

2007

Concise annual report

for the year ended 30 June

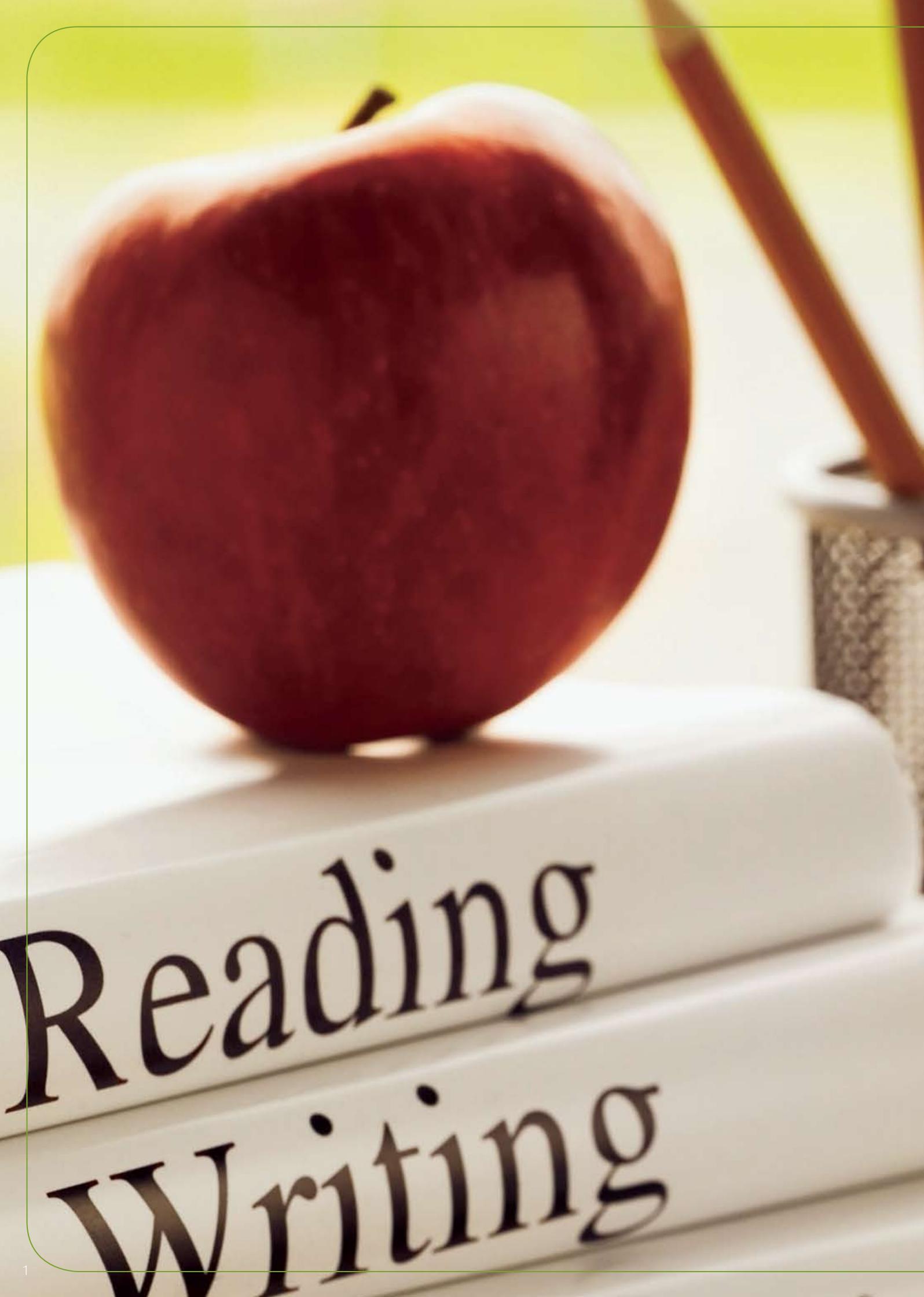




Contents



Chairperson's review	2
Chief executive officer's review	6
Directors' report	10
Auditors independence declaration	14
Discussion and analysis of the financial statements	16
Income Statement	17
Balance Sheet	18
Statement of changes in equity	19
Cashflow Statement	19
Notes to the Concise Financial Report	20
Directors' declaration	21
Independent audit report	22

A close-up photograph of a vibrant red apple with a small stem, resting on a stack of white books. The top book's spine is visible, featuring the word 'Reading' in a black, serif font. Below it, the word 'Writing' is also visible on another book's spine. In the background, a wooden pencil is held in a silver-colored pencil holder. The scene is lit with warm, soft light, creating a gentle glow and soft shadows.

