

I feel....



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

## About Medibank Private

Medibank Private is the largest Australian-owned private health insurer. With significant membership in every state and territory, Medibank Private insures over three million members, comprising almost 30% of the private health insurance market. We provide health cover for hospital and ancillary services, as well as travel and life insurance. Our 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. Our services are provided through an Australia-wide distribution network, which consists of over 110 retail stores, agents, a national network of customer care call centres and an award-winning online member services website 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). Medibank Private's Shareholder Minister is the Minister for Finance and Deregulation.

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

**Our 'Purpose'** is to ensure our members are clearly better off 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.

**Our Vision** is to be Australia's leading private health insurer. At Medibank Private, we strive to achieve much more as a market leader than just financial success.

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medibank  
PRIVATE

Pravin is making use of the free health check up offered at the Glen Waverley retail centre.





Rocco is going overseas and is organising his travel insurance with Medibank.




medibank  
PRIVATE

now I feel better now I feel better now I feel better now

The background features a large advertisement for Medibank Private. On the left, a woman in a red dress is shown in a dynamic pose. On the right, a man in a blue shirt is sitting on the floor. The text 'medibank PRIVATE' is prominently displayed at the top, and the slogan 'now I feel better now' is repeated in a smaller font below.

# 57,000

people are served by Medibank staff every week through our retail and call centre networks.



Jeannine heads up the Glen Waverley retail centre and has been a Medibank staff member for 20 years.

The image shows a retail service center with several cubicles. In the foreground, a woman (Jeannine) is seated at a desk with a computer monitor, keyboard, and printer. Another woman is visible in the background, also at a desk. The cubicles are separated by light blue glass partitions.

## ...better now



# 1,332

primary schools Australia-wide participate in our 1Seven program – one hour of physical activity and up to seven serves of fruit and vegetables each day.

Sam and her family are covered by Medibank Priority through her work.

Liz is Medibank Private's Sponsorship Manager. In addition to the Medibank International, we support junior tennis in NSW through a clubs' grant program and sponsorship.



Chris exercises every day, which is great for his health. But Medibank Private research has found that a lack of physical activity amongst Australian adults is costing the Australian health care system an avoidable \$1.5 billion a year.

# \$2.9 billion

in hospital and ancillary benefits  
funded in 2007/08.

Pauline is a Medibank Hospital  
Liaison Officer working at St Vincent's  
& Mercy Private Hospital, Melbourne.

Mum Emily is doing great, and baby Lachlan  
helped Medibank hit the 3 millionth resident  
member mark. He was one of over 20,000  
babies who joined Medibank this year.





Three generations – Lachlan's Grandma, Kate, is also a Medibank Private member.

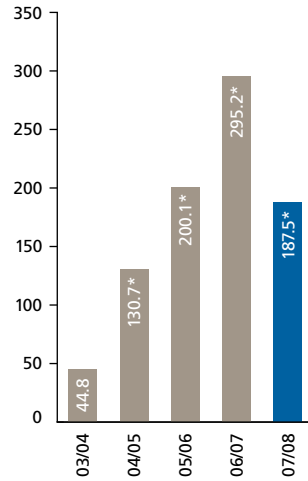
# Performance Highlights

## PROFIT

**Down 36.5%**

2007/08 profit was adversely impacted by investments return however, a strong underlying result was achieved.

Values in \$m

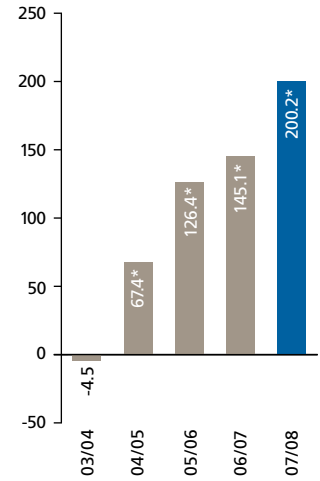


## UNDERWRITING RESULT

**Up 37.9%**

For the fourth consecutive year, a strong underwriting result has been recorded.

