



*Relationships for life*

## Our purpose:

To ensure our members are clearly better off with Medibank Private.

## Our vision:

To be Australia's leading private health insurer.

At Medibank Private, we strive to achieve much more than financial success and market leadership. Our purpose is to ensure our members are clearly better off having chosen to be with Medibank Private. Better off from a health and wellbeing perspective, and better off financially through receiving superior value for the cost of their cover.

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### About Medibank Private

Medibank Private is Australia's largest and only national private health insurer, with over three million members and almost 30% of the private health insurance market, with significant membership in every state and territory. Medibank Private provides private health cover for hospital, ancillary and ambulance services, and its Members' Choice Network of health care providers extends across Australia. Medibank Private offers health insurance to all Australians, as well as catering for overseas students and visitors. Services are provided through an Australia-wide distribution network consisting of over 100 retail outlets, plus agents, a national network of customer care call centres and online member services at [www.medibank.com.au](http://www.medibank.com.au).

Medibank Private was established in 1976, operating as the commercial arm of the then Health Insurance Commission (HIC). In 1998, Medibank Private separated from the HIC and became an independent, Australian Government owned Government Business Enterprise (GBE) and is not dependent on Government funding. Medibank Private's shareholder is the Minister for Finance and Administration.

Medibank Private's principal activity is to operate as a private health insurer in accordance with the *Private Health Insurance Act 2007*.

Following the completion of a scoping study in 2005, the Australian Government announced, in September 2006, its intention to sell Medibank Private via an ASX sharemarket float in 2008 if re-elected.



Life is about Relationships.

From the families we are born to, the new families we create, and the friends we meet along the way – our most enduring relationships are dependable, adaptable, honest and sustainable.



At Medibank Private,  
we're about Relationships, too.

Relationships with our employees and our members have been fundamental to our past, our present and will be for our future.

Every day, in every way,  
we're building relationships that stand the test of time.

A photograph of a woman with dark hair, wearing a white button-down shirt with intricate embroidery on the front, holding a baby. The baby is wrapped in a white, textured blanket and is looking towards the camera. The woman is looking down at the baby with a gentle expression. The background is a soft, out-of-focus light color.

today, tomorrow... for life.

# 2006/07 Facts at a glance

Premium revenue  
**\$3,079 million**

Profit  
**\$295.2 million**

Return on equity  
**29.6%**

Member benefits  
**\$2,649 million**

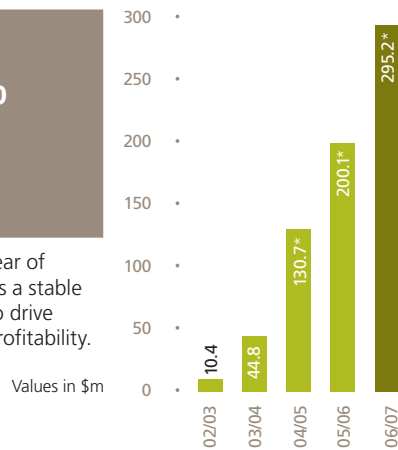
Underwriting profit  
after expenses  
**\$145.1 million**

Investment and other income  
**\$142.6 million**

## Performance highlights

Profit  
**Up 47.5%**

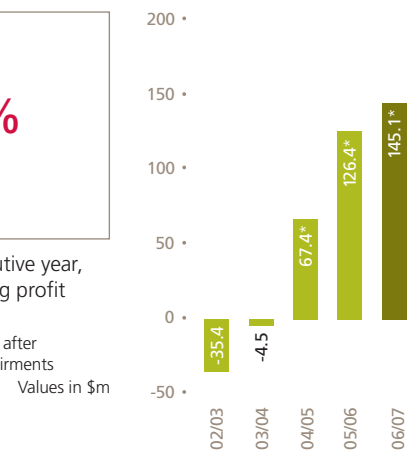
A fifth consecutive year of profit growth gives us a stable operating platform to drive strong, sustainable profitability.



Underwriting profit/loss  
**Up 14.8%**

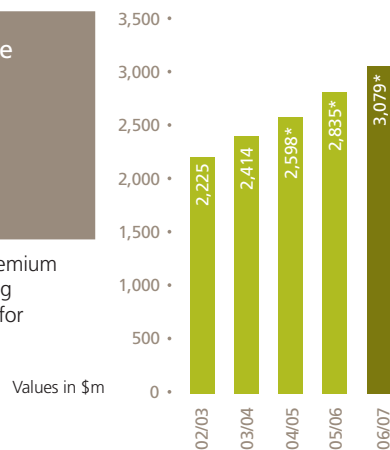
For the third consecutive year, a strong underwriting profit has been recorded.

Underwriting profit/loss is after expenses but before impairments



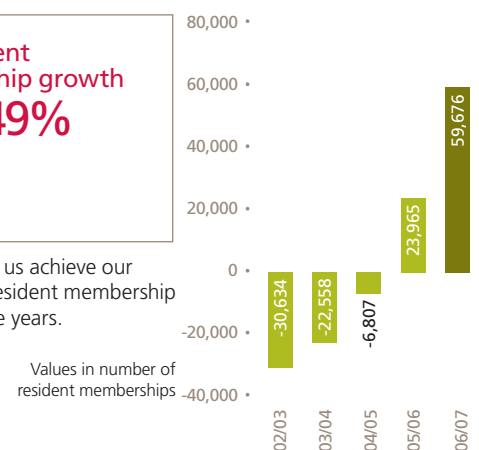
Premium revenue  
**Up 8.6%**

Medibank Private's premium revenue remains strong in excess of \$3 billion for the first time.



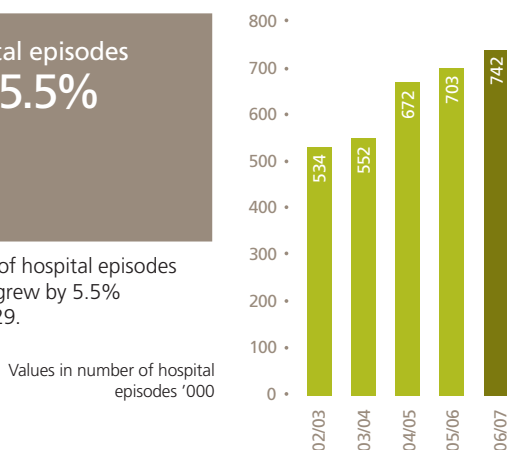
Net resident membership growth  
**Up 149%**

2006/07 saw us achieve our highest net resident membership growth in five years.



Hospital episodes  
**Up 5.5%**

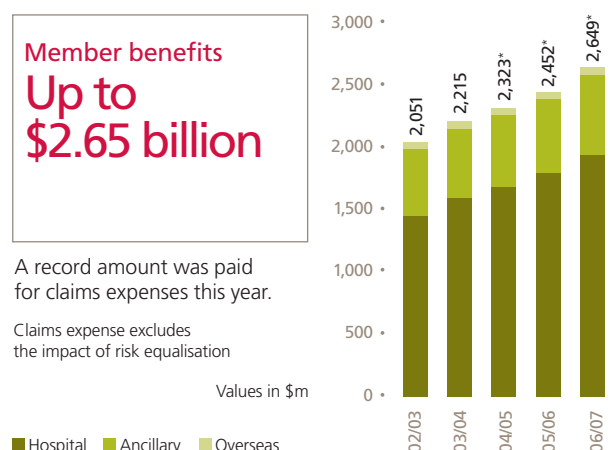
Number of hospital episodes paid for grew by 5.5% to 741,829.



Member benefits  
**Up to \$2.65 billion**

A record amount was paid for claims expenses this year.

Claims expense excludes the impact of risk equalisation



\* Australian International Financial Reporting Standards (AIFRS) compliant

People covered  
**3.1 million**

Contracted private hospitals  
**449**

Hospital episodes  
**741,829**

Market share  
**28.75%**

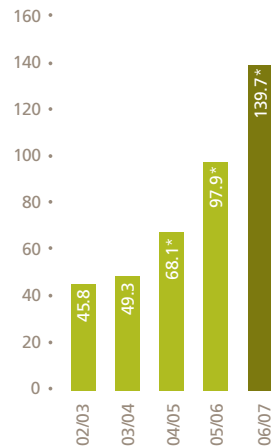
Contracted ancillary providers  
**4,508**

Ancillary services  
**15,868,647**

**Investment return  
Up 42.6%**

Strong returns on investment have been achieved through a balanced investment strategy.

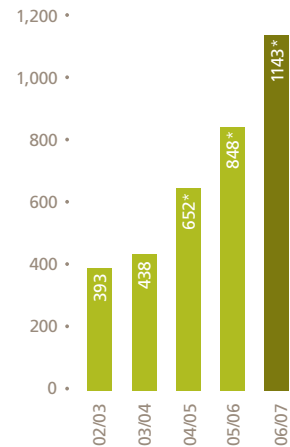
Investment return excludes other income  
Values in \$m



**Net assets growth  
Up 34.8%**

Our financial strength and stability continues to grow.

Values in \$m

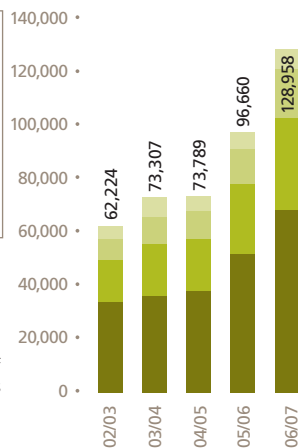


**New to fund membership by age  
Up 33.4%**

We achieved our highest new to fund resident membership growth from younger members in five years in 2006/07.

Values in number of resident memberships

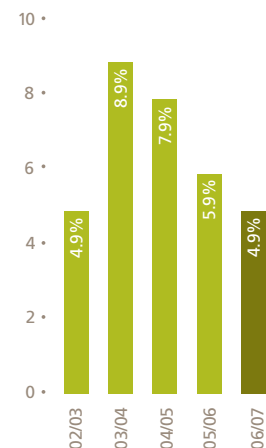
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**Average premium rate increases  
Contained to 4.9%**

Medibank Private strives to contain increase in membership premiums.

Values in %

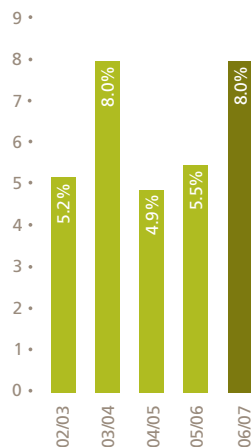


**Claims expense growth  
Up 8.0%**

Benefits paid on behalf of members continues to grow.

Claims expense excludes the impact of risk equalisation

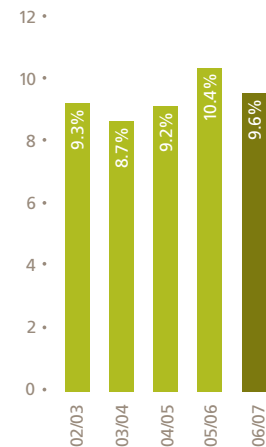
Values in %



**Management expenses  
Decreased to 9.6%  
of premium revenue**

Medibank Private continues to exert prudent control over management expenses.

Values in %



\* Australian International Financial Reporting Standards (AIFRS) compliant

Building our relationship with our members underpins everything we do at Medibank Private. We want to be an active partner in our members' health and continuously improve our service and products to meet their needs at all life stages. We want a healthy and lifetime relationship with our members where the company balances providing value to members with making a responsible return. We want to ensure our members are better off with us.

## Chairman's Report





It has been both a pleasure and a privilege to have accepted the appointment of Chairman this year. It has been exciting to join one of Australia's most significant health care organisations, particularly at a time of such impressive performance. Customer value, strong business performance and governance have built a solid foundation for the future of Medibank Private. This obviously speaks well of the excellent stewardship of former Chairman Peter Kirby, management of the company and the hard work of all our employees. It puts us in an excellent position for the future.

#### A strong foundation for the future

The wide ranging private health reforms introduced this year have opened the way for health funds to provide more comprehensive health coverage and health management programs to their members. This will allow us to continue to develop innovative programs that assist members with chronic diseases by effectively managing their health and also reduce any unnecessary use of services.

Our strong financial result demonstrates an ability to continuously deliver both sustainable profit performance and member value. We have continued to carefully manage our business to minimise the growth in premium rates, while also making sure we can serve the future needs of our members.

#### Commitment to our members

We are continuing to ensure we honour our customer commitments, as reflected in our Member Service Charter. Our performance against this charter is tracked independently, audited and regularly monitored. I am pleased to report we met our service standards this year.

In 2006, PHIAC (Private Health Insurance Administration Council) with assistance from the Australian Prudential Regulatory Authority, conducted a comprehensive review of our risk management policies and procedures. They provided recommendations, all of which have been satisfactorily addressed by management in 2006/07, making for an even stronger organisation.

#### Building a sustainable future

At Medibank Private, we believe it's important to balance providing value to our members with making a responsible profit.

In 2006/07, our underwriting profit margin was 4.7%, slightly under the weighted average profit margin recorded by our four major competitors in the previous year. It's also important to note that the \$145.1 million underwriting profit made in 2006/07 is equivalent to just three weeks of benefit claims from customers. This is against a backdrop of increased profitability across the industry this year.

Medibank Private has not only met our obligation to provide for a sustainable future, we have also improved product value and service to members.

#### A shifting landscape

The Australian health system is one of the nation's most important assets. The Medibank Private team is deeply conscious of the role we play in underpinning the benefits of the public and private partnership upon which the system is based.

With ageing populations challenging publicly financed health systems throughout the world, the need for a viable and innovative private health industry has never been greater. It's important to remember that holders of private health insurance, apart from paying their Medicare levy, also pay almost 70% of the \$10 billion per annum of premium revenue that flows into the total health system. This is why the Australian Government's investment in the private health insurance rebate represents good economic value, as well as reducing pressure on the public health system, with almost 60% of all elective surgery now being performed in the private hospital sector.

#### Moving forward

Our strong position as market leader, reinforced by our iconic brand, and our unique national coverage driving strong membership growth, places us in an excellent position to continue to drive value for members and other stakeholders in the future.

In December 2006, Parliament gave the Australian Government the authority to sell Medibank Private via an initial public offering on the ASX, and work continues to ensure we are ready to respond to any decision made by the government under this legislation.

In conclusion, I'd like to extend my appreciation to my fellow directors. I would also like to acknowledge the staff of Medibank Private, led by the Managing Director George Savvides and his senior leadership team. They have again performed exceptionally well over this past year and, on behalf of the Board, I thank them for their achievements during the year and in particular for the enthusiasm they have for the company and its future.



**Paul McClintock**  
Chairman

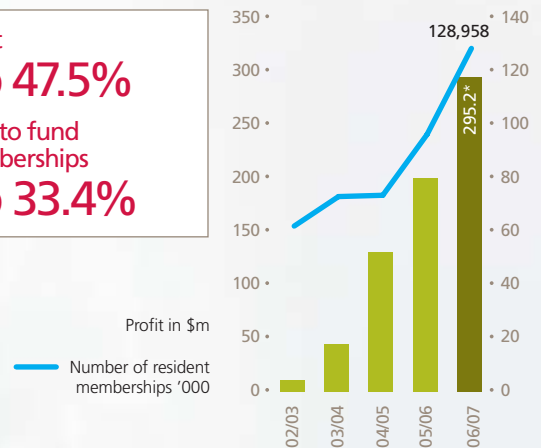
This year, more people have chosen Medibank Private as their health fund. As a result of our continued focus on customer value and cost management we have seen record growth in both membership and prudential reserves. Looking forward, we aim to be an even better health insurance company by being an active partner in our members' health, whatever their life stage or lifestyle, and ensuring our members are better off by being with Medibank Private.

## Managing Director's Report

### A record performance

For the fifth consecutive year Medibank Private has delivered an improved financial performance in a highly competitive market. The fund's contribution income surpassed the \$3.0 billion mark for the first time while our profit rose to \$295.2 million, a 47.5% increase on last year's result. At the same time we paid out \$2.6 billion for health services on behalf of members, an increase of \$197.2 million or 8.0% over the previous year. Our ability to increase our customer base while still maintaining a focus on containing the growth in health care costs, has resulted in a financially stronger organisation for our members.

**Profit**  
**Up 47.5%**  
**New to fund**  
**memberships**  
**Up 33.4%**



\*Australian International Financial Reporting Standards (AIFRS) compliant

Key performance achievements:

- An underwriting profit after expenses of \$145.1 million – an increase of 14.8% on the previous year, lifting our underwriting margin to 4.7%.
- An investment return of \$139.7 million – an increase of 42.6% from last year. This was supported by a buoyant investment market and an increase in growth asset allocation.
- Our overall membership base (resident and non-resident) grew by 4.5%.
- A third consecutive year of reduced premium increases.
- A reduction in management expense ratio to 9.6%.
- Improved containment in the growth of benefit outlays through better purchasing.

While increased exposure to growth assets has contributed to this excellent result, our investment portfolio remains conservative in comparison to our industry peers. We aim to balance a responsible financial performance with the need to ensure sustainability, so that we provide for growth in future member benefit claims.

#### From strength to strength

In 2006/07 we further strengthened our prudential position. Our capital reserves and prudential position continued to improve with net assets growing 34.8% to \$1.1 billion.

We continued to invest in improvement of the business with new member services and renewal of our national retail branch network. The first phase of our new core IT system is scheduled to go online later this year and will produce efficiency benefits such as automated hospital claims.

Our customer service performance has continued to improve, complemented by an expanded web capability, which enables members to manage many aspects of their membership online. In 2006 Medibank Private was presented with an International Customer Service Professionals award for excellence.

#### Helping our members stay healthy

We believe in making it easier for our members to live a healthy and active life and improve their health and wellbeing. The broader health cover reforms, introduced in April 2007, will allow us to extend and improve our range of health management programs for members. It will enable us to help members with chronic illnesses manage their conditions and navigate their way around an often complex health system.

Together with our health partners, we have developed a suite of programs designed to help our members manage their health and wellbeing, especially those with chronic illnesses. These programs are designed to complement and support the care members are currently receiving from their GP, specialist or other health professional, and include:

- **betterhealth On Track Diabetes program** – assists participants to better manage their condition. Results from a pilot program showed a 16% decrease in hospital admissions amongst participants and significant improvements in health status for members in the program.
- **betterhealth On Call program** – a disease and case management service for members with chronic conditions, such as congestive heart failure, coronary artery disease and chronic obstructive pulmonary disease. The program provides access to a 24-hour telephone-based support service.

By continuing to develop programs that focus on reducing the need for high level acute care, we can reduce the pressure on the cost of claims for the benefit of all members.

#### Getting better health outcomes for members

Medibank Private is committed to improving the quality of health outcomes for all Australians. In 2007 we committed \$1 million to the Medibank Private Safety and Clinical Improvement Incentive Pool to assist hospitals to research and implement quality and safety initiatives.

This takes our commitment to a total of over \$1.9 million for the past two years.


#### Contributing to our community

At Medibank Private, we believe it's important to encourage and support employees to participate in the communities in which they work and live. Over the last 12 months our community involvement has included:

- The Medibank Private **Seven Bridges Walk**, a healthy active community walk around Sydney Harbour that attracted around 6,000 participants.
- The Medibank Private **1Seven** program, developed in partnership with the Australian Football League, Netball Australia and Cricket Australia, which encourages children to participate in at least one hour of physical activity and to eat seven serves of fruit and vegetables each day.

#### Looking forward

After five years of growth, Medibank Private's future has a healthy outlook. Over the last year, our staff have continued to display a strong commitment to the company despite the uncertainties related to privatisation, producing an outstanding set of results without losing focus on our members. I thank them for their great work and for their commitment to making Medibank Private an even more successful organisation as we move into the future.



George Savvides  
Managing Director



## Board of Directors

From left: Paul McClintock, George Savvides, Roger Harley, Julia Bowen, Peter Wade, Just Stoelwinder, Adrian Brien, Brian Keane.

### Paul McClintock

**BA LLB (Sydney), FAICD  
(Non-Executive Chairman)**

Appointed Chairman 19 March 2007. Current term expires 18 March 2010.

Principal, McClintock Associates since establishment in 1985, excluding July 2000 to March 2003 when he was Secretary to Cabinet and Head of the Cabinet Policy Unit in the Government.

Currently Chairman, Symbion Health Limited, Thales Australia, the COAG Reform Council and St. Vincent's Centre for Applied & Clinical Research; Director, Macquarie Infrastructure Group and Perpetual Limited.

Formerly Chairman, Expert Panel of the Low Emissions Technology Demonstration Fund, Affinity Health, Plutonic Resources and the Woolcock Institute of Medical Research; and a Commissioner of the Health Insurance Commission.

Honorary fellow of the University of Sydney Faculty of Medicine, and a Life Governor of the Woolcock Institute of Medical Research.

### George Savvides

**BE (Hons) (UNSW),  
MBA (UTS), FAICD  
(Managing Director)**

Appointed Director from 6 September 2001. Appointed Managing Director 19 April 2002. Current term expires 11 December 2008.

Mr Savvides has over 20 years corporate leadership experience in the health care industry and is currently a Councillor of AHIA (Australian Health Insurance Association) and International Federation of Health Plans. He is also Director, World Vision Australia and World Vision International; Director, Australian Centre for Health Research Limited (ACHR).

Mr Savvides was formerly Managing Director of Healthpoint Technologies Limited; Managing Director and CEO, Sigma Co Ltd; Managing Director, Smith+Nephew Pty Ltd, Australasia; General Manager, CIG Healthcare Australia; Chairman, Medicines Partnerships of Australia; and Member, CSIRO Health Sector Advisory Council.

### Roger D Harley

**BSc (Melb), FAICD  
(Non-Executive Director)**

Appointed Director from 30 August 2004. Current term expires 29 August 2007.

Mr Harley has extensive investment banking experience, with a track record as an adviser to a number of private as well as ASX listed companies. He is currently a Director of Fawkner Capital Management Pty Ltd; Member of Pooled Development Fund Registration Board (Venture Capital); Member, Industry Research & Development Board; Member, Funds Management Committee of the Industry Research & Development Board; and Director of related investment holding companies. He is also Chairman, Yarra Bend Park Trust and Trustee, Alfred Deakin Lecture Trust.

Mr Harley was formerly Director, Equity Capital Markets, Deutsche Bank Australia; and Director, Corporate Finance, Deutsche Bank Australia.

### Julia Bowen

**MAICD  
(Non-Executive Director)**

Appointed Director from 3 November 2003. Current term expires 2 November 2009. Chairman of the Business Enablement Committee.

Ms Bowen has executive and consulting experience in information technology and is currently an independent consultant.

Ms Bowen was formerly Director, Consulting Services, Asia Pacific, Cerner Corporation; and Director, Systems and Programmes, Cable & Wireless Optus. Foundation member of the Ernst & Young Worldwide Masters Program; Manager of business consulting group, Aspect Computing; and Support Program Manager for the Royal Navy Nuclear Submarine Weapons Systems.



**Peter B Wade**

BComm (Hons), MA, FCPA, FAICD

(Non-Executive Director)

Appointed Director from 26 June 2002. Current term expires 28 June 2008. Chairman of the Audit & Risk Management Committee.

Mr Wade has extensive experience acquired over many years in both corporate and public sectors. He is currently Chairman, Open Universities Australia Pty Ltd; Director, CASS Foundation Limited, The Knox School Limited and PhillipsKPA Consulting Pty Ltd.

Mr Wade was formerly General Manager, Monash University; Deputy Chairman, VicGrain Ltd; Director, Graincorp Ltd and Banksia Wines Ltd.

**Just Stoelwinder**

MD (Monash), MBBS (WA), FRACMA, FACHSE, FAFPHM

(Non-Executive Director)

Appointed Director 26 June 2002. Current term expires 28 June 2008. Appointed Chairman from 8 February 2007 to 18 March 2007. Chairman of the Nomination, Remuneration & Human Resources Committee.

Professor Stoelwinder has extensive experience in medical and healthcare roles and is currently Chair of Health Services Management, Department of Epidemiology and Preventive Medicine, Monash University.

Formerly he was CEO and Director, Southern Health Care Network; CEO, Monash Medical Centre, Queen Victoria Medical Centre (Melbourne); Director, Private Health Insurance Administration Council (PHIAC); Professor and Head, Health Services Management Development Unit, Flinders University, School of Medicine.

**Adrian H Brien AM**

(Non-Executive Director)

Appointed Director 26 June 2002. Current term expires 28 June 2008. Chairman of the Investment Committee.

Currently Chairman, Equitrade Ltd; Member, Industry Research & Development Board; Venture Capital Registration Board, Funds Management Committee; and Life Governor, Flinders Medical Centre Research Foundation.

Mr Brien was awarded a member of the Order of Australia-General Division in 2001, the Australian Centenary Medal in 2003 and the Australian Sports Medal for services to sport in 2000.

Formerly he was CEO of Adrian Brien Automotive Group; Member, Board of Governors, Flinders University South Australia; Member, Board of Management, Flinders Medical Centre South Australia; Member, Vehicle Licensing Board of South Australia; Chairman, Australian Ford Credit Dealer Council; and Governor, Fordstar Board of Governors.

**Brian F Keane**

FAICD, FAMI

(Non-Executive Director)

Appointed Director from 30 August 2004. Current term expires 29 August 2007. Chairman of the Product, Benefits & Innovation Committee.

