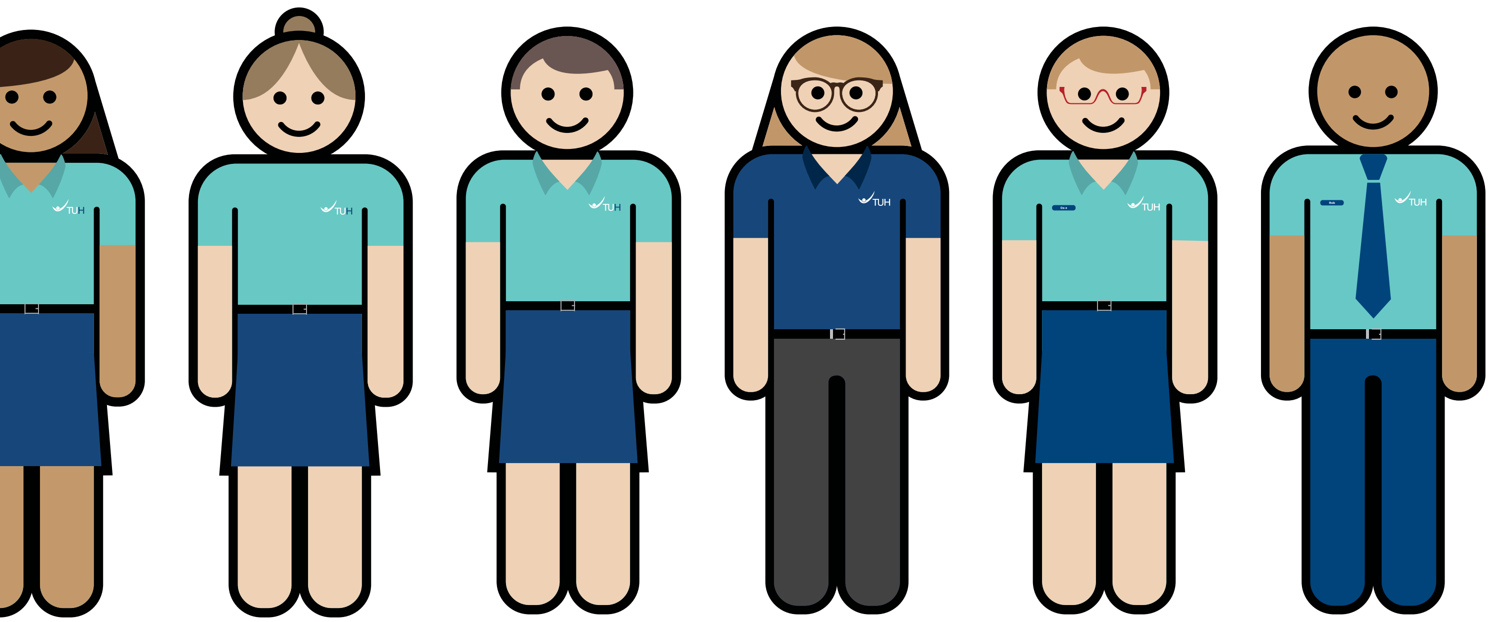


Corporate governance report

Sound corporate governance is a priority for the board and its management team. This focus extends well beyond compliance with statutory obligations to applying the values of leadership, integrity and accountability in all parts of the company.

Queensland Teachers' Union Health Fund Limited is a company limited by guarantee. In addition to adhering to its statutory obligations, including private health insurance legislation, ***Corporations Act 2001*** and the ***Competition and Consumer Act 2010***, the board is guided by the governance principles issued by regulators and industry bodies, most notably the ASX Corporate Governance Principles and Recommendations.

In carrying out their roles, the board and employees recognise their overriding responsibility to act honestly, fairly, diligently and in accordance with the law, in serving the interests of the health fund members, other customers and the company's stakeholders and the community. The board and management promote an environment that uses these principles and the company's values as basic guidelines for directors and employees.



Role of board

The board is responsible for the overall governance of the company. Its role, powers and duties are outlined in the Board Governance Charter.

In summary, the board's key functions are to set the company's strategic direction and risk management framework, appoint, guide and monitor the CEO, and oversee the implementation of strategic and organisational operational plans.

More specific responsibilities include:

- setting ethical standards through behavior and establishing and monitoring corporate values and codes of conduct;
- establishing and monitoring specific strategic and financial objectives and goals and ensuring management receives the appropriate resources to deliver the required outcomes;
- approving and monitoring the *Capital Management Plan*;
- maintaining board and executive succession plans;
- approving significant changes to the structure or nature of operations;
- monitoring compliance with all its contractual, statutory and legal obligations, which in the next year will include compliance with the APRA Risk Management Prudential Standard;
- approving major policies and board committee charters;
- authorising expenditure outside the CEO's delegated level;
- approving financial reports and statements;
- authorising reporting to company members, relevant regulatory bodies and other relevant stakeholders on the performance and state of the company; and
- appointing the chair of the board and the members and chairs of each board committee.

Board composition

Directors are elected (or appointed) in accordance with the company constitution, internal policies and legislative requirements. The constitution requires a board of 10 directors with:

- One director who must be the general secretary of the Queensland Teachers' Union (QTU) or his or her nominee;
- Three directors, who are financial members of QTU, company members and health fund policy holders and must be elected by company members;
- Two directors, who are financial members of the Queensland Independent Education Union of Employees (QIEU), company members, and health fund policy holders and must be elected by company members; and
- Four directors, who are not members of QTU or QIEU or are not employees of QTU, QIEU, or TUH, must be elected by company members.

One third of the directors, other than the general secretary of QTU or his or her nominee, must retire each year at the conclusion of the Annual General Meeting. In general, directors hold office for a period of three years and they are eligible to seek re-election. Persons appointed to fill a casual vacancy hold office until the next Annual General Meeting when they may stand for election for the balance of the term of director whom he or she replaced.

Chair of the board

As required by legislation and the *TUH Constitution* and *Board Governance Charter*, TUH has an independent chair. John Battams was appointed as chair on 24 November 2015. John's profile can be found in the Directors' Report on page 19.

In addition to chairing board meetings, the chair:

- provides leadership and vision to the board;
- promotes an open and productive relationship between the board and management, including providing support and mentoring for the chief executive officer;
- coordinates informal and formal evaluation processes for the board, both collectively and as individuals; and
- is the spokesperson, in conjunction with the chief executive officer, to external stakeholders, including the media, where appropriate.

Delegations

Day-to-day management of the company is delegated to the CEO who is directly accountable to the board. Some governance activities are also delegated directly to the company secretary.

The CEO, Rob Seljak, is supported by the executive management team. Profiles of executives can be found on page 14.

Delegations to the CEO and from the CEO to managers, team leaders and specialist roles are detailed in delegation of authority documents and monitored through the company's compliance framework.

Diversity

The company recognises and promotes the benefits that diversity brings to the board and throughout the organisation. The policy of actively seeking a mix of backgrounds, experience, skills and perspectives has provided diversity on the board and in the workplace. Notably, 40% of directors, 60% of executives and over 70% of employees are women.

Board evaluation and training

In keeping with regulatory requirements, the board regularly assesses its skills, knowledge and experience, collectively and at individual director level, to help ensure that the board operates in a highly effective manner. board evaluation occurs through a mix of internal processes coordinated by the company secretary and the use of external specialists.

New directors undertake a comprehensive induction program. Directors complete ongoing training and professional development to further develop their skills and to keep fully informed of industry and broader economic and demographic developments and their potential implications for TUH. All directors are members of the Australian Institute of Company Directors.

Conflicts of interest

The board has policies and processes in place for the disclosure and management of any potential conflicts of interest. These include codes of conduct, maintaining a register of interests, a *Conflicts of Interest Policy*, all board meetings including a disclosure process and management employment agreements including conflict provisions.

Board remuneration

Director remuneration is set so as to maintain a balance between the not-for-profit, member-focused nature of the organisation, the need to attract capable people and recognition of the time and commitment needed to competently undertake these roles.

Remuneration levels are regularly benchmarked against industry levels. Directors are paid fees out of the maximum aggregate amount (currently 0.5% of company revenue) approved by members.

The board has set the schedule of directors' fees for 2017-18 as follows:

Director	Rate per annum ($)
Chair	80,100
Deputy chair	46,800
Director	40,000
Committee chair (additional to director fee)	6,400

Sarah Morris

Company Secretary

Committee reports

To assist the board to fulfil its role, the board has two committees that meet regularly: The Audit and Risk Management Committee and the Product, Pricing and Finance Committee. The Nominations and Remuneration Committee meets as needed. The board has adopted charters for each of its committees.

The committees have no authority to implement their recommendations on matters that fall within the terms of their charters, but submit such recommendations to the board for consideration. The chair of the TUH board of directors is invited to attend all committee meetings, but is not an official member, other than of the Nominations and Remuneration Committee.

The members of board committees are included in the *Directors' Report: Information on Directors* within this *Annual Report*.

Audit & Risk Management Committee

The purpose of the committee is to provide an objective, non-executive review of the effectiveness of financial reporting, internal and external audit functions and operation of the risk management framework and culture.

The committee includes members who have appropriate financial, governance and risk management expertise and understanding of the industry to enable the committee to discharge its duties under its charter. The chair is an independent director as required by legislation. The committee has four members and met on four occasions during the 2016–17 year.

The committee's main activities were the review of the integrity of TUH's financial activities and reporting, oversight of the risk management framework and compliance systems, and monitoring internal and external audit reviews.

Independence of the internal and external audit functions was assessed and confirmed by the committee. The committee has unfettered access to both the external auditor and internal auditor, and met with them during the year, with and without management present.

The committee also met with the fund's appointed actuary to discuss the annual Financial Condition Report.

Notably, during the 2016-17 year the committee supported the board with:

- reviewing and responding to the prudential regulator, Australian Prudential Regulation Authority's industry risk management review of TUH;
- amending the *TUH Risk Appetite Statement* to strengthen integration of the risk framework into business unit operations;
- consideration of advice received from independent actuaries to inform changes to the suite of capital management documents;
- increasing visibility of the first line of defence by introducing business unit risk management process presentations to each committee agenda; and
- strengthening and defining TUH risk culture target state and assessment frameworks.

Charmaine Twomey

Committee Chair

Product, Pricing & Finance Committee

(formerly the Business, Finance and Marketing Committee)

The committee's purpose is to provide an objective, non-executive review of matters that may have a significant impact on TUH's financial, and wider business objectives.

The committee has five members who have the collective skills, experience and competencies needed for the committee to perform its function effectively. The committee met on four occasions during the last financial year.

The committee's main activities were the oversight of the implementation of product and pricing strategies during the annual premium and benefit review, monitoring of product performance and financial position including return on investments, and assessment of marketing and retention strategies.

