

TRANSPORT FRIENDLY SOCIETY LTD

ACN 052 046 625

121st ANNUAL REPORT

As at 30 June 2009



Founded in 1888

**487 Swan Street, Richmond 3121
Telephone: 03 8420 1888**

Transport Friendly Society Ltd

Transport Friendly Society Ltd and Controlled Entities

A B N 75 052 046 625

Financial Report for the Year Ended 30 June 2009

Contents

	Page
Directors' Report	1 - 5
Corporate Governance	6 - 9
Financial report	
Income Statement	10
Balance Sheet	11
Statement of Changes in Equity	12
Cash Flow Statement	13
Notes to the Financial Statements	14 - 45
Directors' Declaration	46
Independent Audit Report to the Members	47 - 48
Auditor's Independence Declaration	49

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Directors' Report

Your Directors present their report on the company for the year ended 30 June 2009.

Directors

Your Directors present their report on the consolidated entity consisting of Transport Friendly Society Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2009. The Directors for the whole of the financial year and up until the date of this report were:

Mr Phillip S. Altieri (appointed 25/08/2008)
Mr John P. Coulson (appointed 25/08/2008)
Mr Anthony J. Cunningham
Mr Kenneth C. Kimber, (resigned 04/08/2008)
Mr Nicholas B. Madden
Mr Cornelius W. O'Carroll, (resigned 04/08/2008)
Mr Martyn R. Pickersgill
Mr Paolo R. Riboni
Mr Geoffrey W. Scully

Chief Executive Officer and Company Secretary

Mr Terrence H. O. Rance

Principal Activities

During the year the principal continuing activities of the consolidated entity consisted of:

- (a) Health Insurance Fund
- (b) Dental Clinic
- (c) Financial Planning and Retirement Advice
- (d) Aged Care Facility (Nursing Home and Hostel Accommodation)
- (e) Retirement Village
- (f) Property Investment

Dividends

The Constitution of the company precludes the payment of dividends to Members.

Review of Operations and Activities

The company has achieved a Consolidated profit after tax of \$671,479 (2008: profit - \$490,906).

The strategic plans of the Consolidated entity are reviewed regularly and the Directors continue to seek improved financial returns on assets invested for the benefit of Members.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Directors' Report

Considering each activity:-

(a) Health Fund - Transport Health Pty Ltd

Transport Health Pty Ltd, a wholly owned subsidiary of Transport Friendly Society Ltd has concluded the year with a profit of \$481,457 (2008 Profit: \$95,709).

During the year we paid Member Benefits of \$9,075,344 (2008: \$7,848,294)

The parent company, Transport Friendly Society Ltd, has charged a management fee of \$724,123 (2008 - \$288,000) to Transport Health Pty Ltd to recover administration expenses, including wages and salaries, incurred for the operating cost of the Health Insurance Fund.

(b) Dental Clinic - Dental on Swan

Dental on Swan continues to provide a great service to Members and is open to non Member patients as well.

The clinic contributed a profit before tax of \$2,994 (2008: Profit before tax of \$186,429).

(c) Financial Planning and Retirement Advice - On Track Financial Pty Ltd

On Track Financial Pty Ltd has held Australian Financial Services Licence No 246914 since March 2004.

The financial planning operations incurred a loss of \$4,028 before tax (2008: Profit before tax \$8,175).

Our fully accredited financial planners are available to service the needs of both Member and non Member investors.

(d) The Mornington Retirement Village - incorporating Shearwater Serviced Apartments

The Mornington Retirement Village contributed a profit before tax of \$5,307 (2008: profit before tax of \$1,747,270) in respect to the independent living units business. Shearwater Serviced Apartments incurred a loss before tax of \$37,053 (2008: loss before tax of \$158,236).

(e) Aged & Hostel Accommodation - Park Hill Gardens Aged Care Facility Pty Ltd

Park Hill Gardens has been able to achieve some result improvement over what has been another difficult year.

Commonwealth Government funding for aged care in nursing homes remains inadequate and is a long-standing problem for the whole of this industry.

This year Park Hill Gardens incurred a loss before tax of \$195,576, primarily due to the write-down on share market investments due to the Global Economic Crisis (2008: Loss before tax \$21,201).

(f) Head Office Administration

The majority of costs associated with providing head office administration services have been allocated to the various operational entities on a usage basis.

Head office administration contributed a residual profit of \$303,400 this financial year. The parent company has not paid a subsidy to Transport Health Pty Ltd while in 2008 the amount of subsidy paid was \$510,295.

The Administration profit before tax for the year is \$303,400 (2008: Loss before tax \$1,494,316).

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Directors' Report

(g) Optometry Retail - Maximeyes Optical Victoria Pty Ltd

The company did not trade during the year ended 30 June 2009. The company incurred additional expenses of \$144,942 to wind down the operation.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

- (a) The consolidated entity's operations in future financial years, or
- (b) The results of those operations in future financial years, or
- (c) The consolidated entity's state of affairs in future financial years.

Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations have not been included in this report because the Directors believe it would be likely to result in unreasonable prejudice to the consolidated entity.

Environmental Regulation

The operations of the consolidated entity are not subject to any particular or significant environment regulations under a Commonwealth, State or Territory law.

Information on Directors

Director	Qualifications	Experience	Special responsibilities
P. S. Altieri		Non-Executive Director (Appointed 25/08/2008).	Member of Building & Properties Committee
J. P. Coulson	B.Econ, MBA, CPA, CA	Non-Executive Director (Appointed 25/08/2008).	Member of Audit Committee. Member of Compliance Committee.
A. J. Cunningham		Non-Executive Director for 21 years.	Member of Building & Properties Committee.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Directors' Report

Information on Directors (Cont'd)

Director	Qualifications	Experience	Special responsibilities
K.C. Kimber		Non-Executive Director for 17 years. (Resigned 04/08/2008). Chairman of the Board from 18/07/2001 to 04/08/2008.	Chairman of Building & Properties Committee (Resigned 04/08/2008). Chairman of Constitution, Nomination & Remuneration Committee (Resigned 04/08/2008).
N. B. Madden	FCPA	Non-Executive Director for 7 years.	Member of Audit Committee. Member of Compliance Committee (from 22/12/2008).
C.W. O'Carroll		Non-Executive Director for 18 years. (Resigned 04/08/2008)	Member of Compliance Committee (Resigned 04/08/2008). Member of Constitution, Nomination & Remuneration Committee (Resigned 04/08/2008)
M.R. Pickersgill	B.Comm, CPA, MAICD.	Non-Executive Director. Chairman of the Board since 25/08/2008.	Chairman of Constitution, Nomination & Remuneration Committee. Member of Audit Committee (until 22/12/2008). Member of Compliance Committee (until 22/12/2008). Chairman of Building & Properties Committee.
P.R. Riboni	ARMIT, FCPA, FCIM, FTIA, CFTP (Senior), FTMA, FRES (London)	Non-Executive Director for 8 years.	Chairman of Audit Committee. Member of Constitution, Nomination & Remuneration Committee. Member of Compliance Committee (until 22/12/2008).
G.W. Scully	Advanced Diploma Human Resource Management	Non-Executive Director for 8 years.	Chairman of Compliance Committee. Member of Constitution, Nomination & Remuneration Committee.

All the above named Directors are considered by the Board to constitute independent directors.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Directors' Report

Meetings of Directors

The numbers of meetings of the company's Board of Directors and each Board Committee held during the year ended 30 June 2009, and the numbers of meetings attended by each Director were:

	<i>Board Meetings</i>		<i>Committee Meetings</i>							
	A	B	Audit		Compliance		Building & Properties		Constitution, Nomination & Remuneration	
	A	B	A	B	A	B	A	B	A	B
Mr P. S. Altieri (2)	12	12	**	**	**	**	7	7	**	**
Mr J. P. Coulson (2)	12	12	5	6	8	10	**	**	**	**
Mr A. J. Cunningham	12	13	**	**	**	**	7	7	**	**
Mr K.C. Kimber (1)	1	1	**	**	1	1	**	**	**	**
Mr N. B. Madden	12	13	14	15	6	6	**	**	**	**
Mr C. W. O'Carroll (1)	1	1	**	**	1	1	**	**	**	**
Mr M. R. Pickersgill	11	13	8	9	4	6	4	7	1	1
Mr P. R. Riboni	13	13	15	15	5	6	**	**	1	1
Mr G. W. Scully	13	13	**	**	9	11	**	**	1	1

A = Number of meetings attended

B = Number of meetings held during the time the Director held office or was a Member of the Committee during the year. Fifteen Audit Committee meetings were held during the year.

** = Not a Member of the relevant Committee

(1) = Director resigned 4/08/2008

(2) = Director appointed 25/08/2008

Insurance of Officers and Auditors

During the financial year, the company paid a premium of \$9,912 (2008: \$11,045) to insure the Directors and Secretaries of the company and its controlled entities.

The officers of the company covered by the insurance policy include current Directors, the current Secretaries and Chief Executive Officer, and past Directors, past Secretaries and past Chief Executive Officers. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company and controlled entities.

Auditor's Independence Declaration

A copy of the auditor's independence declaration in accordance with section 307C of the Corporations Act 2001 is set out on page 49

This report is made in accordance with a resolution of Directors.

Mr Martyn R. Pickersgill
Director

Mr Paolo R. Riboni
Director

Melbourne
Dated this 20th day of October 2009

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Corporate Governance Statement

Corporate Governance Statement

Transport Friendly Society Ltd and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The relationship between the Board and senior management is important to the Group's long term success. Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Chief Executive Officer.

The Directors are responsible to the Members for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of Members.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The Board of Directors

- The Board is comprised seven non-executive Directors. Non-executive Directors bring a fresh perspective to the Board's consideration of strategic, risk and performance matters and are best placed to exercise independent judgement and review and constructively challenge the performance of management
- In recognition of the importance of independent views and the Board's role in supervising the activities of management the Chairman must be an independent non-executive Director, the majority of the Board must be independent of management and all Directors are required to bring independent judgement to bear in their Board decision making
- The Chairman is elected by the full Board and meets regularly with the Chief Executive Officer
- The company will maintain a mix of Directors on the Board from different backgrounds with complementary skills and experience
- The size of the Board is conducive to effective discussion and efficient decision making
- Directors must be Members of the Health Fund

Responsibilities

The responsibilities of the Board include:

- contributing to the development of and approving the corporate strategy
- reviewing and approving business plans, the annual budget and financial plans including available resources and major capital expenditure initiatives
- overseeing and monitoring:
 - organisational performance and the achievement of the Group's strategic goals and objectives
 - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual financial reports and liaison with the company's Auditors

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Corporate Governance Statement

- appointment, performance assessment and, if necessary, removal of the Chief Executive Officer
- ratifying the appointment and/or removal and contributing to the performance assessment for the Members of the senior management team
- ensuring there are effective management processes in place and approving major corporate initiatives
- enhancing and protecting the reputation of the organisation
- ensuring the significant risks facing the company, including those associated with its legal compliance obligations have been identified and appropriate and adequate control, monitoring, accountability and reporting mechanisms are in place
- reporting to Members

Term of office

The company's Constitution specifies that all Directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a Director may stand for re-election.

