

2008

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



member centricity



Helen Macgregor
Chairperson

Chairperson's review

It is pleasing to report on the performance of Teachers Federation Health for the 2008 financial year in what has been a year of some significance for the Private Health Insurance Industry. Your fund continues to deliver outstanding value and excellent service to its contributors, key stakeholders in the Australian education union community and the community generally.

Operating Environment

New legislation, a change in the Federal Government, private health fund mergers, acquisitions, demutualisation and stock exchange listing together with forecast changes to the Medicare Levy Surcharge and the recent global credit crisis have provided the backdrop for the year in review. This changing and challenging environment demanded the full attention of the Board of Directors over the last 12 months and will continue to do so in the period ahead. The changes arising in the industry over the last 18 months will themselves continue to drive the development and consolidation in the Private Health Insurance sector in the years ahead. The risk for any not for profit insurer ultimately owned by its members like Teachers Federation Health is that its Board may become subject to pressure from potential predators offering cash incentives to members to convince them to merge with a larger open fund.

The Board is keenly aware that the critical changes to the market in which we compete for contributors needs to be carefully managed by Teachers Federation Health. We intend to continue to grow and retain our valued membership and our dominance in the education union community by further enriching our strong education union relationships and continuing your Fund's focus on providing members with a unique and relevant product and service offering during this dynamic time for the health insurance industry.

Organisational Performance

Your Fund is proudly a not for profit organisation and returns to its contributors by way of benefits as much of its contribution revenue as is commercially sustainable. During the last year your Fund returned to contributors in the form of benefit payments 96 cents in every dollar earned. These payments represented over \$2,500 in benefits per membership. While the volume and cost of claims has increased in recent times, your Fund's average contribution increase was only 3.9% at April 2008, much lower than the Federal Government's stated policy position, below the industry average of 4.99% and less than CPI and the health inflation rate of around 6%.

Your Fund's contributor base grew by 5% during the last twelve months ahead of the industry average (4.5%) thereby slightly increasing its market share. While NSW continues to represent approximately 83% of all contributors, during the last year, your Fund continued to achieve excellent growth in other states and appointed a member liaison officer in South Australia to further enhance our growth projects in that state. Our continuing commitment to providing value for money and putting the interests of Teachers Federation Health contributors first was again recognised through the strong customer satisfaction results achieved in the annual survey conducted by an independent research organisation.

Two new products were introduced in the year – StarterPak and Private Hospital Smart Saver to provide even greater choice to prospective and current members. The introduction of StarterPak was particularly significant as it represents good value for young people who want to be covered for some hospital and extras services but don't want to be covered for services traditionally used by older people.



**inspiring and supporting
our members** to achieve best
possible health outcomes.

Your Fund continues to maintain low management expenses despite investing in new technology initiatives and improvement to business processes and systems aimed at achieving excellence in our operations and customer service. At just over 7% of contribution income, Teachers Federation Health management expenses are well under the industry average of 10.1%. Higher utilisation levels and increases in benefit costs raised the levels of benefits paid in 2007/08 to a high of \$233.1m - an increase of \$31m or 15.4% over the previous year. The impact of this significant and unexpected increase in hospital payments was a reduction in operating surplus for the year on health fund operations to \$136,000. After adjusting for the unexpired risk liability provision, Teachers Federation Health booked a deficit for the year of \$8.6m. Member reserves at 30 June 2008 stand at \$107.4m (or approximately \$1200 per contributor) well in excess of the minimum prudential requirements.

Investment income return remained strong during the last year despite the volatility in the equity and global credit markets. Your Fund's Investment Policy is designed to ensure that member reserves are invested in low risk and appropriate securities and as such I am pleased to report that Teachers Federation Health does not have a material exposure to this market volatility. Income from Teachers Eyecare Centres was down in 2008 as a result of the costs associated with the relocation of Parramatta Eyecare centre to its new premises and the establishment of a Teachers Eyecare Centre in Melbourne. During the year we also finalised the sale of all unsold apartments in the Silkwood Development and the income associated with these sales has been brought to account in the 2008 financial year.