Underwriting result is after expenses but before impairments. Values in \$m

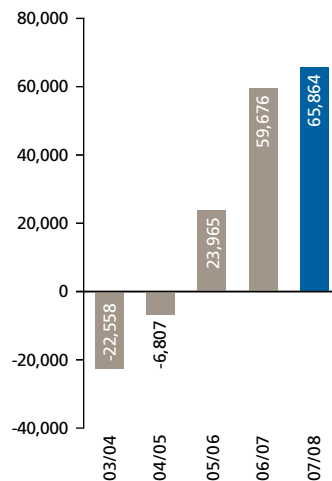


## RESIDENT MEMBERSHIP GROWTH

**Up 10.4%**

In 2007/08 Medibank Private achieved its highest net resident membership growth in five years.

Values in number of resident memberships



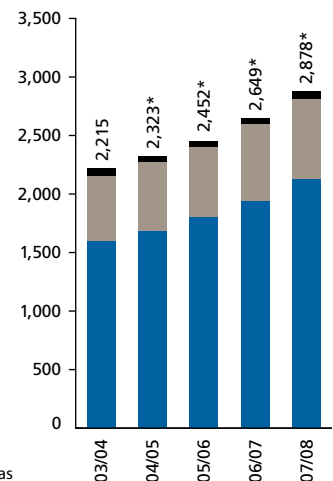
## MEMBER BENEFITS

**Up to \$2.9 billion**

A record amount was paid for member benefits this year, up 8.7%.

Claims expense excludes the impact of risk equalisation. Values in \$m

■ Hospital ■ Ancillary ■ Overseas

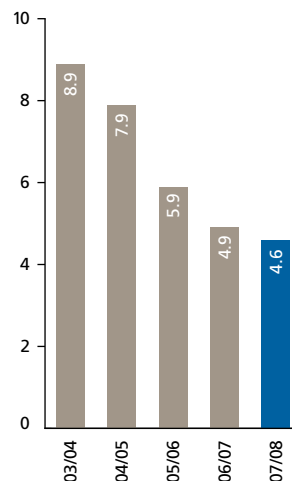


## AVERAGE PREMIUM RATE INCREASE

**Contained to 4.6%**

Four consecutive years of reduction in the annual average premium increase have been achieved, with the April 2008 rise of 4.6% being the lowest.

Values in %

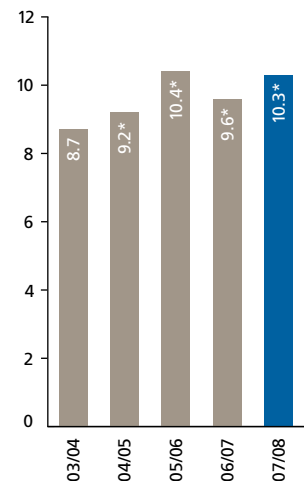


## MANAGEMENT EXPENSE

**Contained to 10.3%**  
of premium revenue

Medibank Private continues to exert prudent control over management expenses, and the increase includes our ongoing major investment in IT platforms.

Values in %



\*Australian Equivalent of International Financial Reporting Standards (AIFRS) compliant.

## 2007/08 Facts At a Glance

**65,864**

Net resident  
membership  
growth

**3,221,565**

Number  
of people  
covered

**449**

Number of  
contracted private  
hospitals

**\$3.4**

billion  
Premium revenue

**8.7%**

Claims expense  
growth  
excluding the impact  
of risk equalisation

**17,399,021**

Number  
of ancillary  
services

**1,774,278**

Call  
volumes

**796,376**

Number  
of hospital  
episodes

**\$2.9**

billion  
Member benefit  
outlays

**199**

Number of  
retail points  
of service

**28.7%**

Market share  
(resident)

**4.6%**

Average  
premium  
rate rise

# Chairman's Report



*'We continuously aim to be an even better health insurance company. Results show more people are selecting Medibank Private.'*

Medibank Private looks back on a year of great change, in the objectives of our owner, our regulatory and tax settings, and in our competitive environment.

The first change was the decision of the new Australian Government to retain ownership of the Company, requiring us to focus our attention on further strengthening our organisation, both internally and externally, as a Government Business Enterprise. This change of direction has been challenging, but has provided the organisation with a clear planning period to consolidate some of the important gains made over the past few years, without the demands of a possible privatisation process.