Independent professional advice

Any director may take such independent legal, financial or other advice as he/she considers necessary at Transport Friendly Society Ltd expense provided the advice sought is in writing, is directly relevant to Transport Friendly Society Ltd affairs and the Chairman's consent is first requested and obtained. The consent of the Chairman will not be withheld unreasonably. (From Transport Friendly Society Ltd, Board Charter, 29 June 2009).

Board Committees

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the Board are Audit Committee, Constitution, Nomination & Remuneration Committee, Compliance Committee, and Building & Properties Committee. The committee structure and membership is reviewed on an annual basis.

A policy of rotation of committee Members applies.

Each of these committees has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis. All matters determined by committees are submitted to the full Board as recommendations for Board decision.

Minutes of committee meetings are tabled at the immediately subsequent Board meetings. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

Constitution, Nomination & Remuneration Committee

The committee consists of the following non-executive Directors:

Martyn R. Pickersgill (Chairman)

Paolo R. Riboni

Geoffrey W. Scully

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Corporate Governance Statement

Constitution, Nomination & Remuneration Committee (Cont'd)

The committee advises the Board on matters pertaining to the Constitution, nominations to fill casual vacancies on the Board, and remuneration policies and practices generally, and makes specific recommendations on remuneration packages and other terms of employment for senior executives and Directors. The committee takes advice from external remuneration experts on developments in remuneration and related matters.

Executive remuneration and other terms of employment are reviewed annually by the committee having regard to personal and corporate performance, contribution to long term growth, relevant comparative information and independent expert advice. As well as a base salary, remuneration packages include superannuation, retirement and termination entitlements, and fringe benefits (where applicable).

Audit Committee

The audit committee consists of three Directors:

Paolo R. Riboni (Chairman)
Nicholas B. Madden

John P. Coulson (from 22/12/2008)
Martyn R. Pickersgill (until 22/12/2008)

The audit committee has appropriate financial expertise and all Members have a working knowledge of the industries in which the company operates.

The main responsibilities of the audit committee are to:

- review, assess and approve the annual reports,
- assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
 - ◆ effectiveness and efficiency of operations
 - ◆ reliability of financial reporting
 - ◆ compliance with applicable laws and regulations
- oversee the effective operation of the risk management framework
- recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, the scope and quality of the audit and assess performance
- consider the independence and competence of the external auditor on an ongoing basis
- review and approve the level of non-audit services provided by the external auditors and ensure it does not adversely impact on auditor independence
- review and monitor related party transactions and assess their propriety
- report to the Board on matters relevant to the committee's role and responsibilities.

In fulfilling its responsibilities, the audit committee:

- receives regular reports from management and the external auditors
- meets with the external auditors at least twice a year or more frequently if necessary
- reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved
- meets separately with the external auditors at least once a year without the presence of management
- provides the external auditors with a clear line of direct communication at any time to either the Chairman of the Audit Committee or the Chairman of the Board.

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Corporate Governance Statement

Audit Committee (Cont'd)

The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Compliance Committee

The committee consists of three Directors:

Geoffrey W. Scully (Chairman)	John P. Coulson
Kenneth C. Kimber (resigned 04/08/2008)	Nicholas B. Madden (from 22/12/2008)
Cornelius W. O'Carroll (resigned 04/08/2008)	Paolo R. Riboni (until 22/12/2008)
Martyn R. Pickersgill (until 22/12/2008)	

The committee assists the Board in fulfilling corporate governance and oversight duties in relation to the Company meeting all compliance obligations, and ensures that the Company has a sound compliance regime which incorporates ongoing control and review measures.

The committee reports quarterly to the Board.

Building & Properties Committee

The committee consists of three Directors:

Martyn R. Pickersgill (Chairman, from 22/12/2008)	Anthony J. Cunningham
Phillip S. Altieri (from 22/12/2008)	

The committee assists the Board in fulfilling corporate governance and oversight duties in relation to the Company meeting properties obligations, and ensures that the Company has a sound property management regime which incorporates ongoing control and review measures.

The committee reports quarterly to the Board.

The committee functions include assessing and reporting on development opportunities, oversight of contracts and project managers, oversight of construction budgets and costs, and supervision of agreed building programmes.

Risk Assessment and Management

The Board is responsible for ensuring there are adequate policies in relation to risk oversight and management, and internal control systems. Policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, addressed and monitored to enable achievement of the company's business objectives.

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Financial Report

Income Statement

For the Year Ended 30 June 2009

		Consolidated		Parent Entity	
	Notes	2009 \$	2008 \$	2009 \$	2008 \$
Revenue	6	<u>18,257,698</u>	<u>17,664,154</u>	<u>5,065,864</u>	<u>4,082,356</u>
Expenses					
Employee benefits		(5,446,736)	(4,670,805)	(2,323,214)	(1,484,967)
Depreciation and amortisation	7	(304,254)	(324,079)	(241,566)	(205,771)
MRV cost of units/serviced apartments sold		7,822	236,271	7,822	236,271
Benefits paid to Members		(9,075,344)	(7,848,294)	-	-
Other expenses		<u>(3,027,519)</u>	<u>(4,432,847)</u>	<u>(2,234,258)</u>	<u>(2,247,488)</u>
		<u>(17,846,031)</u>	<u>(17,039,754)</u>	<u>(4,791,216)</u>	<u>(3,701,955)</u>
Profit before income tax expense		411,667	624,400	274,648	380,401
Income tax (expense)/benefit	8	<u>259,812</u>	<u>(133,494)</u>	<u>189,597</u>	<u>(106,504)</u>
Profit after income tax expense		<u><u>671,479</u></u>	<u><u>490,906</u></u>	<u><u>464,245</u></u>	<u><u>273,897</u></u>

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

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Financial Report

Balance Sheet

As at 30 June 2009

		Consolidated		Parent Entity	
	Notes	2009	2008	2009	2008
		\$	\$	\$	\$
Current assets					
Cash and cash equivalents	10	19,880,861	17,697,063	3,686,245	2,684,100
Receivables	11	3,788,408	3,182,625	3,021,851	3,004,114
Inventories	12	191,222	198,175	191,222	167,765
Other	13	<u>138,421</u>	<u>235,142</u>	<u>95,016</u>	<u>88,204</u>
Total current assets		<u>23,998,912</u>	<u>21,313,005</u>	<u>6,994,334</u>	<u>5,944,183</u>
Non-current assets					
Receivables	14	4,206,346	3,584,644	4,206,346	3,584,644
Building under construction	15	-	20,384	-	20,384
Other financial assets	16	744,044	983,485	342,216	499,085
Property, plant and equipment	17	6,781,011	7,002,896	6,420,252	6,613,888
Investment property	1(n)&18	5,378,941	5,378,941	5,378,941	5,378,941
Deferred tax assets	19	1,270,095	856,765	998,083	681,182
Intangible assets	20	49,678	27,862	39,631	13,155
Other	21	<u>20,100</u>	<u>20,100</u>	<u>100</u>	<u>100</u>
Total non-current assets		<u>18,450,215</u>	<u>17,875,077</u>	<u>17,385,569</u>	<u>16,791,379</u>
Total assets		<u>42,449,127</u>	<u>39,188,082</u>	<u>24,379,903</u>	<u>22,735,562</u>
Current liabilities					
Payables	22	1,221,680	1,186,123	756,838	692,089
Interest bearing liabilities	23	1,332,531	1,494,551	1,332,531	2,094,551
Tax liabilities	24	86,799	72,253	19,935	19,935
Provisions	25	2,077,783	1,987,601	494,484	350,460
Other	26	<u>12,795,072</u>	<u>10,018,347</u>	<u>3,867,500</u>	<u>2,080,000</u>
Total current liabilities		<u>17,513,865</u>	<u>14,758,875</u>	<u>6,471,288</u>	<u>5,237,035</u>
Non-current liabilities					
Deferred tax liabilities	27	1,880,228	1,823,482	1,862,585	1,791,083
Provisions	28	<u>40,280</u>	<u>132,243</u>	<u>13,718</u>	<u>9,170</u>
Total non-current liabilities		<u>1,920,508</u>	<u>1,955,725</u>	<u>1,876,303</u>	<u>1,800,253</u>
Total liabilities		<u>19,434,373</u>	<u>16,714,600</u>	<u>8,347,591</u>	<u>7,037,288</u>
Net assets		<u>23,014,754</u>	<u>22,473,482</u>	<u>16,032,312</u>	<u>15,698,274</u>
Equity					
Reserves	29(a)	9,784	139,991	9,784	139,991
Retained profits	29(b)	<u>23,004,970</u>	<u>22,333,491</u>	<u>16,022,528</u>	<u>15,558,283</u>
Total equity		<u>23,014,754</u>	<u>22,473,482</u>	<u>16,032,312</u>	<u>15,698,274</u>

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

Transport Friendly Society Ltd
 ABN 75 052 046 625
and Controlled Entities
 Financial Report

Statement of Changes in Equity
For the Year Ended 30 June 2009

Consolidated	Notes	2009			2008		
		Retained Profits	Reserves	Total	Retained Profits	Reserves	Total
		\$	\$	\$	\$	\$	\$
Balance at the beginning of the financial year		22,333,491	139,991	22,473,482	21,842,585	50,455	21,893,040
Profit attributable to Members	29	671,479	-	671,479	490,906	-	490,906
Movements in revaluation of financial assets		-	(130,207)	(130,207)	-	89,536	89,536
Balance at the end of the financial year	29	<u>23,004,970</u>	<u>9,784</u>	<u>23,014,754</u>	<u>22,333,491</u>	<u>139,991</u>	<u>22,473,482</u>
Parent Entity	Notes	2009			2008		
		Retained Profits	Reserves	Total	Retained Profits	Reserves	Total
		\$	\$	\$	\$	\$	\$
Balance at the beginning of the financial year		15,558,283	139,991	15,698,274	15,284,386	50,455	15,334,841
Profit attributable to Members	29	464,245	-	464,245	273,897	-	273,897
Movements in revaluation of financial assets		-	(130,207)	(130,207)	-	89,536	89,536
Balance at the end of the financial year	29	<u>16,022,528</u>	<u>9,784</u>	<u>16,032,312</u>	<u>15,558,283</u>	<u>139,991</u>	<u>15,698,274</u>