I am again pleased to report our full compliance with all statutory and regulatory requirements. During the last year, the Board continued to maintain corporate governance standards and discharge its responsibilities at a level required to meet the full expectations of Fund members, regulatory authorities and the general community. A particular focus for the Board was to ensure that the Fund completed all work necessary to ensure the re-registration of Teachers Federation Health as a health fund by 1 July 2008 and I am pleased to report that confirmation of re-registration was received from the industry regulator in February this year well before the deadline. I would also like to take the opportunity to thank the members of Teachers Federation Health who were prepared to meet at short notice to consider and approve the changes that were required to the Teachers Federation Health Constitution to ensure compliance with the new legislation.

During the year, your Fund also established a disaster recovery site at Parramatta and developed a business recovery plan as part of its overall Risk Management framework. These important developments ensure that in the event of a major crisis affecting access to the Surry Hills office for any extended period, that Teachers Federation Health is still able to provide a base level of service to its contributors until such times as a full recovery of the Surry Hills location is achieved.

Looking ahead

The goals and purpose of the Fund's Business strategy will continue to guide and drive the Board and Management forward over the next 12 months in what will undoubtedly be another exciting and challenging year.

Your Fund remains committed to its purpose:

"To inspire and support members to achieve best possible health outcomes" and

To its Business Strategy:

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

We will continue to enhance and expand our products and services to meet the needs and expectations of our members. Your Fund will continue to be innovative and to focus on superior customer service and operational excellence. The planned improvements to the web site and enhancements to web based member services will provide contributors with better access and greater capability to self manage their health cover - particularly important for those of our contributors not based near one of our centres.

Membership growth and retention remains a high priority to ensure that your Fund's position as a viable and highly respected restricted access private health insurer is sustained into the future. Accordingly, we will continue to work closely with our education member partners around Australia to maximise our mutual recruitment and retention opportunities.

We must also continue to balance the sometimes conflicting demands of providing excellent value to contributors with the need to continuously achieve a sustainable and responsible level of operating surplus to maintain reserves and solvency at a level appropriate to a health fund of this size.

In the pursuit of all of our objectives, we will support the general principle that all of our activities should reflect our policy of being economically viable and socially and environmentally responsible.

In Closing

I thank my fellow directors for their contributions throughout the year and their commitment to ensuring the effectiveness of our compliance, governance, risk management and assurance system.

I would also like to acknowledge and thank the senior management team and staff at every level in the organisation who continue to contribute so much to the ongoing success of the organisation. Their achievements over the last two and a half years in the execution of our strategic direction and development of our strategic capability give the Board the confidence that your Fund is well positioned to build a sustainable future and to meet the challenges that lie ahead.

H M MACGREGOR

Chairperson



Dated this 7th day of October 2008
Sydney, NSW

corporate citizenship &
social responsibility





Brad Joyce
Chief Executive Officer

CEO's review

Year in Brief

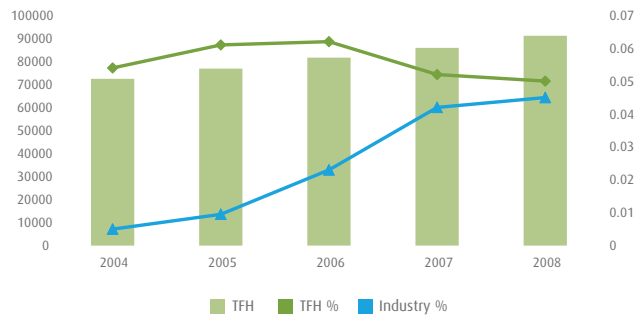
Membership

Organic policyholder growth remains a key driver of Teachers Federation Health business strategy. During the last year total policyholders grew to 90,172 covering over 190,000 lives. This growth rate was 5% compared to the industry average of 4.2% and continues the strong trend of recent years and reflects the Fund's excellent value proposition of lower premiums, higher benefits and customer focus. Our market share now stands at 1.75% of the national market and Teachers Federation Health remains the largest restricted access insurer in Australia.