The second change is the proposed policy amendments to the thresholds relating to the Medicare Levy Surcharge. This will require us to continue to develop a service offering for our members that is compelling enough for them to want to stay with us in the absence of a tax penalty. We have confidence that our comprehensive product offering and high levels of service performance and customer loyalty will position us to deal with adverse trends better than many of our competitors, but it is unrealistic to think we will be untouched by the change.

The third change is the continuing consolidation of the industry, with Medibank Private now sharing its national leadership position after the merger of two of its largest competitors.

This is the dynamic environment in which we have operated, continuing to build our internal capability and a sound base for a strong sustainable future. Highlights of the year include:

- A 5.5% growth in overall memberships, and reaching a record three million resident members covered, in addition to our overseas students and visitors. This is a significant milestone, and reflects our commitment to delivering value-for-money health protection for all Australians.
- A strong underwriting result after expenses of \$200 million, a 37.9% increase from 2006/07. This equates to an underwriting margin of 5.9% and was achieved while still delivering a reduction in the level of rate increases on premiums for the fourth consecutive year. This solid underwriting result for Medibank enabled us to protect the strength of our business even though we experienced negative returns on our investment portfolio due to the downturn in equity markets.
- A roll out of our new hospital claims system, which will facilitate the adoption of the Government's new ECLIPSE processing system.
- An offer to Australian Health Management (ahm) to bring our businesses together and employ ahm's health management capability, sharing it with the 3.2 million members of Medibank Private. We hope to conclude the sale process midway through the next financial year, and if successful, begin the process of integrating the organisations.

During the year, we continued our work in delivering value-for-money products to our members by negotiating cost-effective and high-quality health care services agreements. At the other end of the health care spectrum, we have taken an active role in helping our members stay healthy, through expansion of our preventative health programs. We believe Medibank has a leadership role to play in seeing the Private Health Insurance sector embrace preventative health as part of its value proposition.

The Board strongly supports our committed management team in helping to embed our 'Purpose' – the name we have given to our mission – *to ensure our members are clearly better off with Medibank Private.*

### The year ahead

We are passionate and committed to being a part of the solution to address systemic issues within the public and private health sectors that prevent good health outcomes. No private health insurer can afford to take a myopic view of the health system. We are accountable and feel obligated to adopt a holistic approach to improving health care for all Australians. Only when the public and private health sectors work together as a complementary team will Australians get the best from the Australian health system. This is no easy task of course, but it is one to which our organisation is unwaveringly committed.

We are in a strong financial position. We have an experienced and committed team, with the enthusiasm to take a more active role in addressing broader health issues, and we are confident we will successfully deal with the changing and challenging landscape ahead.

The Australian Government has already issued a clear challenge to the health insurance industry to help address broader health care issues, including tackling chronic diseases and achieving better integration and co-ordination of care. Whilst the current structure of the health system, with complementary

roles played by so many participants, limits the impact of any one player without the involvement of all the others, our organisation is keen and ready to bring its financial and professional resources to help meet this challenge.

### A passionate, committed team

Over the last 12 months, I have had the opportunity to visit most of our state offices and speak to our staff. I am genuinely impressed with the enthusiasm shown by our team members and their commitment to our 'Purpose'.

I'd like to thank my fellow Directors and extend my appreciation to the staff at Medibank Private, led by Managing Director George Savvides and his senior leadership team, who have done an excellent job in 2007/08, producing an exceptional business result, with high membership and underwriting result. The whole team is very impressive, and a pleasure to work with.

Finally, I acknowledge and thank two Board members and Committee chairmen, Adrian Brien and Peter Wade, who recently retired, and Brian Keane and Roger Harley, who retired in 2007, and also welcome Jane Harvey and Philip Twyman to the Board.



**Paul McClintock**  
Chairman

# Managing Director's Report



*'Despite a rapidly changing health insurance landscape, Medibank has delivered strong membership growth and strong financial performance. I feel we are doing the right thing by our members.'*

## A strong performance

In 2007/08, Medibank Private has produced another very strong financial performance in a highly competitive and rapidly changing market. The fund's premium revenue grew 10% to \$3.4 billion while our underwriting result after expenses rose to \$200 million, a 37.9% increase on last year's result.

Our overall profit was affected by the instability of both local and global share markets and this was reflected in our net investment income loss of \$17 million for the year.