A key focus during the 2016–17 year was to support the board with:

- revision of the *Investment Policy* and consideration of quarterly investment reports;
- revision of pricing and product design to support TUH's sustainable growth objective;
- consideration of operating budgets and reviewing key business unit plans and progress against associated strategic goals; and
- consideration of key sponsorship activities.

Samantha Pidgeon

Committee Chair

Nominations & Remuneration Committee

The committee's purpose is to assist the board maintain the collective knowledge, skills and experience appropriate for the board to pursue the vision of the Company and achieve its mission and strategic objectives. The committee evaluates the experience, capabilities, and likely suitability of potential directors. The committee also assists the board to evaluate and set remuneration arrangements for directors and executives.

The committee, which has four members, met once during the last financial year.

The committee's main activities during the 2016–17 year were to consider candidates for a casual director vacancy, and in conjunction with the Annual General Meeting assess the capabilities and experience desired by the board, and potential candidates. The board also reviewed director remuneration and considered how it and the board should evaluate and recommend remuneration for executives, a responsibility added to the committee's charter during the last year.

Terry Burke

Committee Chair

02 Executive team

Rob Seljak

Position: Chief Executive Officer

Appointed: May 2005

Qualifications/memberships: M.Bus, LLB and BA, Graduate Member of the Australian Institute of Company Directors (AICD) and Fellow of the Australian Institute of Management.

Experience: Rob has held various senior executive positions in NSW and Queensland over 20 years, including general manager, Insurance for WorkCover Authority NSW and general manager, Workplace Health and Safety Queensland.

Sarah Morris

Position: Executive Manager - Strategy and Finance

Appointed: September 2006

Qualifications/memberships: Post graduate certificates in Management, Finance, Investment, Corporate Governance and Company Secretarial Practice and Graduate Member of the AICD.

Experience: Sarah is a chartered accountant and chartered secretary who has held senior and executive positions with several organisations

Cathy McGuane

Position: Executive Manager - Member Experience

Appointed: October 2007

Qualifications/memberships: Dip. Financial Planning (Financial Services) and Graduate Member of the AICD

Experience: Cathy was Client Relationship Manager for Queensland for HESTA Superannuation Fund, where she established the branch for HESTA in Queensland and oversaw the marketing, business development, and relationship management for the state.

Paul Abernethy

Position: Executive Manager – Support Services

Appointed: February 2017

Qualifications/memberships: MBA and Graduate Member of the AICD.

Experience: Paul has worked in various senior roles at WorkCover Queensland.

Rowena English

Position: Executive Manager – Health Services

Appointed: January 2017

Qualifications/memberships: MHthMgt, MSc, GradDip (Biomechanics) and a BSc (Physiotherapy). Unconditional Registration with the Physiotherapy Registration Board of Australia, PRINCE2 and Change Management Registered Practitioner and Associate Fellow of the Australasian College of Health Service Management.

Experience: Rowena has extensive experience within the health sector, formerly working as Director Allied Health with Uniting Care Health.

03 Stakeholder/ community initiatives

Sponsorships and marketing agreements

TUH continues to support our key stakeholders through sponsorship and marketing agreements. These agreements help build strong relationships with these stakeholders and promote TUH to our core sectors. We have agreements with the Queensland Teachers' Union, Independent Education Union (QLD), United Voice, Queensland Council of Unions, Queensland Nurses and Midwives' Union, Department of Education and Training, and Brisbane Catholic Education.

Community support

TUH continues to support our community, focusing on local and education-related initiatives. We sponsor an education program of our local Youth Outreach Service run by the Salvation Army and continue to "adopt" Australian students through "A Start in Life" which contributes to the cost of their education. We again supported the Cancer Council by hosting an Australia's Biggest Morning Tea event.

Queensland College of Teachers (QCT) Beginning to Teach Awards

The QCT Teaching Awards were held in October 2016 to coincide with World Teachers' Day. As sponsor of the Beginning Teacher Awards, TUH directors and employees joined nearly 100 stakeholders from the education sector at the award ceremony at QUT. These awards provide exposure for TUH and an opportunity to demonstrate our commitment to the education community.

Brisbane Catholic Education (BCE) Excellence in Teaching Awards

TUH sponsored the BCE Excellence in Teaching Awards held in June 2017 and had the opportunity to present three awards. Involvement in these awards demonstrates the strong relationship between TUH and BCE. The event was attended by over 250 BCE staff and family members.

The Department of Education and Training (DET)

This sponsorship gives TUH the opportunity to be recognised as Principal Partner in the 2017 Premier's Reading Challenge—an annual state-wide initiative for Queensland students up to year 9 and children attending an approved kindergarten program or long day care centre. It's the third year TUH has been involved with the challenge.

Cancer Council Queensland (CCQ)

We have entered into a sponsorship with CCQ around the development of a SunSmart Educators Program, which will see the Cancer Council deliver SunSmart workshops to educators across Queensland.

White Ribbon

TUH commenced a partnership with White Ribbon Australia in the fight against domestic violence, becoming an accredited workplace. This recognition demonstrates effective leadership, resource allocation, communication, policy development and training to create a safer and more respectful workplace.

Labour Day celebrations

TUH is a participating sponsor of the Queensland Labour Day celebrations. Employees from TUH attended the 2017 Labour Day dinner at the RNA Convention Centre and we had our customary cheer squad for the Sunday parade.

04 Financial reports

Directors' Report

For the year ended 30 June 2017

The Directors of Queensland Teachers' Union Health Fund Limited (Company) present their report on the consolidated entity (Group) consisting of Queensland Teachers' Union Health Fund Limited and the entities it controlled at the end of or during the year ended 30 June 2017.

Information on directors

The following persons were directors of Queensland Teachers' Union Health Fund Limited during the whole of the financial year and up to the date of this report unless otherwise stated. Details of the qualifications, experience and special responsibilities are as follows:

John Battams

Position: Chair

Qualifications:

- Bachelor of Economics
- Diploma of Education
- Member—Australian Institute of Company Directors

Experience and special responsibilities:

John Battams was appointed to the board as the nominee director of the Queensland Teachers' Union (QTU) in 2011 and elected by members in 2013. He was appointed as chair of the board in November 2015. John is also a member of the Nominations and Remuneration Committee.

John is currently a director of the Queensland Investment Corporation Ltd (QIC) and also chair of the QIC Risk Committee. John is president of the Australian Labor Party Queensland Branch and a director of several companies of the Labor Holdings Group. John held the position of general secretary of the Queensland Teachers' Union from 1990-2011 and is a former president of the Queensland Council of Unions (QCU) where he worked with Queensland unions representing workers on industrial, political and social justice issues. John has had extensive directorship experience on a number of boards.

Terence Burke

Position: Deputy Chair

Qualifications:

- Bachelor of Education
- Master of Educational Administration
- Graduate Diploma in Education
- Certificate in Finance
- Certificate in Governance for Not for Profits
- Graduate—Australian Institute of Company Directors

Experience and special responsibilities:

Terry Burke has been an elected director since 1999. Terry is the chair of the Nominations and Remuneration Committee and a member of the Product, Pricing and Finance Committee.

Terry is the general secretary of the Queensland Independent Education Union, chair of the Queensland Independent Education and Care Superannuation Trust (QIEC Super) as well as a director of The Private Capital Group, TIF International 1 Pty Ltd and vice-president of the Queensland Council of Unions. Terry has an extensive background in organisational development and administration, risk assessment and management, strategic and policy development. In his teaching career he worked in Catholic schools in Toowoomba and Redcliffe and held various administrative positions.

Stewart Jones

Qualifications:

- Bachelor of Business
- Diploma of Teaching Science
- Postgraduate Diploma in Industrial Studies
- Member—Australian Institute of Company Directors

Experience and special responsibilities:

Stewart Jones has been an elected director since 2006 and is a member of the Product, Pricing and Finance Committee.

Stewart has worked as an educator in Queensland schools for over 25 years. He currently holds the position of principal at Chapel Hill State School in Brisbane. Stewart has supported teachers through his work in schools and his activist roles within the Queensland Teachers' Union (QTU).

John Merrell

Qualifications:

- Bachelor of Business
- Bachelor of Laws (Hons)
- Master of Laws
- Member—Bar Association of Queensland
- Member—Australian Institute of Company Directors

Experience and special responsibilities:

John Merrell has been an elected director since 2004. John is a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

John is a member of the Bar in Queensland and has been in private practice since 2000. John's practice is primarily in the areas of employment and industrial law. Prior to 2000, John was a principal industrial officer with the Queensland Public Sector Union where he had been employed for over eleven years. He is a director of Queenslanders Credit Union.

Graham Moloney

Qualifications:

- Bachelor of Arts
- Graduate Diploma of Teaching (Secondary)
- Member - Australian Institute of Company Directors
- Committee member—AEU International Trust Fund

Experience and special responsibilities:

Graham Moloney was a director between 1997 and 2003 and resumed his role on the board in that capacity in 2013. Graham is also a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

Graham is the general secretary (chief executive) of the Queensland Teachers' Union (QTU). Under TUH's constitution the general secretary of the QTU is an ex-officio member of the board. Graham is also vice-president of the Queensland Council of Unions and a trustee of the Australian Education Union (AEU) International Trust Fund which provides overseas funding and assistance to teachers in foreign countries.

Samantha Pidgeon

Qualifications:

- Bachelor of Education (Hons)
- Graduate Certificate—Learning Leadership
- Graduate—Australian Institute of Company Directors

Experience and special responsibilities:

Samantha Pidgeon has been a director since 2001. Samantha is chair of the Product, Pricing and Finance Committee.

Samantha is vice-president of the Queensland Teachers' Union (QTU) and chair of the People and Culture Committee of Seqwater and the QTU Audit Committee. Sam is also a member of the federal executive of the Australian Education Union and a director of Seqwater.

Charmaine Twomey

Qualifications:

- Bachelor of Commerce
- Certificate of Superannuation Management
- Graduate Diploma in Applied Finance and Investment
- Graduate Diploma of Financial Planning
- Member – Australian Institute of Company Directors
- Member—Fund Executive Association Ltd
- Member – Australian Institute of Superannuation Trustees
- Fellow Member—Financial Services Institute of Australasia

Experience and special responsibilities:

Charmaine Twomey has been an elected director since 2009. Charmaine is the chair of the Audit and Risk Management Committee.

Charmaine has had over fifteen years of senior management experience in providing services to superannuation funds and managed investment schemes in Australia.

Michael Cottier

Qualifications:

- Bachelor of Business
- Master of Taxation
- Chartered Accountant FCA
- Fellow—Australian Institute of Company Directors

Experience and special responsibilities:

Michael Cottier was appointed a director in November 2015. He is a member of the Audit and Risk Management Committee and the Nominations and Remuneration Committee.