Revenue and benefit payment

Reflecting our not for profit status, Teachers Federation Health returned 96 cents in every dollar of contribution income earned during the year in benefit payments to policyholders. With the ongoing gradual ageing of the membership base, utilisation of health services increased strongly during the year which, combined with the increases in the cost of those services, led to a significant and unexpected uplift in benefit payments of 15% to \$233m in 2007/08. At the same time, average contribution increases of 3.9% at 1 April 2008 were much lower than the effective health inflation rate and the industry average increases of 4.99%.

TFH Membership Growth vs Industry



Benefits vs Contributions



Management expenses

Teachers Federation Health continued to maintain low management (administration) expenses at just over 7% of contribution income for health fund operations. This is far lower than the industry average of 10.1%. Teachers Federation Health continues to ensure ongoing improvements in operational efficiencies with important investments during the course of the year in technology and employee skills development.



Investment and other income

Capital management continues to be a significant priority in these challenging times. The fund has an ethically responsible and defensive investment policy and portfolio to reduce investment earnings volatility and risk exposure to the global credit crisis. Investment income increased by \$3.4m in 2007/08 to \$9.99m while other income generated by Teachers Eyecare contributed revenue of \$3.6m. These additional and valuable revenue streams assist in our aim to balance a responsible financial performance with the need to ensure ongoing commercial sustainability so that we may provide for the inevitable growth in future benefit payments but minimise premium increases.

Operating surplus

The operating result of Teachers Federation Health for 2007/08 was significantly impacted by the unexpectedly large increase in benefit payments that were \$12m or 5.5% higher than budget and an increase of \$31.1m or 15.4% over the previous financial year. As a result, the operating surplus of Teachers Federation Health was reduced to \$0.136m before adjustment for the unexpired risk liability reserve. Under accounting standard AASB 1023 that was introduced in the 2006/07 financial year, insurers must set aside a provision in respect of its liabilities that may arise from its future unearned premiums and outstanding claims. Where the amount payable in respect of future outstanding claims is expected to exceed the amount to be earned in respect of future premiums, the

insurer is required to book this forecast deficit as an unexpired risk liability provision in the balance sheet. The effect of this provision in 2007/08 was to reduce the operating result of Teachers Federation Health by \$8.78m resulting in a deficit for the year of \$8.64m.



Organisational and operation review

It is pleasing to report that at the conclusion of the 2007/08 financial year, Teachers Federation Health has achieved the vast majority of the key performance metrics established for the year.

Highlights included:

- Strong policyholder growth particularly among younger age cohorts.
- Market penetration of recently developed new products and services. StarterPak was our best selling product in 2007/08.
- Further development of our sales and distribution channels including the establishment of a South Australian presence and further enhancements to our website and to contact centre processes.
- Real improvements in customer service achieved and reflected by strong customer satisfaction and retention levels.
- Improvements in business efficiency through the implementation of process automation and streamlining of business processes and systems.
- RenewALL momentum continues to support organisational learning and development initiatives supported by the introduction of a new Performance Enhancement Program.
- Shiny Apples program continues to support and reinforce the promotion of TFH values and culture.
- Re-registration under the new Private Health Insurance Act achieved as well as recertification under the industry Code of Conduct.

- Business Continuity and Recovery plans completed and tested and a Business Recovery site established at Parramatta.

- Further expansion of our eyecare business with the opening of a new centre in Melbourne and expansion of the Parramatta centre in new premises.

- To complement the popular and successful travel insurance products, the range of insurance services provided by TFH were expanded with the introduction of Teachers Insurance Services that provides access to life, disability, trauma and income protection insurance underwritten by Tower Insurance.

- Our relationships with the education union organisations throughout Australia were enriched as we continued to promote our brand and grow our contributor base nationally.

- We continued to be at the forefront of industry change through active involvement with relevant industry associations to make sure the views of TFH and other like funds is heard by Government and regulators.

- We continued to create and maintain value for our policyholders and strengthen our competitive position.

Business outlook

The year ahead will continue to be full of challenges and opportunities for Teachers Federation Health. The proposed changes to the Medicare Levy Surcharge threshold, the global share and credit market turmoil, the likelihood of further consolidation in the industry, more intense competition for contributors and escalating benefit payments are key issues for the Fund to navigate in the coming year.

Our Business Strategy and plans position Teachers Federation Health well to meet these challenges and provides the focus for management in 2008/09.