During the year, we paid \$2.9 billion for health services on behalf of members, an increase of \$229 million or 9% 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 strong organisation for our members.

More people chose to join Medibank Private than any other health fund this year. Our continued focus on customer value and cost management has seen consistent record growth in membership. Particular highlights included the significant growth in market share in both South Australia and Western Australia and our retention of the national market share leader position (based on number of memberships).

Key performance achievements:

- Our underwriting margin rose to 5.9%.
- Our overall membership base (resident and non-resident) grew by 5.5%.

- Our management expense ratio remained below industry average.
- We delivered a premium increase below industry average.
- Fourth consecutive year of reduced premium increase.

## Our ongoing investment

We continued to invest in the improvement of the business with new member services and the enhancement of our national retail branch network. We now have 199 retail points of service across Australia.

In November 2007, the first phase of Medibank's major systems and business transformation project, Business Systems Renewal, was delivered with the implementation of a new automated hospital claims processing system, iMed. Whilst it has been a significant undertaking, we are already seeing the benefits of the new functionality and business process improvements, which help us better manage hospital claims for our members.

During 2008, we increased staffing levels in our customer service centres and this, combined with improved call technologies, contributed to better customer service performance.

## A broader focus on health and wellbeing

For private health insurance to be sustainable in the long term, health funds must move from being reactive, bill-payers to being an active participant in health prevention. This means developing a health management

capability that helps members improve their health, and at the same time, lower their claim costs on the fund.

Towards the end of the financial year, Medibank announced its intention to acquire Australia's eighth-largest health fund, ahm, which has an industry-leading capability in the provision of health management programs. If the members of ahm approve the recommendation of the ahm Board to demutualise and be acquired by Medibank, it will allow us to extend and improve our range of health management programs for members.

We see this as a very positive opportunity for the members and employees of both funds. Joining the two organisations together will mean we can quickly build the capability to provide many more members with access to health management programs.

Progress on securing better health outcomes for our members continued this year with further improvements to our health and wellbeing initiatives. Thousands of members were supported in 2007/08 through our range of established *betterhealth* programs.

The programs are designed to help our members to maintain existing good health, or to better manage long-term conditions, like chronic heart and respiratory conditions, through to Type II diabetes and mental health challenges. The programs are staffed by qualified health professionals and are designed to complement the care members already receive from their GPs, specialists and other health professionals.

Two pilot programs continued in 2007/08. The first, designed specifically for members with complex health needs and chronic conditions, is being undertaken in partnership with a leading division of general practitioners in Brisbane. The pilot represents a new era of collaboration in the primary care setting and gives life to the opportunities presented through the Broader Health Cover industry reforms of 2007. It also features the use of an electronic health record, a boon for both health professionals and our members.

The second pilot is a free pregnancy and infant support program, which enhances the value of Medibank Private membership for our members with young families or those planning a family. The pilot is delivered by a team of experienced midwives who provide information and support from early pregnancy through to a child's first birthday.

Another example of our commitment to invest in our members' wellbeing is our Member Liaison Service, which involves our representatives personally assisting members with their health cover during a hospital stay. Following a successful pilot, the service will be rolled out across more of our partner hospitals in the coming year. It's another way we're determined to care for our members when they need us most.

### Securing better health outcomes for Australia

At Medibank Private, we believe a commitment to quality and safety is critical to the delivery of effective health care services. In the past three years, we have injected \$1.9 million in grants to directly support our partner hospitals complete quality and safety projects as part of their efforts to achieve better patient care for our members. To extract the best value from this investment, we are creating opportunities for our hospital partners to share the learnings from their projects with staff, other hospital providers and the wider health community.

### Contributing to our community

At Medibank, we are committed to supporting our employees' contribution to the communities in which they work and live. Over the past 12 months, our community involvement and investment has included:

- Staff donating more than \$15,000 to charities through our gift matching program.
- Over 100 staff joining in the 2007 Walk for a Cure conducted by our charity partner Juvenile Diabetes Research Foundation.
- More than 200 employees contributing to the community through a range of volunteering initiatives, including cooking meals for the homeless, delivering Christmas gifts to disadvantaged children and donating blood.