Mr Keane has executive experience in corporate leadership and marketing in the insurance industry and is currently a Director of CSIRO, Lawcover Pty Ltd, Lawcover Plus Pty Ltd, Aurora Energy Pty Ltd and The Hollard Insurance Company Pty Ltd. Mr Keane is a Member of the Australian Competition Tribunal.

Mr Keane was formerly CEO AAMI Ltd; Director, Royal & Sun Alliance Australia Ltd, AAI Ltd (Australian Pensioners Insurance), IEC Ltd, Motor Accidents Authority of NSW, TAB Ltd, RAC Insurance Ltd and Director and President of Insurance Council of Australia.

## Our Management Team



Pictured above (from left): Neil Greenaway (Company Secretary), Bruce Levy, Heather Parkinson, George Sawvides (Managing Director), Kerry Crompton, Tony Jones, Michael Sammells and Justine Halloran.

### Operations – Bruce Levy

Operations is the largest of our divisions. It collects \$3 billion in revenue and pays \$2.6 billion in member benefits. When people visit a Medibank Private Retail Centre, call the Medibank Private Customer Care Line, or log on to the Medibank Private website to join or lodge a claim, they are dealing with our Operations Division.

Operations is also responsible for purchasing the hospital health services and *betterhealth* programs that our members use every day, and for developing the marketing and advertising campaigns that have successfully helped grow our membership over the year.

Operations also oversees Medibank Private's diversification into travel and life insurance and our overseas visitor and student business.

### People and Culture – Heather Parkinson

Medibank Private's most important asset is our employees. It is the role of People and Culture to ensure that our people perform at their best to realise our purpose and vision.

People and Culture develop the skills and capabilities of our staff to meet the varied needs of our members: from our frontline staff answering product queries – to our corporate workforce whose efforts to steer the company forward also have a direct impact on Medibank Private's members. By assisting our entire workforce to strive for the same objectives, we ensure Medibank Private will continue to offer value and service.

### Information Technology – Kerry Crompton

In an increasingly digital world the role of Medibank Private's Information Technology division is ever more important, not only to our day to day operations, but also our future business plans.

Information Technology supplies the people and infrastructure that enable Medibank Private to meet the services required by our members.

This includes contributions processing and claiming systems, the provision of web based platforms and the reporting of business performance for future planning.

### Corporate Strategy and Communications – Tony Jones

It is vital for Medibank Private to have clear goals for the future and a strong voice to represent our members, and it is the role of Corporate Strategy and Communications to ensure that we meet these obligations.

A key part of the division's role is to develop strategies to improve and grow our company. This includes not only setting near term corporate targets, but also looking longer term for ways that we can extend our business.

We also must ensure that our public profile and corporate reputation are protected and enhanced. Corporate Strategy and Communications is tasked with managing our reputation and advocating on behalf of Medibank Private and our members in the media, with government, in the health industry and broader Australian community.

### Finance and Corporate Services – Michael Sammells

With revenues in excess of \$3 billion in 2006/07, Finance and Corporate Services division carries the responsibility of ensuring that Medibank Private's funds are properly managed and accounted for. Our division makes sure that members' contributions are set at the right level to balance current member benefits with future requirements, and that the claims processing function operates effectively. The recent impressive performance of Medibank Private's investment portfolio is also managed by this division, as is our management and legislative reporting, along with our risk management, internal audit and compliance activities. We are also overseeing the development of the crucial Business System Renewal project. This is the largest information technology project we have undertaken, and once complete will drive major new efficiencies throughout the business.

### Legal – Justine Halloran

Medibank Private operates in a highly regulated environment. Our role is to ensure that we operate within this framework and that members' interests are protected. The legal team facilitates better commercial outcomes for Medibank Private and our members by working closely with the business on key commercial initiatives and ensuring alignment with current legal requirements and future legal trends.

Medibank Private delivered an impressive performance this year with continued strong profit growth, membership growth and increased national market share. More than one in four Australians who have private health insurance cover are members of Medibank Private. As a result of improved business performance over the last five years, the organisation is in an excellent financial position for the future.

## Our Results

### Strong performance in 2006/07

This year Medibank Private achieved strong operating and financial performance through:

- significant membership growth in a competitive environment, confirming the excellent value we provide our members;
- increased national market share resulting from solid performances in all states and territories; and
- continued profit growth, further strengthening our financial stability.

At the same time, we reduced growth in our members' premium increase for the third successive year.

Together these outcomes represent a significant result for the whole organisation and are the culmination of five years of continuous improvement for the business. Increases in our membership and revenues have delivered ongoing growth across the business, while more effective health service purchasing arrangements and continuous refinement in management processes ensure future claims can and will be met.

Medibank Private continues to plan for the future to sustain this success for the years ahead.

### Financial results

Medibank Private recorded a profit of \$295.2 million for 2006/07. This represents a 47.5% increase over last year's result and the fifth successive year of profit growth and underlying improvement in financial performance. Our underwriting result after expenses was \$145.1 million, up 14.8% on the previous year, and representing an underlying margin of 4.7%. This is the third consecutive year Medibank Private has registered a positive and growing underwriting margin.

Medibank Private's premium revenue of \$3.1 billion was an increase of 8.6% over last year. Our ongoing cost effective hospital contracting services continues to deliver quality services with restrained growth in benefit outlays for the financial year. Benefit outlays grew to \$2.6 billion, a growth rate of 8.0% over the year, compared to 5.5% in 2005/06.

Due to strong Australian and global equity returns, Medibank Private's 2006/07 investment portfolio return was \$139.7 million, up 42.6% on the previous year. This investment return of 8.7% further strengthens Medibank Private's balance sheet and our capacity to plan for the future.

We have continued to invest in replacing our core business IT infrastructure through the Business Systems Renewal (BSR) program which commenced in December 2005. A change in delivery and implementation strategy in the prior year necessitated an impairment expense of \$26.1 million in 2005/06. This impairment expense was reviewed in 2006/07 in light of our successful progress in the new phased strategy and resulted in a reversal of \$7.4 million of the 2005/06 impairment expense.

Medibank Private's financial performance has been achieved in an environment of increased utilisation of health services, increased member expectation for new medical technology and the ageing of our society, all of which contribute to growth in health care costs consistently exceeding the consumer price index (CPI). Our challenge each year is to continue to deliver the funding for high quality services that our members want, in a sustainable financial environment. To this end, Medibank Private successfully contained growth in our members' premium increases and, for the third year, Medibank Private reduced premium growth with an average rise in 2006/07 of 4.9%.

Medibank Private's strong solvency position continued to strengthen in 2006/07. As a result of improved business performance over the last five years, the organisation is in an excellent financial position for the future.

### Membership growth

2006/07 was an exciting period of membership growth for Medibank Private. Our overall membership base (resident and non-resident) grew by 4.5% while our resident membership base grew by more than 4.3% in 2006/07. This was primarily due to increased success in both recruiting new members and our ability to secure member loyalty, further reducing the number of members who chose to leave the fund. 2006/07 also saw significant growth in residential extras (non-hospital) membership, with an increase of 7.2%.

The increase in new members was driven by the success of a number of marketing initiatives, most notably a campaign centred around the Medibank International Tennis Tournament held in Sydney in January 2007. Membership growth was also aided by the Australian Government's private health insurance advertising campaign in June 2007.

Improved member retention saw the rate of residential members leaving the fund fall by 11.1% in 2006/07, one of our lowest lapse levels on record. Retention strategies included the introduction of a new welcome pack and ongoing information packs at three months and 12 months. This activity was in addition to existing retention activity which seeks to reinforce the value of private health insurance to the member, and provide information about the best and most suitable level of coverage for each person.

**Increased market share**

There are now 3.1 million people who are covered by Medibank Private as their chosen private health insurance fund. More than one in four Australians with private health insurance is now a member of Medibank Private.

While the private health insurance market as a whole has continued to expand, Medibank Private has outperformed the market in terms of this growth. Our overall market share of resident memberships grew to 28.75%, a significant achievement for a market leader in a mature market.

This membership and market share growth across the organisation, across a number of segments of the market, from youth targeted products to the higher end premium products, helps ensure momentum for ongoing growth.

**Attracting members**

A key focus of this financial year again has been to strengthen our membership base. Building on the success of last year, we developed and further refined marketing campaigns aimed at producing membership growth. These included:

- *MyOptions* campaign – we continued our integrated marketing campaign targeting young singles with the tag line ‘you don’t have to be sick to benefit’.
- Competitive market offers – a number of state-based campaigns were successfully launched throughout the year, providing a competitive edge for our sales teams at an individual state level.

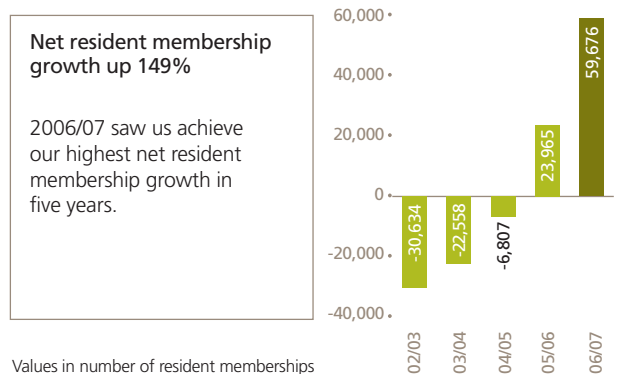
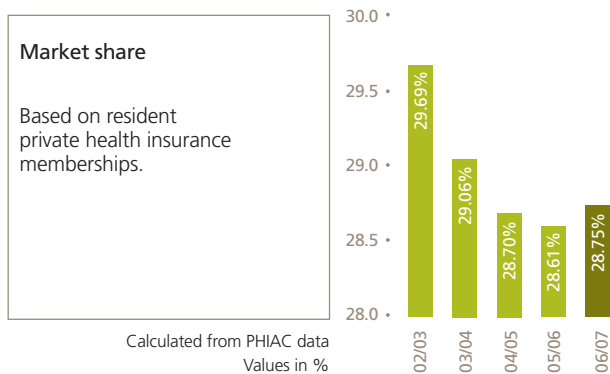
- Promoting fitness for a healthier lifestyle – Medibank Private maintained brand awareness through continued sponsorships with nationally recognised sporting teams such as Melbourne Storm rugby league club, Melbourne Tigers basketball team, Adelaide Thunderbirds netball team and West Coast Eagles football club.
- The Medibank International Tennis Tournament – as the major sponsor of this Sydney based tournament, Medibank Private promotes fitness through physical participation in sport for a healthier lifestyle. A national advertising campaign to coincide with the week long television coverage of the tournament reached millions of Australians, further extending its effectiveness in attracting new members.

**Our brand**

Medibank Private continues to lead the private health insurance sector as the most well known private health insurer with the strongest brand awareness that has been trending up over the last three years.

While always recognised as a strong brand, in 2003 Medibank Private took steps to broaden the appeal of brand to include younger people (singles and families) without losing its relevance to and relationship with the older age market. This led to a new company logo and a refresh of our retail store network, plus a range of products and services specifically designed to suit young people’s health needs, supported by marketing and sponsorship activities and customer service initiatives. As a result, brand satisfaction in families and young singles has increased consistently over the last two years.

Despite having a high level of brand awareness, Medibank Private continues to have one of the lowest average advertising spend per member compared to other private health insurers.





## Private health insurance and more...

### Products

Medibank Private continues to offer products and services that best suit our members' needs and this extends beyond resident private health insurance. The success of the *MyOptions* product reinforces this commitment to design products that members are telling us they want. To complement our product suite, we are redesigning our product brochures to allow members to easily select the right product for their needs.

Medibank Private commenced selling life insurance in August 2007 through a pilot program based in selected retail centres in New South Wales, on our website and through a dedicated team in the Customer Care Line.

Medibank Private is the first private health insurer to offer fully underwritten life insurance with high coverage amounts of up to \$1.25 million without the need for applicants to undertake medical exams. Customers will also be able to sign up in one simple transaction, whereas most insurers require that a written application form be submitted which can often take several weeks to process.

### Overseas Visitor Cover

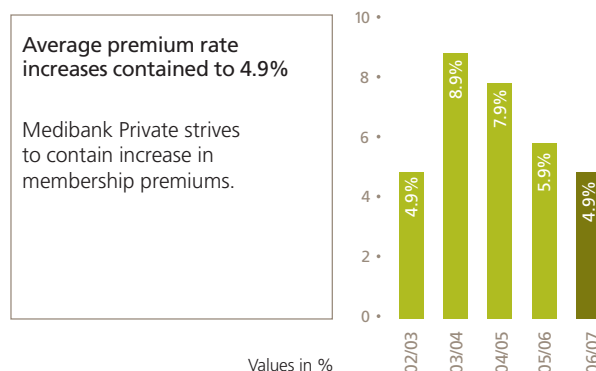
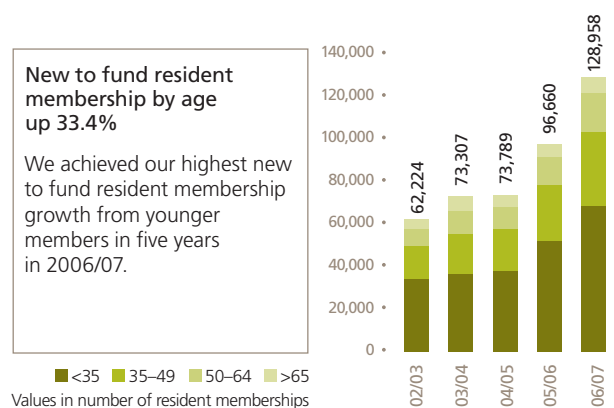
Medibank Private offers a range of products for visitors to Australia, from basic cover through to package products. Since the launch of Basic Visitors Cover and Executive Visitors Cover in May 2006, Medibank Private's overseas visitors product range has grown in membership and achieved an increased profit. This market continues to grow due largely to Australia's attraction of skilled migrants and tourists. Recently Medibank Private appointed a new Group Manager Business Relationships to maximise the long-term sustainability and growth of the overseas visitors cover products, and to capitalise on this expanding market.

### Overseas Student Health Cover

Medibank Private is one of four private health funds that offer Overseas Student Health Cover (OSHC). Medibank Private has differentiated itself from its competitors with servicing initiatives such as Medibank Connect (an automatic join process for educational institutions), E-claims Medical (medical centres that can bill Medibank Private directly), 24-hour emergency legal and medical advice and assistance with interpreters (provided through International SOS). Other services include referrals to doctors or medical centres, access to a solicitor and phone assistance to replace travel documents or passports.

### Travel Insurance

Medibank Private continues to expand sales of its travel insurance products. During the year over 30,000 travel insurance policies were sold – an increase of 73% on the previous year. Almost 91% of sales were to existing members of Medibank Private. This highlights not only the strength of the Medibank Private brand and the loyalty it inspires, but also the enormous potential for Medibank Private to pursue product diversification with our existing customer base.



At Medibank Private, our focus continues to be on our members. We continually improve our products and services to meet their needs, we passionately advocate for improvement in quality and safety standards in the health industry, we strive to keep the cost of premium growth down and to secure better value for our members' health dollar.

## Our Business Highlights

### Better health at every stage of life

Since 2004, Medibank Private has been providing access to programs to support our members in managing their health more effectively.

No matter what stage of life our members are at, Medibank Private can help them take a more active role in staying healthy. The programs cover health prevention and early intervention programs, as well as disease management and case management programs focused on members with health conditions such as diabetes and chronic heart disease.

The *betterhealth* programs demonstrate our commitment to the Australian Government's broader health cover reforms launched in April 2007. These reforms allow Medibank Private to pay benefits for services provided outside the hospital by a range of health care providers and, in the case of the *betterhealth* programs, may assist members in avoiding the need to go to hospital.

All of our *betterhealth* programs are delivered by a range of health partners and are designed to complement and support the care our members are currently receiving from their GP, specialist or other health professional.

### Helping members stay healthy – online

Medibank Private's *betterhealth* Online was launched in August 2006 to provide health and active support directly to our members via the internet. The program offers health, fitness and wellbeing resources including exercise planners, email support to maintain motivation in achieving health goals as well as health-related articles and tools.

Over 9,000 members have registered for *betterhealth* Online, with 76% also completing a health risk assessment. The assessment helps members understand what health risks they have so they can take action to improve their health and lifestyle. Nearly 4,000 members have also enrolled in one of the programs available online – these focus on diet, exercise, weight and stress management.

### Phone support to members with chronic illnesses

Currently focused on members with chronic health conditions such as heart and respiratory disease, *betterhealth* On Call is a telephone-based support service provided by registered nurses. The service encourages self-management of health conditions and risks. There are over 2,700 members currently taking part in *betterhealth* On Call, with the majority of members enrolled in the Coronary Artery Disease program.

As part of *betterhealth* On Call, Medibank Private also launched a pilot in December 2006 to provide support to members with mental health conditions.

### Members get 'on track' with their diabetes

Medibank Private launched the *betterhealth* On Track Diabetes program in February 2007. This followed an earlier successful 12-month pilot which showed statistically significant improvements in diabetes control and in risk factors such as cholesterol and weight.

Designed for members with diabetes, particularly Type II, or those at risk of developing the condition, On Track Diabetes is staffed by experienced diabetes educators. Over 250 members are participating, receiving information and support that encourages preventative care and improved self-management of diabetes and associated health conditions or risks.

### GPpartners

This year we began a pilot care co-ordination collaboration with GPpartners, a division of General Practice covering a large part of Brisbane's northern suburbs that delivers a range of programs, including case management. It is planned that 500 of our members with multiple health conditions, who have been identified by their GP as needing care co-ordination, will be enrolled in this pilot. Service co-ordinators will provide face-to-face and telephone assistance to members on self care, so they can better manage their conditions and avoid unnecessary hospital admissions.

### Health fairs promote better health

Further complementing our *betterhealth* initiatives, this year Medibank Private launched a number of health fairs to promote health awareness amongst our members and the wider Australian community. The fairs were offered as part of store relocation activities and provided members and non-members alike the opportunity to receive free health checks by registered health professionals. The health screenings included blood pressure checks, cholesterol and blood glucose monitoring, body mass index assessments and dietary advice.

### A focus on quality and safety: securing optimal health outcomes

We continue to take an active role in advocating quality and safety in health care for all Australians.



**Tony Mulcahy, Member since 1985**

Tony loves sport and has played hockey and cricket his whole life. He only had extras cover in the early days but, with the plan to have children, he and his partner Kate decided to take out hospital and extras cover. They had three children and somehow the additional cover was always seen to be “for the kids” – not them! Three years ago Tony was diagnosed with arthritis of the hip.

## Tony's Story

For Tony it was important to have his choice of surgeon and be able to schedule an operation when he needed to have it. “I never thought I would need it, but when I did Medibank came through with the goods,” said Tony. “Now I can look forward to cricket in the backyard with my kids!”





### Debbe Vo, Staff since 2003

Debbe joined the retail team at Medibank Private and was later seconded to work in our marketing department. Now she works as a corporate sales consultant, managing relationships with existing and potential corporate clients. She is also on Medibank Private's interpreter list (currently covering ten languages) and uses her Vietnamese language skills to assist our members.

## Debbe's Story

Australia is a multicultural nation and Medibank Private knows how important it is, where possible, to speak to members about their health in the language they know best. Debbe assists with enquiries from the Vietnamese community taking calls about our products and helping members with the complex terminology of private health insurance. It's all part of our customer service.

**medibank**

Young Singles & Couples

Product Description:  
Medibank Young Singles & Couples is a private health insurance product for young singles and couples.

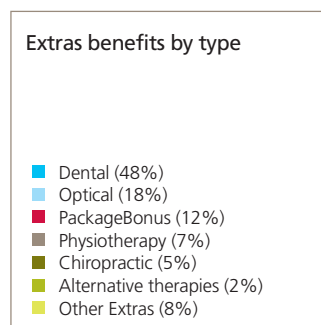
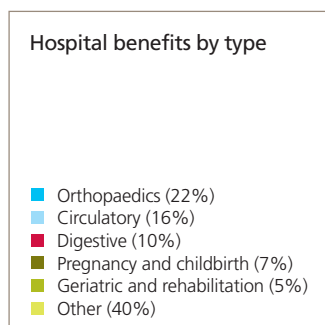
**medibank**

MyOptions

Combined hospital and extras packaged cover a great option for young singles and couples.

Effective 2 April 2007  
Medibank Private member call 02 956 600 100  
© Medibank Private Health Insurance Corporation

**myoptions**



Our emphasis on quality and safety demonstrates our recognition that all participants in health care – including patients, health care professionals and health funds – have vital roles in securing optimal health outcomes for patients. Our initiatives are designed to support the relationships central to these outcomes.

Promoting the adoption of accepted industry quality and safety guidelines and innovation incentives through funding have been key objectives in Medibank Private’s continuing strategy with our hospital partners.

A framework of quality and safety is now included as part of our contracting arrangements with partner hospitals. By promoting accepted industry quality and safety guidelines, we are working to ensure our contracted providers offer our members services that comply with safe practice in the health care sector.

Our quality and safety initiatives have created a new focus in our relationship with our health care partners as we encourage their ongoing efforts to implement best practice in quality and safety.

**Working with our hospital partners**

Medibank Private has sustained the momentum and enthusiasm within the sector for new and innovative ways of delivering care to achieve the best health care outcomes through extension of the Medibank Private Safety and Clinical Improvement Incentive Pool launched last year.

In the second round of funding over \$1 million was allocated to a further 38 quality and safety projects across our national Members’ Choice hospital network. The number of applications was up 45% on last year. This second round of funding cemented Medibank Private’s commitment to these activities at over \$1.9 million.

Table 1 provides an overview of projects funded through this year’s Incentive Pool initiative. Each hospital received a grant of up to \$30,000.

Last year the emphasis was on funding interventions that reduce the risk of harm, with projects that focused on areas such as prevention of venous thrombo-embolism, pressure ulcers and falls risk assessment. This year saw an expansion to projects with a focus on optimising care through evidence-based practice, compliance with clinical guidelines and improved pain management.

Reflecting our leadership in this area, Medibank Private was a major sponsor of the 5th Australasian Conference on Safety and Quality in Health Care in Brisbane and also

hosted a *Celebrating Innovation in Quality and Safety Dinner* to celebrate the achievements of our hospital partners and communicate their project outcomes. The sponsorship also provided a forum to showcase the private hospital sector’s leadership in quality and safety.

**Healthy community partnerships**

**Medibank Private 1Seven Program**

This year Medibank Private together with its program partners, the Australian Football League (AFL), Cricket Australia and Netball Australia, introduced the 1Seven program to promote healthy behaviour in primary school children. The program encourages children to participate in at least one hour of moderate to vigorous physical activity and eat up to seven serves of fruit and vegetables (five serves of vegetables and two of fruit) every day. The program also includes visits to 1Seven registered schools by program ambassadors and athletes from the three sports involved in the program. A website provides content for students, teachers and parents, school visits by ambassadors and athletes, easy to use lesson plans, competitions and incentives for involvement. To date there has been a national launch, state curriculum launches and more than 100 AFL players have visited schools around the country.

**Seven Bridges Walk**

Medibank Private was a proud major supporter of the Seven Bridges Walk held on 29 October 2006. The community event attracted over 6,000 people who walked all or part of the 24 km route around Sydney Harbour and its seven key bridges. Participants donated over \$30,000 which was divided between four charities: Beyond Blue, The Cancer Council, Heart Foundation and Diabetes Australia. Medibank Private provided visors and sun protection cream to the walkers and was pleased to see so many people participating in healthy physical activity.

**2007 Medibank International Tennis Tournament**

For the third year running Medibank Private has sponsored the Medibank International Tennis Tournament which was held in Sydney in January 2007. The event attracts the world’s top tennis players and promotes fitness through individual and team physical participation. The Medibank International received over 36 hours of national television coverage and the event itself attracted its second highest attendance ever, with 91,888 spectators (up 39% on the preceding year).

### Improving information technology

#### Online member services

Our website, www.medibank.com.au, won the Number 1 website from Hitwise in the category of Health Insurance in 2006 with well over three million visits to the site. This total number of visits to our website this financial year increased by 78% on the previous year.

More members are accessing the website for a range of member services. Some of the web-based initiatives undertaken in 2006/07 are:

- Online Credit Card Payment Gateway – cuts customer handling time by providing an online secure payment system for credit card payments of premiums.
- EFT benefit redemptions – members can now nominate online to receive benefits via a bank account of their choice.
- Careers at Medibank – online customers can now search for jobs at Medibank Private and can register to receive job alerts via email.
- Online Claiming Phase 2 – the success of the original Phase 1 launch in 2005 allowed the addition of PackageBonus and FlexiBonus claiming into online services.

#### Business Systems Renewal

Medibank Private is well advanced with the Business Systems Renewal (BSR) program of works that will replace our 20-year-old core business IT infrastructure with a

new IT platform. As a result of comprehensive analysis and planning conducted in the second half of 2006 it was decided that a phased and progressive implementation would be undertaken instead of the previously identified single step implementation process.

The first phase is scheduled to see the hospital claims processing function 'go live' in late 2007. This is an important first step, bringing greater automation to claims processing as well as providing the underlying infrastructure for electronic trading with our key partners. It is intended that once pilot implementations of the automated hospital claims process have been completed with key trading partners, a broader rollout will occur.

