

2006

Concise Annual Report

for the year ended 30 June

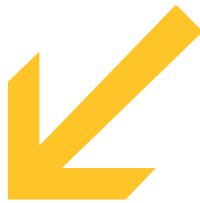


teachers federation health

Teachers Federation Health Limited
ABN 86 097 030 414



The groundwork of all
happiness is health.



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helen macgregor
chairperson

Chairperson's review

It is my pleasure to report on an excellent performance for the 2005/06 financial year where Teachers Federation Health achieved a solid surplus of over \$13.9 million and membership grew to 81,623.

Operating environment

The Australian population covered by either hospital or extras insurance increased marginally to 10.1 million at 30 June 2006. This is in accordance with the industry trend since 2000, and represents a continuing flat market.

Hospital costs increased above the Consumer Price Index at a rate of 6.6%, which was below the previous years 8.0% increase. Hospital benefits paid by all health funds increased to \$8.4 billion in 2005/06.

The insured population continued to age, resulting in increases in utilisation of medical services. This increase in demand, combined with medical service cost increases provided the rationale for industry rate increases averaging 8.0% for the previous year.

The issue of health and ageing continues to be a key issue for both Federal and State governments. Recently introduced reforms to the Private Health Insurance industry by the Federal Government continue to place pressure on all funds to operate

competitively and efficiently. The activities and performance of all health funds are subject to high levels of scrutiny and public accountability and are reported to the industry regulator, PHIAC, as well as the Minister for Health & Ageing.

Operating result

Australian Equivalents to International Financial Reporting Standards have been adopted for the first time in the preparation of this report. These same reporting standards have been retrospectively applied to 2004/05 comparative figures to ensure relative consistency.

Teachers Federation Health's performance was very positive for the financial year. The operating surplus increased reserves to \$100.0 million or \$1,225.14 per member, while fund assets increased to \$139.5 million. This represents a sound capital base to ensure that the fund remains safely within target capital adequacy levels and above PHIAC prudential requirements.

Contribution income of \$199.6 million, combined with the sale of assets and a \$5.4 million investment income resulted in revenue of \$207.0 million. Benefits of \$180.4 million were provided on behalf of members, an increase of \$15.3 million (9.3%) over the previous year. This reflects both higher utilisation levels and increases in medical service costs.



Teachers Federation Health contributed \$12.9 million into the industry reinsurance pool, an increase of 4.0% over the previous year. Changes to the risk equalisation formula to be introduced on 1 April 2007, have the potential to reduce the amount payable by the fund for persons over the age of 55 rather than 65, as is current practice.

Fund management expenses were maintained at a low 5.8% of contribution income, well below the industry average of 9.5% (2004/05). The property development comprising NSW Teachers Federation auditorium, Teachers Federation Health head-office and 48 residential units in Reservoir Street, Surry Hills, was substantially completed by the end of the year. Directors, acting on independent financial advice, felt it appropriate to write down the property value by \$1.3 million as at the end of the financial year to reflect market factors, where downward pressure has been applied within broad segments of the Sydney property market.

Growth

Teachers Federation Health has 1.6% of the national market-share and is growing at a healthy rate of 6.2%, well above industry average growth of 2.3% for 2005/06. Retention rates of 95.4% are industry best practice and indicate the loyalty and general satisfaction of members. Complaints to the Private Health Insurance Ombudsman of 0.4%, or 2 complaints, represented a figure well below the rate of other funds.

The 2005/06 financial year was a period of considerable change for the fund. Teachers Federation Health moved to a new head office in Sydney's Surry Hills in close proximity to the NSW Teachers Federation, establishing a vibrant meeting and service hub for our constituency. This move occurred in the context of the retirement of Dudley Wrigley as CEO and the appointment of the fund's new CEO Brad Joyce who took up the position substantially at this time.

The Federal Government's proposed Broader Health Cover initiatives planned for introduction in April 2007 provide opportunities for health funds to establish greater competitive advantage through better differentiation of products and services. The possible sale of Medibank Private will lead to further industry consolidation and increased competition.

In order to position our fund for the future and to meet and overcome the challenges that lie ahead, the Strategic Plan has been developed building on the traditions of the past and focusing on the needs of members for the future. Our new CEO Brad Joyce, working in consultation with the Board, has led the strategic planning process, drawing on extensive contributor and staff feedback.