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

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Financial Report

Cash Flow Statement

For the Year Ended 30 June 2009

	Notes	Consolidated		Parent Entity	
		2009 Inflows/ (Outflows) \$	2008 Inflows/ (Outflows) \$	2009 Inflows/ (Outflows) \$	2008 Inflows/ (Outflows) \$
Cash flows from operating activities					
Receipts from customers (inclusive of goods and services tax)		15,917,861	15,447,492	3,775,704	2,689,532
Payments to suppliers and employees (inclusive of goods and service tax)		(17,328,862)	(16,029,629)	(4,716,284)	(2,836,893)
Interest and dividends received		1,170,035	1,088,847	187,611	71,691
Income tax paid		<u>(26,424)</u>	<u>(72,643)</u>	<u>-</u>	<u>-</u>
Net cash inflow/(outflow) from operating activities	36	<u>(267,390)</u>	<u>434,067</u>	<u>(752,969)</u>	<u>(75,670)</u>
Cash flows from investing activities					
Payments for property, plant and equipment and intangibles		(104,186)	(620,095)	(74,406)	(361,813)
Payments for investments in managed funds and equities		(20,057)	(304,911)	(20,057)	(349,077)
Proceeds from disposal of physical assets		37	-	37	-
Payments/(refunds) for construction of serviced apartments		<u>20,384</u>	<u>-</u>	<u>20,384</u>	<u>-</u>
Net cash inflow/(outflow) from investing activities		<u>(103,822)</u>	<u>(925,006)</u>	<u>(74,042)</u>	<u>(710,890)</u>
Cash flow from financing activities					
Net movements from retention of bonds		918,730	(170,094)	-	-
Loans from residents - serviced apartments		1,787,500	2,080,000	1,787,500	2,080,000
Current account with controlled entity		-	-	792,876	(520,143)
Loan (payment)/advances - controlled and related entity		<u>10,800</u>	<u>(41,400)</u>	<u>(589,200)</u>	<u>(400,000)</u>
Net cash inflow/(outflow) from financing activities		<u>2,717,030</u>	<u>1,868,506</u>	<u>1,991,176</u>	<u>1,159,857</u>
Net increase/(decrease) in cash held		2,345,818	1,377,567	1,164,165	373,297
Cash and cash equivalents at the beginning the financial year		<u>16,202,512</u>	<u>14,824,945</u>	<u>1,189,549</u>	<u>816,252</u>
Cash and cash equivalents at the end of the financial year	10	<u>18,548,330</u>	<u>16,202,512</u>	<u>2,353,714</u>	<u>1,189,549</u>

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

Note 1. Statement of Significant Accounting Policies

The general purpose financial report has been prepared in accordance with applicable Accounting Standards, which include Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB), Interpretations and other mandatory professional requirements, and the *Corporations Act 2001*.

The financial report covers the economic entity of Transport Friendly Society Ltd as an individual parent entity and Transport Friendly Society Ltd and the controlled entities as an economic entity.

The financial report of Transport Friendly Society Ltd and the controlled entities and Transport Friendly Society Ltd as an individual entity complies with all Australian equivalents to International Financial Reporting Standards (A-IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. Unless otherwise stated, the accounting policies have been consistently applied.

Basis of Preparation

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets.

Accounting Policies

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Transport Friendly Society Ltd ('company' or 'parent entity') as at 30 June 2009 and the results of all controlled entities for the year then ended. Transport Friendly Society Ltd and its controlled entities together are referred to in this financial report as the consolidated entity. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated balance sheet respectively.

Where a controlled entity has entered or left the economic entity during the year, its operating results have been included from the date control was obtained or until the date control ceased.

(b) Acquisition of Assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition, plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the acquisition date. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

(c) Revenue Recognition

Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for major business activities as follows:

(i) Contribution Income

Revenue consists of contributions received from Members, inclusive of the Government rebate. Revenue is recognised when earned over the period of the membership and include unclosed business premium income. Unclosed business premium in respect of general insurance contracts is recognised from the attachment date when it can be reliably estimated.

(ii) Interest Received

Interest is recognised on an accrual basis.

(iii) Other Revenue

Revenue is recognised when the services have been provided to the customer.

(iv) Management Fees

(a) The Mornington Retirement Village Independent Living Units

Actual management fees from the resale of independent living units at the Mornington Retirement Village are recognised when the units are sold and settled. The entitlement of the company to these management fees is earned over the period of occupancy. Deferred management fees are recognised over the term of tenancy on a unit by unit basis and are booked over time as they are earned after allowance for actual management fees recognised during the period. This income is discounted to its present value based on the expected average tenancy term of 7 years and a discount rate of 5%.

The contract of sale provides that 6 per cent of the initial purchase price is a management fee for the first twelve months of ownership, being payable to the company on resale of the property during that period. Thereafter, the management fee entitlement accrues from a rate of 5% of the future resale price, and increases by 1% per quarter, or part, to a maximum of 27.5%.

(b) Shearwater Serviced Apartments

Lease tenants at Shearwater Serviced Apartments advance an interest free loan amount to the company against which a deferred management fee is charged progressively during the term of the lease. Management fees are recognised progressively and are calculated in accordance with a contracted schedule of deferred management fee rates as applied to the loan amount. The management fee rate in the first year is 2% and increases by a further 3% per annum until reaching a maximum of 20% in the seventh year.

(d) Goods and Services Tax (GST)

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

(e) Receivables

Debtors and other receivables are recognised at the amounts receivable as these are generally due for settlement within 30 days.

Recoverability of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off. A provision for doubtful debts is raised when some doubt as to collection exists.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

(f) Depreciation of property, plant and equipment

Depreciation is calculated on a diminishing value basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land), over its expected useful life to the company. Estimates of remaining useful lives are made on a regular basis for all assets, with annual reassessments for major items.

Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The expected useful lives for each class of assets are as follows:

Class of asset	Useful life	Depreciation basis
Buildings	40 - 50 years	Diminishing Value
Plant and equipment	3 - 20 years	Diminishing Value
Leasehold improvements	lease term	Straight line

(g) Trade and other creditors

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

(h) Interest bearing liabilities

Loans are carried at their principal amounts which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and is recorded as part of other creditors.

(i) Employee benefits

(i) Wages and Salaries, Annual Leave and Sick Leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave including leave loading and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other creditors in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid.

(ii) Long Service Leave

The liability for long service leave expected to be settled within 12 months of the reporting date is recognised in the provision for employee benefits and is measured in accordance with (i) above. The liability for long service leave expected to be settled more than 12 months from the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Consideration is given to expected future wage and salary levels and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

(i) Employee benefits (Cont'd)

(iii) Directors retirement benefits

The company has capped Non-Executive Director related expenses at \$500,000 per annum. Liabilities for Director retirement benefits are accrued subject to the above capping. The Directors have provided for \$321,000 (2008 \$450,000) in respect to Directors retirement benefits at 30 June 2009 which the Directors believe adequately covers an accrual for obligations under this arrangement.

(iv) Superannuation contributions

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

(j) Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand and deposits at call with financial institutions and other liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts.

(k) Financial Instruments

Recognition and Initial Measurement

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

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit and loss

A financial asset is classified in this category principally for the purpose of selling short term or if so designated by management and within the requirements of AASB 139: Financial Instruments: Recognition and Measurement. Realised and unrealised gains and losses arising from changes in value of these assets are included in the income statement in the period in which they arise.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

(k) Financial Instruments (Cont'd)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial liabilities

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

Fair value

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

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(l) Maintenance and Repairs

Maintenance, repair costs and minor renewals are charged as expenses are incurred.

(m) Inventories

(i) Supplies and Materials

Supplies and materials are stated at the lower of cost and net realisable value

(n) Investment Property

Investment property includes Shearwater Serviced Apartments held to earn rentals or for capital appreciation or both. Investment property is initially recognised at cost. Costs incurred subject to initial acquisition are capitalised when it is possible that future economic benefits in excess of the originally assessed performance of the asset will flow to the entity.

Subsequent to the initial recognition at cost, investment property is carried at fair value determined by the Directors, with changes in the fair value recognised as income or expenses in the period in which they arise. The property is not depreciated.

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

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

(o) Revaluation of non-current assets

Subsequent to initial recognition as assets, land and buildings are measured at fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction. Revaluations are made with sufficient regularity to ensure that the carrying amount of each piece of land and each building does not differ materially from its fair value at the reporting date. Annual assessment will be made by the Directors, supplemented by independent assessments as required.

Revaluation increments are credited directly to the asset revaluation reserve, except that, to the extent an increment reverses a revaluation decrement in respect of that class of asset previously recognised as an expense in net profit or loss the increment is recognised immediately as revenue in net profit or loss.

Revaluation decrements are recognised immediately as expenses in net profit or loss, except that, to the extent the credit balance exists in the asset revaluation reserve in respect of the same class of assets, they are debited directly to the asset revaluation reserve.

Revaluation increments and decrements are offset against one another within a class of non-current assets, but not otherwise.

A deferred tax liability in respect of potential capital tax gains is taken into account in determining the revaluation amounts in accordance with AASB 112: Income Taxes.

(p) Income Tax

The activities of the company include a dental clinic which is exempt based upon the mutuality principle of taxation. In respect of the other business activities of the company, the charge for current income tax expenses is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of deferred income tax assets in relation to tax losses recognised in the balance sheet for the economic entity at 30 June 2009 amounted to \$727,307 (2008: \$395,700).

The future income tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. In assessing the realisable amount, allowance is made for tax losses not eligible to be carried forward under tax legislation relating to exempt income of the Health Fund.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

(q) Intangible assets

Under A-IFRS, an item of computer software which is not an integral part to the computer is classified as an intangible asset. Computer software held as intangible assets is amortised over the expected useful life of the software.

(r) Provisions

(i) Outstanding Claims

The provision for outstanding claims provides for claims received but not assessed and claims incurred but not received, estimated risk equalisation liability related to outstanding claims is measured as the central estimate of the present value of the expected future claims payments plus a risk margin. No discounting is applied to the provision due to the generally short time period between claim incidence and settlement. The provision also provides for the expected payment to or receipt from the Risk Equalisation Pool in relation to the amount provided for outstanding claims.

In determining the outstanding claims liability, the Health Fund has adopted appropriate risk margins in line with those recommended for regulatory purposes and Directors have provided for an additional risk margin of \$150,000.

(ii) Other provisions

Other provisions are recognised when the entity has legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amount required to settle the obligation.

(s) Unclosed Business Premium

Unclosed business premium is an accrual of the full term of expected contributions contributions from memberships in arrears as at 30 June 2009.

(t) Unearned Premium Liability

At balance date, the adequacy of the unearned premium liability is assessed against the present value of the expected future cash flows relating to the potential future claims in respect of the relevant insurance contracts, plus the predicted associated member service and claims handling costs and an additional risk margin to reflect the inherent uncertainty of the central estimate. The assessment is carried out at the Hospital and Ancillary segment level, being a portfolio of contracts that are broadly similar and managed together as a single portfolio. If the unearned premium liability is deficient, the resulting deficiency is recognised in the income statement of the Health Fund.

The probability of adequacy adopted by the Health Fund for the liability adequacy test is 75%, equivalent to the probability of adequacy applied to the outstanding claims provision.

(u) Amounts Payable to Risk Equalisation Pool

Amounts payable to the Risk Equalisation Pool represent amounts based on the deficit attributable to the Health Fund net of amounts debited to the Risk Equalisation account for the quarter.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

(v) Impairment of Assets

At each reporting date, management review the carrying values of the entities' assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

(w) Comparative Figures

Comparative figures have been reclassified to conform with changes in presentation for the current financial year.