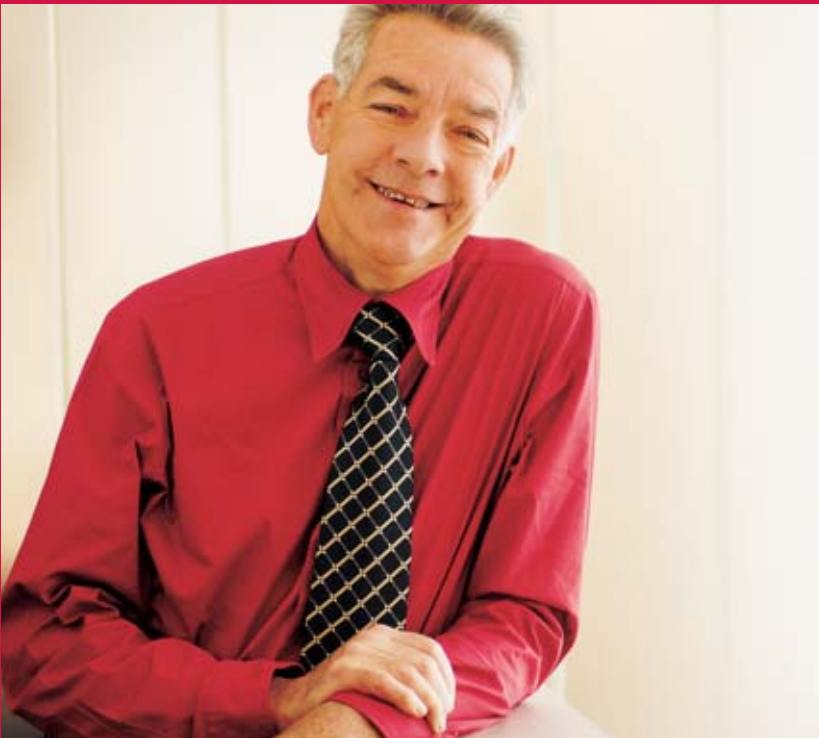
Further stages of our core systems renewal program are being planned, including delivery of new functionality for all member-based functions, product, as well as ancillary and medical claims. This planning is being integrated with the progressive renewal of our whole of business IT infrastructure and support environment.

Progressive replacement of our core system will start to positively impact on our day-to-day business in 2007/08. The long-term strategic benefits that will flow from this generational change in business systems will enable us to keep improving the way we interact within our organisation and with our members and our health partners.

Table 1: Medibank Private Safety and Clinical Improvement Incentive Pool

Grants were allocated to support quality and safety projects in these Members' Choice hospitals in 2007.

<p><b>Victoria</b></p> <p>Cabrini Hospital  Dorset Rehabilitation Centre  Elsternwick Private Hospital*  Geelong Private Hospital  Healthscope Community Programs  Dorset Rehabilitation Centre  John Fawkner Private Hospital  Victorian Rehabilitation Centre  Knox Private Hospital  Malvern Private Hospital  Mitcham Private Hospital  Peninsula Private Hospital  St John of God Healthcare  St John of God, Ballarat  St John of God, Bendigo  St John of God, Geelong  St John of God Nepean Rehabilitation Hospital*  St Vincents &amp; Mercy Private Hospital  The Valley Private Hospital</p>	<p><b>New South Wales</b></p> <p>Baringa Private Hospital  Canada Bay Private  Newcastle Private Hospital  St George Private Hospital  St Vincent's Private Hospital – Darlinghurst  Wesley Private Hospital</p> <p><b>Australian Capital Territory</b></p> <p>Calvary Private Hospital  The National Capital Private Hospital</p> <p><b>South Australia</b></p> <p>Flinders Private Hospital  Mount Gambier Private Hospital  St Andrew's Hospital  The Memorial Hospital</p>	<p><b>Western Australia</b></p> <p>Bethesda Hospital  Hollywood Private Hospital  Mercy Hospital Mount Lawley  Perth Clinic  St John of God, Bunbury  St John of God, Geraldton#  St John of God, Subiaco*</p> <p><b>Queensland</b></p> <p>Allamanda Private Hospital  Friendly Society Private Hospital  Greenslopes Private Hospital  John Flynn Private Hospital  Mater Misericordiae Hospital  Rockhampton</p> <p>*Two projects funded.  # Project underway in Victoria and Western Australia.</p>
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**Frank Blackham, Member since 2000**

Frank may have health conditions but he won't let that stop him enjoying life. He has a passion for singing and is a member of a barbershop quartet. Through his membership he participates in Medibank Private's *betterhealth* On Call program which helps him proactively manage his health and lifestyle.

## Frank's Story

The *betterhealth* On Call program is a telephone-based support service provided by health professionals to help members manage chronic heart and respiratory conditions. Frank has told us how much he appreciates receiving the regular monitoring calls checking on how he is managing his condition. It is not so much that he needs assistance now – it is about prevention. And he likes the way we care.





### Madeline Clarke, Staff since 2005

A relative newcomer to Medibank Private staff, Madeline has worked in a retail centre and is now working as a Member Liaison Representative, part of the Member Liaison Service pilot assisting members during hospital stays. Every day Madeline is out and about visiting our members in hospital to make sure they are fully aware of their health care benefits and assisting them with any queries. It is a service much valued by members who have hospital stays.

## Retail Sites

<b>New South Wales</b>	<b>Victoria</b>	<b>Queensland</b>	<b>Western Australia</b>	<b>Tasmania</b>
Albury Armidale Bankstown Blacktown Bondi Junction Broken Hill Brookvale Burwood Campbelltown Castle Hill Charlestown Chatswood Coffs Harbour Dubbo Erina Haymarket Hornsby Hurstville Lismore Liverpool Martin Place Miranda North Ryde North Sydney Orange Pagewood (Eastgardens) Parramatta Penrith Tamworth Tuggerah Wagga Wagga Wollongong	Airport West Ballarat Bendigo Box Hill Broadmeadows Camberwell Chadstone Cheltenham Dandenong Doncaster Elsternwick Epping Fountain Gate Frankston Galleria Melbourne Geelong Glen Waverley Greensborough Maribyrnong Prahran Preston QV Melbourne Ringwood Shepparton Traralgon Wantirna South Warrnambool Watergardens Werribee	Brisbane Broadbeach Browns Plains Bundaberg West Cairns Capalaba Carindale Chermside Elanora Gladstone Helensvale Indooroopilly Ipswich Kippa-Ring Loganholme Mackay Maroochydore Mitchelton Rockhampton Southport Toowoomba Townsville Upper Mt Gravatt	Booragoon Cannington Fremantle Innaloo Joondalup Karrinyup Mandurah Midland Morley Perth Whitford  <b>South Australia</b> Adelaide Elizabeth Marion Modbury Unley West Lakes	Glenorchy Hobart Launceston Rosny  <b>Australian Capital Territory</b> Belconnen Civic Woden  <b>Northern Territory</b> Casuarina



At Medibank Private, we aim to provide our members with friendly, efficient service to assist them with protecting or restoring their good health. We remain focused on improving the service we provide to enable our members to live healthy lifestyles.

## Our Members

### Working to deliver award winning member service

Medibank Private continued with initiatives aimed at improving the service and value of private health insurance to members during the year. Products supporting a range of age groups and health conditions are highly valued by members and inspire member loyalty. On average our customer care line received 6,000 calls and conducted 4,500 service transactions a day.

At the 2006 International Customer Services Professional (ICSP) Awards, Medibank Private was recognised as a provider of excellent service. The ICSP awards use an international scale of best practice as the benchmark. Medibank Private's Customer Services Division collected all the awards they were nominated for including the Toll IPEC Large Business/Division Award for most outstanding demonstration of service excellence. On top of this acknowledgement of our commitment to customer service, all 11 of our individually nominated staff won awards for their dedication and passion for service excellence.

### Member 'hospital experience' surveys

An important aspect of our service to our members is the role we play in listening to their views on their health care experience. Our member 'hospital experience' survey is designed to help us do just this; it enables us to continually assess and, where necessary, improve how we and our hospital partners are performing.

Results from our member 'hospital experience' pilot survey confirmed that the quality of the treatment and how it is communicated to members is critical to the health care experience being seen as a positive one. Factors influencing members' views are the clinical skills of the treating doctors and specialists, the compassion of the treatment team, their communication skills and the time spent by the surgeon or specialist discussing treatment with the patient.

Results from these surveys, which are ongoing, will assist us in ensuring our members' health care experience meets their expectations, and that they continue to receive the level of service they've come to expect from Medibank Private's preferred provider network.

### Adding value through innovation to our members' hospital experience

Last year, Medibank Private launched the Member Liaison Service pilot in four Members' Choice hospitals, designed to offer personal assistance to members during their hospital stay. Since the pilot began last year, Member Liaison Service staff have been in contact with nearly 4,000 members to ensure they are fully aware of their health care benefits and to assist them with any queries. Both our members and hospital partners have welcomed this initiative, and we look forward to continuing to ensure our members are better informed as part of securing improved outcomes.

### feelbetter magazine

Medibank Private's health and wellbeing magazine called *feelbetter*, gives members improved access to topical health and wellbeing, sport and nutrition information including *betterhealth* online Active health and Active Sport programs, *feelbetter* rewards and PackageBonus products and services. As well, it offers members discounts on products and services.

Medibank Private's *feelbetter* magazine is the largest health and wellbeing magazine in circulation in the country, with over 1.5 million copies published each year. Targeted towards singles, couples, single parents and families, the magazine is proving to be a comprehensive resource for members and will continue to be so as more and more health professionals contribute to the magazine.

### Committed to serving our members

Medibank Private has an extensive retail network which includes over 100 retail centres, plus an additional 80 in-store agents and kiosks. 46% of our sales are generated through our retail centres.

We see our retail network as a significant investment and asset in delivering customer service to our members, no matter which state they live in. Over the past year, we have invested around \$3 million on relocations, re-fitouts or refurbishments. This includes the opening of two new stores in Western Australia, refurbishment of 10 retail centres on the eastern seaboard, as well as introducing 17 mobile kiosks.

As well, a number of Medibank Private retail centres increased their opening hours, extending to Saturday morning trading, to ensure our members continue to receive the best possible service.

## Member Service Charter

Medibank Private remains committed to the Member Service Charter we adopted in January 2005, as we seek to deliver service excellence across all areas of our business. Our organisation strives to be the best and we have set ourselves challenging targets. Each year, our performance against these targets is reviewed by an independent authority in customer service excellence. In 2006/07 this review was again conducted by Pitcher Partners.

The review found that Medibank Private delivered on 22 of the 24 Charter promises – maintaining the excellent service levels of the previous year.

We again met our exacting standards in relation to accessibility, privacy, honesty and transparency, prompt resolution of complaints and problems and this year improved our ancillary claims processing times.

For the full report on the Medibank Private Member Service Charter audit, please visit our website [www.medibank.com.au](http://www.medibank.com.au).

### Performance against target June 2007

- Promise consistently fulfilled for 2006/07
- Promise fulfilled for 10 of the 12 months
- Promise fulfilled for 8 of the 12 months
- Promise fulfilled for under 4 of the 12 months

#### 1 Lifetime protection

Meeting changing customer needs?	<span style="color: #92d050;">■</span>
Ensuring quality health care?	<span style="color: #92d050;">■</span>

#### 2 Quality service

Answering calls within one minute?	<span style="color: #6b8e23;">■</span>
Service within five minutes at retail centres?	<span style="color: #6b8e23;">■</span>
Responding to emails within one working day?	<span style="color: #6c757d;">■</span>
Responding to letters within five working days?	<span style="color: #007bff;">■</span>

#### 3 Honesty and transparency

Changes to policy and premiums are transparent?	<span style="color: #92d050;">■</span>
Reference numbers provided to customers?	<span style="color: #92d050;">■</span>
Reasons provided for all decisions?	<span style="color: #92d050;">■</span>
Membership information in plain English?	<span style="color: #92d050;">■</span>

#### 4 Supporting our community

Acting responsibly in the community?	<span style="color: #92d050;">■</span>
Working with charity partners?	<span style="color: #92d050;">■</span>
Encouraging staff to be involved in the community?	<span style="color: #92d050;">■</span>

#### 5 Resolving concerns promptly

Problems resolved on the spot?	<span style="color: #92d050;">■</span>
Complaints handled within 10 working days?	<span style="color: #92d050;">■</span>
Referral to Ombudsman where required?	<span style="color: #92d050;">■</span>

#### 6 Respecting your privacy

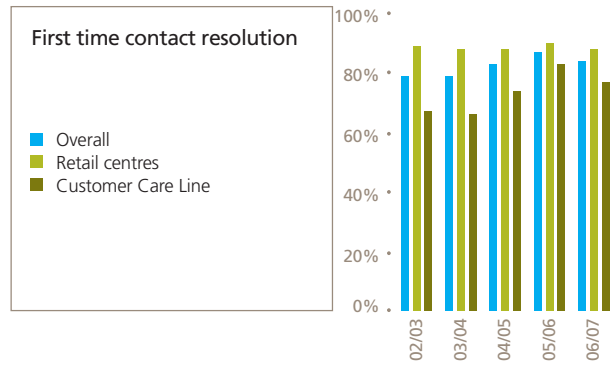
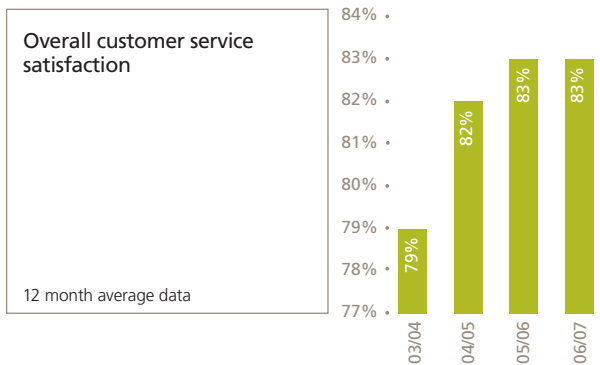
Information not passed to another organisation for marketing purposes?	<span style="color: #92d050;">■</span>
Member information kept up-to-date?	<span style="color: #92d050;">■</span>

#### 7 Accessibility

Largest retail network?	<span style="color: #92d050;">■</span>
Member information available online and through the Customer Care Line?	<span style="color: #92d050;">■</span>
Claims less than \$200 paid on the spot?	<span style="color: #92d050;">■</span>
Ancillary claims processed within 10 working days of receipt?	<span style="color: #92d050;">■</span>

#### 8 We really want to hear what you think of us

Quarterly customer surveys?	<span style="color: #92d050;">■</span>
Medibank Private contact information?	<span style="color: #92d050;">■</span>



To assist our staff to provide the fastest, most timely, most accurate advice to our members on the most up-to-date information about our products, Medibank Private has developed a state-of-the-art Knowledge Management system and team.

Knowledge Management provides supporting information, policies and tools in an easy to navigate format for our frontline teams in order to help them best serve our members. If the number of requests from conferences or international health funds about our Knowledge Management processes is any indication, we have created a highly regarded service that through supporting our staff, benefits our members.

#### Medibank Private Special Purpose Fund

Medibank Private has continued our commitment to the Medibank Private Special Purpose Fund (SPF), a \$5 million funding pool dedicated to paying benefits for 'leading-edge' clinical interventions. This arrangement provides a unique opportunity to assist members in accessing new and emerging clinical interventions, which are yet to gain general funding approval from the health insurance industry.

To date, over 120 members have benefited from the SPF. Current payments total \$1.7 million, with benefits to each member ranging from \$350 to \$300,000.

In many instances, members have received life saving treatment, which would otherwise be beyond their financial reach.

Some of the assistance provided included:

- A seven-year-old boy received \$300,000 for extensive reconstructive surgery to his pelvis and bladder. The rare and complex nature of his condition precluded him from undergoing this surgery in Australia.
- A 19-year-old woman received \$190,000 to attend the Mandometer Clinic for treatment of anorexia nervosa, a condition which had been refractory to treatment for seven years. The Mandometer program is standard of care in Sweden but has no funding in Australia. Our member underwent treatment in both Stockholm and Melbourne over a period of 18 months and credits the program with saving her life.
- A small cohort of members have received treatment with a revolutionary wound care product, Magellan. These members have had extensive leg ulcers which have persisted for at least six months. All of the wounds healed within four to eight weeks of the treatment and definitively avoided the need for extensive surgery, namely amputation or skin grafting.

Funding decisions for the SPF are made by an Independent Approvals Committee with both clinical and legal expertise. There are specific pre-qualification criteria which must be met before an application can be forwarded to the approvals committee for consideration. This includes a requirement that the member held a Medibank Private resident hospital cover prior to 13 May 2004.

At Medibank Private, motivated and engaged employees are critical to providing exceptional service to our 3.1 million members across Australia. After all, it is our employees who provide the quality service and look after members' health and wellbeing needs. We value their contribution and we are building a healthy workplace, providing an inspired work environment where development of employees is a priority, and achievement is recognised and rewarded.

## Our People

### Paving the road to the future

Medibank Private is focused on building a company where all employees share and work towards a common vision of being the leader in private health insurance in Australia.

### Attracting and retaining key talent

One of the great challenges in an increasingly tight labour market is finding new and innovative ways of attracting and retaining key talent.

Starting at the point of entry to the organisation, Medibank Private has streamlined the recruitment process to ensure that all candidates experience a consistent yet rigorous selection process.

To ensure that we provide the best career opportunities for our people we have also introduced an integrated work force planning and talent management strategy.

### Developing potential

As part of the ongoing development of employees Medibank Private invests in a number of development initiatives for employees. These include:

- My Development Online, an e-learning system launched in 2007, which provides employees with access to a broad range of learning programs and support material;
- the Leadership Enhancement Program, which is aimed at improving the leadership capabilities of Medibank Private's senior leaders;
- the Professional Enhancement Program, which provides enhanced career development opportunities for Medibank Private staff with the potential and desire to move into roles of greater responsibility;
- Headstart, a training program on products and associated processes, which is available to employees joining either our Retail Sales & Service Network or Customer Care Line; and
- building on the success of the Service Edge program, aimed at building customer service expertise, a sales capability development program was launched for our Retail Sales & Service Network. The program is designed to enhance employee sales skills with our customers.

We are committed to deliver a number of professional development activities to our management team in the areas of leadership, coaching and appropriate workplace behaviour. As part of our internal governance restructure we have introduced the 'leadership forum' that will extend our leadership development programs to include our middle management group.

### Encouraging health and wellbeing for our employees

The health and wellbeing of our employees is important to us. While our primary goal is to look after the health needs of our members, we believe that good health starts in our own backyard – with employees at Medibank Private.

The My Wellbeing program for employees promotes a healthier approach to life and support for illness or injury. My Wellbeing initiatives include:

- Heartbeat website – where employees have access to an online health management tool to complete self assessments, set goals, and receive regular email advice on important health and wellbeing topics;
- employee counselling service – to assist employees and their immediate family members with the management of health and wellbeing issues;
- subsidised health cover;
- salary continuance insurance (for long term injury/illness);
- Good Health Day – an extra day of leave to enhance personal wellbeing;
- subsidised flu vaccinations; and
- walking and quit smoking programs.



From left: Craig Bosworth, Dean Tillotson, Jon Marcard, Lucy Crunden, Andrew Gale, David Paterson



From left: Graeme Sala, Julie Andrews, Sean Hogan, Justin Begg, Melissa Le Mesurier, Stuart Robertson

## Our leaders make the difference

### Craig Bosworth

#### Public and Industry Affairs

'As someone with a clinical background, working with Medibank Private gives me another opportunity to help contribute to making our world class health system even better.'

### Andrew Gale

#### Chief Actuary

'The actuarial team's information, analysis and advice on products and capital contributes to Medibank Private's financial health.'

### Sean Hogan

#### People and Culture

'There is an intrinsic commitment in Medibank Private to promote good health and wellbeing to not only our members, but our people. I value an organisation with that drive.'

### Dean Tillotson

#### Direct Sales and Service

'Private health insurance is a highly personalised product. Our business is about providing members with friendly and efficient services to make sure they choose the right one.'

### David Paterson

#### Marketing

'It's refreshing to work in a commercial organisation whose primary focus really is on the customer, and how we can make them better off.'

### Justin Begg

#### Corporate Development

'It is great to be in a role that helps to develop wider corporate strategies aimed at improving the health and happiness of our members.'

### Jon Marcard

#### Financial Controller

'A financially sound Medibank Private ensures we have the capacity to make members' lives better off.'

### Graeme Sala

#### Treasury

'I know the decisions I make on where to invest our fund reserves will help our members when they most need us.'

### Melissa Le Mesurier

#### Internal Communications

'Medibank Private genuinely cares not only about the health of its members, but also about the wellbeing of its employees and the wider community in which we operate.'

### Lucy Crunden

#### National Operations

'By providing the tools, resources and information our people need we are able to provide the best possible service and advice to our members.'

### Julie Andrews

#### Health Services

'Through supporting our partner hospitals and health care providers to deliver optimal care we're working to ensure the best health outcomes for our members.'

### Stuart Robertson

#### Managed Services Delivery

'Reliable and flexible information systems underpin our business and the services we provide to members. One of my goals is to continually improve the way IT supports the business and to do this in the most cost effective manner possible.'

A company's sustainability is based on ensuring that both its systems and values underpin long-term growth and that is achieved with the support of both internal and external stakeholders. Medibank Private is now building on its long standing commitment to sustainability and is taking steps towards developing an overarching Corporate Social Responsibility (CSR) strategy that will lead to more formal reporting and benchmarking in coming years in areas such as workplace, governance and community investment.

## Our Sustainability Report

Medibank Private recognises that a sustainable business delivers value to the community. Key to our sustainability is a commitment to achieving positive health outcomes for our members and the community at large through advocating for major public health and quality and safety issues.

### Advocacy in action

As Australia's leading private health insurer, Medibank Private takes a pro-active stance in advocating for a better health care system.

In addition to the substantial grants made to private hospitals to improve patient care (see p.19 for details), Medibank Private encourages and supports best practice at an industry level through its support of peak bodies such as the Australian Health Insurance Association and International Federation of Health Plans.

Medibank Private is also a key advocate in directly influencing the Australian Government and industry bodies to achieve satisfactory outcomes in the areas of health funding and system reform.

### Workplace health research

As part of its advocacy role, Medibank Private continued to fund research into a range of public health issues. The release in May 2006 of a major research report into presenteeism, called *Sick at Work: The cost of presenteeism to your business, employees and the economy*, was the first of its type in Australia and attracted widespread media coverage. The research, commissioned by Medibank Private, has identified the costs and impacts of presenteeism on the Australian workforce and economy.

Presenteeism is the loss of productivity that occurs when employees come to work, but aren't fully functioning because of an illness or injury. When compared to absenteeism, it is considerably less visible in the workplace and harder to quantify.

This study and previous international research demonstrates that presenteeism significantly impacts workplace productivity, which in turn affects the economic viability of individual business and the Australian economy as a whole. The study found that employees coming to work, but not fully functioning because they have an illness or injury, cost the Australian economy \$25.7 billion per year, nearly four times the cost of absenteeism.

It is clear that this health related issue represents a problem for business and the economy. This is why Medibank Private has been working to increase awareness of the benefits of workplaces that foster a healthy environment for employees.

### Physical inactivity research

Over the past four years, Medibank Private has established a strong advocacy platform in the sporting injuries and sports safety area. Medibank Private published an index known as the Sports Injuries Report in 2003 and 2004 and the Safe Sports Report in 2006. The aim is to promote community awareness of the need to exercise regularly and safely.

This year, for the first time, Medibank Private research has put a dollar figure on the cost of physically inactive people to the Australian health care system. Released in August 2007, the report shows the health and monetary cost of physical inactivity. The estimated nine million Australian adults not doing enough physical exercise on a daily basis is costing the Australian health care system an avoidable \$1.5 billion a year. This equates to nearly \$200 a year for each physically inactive adult. The research revealed that 17% of the total health cost of seven conditions (coronary heart disease, stroke, Type II diabetes, breast cancer, colon cancer, depression symptoms and falls) can be attributed to physical inactivity. Medibank Private has used this first-time research to highlight the cost to the individual and the community at large, and to encourage Australians to undertake 30 minutes of physical activity, most days of the week.

## Our people

A diverse and engaged workforce is critical to maintaining Medibank Private's edge in the private health care industry and to providing quality service to our members for their health care needs. We have continued with initiatives to support employees in developing their potential and have encouraged employees to contribute to the communities in which they work and live.

### Building and sustaining a diverse workforce

We pride ourselves in providing a safe and healthy workplace that offers equal opportunities for all. In this time of record employment we have introduced several initiatives to support employees in their roles and believe these will assist us in attracting and retaining talented employees. Recent initiatives include:

- the launch of a personal and professional development suite of online training courses which employees can access from home;
- the establishment of the Women in Medibank network, which meets regularly to promote career development and discuss work/life balance issues; and
- the development of a range of activities to promote good health amongst employees, in addition to the provision of free income protection insurance and subsidised personal health insurance.

### Connecting with the community

Medibank Community is a program that strives to connect employees with the wider community through supporting charitable causes by volunteering and gift matching. Through this program we aim to focus on the health of our community, environment and workplace.

### A day that makes a difference

Each employee is entitled to one day of paid community leave per calendar year. In 2006/07, employees volunteered their time, skills and knowledge to a range of not-for-profit organisations including St John Ambulance Australia, Australian Red Cross Blood Bank as well as planting thousands of trees to restore degraded land in South Australia in association with the Goolwa to Wellington Local Action Planning Board.