The strategic plan aims to deliver the following key goals:-

- Integrated products and services that meet the needs and expectations of members
- Superior customer service and operational excellence
- Skilled and motivated employees
- Member wellness and disease prevention
- Commercial sustainability
- Membership growth and retention
- A strong national presence in association with education union partners and other key alliances.

We thank all contributors and other people who participated in our formal research and offered their thoughts and advice to help us create a better organisation.

Corporate governance

One of the challenges of all health funds is to ensure it meets the corporate governance expectations of fund members, the community and regulatory bodies. The Board continues in a systematic way to address the recommendations from PHIAC following its review in 2004 in addition to the new corporate governance requirements proposed for the industry by the regulator. This process will ensure that the Board continues to be well equipped to discharge its responsibilities in a complex and changing commercial and regulatory environment.

In closing

With a strong financial platform and education union partnerships, a skilled and motivated workforce and a clear strategic vision, I believe we are well positioned to grow our organisation, adapt to the challenges and opportunities faced by the industry and continue to provide value for our members well into the future.

I would like to thank my fellow Directors for their efforts during what has been a year of change, requiring their attention and commitment. I would also like to express my thanks on behalf of the Board, for the efforts of management and staff. Their efforts have been that a smooth transition to a new location was achieved without compromise to service standards and their commitment and contribution to the strategic direction for the future has been important in preparing the fund for the challenges that lie ahead in 2007 and beyond.

H M MACGREGOR
Chairperson



Dated this 18th day of October 2006
Sydney, NSW

 **teachers
eyecare**





brad joyce
chief executive officer

CEO's review

The 2005/06 financial year has been one of change for Teachers Federation Health and its people. I commenced with the organisation in May at the time of the move to Surry Hills and retirement of Dudley Wrigley after 31 years.

Teachers Federation Health has achieved excellent results this year. A solid surplus and industry leading growth and retention performance, provide a sound basis for implementing a business strategy that will steer the organisation through a challenging commercial and regulatory environment, whilst focusing on member needs, long-term sustainability, growth and development.

In this report I will focus on our future, presenting an overview of where we are now and a vision for the future with highlights from our strategic and business plans, as well as our successes in 2006.

As part of our strategic process, we have defined our organisational mission to;

Inspire and support our eligible members to achieve best possible health outcomes.

and its business strategy:

By providing the best and most relevant, affordable cover options and related services to be the first choice health insurance provider for all eligible members.

Teachers Federation Health is in the business of helping our members to remain healthy, providing financial support, procuring access to an extensive network of service providers and supporting health initiatives that empower and assist individuals to achieve optimal health outcomes.

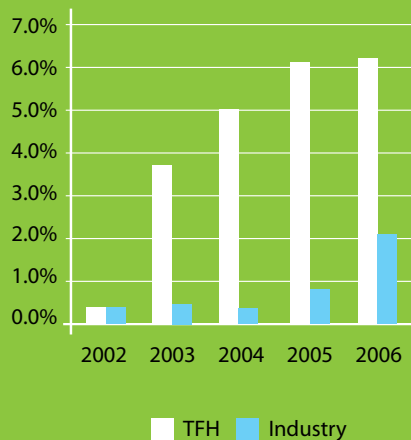
In order to achieve our goals, we have adopted a value-innovation strategy through the simultaneous pursuit of differentiation and a low-cost base to create opportunity and advantage. A cornerstone of the early strategy implementation will be to create an end-to-end service process through improved staff training and development, improved work processes and practises, enhanced technology and a shift to a more focussed service culture.

We will work closely to build relationships with our union and key partners to integrate services and enhance the value of education union membership. In addition, Teachers Federation Health will build closer ties with the national education community to ensure that Teachers Federation Health is recognised as the first choice insurer for all eligible members.

The year in brief

In the 2005/06 financial year, Teachers Federation Health continued to grow with memberships surpassing 81,623, covering 190,000 lives. This represents contributor growth of 6.2%, compared to the industry average of 2.3%, a great result in a relatively flat insurance market. The fastest growth occurred in emerging markets such as Victoria – 14.7%, Tasmania – 32.7% and South Australia – 9.6%. The high levels of interstate growth indicate strong union partnerships, integration and support.