Reading

Writing



Helen Macgregor
Chairperson

Chairperson's review

It is pleasing to report on another strong performance by Teachers Federation Health for the financial year 2006/07. This was the first full year of operation at our Reservoir Street premises and under the management of new Chief Executive Officer, Brad Joyce.

In a year of change we achieved a surplus of \$15.3 million and enjoyed a 5.2% growth in member numbers.

Operating environment

During 2006/07 there were two issues dominating and directing change within the Private Health Insurance sector. The first of them, the new Private Health Insurance (PHI) Legislation that was introduced on 1 April 2007, demanded our full attention and will continue to do so over the next 12 months as it brings with it several changes that affect us such as those related to the introduction of Broader Health Cover. We also must comply with the requirement for all funds to re-register as a Health Fund by 1 July 2008. Re-registration of Teachers Federation Health includes the major task of reviewing and rewriting as necessary the rules of the fund to comply with the new legislation. The Board commenced this process during the year under review.

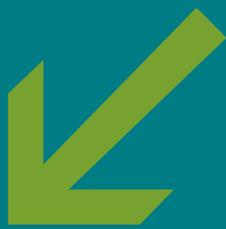
The second driver of change in the Australian health insurance industry is the proposed demutualisation and public float of some funds such as NIB and MBF that is scheduled for the 2007/08 financial year. Medibank Private is also expected to follow the same path.

Demutualisation and the public listing of these large Australian funds could result in considerable change with further consolidation likely. A potential result of these market changes could be the arrival of new competitors into the health insurance market such as general insurers and other financial services organisations.

The Board is keenly aware that these critical changes to the market in which we compete for membership need to be carefully managed by Teachers Federation Health. Central to our success will be a continued focus on providing members with a unique and relevant product and service offering that will retain our dominance in the education union community.

Currently our valuable education niche makes Teachers Federation Health the 9th largest of the 37 health funds in Australia.

Strategic Directions, our medium term strategy and business plan developed in early 2006 for Teachers Federation Health, is central to our successful management of these external influences on our business. The plan creates the strategic framework around which all decisions and directions are formulated. We have aimed for high member satisfaction levels, service excellence and the adoption of a value innovation strategy to drive the plan. We intend to grow and retain our valued membership and enrich our strong education union relationships during this dynamic time for the health industry.



The groundwork of all
happiness is health.

Organisational performance

I am pleased to report another year of positive financial results by Teachers Federation Health. Our performance resulted in an operating surplus of \$15.3 million which increased our reserves to \$115.3 million while fund assets increased to \$154.7 million. Member reserves now stand at \$1,342 per member.

This result ensures we continue to maintain our strong capital base with our capital adequacy and solvency levels are still comfortably above the PHIAC prudential requirements.

Income from the Teacher Eyecare centres, our investment income return and the sale of development apartments (Silkwood) boosted our \$222.7 million from member contributions and generated total revenue for Teachers Federation Health of \$242.1 million for 2006/07, an increase of \$34.6 million or 17% over the previous year.

Higher utilisation levels and increases in medical costs raised the level of benefits paid in 2006/07 to \$196.2 million, an increase of 12% over the 2005/06 financial year. Our annual contribution to the industry risk equalisation pool increased by 9.6% to \$14.2 million.

Once again, Teachers Federation Health managed to keep its management costs low at 6.5% of contribution income, 2.7% lower than the industry average of 9.6%. Controlling these costs of administration is another way that the Fund works to keep member contribution rates low.

Membership grew by 5.4% resulting in a total membership of 85,873 and we maintained our national market share of 1.7%. Our retention rate of 97% remains industry best practice and is a continuing indication of the importance of providing value and high service satisfaction to our education union based membership.

This year we once again report our full compliance with all statutory and regulatory requirements. During 2006/07 the Board remained well equipped to discharge its responsibilities and meet the corporate governance expectations of fund members, the community and regulatory authorities.

The Fund continued to play an active and visible role within the industry, liaising with relevant government authorities and taking a leadership position with various industry associations.