### Gift matching program

Our gift matching program encourages employees to contribute to not-for-profit organisations. Medibank Private matches donations dollar-for-dollar (capped at \$500 per employee per year). Some of the organisations we contributed to included:

- South Australian Guide Dogs;
- Yooralla;
- Cancer Council of Victoria;
- The Leukaemia Foundation of Australia;
- The Mental Health Research Institute; and
- Fusion Australia.

### Our community

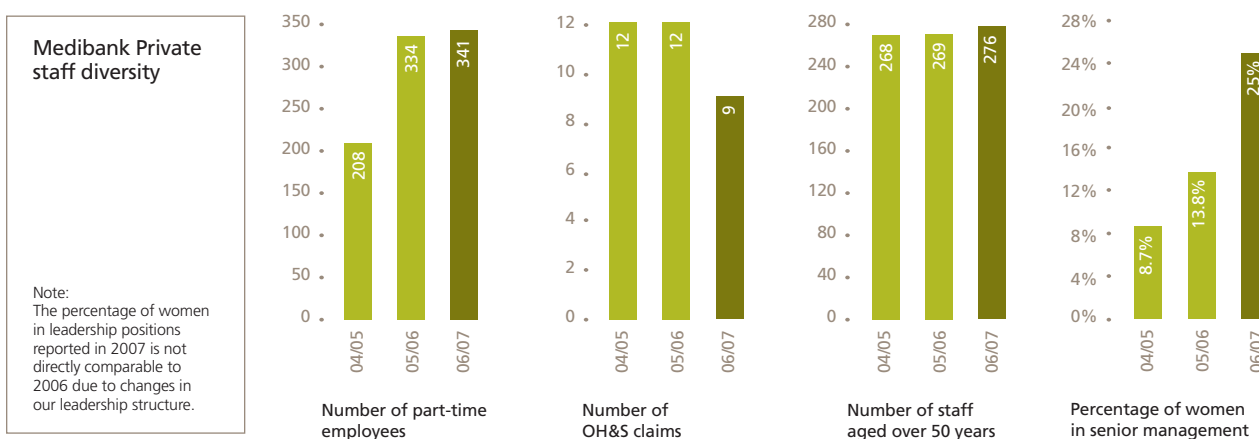
#### Community partnerships and philanthropy

Medibank Private has developed a range of initiatives to promote better health amongst its members, and has also sought to spread the good health message throughout the wider community.

One of the most rewarding partnerships is with the Juvenile Diabetes Research Foundation (JDRF). Each May, Medibank Private's retail outlets sell jelly babies as part of JDRF's annual Jelly Baby Appeal and each October employees turn out in force to support the organisation's Walk to Cure events. In 2006/07, these efforts resulted in Medibank Private contributing more than \$10,000 for research into juvenile diabetes.

On a local level, Medibank Private sponsors Tasmania's Active Towns Awards, part of a Tasmanian Government initiative to encourage and reward community members who pursue an active lifestyle.

In addition to these partnerships, Medibank Private supports a wide range of causes through charitable donations. Odyssey House, Mission Australia and the Peter MacCallum Institute were just some of the beneficiaries during the past year.



At Medibank Private we have the people, the strategies, the operational and financial capabilities and the commitment to deliver ongoing value to our stakeholders.

## Our Future

### Our purpose journey

At Medibank Private, we strive to achieve much more than financial success and market leadership. Our purpose is to ensure our members are clearly better off having chosen to be with Medibank Private. Better off from a health and wellbeing perspective, and better off financially through receiving superior value for the cost of their cover. Ultimately, we believe this approach will help differentiate us from other health insurers, ensure Australia's world class health system continues to deliver quality health outcomes and underpin the organisation's long-term success.

While the possibility of privatisation may alter the corporate status of Medibank Private, we remain committed to making our members better off, whether we continue as a Government Business Enterprise or become listed on the Australian Stock Exchange. The future is in our hands and we are extremely positive in our outlook.

### Improving products and programs

The broader health cover reforms introduced by the Australian Government in April 2007 have provided us with an opportunity to extend and improve our range of health management programs for the benefit of our members.

Together with our health partners, we've designed a suite of programs to support our members better manage their health – whatever their lifestyle or their life stage. The aim is to promote healthier behaviours and deliver better health outcomes; whether it is through prevention or early appropriate intervention to assisting those with chronic health conditions such as heart disease or diabetes. We want to ensure that members are offered products that best cater to their needs.

At the same time Medibank Private will continue to seek health service delivery improvements for members through the development and implementation of our quality and safety framework with private hospitals.

Since its introduction in 2005 Medibank Private's travel insurance business has grown steadily. Now other insurance products, such as a new form of life insurance, will be offered during the 2007/08 financial year.

### Continuing growth

In the last two financial years Medibank Private has experienced a level of growth not seen since the introduction of Lifetime Health Cover (LHC) in 2000. We have experienced strong growth in membership and market share; evidence of our increasing capacity to both attract and retain members.

This growth supports the effectiveness of our marketing approach. Based on market segmentation (young singles market or retired couples market for example), we are able to identify and meet the needs of a diverse private health insurance market. This enables us to better understand our existing and potential members and assist those members in making the most appropriate product choices for their life stage and lifestyle.

### Engaging with our workforce

Our employees are the people who communicate with and support our members and we want to assist them to perform at their best. The way we attract, retain and develop our employees is critical to future success.

The Board and management are committed to ensuring we continue to work to build Medibank Private's human resource capability; to have the right people and the right service culture to deliver quality member experiences, within a positive work environment.

Our senior management team has developed a new leadership structure complemented by a leadership style empowered to define, align and inspire our people to achieve our purpose and create an energised team-based corporate culture.

### Better technology

Medibank Private is in the process of replacing its 20-year core business IT infrastructure with new business systems which will increase responsiveness to our members' needs, aid new product and service developments and allow greater processing efficiency (see page 20 for more details).

### Improving customer service

Medibank Private continues to have the largest private health insurance retail network in Australia. A network that continues to form one of the most important services Medibank Private provides. We will continue to invest in this to further improve the value and customer experience that this channel delivers to our members.



# 2006/07 Financial Report.

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# Corporate Governance Statement

Medibank Private (the Company) is a wholly-owned Commonwealth Company as defined in the *Commonwealth Authorities and Companies Act 1997* (Cth), a Government Business Enterprise (GBE), and a company subject to the *Corporations Act 2001* (Cth).

## Governance at Medibank Private

Medibank Private is committed to implementing the highest standards of corporate governance. The governance practices derive principally from the provisions of the *Commonwealth Authorities and Companies (CAC) Act 1997* (Cth) and requirements of the *Governance Arrangements for Commonwealth Government Business Enterprises (1997)*.

The Company is also committed to reporting in accordance with the ASX Corporate Governance Council's *Principles of Good Corporate Governance and Best Practice Recommendations* (ASX Guidelines) in so far as they are applicable to an unlisted GBE such as Medibank Private.

During the year, the Company continued to comply with the ASX Guidelines except for Principle 5 'make timely and balanced ASX Listing Rules disclosures', which is not applicable to an unlisted GBE such as Medibank Private.

A dedicated Corporate Governance section on the Medibank Private website ([www.medibank.com.au](http://www.medibank.com.au)) provides a detailed description of the Company's governance framework and associated practices, with links to key documents. This section of the website includes a Corporate Governance checklist and specific disclosures for recommendations:

- 1.1 – Summary of matters reserved for the Board.
- 2.5 and 9.5 – Nomination, Remuneration & Human Resources Committee Charter.
- 3.3 and 10.1 – Medibank Private's Code of Conduct.
- 4.5 – Audit & Risk Management Committee Charter.

## Our Shareholder

### Ownership and Shareholder Minister

The Commonwealth of Australia holds all shares in Medibank Private Limited. The responsible Shareholder Minister is the Minister for Finance and Administration, Senator the Hon. Nick Minchin.

### Shareholder Communication

The Shareholder Minister is briefed on a regular basis on the performance of Medibank Private and any significant financial, operational or strategic issues as they arise.

Under the Commonwealth GBE governance arrangements, a rolling three year Corporate Plan is submitted annually to the Shareholder Minister. A high level summary of the Corporate Plan (the Statement of Corporate Intent) is tabled annually in Parliament. Quarterly reports on progress against the Corporate Plan are made to the Shareholder Minister.

Medibank Private's Annual Report is submitted to the Commonwealth Parliament in accordance with Section 9 of the *Commonwealth Authorities and Companies (CAC) Act 1997* (Cth).

## Annual General Meeting

In September 2006, the Company received authority from the sole shareholder, in accordance with the *Corporations Act 2001* (Cth), to waive the requirement to hold an Annual General Meeting for 2006. Accordingly, an Annual General Meeting was not held in 2006.

## Board of Directors

### Role and Responsibilities

The Board of Directors is responsible for the overall corporate governance of Medibank Private, the Company's performance, and is accountable to the Shareholder Minister.

In carrying out its governance role, a key task of the Board is to drive the performance of the Company. The Board must also ensure that the Company complies with all of its contractual, statutory and other legal obligations, including the requirements of all applicable regulatory bodies. The Board has the overall responsibility for the successful operations of the Company.

The powers and duties of the Board are specified in the Constitution of Medibank Private, the *Corporations Act 2001* (Cth), and other relevant legislation and law.

Key accountabilities and matters reserved to the Board include:

- setting and reviewing objectives, goals and strategic direction, and assessing performance against these benchmarks;
- ensuring the Company is financially sound, meets prudential requirements and has appropriate financial reporting practices;
- ensuring a process is in place for the maintenance of the integrity of internal controls, risk management, delegations of authority and financial and management information systems;
- appointing, supporting, evaluating and rewarding the Managing Director;
- monitoring the executive succession plan and ensuring a process of evaluating and rewarding key executives;
- ensuring high business standards, ethical conduct and fostering a culture of compliance and accountability; and
- reporting to the Shareholder Minister on the Board's stewardship of the Company and monitoring the achievement of the Corporate Plan.

The Chairman leads the Board. He has responsibility for ensuring the Board receives accurate, timely and clear information to enable the Directors to analyse and constructively critique the performance of management and the Company as a whole. The Chairman is responsible for representing the Board to the Shareholder.

The Company Secretary is appointed by the Board and reports directly to the Chairman. The Company Secretary is responsible for developing and maintaining information systems that are appropriate for the Board to fulfil its role. The Company Secretary is also responsible for ensuring compliance with Board procedures and provides advice to the Board, via the Chairman, on governance matters.

### Board Composition

The Board of Medibank Private comprises seven Non-Executive Directors including a Non-Executive Chairman, and an Executive Managing Director. All current Non-Executive Directors are independent in accordance with the ASX Guidelines criteria for independence.

Details of the Directors and Company Secretaries, including names and qualifications are included in the Directors' Report, together with Directors' remuneration.

Directors are appointed by the responsible Shareholder Minister in accordance with the Company's Constitution. Current practice is for terms of appointment to be of three years duration and reappointment is permissible.

There were several changes of Directors during the year. Ms Julia Bowen's term expired on 2 November 2006 and was reappointed for a further three year term to 2 November 2009. Mr Peter Kirby's term as Chairman expired on 7 February 2007 and did not seek reappointment. Professor J Stoelwinder was appointed interim Chairman from 8 February 2007 to 18 March 2007. Mr Paul McClintock was appointed Chairman on 19 March 2007 for a three year term to 18 March 2010.

### Director Induction and Education

Medibank Private has an induction program for new Directors, which is reviewed periodically by the Board Nomination, Remuneration & Human Resources Committee.

Directors are provided with detailed briefings by management on corporate strategy and current issues affecting Medibank Private and the private health insurance industry generally. All Directors are provided opportunities to visit retail centres and to meet with employees.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development through the Australian Institute of Company Directors. Specifically, Directors are provided with the resources and training to address skills gaps where they are identified.

### Conflicts of Interest

Directors must keep the Board advised on an ongoing basis of any interest that could potentially conflict with those of the Company. Each Director is obliged to notify the other Directors of any material personal interest that he or she may have in a matter that relates to the affairs of the Company (subject to certain exceptions specified in the *Corporations Act 2001* (Cth)).

Directors who may have, or may be perceived to have, a material personal interest in a matter before the Board, do not participate in discussions and abstain from voting on that matter.

### Independent Professional Advice and Access to Company Information

The Board and its Committees may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairman, individual Directors may seek independent professional advice at the expense of the Company on any matter connected with the discharge of their responsibilities.

Each Director has the right of access to all relevant Company information and to the Company's management with the consent of the Chairman or Managing Director.

### Director Remuneration

The Commonwealth Remuneration Tribunal sets remuneration and travel allowances for Non-Executive Directors, including the Chairman. The Managing Director's remuneration is set in consultation with the Remuneration Tribunal under its advisory jurisdiction. No retirement benefits, other than statutory superannuation, are payable to Non-Executive Directors upon expiry of office.

Details of Directors' remuneration are included in the Directors' Report and Note 20 to the Financial Statements.

### Director Dealings in Company Shares

As the Commonwealth of Australia holds all shares in Medibank Private, no trading in the shares is allowed.

### Board Meetings

The Board scheduled ten Board meetings during the year, with additional meetings for strategic planning. The Board met 11 times during the year.

The agendas for Board meetings are prepared in conjunction with the Chairman, the Managing Director and the Company Secretary. Board reports are circulated in advance of Board meetings. Management executives are regularly involved in Board discussions.

### Board Performance

The Board has adopted contemporary performance measures in assessing the effectiveness of the Board.

A review of Board performance is conducted annually by way of alternate formal and informal assessment. The aim is to undertake an objective assessment of the performance of the Board as a whole. A formal independently facilitated review was conducted during the year ended 30 June 2006.

During the year ended 30 June 2007, an informal review was conducted. This comprised confidential interviews with the Chairman and each Director. Feedback from this review was provided to the full Board.

During the year, an independent Non-Executive Director, selected on a rotation basis, provided performance feedback to the Board and suggestions for improvement.

### Board Committees

To assist in the performance of its responsibilities, the Board has established a number of Board Committees, being:

- Audit & Risk Management Committee;
- Business Enablement Committee;
- Investment Committee;
- Nomination, Remuneration & Human Resources Committee; and
- Product, Benefits & Innovation Committee.

Each Committee operates under a charter approved by the Board, which is reviewed periodically. Copies of the charters can be found in the Corporate Governance section of the Company's website.

Board Committees monitor and facilitate detailed discussion on particular issues and other matters as delegated by the Board. They have no delegated authority, but make recommendations and report to the Board of Directors on appropriate and relevant issues.

Details of Committee membership and attendance are included in the Directors' Report.

### **Audit & Risk Management Committee**

All Non-Executive Directors are currently members of the Audit & Risk Management Committee. The Managing Director attends Audit & Risk Management Committee meetings by invitation. The Chairman of this Committee, Mr P Wade, is an independent Non-Executive Director who is not the Chairman of the Board.

The role of the Audit & Risk Management Committee is to assist the Board in relation to the reporting of financial information, risk management and compliance.

Key responsibilities include:

- reviewing the annual financial report;
- approving and monitoring the annual Risk Assessment Plan;
- monitoring the activities of the internal audit and compliance functions;
- reviewing the performance of the External Auditor;
- monitoring the effectiveness of the internal control framework;
- monitoring the effectiveness of the Company's fraud control policies and procedures; and
- monitoring the procedures in place to ensure compliance with the legislation, regulations and codes.

The Committee Charter recommends that the Committee meet approximately four times per year. The Committee met four times during the year.

The External Auditor met with the Audit & Risk Management Committee four times during the year and, on two occasions, without management being present.

### **Business Enablement Committee**

Four Non-Executive Directors and the Managing Director are currently members of the Business Enablement Committee. The Chairman of the Committee, Ms J Bowen, is an independent Non-Executive Director.

The primary role of the Committee is to:

- provide advice to the Board on business improvement initiatives and related business cases;
- enable Board overview of IT strategy, project management and implementation; and
- monitor the management of business systems' project risk, and post implementation reviews.

The Committee Charter recommends that the Committee meet approximately four times during the year. The Committee met five times during the year.

### **Investment Committee**

The Investment Committee comprises four Non-Executive Directors and the Managing Director. The Chairman of the Committee, Mr A Brien AM, is an independent Non-Executive Director.

The primary role of the Committee is to set the investment strategy and to monitor the effectiveness of that strategy to achieve optimum return relative to risk whilst meeting the Company's prudential capital requirements.

The Committee Charter recommends that the Committee meet approximately three times a year. The Committee met three times during the year.

### **Nomination, Remuneration & Human Resources Committee**

The Nomination, Remuneration & Human Resources Committee comprises four Non-Executive Directors. The Managing Director attends Committee meetings by invitation. The Chairman of the Committee, Mr P Kirby (to February 2007) and Professor J Stoelwinder (from February 2007), are independent Non-Executive Directors.

The primary role of the Committee is to review and make recommendations on Board composition and nomination, Board and senior executive remuneration, Board and senior executive succession planning, and insurance requirements as they relate to Directors and Officers of the Company.

The Committee sets the policy and guidelines for the performance evaluation of the Managing Director and his direct reports, and reviews these guidelines regularly to ensure alignment with industry best practice.

The Committee Charter recommends that the Committee meet approximately twice a year. The Committee met six times during the year.

### **Product, Benefits & Innovation Committee**

The Product, Benefits & Innovation Committee comprises five Non-Executive Directors and the Managing Director. The Chairman of the Committee, Professor J Stoelwinder (to March 2007) and Mr B Keane (from April 2007), are independent Non-Executive Directors.

The primary role of the Committee is to review on behalf of the Board the strategic direction of product design, purchasing strategies and other initiatives in health services delivery aimed at improving value to members.

The Committee Charter recommends that the Committee meet approximately four times a year. The Committee met four times during the year.

## **Accountability And Audit**

### **External Audit**

In accordance with the *Commonwealth Authorities and Companies (CAC) Act 1997* (Cth), the Commonwealth Auditor-General audits the records and Financial Statements of the Company. The Australian National Audit Office (ANAO) has appointed Ernst & Young to conduct the audit on behalf of the Auditor-General.

The Company applied audit independence principles in relation to the external auditors. In addition, the external audit partner is rotated in accordance with the provisions of CLERP 9.

The Audit & Risk Management Committee meets with the External Auditors during the year to:

- discuss the external audit and internal audit plans, identifying any significant changes in structure, operations, internal controls or accounting policies likely to impact the Financial Statements;
- review the results and findings of the auditor, the adequacy of accounting and financial controls, and monitor the implementation of any recommendations made; and
- finalise annual reporting, review the preliminary financial report prior to sign-off and any significant adjustments required as a result of the auditor's findings.

### Internal Control Framework

The Board is responsible for the overall internal control framework and for reviewing its effectiveness, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The systems are intended to provide appropriate assurance on:

- accuracy and completeness of financial reporting;
- safeguarding of assets;
- maintenance of proper accounting records;
- compliance with applicable legislation, regulation and best practice; and
- identification and mitigation of business risks.

The key features of the control environment include the Charters for the Board and each of its Committees, a clear organisational structure with documented delegation of authority from the Board to executive management and defined procedures for the approval of major transactions and capital expenditure.

### Certification by Managing Director and Chief Financial Officer

In accordance with Board policy, the Managing Director, Chief Financial Officer and other senior executives provide a self-assessment sign-off regarding the controls and activities of the Company, including assurance as to the Company's financial condition.

This process supports the Managing Director and Chief Financial Officer's written certification to the Board under ASX Guideline Recommendation 7.2 that the certifications they give to the Board under ASX Guideline Recommendation 4.1 (as to the integrity of the Company's Financial Statements) are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board, and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Based on the evaluation performed as at 30 June 2007, the Managing Director and Chief Financial Officer concluded that as of the evaluation date, such risk management and internal compliance and control systems were reasonably designed to ensure that the Financial Statements and notes of the Company are in accordance with the *Corporations Act 2001* (Cth) and there are reasonable grounds to believe the Company will be able to pay its debts as and when they become due and payable.

While the core financial information systems of the Company are considered to be controlled effectively, there remains scope for a range of improvements. The Company has embarked upon a series of system renewal projects that will result in greater internal control over its financial reporting process.

### Internal Audit & Risk Management

The Audit & Risk Management unit conducts internal audits in accordance with a risk-based Internal Audit Plan. This Plan is reviewed and approved annually by the Audit & Risk Management Committee and the Board. All significant audit reports and a summary of other audit reports are reviewed by the Audit & Risk Management Committee and approved by the Board. During the year, the internal audit function was contracted to KPMG.

The Internal Audit & Compliance Manager reports directly to the Chair of the Audit & Risk Management Committee.

The risk management methodology in place is based on Australian and New Zealand Risk Management Standards. A key component of the strategic risk management planning and operational reviews is the identification and evaluation of potential business risks.

### Business Risk Management

The Board has in place a system of business risk management that forms part of the business planning and monitoring process across all key business units. Each business unit is responsible for assessing and updating its risk profiles, including related mitigation programs.

The Audit & Risk Management Committee reports on the status of business risks. Each year, a full risk assessment and mitigation plan is prepared and endorsed by the Board. The risk assessment process includes input from the Board, executive and management across the business.

The Board regularly receives updates on the status of key business risks.

### Compliance

The Compliance unit, reported to the General Counsel, up to 4 March 2007 and since 5 March 2007 report to the Chief Financial Officer, and are responsible for designing, implementing and maintaining a comprehensive compliance reporting process to mitigate regulatory risk. This includes the development of an Operational Compliance Plan, which is reviewed and approved by the Board on an annual basis.

As part of its commitment to Trade Practices compliance, the Company has in place an active Trade Practices compliance training program, which is completed annually by all staff.

The Compliance unit is dedicated to a Privacy compliance program. At present there are five staff available, all of whom are able and available to answer all privacy related queries. Dedicated policies, procedures and annual training are in place to increase staff awareness, safeguard members' personal information and foster a privacy culture.

### Ethical Standards

The Company has documented key governance policies and procedures. These include the Company's Purpose, Vision and Behaviours, as well as policy statements on conduct and ethical behaviour, the role of the Board and key executives, and compliance with statutory and stakeholder reporting obligations. These policies are reviewed on a regular basis.

The Board approved Code of Conduct sets out clearly the ethical standards that are expected of all Directors, managers and employees in their dealings with members, suppliers and each other. Any action or omission that contravenes the Code of Conduct constitutes misconduct and is subject to counselling or disciplinary action appropriate to the circumstances.

All Directors, managers and employees must avoid conflicts as well as the appearance of conflicts between personal interests and the interests of the Company.

The reporting of fraud and other inappropriate activity is encouraged by the Board and management via a formal, confidential reporting system and other internal processes. These processes ensure that people making a report are protected from any discrimination or intimidation.

# Directors' Report

The Board of Directors of Medibank Private Limited ('Medibank Private') has pleasure in submitting its report.

## Board of Directors

The names and details of the Directors in office during the financial year and until the date of this report are as follows.

### Current Directors:

**Paul McClintock** BA LLB (Sydney), FAICD  
*(Non-Executive Chairman)*

Appointed Chairman from 19 March 2007. Current term expires 18 March 2010.

Mr McClintock is principal of the private investment banking firm McClintock Associates since its establishment in 1985, apart from July 2000 to March 2003 when he was Secretary to Cabinet and Head of the Cabinet Policy Unit in the Australian Government.

He is currently Chairman, Symbion Health Limited, Thales Australia, the COAG Reform Council and St. Vincent's Centre for Applied & Clinical Research; and Director, Macquarie Infrastructure Group and Perpetual Limited.

His former positions include Chairman of the Expert Panel of the Low Emissions Technology Demonstration Fund, Affinity Health, Ashton Mining, Plutonic Resources and the Woolcock Institute of Medical Research; Director of the Australian Strategic Policy Institute, a Commissioner of the Health Insurance Commission and a member of the Australia-Malaysia Institute Executive Committee.

He is an honorary fellow of the University of Sydney Faculty of Medicine, and a Life Governor of the Woolcock Institute of Medical Research.

**Julia Bowen** MAICD *(Non-Executive Director)*

Appointed Director from 3 November 2003. Current term expires 2 November 2009. Chairman of the Business Enablement Committee.

Ms Bowen has executive and consulting experience in information technology and is currently an independent consultant.

Ms Bowen was formerly Director, Consulting Services, Asia Pacific, Cerner Corporation; and Director, Systems and Programmes, Cable & Wireless Optus. Foundation member of the Ernst & Young Worldwide Masters Program; Manager of business consulting group, Aspect Computing; and Support Program Manager for the Royal Navy Nuclear Submarine Weapons Systems.

**Adrian H Brien AM** *(Non-Executive Director)*

Appointed Director from 26 June 2002. Current term expires 28 June 2008. Chairman of the Investment Committee.

Mr Brien has extensive corporate experience acquired over many years in private enterprise. He is currently Chairman, Equitrade Ltd; Member, Industry Research & Development Board; Member, Pooled Development Fund Registration Board (Venture Capital); Member, Funds Management Committee; Trustee, Les Favell Cricket Foundation; and Life Governor, Flinders Medical Centre Research Foundation.

Mr Brien was awarded a member of the Order of Australia – General Division in 2001 for services to the automotive industry and the community; received the Australian Centenary Medal in 2003; and the Australian Sports Medal for services to sport in 2000.

