

Directors' Report

The Board of Directors of The Hospitals Contribution Fund of Australia Limited has pleasure in submitting its report for the year ended 30 June 2009.

Principal Activities

The principal activities of entities within the consolidated entity during the financial year were:

- (i) The provision of private health insurance within Australia.
- (ii) The provision of term life and disability insurance and investment policies in Australia.
- (iii) The operation of Dental Centres for contributors and their dependants.
- (iv) The management of friendly society benefit funds providing benefits for funeral, income protection and life insurance and investment products.
- (v) The operation of retirement and aged care accommodation.

Operating Results

The operating surplus of the consolidated entity after income tax was \$21.5 million [2008: Surplus \$37.3 million]. This result included a \$1 million (2008: \$5 million) donation to The HCF Health and Medical Research Foundation.

HCF acquired Manchester Unity Australia Ltd as a wholly owned subsidiary on 24 December 2008. The consolidated result includes the results of Manchester Unity for the period 24 December 2008 to 30 June 2009.

Dividend

The Hospitals Contribution Fund of Australia Limited is a company limited by guarantee and in accordance with the Company's Constitution does not declare a dividend.

Review of Operations, Likely Developments

A review of operations of the consolidated entity during the financial year and the likely developments in the consolidated entity's operations known at the date of this Report have been included in the Chairman's and Chief Executive Officer's Report, and the Review of Operations.

Significant Changes in State of Affairs

Guarantors' Equity for the group increased from \$562.6 million to \$579.8 million, an increase of \$17.2 million. This included a loss on revaluation of land and buildings of \$6.9 million.

Significant Events after the Balance 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 consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in financial years subsequent to the financial year ended 30 June 2009.

Environment

HCF has observed all environmental regulations governing its presence in the local government areas where its branches and worksites are situated. This includes all HCF's Dental Centres meeting their obligations under environmental protection and radiation control legislation covering disposal of clinical waste and x-ray radiation standards. The entity was active in energy conservation, materials recycling and waste reduction practices throughout the year.

HCF's activities do not impact adversely on biodiversity of flora and wildlife habitats.

Indemnification of Directors

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

Meetings of Directors

The number of parent and subsidiary Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each Director during their terms of office in the financial year are:

	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings		Nominations Committee Meetings		Compliance Committee Meetings	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Parent Company										
C.L Clifton	13	13	4	4			4	4		
S P Coppock	13	13	4	4			4	4		
J. A. B. Dunlop	13*	13	4	4	2*	2	3*#	4		
G.J. Gardiner	7	11	2	3	1	1	2	3		
R. J. Goaley	6	6	2	2			2	2		
J. R. O'Dea	11	13	4	4	2	2	4	4		
M. E. Rummery	12	13	4	4			4	4		
R. J. Schneider	13	13	4	4			3#	4		
T. J. Smith	13	13								
L. J. Stone	13	13	4	4			4	4		
G. W. Wright	12	13	4*	4			3#	4		
Manchester Unity (since acquisition)										
C.L Clifton	4	5	1	1						
S P Coppock	5	5	1	1						
J. A. B. Dunlop	5*	5	1*	1*						
G.J. Gardiner	0	5	0	1						
J. R. O'Dea	5	5	1	1						
M. E. Rummery	5	5	1	1						
R. J. Schneider	5	5	1	1						
T. J. Smith	5	5	1	1						
L. J. Stone	5	5	1	1						
G. W. Wright	5	5	1	1						
HCF Life										
D. A. Dixon	10	11	4	4					4*	4
M J Gallagher	11	11	4	4					4	4
G. J. Gardiner	5	11	2	4					2	4
J. B. Gibson	11*	11	4	4					4	4
A. J. Hutchinson	9	11	3	4					3	4
T. J. Smith	11	11	4	4					4	4
R. G. Utz	9	11	4*	4					4	4

* Denotes Chairman

Mr G J Gardiner was Chairman of HCF and Manchester Unity Boards, Remuneration Committee and Nominations Committee until his death on 14 May 2009 after a short illness. Mr J A B Dunlop was appointed Acting Chairman during Mr Gardiner's absence due to illness and was appointed Chairman of the HCF and Manchester Unity Boards and their Committees on 25 June 2009.

Mr Dunlop was Chairman of the Audit, Risk and Compliance Committee of HCF and Manchester Unity until his appointment as Chairman of the Boards on 25 June 2009. Mr G W Wright was appointed Chairman of the HCF and Manchester Unity Audit, Risk and Compliance Committees on 25 June 2009

Ineligible to attend

HCF BOARD OF DIRECTORS



J. A. B. Dunlop AM, 72
Chairman

Mr Dunlop was originally appointed to HCF's Board in October 1997 by the Health Services Association of New South Wales. He is a Director of The Children's Medical Research Institute. He was Chairman of the Children's Hospital at Westmead from 1983 until July 2004, when the New South Wales Government dissolved all Area Health Boards. Mr Dunlop has extensive commercial experience as the Managing Director of Edwards Dunlop and Company Limited between 1978 and 1987, and as a Director of Health Super Pty Ltd between 2000 and 2008. He served as Chairman of the HCF Audit Committee from 2004 until 2009 and was elected Chairman of the Board of HCF on 25 June 2009. Mr Dunlop was appointed a Member of the Order of Australia in 1987 for service to the welfare of children.