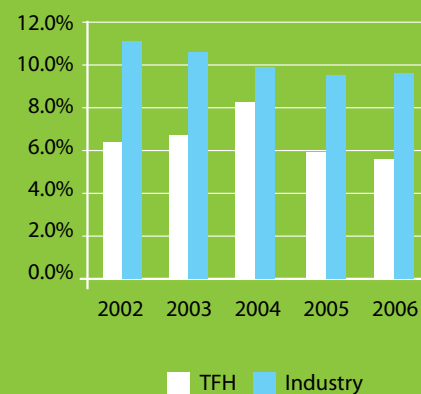
Membership growth



An average contribution rate increase of 7.75%, offset these increases whilst improving member reserves to \$1,225.14 per Member, or \$100 million aggregate.

Our fund management expenses of 5.8% were well below the industry average of 9.6%, a figure that has been declining in recent years indicating tighter controls within the health insurance industry. Teachers Federation Health's expense ratio is one of the lowest within the industry including both open and restricted membership health funds.

Management expense



Contributors covered

STATE	2004/05	2005/06	% Increase
NSW/ACT/NT	65,356	68,517	4.8%
VIC	6,387	7,325	14.7%
QLD	1,591	1,768	11.1%
SA	2,596	2,845	9.6%
WA	426	504	18.3%
TAS	501	665	32.7%
TOTAL	76,857	81,623	6.2%

Total persons covered

STATE	2004/05	2005/06	% Increase
NSW/ACT/NT	156,770	159,495	1.7%
VIC	16,147	17,902	10.9%
QLD	3,523	3,758	6.7%
SA	6,450	6,837	6.0%
WA	991	1,147	15.7%
TAS	1,284	1,682	31.0%
TOTAL	185,165	190,821	3.0%

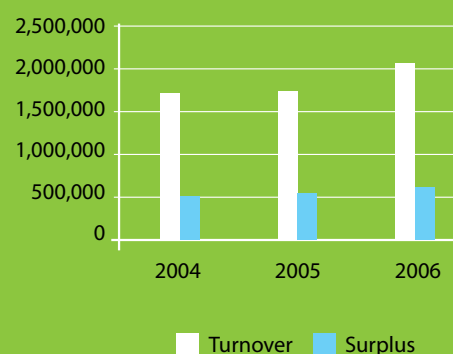
Over \$180 million was paid on behalf of the fund towards the cost of members' health care needs, a significant increase on 9.3% on the previous financial year. Increases in health expenditure and high utilisation have been driving costs across the health industry with medical inflation at 8% in the 2005/06 financial year.

The results of our member satisfaction survey were pleasing, indicating high levels of overall satisfaction at 80.5% whilst illuminating service areas that require improvement. The very specific and constructive suggestions obtained through formal surveys and general feedback, have identified key areas for focusing on solutions to deliver service improvement.

Teachers Eyecare

Teachers Eyecare had a successful year increasing turnover to \$2.0 million dollars; despite the disruption to business caused by the move to Surry Hills. The new centre is proving to be popular with record sales driven by a range of factors including service, marketing, availability to public transport and proximity to the NSW Teachers Federation. Profits generated from Teachers Eyecare provide an additional revenue stream for Teachers Federation Health, which helps offset some of the impact of rising health costs.

Teachers Eyecare 3 year results



Our values

As a member-focused union-related organisation with a long history of serving the education community, values are central to our ethos. We have identified key values that will inform our strategy, and be a central reference point for assessing our behaviour as individuals, service provider and as part of the wider community.

Member centric

Teachers Federation Health exists to serve the needs of its members. The interests of our members are central to everything we do.

Integrity

Our reputation and integrity are precious. Honesty, professionalism and high ethical standards are integral to all that we do.

Equality & teamwork

We work together as a team in a spirit of cooperation and respect for others, free of prejudice and where each team member's contribution is valued equally.

Empowerment & accountability

Our people are a source of our strength. We believe in developing our employees to enable them to take responsibility for their actions and performance.

Continuous improvement & innovation

We constantly strive to be the best in what we do and look for new and better ways of doing things to increase efficiency and enhance our products and services.

Corporate citizenship

We recognise the importance of the communities, industry and environment in which the organisation operates and will actively demonstrate an appropriate social consciousness and a responsive and considerate approach to all activities.

Looking ahead

The outlook for the industry in 2006/07 though remaining relatively strong, is expected to show reduced underwriting profitability, reflecting lower premium increases and continuing high medical inflation. The industry's stronger capital base, improved underwriting discipline and ability to manage overhead costs and resource driven high investment returns is expected to offset this impact to some degree.