Mr Brien was formerly CEO of Adrian Brien Automotive Group; Member, President's Advisory Board, Mitsubishi Motors Australia; National Chair, Australian Ford National Dealer Council; Member, Board of Governors, Flinders University South Australia; Member, Board of Management, Flinders Medical Centre South Australia; Member, Vehicle Licensing Board of South Australia; Chairman, Australian Ford Credit Dealer Council; and Governor, Fordstar Board of Governors.

**Roger D Harley** BSc(Melb), FAICD *(Non-Executive Director)*

Appointed Director from 30 August 2004. Current term expires 29 August 2007.

Mr Harley has extensive investment banking experience with a track record as an adviser to a number of private as well as ASX listed companies. He is currently a Director of Fawkner Capital Management Pty Ltd; Member of Pooled Development Fund Registration Board (Venture Capital); Member, Industry Research & Development Board; Member, Funds Management Committee of the Industry Research & Development Board and Director of related investment holding companies. He is also Chairman, Yarra Bend Park Trust and Trustee, Alfred Deakin Lecture Trust.

Mr Harley was formerly Director Equity Capital Markets, Deutsche Bank Australia; and Director, Corporate Finance, Deutsche Bank Australia.

**Brian F Keane** FAICD, FAMI *(Non-Executive Director)*

Appointed Director from 30 August 2004. Current term expires 29 August 2007. Chairman of the Product, Benefits & Innovation Committee.

Mr Keane has executive experience in corporate leadership and marketing in the insurance industry and is currently a Director of CSIRO, Lawcover Pty Ltd, Lawcover Plus Pty Ltd, Aurora Energy Pty Ltd and The Hollard Insurance Company Pty Ltd. Mr Keane is a Member of the Australian Competition Tribunal.

Mr Keane was formerly CEO, AAMI Ltd; Director, Royal & Sun Alliance Australia Ltd, AAI Ltd (Australian Pensioners Insurance), IEC Ltd, Motor Accidents Authority of NSW, TAB Ltd and RAC Insurance Ltd. Director and President of Insurance Council of Australia.

**George Savvides** BE (Hons) (UNSW), MBA (UTS), FAICD *(Managing Director)*

Appointed Director from 6 September 2001. Appointed Managing Director 19 April 2002. Current term expires 11 December 2008.

Mr Savvides has over 20 years corporate leadership experience in the health care industry and is currently a Councillor of the AHIA (Australian Health Insurance Association) and the International Federation of Health Plans. He is also Director, World Vision Australia and World Vision International; and Director, Australian Centre for Health Research Limited (ACHR).

Mr Savvides was formerly Managing Director of Healthpoint Technologies Limited; Managing Director and CEO, Sigma Co Ltd; Managing Director, Smith+Nephew Pty Ltd, Australasia; General Manager, CIG Healthcare Australia; Chairman, Medicines Partnerships of Australia; and Member, CSIRO Health Sector Advisory Council.

**Just Stoelwinder** MD (Monash), MBBS (W.A.), FRACMA, FACHSE, FAFPHM (*Non-Executive Director*)

Appointed Director from 26 June 2002. Current term expires 28 June 2008. Appointed Chairman from 8 February 2007 to 18 March 2007. Chairman of the Nomination, Remuneration & Human Resources Committee.

Professor Stoelwinder has extensive experience in medical and health care roles and is currently Chair of Health Services Management, Department of Epidemiology and Preventive Medicine, Monash University.

Professor Stoelwinder was formerly CEO and Director, Southern Health Care Network; Director, Kitaya Holdings Pty Ltd; CEO, Monash Medical Centre, Queen Victoria Medical Centre (Melbourne); Director, Private Health Insurance Administration Council (PHIAC); Professor and Head, Health Services Management Development Unit, Flinders University, School of Medicine; and Professorial Fellow, Institute of Public Health and Health Services Research, Monash University, Faculty of Medicine.

**Peter B Wade** BComm (Hons), MA, FCPA, FAICD (*Non-Executive Director*)

Appointed Director from 26 June 2002. Current term expires 28 June 2008. Chairman of the Audit & Risk Management Committee.

Mr Wade has extensive experience acquired over many years in both corporate and public sectors. He is currently Chairman, Open Universities Australia Pty Ltd; Director, CASS Foundation Limited, The Knox School Limited and PhillipsKPA Consulting Pty Ltd.

Mr Wade was formerly General Manager, Monash University; Deputy Chairman, VicGrain Ltd; Director, Graincorp Ltd and Banksia Wines Ltd.

#### **Directors who retired during the year:**

**Peter M Kirby** BEcon (Rhodes), BEcon (Hons) (Natal), MA (Econ) (Manchester), MBA (Witwatersrand), AMP (Harv) FAICD (*Non-Executive Chairman*)

Appointed Director and Chairman from 8 February 2004. Term expired 7 February 2007. Chairman of the Nomination, Remuneration & Human Resources Committee during this term.

Mr Kirby has extensive corporate leadership experience internationally and in Australia and is currently a Director of Orica Limited, Macquarie Bank Limited, Beacon Foundation (Tripartite Trading Pty Ltd); and a Member of the Advisory Council of MIR Investment Management Ltd. Mr Kirby received the Centenary Medal in 2003.

Mr Kirby was formerly Managing Director and Chief Executive Officer of CSR Limited (1998 to 2003) and a member of the Board of the Business Council of Australia (2001 to 2003) and Rinker Materials Ltd (1998 to 2003). Prior to joining CSR, Mr Kirby was Chairman/CEO of ICI Paints and a business Director of the Imperial Chemical Industries PLC group (based in the UK).

#### **Company Secretary:**

**Neil K Greenaway** FCIS, FCA, FCPA, FAICD (*Company Secretary*)

Appointed Company Secretary on 2 April 2004, resigned 6 July 2007. Mr Greenaway has been a Chartered Accountant for over 26 years and a Chartered Secretary for ten years. Formerly held executive financial and secretarial positions with St Vincent's Health, Tupperware International and KPMG.

**Stephen Harris** ACIS, CA (*Company Secretary*)

Appointed Company Secretary on 6 July 2007. Mr Harris joined Medibank Private with in excess of 25 years experience in Corporate Governance, Financial Reporting and Policy, Corporate Taxation, Assurance and Accounting Services obtained across a range of large Australian and international companies in varied industries.

#### **Directors' Interests**

The Commonwealth of Australia is the sole shareholder in the Company. No Director holds shares or options in Medibank Private.



## Directors' Meetings

The number of meetings of the Board of Directors and Board Committees during the year, and attendance by Directors at those meetings.

Director	Board Meeting		Audit & Risk Management Committee		Business Enablement Committee		Product, Benefits & Innovation Committee		Investment Committee		Nomination, Remuneration & Human Resources Committee	
	H	A	H	A	H	A	H	A	H	A	H	A
Peter Kirby <sup>a</sup>	8	8	3	3	4	4	3	3	2	2	4	4
Paul McClintock <sup>b</sup>	2	2	–	– <sup>c</sup>	–	–	–	–	–	– <sup>c</sup>	–	– <sup>c</sup>
George Savvides	11	11	4	4 <sup>d</sup>	5	5	4	4	3	3	6	6 <sup>d</sup>
Julia Bowen	11	11	4	4	5	5 <sup>e</sup>	4	3	–	–	–	–
Adrian Brien	11	9	4	4	–	–	–	–	3	3 <sup>f</sup>	6	6
Roger Harley	11	10	4	3	–	–	1	– <sup>g</sup>	3	1	6	5
Brian Keane	11	10	4	4	5	5	4	4 <sup>h</sup>	–	–	–	–
Just Stoelwinder	11 <sup>i</sup>	11	4	4	–	–	4	4 <sup>j</sup>	–	–	6	6 <sup>k</sup>
Peter Wade	11	11	4	4 <sup>l</sup>	5	5	–	–	3	3	–	–

H Number of meetings held during the time the Director held office during the year.  
A Number of meetings attended.

a Mr Kirby was a Director of Medibank Private until 7 February 2007.

b Mr McClintock was appointed Director/Chairman of Medibank Private from 19 March 2007.

c Mr McClintock was appointed a member of the Committee in April 2007.

d Mr Savvides attends this Committee only as an Invitee.

e Ms Bowen is the Chairman of the Business Enablement Committee.

f Mr Brien is the Chairman of the Investment Committee.

g Mr Harley was appointed as a member of this Committee in March 2007.

h Mr Keane was appointed Chairman of the Product, Benefits & Innovation Committee in March 2007.

i Prof Stoelwinder was appointed interim Chairman of the Board from 8 February 2007 to 18 March 2007.

j Prof Stoelwinder was Chairman of the Product, Benefits & Innovation Committee up to March 2007, he now remains a member of this Committee.

k Prof Stoelwinder took over as Chairman of the Nomination, Remuneration & Human Resources Committee, from Mr Kirby in March 2007.

l Mr Wade is the Chairman of the Audit & Risk Management Committee.

At the date of this report, Medibank Private has the following Committees:

- Audit & Risk Management Committee;
- Business Enablement Committee;
- Product, Benefits & Innovation Committee;
- Investment Committee; and
- Nomination, Remuneration & Human Resources Committee.

The role of these Committees is outlined in the Corporate Governance Statement section of the Annual Report. All Non-Executive Directors are members of the Audit & Risk Management Committee. Not all Directors are members of each of the other Committees; however, all Directors are welcome to attend any meetings of these Committees.

### Principal Activities

The principal activity of Medibank Private during the financial year was to operate as a registered private health insurer in accordance with the *Private Health Insurance Act 2007* (Cth). The Company directly or indirectly provides a range of insurance services, such as:

- hospital insurance for private patients;
- ancillary or extras cover;
- private health insurance for overseas students and visitors to Australia; and
- travel insurance.

### Results

Medibank Private's 2006/07 profit was \$295,169,000 (2005/06 \$200,062,000). The Company is exempt from income tax.

### Dividends

The Company's Constitution prohibits the payment of dividends and accordingly no dividends were paid during the year.

### Review Of Operations

A review of Medibank Private's operations is contained in the Chairman's and Managing Director's Reports, and other sections of the Annual Report.

### Significant Changes In The State Of Affairs

Significant changes in the state of affairs during the 2006/07 financial year included:

- the appointment of Mr Paul McClintock as Chairman on 19 March 2007;
- the Australian Government announced its intention to sell Medibank Private via an ASX sharemarket float in 2008, if re-elected;
- the Private Health Insurance Act 2007 and broader health cover reforms were introduced during the new year; and
- a new Risk Equalisation regime was implemented effective from April 2007.

### Significant Events After The Balance Date

No matters or circumstances have arisen since the end of the financial year that will significantly affect the operations, the results of those operations or the state of affairs of Medibank Private subsequent to 30 June 2007.

### Likely Developments And Future Results

Directors anticipate that the improvement in underwriting financial performance will be sustained in the 2007/08 financial year with continued product development and membership growth in families, youth and corporate segments. Investment income will continue to be subject to inherent market volatility. Our continued focus on lowering costs through greater efficiencies, leveraging our health services procurement scale as the largest health insurer and our investment in information technology will provide the foundation of future product, service and cost advantages. The benefits of our hospital contracting strategy and improvements in our ancillary services purchasing continue to underpin the Company's performance.

In 2007/08, Medibank Private will increase its efforts in members' health and wellbeing through its *betterhealth* program and *feelbetter* loyalty program. These programs are designed to help members proactively manage their health, fitness and wellbeing and thus help prevent or manage illness. This results in lowering the frequency and size of claims, making greater value available to members for lower premiums and other valued benefits.

## 1. Remuneration Report

This report outlines the remuneration arrangements in place for Directors and executives of Medibank Private.

### 1.1 Remuneration Strategy and Structure

Medibank Private operates a strong performance based approach to remuneration. Our philosophy is to ensure the mix and quantum of remuneration properly reflects the responsibilities and duties of our executives. The remuneration approach adopted by Medibank Private provides a competitive reward proposition, targeted at attracting, motivating and retaining the most appropriately qualified and experienced individuals.

These objectives are achieved through the following mix of reward elements:

	Elements of remuneration	Directors		
		Non-Executive	Executive	Group Executives
Fixed remuneration	Cash salary	✗	✓	✓
	Cash fees	✓	✗	✗
	Superannuation	✓	✓	✓
	Other benefits	✓	✓	✓
Short-term incentives	Cash	✗	✓	✓
Long-term incentives <sup>(1)</sup>	Cash	✗	✗	✓
Post employment	Service agreements	✗	✓	✓
	Termination payments	✗	✓	✓

(1) New plan introduced on 1 January 2007.

### 1.2 Fixed Remuneration

Fixed remuneration comprises cash salary, superannuation contributions and car parking. Nominated benefits may also be packaged, which include novated car leases, salary sacrificed superannuation contributions and additional FBT exempt items such as laptop computers.

To ensure market competitiveness of fixed remuneration, data is sourced from various surveys and where appropriate, specialist remuneration consultants. Surveys from CSI and Mercer were referred to during the year, with John Watt Consulting, Godfrey Remuneration, Freehills Lawyers and Ernst & Young engaged for specialist executive remuneration advice.

Fixed remuneration is reviewed annually and is determined by the scope of the individual's role, their level of knowledge, skills and experience, their performance and market benchmarking.

Non-Executive Directors' fees, including committee fees, are set by the Commonwealth Remuneration Tribunal. The level of their fees is not set with reference to measures of Company performance.

As determined by the Commonwealth Remuneration Tribunal, Non-Executive Directors' fees were increased by 4.4% with effect from 1 July 2006. Non-Executive Directors receive an annual fee of \$50,780 in relation to their service as a Director of the Board. The Chairman, taking into account the greater commitment required, receives a fee of \$101,510. In addition, Directors who sit on the Audit & Risk Management Committee receive an additional fee of \$5,935 and the Chair of that Committee receives an additional fee of \$11,870 per annum. Directors are entitled to life insurance cover and may purchase private health insurance cover on the same terms as employees. Compulsory statutory superannuation contributions are also made.

### 1.3 Short-Term Incentive Plan (STI) – Summary Table

What is the STI?	An annual cash incentive plan linked to specific annual targets.
Who participates in the STI?	All Group Executives (including the Managing Director).
What are the changes from the 2006 plan?	The plan no longer incorporates a deferral component. The longer-term and retention elements previously targeted by the deferral component are dealt with through the introduction of a new LTI for 2007.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a large proportion of executive remuneration at-risk against meeting targets linked to Medibank Private's annual business objectives.
Who assesses the performance of Group Executives?	The Managing Director assesses the performance of Group Executives at the end of each financial year and confers with the Board regarding his assessment.
Who assesses the performance of the Managing Director?	The Board agrees the Managing Director's targets at the beginning of each year and assesses performance against those targets at the end of the financial year, having conferred with the Nomination, Remuneration & Human Resources Committee.
What are the performance conditions?	The performance conditions comprise corporate financial and non-financial targets and a mix of operational and individual objectives.
Why were these conditions chosen?	The targets are set in line with Medibank Private's corporate plan.
Are both target and stretch performance conditions imposed?	Yes. The STI and the performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI has the facility to double if all stretch measures are achieved.
How well were the performance conditions met in the 2007 financial year?	Following the record result, most stretch performance targets were attained. The one exception was in the area of first-year staff retention which improved considerably on last year, but still fell short of the target performance level set.

### 1.4 Long-Term Incentive Plan (LTI) – Summary Table

What is the LTI?	The LTI is the incentive component of remuneration for executives who are able to influence and have a direct impact on longer-term company performance. The LTI is designed to encourage executives to focus on the key performance drivers which underpin sustainable organisational growth.
Who participates in the LTI?	All Group Executives (excluding the Managing Director).
What are the changes from the 2006 plan?	This is a new plan for 2007. The previous plan expired in 2006 and was based on internal financial measures only. The 2007 plan involves both internal and external measures and incorporates a market share hurdle.
Why does the Board consider the structure of the LTI appropriate?	The LTI links a significant proportion of participants' potential remuneration to Medibank Private's longer-term performance objectives. The Board believes the LTI will promote behaviour that will achieve superior performance over the long term.
What are the key features of the LTI?	The Board at its absolute discretion may notify participants of their eligibility to participate in the LTI. Participants are notified of the potential award amounts for both on-target and maximum performance for which they may become entitled; the applicable period over which performance will be measured; and the performance conditions that must be satisfied before an award vests (which only occurs upon the Board's assessment that performance conditions have been met). Where a participant ceases to be an employee of Medibank Private, unless the Board determines otherwise, all unvested awards held by an executive lapse.
Is the benefit to executives of participation in the LTI affected by changes in market share?	Yes. The remuneration value participants receive through participation in the LTI will be reduced if market share falls during the assessment period.
What is the performance measurement testing period?	Ongoing. This will be a three year plan. Due to the 1 January 2007 start date of the plan, the first tranche will operate over a 2.5 year period (to coincide with the completion of a full financial year).

### 1.5 Post-employment

Key executives have been engaged under the terms of service agreements that act as a form of retention mechanism. Payable upon cessation of employment, they provide compensation for constraints regarding working for a competitor for up to six months.

Termination arrangements are in place to protect Medibank Private against the possible flight risk of key executives under a sale environment. These are fixed at six months of an executive's Total Fixed Remuneration, but can be 12 months (if terminated due to change in control of an executive's role outside of a trade sale).

## 2 Non-Executive Remuneration

Details of Non-Executive Directors' remuneration for the financial year are set out in the following table:

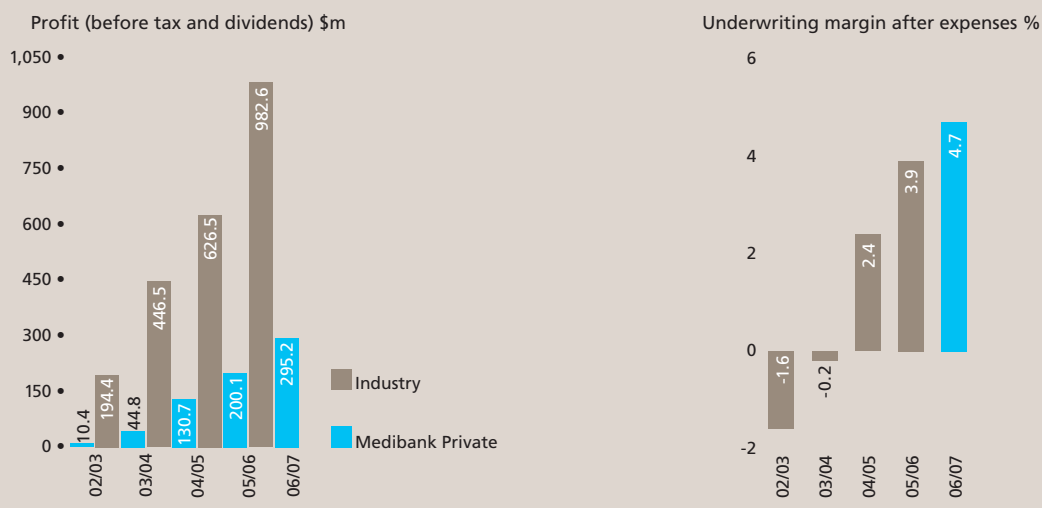
30 June 2007	Directors' Fees <sup>(1)</sup> \$	Audit & Risk Management Committee \$	Non-Monetary Benefits \$	Superannuation Benefits <sup>(2)</sup> \$	Other \$	Total Remuneration \$
<b>Non-Executive Directors</b>						
E P McClintock (Chairman)	28,501	1,666	2,438	2,715	15	35,335
J Bowen	50,780	5,935	1,919	5,104	906	64,644
A H Brien	50,116	6,154	4,257	5,064	989	66,580
R D Harley	50,780	5,935	8,648	5,104	961	71,428
B F Keane	50,780	5,935	508	5,104	831	63,158
J U Stoelwinder	56,634	5,935	8,452	5,631	697	77,349
P B Wade	50,780	11,870	9,987	5,639	1,280	79,556
P M Kirby (Former Chairman)	62,468	3,652	10,083	5,951	2,160	84,314
<b>Total Non-Executive Directors</b>	<b>400,839</b>	<b>47,082</b>	<b>46,292</b>	<b>40,312</b>	<b>7,839</b>	<b>542,364</b>

(1) Represents actual Directors' fees paid during the financial year reflecting an increase in fees which became effective 1 July 2006.

(2) Compulsory superannuation contributions made on behalf of Non-Executive Directors to satisfy the Company's obligations under applicable Superannuation Guarantee Charge legislation.

## 3 Company Performance – the link to reward

### 3.1 Five Year Performance



### 3.2 Link to Performance

Performance reviews are conducted annually and the entire at-risk component of executive remuneration is tied to performance.

The Short-Term Incentive Plan includes measures tied to a number of key performance objectives. Measures (both target and stretch) are set annually, covering corporate financial and more direct operational and individual performance targets. The mix and weighting of measures may vary annually, depending on the financial year focus of the organisation. These in turn cascade to individual executives participating in the plan. For this year, measures included corporate financial results, market share, customer satisfaction, employee turnover and on-plan performance for our major core system change project. An annual performance contract is struck with each executive, incorporating measures set and agreed to by the Board.

## 4 Executive Remuneration

### 4.1 Executive Team

Executives with the highest remuneration during the financial year and to whom this report applies are:

Name	Role	
<b>Current</b>		<b>Commencement Date*</b>
George Sawides	Managing Director	19 April 2002 <sup>(1)</sup>
Tony Jones	Group Manager – Corporate Strategy & Communications	30 March 2005
Heather Parkinson	Group Manager – People & Culture	15 August 2005
Michael Sammells	Chief Financial Officer	4 November 2005
Bruce Levy	Chief Operating Officer & Deputy Managing Director (Previously Group Manager – Health Services)	1 December 2006
<b>Former</b>		<b>Cessation Date</b>
Simon Blair	Chief Operating Officer	20 October 2006
Kerry Crompton	Chief Information Officer	27 June 2007

\*Commenced in role.

(1) Commenced in the role as interim, 1 April 2003 appointed permanent.

### 4.2 Board policy on remuneration

The Nomination, Remuneration & Human Resources Committee has recommended, and the Board has adopted a policy that remuneration will:

- reward executives for corporate, operational and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of the executives to reward growth in shareholder value;
- link reward with the strategic goals and performance of Medibank Private; and
- ensure total remuneration is competitive by market standards.

Details of the composition and responsibilities of the Nomination, Remuneration & Human Resources Committee are set out in the Corporate Governance Statement. The Committee and senior management receive advice on matters relating to remuneration from both internal and, where appropriate, external sources.

The Board has a policy that remuneration packages of executives include both a fixed component and an at-risk or performance-related component (STI and LTI). The Board views STI and LTI as essential drivers of Medibank Private's strong performance-based approach to remuneration. The mix between fixed remuneration and at-risk remuneration is designed to incentivise executives, and reflects competitive market conditions for this level of role. For the Managing Director and his Group Executive team, the STI can deliver a maximum of 60% of fixed remuneration in addition to guaranteed components of salary. The Group Executive (excluding the Managing Director) can also earn a maximum of 25%-30% of fixed remuneration (depending on position) through the LTI plan. This mix between fixed and variable remuneration reflects the Board's commitment to performance-based reward.

## 5 Details of remuneration

### 5.1 Directors' and Group Executives' remuneration

Details of each element of remuneration for Directors and Group Executives are included in the table below:

	Short-Term			Post-Employment		Long-Term		Other		Total Remuneration \$
	Salary and Fees \$ <sup>(b)</sup>	STI \$	Non-Monetary Benefits \$	Other <sup>(c)</sup> \$	Superannuation \$	LTI <sup>(d)</sup> \$	Deferred STI <sup>(e)</sup> \$	Other <sup>(f)</sup> \$	Termination Benefits \$	
<b>30 June 2007</b>										
<b>Directors<sup>(a)</sup></b>										
E P McClintock (Chairman) <sup>1</sup>	30,167	–	2,438	15	2,715	–	–	–	–	35,335
P M Kirby (Chairman) <sup>2</sup>	66,120	–	10,083	2,160	5,951	–	–	–	–	84,314
J Bowen	56,715	–	1,919	906	5,104	–	–	–	–	64,644
A H Brien	56,270	–	4,257	989	5,064	–	–	–	–	66,580
R D Harley	56,715	–	8,648	961	5,104	–	–	–	–	71,428
B F Keane	56,715	–	508	831	5,104	–	–	–	–	63,158
J U Stoelwinder	62,569	–	8,452	697	5,631	–	–	–	–	77,349
P B Wade	62,650	–	9,987	1,280	5,639	–	–	–	–	79,556
<b>Total Director remuneration</b>	<b>447,921</b>	<b>–</b>	<b>46,292</b>	<b>7,839</b>	<b>40,312</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>542,364</b>
<b>Current executives</b>										
G Sawides (Managing Director)	654,923	416,150	24,896	4,188	54,538	–	–	56,411	–	1,211,106
B Levy <sup>3</sup>	473,232	341,100 <sup>(g)</sup>	28,456	1,545	40,560	–	–	34,002	–	918,895
T Jones	385,721	217,210	9,110	2,155	12,930	–	–	9,235	–	636,361
M Sammells	365,283	226,200	8,149	2,029	31,131	–	–	16,986	–	649,778
H Parkinson	277,762	176,900	7,891	2,737	24,699	–	–	2,846	–	492,835
<b>Total current executive remuneration</b>	<b>2,156,921</b>	<b>1,377,560</b>	<b>78,502</b>	<b>12,654</b>	<b>163,858</b>	<b>–</b>	<b>–</b>	<b>119,480</b>	<b>–</b>	<b>3,908,975</b>
<b>Former executives</b>										
K Crompton <sup>4</sup>	301,956	134,074	508	2,512	24,601	–	–	–	44,691	508,342
S Blair <sup>5</sup>	117,727	–	15,480	1,710	9,820	–	–	–	43,655	188,392
<b>Total former executive remuneration</b>	<b>419,683</b>	<b>134,074</b>	<b>15,988</b>	<b>4,222</b>	<b>34,421</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>88,346</b>	<b>696,734</b>

(a) Directors comprise all those who acted at any time during the reporting period.