C. L. Clifton, 54
MB BS (Hons), BHA
Independent Director – Elected

Dr Christine (Tina) Clifton has served on HCF's Board since February 1994, initially as the appointee of the University Teaching Hospitals Association (Industrial) in New South Wales and subsequently elected by eligible contributor voters, the latest being in November 2007 for a three year term. She is currently a registered medical practitioner and a company director for various publicly listed and private companies. Her other current directorships include InvoCare Ltd and Health Care Australia Ltd and she is also a Councillor for the University of New South Wales. Prior to 2001, she held various positions in the public and private healthcare sectors including Chief Executive Officer of the Sisters of Charity Health Service in New South Wales and Deputy Chief Executive Officer of the Northern Sydney Area Health Service. She holds degrees in medicine and health administration and also has a specialist qualification in medical administration.



S. P. Coppock, 54
BA, LLB, MBA, LLM, MTax
Independent Director – Elected

Mr Coppock was elected to the Board in November 2007 for a three year term. He is a lawyer specialising in taxation who has worked in private, corporate and government practice. His work in private practice took him to regional NSW, Parramatta and Sydney.

He has a strong background in community involvement and has been a member of the South Eastern Sydney Illawarra Area Health Medical Research Ethics Committee and is a Local Government Councillor on Willoughby City Council.

He has been and is a director on not-for profit bodies and has been a part time lecturer for over a decade in subjects ranging from occupational health and safety, business law, legal ethics and taxation. He is the principal of a policy consultancy that specialises in the preparation of submissions and strategic advice on legal issues in government policy for private sector.



R. J. Goaley, 64
PNIA, FAICD
Independent Director

Mr Goaley was appointed by the Board in January 2009. Mr Goaley had been appointed the Chairman of Manchester Unity Australia Limited in 2007, having been a Director since 2001, Chief Executive Officer since 1987 and General Manager since 1980. He has also served as a Director of the Australian Health Insurance Association, Australian Friendly Societies Association and the Australian Health Services Alliance. He has extensive experience at executive and Board level in the provision of private health insurance, friendly society benefit and investment products and the provision of aged care and retirement services.



J. R. O'Dea, 43
BA, LL.M, MBA, FAICD
Independent Director – Elected

Mr O'Dea joined the Board on 30 November 1995, having been elected by HCF contributors. He was re-elected in October 2006 to serve a further three-year term.

Mr O'Dea has a background in law, having previously worked as a solicitor in private and corporate practice. He also has past experience as a local government councillor, as a director on various statutory and charity boards as well as a general manager in the financial services industry. Mr O'Dea is currently a Member of the NSW Parliament and is married with four children.



M. E. Rummery AM, 62
B.Univ (Hons) SCU
Independent Director

Ms Rummery was originally appointed to the Board in December in 1995 by the Health Services Association of NSW. She is a retired lawyer, a former Director of Catholic Healthcare Ltd and former Deputy Chancellor of Southern Cross University. Ms Rummery holds the following Ministerial appointments – Co-Chair of the Rural Health Taskforce, Member of the NSW Health Care Advisory Council and Member of the NSW Community and Clinicians Expert Advisory Council. She is a former Member of the NSW Clinical Excellence Commission and for many years was Chair of the Northern Rivers Area Health Service Board.

Mrs Rummery was made a Member of the Order of Australia in 2001 for services to health and education and was also awarded an Honorary Doctorate in 2007 by Southern Cross University.



R. J. Schneider AM, 63
Independent Director

Mr Schneider was appointed by the Board in January 2006. He was formerly the Chief Executive Officer of the Australian Health Insurance Association, a post he held for 22 years concentrating on policy issues relating to health financing and delivery. Prior to joining AHIA he was a journalist and media administrator. He has published extensively including “Making Medicare Better” and two books on politics.

Mr Schneider was made a Member of the Order of Australia in 2008 for his contribution to the private health insurance industry and national health policy development and was made a Life Member of the International Federation of Health Plans in 2006 for services to the private health sector. For several years he was an industry representative on the Private Health Insurance Administration Council and the Health Insurance Advisory Council.



T. J. Smith, 67
MBE, RFD, ED
Executive Director

Mr Smith is HCF's Chief Executive Officer and was appointed to the Board in December 1994. He has held the position of CEO since February 1990. He has extensive management experience in marketing, distribution and operations management in the retail financial services and insurance industries. Mr Smith is a Vice President of the International Federation of Health Plans. He is also a Director of Australian Health Insurance Association Limited and until November 2008 was President. Mr Smith was appointed a director of Primary Health Care Limited in May 2008.