The government's proposed sale of Medibank Private has been delayed and may be contingent on the next federal election result. A sale of Medibank Private, continued pressure on margins and the introduction of new government legislation may alter the industry forces and contribute to further consolidation. The continuation of a relatively flat insurance market will result in increased switching strategies as well as concentration on retention and service delivery.

There are a number of organisational risks that include competitor, regulatory and operational scenarios. Teachers Federation Health has established buyer networks such as AHSA that ameliorate some of the industry critical mass issues through networked buying-power. The restricted group of health funds has established a working party to consider the implications and possible strategies in relation to the new government health insurance framework including Broader Health Cover. A risk register has been put in place to identify and resolve risks through implementing strategies and control mechanisms. Our internal auditor is involved in the process of identifying organisational risk and making recommendations to eliminate or reduce these risks.

The 2006/07 financial year promises to be a challenging year for Teachers Federation Health as we implement our forward strategies within a competitive and changing external environment. Teachers Federation Health is well positioned for the next phase in its development building on a strong financial position and niche education market, supported by our key union stakeholders. It is also envisaged that our core strategies of preferred growth and introduction of health initiatives will somewhat ameliorate the effects of rising costs, although this will be a challenge.



Inspiring good health.

A central theme of the new strategy will be to focus on the needs of our members as well as to meet the many challenges of our commercial and regulatory environment with a positive strategy that focuses on growth and development.

The Strategic Plan and Business Plan articulate a vision for the future of the organisation based on seven foundational strategic goals. Each of these goals will contribute to our major business areas:

Our members: developing products and services that meet the changing needs of our members over a lifetime, supported with proactive health initiatives and education.

Our people: motivated and skilled employees.

Our partners: working closely with education unions and key partners to develop a strong national presence.

Our systems and process: creating infrastructure and processes that deliver on end-to-end service and improve productivity.

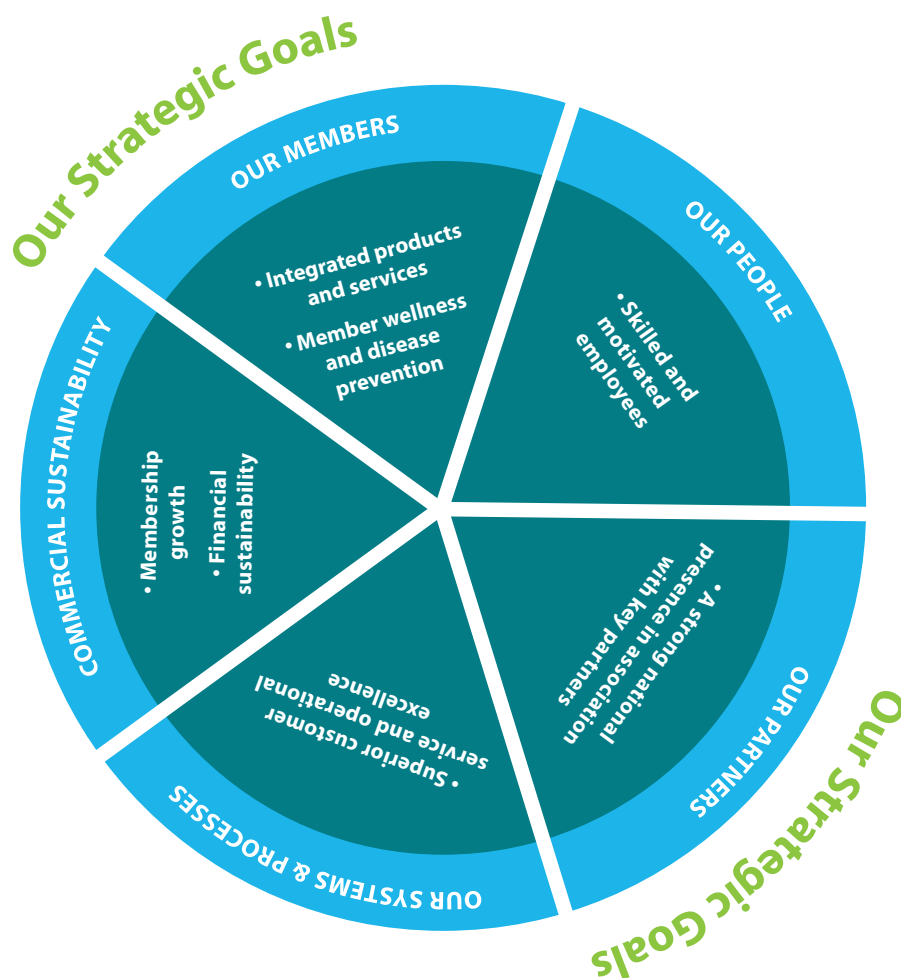
Sustainability: targeted membership and financial growth for long-term sustainability.