Note 2. Critical accounting estimates and judgements

The key areas of significant estimates and judgements and the methodologies used to determine key assumptions are set out below:

(a) Uncertainty over estimate of outstanding claims provision

Provision is made for the estimated cost of claims incurred and not settled at the balance date. The estimated cost of claims includes the direct expenses that are expected to be incurred in settling these claims and the risk equalisation liability that is expected to arise in relation to outstanding claims. All claims of material value are generally settled within twelve months of being incurred and no discount inflation factors have been applied as a result.

The estimation of outstanding claims liabilities is based largely on the assumption that the past developments are an appropriate measure and predictor of the future. Claims processed up to and including 30 June 2009 were taken into consideration when determining the outstanding claims liability at 30 June 2009.

Each class of business is examined separately taking into account historical trends in the development and incidence of the number of claims reported, number of claims finalised and the reported incurred costs. External actuarial review was conducted as at 30 June 2009 to provide an independent judgement.

The calculations of outstanding claims are in conformity with actuarial standards which expect the actuary to provide a central estimate. The central estimate is subject to uncertainties. Uncertainties arise due to the simplification of actuarial models on complex claims management, assumptions about future claiming patterns based on past data and random variation that can drive the differences between actual and projected results. However, the actuary is of the view that the bias in the calculation is regarded to be immaterial.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

Note 2. Critical accounting estimates and judgements (Cont'd)

(b) Unexpired risk reserve

The adequacy of the unearned premium liability is assessed against the present value of the expected future cash flows relating to the potential future claims in respect of the relevant insurance contracts, plus the predicted associated member service and claim handling costs and an additional risk margin to reflect the inherent uncertainty of the central estimate. If the unearned premium liability is deficient, then the resulting deficiency is recognised in the income statement of the Health Fund as an unexpired risk reserve.

The liability adequacy test is considered in two parts:

- The unearned business premium; which consists of the contribution in advance liability and the unearned unclosed business
- The additional period to the next rate change date (constructive obligation)

Each class of business is examined separately taking into account historical claiming trends and actuarial projections. External actuarial review was conducted as at 30 June 2009 to provide an independent judgement.

Note 3. Insurance contracts - Risk Management policies and procedures

The Board of Directors determine the company's overall risk assessment and approves the risk management strategies, policies and procedures to ensure that risks are identified and managed within the context of this assessment.

The Audit Committee is to oversee the risk management systems, practices and procedures to ensure effectiveness of risk identification and management and compliance with internal guidelines and external requirements. The objectives of the committee are as follows:

- (i) Ensure Risk Management is adopted throughout the Health Fund as a regular management practice,
- (ii) Ensure that all employees are trained in Risk Management and understand their role in the Risk Management process,
- (iii) Develop a culture of risk prevention throughout the organisation,
- (iv) Protect the Health Fund from loss, by reducing the likelihood and consequence of risks occurring, and
- (v) Assist the Health Fund achieving its strategic and operational goals and objectives.

(a) General insurance risks

The Health Fund's general insurance risks primarily involve the underwriting of risks and claim management in private health insurance.

New contracts are required to be accepted each year provided they meet the eligibility requirements and all policy renewals must be accepted. Guaranteed acceptance of insurance contracts provides risks such as potential claims experience being greater than assumed in the contribution rates, random fluctuations in claims and selective withdrawals whereby healthier members withdraw and less healthy members remain.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

Note 3. Insurance contracts - Risk Management policies and procedures (Cont'd)

Generally health conditions and claims costs increase with the ageing of the membership profile. Adverse changes in demographics of the membership base can thereby result in increased claiming experience. The existence of the statutory risk equalisation pool reduces the impact of claims for older and chronically ill members.

The business is also faced with the unlikely risk of an extraordinary level of claims arising from events such as natural disasters, terrorist activity and an outbreak of pandemic diseases.

There are several key policies in place to mitigate the risks of insurance contracts. Management information systems that provide up-to-date and reliable data on claims risks and actuarial models based on historical data are used to calculate premiums and monitor claims patterns. Comprehensive financial and operational reports are monitored against budget and actuarial projections. Strict claims management procedures and internal controls ensure the timely and correct payment of claims in accordance with policies.

Assets and liabilities are managed to attempt to match the expected pattern of claims payments with the maturity dates of assets backing general insurance liabilities. There is also a requirement to hold risk margins on liabilities and renewal option reserve in the solvency and capital adequacy requirements.

The company provides health insurance to members residing in Australia. These members have been categorised into two broad segments, hospital and ancillary based on the similar risks contained within these segments.

Note 4 New Accounting Standards for Application in Future Periods

The AASB has issued new, revised and amended Standards and Interpretations that have mandatory application dates for future reporting periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the company is as follows:

- AASB 101: Presentation of Financial Statements, AASB 2007–8: Amendments to Australian Accounting Standards arising from AASB 101, and AASB 2007–10: Further Amendments to Australian Accounting Standards arising from AASB 101 (all applicable to annual reporting periods commencing from 1 January 2009). The revised AASB 101 and amendments supersede the previous AASB 101 and redefine the composition of financial statements including the inclusion of a statement of comprehensive income. There will be no measurement or recognition impact on the entity. If an entity has made a prior period adjustment or reclassification, a third balance sheet as at the beginning of the comparative period will be required.
- AASB 123: Borrowing Costs and AASB 2007–6: Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 and AASB 138 and Interpretations 1 and 12] (applicable for annual reporting periods commencing from 1 January 2009). The revised AASB 123 has removed the option to expense all borrowing costs and will therefore require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. Management has determined that there will be no effect on the entity as a policy of capitalising qualifying borrowing costs has been maintained by the entity.

The entity does not anticipate early adoption of any of the above reporting requirements and does not expect them to have any material effect on the entity's financial statements.

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Financial Report

Note 5. Segment information

2009 - Consolidated	Administration	Dental On Swan	Shearwater Serviced Apartments	Mornington Retirement Village	Park Hill Gardens Aged Care Facility	On Track Financial	Maximeyes Optical	Transport Health	Intersegment elimination/unallocated	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales to external customers	4,853	1,239,876	377,327	1,921,905	4,208,601	240,743	-	9,159,049	-	17,152,354
Intersegment sales	<u>3,051,123</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,051,123)</u>	<u>-</u>
Total sales revenue	3,055,976	1,239,876	377,327	1,921,905	4,208,601	240,743	-	9,159,049	(3,051,123)	17,152,354
Other revenue	<u>546,593</u>	<u>-</u>	<u>145,187</u>	<u>-</u>	<u>351,924</u>	<u>1,276</u>	<u>212</u>	<u>558,453</u>	<u>(498,301)</u>	<u>1,105,344</u>
Total segment revenue	<u>3,602,569</u>	<u>1,239,876</u>	<u>522,514</u>	<u>1,921,905</u>	<u>4,560,525</u>	<u>242,019</u>	<u>212</u>	<u>9,717,502</u>	<u>(3,549,424)</u>	<u>18,257,698</u>
Segment results	<u>303,400</u>	<u>2,994</u>	<u>(37,053)</u>	<u>5,306</u>	<u>(195,576)</u>	<u>(4,028)</u>	<u>(144,942)</u>	<u>481,457</u>	<u>109</u>	411,667
Income tax (expense)/benefit (note 8)	189,597	-	-	-	69,007	1,208	-	-	-	<u>259,812</u>
Net profit	492,997	2,994	(37,053)	5,306	(126,569)	(2,820)	(144,942)	481,457	109	<u>671,479</u>
Segment assets	<u>8,162,516</u>	<u>2,266,385</u>	<u>8,779,873</u>	<u>9,543,311</u>	<u>8,240,400</u>	<u>156,290</u>	<u>1,606</u>	<u>9,916,453</u>	<u>(4,617,707)</u>	<u>42,449,127</u>
Segment liabilities	<u>3,685,084</u>	<u>115,192</u>	<u>8,875,083</u>	<u>43,588</u>	<u>8,210,471</u>	<u>61,516</u>	<u>878,122</u>	<u>2,960,629</u>	<u>(5,395,312)</u>	<u>19,434,373</u>
Acquisitions of property, plant & equipment, intangibles and other non-current segment assets	<u>58,788</u>	<u>11,791</u>	<u>-</u>	<u>3,827</u>	<u>29,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,185</u>
Depreciation/amortisation expense	<u>185,888</u>	<u>13,397</u>	<u>29,546</u>	<u>12,735</u>	<u>62,293</u>	<u>395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,254</u>

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Financial Report

Note 5. Segment information

2008 - Consolidated	Administration	Dental On Swan	Shearwater Serviced Apartments	Mornington Retirement Village	Park Hill Gardens Aged Care Facility	On Track Financial	Maximeyes Optical **	Transport Health	Intersegment elimination/unallocated	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Sales to external customers	2,387	1,029,942	153,307	2,028,329	4,063,622	339,540	157,453	8,565,006	-	16,339,586
Intersegment sales	<u>270,705</u>	-	-	-	-	-	-	<u>222,295</u>	<u>(493,000)</u>	-
Total sales revenue	273,092	1,029,942	153,307	2,028,329	4,063,622	339,540	157,453	8,787,301	(493,000)	16,339,586
Other revenue	<u>540,783</u>	-	<u>56,904</u>	-	<u>554,526</u>	-	<u>378</u>	<u>603,629</u>	<u>(431,652)</u>	<u>1,324,568</u>
Total segment revenue	<u>813,875</u>	<u>1,029,942</u>	<u>210,211</u>	<u>2,028,329</u>	<u>4,618,148</u>	<u>339,540</u>	<u>157,831</u>	<u>9,390,930</u>	<u>(924,652)</u>	<u>17,664,154</u>
Segment results	<u>(1,494,316)</u>	<u>186,429</u>	<u>(58,982)</u>	<u>1,747,270</u>	<u>(21,201)</u>	<u>8,175</u>	<u>(639,104)</u>	<u>95,709</u>	<u>800,420</u>	624,400
Income tax expense (note 8)										(133,494)
Net profit	-	-	-	-	-	-	-	-	-	<u>490,906</u>
Segment assets	<u>8,241,055</u>	<u>2,236,772</u>	<u>7,531,642</u>	<u>9,586,367</u>	<u>7,942,486</u>	<u>181,736</u>	<u>137,632</u>	<u>9,557,858</u>	<u>(6,326,720)</u>	<u>39,088,828</u>
Segment liabilities	<u>4,126,410</u>	<u>88,574</u>	<u>7,689,878</u>	<u>91,954</u>	<u>7,785,987</u>	<u>84,141</u>	<u>869,205</u>	<u>3,083,491</u>	<u>(7,105,040)</u>	<u>16,714,600</u>
Acquisitions of property, plant & equipment, intangibles and other non-current segment assets	<u>13,951</u>	<u>3,858</u>	<u>5,665,810</u>	<u>36,751</u>	<u>24,069</u>	<u>1,825</u>	<u>212,005</u>	-	-	<u>5,958,269</u>
Depreciation/amortisation expense	<u>162,260</u>	<u>14,839</u>	<u>15,103</u>	<u>13,569</u>	<u>74,608</u>	<u>578</u>	<u>43,122</u>	-	-	<u>324,079</u>