Michael is a company director whose experience includes finance, investment and risk-related positions at several large Queensland companies. He presently sits on the Responsible Superannuation Entity Boards of BT Financial Group, and the boards of Blue Sky Alternatives Access Fund Limited, Stadiums Queensland, and Metro Arts.

Peta Irvine

Qualifications:

- Bachelor of Arts (Hons)
- Fellow, Australian Institute of Management
- Diploma of Financial Planning
- Diploma of Neuroscience of Leadership
- Graduate—Australian Institute of Company Directors

Experience and special responsibilities:

Peta Irvine was appointed director in November 2015 and elected for a three-year term in November 2016. Peta is a member of the Product, Pricing and Finance Committee and the Nominations and Remuneration Committee.

Peta has a wide range of experience across a diverse range of industries and organisations, with a strong focus on member-based organisations. She is the CEO of Local Government Managers Australia and a non-executive director at International House College and chair at International House Foundation.

Rebecca Sisson

Qualifications:

- Bachelor of Arts (Hons)
- Certificate in Governance Practice

Experience and special responsibilities:

Rebecca Sisson was appointed a director in January 2017 to fill a casual vacancy and is a member of the Product, Pricing and Finance Committee.

Rebecca is an assistant secretary of the Queensland Independent Education Union (QIEU) and executive member of the Queensland Council of Unions. During her twelve years at the Queensland Independent Education Union, Rebecca has developed extensive experience in areas of data management and analysis, database development as well as member engagement.

Christine Cooper

Qualifications:

- Bachelor of Applied Science
- Graduate Diploma in Teaching
- Bachelor of Education
- Graduate – Australian Institute of Company Directors
- Certificate in Governance for Not for Profits

Experience and special responsibilities:

Christine Cooper has been an elected director since 1999. Christine was a member of the Audit and Risk Management Committee and a member of the Nominations and Remuneration Committee. She retired from the board in November 2016.

Company secretaries

The names of the company secretaries in office at the end of the year are:

Sarah Morris

Qualifications:

- Bachelor of Economics
- Member—Chartered Accountants Australia and New Zealand
- Fellow—Governance Institute of Australia
- Graduate Member—Australian Institute of Company Directors

Experience and special responsibilities:

Sarah Morris was appointed company secretary on 11 September 2006. Sarah Morris leads and manages the strategy and finance business unit which provides core corporate and administrative services to the Company. Sarah is a chartered accountant and chartered secretary who has held senior and executive positions with several organisations.

Robert Seljak

Qualifications:

- Master of Business
- Bachelor of Laws
- Bachelor of Arts
- Fellow – Australian Institute of Company Directors
- Fellow—Australian Institute of Management

Experience and special responsibilities:

Robert Seljak was appointed company secretary on 17 June 2008. Rob was appointed CEO of Queensland Teachers' Union Health Fund Limited in 2005 and has held various senior executive positions including general manager, Insurance for WorkCover Authority NSW and general manager, Workplace Health and Safety Queensland. Rob is also a director of various private health insurance industry bodies, including Private Healthcare Australia, Australian Health Service Alliance, hirmaa and HAMBS Systems Limited.

Director benefits

During or since the financial year, no director of Queensland Teachers' Union Health Fund Limited has received or become entitled to receive a benefit, other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors shown in Note 25 to the Financial Report, or disclosed as a related party transaction shown in Note 26 to the Financial Report, by reason of a contract entered into by the Group controlled or a body corporate that was related to the Group when the contract was made or when the director received, or became entitled to receive, the benefit with:

- a director; or
- a firm of which a director is a member; or
- an entity in which a director has a substantial financial interest.

Insurance of officers

During the financial year, the Group paid premiums of $23,920 (2016: $22,481) in respect of a contract insuring the directors and officers of the Group against liability incurred as such a director or officer, other than conduct involving a wilful breach of duty in relation to the Group, to the extent permitted by the *Corporations Act 2001*.

Proceedings on behalf of the Group

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

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

Meetings of directors

The number of meetings of Queensland Teachers' Union Health Fund Limited's board of directors and of each board committee held during the year ended 30 June 2017, and the number of meetings attended by each director are noted below:

	Board		Audit & Risk Management Committee		Product, Pricing and Finance Committee		Nominations and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
John Battams	9	9	4	4*	4	4*	1	1
Terry Burke	9	7	-	**	4	4	-	**
Christine Cooper***	6	5	2	1	-	**	1	1
Stewart Jones	9	6	-	**	4	4	-	**
John Merrell	9	9	4	4	-	**	1	1
Samantha Pidgeon	9	9	-	**	4	4	-	**
Charmaine Twomey	9	9	4	4	-	**	-	**
Graham Moloney	9	7	4	4	-	**	-	**
Peta Irvine	9	9	-	**	4	4	-	**
Michael Cottier	9	9	4	4	-	**	1	1
Rebecca Sisson****	3	3	-	**	1	1	-	**

*Attendance at committee meetings in an ex-officio capacity

**Not a member of the relevant committee

***Christine Cooper retired as a director on 29 November 2016

****Rebecca Sisson commenced as a director on 1 January 2017 and was appointed to a member of the Product, Pricing and Finance Committee on 28 February 2017

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

The Company is incorporated under the ***Corporations Act 2001*** and is a company limited by guarantee. If the Company is wound up, each member is required to contribute a maximum of $1.00 each towards meeting outstanding obligations of the Company. As at 30 June 2017, the number of Company members who would be liable if the Company was to be wound up is 5,008 (2016: 5,091).

Review of operations

A review of the operations of the consolidated group during the financial year and the results of those operations found that the Company's policyholder base grew 3.30% for the year, three-times the industry rate.

During the financial year the consolidated group focused on sustainable growth and retention as well as continuing to provide access to quality health care services.

Group revenue rose 14.7% to $170,930,057 million and net underwriting result increased by 27% to $23,768,058 million. The surplus for the consolidated group for the financial year amounted to $8,346,857.

The consolidated group also generated strong returns from its investment portfolio which led to higher net investment income of $6.3 million.

Further information on the operations and financial position of the Group and its business strategies and prospects is set out in the *CEO's Report* of this *Annual Report*.

Principal activities

The principal continuing activities of the Group consisted of operating as a private health insurer for Australian residents including the provision of health management services. The Group also operate a dental, eyecare and allied health care centre.

Our vision is to be the lifetime health partner for union members and their families. Better Cover, Better Health and Better Life.

No significant change in the nature of these activities occurred during the financial year.

Company objectives

Core objectives

- To provide our members with access to high quality health care by delivering competitive private health insurance products and benefits.
- To improve our members' health and wellbeing by facilitating and delivering quality health services and outcomes.
- To provide our members with exceptional personal customer service.
- To demonstrate our appreciation of our members, our employees and our community.
- To strengthen and grow our membership base to ensure the long-term viability of the health fund.
- To act with integrity and in the best interests of members.

Key strategies

- **Sustainable growth:** plan and manage key drivers to ensure the Group's ongoing financial sustainability.
- **Health-related services:** pursue opportunities to offer expanded health care and health-related services.
- **Health Hub:** provide a range of services that balance the needs of the Group, all policyholders and users of the Health Hub.
- **Operational excellence:** optimise operational excellence through people, technology, processes, financial management and governance practices.

Performance measures

Management and the board monitor the consolidated group's overall performance from its implementation of the vision statement and strategic plan through to the performance of the consolidated group against operating plans and financial budgets. The board, together with management, has identified key performance indicators (KPIs) that are used to monitor performance. These performance indicators include measures of financial performance, management expenses and the quality of service provided to members.

Management monitors KPIs on a regular basis. Directors receive the KPIs and other reports for review at board and committee meetings, allowing all directors to actively monitor the consolidated group's performance.

Environmental regulation

The Group is not subject to any specific environmental regulation and has not breached any legislation regarding environmental matters.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

No matter or circumstances has arisen since 30 June 2017 that has significantly affected, or may significantly affect:

a) The Group's operations in future financial years; or

b) The results of those operations in future financial years; or

c) The Group's state of affairs in future financial years.

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 27.

This report is made in accordance with a resolution of the directors.

On behalf of the board

John Battams
Director

Terence Burke
Director

Brisbane, QLD

26 September 2017

Auditor's Independence Declaration

For the year ended 30 June 2017

BDO

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DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF QUEENSLAND TEACHERS' UNION HEALTH FUND LIMITED

As lead auditor of Queensland Teachers' Union Health Fund Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 26 September 2017

Consolidated Income Statement

For the year ended 30 June 2017

	Notes	2017	2016
Revenue			
Premium revenue	5	170,930,057	149,045,892
Claims expense			
Claims incurred		(149,263,571)	(126,420,820)
Provision for outstanding claims		(1,102,475)	(4,168,305)
Risk equalisation trust fund levies		826,217	(1,211,058)
Unexpired risk reserve		2,532,777	1,577,850
Other underwriting expenses		(154,947)	(60,831)
Net claims incurred		**(147,161,999)**	**(130,283,164)**
Net underwriting result		**23,768,058**	**18,762,728**
Management activities			
Other income	5	1,544,055	162,409
Management expenses	6	(19,069,496)	(17,120,531)
Result from management activities		**(17,525,441)**	**(16,958,122)**
Result after management activities		**6,242,617**	**1,804,606**
Investing activities			
Investment income	5	6,623,815	364,755
Investment expense	6	(318,235)	(311,045)
Result from investing activities		**6,305,580**	**53,710**
Member health services			
Revenue	5	2,902,992	2,888,070
Expenses	6	(7,104,332)	(6,975,776)
Result from member health services		**(4,201,340)**	**(4,087,706)**
Surplus/(loss) before income tax for the period attributable to members		**8,346,857**	**(2,229,390)**
Income tax expense	7	-	-
Surplus/(loss) after income tax for the period attributable to members		**8,346,857**	**(2,229,390)**

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2017

	Notes	2017	2016
Surplus/(loss) for the year		**8,346,857**	**(2,229,390)**
Other comprehensive income			
Items that will not be reclassifed to profit or loss			
Revaluation of land and buildings	15	3,133,362	-
Other comprehensive income for the year		**3,133,362**	**-**
Total comprehensive income for the year		**11,480,219**	**(2,229,390)**
Total comprehensive income for the year is attributable to:			
Members of Queensland Teachers' Union Health Fund Limited		11,480,219	(2,229,390)
		11,480,219	**(2,229,390)**