I extend my thanks to the Directors, management and staff for their contributions and to our members who have offered feedback and responded to our surveys. I am looking forward to contributing to the ongoing success of an organisation whose primary purpose is to support its members in achieving the best possible health outcomes.

BRADLEY S JOYCE
Chief Executive Officer



Dated this 18th day of October 2006
Sydney, NSW





Directors' report

For the year ended 30 June 2006

Your directors present their report on the company for the financial year ended 30 June 2006.

Directors

The names of the directors in office at any time during or since the end of the year along with details of each directors qualifications, experience and special responsibilities are shown below:

Name	Qualifications	Board experience	Special responsibilities
B Johnson (Resigned 28 June 2006)	General Manager	10 years	Public Officer
B Seymour (Resigned 1 November 2005)	Manager	4 years	
D Wynne	Training Officer	13 years	Deputy Chair Person Building Committee Member
H M MacGregor	Consultant	8 years	Chair Person Building Committee Member Audit Committee Member
H Rajendra	Teacher	5 years	
T Moriarty	Head Teacher	3 years	
J G Leete (Resigned 16 February 2006)	Trade Union Officer	7 years	
J M Dixon	Manager	10 years	Building Committee Member
M C Fogarty	Deputy Principal	7 years	Audit Committee Chair Person
M McGee	Senior Claims Officer	8 years	
J Diamond (Appointed 1 November 2005)	Administrative Officer	4 years	Audit Committee Member
S M Edsall	Research Officer	6 years	
R L Brown	Administration Officer	11.5 years	Audit Committee Member
M O'Halloran (Appointed 16 February 2006)	Trade Union Officer	0.5 year	
John Irving (Appointed 28 June 2006)	General Manager	0 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 activities 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 \$13,973,035 (2005: profit of \$8,724,786 under Australian Equivalents to International Financial Reporting Standards).

Dividends paid or recommended

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

Review of operations

Membership increased 6.2% for the twelve months ended 30 June 2006. Contribution rates increased on 1 April 2006 for hospital tables for all states and ancillary tables for New South Wales, Victoria, South Australia, Queensland and ACT. Overall, hospital, ambulance and ancillary benefits paid increased 7.2%. Overheads were kept low at 5.8% 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.

Meetings of directors

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	Number eligible to attend	Number attended
B Johnson	12	9	-	-	-	-
B Seymour	4	3	-	-	-	-
D Wynne	13	11	14	12	-	-
H M MacGregor	13	12	14	14	7	6
H Rajendra	13	8	-	-	-	-
J Diamond	8	7	-	-	2	2
J G Leete	6	3	-	-	-	-
J M Dixon	13	12	14	14	-	-
M C Fogarty	13	11	-	-	7	6
R L Brown	13	12	-	-	7	7
M McGee	13	11	-	-	-	-
T Moriarty	13	13	-	-	-	-
S M Edsall	13	11	-	-	-	-
M O'Halloran	7	4	-	-	-	-
J Irving	1	1	-	-	-	-

Environmental issues

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

Indemnifying officers or auditors

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

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. The company has no issued shares and is limited by guarantee.

Proceedings on behalf of company

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 party to any such proceedings during the year.

Auditor's independence declaration

The lead auditor's independence declaration for the year ended 30 June 2006 has been received and can be found on page 25 which forms part of this report.