**BOARD OF DIRECTORS –
HCF LIFE INSURANCE COMPANY PTY LTD**



L. J. Stone, 71
ATCL
Independent Director – Elected

Mrs Stone was elected to the Board in October 1997 and re-elected for further terms in 2000, 2003 and November 2006. She is a company director with a strong community involvement. Mrs Stone has long and sustained experience with the health industry having been Chairman of an Area Health Service Board and State President of the Health Services Association of NSW. Currently, Mrs Stone is Chairman of Sylvanvale Foundation (formerly, Handicapped Children's Centre NSW) and is President of Sutherland Foods Services Inc [Meals on Wheels].

Mrs Stone continues as a Company Director of family companies involved with property investments. She has also served previously, as a Member of the New South Wales Legislative Assembly, as a member of the NSW Community Welfare Appeals Tribunal and as a Local Government Councillor.



G. W. Wright, 64
B Com, BCA (Hons) MBA,
BHA, FCIS, AFCHSE,
CHE, FCPA
Independent Director

Mr Wright was appointed to the Board by the Private Hospitals and Nursing Homes Association of Australia in November 1982 and has been reappointed by its successor, the Private Hospitals Association of NSW Inc. Since 1985 he has been a management consultant specialising in health care management and financing issues in Australia and overseas. He is also Chairman /Director/Continuing Advisor to several groups operating not-for-profit hospitals and residential aged care services in NSW.



J. B. Gibson, (Chairman), 68
FCA, ACIS, ACIM,
Non-executive Chairman

Mr Gibson has been HCF Life Chairman since 1980. He is a chartered accountant and former principal in a firm of chartered accountants. He is a former Chairman of The Hospitals Contribution Fund of Australia Limited, and former general manager of a Sydney-based firm of stock brokers. He has 46 years commercial experience including 12 years auditing listed companies.



M. J. Gallagher, 59
BA (Macq)
Non-executive Director

Mr Gallagher is an actuary who worked in reinsurance for 35 years, specialising in life and health products. He has worked in both technical and general management roles in Australia, UK and North America. His most recent full-time role was a life risk specialist for the Australian Prudential Regulatory Authority.



A. J. Hutchinson, 67
ANZIIF (Assoc)
Executive Director

Mr Hutchinson is the HCF Life Managing Director. He has extensive general management experience in life insurance and funds management with HCF Life and other leading insurers.



D. A. Dixon, 67
BA (Hons) (Qld),
MA (Cantab).
Non-executive Director

Mr Dixon is Executive Chairman of a financial advisory firm and a Director of two listed public companies. He has also worked with the International Monetary Fund, the Commonwealth Treasury, Department of Finance and is a professional investor, superannuation and tax consultant. Mr Dixon is author of several personal finance, superannuation, taxation and investment strategy books.



T. J. Smith, 67
MBE, RFD, ED
Executive Director

Mr Smith is Chief Executive Officer of The Hospitals Contribution Fund (HCF) of Australia Limited. He has extensive management experience in marketing, distribution and operations management in the retail financial services and insurance industries.

Mr Smith is a Vice President of the International Federation of Health Plans. He is also a Director of Australian Health Insurance Association Limited and until November 2008 was President. Mr Smith was appointed a director of Primary Health Care Limited in May 2008.



R. G. Utz, 68
FCA, FCPA, F FIN
Non-executive Director

Mr Utz is a chartered accountant and former Managing Director of Morgan Grenfell (Aust) Securities Ltd, former Director of Ord Minnett Holdings Limited, Chairman of Emerging Leaders Investment Limited and a former committee member of the Sydney Stock Exchange. He has over 47 years' investment experience.

COMPANY SECRETARY



I. M. McDonald, 63
FCA

Mr McDonald was appointed company secretary of HCF and its subsidiaries on 1 September 2006. Prior to this appointment he was HCF's General Manager Finance from October 1995 to August 2006 and Chief Internal Auditor from September 1991 to October 1995. Prior to joining the company Mr McDonald had extensive experience as a partner in a 'Big 6' accounting firm, in providing assurance services, financial and taxation consulting to large and medium sized public and private companies and businesses. He has been a chartered accountant for over 37 years.

BOARD OF DIRECTORS – MANCHESTER UNITY AUSTRALIA LTD

The Directors are:

- C.L Clifton**
- S P Coppock**
- J. A. B. Dunlop**
- J. R. O'Dea**
- M. E. Rummery**
- R. J. Schneider**
- T. J. Smith**
- L. J. Stone**
- G. W. Wright**

Details of their qualifications and experience are provided above.

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF THE HOSPITALS CONTRIBUTION FUND OF AUSTRALIA LIMITED

We have obtained an independence declaration from our auditor, Ernst & Young, which is set out on the following page and forms part of the Directors' Report for the year ended 30 June 2009.

Signed in accordance with a resolution of the Directors.

J. A. B. Dunlop
Chairman
Sydney, 24 September 2009

Auditor's Independence Declaration