(b) Salary and Fees includes accruals for annual leave.

(c) Other benefits include death, total and permanent disablement, salary continuance and subsidised health insurance.

(d) LTI is not reliably measurable at this point and no amount has been accrued in 2007 due to the inherent difficulty in forecasting to the date of payment.

(e) STI amounts to be paid in 2009 were accrued for in 2006 (as presented in the 2006 Annual Report).

(f) Comprises accrual for long service leave.

(g) This amount includes an additional performance based bonus of \$25,000.

1. Appointed 19 March 2007.

2. Term expired 7 February 2007.

3. Appointed Chief Operating Officer 1 December 2006.

4. Ceased employment 27 June 2007.

5. Ceased employment 20 October 2006.

## 5.2 Managing Director and Group Executives' STI

Details relating to the Managing Director and Group Executives' STI paid is set out in the table below:

30 June 2007	Actual STI Payment <sup>1</sup>	STI Paid as % of Maximum STI	STI Not Paid as % of Maximum STI	% of Maximum STI Deferred
<b>Current Managing Director</b>				
G Savvides	\$416,150	95.7%	4.3%	0%
<b>Current Group Executives</b>				
T Jones	\$217,210	96.7%	3.3%	0%
B Levy <sup>2</sup>	\$316,100	96.7%	3.3%	0%
M Sammells	\$226,200	96.7%	3.3%	0%
H Parkinson	\$176,900	96.7%	3.3%	0%

1. STI constitutes a cash incentive earned during FY2007 and is expected to be paid in September 2007.

2. This amount does not include an additional performance based bonus of \$25,000.

## 6 Executive Service Agreements

Terms of employment (including all components of remuneration) for the Managing Director and Group Executives are formalised in individual employment contracts. Specific information relating to the terms of the service agreements contained within these contracts is set out in section 6.1.

### 6.1 Summary of specific terms

Name	Notice Period by Medibank	Notice Period by Executive	Maximum Termination Payment	Maximum Retention Payment
G Savvides	6 months <sup>1</sup>	3 months	15 months <sup>2</sup>	n/a
B Levy	6 months	3 months	12 months <sup>3</sup>	6 months
T Jones	6 months	3 months	12 months <sup>3</sup>	6 months
M Sammells	6 months	3 months	12 months <sup>3</sup>	6 months
H Parkinson	6 months	3 months	12 months <sup>3</sup>	6 months
K Crompton	6 months	3 months	12 months <sup>3</sup>	n/a
S Blair	6 months	3 months	12 months	n/a

1. Minimum notice period for G Savvides is 6 months, with a maximum of 12 months.

2. The maximum payment includes the Board's discretion to award an additional 9 months payment to G Savvides in the event of termination resulting from a change in control.

3. The maximum payment includes an additional 6 months due to redundancy resulting from a change in control.

### 6.2 Restraint of trade

Medibank Private negotiates appropriate restraint of trade conditions with Group Executives, which are included in each executive's individual employment contract. Restraint clauses are to protect the legitimate business interests of Medibank Private upon cessation of employment of Group Executives.

### Indemnification of Directors and Officers

A Deed of Indemnity, Access and Insurance has been entered into between Medibank Private and each of its Directors. Under the deed, Medibank Private agrees to indemnify out of the property of Medibank Private each Director against any liability the Director may incur to another person (other than Medibank Private or a related body corporate) as a Director of Medibank Private. A Director is not indemnified in respect of any liability arising out of conduct involving a lack of good faith. There have been no claims made pursuant to the deed.

The *Medibank Private Sale Act 2006* (Cth) provides that Medibank Private or a Director of Medibank Private may provide assistance to the Commonwealth in connection with the privatisation of Medibank Private. In respect of such assistance given by Medibank Private and/or its Directors, the Act provides immunity for liability for breach of the *Corporations Act 2001*, *National Health Act 1953*, *Private Health Insurance Act 2007* and a rule of common law or equity.

Article 66.1 of Medibank Private's constitution provides that Medibank Private indemnifies each officer of Medibank Private against any liability incurred in his or her capacity as an officer of Medibank Private (other than a liability to Medibank Private itself or a related body corporate) unless liability arises out of conduct on the part of the officer which involves a lack of good faith.

Medibank Private paid a premium of \$249,000 in respect of insurance covering each of the Directors and Executive Officers of Medibank Private against liabilities and expenses arising from any claim(s) made against them as a result of work performed in their respective capacities to the extent permitted by law.

### Rounding

Medibank Private is a Company of the kind specified in Australian Securities and Investment Commission class order 98/0100. In accordance with that class order, amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars unless specifically stated to be otherwise.

### Auditor Independence and Non-audit Services

The Directors received a declaration from the Auditor General. This declaration is located on the following page.

### Resolution of Directors

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



**Paul McClintock**  
Chairman



**G Savvides**  
Managing Director

Melbourne, 16 August 2007

# Auditor's Independence Declaration to the Directors of Medibank Private Limited



## **Auditor's Independence Declaration to the Directors of Medibank Private Limited**

In relation to my audit of the financial report of Medibank Private Limited for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001*, and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Australian National Audit Office

A handwritten signature in black ink that reads 'Michael J Watson'.

Michael J Watson  
Group Executive Director

Delegate of the Auditor-General

Canberra  
16 August 2007

GPO Box 707 CANBERRA ACT 2601  
19 National Circuit BARTON ACT 2600  
Phone (02) 6203 7300 Fax (02) 6203 7777



# Income Statement

For the financial year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>Revenue</b>			
Premium revenue		3,079,126	2,835,337
<b>Claims expense</b>			
Claims incurred	13(b)	(2,622,133)	(2,428,475)
State levies		(26,899)	(23,353)
Net Risk Equalisation Trust Fund levies		16,639	12,563
<b>Net claims incurred</b>		<b>(2,632,393)</b>	<b>(2,439,265)</b>
<b>Underwriting result</b>		<b>446,733</b>	<b>396,072</b>
<b>Expenses</b>			
Employee benefits expense		(123,799)	(110,439)
Office and administration expense		(53,834)	(49,655)
Marketing expense		(34,765)	(36,052)
Information and technology expense		(33,431)	(33,864)
Business systems renewal program expense	4(f)(i)	(26,830)	(13,577)
Lease expense	4(d)	(14,536)	(13,837)
Depreciation and amortisation expense	4(c)	(14,087)	(12,171)
Other expenses		(312)	(95)
<b>Total expenses</b>		<b>(301,594)</b>	<b>(269,690)</b>
<b>Underwriting result after expenses</b>		<b>145,139</b>	<b>126,382</b>
Impairment of intangible assets	4(f)(ii)	–	(26,135)
Reversal of impairment of intangible assets	4(f)(ii)	7,448	–
<b>Underwriting result after expenses and impairment</b>		<b>152,587</b>	<b>100,247</b>
<b>Investment and other income</b>			
Investment income	4(a)	160,356	113,704
Investment expense	4(e)	(20,668)	(15,775)
Other income	4(b)	2,894	1,886
<b>Total investment and other income</b>		<b>142,582</b>	<b>99,815</b>
<b>Profit for the year</b>		<b>295,169</b>	<b>200,062</b>

The above statement should be read in conjunction with the accompanying notes.

# Balance Sheet

As at 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>Current assets</b>			
Cash and cash equivalents	19(a)	865,839	908,169
Trade and other receivables	5	120,437	104,989
Inventories	6	363	491
Financial assets at fair value through profit and loss	7	896,975	517,857
Other assets	8	5,398	4,019
<b>Total current assets</b>		<b>1,889,012</b>	<b>1,535,525</b>
<b>Non-current assets</b>			
Plant and equipment	9	23,067	27,514
Intangible assets	10	48,502	27,062
Other assets	8	246	246
<b>Total non-current assets</b>		<b>71,815</b>	<b>54,822</b>
<b>Total assets</b>		<b>1,960,827</b>	<b>1,590,347</b>
<b>Current liabilities</b>			
Trade and other payables	11	435,274	392,201
Financial liabilities at fair value through profit and loss	12	843	948
Claims liabilities	13(a)	375,024	342,332
Provisions	14	2,075	2,699
<b>Total current liabilities</b>		<b>813,216</b>	<b>738,180</b>
<b>Non-current liabilities</b>			
Other payables	11	4,242	3,967
<b>Total non-current liabilities</b>		<b>4,242</b>	<b>3,967</b>
<b>Total liabilities</b>		<b>817,458</b>	<b>742,148</b>
<b>Net assets</b>		<b>1,143,369</b>	<b>848,199</b>
<b>Equity</b>			
Contributed equity	15	85,000	85,000
Retained earnings	16	1,058,369	763,200
<b>Total equity</b>		<b>1,143,369</b>	<b>848,200</b>

The above statement should be read in conjunction with the accompanying notes.

# Cash Flow Statement

For the financial year ended 30 June 2007

	Note	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>			
Premium receipts		3,086,981	2,844,582
Other receipts		2,652	1,718
Interest received		559	485
Payments for claims and levies		(2,594,256)	(2,414,674)
Payments to suppliers and employees		(274,477)	(265,396)
<b>Net cash flow from operating activities</b>	19(b)	<b>221,459</b>	<b>166,715</b>
<b>Cash flows from investing activities</b>			
Interest received		78,195	63,972
Dividend income		1,181	–
Interest received on special purpose fund		250	165
Proceeds from sale of financial assets		504,542	307,240
Investment management fees paid		(1,306)	(828)
Purchase of financial assets		(822,706)	(500,945)
Purchase of plant and equipment		(3,160)	(6,892)
Purchase of intangible assets		(20,785)	(27,125)
<b>Net cash flow used in investing activities</b>		<b>(263,789)</b>	<b>(164,413)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(42,330)</b>	<b>2,302</b>
Cash and cash equivalents at beginning of period		908,169	905,867
<b>Cash and cash equivalents at end of period</b>	19(a)	<b>865,839</b>	<b>908,169</b>

The above statement should be read in conjunction with the accompanying notes.

## Statement of Changes in Equity

For the financial year ended 30 June 2007

	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 July 2005</b>	85,000	563,138	648,138
Profit for the year	–	200,062	200,062
<b>Balance at 30 June 2006</b>	85,000	763,200	848,200
Profit for the year	–	295,169	295,169
<b>Balance at 30 June 2007</b>	85,000	1,058,369	1,143,369

The above statement should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

For the financial year ended 30 June 2007

## Note 1: Summary of significant accounting policies

The financial report of Medibank Private Limited ('Medibank Private') for the financial year ended 30 June 2007 ('2007') was authorised for issue in accordance with a resolution of the Directors on 16 August 2007.

Medibank Private is an unlisted public company incorporated in Australia. It is a company limited by shares and is wholly-owned by the Commonwealth of Australia.

### (a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has also been prepared on a historical cost basis, except for cash which has been measured at nominal value and financial assets, financial derivatives and claims liabilities which have been measured at fair value.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to Medibank Private under Class order 98/0100 issued by the Australian Securities and Investments Commission. The Company is an entity to which the Class order applies.

### (b) Statement of compliance

The financial report complies with Australian Accounting Standards which includes Australian equivalents to International Financial Reporting Standards ('AIFRS'). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards ('IFRS').

Australian Accounting Standards applicable to Medibank Private that have recently been issued or amended but are not yet effective have not been adopted for the financial year ending 30 June 2007:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Medibank Private
2005-10	Amendments to Australian Accounting Standards [AASB 132, 101, 114, 117, 133, 139, 1, 4, 1023 & 1038]	No change in accounting policy required. Therefore no impact.	1 January 2007	1 July 2007
New Standard	AASB 7 <i>Financial Instruments: Disclosures</i>	No change in accounting policy required. Impact on certain disclosures of financial assets and liabilities.	1 January 2007	1 July 2007
2007-2	Amendments to Australian Accounting Standards arising from AASB Interpretation 12 [AASB 1, 117, 118, 120, 121, 127, 131 & 139]	No change in accounting policy required. Impact on certain disclosures leases, revenue and financial instruments.	1 January 2008	1 July 2008
2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	No change in accounting policy required. Impact on certain disclosures of financial assets and liabilities.	1 January 2007	1 July 2007
2007-7	Amendments to Australian Accounting Standards [AASB 1, 2, 4, 5, 107 & 128]	No change in accounting policy required. Amendments are not expected to have any impact on financial report.	1 July 2007	1 July 2007

\*Application date is for the annual reporting periods beginning on or after the date shown in the above table.

The following amendments are not applicable to Medibank Private and therefore have no impact.

AASB Amendment	Affected Standard(s)
2005-6	AASB 3: <i>Business Combinations</i>
2006-2	AASB 1: <i>First Time Adoption of AIFRS</i>
2006-3	AASB 1045: <i>Land under roads</i>
2006-4	AASB 134: <i>Interim Financial Reporting</i>
2007-1	AASB 2: <i>Share-based Payments</i>
2007-3	AASB 8: <i>Operating Segments</i>
2007-5	AASB 102: <i>Inventories Held for Distribution by Not-for-Profit Entities</i>
2007-6	AASB 123: <i>Borrowing costs</i>

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 1: Summary of significant accounting policies (continued)

### (c) Revenue and other income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Medibank Private and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### (i) Premium revenue

Premium revenue comprises contributions received inclusive of any Australian Government Rebate.

Premium revenue is recognised in the Income Statement from the commencement date of the current period of insurance cover in accordance with the pattern of the incidence of risk expected to match the seasonality of claims over the term of the insurance cover. Premium revenue relating to future financial periods is classified as unearned premium liability and is measured in accordance with the pattern of the incidence of risk expected to match the seasonality of claims over the term of the insurance cover.

Premium revenue includes the movement in the contributions in arrears, which is assessed based on the likelihood of collection established from past experience.

#### (ii) Sale of non-current assets

The gain or loss on disposal of non-current assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

#### (iii) Investment income

Unit trust distribution income is recognised when received. Income arising from investments in discrete mandates is recognised when received. Interest income accrues using the effective interest method. Refer to Note 1(i) for details on the measurement of gains and losses on financial assets measured at fair value through the Income Statement and derivative financial instruments.

#### (iv) Other income

Travel insurance commission income is recognised as income in the periods in which it is earned. Rental income is recognised as it accrues. Other income is recognised as income in the periods in which it is earned.

### (d) Claims expense

Claims expense consist of claims paid, changes in claims liabilities, receipts and payments to and from the Risk Equalisation Trust Fund and applicable state levies.

### (e) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

#### Lease incentives

In the event that lease incentives are received to enter into non-cancellable operating leases, such incentives are recognised as a liability. Lease payments are allocated between the rental expense and the reduction of the liability over the term of the lease.

### (f) Cash and cash equivalents

Cash assets include cash on hand, short-term bank bills, commercial notes and restricted funds held in a special purpose fund account and in escrow (generally maturing within 90 days) and are stated at nominal value.

For the purposes of the Cash Flow Statement, cash includes all cash assets as described above, net of outstanding bank overdrafts. Cash also includes restricted funds held in a special purpose fund for future settlement of claims under the Australian Competition and Consumer Commission 'Principles of Settlement' agreement, as well as funds held in escrow as part of the contractual arrangements with a vendor.

### (g) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

The recognition criteria for the impairment of trade and other receivables, is detailed in Note 1(l).

### (h) Inventories

Inventories consist of loyalty scheme tickets which are valued at the lower of cost and net realisable value.

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

#### Assets Backing General Insurance Liabilities

Financial assets that back general insurance liabilities that are within the scope of AASB 139 *Financial Instruments: Recognition and Measurement* and are permitted to be designated as 'at fair value through profit or loss', have been designated as 'at fair value through profit or loss' under AASB 139 *Financial Instruments: Recognition and Measurement* on first application of AASB 1023 *General Insurance Contracts* or on initial recognition of the asset.

Medibank Private has determined that its financial assets, that have a quoted market price in an active market and whose fair value can be reliably measured, are financial assets permitted to be designated as assets backing general insurance liabilities.

#### Measurement

Financial assets that are designated at fair value through profit and loss, consist of externally managed equity trusts and discrete mandates, an internally managed floating rate note portfolio (that reset monthly, quarterly and biannually) and an internally managed cash portfolio (that consists of 11am, bank bills and commercial paper). Gains or losses are recognised in the Income Statement.

Purchases and sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e. the date that Medibank Private commits to purchase the asset.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date, with the exception of foreign currency positions which are valued at the price sourced from the Bloomberg financial information service at 10.30pm on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques such as option pricing models.

Medibank Private entered into derivative contracts in the financial year including over-the-counter equity options (puts and calls), cash-equity swaps and foreign exchange forward and swap contracts. These transactions were entered into to protect the Australian equity, Australian property and Global equity asset classes against downside movements in these asset classes in excess of an established level and to hedge out currency risk arising from Medibank Private's offshore investment holdings.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Changes in fair value are recognised in the Income Statement for the period. The fair value of these arrangements is determined using valuation techniques or market price where available.

Derivatives are carried as assets when their fair value is positive.

## Note 1: Summary of significant accounting policies (continued)

### (j) Financial liabilities at fair value through profit and loss

Medibank Private entered into derivative contracts in the financial year, including over-the-counter equity options (puts and calls), cash-equity swaps and foreign exchange forward and swap contracts. These transactions were entered into to protect the Australian equity, Australian property and Global equity asset classes against downside movements in these asset classes in excess of an established level and to hedge out currency risk arising from Medibank Private's offshore investment holdings.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Changes in fair value are recognised in the Income Statement for the period. The fair value of these arrangements is determined using valuation techniques or market price where available.

Derivatives are carried as liabilities when their fair value is negative.

### (k) Derecognition of financial assets and liabilities

#### Financial assets

Medibank Private derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expire.

#### Financial liabilities

Derecognition of a financial liability takes place when the obligation specified in the contract is discharged or cancelled or expires.

### (l) Impairment of financial assets

Medibank Private assesses at each balance sheet date whether a financial asset (or group of financial assets) is impaired. If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognised in the Income Statement.

### (m) Advances to hospitals

Advances to hospitals are measured at cost. Funds advanced are forwarded to hospitals which are subsequently reduced by claims expenses incurred.

### (n) Foreign currencies

Both the functional and presentation currency of Medibank Private is Australian dollars (\$).

The fund managers appointed to manage the international sector of the Medibank Private investment portfolio invest in selected foreign securities.

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of the exchange on that date.

Exchange differences relating to amounts receivable and payable in foreign currencies are brought to account as exchange gains or losses in the Income Statement in the financial period in which the exchange rates change.

### (o) Taxes

Medibank Private is exempt from income tax, but pays all other relevant taxes, including goods and services tax (where applicable), fringe benefits tax and payroll tax.

### Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as part of operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

### (p) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.

Purchases of plant and equipment are recognised initially at cost, except for purchases costing less than \$1,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Assets under construction are not depreciated until in use.

Depreciation is provided on a straight-line basis on all plant and equipment. The expected useful lives are as follows:

	2007	2006
Leasehold improvements:		
– retail centres	5 years	5 years
– all other improvements	the lease term	the lease term
Plant and equipment	6–6.5 years	6–6.5 years

The assets' residual values, useful lives and amortisation methods are reviewed, and are adjusted if appropriate at each financial year-end.

### Impairment

The recognition criteria for the impairment of plant and equipment is detailed in Note 1(r).

### Derecognition and disposal

An item of plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Income Statement in the year the asset is derecognised.

### (q) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 1: Summary of significant accounting policies (continued)

Amortisation is provided on a straight-line basis on all intangibles. The expected useful lives are as follows:

	2007	2006
Software intangibles	3–5 years	3–5 years

The useful lives of intangible assets are assessed as finite. Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset is impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when Medibank Private can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or, more frequently, when an indicator of impairment arises during the reporting period.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

### (r) Impairment of assets

At each reporting date, Medibank Private assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, or when annual impairment testing for an asset is required, an estimate of recoverable amount is made. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use can not be estimated to be close to its fair value. In such cases, the asset is tested for impairment as part of the cash generating unit to which the asset belongs. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset or cash generating unit is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversals are recognised in the Income Statement unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic value over its remaining useful life.

### (s) Net Risk Equalisation Trust Fund levies

Under the provisions of the private health insurance legislation, all private health insurers must participate in the Risk Equalisation Trust Fund. Through the Risk Equalisation Trust Fund, all private health insurers share the cost of proportions of the eligible claims of all persons aged 55 years and over and claims meeting the high cost claim criteria.

The amount payable to or receivable from the Risk Equalisation Trust Fund is determined by the Private Health Insurance Administration Council after the end of each quarter. Estimated provisions for amounts payable or receivable are provided for periods for which determinations have not yet been made, including an estimate of risk equalisation for unrepresented and outstanding claims.

### (t) Provisions

Provisions are recognised when Medibank Private has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are discounted using a current discount rate that reflects the risks specific to the liability.

### (u) Make good provision

Make good provisions are recognised when Medibank Private has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Make good provisions are discounted to take into effect the time value of money using a current discount rate that reflects the risks specific to the liability.

Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

### (v) Claims liabilities and unexpired risk liability

#### (i) Claims liabilities

The liability for outstanding claims provides for claims received but not assessed and claims incurred but not received. The liability is based on an actuarial assessment taking into account historical patterns of claim incidence and processing. It is measured as the central estimate of the present value of expected future payments arising from claims incurred at the reporting date under insurance cover issued by Medibank Private plus a risk margin reflecting the inherent uncertainty in the central estimate. The expected future payments are discounted to present value using a risk-free rate.



### Note 1: Summary of significant accounting policies (continued)

The liability also allows for an estimate of claims handling costs, which include internal and external costs incurred in connection with the negotiation and settlement of claims. Internal costs include all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function. The allowance for claims handling costs at 30 June 2007 is 2.01% of the claims liability (2006: 2.34%).

Medibank Private's PackagePlus product range includes a benefit category, PackageBonus, covering additional health related services. A feature of this benefit category is that any unused PackageBonus in a calendar year is carried forward to future calendar years subject to a maximum limit. Accordingly, 90% (2006: 85%) of the PackageBonus entitlements, less the amount paid in relation to these entitlements, has been included in claims liabilities to reflect the expected future utilisation of this benefit in respect of membership up to 30 June 2007.

#### (ii) Unexpired risk liability

The liability adequacy test is required to be performed to determine whether the unearned premium liability (contributions in advance) is adequate to cover the present value of expected cash flows relating to future claims arising from rights and obligations under current insurance coverage, plus an additional risk margin to reflect the inherent uncertainty in the central estimate.

If the present value of the expected future cash flows relating to future claims plus the additional risk margin to reflect the inherent uncertainty in the central estimate exceeds the unearned premium liability less related intangible assets and related deferred acquisition costs, then the unearned premium liability is deemed to be deficient.

Liability adequacy testing did not result in any deficiency.

#### (w) Trade and other payables

Trade and other payables are carried at amortised cost. They represent liabilities for goods and services provided to Medibank Private prior to the end of the financial year that are unpaid and arise when Medibank Private becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

#### (x) Employee benefits

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

##### *Wages, salaries and annual leave*

Liabilities arising in respect of wages and salaries and annual leave which have vested at reporting date and for which Medibank Private has an unconditional obligation to pay, are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled.

##### *Long service leave*

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

##### *Profit-sharing and bonus plans*

Medibank Private recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the performance of the employee against targeted and stretch objectives, and the profit of the company. Medibank Private recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

#### *Termination benefits*

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. Medibank Private recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

#### (y) Contributed equity

Fully paid ordinary shares are classified as contributed equity.

#### (z) Product classification

Insurance contracts are defined as a contract under which Medibank Private accepts significant insurance risk from another party by agreeing to compensate those insured from adversely affecting them for a specified uncertain future event. The significance of insurance risk is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Once insurance cover has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during the period. Medibank Private has determined that all insurance cover provided are insurance contracts.

The insurance risk assumptions are detailed in Note 2(i).

### Note 2: Significant accounting estimates and assumptions

The carrying amount of certain key asset and liability amounts are often determined based on estimates and assumptions of future events. The key areas in which estimates and judgements are applied are described below.

#### **Ultimate liability arising from claims made under insurance coverage**

Provision is made for the estimated cost of claims incurred but not settled at balance date.

##### *(i) Insurance risk assumptions*

The estimation of outstanding claims liabilities is based largely on the assumption that past claims settlement patterns are an appropriate predictor of expected future claims settlement patterns and involves a variety of actuarial techniques that analyse experience, trends and other relevant factors. The process for establishing the outstanding claims provision involves extensive consultation with internal actuaries, claims managers and other senior management. The process includes monthly internal claims review meetings attended by senior divisional management and the Chief Actuary.

The critical assumption in the determination of the outstanding claims liability is the extent to which claim incidence and development patterns are consistent with past experience.