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

For the year ended 30 June 2017

	Notes	2017	2016
Assets			
Current assets			
Cash and cash equivalents	8	17,176,148	17,989,679
Receivables	9	6,714,599	4,504,832
Financial assets at fair value through profit or loss	10	77,217,558	77,112,372
Held-to-maturity investments	11	-	1,019,189
Inventories	12	256,218	248,195
Deferred acquisition costs	13	1,808,307	1,890,868
Total current assets		**103,172,830**	**102,765,135**
Non-current assets			
Deferred acquisition costs	13	1,322,857	2,420,031
Investment properties	14	2,880,000	1,980,000
Property, plant & equipment	15	20,940,829	17,767,598
Intangible assets	16	235,094	204,999
Total non-current assets		**25,378,780**	**22,372,628**
Total assets		**128,551,610**	**125,137,763**
Liabilities			
Current liabilities			
Payables	17	1,657,733	2,860,622
Outstanding claims liability	18	13,569,410	12,449,000
Unearned premium liability	19	14,306,569	19,835,135
Unexpired risk liability	19	1,658,306	4,191,084
Provision for employee entitlements	20	2,507,968	2,435,030
Total current liabilities		**33,699,986**	**41,770,871**
Non-current liabilities			
Provision for employee entitlements	20	159,833	155,320
Total non-current liabilities		**159,833**	**155,320**
Total liabilities		**33,859,819**	**41,926,191**
Net assets		**94,691,791**	**83,211,572**
Equity			
Reserves	21	8,797,262	5,663,900
Retained earnings		85,894,529	77,547,672
Total Equity		**94,691,791**	**83,211,572**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2017

	Notes	Retained earnings	Reserves	Total Equity
Balance at 1 July 2015		**79,777,062**	**5,663,900**	**85,440,962**
Surplus/(loss) for the year		(2,229,390)	-	(2,229,390)
Total comprehensive income for the year		**(2,229,390)**	**-**	**(2,229,390)**
Balance at 30 June 2016		**77,547,672**	**5,663,900**	**83,211,572**
Balance at 1 July 2016		**77,547,672**	**5,663,900**	**83,211,572**
Surplus/(loss) for the year		8,346,857	-	8,346,857
Revaluation of land and buildings	21	-	3,133,362	3,133,362
Total comprehensive income for the year		**8,346,857**	**3,133,362**	**11,480,219**
Balance at 30 June 2017		**85,894,529**	**8,797,262**	**94,691,791**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2017	2016
Cash flows from operating activities			
Receipts from policyholders and customers		172,560,247	152,270,563
Payments to policyholders, suppliers and employees		(179,465,045)	(147,927,752)
Net cash inflow/(outflow) from operating activities	8	**(6,904,798)**	**4,342,811**
Cash flows from investing activities			
Payments for property, plant and equipment		(389,898)	(276,970)
Payment for intangible assets		(129,176)	(110,547)
Proceeds from disposal of property, plant and equipment		20,000	4,991
Net movement in investments		3,134,194	270,816
Distributions received		3,173,046	1,833,762
Interest received		283,101	359,813
Net cash inflow/(outflow) from investing activities		**6,091,267**	**2,081,865**
Net increase/(decrease) in cash and cash equivalents		(813,531)	6,424,676
Cash and cash equivalents at beginning of the year		17,989,679	11,565,003
Cash and cash equivalents at the end of the year		**17,176,148**	**17,989,679**
Reconciliation to Consolidated Balance Sheet			
Cash and cash equivalents		17,176,148	17,989,679
Cash and cash equivalents as at 30 June	8	**17,176,148**	**17,989,679**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2017

1. Summary of significant accounting policies

The principal accounting policies adopted in preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Queensland Teachers' Union Health Fund Limited and its subsidiaries.

Significant and other accounting policies that summarise the measurement basis used and are relevant to the understanding of the financial statements are provided throughout the notes to the financial statements.

a. Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (and interpretations issued by the Australian Accountings Standards Board) and the ***Corporations Act 2001***. Queensland Teachers' Union Health Fund Limited is a not-for-profit entity for the purpose of preparing these financial statements.

i. Compliance with IFRS

A statement of compliance with International Financial Reporting Standards (IFRS) cannot be made due to the consolidated financial statements of Queensland Teachers' Union Health Fund Limited applying the not-for-profit sector specific requirements contained in the Australian equivalents to International Financial Reporting Standards (AIFRS).

ii. Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain classes of property, plant and equipment, investment properties and financial assets at fair value through profit or loss.

iii. Presentation currency

The consolidated financial statements are presented in Australian dollars.

b. Corporate information

Queensland Teachers' Union Health Fund Limited is a public company limited by guarantee, incorporated and domiciled in Australia. The registered office is 438 St Pauls Terrace, Fortitude Valley, Queensland, 4006.

c. Principles of consolidation

i. Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Queensland Teachers' Union Health Fund Limited ("parent entity") as at 30 June 2017 and the results of all subsidiaries for the year then ended. The parent entity, its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities, including special purpose entities, over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

The names of the subsidiaries are contained in Note 27. All subsidiaries have a 30 June financial year-end and are accounted for by Queensland Teachers' Union Health Fund Limited at cost.

d. Assets backing private health insurance liabilities

As part of the investment strategy, the Group actively manages its investment portfolio to ensure that a portion of its investments mature in accordance with the expected pattern of future cash flows arising from private health insurance liabilities. With the exception of property, plant and equipment the Group has determined that all financial assets of Queensland Teachers' Union Health Fund Limited are held to back private health insurance liabilities.

e. New and amended standards adopted by the Group

The Group has not applied any new standards or amendments during the annual report period commencing 1 July 2016.

f. New accounting standards and interpretation not yet adopted

Certain new accounting standards and interpretation have been published that are not mandatory for 30 June 2017 reporting periods. The Group's assessment of the impact of these new standards and interpretation is set out below.

Title of standard	Nature of change and impact	Mandatory application date
AASB 9 Financial Instruments	AASB 9 addresses a revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, and introduces new rules for hedge accounting. While the Group is yet to undertake a detailed assessment, it doesn't expect any significant impact from this standard.	Mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.

Title of standard	Nature of change and impact	Mandatory application date
AASB 15 Revenue from Contracts with Customers	The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer. The majority of the Group's revenue is recognised under ***AASB 1023 General Insurance Contracts*** which is not impacted by AASB 15. While the Group is yet to undertake a detailed assessment, it doesn't expect any significant impact from this standard.	Mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group does not intend to adopt the standard before its effective date.
AASB 16 Leases	AASB 16 will primarily affect the accounting of leases by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinctions between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all the lease contracts. The *Income Statement* will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating lease expenses will be replaced with interest and depreciation. As at the reporting date, the Group has non-cancellable operating lease commitments of $69,069 (Note 24). The Group is currently undertaking a detailed assessment of the impact of the standard, however, management believes that it would have immaterial effect given the nature of the operating leases the Group currently have.	Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.
AASB 17 Insurance Contracts	On 19 July 2017, 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***. ***IFRS 17*** will change the accounting for insurance contracts by Queensland Teachers' Union Health Fund Limited. The standard introduces three new measurement approaches for accounting for insurance contracts. These include the Building Block Approach for long term contracts, the Premium Allocation Approach for short term contracts and a Variable Fee Approach for direct participating products. The Group is yet to undertake a detailed assessment of the impact of this standard on the operations and financial statements of the business. Disclosure changes and possible impacts on the profit or loss are expected.	Mandatory for financial years commencing on or after 1 January 2021. At this stage, the Group does not intend to adopt the standard before its effective date.

2. Critical accounting judgements and estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Group makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas in which critical estimates are applied are:

Note 4	Property, plant and equipment
Note 4	Investment properties
Note 13	Deferred acquisition costs
Note 18	Outstanding claims liability
Note 19	Liability adequacy test

3. Risk management

The financial condition and operation of the Group are affected by a number of key financial and non-financial risks including:

Insurance risks	• Pricing risk • Claims inflation • Risk equalisation
Financial risks	• Price risk • Fair value interest rate risk • Credit risk • Liquidity risk
Non-financial risks	• Operational risk • Strategic risk, including actions of consumers and competitors • Regulatory and compliance risk • Risks from the provision of health care services

The board of Queensland Teachers' Union Health Fund Limited is ultimately responsible for the Group's risk management framework and oversees the Group's operations including ensuring that management operates within the board's *Risk Appetite Statement*. The board approves the Group's overall risk management strategy, risk appetite and policies and processes to ensure that all significant risks are identified and managed within the context of this appetite.

The board's sub committees including the Audit and Risk Management Committee, the Product, Pricing and Finance Committee and the Nomination and Remuneration Committee assist the board in the execution of its responsibilities. The responsibilities of these committees are detailed in their respective charters.

The purpose of the Group's risk management framework is to support the achievement of strategic objectives, by managing the Group's risks in accordance with the *Risk Appetite Statement*. The Group's risk management framework is based on the three lines of defence

model and provides defined risk ownership responsibilities with functionally independent oversight and assurance. The Group manages risks through:

- the governance structure established by the board,
- implementation of the risk management framework by management,
- oversight of the risk management framework by the internal Governance, Risk and Compliance function,
- the Group's internal policies and procedures designed to identify and mitigate risks,
- internal audit which provides independent assurance to the board regarding the existence and effectiveness of controls over activities where risks are perceived to be high,
- regular risk and compliance reporting to, and analysis by the board and Audit and Risk Management Committee,
- application of solvency and capital adequacy standards for Queensland Teachers' Union Health Fund Limited (regulated by the Australian Prudential Regulation Authority (APRA)).

a. Insurance risk

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Group to financial loss from claims expenditure exceeding the amount implicit in premium income.

Description	Exposure	Mitigation
Pricing risk	Australian health insurance premium increases for existing products are required to be approved by the Minister for Health. Historically, health funds have only raised premiums once a year. There is a risk that the application for a change in premium rates may only receive approval at a level lower than originally requested or may be rejected by the minister. Such an amendment or rejection may have a negative impact on operating and financial performance.	This risk is managed by establishing product premiums through the use of actuarial models based on historical claims costs and forecasts claims inflation which are externally reviewed by the appointed actuary.
Claims inflation	Queensland Teachers' Union Health Fund is subject to increases in the volume and value of claims which may not be adequately covered by premiums. In Australia, the principle of community rating prevents private health insurers from improperly discriminating between people who are, or wish to be insured, on the basis of their health status, age, race, gender, religious beliefs, sexuality, frequency of need of health care, lifestyle or claims history.	Claims patterns are monitored closely and premiums calculated accordingly. A rigorous approach to product design mitigates the risk of exposure to adverse selection. Maintenance of reserves in excess of minimum solvency and capital requirements allows the Group to withstand increased levels of claims inflation. Robust claims handling processes and controls which are well documented.
Risk equalisation	Risk equalisation arrangements apply to the registered health insurance industry in Australia. Under these arrangements all registered health insurers effectively provide reinsurance support so that the industry as a whole shares the hospital cost of high risk groups irrespective of whether those claims are attributable to the policyholders of a particular fund.	Risk equalisation provides some protection to high cost claims however exposes the Group to the claims experience of other health insurers. Actuarial models are used to monitor past experience and predict future costs, premiums are calculated accordingly.

b. Price risk

Description	Exposure	Mitigation
Risk of fluctuation in price of equity securities impacting the Group's fair value of its financial instruments.	The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the Balance Sheet as at fair value through profit or loss. The Group is not exposed to commodity price risk.	To manage this price risk the Group has adopted an investment strategy which provides a diversified portfolio with a limited weighting to equities. The Group receives advice on its investments from its appointed investment advisor.