### Looking forward

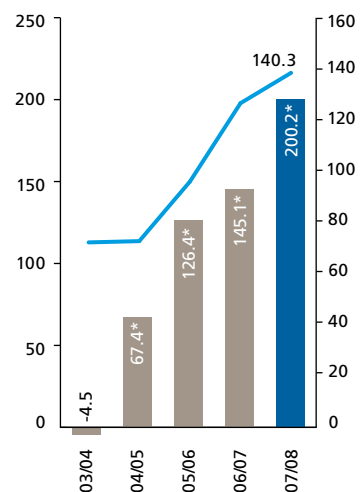
It's pleasing to look back and report on over five years of consistent business performance improvement and healthy membership growth. This places us in a strong position to meet anticipated external challenges in the year ahead. In addition to proposed policy changes, we anticipate the next few years will be a time of further industry consolidation, partly fuelled by economic conditions that impact affordability of private health insurance. This will challenge us to clearly promote the value proposition that consumers consider when buying or retaining health insurance. We are confident that we will continue to offer products and services that are valued by Australians.

Over the past year, our staff have embraced our 'Purpose' journey. Our 'Purpose' is to ensure our members are clearly better off with Medibank Private, and we are striving to embed this in everything we do from our customer service, products, brand promotion and community involvement.

### UNDERWRITING RESULT

# Up 37.9%

We have had a fourth consecutive year of strong underwriting result and new to fund resident membership growth.



\*Australian International Financial Reporting Standards (AIFRS) compliant.

Underwriting result (in \$m) is after expenses but before impairment.

— Values in number of new resident memberships (000's)

Just prior to the end of the financial year, we reached the significant growth milestone of three million residents under memberships (in addition to the 200,000 overseas visitors and students we cover). This goal has been reached through the dedication of our staff and a comprehensive product offering that is valued by our members. Every employee has contributed to this success. I thank and congratulate the entire team on a great year and the strong performance they have produced through exceptional teamwork.

George Savvides  
Managing Director

# Board of Directors



Left to right: **Paul McClintock, George Savvides, Just Stoelwinder, Adrian H Brien.**

*Our Board is committed to governing Medibank Private in the interest of our Shareholder and members.*

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

Appointed Chairman  
19 March 2007.

Current term expires 18 March 2010.

Chairman of the Nomination,  
Remuneration and Human Resources  
Committee.

Mr McClintock is principal of the private investment banking firm, McClintock Associates Group. He is currently Chairman of Thales Australia, the COAG Reform Council and St Vincent's Centre for Applied & Clinical Research, in addition to holding other Directorships.

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

Managing Director

Appointed Director 6 September 2001.

Appointed Managing Director  
19 April 2002.

Current term expires 11 December 2011.

Mr Savvides is currently a Councillor of AHIA (Australian Health Insurance Association) and the International Federation of Health Plans. He is also a Director of World Vision Australia and World Vision International, and Director of the Australian Centre for Health Research Limited (ACHR).

**Just Stoelwinder** MD (Monash),  
MBBS (WA), FRACMA, FACHSE, FAFPHM

Non-Executive Director

Appointed Director  
26 June 2002.

Current term expires 28 June 2011.

Chairman of the Health and Business  
Innovation Committee.

Professor Stoelwinder is currently Chair of Health Services Management, School of Public Health and Preventative Medicine, Monash University.

**Adrian H Brien** AM

Non-Executive Director

Appointed Director 26 June 2002,  
retired 28 June 2008.

Mr Brien is currently Chairman, Equitrade Ltd, a Member of Pooled Development Fund Registration Board (Venture Capital), Trustee of Les Favell Cricket Foundation, and Life Governor of Flinders Medical Centre Research Foundation. Mr Brien received the Centenary Medal in 2003.





Left to right: **Jane Harvey**, **Peter B Wade**, **Julia Bowen**, **Philip J Twyman**.

**Jane Harvey** BCom (Melb), MBA (Melb), FCA, FAICD

Non-Executive Director

Appointed Director 21 September 2007. Current term expires 20 September 2010.

Chairman of the Audit and Risk Management Committee.

Ms Harvey is currently a Director of IOOF Holdings Limited, Boom Logistics Limited, Bayside Health Services, the Royal Flying Doctor Service (Vic), Colonial Foundation Trust and Telecommunications Industry Ombudsman.