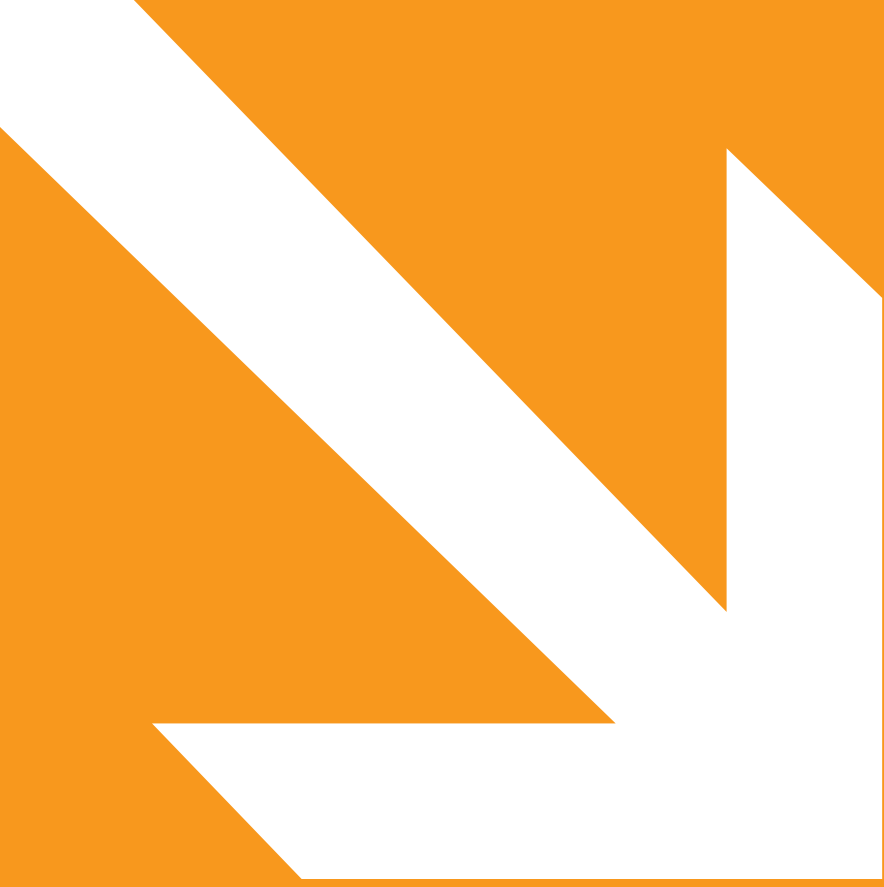
Signed in accordance with a resolution of the Board of Directors:

H M MACGREGOR

Director



Dated this 26th day of September 2006
Sydney, NSW



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 2006 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 2006 Financial Report of Teachers Federation Health Limited.

Statement of financial performance

Profit for the year of \$13,973,035 was up \$5,248,249 from the prior year (2005: \$8,724,786 under Australian Equivalents to International Financial Reporting Standards).

Contribution income of \$199,669,314 increased 13.0% from the prior year (2005: \$176,625,502) due to an increase in member contribution rates and members. Benefits paid and hospital levies of \$180,491,243 increased by \$15,389,284 or 9.3% (2005: \$165,101,959). Overall, hospital benefits and ambulance levies paid and provided for increased 13.5% and ancillaries by 2.1%. The additional claims result from a combination of member increases in recent years and the increased costs of services.

Non current inventories in the prior year represented a development property at Reservoir Street, Surry Hills. The development comprised commercial office space (which will be retained by the company), an auditorium and other space (which NSW Teachers Federation will acquire) and residential

units (which will be sold). At 30 June 2006 the development had been completed and the commercial office space retained by the company has been transferred to property plant and equipment. The development property is held at net realisable value. In doing so, write downs were made of \$2,324,000, \$478,000 and \$1,308,366 in the years ended 30 June 2004, 2005 and 2006 respectively.

The surplus was right on expectations. With hospital and ancillary benefits expected to increase by 9.0% in the 2006/07 financial year. A contributions rate increase is likely to be needed in April 2007.

Statement of financial position

Total assets increased by \$15,302,957 from \$124,244,450 in 2005 to \$139,547,407 in 2006, representing an increase of 12.3%. 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 increased by \$1,329,922 from \$38,199,277 in 2005 to \$39,529,199 in 2006 due to an increase in the outstanding claims provision and amounts payable to PHIAC.

Equity has increased by 16.2% from \$86,045,173 in 2005 to \$100,018,208 in 2006. This was due to the net profit for the year increasing retained earnings by \$13,973,035.

Statement of cash flows

Cash has increased by \$1,452,626 from \$2,302,623 in 2005 to \$3,755,249 in 2006 representing an increase of 63.1%. The net cash outflow from operating activities has increased by \$1,457,219 from \$(3,758,816) in 2005 to \$(5,216,035) in 2006 due to an increase in payments to members and suppliers for the year.