Surplus/(loss) after tax for the year would increase/decrease as a result of gains/losses on equity securities classified as fair value through profit or loss. The table below summarises the sensitivity of the Group's financial assets to price risk.

	Other price risk		-10% unit price		+10% unit price	
		Carrying amount	Surplus	Equity	Surplus	Equity
2017	**Financial assets**					
	Financial assets at fair value through profit or loss	77,217,558	(2,146,618)	(2,146,618)	2,146,618	2,146,618
	Total increase/(decrease)	**77,217,558**	**(2,146,618)**	**(2,146,618)**	**2,146,618**	**2,146,618**
2016	**Financial assets**					
	Financial assets at fair value through profit or loss	77,112,372	(2,497,522)	(2,497,522)	2,497,522	2,497,522
	Total increase/(decrease)	**77,112,372**	**(2,497,522)**	**(2,497,522)**	**2,497,522**	**2,497,522**

c. Fair value interest rate risk

Description	Exposure	Mitigation
Risk of fluctuation in interest rates impacting the Group's financial performance or the fair value of its financial instruments.	The Group's interest rate risk arises from: • financial assets at fair value through profit and loss; and • cash and cash equivalents. Receivables are non-interest bearing. There is an interest-bearing component of financial assets at fair value through profit or loss.	The Group receives advice on its investments from its appointed investment advisor. Portfolio diversification limits the impact of interest rate changes to the value of all financial assets.

The table below summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

	Interest rate risk		-100bps		+100bps	
		Carrying amount	Surplus	Equity	Surplus	Equity
2017	**Financial assets**					
	Cash and cash equivalents	17,176,148	(171,761)	(171,761)	171,761	171,761
	Financial assets at fair value through profit or loss	77,217,558	(557,514)	(557,514)	557,514	557,514
	Total increase/(decrease)	**94,393,706**	**(729,275)**	**(729,275)**	**729,275**	**729,275**
2016	**Financial assets**					
	Cash and cash equivalents	17,989,679	(179,897)	(179,897)	179,897	179,897
	Financial assets at fair value through profit or loss	77,112,372	(521,372)	(521,372)	521,372	521,372
	Total increase/(decrease)	**95,102,051**	**(701,269)**	**(701,269)**	**701,269**	**701,269**

Methods and assumptions used in preparing sensitivity analysis

The after-tax effect on surplus and equity of movements in price and interest rates have been calculated using reasonably possible changes in the risk variables, based on recent interest rate and market movements.

An interest rate change of 100 basis points will directly affect interest received on cash and cash equivalents. An interest rate change of 100 basis points will inversely affect the unit price of fixed interest investments. All other investments are not directly affected by interest rate changes but would be revalued through profit or loss as their unit price changes.

d. Credit risk

Description	Exposure	Mitigation
Risk that a counterparty will default on its contractual obligations, or from the decline in the credit quality of a financial instrument, resulting in loss to the Group.	Credit risk arises from: • Cash and cash equivalents; • Financial assets and deposits with banks and financial institutions; and Credit exposures to policyholders and the Department of Human Services (Private Health Insurance Premiums Reduction Scheme).	The Group receives advice on its investments from its externally appointed investment advisor. Credit risk for premium receivables are minimal due to the diversification of policyholders. The Private Health Insurance Premiums Reduction Scheme receivables is due from a government organisation under legislation.

e. Liquidity risk

Description	Exposure	Mitigation
Risk that the Group won't be able to meet its financial obligations as they fall due, because of a lack of liquid asset or access to funding on acceptable terms.	Liquidity risk arises from: • Trade creditors; and • Other payables.	The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and holding a high percentage of highly liquid investments.

Maturities of financial liabilities
The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total contractual cash flows	Carrying amount
Group at 30 June 2017							
Financial liabilities							
Trade creditors	597,958	21,377	12,889	-	-	632,224	632,224
Other payables	1,025,509	-	-	-	-	1,025,509	1,025,509
	1,623,467	**21,377**	**12,889**	**-**	**-**	**1,657,733**	**1,657,733**

	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total contractual cash flows	Carrying amount
Group at 30 June 2016							
Financial liabilities							
Trade creditors	399,769	8,703	881	-	-	409,353	409,353
Other payables	1,816,702	634,567	-	-	-	2,451,269	2,451,269
	2,216,471	**643,270**	**881**	**-**	**-**	**2,860,622**	**2,860,622**

4. Fair value measurement

a. Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the assets that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its assets into the three levels prescribed under the accounting standards. An explanation of each level follows below the table.

The following tables present the Group's assets measured and recognised at fair value at 30 June 2017 and 30 June 2016:

	Level 1	Level 2	Level 3	Total
Group at 30 June 2017				
Assets				
Financial assets at fair value through profit or loss				
Unlisted managed funds	-	77,217,558	-	77,217,558
Property, plant and equipment				
Land and buildings	-	-	20,940,829	20,940,829
Investment properties	-	-	2,880,000	2,880,000
Total assets	**-**	**77,217,558**	**23,820,829**	**101,038,387**

	Level 1	Level 2	Level 3	Total
Group at 30 June 2016				
Assets				
Financial assets at fair value through profit or loss				
Unlisted managed funds	-	77,112,372	-	77,112,372
Property, plant and equipment				
Land and buildings	-	-	17,767,598	17,767,598
Investment properties	-	-	1,980,000	1,980,000
Total assets	**-**	**77,112,372**	**19,747,598**	**96,859,970**

There were no transfers between level 1 and level 2 during the year.

The Group's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred. Due to their short-term nature, the carrying amounts of cash and cash equivalents, trade and other receivables, and held-to-maturity investments are assumed to approximate their fair values. The carrying amount of current trade and other payables are assumed to approximate their fair values because the impact of discounting is not significant.

Level 1	The fair value of assets and liabilities traded in active markets is based on quoted market prices at the reporting date. These assets and liabilities are included in level 1.
Level 2	The fair value of assets and liabilities that are not traded in active markets is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These assets and liabilities are included in level 2.

Level 3	If one or more of the significant inputs is not based on observable market data, the assets and liabilities are included in level 3.

b. Valuation techniques used to determine fair values

The fair value of financial assets at fair value through profit or loss is determined in reference to published price quotations in an active market for similar instruments.

c. Valuation techniques used to determine fair values

The following table sets out the valuation techniques used in the determination of fair values within level 3 including the key unobservable inputs used and the relationship between unobservable inputs to fair value.

Item and valuation approach	Key unobservable inputs	Relationship between unobservable inputs to fair value
Investment properties Fair value is determined by applying the Direct Comparison Approach (primary method) which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) properties. As a secondary check the Capitalisation (income) Approach is also used and based on the estimated sustainable net annual income for the property, based on its market income. The sustainable net annual income is capitalised at a market derived rate (yield) that adequately reflects the security of income, its growth potential and hypothetical lease terms and conditions. Discount rates, yields, expected vacancy rates and rental growth rates are estimated by an external valuer based on comparable transactions and industry data.	426 St Pauls Terrace, Fortitude Valley Q 4006 Selling price based on market value per flat after capital improvements $30,000 per flat; selling price range $100,000/flat to $150,000/flat; weighted average $125,000. 30 Misterton Street, Fortitude Valley Q 4006 Selling price based on market value per m2 of building area; range $3,000-$3,750, weighted average $3,375.	The higher the discount rate, yield and expected vacancy rate the lower the fair value. The higher the rental growth rate, the higher the fair value.

Item and valuation approach	Key unobservable inputs	Relationship between unobservable inputs to fair value
Land and Buildings Fair value is determined by applying the Direct Comparison Approach (primary method) which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) properties. As a secondary check the Capitalisation (income) Approach is also used and based on the estimated sustainable net annual income for the property, based on its market income. The sustainable net annual income is capitalised at a market derived rate (yield) that adequately reflects the security of income, its growth potential and hypothetical lease terms and conditions which are estimated by an external valuer based on comparable transactions and industry data. Discount rates, yields, expected vacancy rates and rental growth rates are estimated by an external valuer based on comparable transactions and industry data.	438-442 St Pauls Terrace, Fortitude Valley Q 4006 Gross rent of $450 per m2 of building area; assuming 4% annual increases; annual outgoings within the range $50/m2 to $100/m2 of building area (weighted average $75/m2); a 7 + 7 year term and a capitalisation rate of 7.50%. 17, 21 & 25 Baxter Street, Fortitude Valley Q 4006 22-26 Misterton Street, Fortitude Valley Q 4006 428-430 St Pauls Terrace, Fortitude Valley Q 4006 434 St Pauls Terrace, Fortitude Valley Q 4006 Selling price based on market value per m2 of building area; range $2,500 to $4,000, weighted average $3,350.	The higher the discount rate, yield and expected vacancy rate the lower the fair value. The higher the rental growth rate, the higher the fair value.

d. Fair value measurements using significant unobservable inputs (level 3)

i. Transfers between level 2 and 3

There were no transfers between the levels of the fair value hierarchy during the year. There were also no changes during the year to any of the valuation techniques applied as of 30 June 2017.

ii. Valuation process

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment property and land and buildings that are classified as property, plant and equipment every three years. The last valuation of investment properties and land and buildings was conducted as at 30 June 2017 by Mr Scott Campbell B.App.Sci (Prop.Econ.) of McGees National Property Consultants.

Changes in level 2 and 3 fair values are analysed at each reporting date.

5. Revenue and other income

	2017	2016
Premium revenue	170,930,057	149,045,892
	170,930,057	**149,045,892**
Other income		
Rental income from investment properties	108,153	108,153
Net changes in fair value of investment properties	900,000	-
Other member income	3,974	8,259
Sundry income	473,276	1,112
Travel insurance commission income	38,652	39,894
Gain on disposal of property, plant and equipment	20,000	4,991
	1,544,055	**162,409**
Investment income		
Interest income on bank deposits, held-to-maturity investments, financial assets at fair value through profit or loss	258,396	311,915
Distribution income on financial assets at fair value through profit or loss	4,145,228	1,833,762
Fair value gain or loss on financial assets at fair value through profit or loss	2,220,191	(1,780,922)
	6,623,815	**364,755**
Member health services revenue		
Dental services revenue	1,281,082	1,206,444
Optical services revenue	1,450,148	1,506,801
Allied health revenue	171,762	174,825
	2,902,992	**2,888,070**

a. Accounting policy

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

i. Premium revenue

Premium revenue comprises premiums from private health insurance contracts held by policyholders. Premium revenue is recognised when it has been earned. Premium revenue is recognised from the attachment date over the period of the contract. The attachment date is from when the insurer accepts the risk from the insured under the insurance contract. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract.