We will work to maintain claims at a sustainable level by reviewing and analysing the factors contributing to our drawing rate inflation such as the cost, volume and intensity of services being used. A heightened focus on fraud and claims leakage will be supported by improved technology and business rules.

We will strive for further business efficiencies and greater automation of certain processing activities. Further enhancement of web based member services to better enable policyholders to self manage their cover together with the implementation of straight through processing to avoid manual handling of web originated claims and administrative tasks will greatly improve the customer service experience.

The way we sell to and service our customers is evolving with the importance of electronic channels continuing to increase as our contributors look for a faster and more efficient way of doing business with us. Our website together with an

improved telephony and contact centre capability will play an increasingly important role in driving sales results and service performance, particularly as we seek to continue to expand our membership beyond our traditional NSW heartland.

Strategic initiatives to increase brand awareness and enhance policyholder growth in 2008/09 will be implemented. This will include further expansion of our eyecare centre facilities, deployment of mobile business centres, refinements to our product offering and access to other general insurance products through Teachers Insurance Services. Fundamental to this strategy will be the continuing development of our relationship with the NSW Teachers Federation and other state branches of the AEU to align our common interests and enrich this partnership.

We will continue to consolidate under the RenewALL framework, the gains from the many initiatives and programs that have been delivered as part of the People & Learning strategy during the last two years. New initiatives and programs will continue to support Teachers Federation Health in the achievement of its strategic business, corporate citizenship and social responsibility objectives and position the organisation as an employer of choice.

The last word

The dedicated staff of Teachers Federation Health provides the capability for the organisation to achieve its objectives and to do what it does best – service the needs of its policyholders. I thank the staff for their continuing strong commitment to the Teachers Federation Health business and the improvement programs necessary to continue to make Teachers Federation Health an even more successful and sustainable organisation for the future.

I also thank the Board for their support, guidance and counsel in delivering the goals and objectives that continue to make Teachers Federation Health the first choice health insurance provider for all eligible members.

B S JOYCE
Chief Executive Officer



Dated this 7th day of October 2008
Sydney, NSW



continuous
improvement
& innovation

Directors' report

Your directors present their report on the company and for the financial year ended 30 June 2008

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	15 years	Deputy Chair Person Building Committee Member Strategy Committee Member People & Remuneration Member
H M MacGregor	Consultant	10 years	Chair Person Building Committee Chair Person Strategy Committee Chair Person People & Remuneration Chair Person Audit Committee Member
B Seymour	Manager	5.5 years	-
J M Dixon	Manager	12 years	Building Committee Member Strategy Committee Member
M C Fogarty	Deputy Principal	9 years	Audit Committee Chair Person
M McGee	Senior Claims Officer	10 years	-
S M Edsall	Research Officer	8 years	Audit Committee Member People & Remuneration Member
R L Brown	Administration Officer	13.5 years	Audit Committee Member Strategy Committee Member
T Moriarty	Teacher	5 years	-
J Diamond	Administration Officer	6 years	Strategy Committee Member
M O'Halloran	Trade Union Officer	2.5 years	-
J Irving	General Manager	2 year	Public Officer People & Remuneration Member

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 loss of the company for the financial year after providing for income tax amounted to \$8,641,645.

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% for the twelve months to 30 June 2008. Contribution rates increased on 1 April 2008 for hospital tables for all states. Overall hospital, ambulance and general treatment benefits paid increased by 15.9%. Overheads were kept low at 7.5%.

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.



Caring for our teachers
since 1954.

Meetings of directors:

During the financial year, 24 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		Strategy Committee		People & Remuneration Committee	
			Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
D Wynne	11	10	2	2	-	-	3	3	1	1
H M MacGregor	11	10	-	-	6	6	3	3	1	1
B Seymour	11	7	2	2	-	-	-	-	-	-
J M Dixon	11	9	2	2	-	-	3	2	-	-
M C Fogarty	11	10	-	-	6	6	-	-	-	-
M McGee	11	11	-	-	-	-	-	-	-	-
S M Edsall	11	6	-	-	6	3	-	-	1	1
R L Brown	11	9	-	-	6	5	3	3	-	-
T Moriarty	11	10	-	-	-	-	-	-	-	-
J Diamond	11	9	-	-	-	-	3	3	-	-
M O'Halloran	11	8	-	-	-	-	-	-	-	-
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 24th day of September 2008
Sydney, NSW



integrity

Grant Thornton NSW
ABN 25 034 787 757

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@grantthornton.com.au
W www.grantthornton.com.au

**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 2008, 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, 24 September 2008



equality &
teamwork

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 2008 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 2008 Financial Report of Teachers Federation Health Limited.