** During the year Maximeyes Optical was established.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 6. Revenue				
Revenue from operation				
Contribution income	9,163,901	8,566,402	-	-
Other operating revenue	<u>7,988,453</u>	<u>7,773,184</u>	<u>3,543,961</u>	<u>3,213,964</u>
	<u>17,152,354</u>	<u>16,339,586</u>	<u>3,543,961</u>	<u>3,213,964</u>
Revenue - Others				
Management fees received	-	-	830,123	270,705
Interest	1,042,959	1,086,375	184,815	69,339
Rent	50,469	182,185	495,049	525,996
Dividends and distribution income	11,879	56,008	11,879	2,352
Net gain/(loss) on disposal of property, plant and equipment	<u>37</u>	<u>-</u>	<u>37</u>	<u>-</u>
	<u>1,105,344</u>	<u>1,324,568</u>	<u>1,521,903</u>	<u>868,392</u>
Total Revenue	<u>18,257,698</u>	<u>17,664,154</u>	<u>5,065,864</u>	<u>4,082,356</u>
Note 7. Profit from Operation				
Net (gain)/loss and expenses				
Profit from operation before income tax expense/(benefit) includes the following specific net (gain)/loss and expenses:				
Net (gain)/loss on disposal property, plant and equipment	<u>(37)</u>	<u>-</u>	<u>(37)</u>	<u>-</u>
Depreciation				
Buildings	159,048	135,340	159,048	135,340
Plant and equipment & leasehold improvements	<u>134,366</u>	<u>175,949</u>	<u>76,337</u>	<u>65,895</u>
	293,414	311,289	235,385	201,235
Amortisation	<u>10,840</u>	<u>12,790</u>	<u>6,181</u>	<u>4,536</u>
Total depreciation & amortisation	<u>304,254</u>	<u>324,079</u>	<u>241,566</u>	<u>205,771</u>
Impairment of investment in managed fund	<u>82,572</u>	<u>97,822</u>	<u>-</u>	<u>-</u>
Doubtful debts -controlled entity	<u>-</u>	<u>-</u>	<u>109</u>	<u>800,420</u>
Other Provisions				
Employee benefits	610,815	426,575	140,762	140,762
Outstanding Claims	145,000	105,000	-	-
Unexpired premium liability	<u>(377,000)</u>	<u>405,000</u>	<u>-</u>	<u>-</u>
Total other provisions	<u>378,815</u>	<u>936,575</u>	<u>140,762</u>	<u>140,762</u>

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 7. Profit from Operation (Cont'd)				
Net (gain)/loss and expenses				
Profit from operation before income tax expense includes the following specific net (gain)/loss and expenses:				
Loss on discontinued operation of subsidiary Maximeyes Optical Victoria Pty Ltd				
Net inventory and associated cost written off	-	93,048	-	-
Intangibles assets written off	-	127,006	-	-
Leasehold improvements written off	-	274,466	-	-
Plant and equipment written off	-	12,199	-	-
	<u>-</u>	<u>506,719</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Note 8. Income Tax Expense				
The income tax expense/(benefit) for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	<u>411,667</u>	<u>624,400</u>	<u>274,648</u>	<u>380,401</u>
Income tax calculated @ 30% (2008 - 30%)	123,500	187,320	82,394	114,120
Add tax effect of:				
Other non-allowable items	207,011	229,059	57,184	245,067
Deferred tax recognised	30,825	282,510	142,009	278,616
Other assessable income	<u>2,708</u>	<u>12,956</u>	<u>1,026</u>	<u>790</u>
	364,044	711,845	282,613	638,593
Less tax effect of:				
General business tax break	(2,239)	-	(1,336)	-
Other allowable items	(611,925)	(573,144)	(467,455)	(529,457)
Imputation credit	(9,692)	(8,789)	(3,419)	(2,632)
Underprovision prior period	-	<u>3,582</u>	-	-
Income tax expense/(benefit)	<u>(259,812)</u>	<u>133,494</u>	<u>(189,597)</u>	<u>106,504</u>
The components of tax expense/(benefit) comprise:				
Current tax	40,969	17,060	-	-
Deferred tax	(300,781)	112,852	(189,597)	106,504
Under/(Over) provision in respect of prior year	-	<u>3,582</u>	-	-
	<u>(259,812)</u>	<u>133,494</u>	<u>(189,597)</u>	<u>106,504</u>
Note 9. Group restructure				

Maximeyes Optical Victoria Pty Ltd, established in August 2006 as a 100% owned subsidiary of Transport Friendly Society Ltd, did not trade during the year ended 30 June 2009.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 10. Current Assets - Cash and Cash Equivalents				
Cash on hand	4,900	5,590	2,100	2,100
Cash at bank	3,960,087	1,334,473	-	-
Cash on deposit	<u>15,915,874</u>	<u>16,357,000</u>	<u>3,684,145</u>	<u>2,682,000</u>
	<u>19,880,861</u>	<u>17,697,063</u>	<u>3,686,245</u>	<u>2,684,100</u>
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the cash flow statement as follows:				
Balances as above	19,880,861	17,697,063	3,686,245	2,684,100
Less: Bank overdrafts (note 23)	<u>(1,332,531)</u>	<u>(1,494,551)</u>	<u>(1,332,531)</u>	<u>(1,494,551)</u>
Balances as per cash flow statement	<u>18,548,330</u>	<u>16,202,512</u>	<u>2,353,714</u>	<u>1,189,549</u>
Note 11. Current Assets - Receivables				
Debtors	13,809	30,059	13,809	30,059
Less: Provision for doubtful debts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,809</u>	<u>30,059</u>	<u>13,809</u>	<u>30,059</u>
Receivable from controlled entities	-	-	892,073	1,545,513
Less: Provision for doubtful debts	<u>-</u>	<u>-</u>	<u>(800,529)</u>	<u>(800,420)</u>
	<u>-</u>	<u>-</u>	<u>91,544</u>	<u>745,093</u>
Deferred management fees	2,850,609	2,184,778	2,850,609	2,184,778
Other receivables	<u>923,990</u>	<u>967,788</u>	<u>65,889</u>	<u>44,184</u>
	<u>3,774,599</u>	<u>3,152,566</u>	<u>2,916,498</u>	<u>2,228,962</u>
	<u>3,788,408</u>	<u>3,182,625</u>	<u>3,021,851</u>	<u>3,004,114</u>
Note 12. Current Assets - Inventories				
Inventories at cost	33,457	40,410	33,457	10,000
Unit held for resale at cost	<u>157,765</u>	<u>157,765</u>	<u>157,765</u>	<u>157,765</u>
	<u>191,222</u>	<u>198,175</u>	<u>191,222</u>	<u>167,765</u>

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 13. Current Assets - Other				
Prepayments	55,199	61,897	37,608	48,168
Mortgage loan	22,000	22,000	22,000	22,000
GST receivable	61,222	151,245	35,408	18,036
	<u>138,421</u>	<u>235,142</u>	<u>95,016</u>	<u>88,204</u>
Note 14. Non-current Assets - Receivables				
Loan MRV Body Corporate	30,600	41,400	30,600	41,400
Deferred management fees	4,175,746	3,543,244	4,175,746	3,543,244
	<u>4,206,346</u>	<u>3,584,644</u>	<u>4,206,346</u>	<u>3,584,644</u>
Note 15. Non-current Assets - Buildings under Construction				
Work in progress- serviced apartments & other construction at cost	-	20,384	-	20,384
	<u>-</u>	<u>20,384</u>	<u>-</u>	<u>20,384</u>
Note 16. Non-current Assets - Other Financial Assets				
Other (non-traded) investments				
Shares in controlled entities - at cost (note 35)	-	-	22,100	22,100
Other investments				
Units in managed funds at fair value **	423,928	506,500	-	-
Investment in equities at fair value	320,116	476,985	320,116	476,985
	<u>744,044</u>	<u>983,485</u>	<u>320,116</u>	<u>476,985</u>
	<u>744,044</u>	<u>983,485</u>	<u>342,216</u>	<u>499,085</u>
** There are no fixed returns or fixed maturity dates attached to these investments				
Note 17. Non-current Assets - Property, Plant and Equipment				
Land & buildings				
At cost	7,126,798	7,126,798	7,126,797	7,126,797
Less: Accumulated depreciation	(1,268,423)	(1,109,375)	(1,268,422)	(1,109,375)
	<u>5,858,375</u>	<u>6,017,423</u>	<u>5,858,375</u>	<u>6,017,422</u>
Total land and buildings	<u>5,858,375</u>	<u>6,017,423</u>	<u>5,858,375</u>	<u>6,017,422</u>
Plant and equipment				
At cost	1,940,174	1,868,646	1,074,251	1,032,503
Less: Accumulated depreciation	(1,017,538)	(883,173)	(512,374)	(436,037)
	<u>922,636</u>	<u>985,473</u>	<u>561,877</u>	<u>596,466</u>
Total property, plant & equipment and leasehold improvements	<u>6,781,011</u>	<u>7,002,896</u>	<u>6,420,252</u>	<u>6,613,888</u>

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

Note 17. Non-current Assets - Property, Plant and Equipment (Cont'd)

Valuations of land and buildings

Valuations of the company's properties were undertaken during the year ended 30 June 2009. The basis of valuation of land and buildings is fair market value based on existing use. The 2009 valuations were performed by Mr. John Conrick AAPI B. App.Sc. PRM (Val) of Colliers International Consultancy and Valuation Pty Limited. The book carrying amounts of land and buildings were not amended to reflect the valuation amounts.