##### *(ii) Central estimates*

The outstanding claims provision comprises the central estimate and a risk margin. The central estimate is an estimate of the level of claims provision that is intended to contain no intentional under or over estimation. The risk margin is added to the central estimate of outstanding claims to achieve a desired probability of adequacy. The outstanding claims provision is discounted at risk-free rates of return to reflect the time value of money.

Central estimates for each class of business are determined based on analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected central estimates are based on a judgemental consideration of the results and qualitative information.

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 2: Significant accounting estimates and assumptions (continued)

Central estimates are calculated excluding the impact of the Risk Equalisation Trust Fund. A separate estimate is made of levies payable to and recoveries from the Risk Equalisation Trust Fund.

### (iii) Risk margin

The overall risk margin is determined after consideration of the uncertainty of the outstanding claims estimate, with the objective of achieving at least a 95% probability of sufficiency (2006: 75%). The risk margin applied at 30 June 2007 is 5.9%, which equates to \$16,521,000 as reflected in Note 13(a) (2006: 2.5%, \$6,741,000).

### (iv) Financial assumptions used to determine outstanding claims provision

The outstanding claims provision is discounted to net present value using a risk-free rate of return. The risk-free rate applied at 30 June 2007 is 6.3% pa which equates to \$2,261,000 as reflected in Note 13 (b) (2006: 6.0%, \$1,973,000).

### (v) Impact of changes in key variables on the outstanding claims provision (excluding package bonus)

The impact of changes in key outstanding claims variables are summarised below. Each change has been calculated in isolation of the other changes and each change shows the impact on profit and equity assuming that there is no change to another variable.

		Financial Impact	
	Movement in variable	Profit/(loss) \$'000	Equity \$'000
Central estimate	+1%	(2,800)	(2,800)
Central estimate	-1%	2,800	2,800
Discount rate	+1%	344	344
Discount rate	-1%	(349)	(349)
Weighted average term to settlement	+1 month	1,419	1,419
Weighted average term to settlement	-1 month	(1,427)	(1,427)

### (vi) PackageBonus Provision

A PackageBonus provision is included in the accounts to cover expected future utilisation of this benefit accrued in respect of past membership. The true cost of the PackageBonus entitlement cannot be known with certainty until any unclaimed entitlements expire, five years after they were credited to the PackageBonus account.

The expected ultimate utilisation rate of current PackageBonus entitlements was increased from 85% to 90% based on a regular analysis of past claims experience. The impact of this change is detailed in Note 13(c).

## Other significant accounting estimates

### (i) Long service leave provision

As discussed in Note 1(x), the liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

### (ii) Allowance for impairment loss on trade and other receivables

Collectibility of trade receivables is reviewed on an ongoing basis. Receivables that are known to be uncollectible are written off when identified. An allowance for impairment is raised when there is objective evidence that the receivable will not be collected. Due to the large number of debtors, this assessment is based on supportable past history and historical write-offs of bad debts with all receivables greater than 90 days past due being considered. The impairment loss is outlined in Note 5.

## Note 3: Financial risk management objectives and policies

Medibank Private's principal financial instruments, other than derivatives, comprise cash and short-term deposits, debentures (including bank bills, promissory notes, commercial paper and floating rate notes), fixed interest investments, domestic and global property trusts, domestic equity trusts, global equity trusts and domestic discrete mandates.

The main purpose of these financial instruments is to maintain solvency and capital adequacy positions as determined by Board policy and to achieve appropriate levels of return for risk from the reserves available. Medibank Private enters into derivative transactions, principally equity market index hedges and forward currency contracts, with the sole purpose of managing its risks to equity market downturns and currency risks arising from its investment operations. It is Medibank Private's policy that at no time throughout the period will trading of these derivative instruments be undertaken.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument, are disclosed in Note 1 to the financial statements.

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: foreign exchange rates (currency risk), market interest rates (interest rate risk) and market prices (price risk).

The following policies and procedures are in place to mitigate the Company's exposure to market risk:

- An investment policy setting out the assessment and determination of what constitutes market risk for Medibank Private. Compliance with the policy is monitored and exposures and breaches are reported to the Investment Committee. The policy is reviewed regularly for changes in the risk environment.
- Strict control over hedging activities.

#### (a) Currency risk

Currency risk is the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. Medibank Private's investments in global equity trusts and global property trust asset classes are exposed to fluctuations in currency exchange rates. Forward rate contracts are entered into between the Australian dollar and the following currencies: US dollar, Japanese Yen, the Euro and Pound Sterling. Medibank Private's investment policy states that 100% of this foreign currency risk is to be economically hedged.

#### (b) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Company to cash flow risk, whereas fixed interest rate instruments expose the Company to fair value interest risk.

Medibank Private's exposure to the risk of changes in market interest rates consists of its exposure to fixed interest (not including floating interest note) investments. This risk is mitigated by keeping investments of this description to less than 2% of the total value of the portfolio.

Medibank Private has no significant concentration of interest rate risk.

**Note 3: Financial risk management objectives and policies (continued)**

*(c) Price risk*

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Medibank Private's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices. This risk is managed by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market, and careful planned use of derivative financial instruments.

Medibank has no significant concentration of price risk.

*Credit risk – investments*

Medibank Private maintains a counter-party exposure policy where credit exposure is generally limited to the AAA, AA and A rated categories (as measured by Standard & Poor's).

With respect to credit risk arising from the other financial assets of the Company, exposure arises from default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments. Counterparty limits are calculated daily and compared to authorised credit limits before further transactions are undertaken. All debt securities are rated investment grade.

*Credit risk – premiums*

Receivable balances are monitored on an ongoing basis, with the result that Medibank Private's exposure to bad debts is not significant.

The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated.

There are no significant concentrations of credit risk within Medibank Private.

*Liquidity risk*

In order to maintain appropriate levels of liquidity, Medibank Private's policy is to hold at least 50% of its total investment assets in short-term, highly liquid bank bills and tradeable commercial paper, generally maturing in 180 days or less.

**Note 4: Revenue and expenses**

	2007 \$'000	2006 \$'000
<b>(a) Investment income</b>		
Interest	78,754	64,457
Trust distributions	37,457	16,793
Dividend income	1,181	–
Realised gain on financial assets	23,146	6,107
Unrealised gain on financial assets	18,074	25,682
Unrealised foreign currency gain	1,744	665
	<b>160,356</b>	<b>113,704</b>
<b>(b) Other income</b>		
Rental income	2	148
Travel insurance commission	2,260	1,384
Interest on special purpose fund	250	165
Other	382	189
	<b>2,894</b>	<b>1,886</b>
<b>(c) Depreciation and amortisation</b>		
Depreciation – plant and equipment	2,899	1,555
Depreciation – leasehold improvements	4,413	5,246
Amortisation – software	6,775	5,370
	<b>14,087</b>	<b>12,171</b>
<b>(d) Lease expense</b>		
Operating lease rental expense	14,536	13,837
	<b>14,536</b>	<b>13,837</b>

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 4: Revenue and expenses (continued)

	2007 \$'000	2006 \$'000
<b>(e) Investment expense</b>		
Investment management fees	1,306	828
Realised loss on financial assets	15,839	13,513
Unrealised loss on financial assets	3,429	1,208
Unrealised foreign currency loss	94	226
	<b>20,668</b>	<b>15,775</b>
<b>(f) Business systems renewal program</b>		
<i>(i) Expense</i>		
Business systems renewal program expense	26,830	13,577
	<b>26,830</b>	<b>13,577</b>

Medibank Private has continued its comprehensive investment into the replacement and upgrading of core business IT infrastructure, known as the Business Systems Renewal (BSR) program.

Commenced in 2005, the multi-year project was aimed to provide, over a number of stages, a new generation of information technology that would streamline claims processing and the overall management of a large and diversified portfolio of business activities, as well as allow us to support the introduction of new products. The program is designed to deliver a staged implementation, with the first stage to be delivered in the financial year ended 30 June 2008.

Development expenses have been capitalised in Note 10 as Assets under construction in accordance with Medibank Private's accounting policy on intangibles (refer to Note 1(q)).

	Note	2007 \$'000	2006 \$'000
<i>(ii) Impairment</i>			
Impairment of intangible assets	10	–	26,135
Reversal of Impairment	10	(7,448)	–
		<b>(7,448)</b>	<b>26,135</b>

At 30 June 2006, in line with a recommendation from management, the Board of Directors reviewed the current status of the BSR program and determined that the program was not likely to meet its original stated objectives or timetable as a single-step implementation. A replanning phase was undertaken to determine the future direction of the program on a staged implementation basis. This resulted in an impairment of the asset for the 2005/2006 financial year of \$26,135,000 (shown separately on the Income Statement).

In November 2006, the replanning phase was completed and Medibank Private reassessed the future of the assets previously impaired, resulting in \$7,448,000 of the impairment loss being reversed.

## Note 5: Trade and other receivables

	Note	2007 \$'000	2006 \$'000
Contributions in arrears		10,713	9,273
Allowance for impairment loss	(i)	(253)	(387)
		<b>10,460</b>	<b>8,886</b>
Sundry debtors		21,605	10,648
Allowance for impairment loss	(ii)	(409)	–
		<b>21,196</b>	<b>10,648</b>
Goods and services tax		3,526	1,559
Government rebate scheme	(a)	84,558	78,919
Risk Equalisation Trust Fund		697	4,977
		<b>88,781</b>	<b>85,455</b>
<b>Total trade and other receivables</b>		<b>120,437</b>	<b>104,989</b>

(a) Government rebate scheme is non-interest bearing and generally on 15-day terms.

## Note 5: Trade and other receivables (continued)

### (i) Allowance for impairment loss – Contributions in arrears

Contributions in arrears are non-interest bearing. An allowance for impairment loss is generally recognised when there is objective evidence that a trade receivable is impaired. An allowance for impairment loss of \$253,000 has been recognised by Medibank Private in the 'other expenses' line item in the Income Statement (2006: \$387,000).

Movements in the allowance for impairment loss for Contributions in arrears were as follows:

	2007 \$'000	2006 \$'000
Balance at 1 July	387	387
Charge for the year	253	387
Amounts recovered	–	–
Amounts written off	(387)	(387)
Balance at 30 June	253	387

### (ii) Allowance for impairment loss – Sundry debtors

Sundry debtors are non-interest bearing and are generally on 7-30 day terms. An allowance for impairment loss is generally recognised when there is objective evidence that a trade receivable is impaired. An allowance for impairment loss of \$409,000 has been recognised by Medibank Private in the 'other expenses' line item in the Income Statement (2006: Nil).

Movements in the allowance for impairment loss for Sundry debtors were as follows:

	2007 \$'000	2006 \$'000
Balance at 1 July	–	–
Charge for the year	409	–
Amounts written off	–	–
Balance at 30 June	409	–

## Note 6: Inventories

	2007 \$'000	2006 \$'000
<b>Current</b>		
Loyalty scheme tickets		
At cost	388	516
Provision for diminution in value	(25)	(25)
	363	491

## Note 7: Financial assets at fair value through profit and loss

	Note	2007 \$'000	2006 \$'000
<b>Current</b>			
Unit trusts	(i)	449,037	260,316
Discrete mandate	(ii)	49,857	–
Debentures, notes and bills	(iii)	389,694	252,889
Derivatives	(iv)	8,387	4,652
		896,975	517,857

Terms and conditions relating to the above financial instruments:

(i) Unit trusts are readily saleable with no fixed terms. The fair value has been provided by the various fund managers.

(ii) Discrete mandates consist of directly owned shares, share related contracts and cash.

(iii) Debentures and notes are interest bearing and are reset either monthly, quarterly or biannually with an average maturity of 1,345 days (2006: 1,230 days).

(iv) Derivatives are European structured and fully tradeable on secondary markets. Pay-off is calculated at option expiry.

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 8: Other assets

	Note	2007 \$'000	2006 \$'000
<b>Current</b>			
Advance payments to hospitals	(i)	2,012	225
Prepayments	(ii)	3,386	3,794
		<b>5,398</b>	<b>4,019</b>
Terms and conditions relating to other current assets:			
(i) Payments made in accordance with contractual agreements.			
(ii) Expenses paid in advance.			
<b>Non-current</b>			
Artworks	(iii)	246	246
		<b>246</b>	<b>246</b>
Terms and conditions relating to other non-current assets:			
(iii) Measured at cost.			

## Note 9: Plant and equipment

	Plant and equipment \$'000	Leasehold improvements \$'000	Assets under construction \$'000	Total \$'000
<b>2007</b>				
<b>Gross carrying amount</b>				
Balance at 1 July 2006	10,196	34,263	523	44,982
Additions	1,169	1,965	26	3,160
Transfers in/(out)	7,902	(7,862)	(24)	16
Write-offs	(810)	(823)	(3)	(1,637)
Balance at 30 June 2007	18,456	27,543	522	46,521
<b>Accumulated depreciation</b>				
Balance at 1 July 2006	(4,451)	(13,017)	–	(17,468)
Depreciation expense	(2,899)	(4,413)	–	(7,312)
Transfers in/(out)	(3,715)	3,718	–	3
Write-offs	723	600	–	1,323
Balance at 30 June 2007	(10,342)	(13,112)	–	(23,454)
<b>2006</b>				
<b>Gross carrying amount</b>				
Balance at 1 July 2005	9,726	30,301	558	40,585
Additions	623	5,570	354	6,547
Transfers in/(out)	42	347	(389)	–
Write-offs	(195)	(1,955)	–	(2,150)
Balance at 30 June 2006	10,196	34,263	523	44,982
<b>Accumulated depreciation</b>				
Balance at 1 July 2005	(3,088)	(9,634)	–	(12,722)
Depreciation expense	(1,555)	(5,246)	–	(6,801)
Write-offs	192	1,863	–	2,055
Balance at 30 June 2006	(4,451)	(13,017)	–	(17,468)
<b>Net carrying amount</b>				
As at 30 June 2007	8,114	14,431	522	23,067
As at 30 June 2006	5,745	21,246	523	27,514

## Note 10: Intangibles

	Note	Software \$'000	Assets under construction \$'000	Total \$'000
<b>2007</b>				
<b>Gross carrying amount</b>				
Balance at 1 July 2006		27,759	13,773	41,532
Additions		819	19,967	20,785
Transfers in/(out)		1,942	(1,958)	(16)
Reversal of impairment	4(f)(ii)	–	7,448	7,448
Balance at 30 June 2007		30,520	39,230	69,750
<b>Accumulated depreciation</b>				
Balance at 1 July 2006		(14,470)	–	(14,470)
Depreciation expense		(6,775)	–	(6,775)
Transfers in/(out)		(3)	–	(3)
Balance at 30 June 2007		(21,248)	–	(21,248)
<b>2006</b>				
<b>Gross carrying amount</b>				
Balance at 1 July 2005		22,614	17,928	40,542
Additions		3,531	23,594	27,125
Transfers in/(out)		1,614	(1,614)	–
Impairment	4(f)(ii)	–	(26,135)	(26,135)
Balance at 30 June 2006		27,759	13,773	41,532
<b>Accumulated depreciation</b>				
Balance at 1 July 2005		(9,100)	–	(9,100)
Depreciation expense		(5,370)	–	(5,370)
Balance at 30 June 2006		(14,470)	–	(14,470)
<b>Net carrying amount</b>				
As at 30 June 2007		9,272	39,230	48,502
As at 30 June 2006		13,289	13,773	27,062

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 11: Trade and other payables

	Note	2007 \$'000	2006 \$'000
<b>Current</b>			
Trade creditors	(i)	22,197	18,776
Other creditors and accrued expenses	(ii)	49,661	29,574
Unearned premium liability	(a), (iii)	341,583	323,997
Employee entitlements	(iv)	21,570	19,753
Lease incentives	(v)	263	101
		<b>435,274</b>	<b>392,201</b>

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and are normally settled up to 30 days.
- (ii) Other creditors are non-interest bearing.
- (iii) Unearned premium liability is non-interest bearing.
- (iv) Employee entitlements comprise annual leave, salaries and accrued incentives. They are non-interest bearing and normally settled within 12 months.
- (v) Lease incentives are non-interest bearing and are settled over the term of the lease. The current liability represents 12 months or less of the term of the lease.

### Non-current

Employee entitlements	(vi)	4,045	3,559
Lease incentives	(vii)	197	408
		<b>4,242</b>	<b>3,967</b>

Terms and conditions relating to the above financial instruments:

- (vi) Employee entitlements comprise long service leave and are non-interest bearing.
- (vii) Lease incentives are non-interest bearing and are settled over the term of the lease. The non-current liability represents 12 months or more of the term of the lease.

### (a) Unearned premium liability

Balance at 1 July	323,997	308,346
Deferral of premium on contracts written during the year	339,850	322,138
Earnings of premiums deferred in prior years	(322,264)	(306,487)
Balance at 30 June	<b>341,583</b>	<b>323,997</b>

## Note 12: Financial liabilities at fair value through profit and loss

### Current

Derivatives	(i)	843	948
		<b>843</b>	<b>948</b>

Terms and conditions relating to the above financial instruments:

- (i) Derivatives are European structured and fully tradeable on secondary markets. Pay-off is calculated at option expiry.



## Note 13: Claims liabilities

### (a) Gross claims liability

	Note	2007 \$'000	2006 \$'000
Claims liability – central estimate of the expected present value of future payments for claims liabilities <sup>(i)</sup>		351,111	327,775
Claims handling costs		7,392	7,816
Risk margin <sup>(ii)</sup>	2(iii)	16,521	6,741
Gross claims liability	13(e)	375,024	342,332

(i) The expected future payments of claims liabilities excluding PackageBonus are discounted to present value using a risk-free rate of 6.29% pa (2006: 5.97% pa).

(ii) The risk margin of 5.9% (2006: 2.5%) of the underlying claims liabilities excluding PackageBonus has been estimated to equate to a probability of adequacy of at least 95% (2006: 75%).

### (b) Claims incurred

Current year claims relate to risks borne in the current financial year. Prior year claims relate to a reassessment of the risks borne in all previous financial years.

2007	Prior \$'000	Current \$'000	Total \$'000
<b>Claims incurred</b>			
Undiscounted	(9,662)	2,634,056	2,624,394
Discount	–	(2,261)	(2,261)
	<b>(9,662)</b>	<b>2,631,795</b>	<b>2,622,133</b>
<hr/>			
2006	Prior \$'000	Current \$'000	Total \$'000
<b>Claims incurred</b>			
Undiscounted	(6,256)	2,436,704	2,430,448
Discount	–	(1,973)	(1,973)
	<b>(6,256)</b>	<b>2,434,731</b>	<b>2,428,475</b>

### (c) Revision of accounting estimate – PackageBonus

During the year, the expected ultimate utilisation rate of current PackageBonus entitlements was increased from 85% to 90% based on a regular analysis of past claims experience. The estimate in future periods is expected to be based on 90% entitlement, however this will be reviewed every reporting period. The net effect of the change in the current financial year was an increase in claims incurred of \$14,652,000.

### (d) Revision of accounting estimate – risk margin on outstanding claims

During the year, the risk margin on outstanding claims was increased from 2.5% to 5.9% of the central estimate of the outstanding claims liability in order to achieve a probability of sufficiency of at least 95%. The probability of sufficiency is expected to be maintained at 95% in future periods, however this will be reviewed every reporting period. The net effect of the change in the current financial year was an increase in claims incurred of \$9,521,000.

### (e) Reconciliation of movement in claims liabilities

	2007 \$'000	2006 \$'000
Balance at 1 July	342,332	306,762
Additional provision	350,668	323,267
Amounts utilised during the year	(317,382)	(287,544)
Movement in claims handling costs	(424)	1,335
Movement in risk margin	9,780	6,741
Movement in discounting	(288)	(1,973)
Reversal of unused provision	(9,662)	(6,256)
Balance at 30 June	375,024	342,332

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 14: Provisions

	Note	2007 \$'000	2006 \$'000
<b>Current</b>			
Restructuring	(i)	247	634
Make good	(ii)	1,163	1,176
Other	(iii)	665	889
		<b>2,075</b>	<b>2,699</b>

### Movement in provisions

#### (i) Restructuring

Balance at 1 July	634	353
Additional provision	247	634
Amounts utilised during the year	(512)	(158)
Reversal of unused provision	(122)	(195)
Balance at 30 June	<b>247</b>	<b>634</b>

The restructuring provision relates to retail and head office restructuring programs. The estimated costs are based on detailed plans that were communicated during April and May 2007. The provision was recognised in Medibank Private's financial statements upon announcement of the plans and is expected to be completed by December 2007.

#### (ii) Make good

Balance at 1 July	1,176	1,120
Additional provision	75	226
Amounts utilised during the year	(87)	(170)
Reversal of unused provision	(1)	–
Balance at 30 June	<b>1,163</b>	<b>1,176</b>

In accordance with certain lease agreements, Medibank Private is obligated to restore leased premises to their original condition at the end of the lease term. Because of the long-term nature of the liability, there is uncertainty in estimating the ultimate amount of these costs.

#### (iii) Other

Balance at 1 July	889	5,216
Additional provision	665	1,547
Amounts utilised during the year	(842)	(5,586)
Reversal of unused provision	(47)	(288)
Balance at 30 June	<b>665</b>	<b>889</b>

Other provisions comprise costs associated with a project that aims to optimise channel distribution. This is an ongoing project with the current provision expected to be utilised in the financial year ended 30 June 2008.

## Note 15: Contributed equity

	2007 \$'000	2006 \$'000
<b>(a) Fully paid ordinary shares</b>		
Ordinary shares fully paid	<b>85,000</b>	<b>85,000</b>

### (b) Movements in shares on issue

	2007		2006	
	Number of shares	\$'000	Number of shares	\$'000
Balance at 1 July	85,000,100	85,000	85,000,100	85,000
Issued during the financial year	–	–	–	–
Balance at 30 June	<b>85,000,100</b>	<b>85,000</b>	<b>85,000,100</b>	<b>85,000</b>

### (c) Terms and conditions of contributed equity

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company, and in a winding up or reduction of capital, the right to repayment of the capital paid up on the share.

Ordinary shares do not have the right to receive dividends and, in the event of winding up the company or reduction of capital, do not have the right to participate in the distribution of the surplus assets of the company.

## Note 16: Retained earnings

	2007 \$'000	2006 \$'000
Balance at 1 July	763,200	567,180
AIFRS adjustments due to adoption of AASB 1023, 132 and 139	–	(4,042)
Profit for the year	295,169	200,062
Balance at 30 June	1,058,369	763,200

## Note 17: Fair value and interest rate risk

### (a) Interest rate risk

The following table sets out the carrying amount, by maturity, of the financial instruments exposed to interest rate risk:

Year ended 30 June 2007	Floating interest rates <sup>(ii)</sup> \$'000	Fixed interest maturing in:			Non-interest \$'000	Total \$'000
		1 year or less \$'000	1 to 5 years \$'000	over 5 years \$'000		
<b>Financial assets</b>						
Cash assets <sup>(i)</sup> (Note 19)	863,781	–	–	–	2,058	865,839
Receivables (Note 5)	–	–	–	–	120,437	120,437
Financial assets at fair value through profit and loss (Note 7)	–	17,045	324,498	48,151	507,281	896,975
<b>Total financial assets</b>	<b>863,781</b>	<b>17,045</b>	<b>324,498</b>	<b>48,151</b>	<b>629,776</b>	<b>1,883,251</b>
Weighted average interest rate:	6.55%	6.97%	6.63%	6.81%	–	–
<b>Financial liabilities</b>						
Trade and other payables (Note 11)	–	–	–	–	439,516	439,516
Financial liabilities at fair value through profit and loss (Note 12)	–	–	–	–	843	843
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>440,359</b>	<b>440,359</b>

Year ended 30 June 2006	Floating interest rates <sup>(ii)</sup> \$'000	Fixed interest maturing in:			Non-interest \$'000	Total \$'000
		1 year or less \$'000	1 to 5 years \$'000	over 5 years \$'000		
<b>Financial assets</b>						
Cash assets <sup>(i)</sup> (Note 19)	864,682	41,470	–	–	2,017	908,169
Receivables (Note 5)	–	–	–	–	104,989	104,989
Financial assets at fair value through profit and loss (Note 7)	–	2,010	250,879	–	264,968	517,857
<b>Total financial assets</b>	<b>864,682</b>	<b>43,480</b>	<b>250,879</b>	<b>–</b>	<b>371,974</b>	<b>1,531,015</b>
Weighted average interest rate:	5.86%	6.75%	6.29%	–	–	–
<b>Financial liabilities</b>						
Trade and other payables (Note 11)	–	–	–	–	396,168	396,168
Financial liabilities at fair value through profit and loss (Note 12)	–	–	–	–	948	948
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>397,116</b>	<b>397,116</b>

(i) The cash figure includes monies at call and short-dated discount securities.

(ii) Floating interest rates represent the most recently determined rate applicable to the instrument at balance date.

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 17: Fair value and interest rate risk (continued)

### (b) Fair values

Set out below are the fair values of all of Medibank Private's financial instruments recognised in the financial statements. The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of Medibank Private is equal to their carrying amounts. The fair value of other monetary financial assets and financial liabilities is based upon market prices prevailing at balance date.