Income Statement

The net result (profit/loss) for the year being a loss of \$8,641,645 was down \$23,969,630 from the prior year (2007: profit of \$15,327,985), largely due to the increase in the outstanding claims and unexpired risk liability provisions, reflecting higher claims levels for the year, with increases in benefits paid in excess of premium increases.

Contribution income of \$242,452,446 increased 6.5% from the prior year (2007: \$227,716,651) due to an increase in members and also premium rate increases (4% at April 2007 and 3.9% at April 2008). Benefits paid and hospital levies of \$233,179,147 increased by \$31,094,098 or 15.4% (2007: \$202,085,049). The additional claims result from a combination of member increases in recent years and the increased costs of services.

Balance Sheet

Total assets increased by \$18,574,990 from \$154,675,266 in 2007 to \$173,250,256 in 2008, representing an increase of 12.0%. This increase was mainly attributable due to a significant surplus in cash thus leading to acquisitions in bills of exchange, promissory notes and equity investments.

Total liabilities have increased by \$26,514,939 from \$39,329,073 in 2007 to \$65,844,012 in 2008 due to an increase in the outstanding claims and unexpired risk liability provisions..

Equity has decreased by 6.88% from \$115,346,193 in 2007 to \$107,406,244 in 2008. This was due to the net loss for the year decreasing retained earnings by \$7,939,949 offset partly by a revaluation of assets of \$701,696.

Cash Flow Statement

Cash has increased by \$3,580,103 from \$4,481,883 in 2007 to \$8,061,986 in 2008 representing an increase of 79.9%. The net cash inflow from operating activities has increased by \$15,168,075 from \$22,551,126 in 2007 to \$37,719,201 in 2008 due to an increase in both members' premiums received, interest revenue received and receipts from customers.

Income Statement

For the year ended 30 June 2008

	Note	2008	2007
		\$	\$
Revenue	2	242,452,446	222,716,651
Claims expense		(210,905,327)	(181,980,675)
HBRTF expense		(15,897,195)	(14,220,179)
State levies expense		(6,376,625)	(5,884,195)
Net claims incurred		(233,179,147)	(202,085,049)
Unexpired risk liability expense		(8,778,000)	-
Underwriting result		495,299	20,631,602
Investment revenue	2	9,999,233	6,598,273
Sale of development properties		16,076,590	9,931,223
Other revenue	2	4,258,440	2,898,563
Fair value (losses)/gains on equity trusts		(1,523,103)	2,172,894
Cost of sales of finished goods - Eyecare Centre		(1,808,616)	(1,096,724)
Cost of sales of development properties		(15,933,929)	(9,931,223)
Reversal of/(write-down) of inventories of development properties to net realisable value		-	140,327
Employee benefits expense		(8,789,252)	(7,554,660)
Depreciation and amortisation expenses		(895,579)	(438,668)
Finance costs		(487,231)	(478,177)
Impairment losses		(428,430)	-
Other expenses		(9,605,067)	(7,545,445)
(Loss)/Profit before income tax expense		(8,641,645)	15,327,985
Income tax expense		-	-
(Loss)/Profit for the year		(8,641,645)	15,327,985