Reconciliations

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

2009	Land and buildings \$	Plant and equipment \$	Leasehold improvements \$	Total \$
Consolidated				
Carrying amount at 1 July 2008	6,017,423	985,473	-	7,002,896
Additions	-	71,529	-	71,529
Disposals/Adjustments	-	-	-	-
Depreciation expense (note 7)	(159,048)	(134,366)	-	(293,414)
Carrying amount at 30 June 2009	<u>5,858,375</u>	<u>922,636</u>	<u>-</u>	<u>6,781,011</u>
2008	Land and buildings \$	Plant and equipment \$	Leasehold improvements \$	Total \$
Consolidated				
Carrying amount at 1 July 2007	6,152,763	790,462	94,217	7,037,442
Additions	-	375,258	203,524	578,782
Disposals/Adjustments	-	(9,163)	(280,086)	(289,249)
Depreciation expense (note 7)	(135,340)	(171,084)	(17,655)	(324,079)
Carrying amount at 30 June 2008	<u>6,017,423</u>	<u>985,473</u>	<u>-</u>	<u>7,002,896</u>
2009	Land and buildings \$	Plant and equipment \$	Leasehold improvements \$	Total \$
Parent Entity				
Carrying amount at 1 July 2008	6,017,423	596,465	-	6,613,888
Additions	-	41,749	-	41,749
Depreciation expense (note 7)	(159,048)	(76,337)	-	(235,385)
Carrying amount at 30 June 2009	<u>5,858,375</u>	<u>561,877</u>	<u>-</u>	<u>6,420,252</u>

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

Note 17. Non-current Assets - Property, Plant and Equipment (Cont'd)

Reconciliation

2008	Land and buildings \$	Plant and equipment \$	Leasehold improvements \$	Total \$
Parent Entity				
Carrying amount at 1 July 2007	6,152,763	334,651	-	6,487,414
Additions	-	332,245	-	332,245
Depreciation expense (note 7)	(135,340)	(70,431)	-	(205,771)
Carrying amount at 30 June 2008	<u>6,017,423</u>	<u>596,465</u>	<u>-</u>	<u>6,613,888</u>

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 18. Investment Property				
Balance at beginning of year	5,378,941	5,378,941	5,378,941	5,378,941
Additions	-	-	-	-
Fair value adjustments	-	-	-	-
Balance at end of year	<u>5,378,941</u>	<u>5,378,941</u>	<u>5,378,941</u>	<u>5,378,941</u>

Note 19. Non-current Assets - Deferred Tax Assets

Deferred tax assets	<u>1,270,095</u>	<u>856,765</u>	<u>998,083</u>	<u>681,182</u>
---------------------	------------------	----------------	----------------	----------------

Note 20. Non-current Assets - Intangible Assets

Computer software at cost	206,784	174,126	178,122	145,464
Less: accumulated amortisation	<u>(157,106)</u>	<u>(146,264)</u>	<u>(138,491)</u>	<u>(132,309)</u>
	<u>49,678</u>	<u>27,862</u>	<u>39,631</u>	<u>13,155</u>
Licences at cost	304,850	304,850	304,850	304,850
Less: accumulated amortisation	<u>(304,850)</u>	<u>(304,850)</u>	<u>(304,850)</u>	<u>(304,850)</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Intangibles Assets	<u>49,678</u>	<u>27,862</u>	<u>39,631</u>	<u>13,155</u>

Note 21. Non-current Assets - Other

Other interest bearing deposits	20,000	20,000	-	-
Computer software investment	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>
	<u>20,100</u>	<u>20,100</u>	<u>100</u>	<u>100</u>

Note 22. Current Liabilities - Payables

Other payables	1,221,680	1,186,123	607,135	681,822
Payable to controlled entities	<u>-</u>	<u>-</u>	<u>149,703</u>	<u>10,267</u>
	<u>1,221,680</u>	<u>1,186,123</u>	<u>756,838</u>	<u>692,089</u>

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Notes to the Financial Statements

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 23. Current Liabilities - Interest Bearing Liabilities				
Secured				
Bank overdraft	1,332,531	1,494,551	1,332,531	1,494,551
Loan account with subsidiary company	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,000</u>
	<u>1,332,531</u>	<u>1,494,551</u>	<u>1,332,531</u>	<u>2,094,551</u>

Bank Overdraft

No interest was incurred on the bank overdraft in the current financial year since there is an offset arrangement between the overdraft and other cash accounts held with the ANZ bank. Interest rate of 9.29% (2008:12.15%) is chargeable when the Group overdraft balance exceeds the Group cash balances with the ANZ Bank.

The overdraft is secured by a mortgage over the company's properties.

The parent company's unsecured loan from a subsidiary company was paid out during the year ended 30 June 2009. The interest rate applied was 10.25% p.a.

Note 24. Current Liabilities - Current Tax Liabilities

Income tax payable	<u>86,799</u>	<u>72,253</u>	<u>19,935</u>	<u>19,935</u>
--------------------	---------------	---------------	---------------	---------------

Note 25. Current Liabilities - Provisions

Employee benefits (i)	1,066,783	744,601	494,484	350,460
Outstanding claims (ii)	983,000	838,000	-	-
Unearned premium liability (iii)	<u>28,000</u>	<u>405,000</u>	<u>-</u>	<u>-</u>
	<u>2,077,783</u>	<u>1,987,601</u>	<u>494,484</u>	<u>350,460</u>

Movements in provisions

Movements in each class of provision during the financial year are set out below.

	Consolidated Employee benefits		Consolidated Outstanding claims		Consolidated Unearned premium liability	
	2009	2008	2009	2008	2009	2008
	\$	\$	\$	\$	\$	\$
Carrying amount at start of year	876,844	775,078	838,000	733,000	405,000	-
Additional provisions recognised	<u>230,219</u>	<u>101,766</u>	<u>145,000</u>	<u>105,000</u>	<u>(377,000)</u>	<u>405,000</u>
Carrying amount at end of year	<u>1,107,063</u>	<u>876,844</u>	<u>983,000</u>	<u>838,000</u>	<u>28,000</u>	<u>405,000</u>
Represented by						
Current - (note 25 (i) - (iii))	1,066,783	744,601	983,000	838,000	28,000	405,000
Non-current - (note 28)	<u>40,280</u>	<u>132,243</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,107,063</u>	<u>876,844</u>	<u>983,000</u>	<u>838,000</u>	<u>28,000</u>	<u>405,000</u>

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Note 26. Current Liabilities - Other				
Contributions in Advance	1,595,658	1,525,164	-	-
Resident Loans	3,867,500	2,080,000	3,867,500	2,080,000
Resident Bonds	<u>7,331,914</u>	<u>6,413,183</u>	<u>-</u>	<u>-</u>
	<u>12,795,072</u>	<u>10,018,347</u>	<u>3,867,500</u>	<u>2,080,000</u>
Note 27. Non-current Liabilities - Deferred Tax Liabilities				
Deferred tax liabilities	<u>1,880,228</u>	<u>1,823,482</u>	<u>1,862,585</u>	<u>1,791,083</u>
Note 28. Non-current Liabilities - Provisions				
Employee benefits - (note 25)	<u>40,280</u>	<u>132,243</u>	<u>13,718</u>	<u>9,170</u>
Note 29. Reserves and Retained Profits				
(a) Reserve				
Asset revaluation				
At the beginning of the financial year	50,455	50,455	50,455	50,455
Revaluation adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At the end of the financial year	<u>50,455</u>	<u>50,455</u>	<u>50,455</u>	<u>50,455</u>
Financial assets reserve				
At the beginning of the financial year	89,536	-	89,536	-
Revaluation of financial assets	<u>(130,207)</u>	<u>89,536</u>	<u>(130,207)</u>	<u>89,536</u>
At the end of the financial year	<u>(40,671)</u>	<u>89,536</u>	<u>(40,671)</u>	<u>89,536</u>
Total reserve	<u>9,784</u>	<u>139,991</u>	<u>9,784</u>	<u>139,991</u>
(b) Retained profits				
Retained profits at the beginning of the financial year	22,333,491	21,842,585	15,558,283	15,284,386
Net profit attributable to Members of Transport Friendly Society Ltd	<u>671,479</u>	<u>490,906</u>	<u>464,245</u>	<u>273,897</u>
Retained profits at the end of the financial year	<u>23,004,970</u>	<u>22,333,491</u>	<u>16,022,528</u>	<u>15,558,283</u>
(c) Nature and purpose of reserves				

Asset revaluation reserve

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in note 1.

Financial assets reserve

Financial assets reserve records revaluation of financial assets.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

Note 30. Financial Instruments

(a) **Financial risk management objectives and policies**

The Group's principal financial instruments comprise of:

- ◆ cash assets
- ◆ cash on deposits
- ◆ local money market instruments
- ◆ short-term investments
- ◆ receivables
- ◆ payables
- ◆ loans to and from subsidiaries.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised with respect to financial instruments above are disclosed in Note 1 to the financial statements.

The activities of the Group expose it to market interest rate risks, credit risks and liquidity risks. The risk framework recognises the unpredictability of financial markets and seeks to minimise the potential adverse effects on the financial performance of the Group. The key objectives of the management of assets and liabilities is to ensure that sufficient liquidity is maintained at all times to meet the settlement of insurance and other liabilities, and within these parameters, to optimise the investment return for members.

The carrying amounts of the financial assets and financial liabilities by category are detailed as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial assets				
Cash and deposits	19,900,861	17,717,063	3,686,245	2,684,100
Loans and receivables	8,016,754	6,789,269	8,050,726	7,411,178
Designated at fair value through profit or loss	423,928	506,500	-	-
Available for sale	<u>320,216</u>	<u>477,085</u>	<u>342,316</u>	<u>499,185</u>
Total financial assets	<u>28,661,759</u>	<u>25,489,917</u>	<u>12,079,287</u>	<u>10,594,463</u>
Financial liabilities				
At amortised cost	<u>15,349,283</u>	<u>12,699,021</u>	<u>5,956,869</u>	<u>4,866,640</u>
Total financial liabilities	<u>15,349,283</u>	<u>12,699,021</u>	<u>5,956,869</u>	<u>4,866,640</u>
Net financial assets/(liabilities)	<u>13,312,476</u>	<u>12,790,896</u>	<u>6,122,418</u>	<u>5,727,823</u>

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Notes to the Financial Statements

Note 30. Financial Instruments (Cont'd)

Net holding gain/(loss) on financial instruments by category

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Financial assets				
Cash and deposits	1,006,331	1,086,375	148,187	56,959
Loans and receivables	36,628	12,380	36,628	12,380
Designated at fair value through profit or loss	(82,572)	(44,166)	-	-
Available for sale	<u>(174,131)</u>	<u>130,260</u>	<u>(174,131)</u>	<u>130,260</u>
	<u>786,256</u>	<u>1,184,849</u>	<u>10,684</u>	<u>199,599</u>
Financial liabilities				
At amortised cost	<u>(17,428)</u>	<u>(25,058)</u>	<u>(53,721)</u>	<u>(87,841)</u>
	<u>(17,428)</u>	<u>(25,058)</u>	<u>(53,721)</u>	<u>(87,841)</u>

The net holding gains or losses disclosed are determined as follows:

For cash and cash equivalents, loans and receivables and other financial assets, the net gain or loss is calculated by taking the interest revenue, minus any impairment recognised in the net result.

For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense.

(i) Market risks

The market risks the Group is exposed to through its financial instruments are the market value risk and interest rate risk due to the nature of its investments.

The Group is not exposed to foreign currency fluctuations through its payables relating to purchases of supplies and consumables.

Interest rate risk arises from interest bearing assets. Assets with floating rate interest expose the Group to cash flow interest risk. Fixed interest assets expose the Group to fair value interest rate risk. The Group's strategy is to invest in high quality, liquid, fixed interest securities and cash and to actively manage the duration. The interest bearing assets are actively managed to achieve a balance between cash flow risk and interest rate risk, bearing in mind the liquidity requirements of the business. The Group held its assets in interest bearing securities and bank bills at the balance date which were sufficient to cover all current liabilities and prudential capital requirements.

The Group's exposure to interest rate risk and the effective weighted average interest rates on those financial assets is provided in note 30.

The Group is exposed to market value risk, particularly on its investments is addressed in the prudential capital requirements by the need to hold a Resilience Reserve.

The carrying amounts of financial assets and liabilities that are exposed to interest rates are detailed in the interest rate exposure of financial instruments note below.