The proportion of the premium received or receivable not earned in the *Income Statements* at the reporting date is recognised in the *Balance Sheet* as an unearned premium liability.

Premiums on unclosed business are brought to account using estimate based on payment cycles nominated by the policyholder.

ii. Member health services revenue

Revenue from the provision of dental, optical and allied health services is recognised when the service is provided.

iii. Travel insurance commission income

Revenue in the form of commissions is recognised when the sale of an insurance policy to a customer occurs.

iv. Investment income

Net fair value gains or losses on financial assets classified as at fair value through profit or loss are recognised in the period.

Rental revenue from leasing of investment properties is recognised in the period in which it is receivable, as this represents the pattern of service rendered through the provision of the properties.

Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

6. Expenses

	2017	2016
Management expenses		
Member related expenses	432,542	453,481
Occupancy and administration expense	2,741,941	2,534,947
Communications, postage and telephone expenses	333,824	361,581
Marketing expenses	1,126,552	1,313,548
Information technology expenses	1,289,830	1,078,554
Depreciation expense	350,029	339,942
Amortisation expense	99,081	104,691
Employee costs	9,313,345	8,592,191
Professional, legal and insurance expense	793,391	644,096
Deferred commission cost amortisation expense	1,890,868	1,533,075
Deferred commission cost written-off	690,347	163,707
Other expenses	7,746	718
	19,069,496	**17,120,531**
Investment expenses		
Investment expenses	(157,572)	(155,124)
Finance costs	(160,663)	(155,921)
	(318,235)	**(311,045)**
Member health services expenses		
Dental operating costs	(4,808,548)	(4,670,366)
Optical operating costs	(2,240,601)	(2,200,807)
Supportline operating costs	(42,000)	(83,999)
Allied health operating costs	(13,183)	(20,604)
	(7,104,332)	**(6,975,776)**

Exployee benefits expense included in member health services expenses are as follows:

	2017	2016
Dental operating costs	3,868,727	3,690,644
Optical operating costs	631,345	648,254
	4,500,071	**4,338,899**

Notes to the Consolidated Financial Statements for the year ended 30 June 2017 (cont.)

7. Taxation

a. Income tax

Queensland Teachers' Union Health Fund Limited 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 (ITAA 1997)***. TUH Health Care Services Pty Ltd is subject to income tax assessment under ***ITAA 1997***, however, the impact to the Group was not material during the financial year.

b. Other tax related obligations

The Group is subject to goods and services tax (GST) obligations under ***A New Tax System (Goods and Services Tax) Act 1999***, fringe benefits tax under the ***Fringe Benefits Tax Assessment Act 1986***, and payroll tax in accordance with the ***Payroll Tax Act 1971***.

8. Cash and cash equivalents

	2017	2016
Cash at bank and cash on hand	17,176,148	17,989,679
	17,176,148	**17,989,679**

a. Accounting policy

Cash and cash equivalents are carried at face value of the amounts deposited or drawn. For the purpose of the presentation in the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b. Risk exposure

The Group's exposure to interest rate risk is discussed in Note 3(c). The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

c. Reconciliation of operating surplus after income tax to net cash inflows from operating activities:

	2017	2016
Operating surplus/(deficit) for the year	8,346,857	(2,229,390)
Depreciation and amortisation	449,110	444,633
Investment income	(6,623,815)	(364,755)
Net changes in fair value of investment properties	(900,000)	-
Net (gain)/loss on disposal of property, plant & equipment	(20,000)	(4,991)
Change in operating assets and liabilities		
(Increase)/decrease in receivables	(1,896,857)	179,183
(Increase)/decrease in inventories	(8,023)	(3,019)
(Increase)/decrease in deferred acquisition costs	1,179,734	(1,832,056)
Increase/(decrease) in payables	(568,320)	580,784
Increase/(decrease) in outstanding claims liability	1,120,410	4,235,825
Increase/(decrease) in unearned premium liability	(5,528,567)	4,693,458
Increase/(decrease) in unexpired risk liability	(2,532,777)	(1,577,850)
Increase/(decrease) in provision for employee entitlements	77,450	220,989
Net cash flow from operating activities	**(6,904,798)**	**4,342,811**

9. Receivables

	2017	2016
Current		
Premium receivable	83,936	68,876
Unclosed business premium in arrears	74,469	89,168
Private Health Insurance Premiums Reduction Scheme receivable	3,482,504	3,212,346
Risk equalisation special account receivable	1,049,234	-
Trade receivables	36,012	90,711
GST receivable	58,504	61,879
Accrued interest	-	24,709
Accrued investment distributions	972,182	-
Prepayments	495,202	435,800
Other receivables	462,556	521,343
	6,714,599	**4,504,832**

As at 30 June 2017 and 2016 no receivables were past due or impaired.

a. Accounting policy

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment is used where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in surplus or loss within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the provision for impairment account. Subsequent recoveries of amounts previously written off are credited against other expenses in surplus or loss.

i. Premiums receivable

Amounts due from policyholders are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking this initially recognised amount and reducing it for impairment as appropriate. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the value of estimated future cash flows. The impairment charge is recognised in the surplus or loss.

ii. Unclosed business premium

Unclosed business premium represents amounts owing by members at the end of the reporting period, up to and including the date of the next normal payment cycle for their individual policy. The unclosed business premium consists of two components:

- Earned – representing contribution amounts owed by members up to and including 30 June; and
- Unearned – representing contribution amounts owed by members from 30 June up to and including their next normal payment date.

A small provision for doubtful debts is sufficient as the policies are cancelled once the lapsed period of arrears reaches 60 days.

iii. Private Health Insurance Premiums Reduction Scheme receivable

Private Health Insurance Premiums Reduction Scheme receivable is the amount claimed by Queensland Teachers' Union Health Fund Limited as a cash amount, against Department of Human Services.

iv. Risk Equalisation Special Account Levy

The Risk Equalisation Special Account Levy (RESA) is accrued based on the industry survey of eligible paid claims to be submitted to APRA. If a private health insurer notifies APRA of a material variation in paid claims which can be quantified, the Group adjusts the risk equalisation expense.

The Risk Equalisation Special Account Levy represents expense incurred under Risk Equalisation Trust Fund arrangements which are provided for within the legislation to support the principle of community rating.

v. Interest and dividends receivable

Interest and dividends receivable represents an accrual calculation of interest and dividends from investments outstanding at the end of the reporting period.

vi. Credit risk

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

10. Financial assets at fair value through profit or loss

	2017	2016
Unlisted managed investment funds	77,217,558	77,112,372
	77,217,558	**77,112,372**

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in surplus and loss in Note 5.

a. Accounting policy

i. Unlisted managed investment funds

Unlisted managed investment funds are classified as financial assets at fair value through profit or loss. Initial recognition is at fair value, being acquisition cost, in the balance sheet and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the surplus or loss.

A financial asset is classified as fair value through profit or loss if it is classified as held-for-trading or designated as such upon initial recognition. Attributable transaction costs are recognised in surplus or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognised in profit or loss. Assets in this category are classified as current assets in the Balance Sheet if they are expected to be settled within 12 months, otherwise they are classified as non-current assets.

Financial assets designated as fair value through profit or loss comprises equity securities that otherwise would have been classified as available-for-sale.

ii. Risk exposure

Information about the Group's exposure to price risk and interest rate risk is provided in Note 3.

11. Held to maturity investments

	2017	2016
Short-term bank deposits	-	1,019,189
	-	**1,019,189**

a. Accounting policy

i. Short-term bank deposits

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold-to-maturity and are measured at amortised cost subsequent to initial recognition using the effective interest method. If the Group were to sell other than an insignificant amount of held-to-maturity investments, the whole category is then reclassified as available-for-sale.

12. Inventories

	2017	2016
Current		
Dental stock	112,379	121,826
Optical stock	137,824	119,818
Stay-covered stock	6,015	6,551
	256,218	**248,195**

a. Accounting policy

i. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises all direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed overheads are allocated on the basis of normal operating capacity. Costs are assigned to inventories using the first-in-first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling cost of completion and selling expenses.

13. Deferred acquisition costs

	2017	2016
Current	1,808,307	1,890,868
Non-current	1,322,857	2,420,031

Movements in the deferred acquisition costs are as follows:

	2017	2016
Balance at beginning of year	4,310,899	2,478,843
Acquisition costs deferred during the year	1,401,480	3,528,838
Acquisition costs written off during the year	(690,347)	(163,707)
Amortisation expense	(1,890,868)	(1,533,075)
	3,131,164	**4,310,899**

a. Accounting policy

Direct acquisition costs incurred in obtaining health insurance contracts, including broker commissions, are deferred and recognised as assets where they can be reliably measured and where it is probably that they will give rise to premium revenue that will be recognised in the *Consolidated Income Statement* in subsequent reporting periods. This pattern of amortisation reflects the earning pattern of the corresponding premium revenue.

Critical accounting judgements and estimates

i. Health insurance

Deferred acquisition costs are amortised on a straight-line basis over a period of 3 years (2016: 3 years), in accordance with the expected pattern of the incidence of risk under the open-ended insurance contracts to which they relate, which includes expectations of customers remaining insured.

The Group pays an upfront commission to retail brokers on signing up new members to the business. These upfront commissions will give rise to future premium revenue beyond the current period and are able to be measured and directly associated with a particular insurance contract. The Group does not capitalise the indirect administration costs associated with acquiring new members due to the difficulty in measurement. The Group considers the duration of a health insurance contract to be an open-ended agreement as the Group stands ready to continue to insure its customers under continuing policies.

The Group uses average retention rates to determine the appropriate customer contract life and related amortisation period for customers who purchase insurance through these broker channels. The analysis identified the amortisation period to be 3 years.

The recoverability of the related deferred acquisition costs is also considered as part of the liability adequacy test performed. As described in Note 19, the Group has a deficiency in the unearned premium liability at 30 June 2017.

Alternative view
General insurers amortise deferred acquisition costs usually over one year, as their policies generally have a defined term of one year. With health insurance, if the contract term is considered to be only the term to which the customer has agreed to, or paid to, the deferred acquisition cost would be amortised over a period of between one and two months, which is the period paid in advance by the customer.