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

Balance Sheet

As at 30 June 2008

	2008	2007
	\$	\$
Current Assets		
Cash and cash equivalents	8,061,986	4,481,883
Trade and other receivables	9,377,606	10,415,310
Inventories	570,584	16,526,872
Financial assets	55,647,506	88,434,144
Other current assets	17,450	17,450
Total Current Assets	73,675,132	119,875,659
Non-Current Assets		
Trade and other receivables	10,780	18,180
Financial assets	92,106,204	28,713,913
Property, plant and equipment	7,458,140	6,067,514
Total Non-Current Assets	99,575,124	34,799,607
Total Assets	173,250,256	154,675,266
Current Liabilities		
Trade and other payables	5,995,972	3,503,568
Short-term provisions	43,659,700	21,075,376
Other current liabilities	15,633,896	14,116,633
Total Current Liabilities	65,289,568	38,695,577
Non-Current Liabilities		
Long-term provisions	554,444	633,496
Total Non-Current Liabilities	554,444	633,496
Total Liabilities	65,844,012	39,329,073
Net Assets	107,406,244	115,346,193
Equity		
Issued capital	-	-
Asset revaluation reserve	701,696	-
Retained earnings	106,704,548	115,346,193
Total Equity	107,406,244	115,346,193

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

Statement of changes in equity

For the year ended 30 June 2008

	Retained Earnings	Asset Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 July 2006	100,018,208	-	100,018,208
Net income recognised directly in equity	-	-	-
Profit for the period	15,327,985	-	15,327,985
Total recognised income and expense for the period	15,327,985	-	15,327,985
Dividends paid or provided for	-	-	-
Balance at 30 June 2007	115,346,193	-	115,346,193
Revaluation of land and buildings	-	701,696	701,696
Net income recognised directly in equity	-	701,696	701,696
Loss for the period	(8,641,645)	-	(8,641,645)
Total recognised income and expense for the period	(8,641,645)	701,696	(7,939,949)
Dividends paid or provided for	-	-	-
Balance at 30 June 2008	106,704,548	701,696	107,406,244

Cashflow Statement

For the year ended 30 June 2008

	2008	2007
	\$	\$
Cash flows from operating activities		
Receipts from members' premiums	242,248,567	222,425,945
Benefits paid to members	(203,444,384)	(194,494,854)
Receipts from customers	4,002,554	2,733,814
Payments to suppliers and employees	(14,880,457)	(14,189,631)
Interest received	10,280,153	6,554,029
Finance costs	(487,231)	(478,177)
Net cash provided by/(used in) operating activities	37,719,201	22,551,126
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	-	14,323
Proceeds from disposal of investments	18,969,073	42,553,636
Payment for purchase of investments	(51,467,506)	(63,364,465)
Payment for property, plant and equipment	(1,640,663)	(1,027,986)
Net cash provided by/(used in) investing activities	(34,139,096)	(21,824,492)
Cash flows from financing activities		
Net cash provided by financing activities	-	-
Net increase in cash held	3,580,106	726,634
Cash at the start of the year	4,481,883	3,755,249
Cash at the end of the year	8,061,986	4,481,883

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

Notes to the Concise Financial Report

For the year ended 30 June 2008

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

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	2008	2007
a) Operating activities	\$	\$
contributions income	242,452,446	222,716,651
b) Investment income		
Interest revenue - other persons	9,999,233	6,598,273
c) Other income		
sale of goods - Eyecare centre	3,660,434	2,497,548
other revenue	598,006	401,015
	4,258,440	2,898,563

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 2008, 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 7th day of October 2008
Sydney, NSW

Grant Thornton NSW
ABN 25 034 787 757

Level 17, 383 Kent Street
Sydney NSW 2000
PO Locked Bag Q800
QVB Post Office
Sydney NSW 1230

T +61 2 8297 2400
F +61 2 9299 4445
E info.nsw@grantthornton.com.au
W www.grantthornton.com.au

INDEPENDENT AUDITOR'S 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 2008, 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 2008, 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 2008. Our audit report on the financial report for the year was signed on 24 September 2008 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.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TEACHERS FEDERATION HEALTH LIMITED (cont)**

Auditor's responsibility (cont)

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 24 September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

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 2008 complies with Accounting Standard AASB 1039: Concise Financial Reports.



GRANT THORNTON NSW
Chartered Accountants



M A Adam-Smith
Partner

Sydney, 7 October 2008



empowerment
&
accountability

Teachers Federation Health

Phone: 1300 728 188

Mail: GPO Box 9812, Sydney NSW 2001

Email: info@teachershealth.com.au

Web: www.teachershealth.com.au



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