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Notes to the Financial Statements

Note 30. Financial Instruments (Cont'd)

(ii) Credit risks

Credit risk exposure is constantly monitored by the Audit Committee. All interest bearing securities and cash are held with financial institutions as judged by the Audit Committee. The Group does not expect any investment counterparties to fail to meet their obligations given their strong credit rating.

The Group does not engage in hedging for its financial assets.

Provision for impairment for financial assets is calculated based on past experience, and current and expected changes in credit ratings.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk.

As at the reporting date, there is no event to indicate that any financial assets were impaired.

The following table discloses the ageing of financial assets:

Ageing analysis of financial assets

Consolidated	Carrying amount	Not past due and not impaired	Past due but not impaired			Impaired
			Less than 1 month	1 -3 months	3 months over	
2009						
Loans and Receivables	\$	\$	\$	\$	\$	\$
Receivables - current						
Debtors	13,809	13,809	-	-	-	-
Receivables from controlled entities	-	-	-	-	-	-
Deferred Management Fees	2,850,609	2,850,609	-	-	-	-
Other receivables	923,990	750,351	66,480	96,575	10,584	-
Current asset - other						
Mortgage loan	22,000	22,000	-	-	-	-
Receivables - non-current						
Loan associated entity	30,600	30,600	-	-	-	-
Deferred Management Fees	4,175,746	4,175,746	-	-	-	-
Total	8,016,754	7,843,115	66,480	96,575	10,584	-
2008						
Loans and Receivables						
Receivables - current						
Debtors	30,059	30,059	-	-	-	-
Receivables from controlled entities	-	-	-	-	-	-
Deferred Management Fees	2,184,778	2,184,778	-	-	-	-
Other receivables	967,788	798,325	94,526	68,802	6,135	-
Current asset - other						
Mortgage loan	22,000	22,000	-	-	-	-
Receivables - non-current						
Loan associated entity	41,400	41,400	-	-	-	-
Deferred Management Fees	3,543,244	3,543,244	-	-	-	-
Total	6,789,269	6,619,806	94,526	68,802	6,135	-

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Notes to the Financial Statements

Note 30. Financial Instruments (Cont'd)

Ageing analysis of financial assets

Parent	Carrying amount	Not past due and not impaired	Past due but not impaired			Impaired
			Less than 1 month	1 -3 months	3 months over	
2009						
Loans and Receivables	\$	\$	\$	\$	\$	\$
Receivables - current						
Debtors	13,809	13,809	-	-	-	-
Receivables from controlled entities	892,073	91,544	-	-	-	800,529
Deferred Management Fees	2,850,609	2,850,609	-	-	-	-
Other receivables	65,889	65,889	-	-	-	-
Current asset - other						
Mortgage loan	22,000	22,000	-	-	-	-
Receivables - non-current						
Loan associated entity	30,600	30,600	-	-	-	-
Deferred Management Fees	<u>4,175,746</u>	<u>4,175,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>8,050,726</u>	<u>7,250,197</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,529</u>
2008						
Loans and Receivables						
Receivables - current						
Debtors	30,059	30,059	-	-	-	-
Receivables from controlled entities	1,545,513	745,093	-	-	-	800,420
Deferred Management Fees	2,184,778	2,184,778	-	-	-	-
Other receivables	44,184	44,184	-	-	-	-
Current asset - other						
Mortgage loan	22,000	22,000	-	-	-	-
Receivables - non-current						
Loan associated entity	41,400	41,400	-	-	-	-
Deferred Management Fees	<u>3,543,244</u>	<u>3,543,244</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>7,411,178</u>	<u>6,610,758</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>800,420</u>

(iii) Liquidity risks

At least 30% of the Group's funds are held in liquid and short term deposits with banks to meet its working capital requirements and ensure sufficient funds are available to meet its obligations. Details of the financial assets are provided in note 30.

The Group minimises liquidity risk by maintaining sufficient liquid assets to meet the prudential capital requirements.

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Notes to the Financial Statements

Note 30. Financial Instruments (Cont'd)

The following table discloses the contractual maturity analysis for the financial liabilities of the Group.

Consolidated	Carrying Amount	Nominal Amount	Maturity dates			
			Less than 1 month	1 - 3 months	3 months - 1 year	1 - 5 years
2009	\$	\$	\$	\$	\$	\$
Payables						
Other payables	1,221,680	1,221,870	1,221,870	-	-	-
Interest bearing liabilities						
Bank overdraft	1,332,531	1,332,531	1,332,531	-	-	-
Other						
Contribution in advance	1,595,658	1,595,658	284,552	196,394	1,039,080	75,632
Resident loans	3,867,500	3,867,500	-	3,867,500	-	-
Resident bonds	<u>7,331,914</u>	<u>7,331,914</u>	<u>-</u>	<u>7,331,914</u>	<u>-</u>	<u>-</u>
Total	<u><u>15,349,283</u></u>	<u><u>15,349,473</u></u>	<u><u>2,838,953</u></u>	<u><u>11,395,808</u></u>	<u><u>1,039,080</u></u>	<u><u>75,632</u></u>
2008						
Payables						
Other payables	1,186,123	1,186,123	1,186,123	-	-	-
Interest bearing liabilities						
Bank overdraft	1,494,551	1,494,551	1,494,551	-	-	-
Other						
Contribution in advance	1,525,164	1,525,164	297,843	166,807	977,668	82,846
Resident loans	2,080,000	2,080,000	-	2,080,000	-	-
Resident bonds	<u>6,413,183</u>	<u>6,413,183</u>	<u>-</u>	<u>6,413,183</u>	<u>-</u>	<u>-</u>
Total	<u><u>12,699,021</u></u>	<u><u>12,699,021</u></u>	<u><u>2,978,517</u></u>	<u><u>8,659,990</u></u>	<u><u>977,668</u></u>	<u><u>82,846</u></u>
Parent						
2009	\$	\$	\$	\$	\$	\$
Payables						
Other payables	607,135	607,135	607,135	-	-	-
Payables to controlled entities	149,703	149,703	149,703	-	-	-
Interest bearing liabilities						
Bank overdraft	1,332,531	1,332,531	1,332,531	-	-	-
Loan from controlled entity	-	-	-	-	-	-
Other						
Resident loans	<u>3,867,500</u>	<u>3,867,500</u>	<u>-</u>	<u>3,867,500</u>	<u>-</u>	<u>-</u>
Total	<u><u>5,956,869</u></u>	<u><u>5,956,869</u></u>	<u><u>2,089,369</u></u>	<u><u>3,867,500</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
2008						
Payables						
Other payables	681,822	681,822	681,822	-	-	-
Payables to controlled entities	10,267	10,267	10,267	-	-	-
Interest bearing liabilities						
Bank overdraft	1,494,551	1,494,551	1,494,551	-	-	-
Loan from controlled entity	600,000	600,000	-	-	600,000	-
Other						
Resident loans	<u>2,080,000</u>	<u>2,080,000</u>	<u>-</u>	<u>2,080,000</u>	<u>-</u>	<u>-</u>
Total	<u><u>4,866,640</u></u>	<u><u>4,866,640</u></u>	<u><u>2,186,640</u></u>	<u><u>2,080,000</u></u>	<u><u>600,000</u></u>	<u><u>-</u></u>

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities Notes to the Financial Statements For the year ended 30 June 2009

Note 30. Financial Instruments (Cont'd)

Interest rate exposure of financial instruments

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rate and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of assets or liability refer to individual notes to the financial statements.

** Resident accommodation bonds included in other liabilities are interest free unless refunds due are effected outside statutory period where average interest rate payable is 5%.

2009 Consolidated

	Notes	Weighted average effective interest rate %	Carrying amount \$	Fixed interest maturing in 1 year or less \$	Fixed interest maturing in more than 1 year \$	Variable interest rate \$	Non interest bearing \$
Financial assets							
Cash and cash equivalents	10	4.19	19,880,861	18,950,019	-	925,942	4,900
Receivables	11,14	-	7,994,754	-	-	-	7,994,754
Other-current assets -Mortgage loan	13	10.00	22,000	-	22,000	-	-
Other financial assets	16	-	744,044	-	-	-	744,044
Other-non-current assets	21	3.04	20,100	-	-	20,000	100
			<u>28,661,759</u>	<u>18,950,019</u>	<u>22,000</u>	<u>945,942</u>	<u>8,743,798</u>
Financial liabilities							
Interest bearing liabilities - note (a)	23	9.29	1,332,531	-	-	1,332,531	-
Payables	22	-	1,221,870	-	-	-	1,221,680
Other liabilities **	26	-	12,795,072	-	-	-	12,795,072
			<u>15,349,473</u>	<u>-</u>	<u>-</u>	<u>1,332,531</u>	<u>14,016,752</u>
Net financial assets/(liabilities)			<u>13,312,286</u>	<u>18,950,019</u>	<u>22,000</u>	<u>(386,589)</u>	<u>(5,272,954)</u>

2008 Consolidated

	Notes	Weighted average effective interest rate %	Carrying amount \$	Fixed interest maturing in 1 year or less \$	Fixed interest maturing in more than 1 year \$	Variable interest rate \$	Non interest bearing \$
Financial assets							
Cash and cash equivalents	10	7.60	17,697,063	16,357,000	-	1,334,473	5,590
Receivables	11,14	-	6,918,514	-	-	-	6,918,514
Other-current assets -Mortgage loan	13	8.00	22,000	-	22,000	-	-
Other financial assets	16	-	983,485	-	-	-	983,485
Other-non-current assets	21	6.40	20,100	-	-	20,000	100
			<u>25,641,162</u>	<u>16,357,000</u>	<u>22,000</u>	<u>1,354,473</u>	<u>7,907,689</u>
Financial liabilities							
Interest bearing liabilities -note (a)	23	12.15	1,494,551	-	-	1,494,551	-
Payables	22	-	1,186,123	-	-	-	1,186,123
Other liabilities **	26	-	10,018,347	-	-	-	10,018,347
			<u>12,699,021</u>	<u>-</u>	<u>-</u>	<u>1,494,551</u>	<u>11,204,470</u>
Net financial assets/(liabilities)			<u>12,942,141</u>	<u>16,357,000</u>	<u>22,000</u>	<u>(140,078)</u>	<u>(3,296,781)</u>

Note (a) Interest is chargeable on the overdraft balance if the Group overdraft balance exceeds the Group cash balances with the ANZ Bank.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

Note 30. Financial Instruments (Cont'd)

(b) Net fair value of financial assets and liabilities

On-balance sheet

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the Group approximates their carrying amounts. Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. Unlisted investments where there is no organised financial market, are stated at cost.

(c) Sensitivity Analysis

Management believes that the following movements are reasonably possible over the next 12 months:

A shift of +/- 2% in the market interest rates

A shift of +/- 15% in other price risk

The following table discloses the impact on net operating result and equity for each category of financial instrument held by the Group at year end.