However, the Group believes that does not reflect the open-ended nature of a health insurance contract, the contract periods to which future premium revenue will arise, nor the expected pattern of the incidence of risk under the insurance contracts to which the costs relate. For these reasons, the Group believes the currently adopted treatment is more appropriate.

14. Investment properties

	2017	2016
At fair value		
Land - at independent valuation	2,460,000	1,410,000
Buildings - at independent valuation	420,000	570,000
	2,880,000	**1,980,000**

Movements in investment properties are as follows:

	2017	2016
At fair value		
Balance at beginning of year	1,980,000	1,980,000
Gain on investment properties valuation	900,000	-
	2,880,000	**1,980,000**

a. Accounting policy

Investment properties held for rental are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value, which is measured using an income approach based on the estimated rental value of the property. Gains and losses arising from changes in fair values of investment properties are included in profit or loss as part of other income in the year in which they arise.

15. Property, plant and equipment

	Land & buildings	Furniture & fittings	Computer hardware	Motor vehicles	Dental equipment	Work in progress	Total
Year ended 30 June 2016							
Opening net book amount	16,808,653	206,963	70,076	33,490	423,234	288,154	17,830,570
Additions	219,231	115,915	2,720	-	78,793	-	416,659
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	(156,010)	(72,520)	(26,517)	(15,029)	(69,866)	-	(339,942)
Other adjustments	-	-	-	-	-	(139,689)	(139,689)
Closing net book amount	**16,871,874**	**250,358**	**46,279**	**18,461**	**432,161**	**148,465**	**17,767,598**
At 30 June 2016							
Cost	17,174,505	1,548,773	420,250	81,621	1,216,343	148,465	20,589,957
Accumulated depreciation and impairment	(302,631)	(1,298,415)	(373,971)	(63,160)	(784,182)	-	(2,822,359)
Net book amount	**16,871,874**	**250,358**	**46,279**	**18,461**	**432,161**	**148,465**	**17,767,598**
Year ended 30 June 2017							
Opening net book amount	16,871,874	250,358	46,279	18,461	432,161	148,465	17,767,598
Additions	123,016	79,588	35,365	24,131	205,176	-	467,276
Disposals	-	-	-	-	-	-	-
Depreciation charge for the year	(158,252)	(68,637)	(29,245)	(10,038)	(83,857)	-	(350,029)
Revaluation increment	3,133,362	-	-	-	-	-	3,133,362
Other adjustments	-	-	-	-	-	(77,378)	(77,378)
Closing net book amount	**19,970,000**	**261,309**	**52,399**	**32,554**	**553,480**	**71,087**	**20,940,829**
At 30 June 2017							
Cost	19,970,000	1,625,860	455,615	50,460	1,346,634	71,087	23,519,656
Accumulated depreciation and impairment	-	(1,364,551)	(403,216)	(17,906)	(793,154)	-	(2,578,827)
Net book amount	**19,970,000**	**261,309**	**52,399**	**32,554**	**553,480**	**71,087**	**20,940,829**

a. Accounting policy

Land and buildings are measured at fair value less accumulated depreciation. Any accumulated depreciation at revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated as the revalued amount of the asset. A revaluation surplus is credited to other comprehensive income (asset revaluation surplus) unless it reverses a revaluation decrease on the same class of asset previously recognised in profit or loss. A revaluation deficit is recognised in profit or loss unless it directly offsets a previous revaluation surplus on the same class of asset in the asset revaluation surplus. An annual transfer is made from the asset revaluation surplus to retained earnings for the depreciation charge recognised in profit or loss relating to the revaluation surplus. On disposal, any revaluation surplus relating to sold assets is transferred to retained earnings.

Independent valuations are performed regularly to ensure that the carrying amounts of land and buildings does not differ materially from the fair value at the end of the reporting period.

All other plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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. The carrying amount of a replaced part is derecognised. All other repairs and maintenance are charged to surplus or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Buildings	40 years
Motor vehicles	3 to 5 years
Computer hardware	3 to 5 years
Furniture and fittings	3 to 20 years
Dental equipment	3 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see *Note 16(a)(ii)*).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in surplus or loss. When revalued assets are sold, it is Group policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

16. Intangibles

	Software	Total
Year ended 30 June 2016		
Opening net book amount	199,143	199,143
Additions	110,547	110,547
Amortisation charge for the year	(104,691)	(104,691)
Closing net book amount	**204,999**	**204,999**
At 30 June 2016		
Cost	1,463,401	1,463,401
Accumulated amortisation and impairment	(1,258,402)	(1,258,402)
Net book amount	**204,999**	**204,999**
Year ended 30 June 2017		
Opening net book amount	204,999	204,999
Additions	129,176	129,176
Amortisation charge for the year	(99,081)	(99,081)
Closing net book amount	**235,094**	**235,094**
At 30 June 2017		
Cost	1,592,576	1,592,576
Accumulated amortisation and impairment	(1,357,482)	(1,357,482)
Net book amount	**235,094**	**235,094**

a. Accounting policy

i. Computer software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of material and service. Amortisation is calculated on a straight-line basis over periods generally ranging from three to five years.

ii. Impairment

At the end of each reporting period, the Group assesses whether there is any indication individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in surplus or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments that reflect the time value of money and the risks specific to the asset.

17. Payables

	2017	2016
Current		
Trade creditors	632,224	409,353
Risk equalisation special account payable	-	634,567
Other payables	1,025,509	1,816,702
	1,657,733	**2,860,622**

a. Accounting policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

i. Risk Equalisation Special Account Levy

The Risk Equalisation Special Account Levy (RESA) is accrued based on the industry survey of eligible paid claims to be submitted to APRA. If a private health insurer notifies APRA of a material variation in paid claims which can be quantified, the Group adjusts the risk equalisation expense.

The Risk Equalisation Special Account Levy represents expense incurred under Risk Equalisation Trust Fund arrangements which are provided for within the legislation to support the principle of community rating.

18. Outstanding claims liability

	2017	2016
Outstanding claims - central estimate of the expected future payment for claims incurred	12,704,000	11,428,000
Administration component	243,000	226,000
Gross outstanding claims liability	**12,947,000**	**11,654,000**
Outstanding claims - expected payment to the RESA* in relation to the central estimate	(85,000)	146,000
Risk margin	707,410	649,000
Net outstanding claims liability	**13,569,410**	**12,449,000**

*Risk Equalisation Special Account (RESA) Levy represents expenses incurred under Risk Equalisation Trust Fund arrangements which are provided for within the legislation to support the principle of community rating.

Movements in the gross outstanding claims are as follows:

	2017	2016
Gross outstanding claims at beginning of the period	11,654,000	7,763,000
Administration component	(226,000)	(162,000)
Central estimate at beginning of period	**11,428,000**	**7,601,000**
Claims paid in respect of the prior year	(12,562,657)	(8,106,973)
Claims incurred during the period (expected)	13,838,657	11,933,973
Central estimate at end of period	**12,704,000**	**11,428,000**
Administration component	243,000	226,000
Gross outstanding claims liability	**12,947,000**	**11,654,000**

a. Actuarial methods and critical accounting judgements and estimates

Provision is made at the period end 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 private health insurance contracts issued by the Group. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported. 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. The estimated cost of claims includes allowances for Risk Equalisation Special Account (RESA) consequences and claims handling expense. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims, the Group uses estimation techniques based upon statistical analysis of historical experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including changes in the Group's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods. The calculation is determined taking into account one month of actual post-balance date claims.

The risk margin is based on an analysis of the past experience of the Group. This analysis examines the volatility of past payments that is not explained by the model adopted to determine the central estimate. This past volatility is assumed to be indicative of the future volatility. The central estimates are calculated gross of any risk equalisation recoveries. A separate estimate and risk margin is made of the amounts that will be recoverable from or payable to the RESA based upon the gross provision.

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

The outstanding claims provision has been estimated using a chain ladder method, based on historical experience and future expectations as to claims. The calculation was determined taking into account actual claims as at reporting date.

As claims for health funds are generally settled within one year, no discounting of claims is usually applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material. Accordingly, reasonable changes in assumptions would not have a material impact on the outstanding claims balance.

b. Actuarial assumptions

The following assumption have been made in determining the outstanding claims liability for claims incurred 12 months to the following financial years:

	2017			2016		
	Hospital	Medical	General treatment	Hospital	Medical	General treatment
Assumed proportion paid to date	70.0%	88.8%	94.0%	67.0%	82.0%	94.0%
Expense rate	1.5%	3.8%	3.8%	1.5%	3.8%	3.8%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%
Risk equalisation rate	(0.7%)	(0.7%)	0.0%	1.4%	1.4%	0.0%

The risk margin of the underlying liability has been estimated to equate to a probability of adequacy of 75% (June 2016: 75%) for the Group.

c. Process used to determine assumptions

The Group conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Group.

The table below describes how a change in each assumption will affect the insurance liabilities.

Key variable	Description	Impact of movement in variable
Chain ladder development factor	Chain ladder development factors were selected based on observations of historical claim payment experience. Particular attention was given to the development of the most recent 12 months.	An increase or decrease in the chain ladder factors would lead to a higher or lower projection of the ultimate liability and a corresponding increase or decrease in claims expense respectively.
Expense rate	Claims handling expenses were calculated by reference to past experience of total claims handling costs as a percentage of total past payments.	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	As most claims for health funds 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.	N/A
Risk equalisation allowance	In simplified terms, each organisation is required to contribute to the risk equalisation pool or is paid from the pool to equalise their hospital claims exposure to policyholders aged over 55 years of age and in respect of high cost claims. This is the allowance made in respect of the claims incurred but not yet paid.	An estimate for the risk equalisation cost is included in the outstanding claims liability. An increase or decrease in the risk equalisation allowance would have a corresponding impact on RESA Levy.
Risk margin	The risk margin has been based on an analysis of the past experience of the Group. This analysis examined the volatility of past payments that has 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 and has been set at a level estimated to equate to a probability of adequacy of 75% at a consolidated level (June 2016: 75%).	An estimate of the amount of uncertainty in the determination of the central estimate. An increase or decrease in the risk margin would have a corresponding impact on claims expense.

d. Sensitivity analysis—impact of key variables

			Surplus/(loss) 2017		Equity 2017
Recognised amounts in the financial statements			8,346,857		94,691,791
Variable	Movement in variable %	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
Chain ladder development factors	+5.0	(635,200)	7,711,657	(635,200)	94,056,591
	-5.0	635,200	8,982,057	635,200	95,326,991
Expense rate	+5.0	(12,150)	8,334,707	(12,150)	94,679,641
	-5.0	12,150	8,359,007	12,150	94,703,941
Risk equalisation allowance	+5.0	4,250	8,351,107	4,250	94,696,041
	-5.0	(4,250)	8,342,607	(4,250)	94,687,541
Risk margin	+5.0	(35,371)	8,311,486	(35,371)	94,656,420
	-5.0	35,371	8,382,227	35,371	94,727,161