Looking forward

Notwithstanding the outcome of the Federal election, we do not anticipate any major change to Government policy, such as the 30% rebate or any new incentives that would require a response from Teachers Federation Health during 2007/08.

The goals and purpose of the Fund's Business strategy will continue to drive the Board and Management forward over the next 12 months. Plans have been developed to ensure the organisation is well equipped to deal with the challenges of the changing and competitive private health industry in 2008.

The Board remains confident that over coming years its provision of quality health cover for the lowest possible cost together with exceptional customer service will ensure that members continue to enjoy the best possible health outcomes available from any fund in Australia.

I take this opportunity to thank our committed Board members for their time and valuable contribution, our members for their continued, unfailing support and our management and staff for their dedication to providing our members with service excellence.

H M MACGREGOR

Chairperson



Dated this 16th day of October 2007
Sydney, NSW





Brad Joyce
Chief Executive Officer

CEO's review

At the conclusion of the 2006/07 financial year, it is pleasing to report that our key performance metrics were achieved while we continued to provide the best possible health cover at the lowest possible price for our members.

One of the key issues for the health industry over recent years has been the modest growth in industry membership, particularly among younger, healthier parts of the population. Recognition of this issue has resulted in initiatives being introduced by the Federal Government. These initiatives have been advertised and promoted by health funds as a positive reason for young people to join a health fund.

In response, in 2006/07 Teachers Federation Health reviewed its product range and early in 2007 introduced 2 new products, a combined hospital and extras product and a new hospital cover both designed for this younger market. We now offer a range of four hospital products, two extras products and our new combined hospital and extras package called 'StarterPak' designed specifically for the important younger teacher market. We also took the opportunity to rename our existing product range during recent months, however, while the product names changed, the products and benefits did not.

Hospital contract negotiations continued to be difficult throughout 2006/07 due to increased market power of large hospital groups, while some state government health departments continued to put pressure on public hospitals to encourage patients with

private health cover to be treated as private health patients in public hospitals.

Throughout the year, the management team and staff worked very hard together to implement the organisation changes and business improvement initiatives that will help us achieve the objectives set out in our Strategic Plan.

The focus in 2007/08 will be to continue these business improvement initiatives maximising member service levels, enhancing quality of processes, efficiency and products and maximising member retention and satisfaction. Growing member numbers and enhancing member value remain the key goals of the organisation.

Organisation and operational achievements

The focus for all of us during 2006/07 was on consolidating our commitment to continual improvement and on implementing the necessary structures and processes to ensure success with this. RenewALL was introduced as the framework under which business improvement initiatives are undertaken and represents the Board and staff commitment to growing and learning together.

An essential part of this internal program for management and staff was the promotion and embedding of the organisation's values and culture.

Our particular focus for the year was:

- Maximising customer service levels
- Continuous improvement and quality
- Product review and upgrade
- Achieving best practice in respect of work practices and efficiency
- Profitable member growth
- Maximising member retention and satisfaction
- Exceptional member experience dealing with TFH
- Superior work environment for staff delivering service to members
- A compliant OH&S program
- An integrated framework for human resource planning, management and development
- Targeted and effective staff training
- Compliance with the industry Code of Conduct.

To improve operational efficiencies we also introduced new analytical tools that allowed product profitability and membership modelling to be developed and used effectively. We also completed an upgrade to our IT infrastructure which will underpin our service delivery efficiencies.

A major achievement was the development of an integrated Risk Management plan. As part of our Risk Management we also developed a Business Continuity and Disaster Recovery strategy which includes the establishment of a dedicated disaster recovery site being incorporated into the planning of the expanded Parramatta Eyecare centre to be opened towards the end of 2007.

Our relationships with key national education union stakeholders were further developed and enhanced in 2006/07. These relationships form the foundation for our continued business success and will be ever more important for our planned expansion of services into other States over the next few years. As such, a key objective of the 2007/08 Business Plan is the further enrichment of these relationships.

With the successful relocation of our Surry Hills Eyecare centre mid 2006, our attentions turned to the relocation of the Parramatta branch to larger more modern premises. Not only will this enable us to provide improved optometrical services to our members, but through a preferred provider arrangement we will be able to incorporate a dental service for members into one of our branches. We trust that this new, valuable combined eyecare and dental service may become the model for any future expansion.

To increase our services and presence in Victoria we are also in the process of establishing a new Victorian Eyecare centre in Swanston Street, Melbourne, to extend the provision of both customer service and eyecare to our Victorian members.