	Consolidated		Parent Entity	
	2009 \$	2008 \$	2009 \$	2008 \$
Change in profit				
Increase in interest rate by 2%	307,605	248,160	32,296	(781)
Decrease in interest rate by 2%	(307,605)	(248,160)	(32,296)	781
Increase in fair value of investment through profit or loss by 15%	63,589	25,325	-	-
Decrease in fair value of investment through profit or loss by 15%	<u>(63,589)</u>	<u>(25,325)</u>	<u>-</u>	<u>-</u>
Change in equity				
Increase in interest rate by 2%	307,605	258,160	32,296	(781)
Decrease in interest rate by 2%	(307,605)	(258,160)	(32,296)	781
Increase in fair value of investment by 15%	33,612	49,174	33,612	23,489
Decrease in fair value of investment by 15%	<u>(33,612)</u>	<u>(49,174)</u>	<u>(33,612)</u>	<u>23,489</u>

Note 31. Key Management Personnel Compensation

Key Management Personnel includes Directors and key executive officers of parent and controlled entities.

Short Terms Benefits

Salary, superannuation and non-cash benefits

1,211,720	1,140,441	1,211,720	1,140,441
-----------	-----------	-----------	-----------

Post Employment Benefits

Retirement, pensions benefits

179,278	179,480	179,278	179,480
---------	---------	---------	---------

Long Term Benefits

Long service leave

29,036	39,846	29,036	39,846
--------	--------	--------	--------

Termination benefits

<u>51,000</u>	<u>58,000</u>	<u>51,000</u>	<u>58,000</u>
<u>1,471,034</u>	<u>1,417,767</u>	<u>1,471,034</u>	<u>1,417,767</u>

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

	Consolidated		Parent Entity	
	2009	2008	2009	2008
Note 32. Remuneration of auditors				
During the year, the auditor of the company earned the following remuneration:				
(a) Assurance services				
(i) Audit services				
Audit of financial reports	<u>73,000</u>	<u>70,500</u>	<u>73,000</u>	<u>70,500</u>
(ii) Other assurance services				
Other assurance services	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total remuneration for assurance services	<u><u>73,000</u></u>	<u><u>70,500</u></u>	<u><u>73,000</u></u>	<u><u>70,500</u></u>
(b) Taxation services				
Tax compliance services, including review of company income tax returns	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total remuneration for taxation services	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Note 33. Employee Benefits				
Employee benefits liabilities				
Provision for employee benefits				
Current (note 25)	1,066,783	744,601	494,484	350,460
Non-current (note 28)	<u>40,280</u>	<u>132,243</u>	<u>13,718</u>	<u>9,170</u>
Aggregate employee benefits liabilities	<u><u>1,107,063</u></u>	<u><u>876,844</u></u>	<u><u>508,202</u></u>	<u><u>359,630</u></u>
Employee numbers				
Average number of employees during the financial year	135	138	41	34

Note 34. Related Parties

(a) Directors

The names of persons who were Directors of Transport Friendly Society Ltd at any time during the financial year are as follows:

Mr Phillip S. Altieri (appointed 25/08/2008)

Mr John P. Coulson (appointed 25/08/2008)

Mr Anthony J. Cunningham

Mr Kenneth C. Kimber, Chairman (resigned 04/08/2008)

Mr Nicholas B. Madden

Mr Cornelius W. O'Carroll, Deputy Chairman (resigned 04/08/2008)

Mr Martyn R. Pickersgill

Mr Paolo R. Riboni

Mr Geoffrey W. Scully

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

Note 34. Related Parties (Cont'd)

(b) Other transactions with Directors and Director-related entities

During the year no amount was paid or is payable to any Director as salary and commission acting in the capacity as an investment adviser.

Consolidated		Parent Entity	
2009	2008	2009	2008
\$	\$	\$	\$

There were no other transactions with Directors or Director-related entities.

(c) Wholly-owned Group

The wholly owned Group consists of Transport Friendly Society Ltd and its wholly-owned controlled entities, Transport Health Pty Ltd, On Track Financial Pty Ltd, Park Hill Gardens Aged Care Facility Pty Ltd and Maximeyes Optical Victoria Pty Ltd.

Ownership interests in these controlled entities are set out in note 35.

Transactions between Transport Friendly Society Ltd and other entities in the wholly-owned Group during the years ended 30 June 2009 and 30 June 2008 consisted of:

- (a) Intercompany amounts advanced to Transport Friendly Society Ltd from controlled entities
- (b) Intercompany amounts repaid to Transport Friendly Society Ltd by controlled entities
- (c) The receipt of management fees by Transport Friendly Society Ltd from controlled entities
- (d) The payment of management fees by Transport Friendly Society Ltd to controlled entities
- (e) The payment of interest on loan account to a controlled entity
- (f) The receipt of rental income charged to a controlled entity for the use of land and buildings

	Parent entity	
	2009	2008
	\$	\$
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with entities in the wholly-owned Group:		
Management fee received - controlled entities	830,123	493,000
Management fee expense - controlled entities	-	(222,295)
Interest expense - controlled entities	(53,721)	(87,841)
Rental income - controlled entities	444,580	343,811
Aggregate amounts receivable from/payable to entities in the wholly owned Group at balance date:		
Current receivables - controlled entities	-	-
Current payables - controlled entities	-	-
Loan payable - controlled entity	-	600,000

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

Note 35. Investments in controlled entities

	Equity holding		Cost of parent entity's investment	
	2009	2008	2009	2008
	%	%	\$	\$
Transport Health Pty Ltd	100	100	100	100
On Track Financial Pty Ltd	100	100	20,000	20,000
Park Hill Gardens Aged Care Facility Pty Ltd	100	100	1,000	1,000
Maximeyes Optical Victoria Pty Ltd	100	100	<u>1,000</u>	<u>1,000</u>
			<u>22,100</u>	<u>22,100</u>
	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$

Note 36. Reconciliation of profit from ordinary activities after income tax to net cash inflow from operating activities

Profit from ordinary activities after income tax	671,479	490,906	464,245	273,897
Depreciation and amortisation	304,254	324,079	241,566	205,771
Provision for doubtful debts			109	800,420
Net profit on sale of non-current assets	(37)	-	(37)	-
Loss on discontinued operations	-	506,719	-	-
Impairment loss - investments in managed funds	82,572	-	-	-

Changes in operating assets and liabilities

Decrease/(increase) in receivables	(1,247,368)	(1,113,679)	(1,312,871)	(1,499,048)
Decrease/(increase) in inventories	6,953	20,588	(23,457)	-
Decrease/(increase) in other assets	96,976	(681,480)	(6,812)	(4,153)
Decrease/(increase) in deferred tax assets	(357,681)	(356,349)	(261,099)	(309,951)
Increase/(decrease) in payables	36,170	71,464	(74,687)	(11,134)
Increase/(decrease) in current tax liabilities	14,546	(52,000)	-	-
Increase/(decrease) in provisions	(1,781)	611,766	148,572	52,072
Increase/(decrease) in other operating liabilities	69,781	142,853	-	-
Increase/(decrease) in deferred tax liabilities	<u>56,746</u>	<u>469,200</u>	<u>71,502</u>	<u>416,456</u>
Net cash inflow/(outflow) from operating activities	<u>(267,390)</u>	<u>434,067</u>	<u>(752,969)</u>	<u>(75,670)</u>

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

Note 37. Contingent Liabilities

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
A controlled entity has provided a bank guarantee as security deposit under the term of a lease agreement	<u>-</u>	<u>36,850</u>	<u>-</u>	<u>-</u>

Note 38. Capital Commitments

No capital expenditure commitments were contracted for by the economic or parent entity at 30 June 2009.

Consolidated Parent Entity

Note 39 Operating Lease Commitments

Operating leases contracted for but not capitalised in the financial statements

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Payable -minimum lease payments				
Not later than 12 months	-	73,867	-	-
Between 12 months and five years	-	208,880	-	-
Greater than five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>282,747</u>	<u>-</u>	<u>-</u>

The operating leases which comprise non-cancelable leases with a five year term, with rent payable monthly in advance were cancelled during the year ended 30 June 2009 and charges paid were expensed.

Note 40. Company Limited By Shares and Guarantee

The parent company, Transport Friendly Society Pty Ltd is a company limited by shares (nil shares issued) and guarantee. Every member undertakes to contribute to the assets of the company in the event of its winding up during the time he or she is a member or within one year afterwards for payment of any possible debts and liabilities of the company contracted before the time at which he or she ceased to be a member and of the costs, charges and expenses of such winding up as may be required but which in no circumstances is to exceed one dollar - \$1.00.

Transport Friendly Society Ltd

ABN 75 052 046 625

and Controlled Entities

Notes to the Financial Statements

For the year ended 30 June 2009

Note 41. Solvency Requirement

In accordance with the Private Health Insurance (Health Benefits Fund Administration) Rules 2007 - Solvency Standard, the health insurance fund must be able to meet, out of its assets, all liabilities of the fund as they fall due. The Solvency Reserve is based on a run-off view and therefore requires the insurer to demonstrate the fund can reliably meet accrued liabilities and obligations of the fund in the event of termination. The Solvency requirement at 30 June 2009 was as follows:

	Consolidated		Parent Entity	
	2009	2008	2009	2008
	\$	\$	\$	\$
Solvency reserve	1,450,000	1,534,000	-	-
Health benefits fund liabilities	<u>2,961,000</u>	<u>3,042,000</u>	<u>-</u>	<u>-</u>
Health benefits fund solvency requirement	<u>4,411,000</u>	<u>4,576,000</u>	<u>-</u>	<u>-</u>

Transport Friendly Society Ltd
ABN 75 052 046 625
and Controlled Entities
Directors' Declaration

The Directors declare that the financial statements and notes set out on pages 10 to 45:

- (a) comply with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date

In the Directors' opinion:

- (a) the financial statements and notes are in accordance with the *Corporations Act 2001*; and
- (b) there are reasonable grounds to believe that Transport Friendly Society Ltd will be able to pay its debts as and when they become due and payable.

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

Mr Martyn R. Pickersgill
Director

Mr Paolo R. Riboni
Director

Melbourne

Dated this 20th day of October 2009

Independent auditor's report to the Members of Transport Friendly Society Ltd

Report on the financial report

We have audited the accompanying financial report of Transport Friendly Society Ltd (the company) and Transport Friendly Society Ltd and controlled entities (the consolidated entity), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: 'Presentation of Financial Statements', that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independent auditor's report to the Members of Transport Friendly Society Ltd

Independence

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

Auditor's opinion

In our opinion:

- a. the financial report of Transport Friendly Society Ltd and Transport Friendly Society Ltd and controlled entities is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**UHY Haines Norton
Chartered Accountants**

**R. H. Hutton
Partner**

Melbourne

Dated this 20th day of October 2009

Auditor's Independence Declaration

To the Board of Directors of Transport Friendly Society Ltd

As engagement partner for the audit of Transport Friendly Society Ltd for the year ended 30 June 2009, I declare that, to the best of my knowledge and belief, there have been:

- i. No contraventions of the independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

**UHY Haines Norton
Chartered Accountants**

**R. H. Hutton
Partner**

Melbourne

Dated this 20th day of October 2009