			Surplus/(loss) 2016		Equity 2016
Recognised amounts in the financial statements			(2,229,390)		83,211,572
Variable	Movement in variable %	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
Chain ladder development factors	+5.0	(571,400)	(2,800,790)	(571,400)	82,640,172
	-5.0	571,400	(1,657,990)	571,400	83,782,972
Expense rate	+5.0	(11,300)	(2,240,690)	(11,300)	83,200,272
	-5.0	11,300	(2,218,090)	11,300	83,222,872
Risk equalisation allowance	+5.0	(7,300)	(2,236,690)	(7,300)	83,204,272
	-5.0	7,300	(2,222,090)	7,300	83,218,872
Risk Margin	+5.0	(32,450)	(2,261,840)	(32,450)	83,179,122
	-5.0	32,450	(2,196,940)	32,450	83,244,022

19. Unearned premium liability and unexpired risk liability

a. Unlearned premium liability

	2017	2016
Current	14,306,569	19,835,135
Non-current	-	-

The unearned premium liability reflects premiums paid in advance by customers.

b. Unexpired risk liability

	2017	2016
Current		
Unexpired risk liability	1,658,306	4,191,084
	1,658,306	**4,191,084**

c. Critical accounting judgements and estimates

A liability adequacy test is required to be performed for the period over which the insurer is "on risk" in respect of premiums paid in advance. At each reporting date, the adequacy of the unearned premium liability is assessed by considering current estimates of all expected future cash flows relating to future claims arising from the rights and obligations created. If the sum of the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability, less related intangible assets and related deferred acquisition costs, then the unearned premium is deemed to be deficient, with the deficiency being recorded in the income statement and an unexpired risk liability created. The Group applies a risk margin of 4% (2016: 3.5%) to achieve a 75% probability of sufficiency for future claims.

This test is also extended beyond recognised unearned premium liability to include premiums renewable until the next repricing review, usually 1 April each year.

20. Provision for employee entitlements

	2017	2016
Current		
Annual leave	960,234	990,948
Long service leave	1,547,734	1,444,082
	2,507,968	**2,435,030**
Non-current		
Long service leave	159,833	155,320
	159,833	**155,320**

Amounts not expected to be settled within the next 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount for employees who have reached 5 years' service with the Group is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of the provision or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2017	2016
Long service leave obligation expected to be settled after 12 months	1,573,594	1,528,325
	1,573,594	**1,528,325**

a. Accounting policy

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave expected to be settled wholly within 12 months after the end of the reporting period are recognised as current employee entitlement provisions in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled. As sick leave is non-vesting, an expense is recognised for this leave as it is taken and measured at the rate paid or payable.

ii. Other long-term employee benefit obligations

Liabilities for long service leave, annual leave and other long-term employee benefit obligations are not expected to be settled wholly within 12 months after the end of the reporting period. They are recognised as part of the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees to the end of the reporting period using the projected unit credit method. Consideration is given to expected future salaries and wages levels, experience of employee departures and periods of service. Expected future payments are discounted using national government bond rates at the end of the reporting period with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Regardless of when settlement is expected to occur, liabilities for long service leave and annual leave are presented as current liabilities in the Balance Sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period.

21. Reserves

a. Nature and purpose of reserves

i. Revaluation surplus - property, plant and equipment

The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets.

22. Capital management

Queensland Teachers Union Health Fund Limited is required to comply with the Solvency and Capital Adequacy Standards under Schedule 2 and 3 of the Private Health Insurance (Health Benefit Fund Administration) Rules 2007, the Rules are made for the purposes of Part 4-4 of the ***Private Health Insurance Act 2007***.

To comply with the Solvency Standard, Queensland Teachers' Union Health Fund Limited:

i. Must ensure that, at all times, the value of cash must be equal to or greater than a specified cash management amount, plus any supervisory adjustment (Section 4.4 of the Solvency Standard);
ii. Must have, and comply with, a board endorsed, liquidity management plan designed to ensure compliance with the solvency requirements described above, and set minimum liquidity requirement and management action triggers (Section 4.3 of the Solvency Standard).

To comply with the Capital Adequacy Standard, Queensland Teachers' Union Health Fund Limited:

i. Must ensure that at all times the value of its assets is not les than the amount calculated under Section 4.2 (a) and (b) of the Capital Adequacy Requirement);
ii. Must have, and comply with, a written, board endorsed capital management policy.

Queensland Teachers' Union Health Fund Limited has a capital management policy which establishes a target for capital held in excess of the regulatory requirements, the aim is to keep a sufficient buffer in line with the board's risk appetite. The capital target ensures Queensland Teachers' Union Health Fund Limited has a minimum level of capital given certain stressed capital scenarios.

The surplus assets over regulatory requirement at 30 June 2017 and 30 June 2016 were as follows:

	2017	2016
Total assets: Queensland Teachers Union Health Fund Limited	128,649,275	125,137,739
Capital adequacy requirement	62,343,197	75,123,846
Surplus assets for capital adequacy	66,306,078	50,013,893

At the end of the reporting period, Queensland Teachers' Union Health Fund Limited had capital in excess of the statutory requirements. The *Capital Management Policy* is reviewed and updated annually by management in conjunction with the appointed actuary and approved by the board of directors.

The *Liquidity Management Plan* forms part of a suite of policies that comprise the overall risk management framework of the Company. The *Liquidity Management Plan* documents the method and assumptions for determining the minimum liquidity requirements and associated management action triggers to enable the ccompany to comply with the Solvency Standard at all times. At 30 June 2017 and 30 June 2016, Queensland Teachers' Union Health Fund Limited satisfied the requirements within the *Liquidity Management Plan* and Solvency Standard.

23. Remuneration of auditor

	2017	2016
1. Audit services - BDO Audit Pty Ltd		
Audit and review of financial statements	57,530	56,400
Total remuneration for audit services	**57,530**	**56,400**
2. Non-audit services		
Audit-related services - BDO Audit Pty Ltd		
Audit of regulatory returns	10,035	9,840
Total remuneration for audit-related services	**10,035**	**9,840**
Taxation services - BDO (QLD) Pty Ltd		
Tax advisory and compliance services	17,400	-
Total remuneration for taxation services	**17,400**	**-**
Total remuneration for non-audit services	**27,435**	**9,840**
Total remuneration of BDO Audit Pty Ltd & BDO (QLD) Pty Ltd	**84,965**	**66,240**

24. Commitments for expenditure

a. Operating lease commitments

	2017	2016
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
- not longer than one year	26,988	25,164
- longer than one year and not longer than five years	42,081	60,993
- longer than five years	-	628
	69,069	**86,785**

The photocopier leases are non-cancellable leases with five and six-year terms, with rent payable monthly in advance. The D1380 mail folding equipment is a non-cancellable lease with a six-year term, with rent payable monthly in advance.

b. Capital expenditure commitments

	2017	2016
Payable:		
- not longer than one year	35,523	40,000
	35,523	**40,000**

24. Commitments for expenditure (cont.)

c. Operating lease receivable

	2017	2016
Receivable:		
- not longer than one year	9,914	9,914
	9,914	**9,914**

The future commitment receivable for 2017 relates to the tenancy of 30 Misterton Street to Enhance Management Pty Ltd. The commencement date of the lease of 30 Misterton Street was 29 August 2011 for a term of 2 years. The lease converted to a month by month tenancy effective 30 August 2013 for no fixed period and no notice period.

25. Key management personnel compensation

	Short-term benefits		Post employment benefit		
	Salary & fees	PHI benefit	Superannuation	Long service leave	Total
2017	1,716,650	5,441	173,343	14,811	1,910,245
	1,716,650	**5,441**	**173,343**	**14,811**	**1,910,245**
2016	1,740,681	4,522	178,467	26,083	1,949,753
	1,740,681	**4,522**	**178,467**	**26,083**	**1,949,753**

26. Related party transaction

Transactions between related parties are no normal commercial terms and conditions, no more favourable than those available to other parties unless otherwise stated.

a. Union-affiliated organisations where directors are also members:

	2017	2016
Queensland Independent Education Union (QIEU)		
- Marketing agreement	27,273	27,273
	27,273	**27,273**
Queensland Teachers' Union (QTU)		
- Marketing agreement	53,200	53,200
- Advertising	3,513	838
	56,713	**54,038**
The Union Shopper Inc.		
- Advertising	25,000	25,000
- Commission and sponsorship	-	1,818
	25,000	**26,818**

Sales

Directors who are policyholders have received health fund benefits and made purchases from the Group during the year. These benefits and purchases are on terms and conditions no more favourable than those available to all members.

27. Interest in subsidiaries and other entities

Name of entity	Note	Country of incorporation and principle place of business	Principal activity	Group's proportionate of ownership 2017	Group's proportionate of ownership 2016
TUH Health Care Services Pty Ltd*	1(c)	Australia	Broader health cover services of care coordination	100%	-
Union Health Pty Ltd*	1(c)	Australia	Health services	100%	-

*These entities did not actively trade during the year and are not material to the consolidated financial statements.

28. Subsequent events after reporting date

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

29. Members' guarantee

Queensland Teachers' Union Health Fund Limited is incorporated under the ***Corporations Act 2001*** and is a company limited by guarantee. If the Company is wound up, each member is required to contribute a maximum of $1.00 each towards meeting outstanding obligations of the Company. As at 30 June 2017, the number of Company members who would be liable if the Company was to be wound up is 5,008 (2016: 5,091).

30. Group details

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

Queensland Teachers' Union Health Fund Limited
ABN 38 085 150 376
438 St Pauls Terrace
FORTITUDE VALLEY QLD 4006

Directors' declaration

For the year ended 30 June 2017

In the Directors' opinion:

a) The financial statements and notes set out on pages 28 to 67, are in accordance with the Corporations Act 2001, including:

   i. complying with Australian Accounting Standards, the ***Corporations Regulations 2001*** and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of the performance for the financial year ended on that date; and

b) there are reasonable grounds to believe that Queensland Teachers' Union Health Fund Limited 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 Directors.

On behalf of the Board

John Battams
Director

Terence Burke
Director

Brisbane, QLD

26 September 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Queensland Teachers' Union Health Fund Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Queensland Teachers' Union Health Fund Limited (the Company) and its subsidiary (the Group), which comprises the consolidated balance sheet as at 30 June 2017, the consolidated income statement, consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, 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:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) 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 *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the annual report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 on the other information obtained prior to the date of this auditor's report, 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 ability of the Group to continue as a going concern, disclosing, as applicable, matters related 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 has 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.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_files/ar3.pdf.

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

P A Gallagher

Director

Brisbane, 26 September 2017

TUH
Health Fund

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