Teachers Federation Health continued to develop and enhance its Corporate Governance framework during 2006/07 to ensure that it remains appropriate to the needs of the business, aligned with the requirements and expectations of all stakeholders and meets the standards articulated by PHIAC in its draft Corporate Governance Guidelines.

Teachers Federation Health continued to play an active role in shaping the future of the private health insurance industry taking a leadership role in industry forums including active membership and involvement with peak industry groups in Australia and internationally.

I would like to extend my appreciation to the Board for their support. I would also like to acknowledge the valuable contribution that management and staff have made to help us move forward on our new strategic path and thank them for their ongoing support in providing excellent support and service for our members.

Year in brief

Membership continued to grow and members now total 85,874 covering 191,843 lives.

Contributors covered

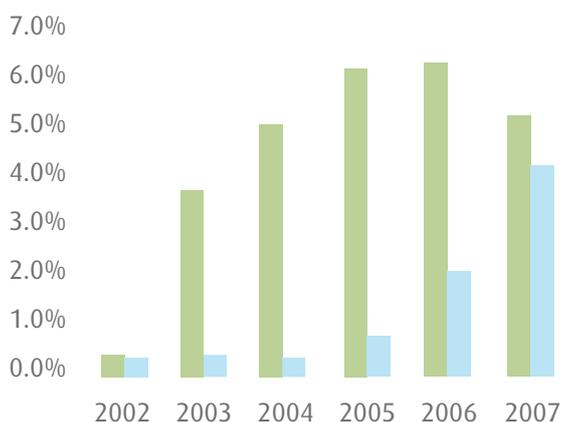
STATE	2005/06	2006/07	% Increase
NSW/ACT/NT	68,517	71,241	3.98%
VIC	7,325	8,277	13.00%
QLD	1,768	1,941	9.79%
SA	2,845	3,011	5.83%
WA	504	572	13.49%
TAS	665	832	25.11%
TOTAL	81,624	85,874	5.21%

Total persons covered

STATE	2005/06	2006/07	% Increase
NSW/ACT/NT	159,495	158,608	-0.56%
VIC	17,902	19,000	6.13%
QLD	3,758	4,022	7.03%
SA	6,837	6,915	1.14%
WA	1,147	1,235	7.67%
TAS	1,682	2,063	22.65%
TOTAL	190,821	191,843	0.54%

While average membership growth for the industry stood at 4.20%, Teachers Federation Health achieved 5.21%.

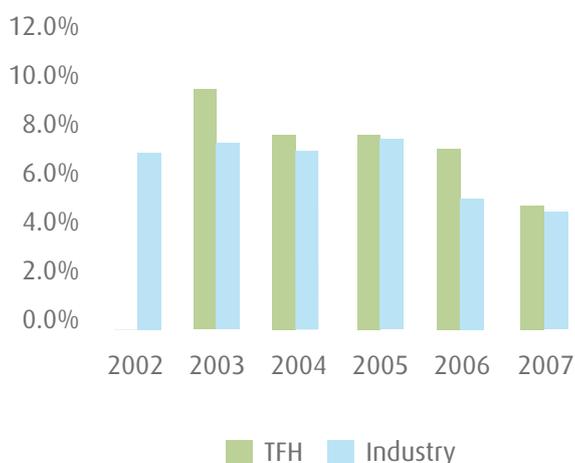
Membership growth



There was a significant increase in the amount paid on behalf of the fund towards the cost of members' health care needs compared to the amount paid in 2005/06. The total paid was \$196.2 million. High utilisation and increases in health expenditure have driven the costs up across the health industry with medical inflation reported at 12.1% for the 2006/07 financial year.

These increases were offset by an average contribution rate increase of 5%. Member reserves increased to \$115.3 million per member or \$1,342 in aggregate.

Contribution rate increases



Management expenses

Despite the tighter cost controls within the health industry that have succeeded in driving the health industry management costs down to 9.6%, we are pleased to report that in 2006/07 our management costs still remained below this industry average at 6.6%.

Management expenses



Teachers Eyecare

The new centre at Surry Hills has recorded excellent results for the year. Profits generated from this service at Surry Hills and Parramatta provide an important revenue stream for Teachers Federation Health. The turnover again increased to record \$2.5 million for the year.