	Note	2007 \$'000	2006 \$'000
<b>Financial assets</b>			
Cash	19(a)	865,839	908,169
Trade and other receivables	5	120,437	104,989
Financial assets at fair value through profit and loss (current)	7	896,975	517,857
		<b>1,883,251</b>	<b>1,531,015</b>
<b>Financial liabilities</b>			
Trade and other payables (current)	11	435,274	392,201
Trade and other payables (non-current)	11	4,242	3,967
Financial liabilities at fair value through profit and loss	12	843	948
		<b>440,359</b>	<b>397,116</b>

The unit trusts and debentures, notes and bills are readily traded on organised markets in standardised form.

### (c) Economic hedge activities

Medibank Private has entered into derivative transactions on its Australian and international equity and property unit trust holdings that protect Medibank Private against excessive negative movements in these asset classes. All currency exposure existing as a result of Medibank Private's international investments has been economically hedged.

## Note 18: Commitments

	2007 \$'000	2006 \$'000
<b>(a) Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
Within one year	800	15,861
After one year but not more than five years	–	2,602
Longer than five years	–	–
	<b>800</b>	<b>18,463</b>
Capital expenditure commitments consist of costs associated with the retail centre refurbishment project.		
<b>(b) Operating lease commitments</b>		
Future operating lease rentals not provided for, payable:		
Within one year	15,651	19,352
After one year but not more than five years	33,955	46,240
Longer than five years	11,034	15,266
Total minimum lease payments	<b>60,640</b>	<b>80,858</b>
Operating leases are entered into as a means of acquiring access to corporate and retail property, office equipment and motor vehicles. Rental payments are generally fixed, with differing clauses to adjust the rental to reflect increases in market rates. These clauses include fixed incremental increases, market reviews and inflation escalation clauses during a lease on which contingent rentals are determined. For the majority of operating leases for retail property, there are renewal options. Purchase options exist in relation to operating leases for motor vehicles at the end of their term. Renewal and purchase options exist in relation to operating leases for office equipment. No operating leases contain restrictions on financing or other leasing activities.		
<b>(c) Other expenditure commitments</b>		
Other commitments not provided for, payable:		
Within one year	32,183	20,103
After one year but not more than five years	25,032	19,734
Longer than five years	3,573	5,668
	<b>60,788</b>	<b>45,505</b>
Other commitments consist of IT outsourcing, IT software and sponsorship commitments.		
<b>Total commitments payable</b>	<b>122,228</b>	<b>144,826</b>

## Note 19: Cash and cash equivalents

	2007 \$'000	2006 \$'000
<b>(a) Reconciliation of cash</b>		
For the purposes of the Cash Flow Statement, cash includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the Balance Sheet as follows:		
Cash (i) and (ii)	865,839	908,169
Total cash and cash equivalents	865,839	908,169
<b>(b) Reconciliation of the net profit to net cash flows from operations</b>		
Profit	295,169	200,062
<b>Adjustments for:</b>		
Depreciation	7,312	6,801
Amortisation	6,775	5,370
Write-off of plant and equipment	312	95
Realised gain on financial assets	(23,146)	(6,107)
Unrealised gain on financial assets	(19,818)	(26,347)
Realised loss on financial assets	15,839	13,513
Unrealised loss on financial assets	3,523	1,434
<b>Non-operating cash flows</b>		
Interest income	(78,195)	(63,972)
Interest income on special purpose fund	(250)	(165)
Trust distributions/dividend income	(38,638)	(16,793)
Investment charges	1,306	828
<b>Impairment/(reversal of impairment) of assets</b>		
Assets under construction	(7,448)	26,135
<b>(Increase)/decrease in assets</b>		
Trade and other receivables	(15,723)	(13,631)
Inventories	128	(324)
Other assets	(1,379)	(883)
<b>Increase/(decrease) in liabilities</b>		
Trade and other payables	43,349	11,411
Claims liabilities	32,692	30,948
Provisions	(624)	(1,172)
Diminution in inventory value	–	(3)
Groups in arrears	(134)	–
Doubtful debts	409	(485)
	221,459	166,715
<b>(c) Financing facilities</b>		
Unsecured overdraft credit facility, reviewed annually:		
Amount used	–	–
Amount unused	16,000	16,000
	16,000	16,000

(i) In February 2004, Medibank Private reached agreement on a 'Principles of Settlement' with the Australian Competition and Consumer Commission regarding an Action in October 2000. The settlement required payment of \$5,000,000 to a Special Purpose Fund (SPF) account. These funds are classified as restricted funds by Medibank Private. The SPF will continue to operate until the monies are fully expended through the payment of member settlement claims. The balance of the SPF at 30 June 2007 was \$3,389,000 (2006: \$4,381,000).

(ii) This includes restricted funds of \$1,700,000 (2006: \$4,300,000) held in escrow under the contractual agreement between a vendor and Medibank Private.

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 20: Key management personnel

### (a) Details of key management personnel

#### (i) Directors

##### Current

E P McClintock	Chairman (Non-Executive) – appointed 19 March 2007
G Savvides	Managing Director
J U Stoelwinder	Director (Non-Executive)
J Bowen	Director (Non-Executive)
A H Brien	Director (Non-Executive)
R D Harley	Director (Non-Executive)
B F Keane	Director (Non-Executive)
P B Wade	Director (Non-Executive)

##### Former

P M Kirby	Chairman (Non-Executive) – elected not to renew at the expiry of his term. Term expired 7 February 2007
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#### (ii) Executives

##### Current

B Levy	Chief Operating Officer and Deputy Managing Director – appointed to position 1 December 2006
T Jones	Group Manager – Corporate Strategy & Communications
M Sammells	Chief Financial Officer
H Parkinson	Group Manager – People & Culture

##### Former

K Crompton	Chief Information Officer – ceased employment 27 June 2007
S Blair	Chief Operating Officer – ceased employment 20 October 2006

There were no other changes of the Directors or executives after reporting date and before the date the financial report was authorised for issue.

### (b) Compensation of key management personnel

#### (i) Compensation policy

Medibank Private operates a strong performance based approach to remuneration. Our philosophy is to ensure that the mix and quantum of remuneration properly reflects the responsibilities and duties of our executives and Directors. The remuneration approach adopted by Medibank Private provides a competitive reward proposition, targeted at attracting, motivating and retaining the most appropriately qualified and experienced individuals.

#### (A) Nomination, Remuneration & Human Resources Committee

The Nomination, Remuneration & Human Resources Committee has recommended, and the Board has adopted a policy that remuneration will:

- reward executives for corporate, operational and individual performance against targets set by reference to appropriate benchmarks;
- align the interests of the executives to reward growth in shareholder value;
- link reward with the strategic goals and performance of Medibank Private; and
- ensure total remuneration is competitive by market standards.

#### (B) Compensation Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and executive compensation is separate and distinct.

#### (C) Non-Executive Director Compensation

Non-Executive Directors' fees, including committee fees, are set by the Commonwealth Remuneration Tribunal. The level of their fees is not set with reference to measures of Company performance.

As determined by the Commonwealth Remuneration Tribunal, Non-Executive Directors' fees were increased by 4.4% with effect from 1 July 2006. Non-Executive Directors receive an annual fee of \$50,780 in relation to their service as a Director of the Board. The Chairman, taking into account the greater commitment required, receives a fee of \$101,510. In addition, Directors who sit on the Audit & Risk Management Committee receives an additional fee of \$5,935 and the Chair of that committee receives an additional fee of \$11,870 per annum. Directors are entitled to life insurance cover and may purchase private health insurance cover on the same terms as employees. Compulsory statutory superannuation contributions are also made.

The compensation of Non-Executive Directors for the period ended 30 June 2007 is detailed in Note 20(b)(ii) of this report.

#### (D) Executive Compensation

##### Objective

Medibank Private aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities.

##### Structure

Executive remuneration comprises both a fixed component and an at-risk component. Fixed remuneration provides a guaranteed level of reward based on the executive's role, skills, knowledge, experience, individual performance and the employment market. At-risk remuneration rewards executives for achieving financial and business targets – no reward is earned unless predetermined performance targets are achieved. The mix between fixed remuneration and at-risk remuneration depends on the level of seniority of the executive or the area of responsibility.

The compensation of executives for the period ended 30 June 2007 is detailed in Note 20(b)(ii) of this report.

## Note 20: Key management personnel (continued)

### (b) Compensation of key management personnel (continued)

#### (E) Fixed Compensation

##### Objective

The level of fixed remuneration is set so as to provide a base level of remuneration that is appropriate to the position, consistent with the incumbent's skills and experience and is competitive in the market.

Fixed remuneration is reviewed annually and is determined by the scope of the individual's role, their level of knowledge, skills and experience, their performance and market benchmarking.

##### Structure

Fixed remuneration comprises cash salary, superannuation contributions, car parking and insurances. Nominated benefits may also be packaged, which include novated car leases, salary sacrificed superannuation contributions and additional FBT exempt items such as laptop computers.

#### (F) Variable Compensation – Short-Term Incentive Plan (STI)

What is the STI?	An annual cash incentive plan linked to specific annual targets.
Who participates in the STI?	All Group Executives (including the Managing Director).
What are the changes from the 2006 plan?	The plan no longer incorporates a deferral component. The longer-term and retention elements previously targeted by the deferral component are dealt with through the introduction of a new LTI for 2007.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a large proportion of executive remuneration at-risk against meeting targets linked to Medibank Private's annual business objectives.
Who assesses the performance of Group Executives?	The Managing Director assesses the performance of Group Executives at the end of each financial year and confers with the Board regarding his assessment.
Who assesses the performance of the Managing Director?	The Board agrees the Managing Director's targets at the beginning of each year and assesses performance against those targets at the end of the financial year, having conferred with the Nomination, Remuneration & Human Resources Committee.
What are the performance conditions?	The performance conditions comprise corporate financial and non-financial targets and a mix of operational and individual objectives.
Why were these conditions chosen?	The targets are set in line with Medibank Private's corporate plan.
Are both target and stretch performance conditions imposed?	Yes. The STI and the performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the already challenging targets, the STI has the facility to double if all stretch measures are achieved.
How well were the performance conditions met in the 2007 financial year?	Following the record result, most stretch performance targets were attained. The one exception was in the area of first-year staff retention, which improved considerably on last year, but still fell short of the target performance level set.

#### (G) Variable Compensation – Long-Term Incentive Plan (LTI)

What is the LTI?	The LTI is the incentive component of remuneration for executives who are able to influence and have a direct impact on longer-term company performance. The LTI is designed to encourage executives to focus on the key performance drivers which underpin sustainable organisational growth.
Who participates in the LTI?	All Group Executives (excluding the Managing Director).
What are the changes from the 2006 plan?	This is a new plan for 2007. The previous plan expired in 2006 and was based on internal financial measures only. The 2007 plan involves both internal and external measures and incorporates a market share hurdle.
Why does the Board consider the structure of the LTI appropriate?	The LTI links a significant proportion of participants' potential remuneration to Medibank Private's longer-term performance objectives. The Board believes the LTI will promote behaviour that will achieve superior performance over the long term.
What are the key features of the LTI?	The Board at its absolute discretion may notify participants of their eligibility to participate in the LTI. Participants are notified of the potential award amounts for both on-target and maximum performance for which they may become entitled; the applicable period over which performance will be measured; and the performance conditions that must be satisfied before an award vests (which only occurs upon the Board's assessment that performance conditions have been met). Where a participant ceases to be an employee of Medibank Private, unless the Board determines otherwise, all unvested awards held by an executive lapse.
Is the benefit to executives of participation in the LTI affected by changes in market share?	Yes. The remuneration value participants receive through participation in the LTI will be reduced if market share falls during the assessment period.
What is the performance measurement testing period?	Ongoing. This will be a three year plan. Due to the 1 January 2007 start date of the plan, the first tranche will operate over a 2.5 year period (to coincide with the completion of a full financial year).

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 20: Key management personnel (continued)

### (b) Compensation of key management personnel (continued)

#### (ii) Compensation of key management personnel for the year ended 30 June 2007

30 June 2007	Short-Term			Post-Employment		Long-Term		Other		Total Remuneration \$
	Salary and Fees \$(b)	STI \$	Non-Monetary Benefits \$	Other(c) \$	Super-annuation \$	LTI(d) \$	Deferred STI(e) \$	Other(f) \$	Termination Benefits \$	
<b>Directors(a)</b>										
E P McClintock (Chairman) <sup>1</sup>	30,167	–	2,438	15	2,715	–	–	–	–	35,335
P M Kirby (Chairman) <sup>2</sup>	66,120	–	10,083	2,160	5,951	–	–	–	–	84,314
J Bowen	56,715	–	1,919	906	5,104	–	–	–	–	64,644
A H Brien	56,270	–	4,257	989	5,064	–	–	–	–	66,580
R D Harley	56,715	–	8,648	961	5,104	–	–	–	–	71,428
B F Keane	56,715	–	508	831	5,104	–	–	–	–	63,158
J U Stoelwinder	62,569	–	8,452	697	5,631	–	–	–	–	77,349
P B Wade	62,650	–	9,987	1,280	5,639	–	–	–	–	79,556
<b>Total Director remuneration</b>	<b>447,921</b>	<b>–</b>	<b>46,292</b>	<b>7,839</b>	<b>40,312</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>542,364</b>
<b>Current executives</b>										
G Sawides (Managing Director)	654,923	416,150	24,896	4,188	54,538	–	–	56,411	–	1,211,106
B Levy <sup>3</sup>	473,232	341,100 <sup>(g)</sup>	28,456	1,545	40,560	–	–	34,002	–	918,895
T Jones	385,721	217,210	9,110	2,155	12,930	–	–	9,235	–	636,361
M Sammells	365,283	226,200	8,149	2,029	31,131	–	–	16,986	–	649,778
H Parkinson	277,762	176,900	7,891	2,737	24,699	–	–	2,846	–	492,835
<b>Total current executive remuneration</b>	<b>2,156,921</b>	<b>1,377,560</b>	<b>78,502</b>	<b>12,654</b>	<b>163,858</b>	<b>–</b>	<b>–</b>	<b>119,480</b>	<b>–</b>	<b>3,908,975</b>
<b>Former executives</b>										
K Crompton <sup>4</sup>	301,956	134,074	508	2,512	24,601	–	–	–	44,691	508,342
S Blair <sup>5</sup>	117,727	–	15,480	1,710	9,820	–	–	–	43,655	188,392
<b>Total former executive remuneration</b>	<b>419,683</b>	<b>134,074</b>	<b>15,988</b>	<b>4,222</b>	<b>34,421</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>88,346</b>	<b>696,734</b>

(a) Directors comprise all those who acted at any time during the reporting period.

(b) Salary and Fees includes accruals for annual leave.

(c) Other benefits include death, total and permanent disablement, salary continuance and subsidised health insurance.

(d) LTI is not reliably measurable at this point and no amount has been accrued in 2007 due to the inherent difficulty in forecasting to the date of payment.

(e) STI amounts to be paid in 2009 were accrued for in 2006 (as presented in the 2006 Annual Report).

(f) Comprises accrual for long service leave.

(g) This amount includes an additional performance based bonus of \$25,000.

1. Appointed 19 March 2007.

2. Elected not to renew at the expiry of his term. Term expired 7 February 2007.

3. Appointed Chief Operating Officer 1 December 2006.

4. Ceased employment 27 June 2007.

5. Ceased employment 20 October 2006.



Note 20: Key management personnel (continued)

b) Compensation of key management personnel (continued)

(iii) Compensation of key management personnel for the year ended 30 June 2006

	Short-Term				Post-Employment	Long-Term			Other	
	Salary and Fees <sup>(a)</sup>	STI	Non-Monetary Benefits	Other <sup>(b)</sup>	Super-annuation	LTI <sup>(c)</sup>	Deferred STI <sup>(d)</sup>	Other <sup>(e)</sup>	Termination Benefits	Total Remuneration
30 June 2006	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Directors</b>										
P M Kirby (Chairman) <sup>2</sup>	102,874	–	7,438	1,705	9,259	–	–	–	–	121,276
G Sawides (Managing Director) <sup>(f)</sup>	475,353	94,013 <sup>(f)</sup>	22,553	2,953	41,606	–	94,013 <sup>(f)</sup>	8,455	–	738,946
J Bowen	54,292	–	1,012	1,108	4,886	–	–	–	–	61,298
A H Brien	54,292	–	5,801	1,092	4,867	–	–	–	–	66,052
R D Harley	54,292	–	5,126	901	4,886	–	–	–	–	65,205
B F Keane	54,292	–	248	832	4,886	–	–	–	–	60,258
J U Stoelwinder	54,292	–	6,685	637	4,886	–	–	–	–	66,500
P B Wade	59,972	–	6,030	1,222	5,937	–	–	–	–	72,621
<b>Total Director remuneration</b>	<b>909,659</b>	<b>94,013</b>	<b>54,893</b>	<b>10,450</b>	<b>80,673</b>	<b>–</b>	<b>94,013</b>	<b>8,455</b>	<b>–</b>	<b>1,252,156</b>
<b>Current executives</b>										
S Blair	367,831	74,497	8,979	1,547	31,989	48,836	74,497	6,295	–	614,471
T Jones	370,419	74,813	5,892	584	12,373	–	74,813	3,332	–	542,226
B Levy	357,448	80,514	6,901	584	33,890	95,850	80,514	7,307	–	663,008
M Sammells <sup>1</sup>	294,315	63,130	7,145	1,486	24,643	–	63,130	5,276	–	459,125
H Parkinson <sup>2</sup>	240,037	46,909	5,537	1,412	20,856	–	31,272	1,604	–	347,627
K Crompton <sup>3</sup>	65,176	14,207	–	320	5,520	–	14,207	435	–	99,865
<b>Total current executive remuneration</b>	<b>1,695,226</b>	<b>354,070</b>	<b>34,454</b>	<b>5,933</b>	<b>129,271</b>	<b>144,686</b>	<b>338,433</b>	<b>24,249</b>	<b>–</b>	<b>2,726,322</b>
<b>Former executives</b>										
C Piccinino <sup>4</sup>	213,555	–	6,109	1,196	9,897	28,854	–	–	265,770	525,381
S Singh <sup>5</sup>	217,499	–	5,181	438	19,574	–	–	–	230,087	472,779
<b>Total former executive remuneration</b>	<b>431,054</b>	<b>–</b>	<b>11,290</b>	<b>1,634</b>	<b>29,471</b>	<b>28,854</b>	<b>–</b>	<b>–</b>	<b>495,857</b>	<b>998,160</b>

(a) Salary and Fees includes accruals for annual leave.

(b) Other benefits include salary and continuance insurance and subsidised health insurance.

(c) LTI plan amounts have been accrued.

(d) STI amounts have been accrued and payment is deferred for three years.

(e) Comprises accrual for long service leave.

(f) \$62,675 of G Sawides' STI is subject to performance objectives that are still in progress, and will be paid at the completion of those objectives being achieved.

1. Appointed Chief Financial Officer 4 November 2005.

2. Commenced 15 August 2005.

3. Commenced 3 April 2006.

4. Ceased employment 31 October 2005.

5. Ceased employment 31 March 2006.

(iv) Compensation by category: key management personnel

	2007	2006
	\$	\$
Short-Term	4,701,656	3,602,676
Post-Employment	238,591	239,415
Long-Term	119,480	638,690
Termination Benefits	88,346	495,857
	<b>5,148,073</b>	<b>4,976,638</b>

# Notes to the Financial Statements (continued)

For the financial year ended 30 June 2007

## Note 21: Related party disclosure

There were no related party transactions that required disclosure during the financial year ended 30 June 2007 (2006: Nil).

## Note 22: Contingent liabilities

There are no material contingent liabilities at reporting date.

## Note 23: Auditor's remuneration

Amounts received or due and receivable by the auditor, Australian National Audit Office and its contractor, for:

	2007	2006
	\$	\$
Auditing the financial report	309,462	245,525
Other services – regulatory reporting	50,817	97,750
Other services – advisory	250,986	145,589
	611,265	488,864

## Note 24: Solvency reserve

Medibank Private's Solvency Reserve, as per the Private Health Insurance (Health Benefits Fund Administration) Rules 2007, is \$290,905,000. Total Net Assets are \$1,143,369,000 representing an excess of \$852,464,000 over the solvency reserve.

## Note 25: Segment reporting

Medibank Private operates in the business of providing private health insurance in Australia.

## Note 26: Additional company information

Medibank Private is a registered private health insurer, incorporated and operating in Australia.

Registered office and principal place of business

Level 17  
700 Collins Street  
Docklands VIC 3008  
Australia  
Tel: (03) 8622 5222

## Directors' Declaration

In accordance with a resolution of the Directors of Medibank Private Limited, we state that:

In the opinion of the Directors:

- (1) (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
  - (ii) complying with *Accounting Standards and Corporations Regulations 2001*; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (2) This declaration has been made after receiving the declarations required to be made to the Directors by the Managing Director and Chief Financial Officer in accordance with section 295A of the *Corporations Act 2001* for the financial period ending 30 June 2007.

On behalf of the Board



**Paul McClintock**  
Chairman



**G Savvides**  
Managing Director

Melbourne, 16 August 2007



## INDEPENDENT AUDITOR'S REPORT

To the members of Medibank Private Limited

### Scope

I have audited the accompanying financial report of Medibank Private Limited (the company), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

### *The Directors' Responsibility for the Financial Report*

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

### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards and the *Corporations Act 2001*. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

GPO Box 707 CANBERRA ACT 2601  
19 National Circuit BARTON ACT 2600  
Phone (02) 6203 7300 Fax (02) 6203 7777

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

***Independence***

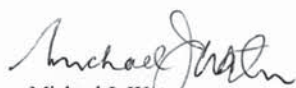
In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

**Auditor's Opinion**

In my opinion:

1. the financial report of Medibank Private Limited is in accordance with the *Corporations Act 2001*, including:
  - (a) giving a true and fair view of the financial position of Medibank Private Limited at 30 June 2007 and of its performance for the year ended on that date; and
  - (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(b).

Australian National Audit Office

  
Michael J. Watson

Group Executive Director

Delegate of the Auditor-General

Canberra

16 August 2007

# Corporate Directory

## Company name

Medibank Private Limited

## Directors

Paul McClintock (Chairman)

George Savvides (Managing Director)

Julia Bowen

Adrian Brien AM

Roger Harley

Brian Keane

Just Stoelwinder

Peter Wade

## Company Secretary

Stephen Harris (commenced July 2007)

## Registered Office

Level 17, 700 Collins Street

Docklands Victoria 3008

## ACN

080 890 259

## ABN

47 080 890 259

Medibank Private Limited is a  
Registered Private Health Insurer

## General Counsel

Justine Halloran

## Auditor

Auditor-General

## Bankers

Westpac Banking Corporation

## Contact details

132 331

[ask\\_us@medibank.com.au](mailto:ask_us@medibank.com.au)

[www.medibank.com.au](http://www.medibank.com.au)



Medibank Private's 2006 Annual Report *Enhancing Leadership through Growth* won a Silver Award at the 2007 Australasian Reporting Awards. The report was also a finalist in the Communications Award category.





At Medibank Private, we see our retail network as a significant investment and asset in delivering customer service to our members, no matter which state they live in.

## Retail Sites

### New South Wales

Albury  
 Armidale  
 Bankstown  
 Blacktown  
 Bondi Junction  
 Broken Hill  
 Brookvale  
 Burwood  
 Campbelltown  
 Castle Hill  
 Charlestown  
 Chatswood  
 Coffs Harbour  
 Dubbo  
 Erina  
 Haymarket  
 Hornsby  
 Hurstville  
 Lismore  
 Liverpool  
 Martin Place  
 Miranda  
 North Ryde  
 North Sydney  
 Orange  
 Pagewood  
 (Eastgardens)  
 Parramatta  
 Penrith  
 Tamworth  
 Tuggerah  
 Wagga Wagga  
 Wollongong

### Victoria

Airport West  
 Ballarat  
 Bendigo  
 Box Hill  
 Broadmeadows  
 Camberwell  
 Chadstone  
 Cheltenham  
 Dandenong  
 Doncaster  
 Elsternwick  
 Epping  
 Fountain Gate  
 Frankston  
 Galleria  
 Melbourne  
 Geelong  
 Glen Waverley  
 Greensborough  
 Maribyrnong  
 Prahran  
 Preston  
 QV Melbourne  
 Ringwood  
 Shepparton  
 Traralgon  
 Wantirna South  
 Warrnambool  
 Watergardens  
 Werribee

### Queensland

Brisbane  
 Broadbeach  
 Browns Plains  
 Bundaberg West  
 Cairns  
 Capalaba  
 Carindale  
 Chermside  
 Elanora  
 Gladstone  
 Helensvale  
 Indooroopilly  
 Ipswich  
 Kippa-Ring  
 Loganholme  
 Mackay  
 Maroochydore  
 Mitchelton  
 Rockhampton  
 Southport  
 Toowoomba  
 Townsville  
 Upper Mt Gravatt

### Western Australia

Booragoon  
 Cannington  
 Fremantle  
 Innaloo  
 Joondalup  
 Karrinyup  
 Mandurah  
 Midland  
 Morley  
 Perth  
 Whitford

### South Australia

Adelaide  
 Elizabeth  
 Marion  
 Modbury  
 Unley  
 West Lakes

### Tasmania

Glenorchy  
 Hobart  
 Launceston  
 Rosny

### Australian Capital Territory

Belconnen  
 Civic  
 Woden

### Northern Territory

Casuarina



[Contact us](#)

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[www.medibank.com.au](http://www.medibank.com.au)