Income statement

For the year ended 30 June 2006

	Note	2006	2005
		\$	\$
Revenue	2	207,552,682	184,446,230
Other income	2	1,228,909	1,469,968
Benefits paid expense		(175,014,581)	(160,052,990)
State levies expense		(5,476,662)	(5,048,969)
Finished goods and consumables used		(863,440)	(767,801)
Employee benefits expense		(6,475,902)	(5,911,543)
Depreciation and amortisation expenses		(177,164)	(256,131)
Borrowing costs expense		(464,641)	(424,787)
Reservoir Street Development write-down		(1,308,366)	(478,000)
Other expenses		(5,027,800)	(4,251,191)
Profit before income tax expense		13,973,035	8,724,786
Income tax expense		-	
Profit for the year		13,973,035	8,724,786

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

Balance sheet

As at 30 June 2006

	Note	2006	2005
Current Assets		\$	\$
Cash and cash equivalents		3,755,249	2,302,623
Trade and other receivables		10,266,673	7,699,495
Inventories		27,716,464	180,721
Financial assets		55,183,591	54,072,662
Other current assets		3,666	22,205
Total Current Assets		96,925,643	64,277,706
Non-Current Assets			
Trade and other receivables		18,180	18,180
Inventories		-	15,229,979
Financial assets		37,111,065	40,892,156
Property, plant and equipment		5,492,519	3,826,429
Total Non-Current Assets		42,621,764	59,966,744
Total Assets		139,547,407	124,244,450
Current Liabilities			
Trade and other payables		6,376,369	6,280,975
Short-term provisions		20,170,450	21,238,252
Other current liabilities		12,586,844	10,322,584
Total Current Liabilities		39,133,663	37,841,811
Non-Current Liabilities			
Long-term provisions		395,536	357,466
Total Non-Current Liabilities		395,536	357,466
Total Liabilities		39,529,199	38,199,277
Net Assets		100,018,208	86,045,173
Equity			
Issued capital		-	-
Reserves		-	965,000
Retained earnings		100,018,208	85,080,173
Total Equity		100,018,208	86,045,173

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

Statement of changes in equity

For the year ended 30 June 2006

	Note	Retained Earnings	Asset Revaluation Reserve	Total
		\$	\$	\$
Balance at 1 July 2004		76,355,387	475,000	76,830,387
Revaluation of land & buildings		-	490,000	490,000
Net income recognised directly in equity			490,000	490,000
Profit for the period		8,724,786	-	8,724,786
Total recognised income and expense for the period		8,724,786	490,000	9,214,786
Balance at 30 June 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)	-
Balance at 30 June 2006		100,018,208	-	101,326,574

Cashflow statement

For the year ended 30 June 2006

	Note	2006	2005
		\$	\$
Cash flows from operating activities			
Receipts from members' premiums		199,170,982	178,447,413
Benefits paid to members		(176,294,483)	(161,703,121)
Receipts from customers		2,266,185	1,957,484
Payments to suppliers and employees		(34,856,031)	(27,657,917)
Interest received		4,961,953	5,622,112
Borrowing costs		(464,641)	(424,787)
Net cash used in operating activities		(5,216,035)	(3,758,816)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		3,510,000	-
Proceeds from disposal of investments		44,263,453	14,351,076
Payment for purchase of investments		(40,374,382)	(10,089,427)
Payment for property, plant and equipment		(730,410)	(114,505)
Net cash provided by investing activities		6,668,661	4,147,144
Cash flows from financing activities			
Net cash provided by financing activities		-	-
Net increase in cash held		1,452,626	388,328
Cash at the start of the year		2,302,623	1,914,295
Cash at the end of the year		3,755,249	2,302,623

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

Notes to concise financial report

For the year ended 30 June 2006

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.

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

Note 2: Revenue

	2006	2005
a) Operating activities	\$	\$
Contributions income	199,669,314	176,625,502
Sales of goods	2,072,425	1,781,744
Interest revenue – other persons	5,469,907	5,622,113
Other revenue	341,036	416,871
	207,552,682	184,446,230
b) Other income		
Gain on sale of property	10,000	-
Fair value gains on equity trusts	1,218,909	1,469,968
	1,228,909	1,469,968

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 eye care 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 2006, as set out on pages 19 to 23:

- (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 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 style with a large, looped 'H' and 'M'.

Dated this 18th day of October 2006
Sydney, NSW

Auditor's independence declaration

Chartered Accountants
Business Advisers and Consultants

Grant Thornton 

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 2006, 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 2006

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Independent audit report

Chartered Accountants
Business Advisers and Consultants

Grant Thornton 

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF TEACHERS FEDERATION HEALTH LIMITED

Scope

We have audited the concise financial report of Teachers Federation Health Limited for the financial year ended 30 June 2006 as set out on pages 19 to 24 in order to express an opinion on it to the members of the company. The company's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of Teachers Federation Health Limited for the year ended 30 June 2006. Our audit report on the full financial report was signed on 26 September 2006, and was not subject to any qualification.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the concise financial report of Teachers Federation Health complies with Accounting Standard AASB 1039: Concise Financial Reports.