B S JOYCE

Chief Executive Officer

Dated this 16th day of October 2007
Sydney, NSW



Directors' report

Your directors present their report on the company and for the financial year ended 30 June 2007

Directors

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

Name	Qualifications	Board Experience	Special Responsibilities
D Wynne	Training Officer	14 years	Deputy Chair Person Building Committee Member
H M MacGregor	Consultant	9 years	Chair Person Building Committee Member Audit Committee Member
H Rajendra (resigned 15/11/06)	Teacher	5.5 years	-
B Seymour (appointed 15/11/06)	Manager	4.5 years	-
J M Dixon	Manager	11 years	Building Committee Member
M C Fogarty	Deputy Principal	8 years	Audit Committee Chair Person
M McGee	Senior Claims Officer	9 years	-
S M Edsall	Research Officer	7 years	Audit Committee Member
R L Brown	Administration Officer	12.5 years	Audit Committee Member
T Moriarty	Teacher	4 years	-
J Diamond	Administration Officer	5 years	Audit Committee Member
M O'Halloran	Trade Union Officer	1.5 years	-
J Irving	General Manager	1 years	Public Officer

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

Principal activities

The principal activity of the company during the financial year was the provision of private health insurance.

There were no significant changes in the nature of the company's principal activities during the financial year.

Operating results

The profit for the company for the financial year after providing for income tax amounted to \$15,327,985 (2006: \$13,973,035).

Dividends paid or recommended

As the company is a company limited by guarantee and a not-for-profit organisation, no dividends have been paid, declared or recorded.

Review of operations

Membership increased by 5.2% for the twelve months ended 30 June 2007. Contributions rates increased on 1 April 2007 for hospital and ancillary tables for all states. Overall hospital, ambulance and ancillary benefits paid increased by 12%. Overheads were kept low at 6.6% of turnover.

Significant changes in state of affairs

There have been no significant changes in the state of affairs of the company during the year.

After balance date events

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

Future developments

The company will continue to pursue the business activities as a registered health benefits organisation.

Environmental issues

All operations of the company are and have been in accordance with any particular and significant environment regulation under a law of the Commonwealth or State, which the company's operations are exposed to.

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

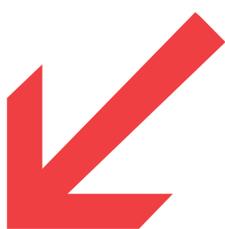
Indemnities

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings

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

The company was not a part to any such proceedings during the year.



Healthy beginnings
happy endings.

Meetings of directors:

During the financial year, 26 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

Name	Director Meetings		Committee Meetings			
	Number eligible to attend	Number attended	Building Committee		Audit Committee	
			Number eligible to attend	Number attended	Number eligible to attend	Number attended
D Wynne	11	11	8	7	-	-
H M MacGregor	11	11	8	8	7	7
H Rajendra	4	3	-	-	-	-
B Seymour	7	6	-	-	-	-
J M Dixon	11	9	8	6	-	-
M C Fogarty	11	9	-	-	7	7
M McGee	11	11	-	-	-	-
S M Edsall	11	9	-	-	2	2
R L Brown	11	9	-	-	7	7
T Moriarty	11	10	-	-	-	-
J Diamond	11	8	-	-	4	3
M O'Halloran	11	3	-	-	-	-
J Irving	11	9	-	-	-	-

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 14 and forms part of this report.

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

H M MACGREGOR

Director



Dated this 26th day of September 2007
Sydney, NSW



Inspiring **good health.**

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF TEACHERS FEDERATION HEALTH LIMITED**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Teachers Federation Health Limited for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



GRANT THORNTON NSW
Chartered Accountants



M A ADAM-SMITH
Partner

Sydney

26 September 2007

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Discussion and analysis of the financial statements

Information on Teachers Federation Health Limited Financial Report

The financial statements and disclosures in the concise financial report have been derived from the 2007 financial report of Teachers Federation Health Limited.

A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The discussion and analysis is provided to assist members in understanding the concise financial report. The discussion and analysis is based on Teachers Federation Health Limited's financial statements and the information contained in the concise financial report has been derived from the full 2007 Financial Report of Teachers Federation Health Limited.

Income Statement

Profit for the year of \$15,327,985 was up \$1,354,950 from the prior year (2006: \$13,973,035).

Contribution income of \$222,716,651 increased 11.5% from the prior year (2006: \$199,669,314) due to an increase in member contribution rates and members. Benefits paid and hospital levies of \$202,085,049 increased by \$21,593,806 or 12% (2006: \$180,491,243). The additional claims result from a combination of member increases in recent years and the increased costs of services.

A number of residential units are held as current inventories as it is the company's intention to sell these assets within the next 12 months. The development property is held at net realisable value. In doing so, write downs/(reversals of write downs) were made of \$478,000, \$1,308,366 and \$(140,328) in the years ended 30 June 2005, 2006 and 2007 respectively.

Balance Sheet

Total assets increased by \$15,127,859 from \$139,547,407 in 2006 to \$154,675,266 in 2007, representing an increase of 10.8%. This increase was mainly attributable due to a significant surplus in cash thus leading acquisitions in bills of exchange, promissory notes and equity investments.

Total liabilities have decreased by \$200,126 from \$39,529,199 in 2006 to \$39,329,073 in 2007 due to a decrease in amounts payable to PHIAC.

Equity has increased by 15.3% from \$100,018,208 in 2006 to \$115,346,193 in 2007. This was due to the net profit for the year increasing retained earnings by \$15,327,985.

Cash Flow Statement

Cash has increased by \$726,634 from \$3,755,249 in 2006 to \$4,481,883 in 2007 representing an increase of 19.3%. The net cash inflow from operating activities has increased by \$27,767,161 from \$(5,216,035) in 2006 to \$22,551,126 in 2007 due to a decrease in payments to suppliers and employees during the year and an increase in both members' premiums received and interest revenue received.

Income Statement

For the year ended 30 June 2007

	Note	2007	2006
		\$	\$
Revenue	2	242,144,710	207,552,682
Other income	2	2,172,894	1,228,909
Benefits paid expense		(196,200,854)	(175,014,581)
State levies expense		(5,884,195)	(5,476,662)
Cost of sales of finished goods – Eyecare centre		(1,096,724)	(863,440)
Cost of sales of development properties		(9,931,223)	-
Reversal of/(write-down) of inventories of development properties to net realisable value		140,327	(1,308,366)
Employee benefits expense		(7,554,660)	(6,475,902)
Depreciation and amortisation expenses		(438,668)	(177,164)
Borrowing costs expense		(478,177)	(464,641)
Other expenses		(7,545,445)	(5,027,800)
Profit before income tax expense		15,327,985	13,973,035
Income tax expense		-	-
Profit for the year		15,327,985	13,973,035

The financial statements should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2007

	2007	2006
	\$	\$
Current Assets		
Cash and cash equivalents	4,481,883	3,755,249
Trade and other receivables	10,784,989	10,266,673
Inventories	16,526,872	27,716,464
Financial assets	88,064,465	55,183,591
Other current assets	17,450	3,666
Total Current Assets	119,875,659	96,925,643
Non-Current Assets		
Trade and other receivables	18,180	18,180
Financial assets	28,713,913	37,111,065
Property, plant and equipment	6,067,514	5,492,519
Total Non-Current Assets	34,799,607	42,621,764
Total Assets	154,675,266	139,547,407
Current Liabilities		
Trade and other payables	3,503,568	6,376,369
Short-term provisions	21,075,376	20,170,450
Other current liabilities	14,116,633	12,586,844
Total Current Liabilities	38,695,577	39,133,663
Non-Current Liabilities		
Long-term provisions	633,496	395,536
Total Non-Current Liabilities	633,496	395,536
Total Liabilities	39,329,073	39,529,199
Net Assets	115,346,193	100,018,208
Equity		
Issued capital	-	-
Reserves	-	-
Retained earnings	115,346,193	100,018,208
Total Equity	115,346,193	100,018,208

The financial statements should be read in conjunction with the accompanying notes.