GRANT THORNTON NSW
Chartered Accountants



M A ADAM-SMITH
Partner

Sydney

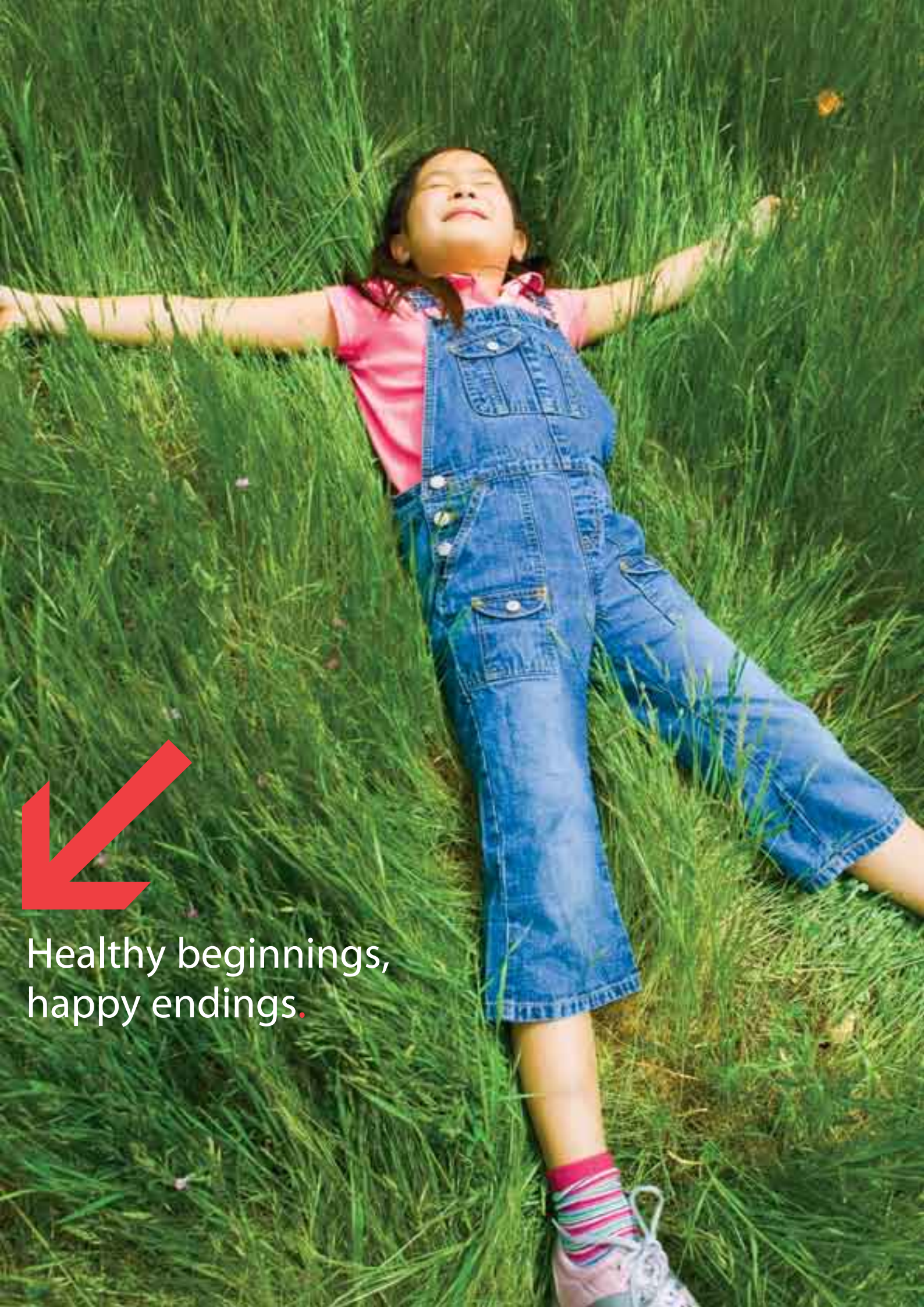
18 October 2006

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