Statement of changes in equity

For the year ended 30 June 2007

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 July 2005	85,080,173	965,000	86,045,173
Net income recognised directly in equity	-	-	-
Profit for the period	13,973,035	-	13,973,035
Total recognised income and expense for the period	13,973,035	-	13,973,035
Transfer of realised revaluation increments of sale of land and buildings	965,000	(965,000)	-
Dividends paid or provided for	-	-	-
Balance at 30 June 2006	100,018,208	-	100,018,208
Net income recognised directly in equity	-	-	-
Profit for the period	15,327,985	-	15,677,985
Total recognised income and expense for the period	15,327,985	-	15,677,985
Dividends paid or provided for	-	-	-
Balance at 30 June 2007	115,346,193	-	115,696,193

Cashflow Statement

For the year ended 30 June 2007

	2007	2006
	\$	\$
Cash flows from operating activities		
Receipts from members' premiums	222,425,945	199,170,982
Benefits paid to members	(194,494,854)	(176,294,483)
Receipts from customers	2,733,814	2,266,185
Payments to suppliers and employees	(14,189,631)	(34,856,031)
Interest received	6,554,029	4,961,953
Borrowing costs	(478,177)	(464,641)
Net cash provided by/(used in) operating activities	22,551,126	(5,216,035)
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	14,323	3,510,000
Proceeds from disposal of investments	42,553,636	44,263,453
Payment for purchase of investments	(63,364,465)	(40,374,382)
Payment for property, plant and equipment	(1,027,986)	(730,410)
Net cash provided by/(used in) investing activities	(21,824,492)	6,668,661
Cash flows from financing activities	-	-
Net cash provided by financing activities	-	-
Net increase in cash held	726,634	1,452,626
Cash at the start of the year	3,755,249	2,302,623
Cash at the end of the year	4,481,883	3,755,249

The financial statements should be read in conjunction with the accompanying notes.

Notes to the Concise Financial Report

For the year ended 30 June 2007

Note 1: Basis of preparation of the concise financial report

The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of Teachers Federation Health Limited. The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of Teachers Federation Health Limited as the full financial report.

All amounts presented are in Australian dollars.

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

Note 2: Revenue

	2007	2006
a) Operating activities	\$	\$
contributions income	222,716,651	199,669,314
sales of goods – Eyecare centre	2,497,548	2,072,425
sales of development properties	9,931,223	-
interest revenue – other persons	6,598,273	5,469,907
other revenue	401,015	341,036
	242,144,710	207,552,682
b) Other income		
proceeds on sale of property plant and equipment	-	10,000
fair value gains on equity trusts	2,172,894	1,218,909
	2,172,894	1,228,909

Note 3: Segment reporting

The company operates predominantly in one business segment, being the provision of health benefits, and in one geographical segment, being Australia. The company also provides eyecare services, however the operations in this business segment are limited and as such are not required to be disclosed on the basis of materiality. As part of its activities as a health benefits provider, the company undertakes investments. The property development activities form part of these investment activities and are not considered to be a separate business segment.

Note 4: Events subsequent to reporting date

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

Directors' declaration

The directors of Teachers Federation Health Limited declare that the Concise Financial Report of Teachers Federation Health Limited for the financial year ended 30 June 2007, as set out on pages 16 to 20:

- (a) complies with Accounting Standard AASB 1039: Concise Financial Reports; and
- (b) has been derived from and is consistent with the full financial report of Teachers Federation Health Limited.

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

H M MACGREGOR

Director

A handwritten signature in black ink that reads "Helen Macgregor". The signature is written in a cursive, flowing style.

Dated this 16th day of October 2007
Sydney, NSW

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TEACHERS FEDERATION HEALTH LIMITED

The accompanying concise financial report of Teachers Federation Health Limited comprises the balance sheet as at 30 June 2007, the income statement, statement of changes in equity and cash flow statement for the year then ended and related notes, derived from the audited financial report of Teachers Federation Health Limited for the year ended 30 June 2007, and the discussion and analysis. The concise financial report does not contain all the disclosures required by Australian Accounting Standards.

Directors' responsibility for the concise financial report

The directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039: Concise Financial Reports, statutory and other requirements. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying the appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of Teachers Federation Health Limited for the year ended 30 June 2007. Our audit report on the financial report for the year was signed on 26 September 2007 and was not subject to any qualification or modification. Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts, discussion and analysis, and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039: Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039: Concise Financial Reports.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Teachers Federation Health Limited on 26 September 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

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**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF TEACHERS FEDERATION HEALTH LIMITED (cont)**

Auditor's opinion

In our opinion, the concise financial report including the discussion and analysis of Teachers Federation Health Limited for the year ended 30 June 2007 complies with Accounting Standard AASB 1039: Concise Financial Reports.



GRANT THORNTON NSW
Chartered Accountants



M A ADAM-SMITH
Partner

Sydney

16 October 2007



Reading

Writing

Arithmetic

Teachers Federation Health

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