**Peter B Wade** BComm (Hons), MA, FCPA, FAICD

Non-Executive Director

Appointed Director 26 June 2002, retired 28 June 2008.

Mr Wade is currently Chairman, Open Universities Australia Pty Ltd; Director, CASS Foundation Limited, The Knox School Limited, Ebis Pty Ltd and PhillipsKPA Consulting Pty Ltd.

**Julia Bowen** MAICD

Non-Executive Director

Appointed Director 3 November 2003. Current term expires 2 November 2009.

Ms Bowen is currently an independent consultant. Ms Bowen is a Foundation member of the Ernst & Young Worldwide Masters Program.

**Philip J Twyman** BSc, MBA, FIA, FIAA, FAICD

Non-Executive Director

Appointed Director 21 September 2007. Current term expires 20 September 2010.

Chairman of the Investment Committee.

Mr Twyman is currently Chairman, ANZ Lenders Mortgage Insurance Pty Ltd, and Director of Insurance Australia Group Limited in addition to holding other Directorships.

More comprehensive biographies can be found in the Directors' Report on page 34 of this report.

# Our Management Team



**Katherine McGrath**  
Group Manager, Corporate and Medical Affairs



**Bruce Levy**  
Deputy Managing Director and Chief Operating Officer



**Justine Halloran**  
General Counsel



**Michael Sammells**  
Chief Financial Officer



**George Savvides**  
Managing Director



**Stephen Harris**  
Company Secretary



**Terry Snyders**  
Chief Information Officer



**Heather Parkinson**  
Group Manager, People and Culture

**Corporate Strategy and Communications** develops strategies to improve and grow our organisation, placing our members at the heart of our business direction strategy. Our function is also to be a clear and strong voice, advocating on behalf of Medibank Private and our members in the media, with government, in the health industry and the broader Australian community.

**Operations** focuses on guiding our members through the health system. From our interactions (in store, via the telephone and internet) to our hospital and ancillary products and our *betterhealth* programs, which deliver one-on-one care management, we strive to deliver quality services and to provide a better experience for our members.

The **Legal** group provides a full range of legal services to the business. We have lawyers who advise the commercial team, management and the Board on a wide range of legal issues relevant to our business. We aim to provide timely, commercially focused legal advice to assist Medibank achieve its objectives.

The **IT** division plays a critical role in transforming the way we manage our core business. We are implementing new systems and continually improving our existing infrastructure and co-ordination so that we can better service our members and our industry partners.

The **Finance and Corporate Services** division manages Medibank's finances responsibly and efficiently, ensuring members get the best value for their products. We also manage our corporate and retail properties and assets, to ensure our staff and members enjoy their time with Medibank.

**People and Culture** is charged with helping Medibank fulfil its 'Purpose' through staff engagement and alignment across the business. From recruitment and development to workplace health and communications, we equip Medibank's people with the skills and knowledge they need to deliver to our members quality products, excellent customer service and trusted health advice.

# Our Results

## Membership growth

In 2007/08, Medibank Private experienced strong membership growth in all areas. In June, we reached the significant milestone of three million residents covered under our policies, celebrating the commitment and continuing hard work of the entire Medibank team. This also reflected a 10.4% increase in net resident membership growth – our highest in five years.

Over the same period the number of people covered (resident and non-resident) grew by 4.5% to 3.2 million.

New to fund membership increased 8.8% on the previous year to 140,335 resident memberships. Our highest new to fund membership growth came from individuals under 35 years of age, demonstrating a recognition of the value of private health insurance amongst younger Australians. We also had consistent growth in other age groups.

Importantly, more people joined Medibank than any other private health insurance fund in Australia. The increase in new members has been driven by the great sales and service performance of our people, along with a number of marketing and sponsorship initiatives.

## Market share

As the private health insurance market in Australia continues to expand, Medibank Private is achieving its share of market growth. Close to one third of all those with private health insurance in Australia are covered by Medibank Private.

Our overall market share of resident memberships remained strong at 28.7% and, importantly, Medibank Private retained its position as national market share leader (based on number of memberships).

Particularly pleasing was the growth in market share in both South Australia and Western Australia, where significant gains were made against historically dominant competitors.

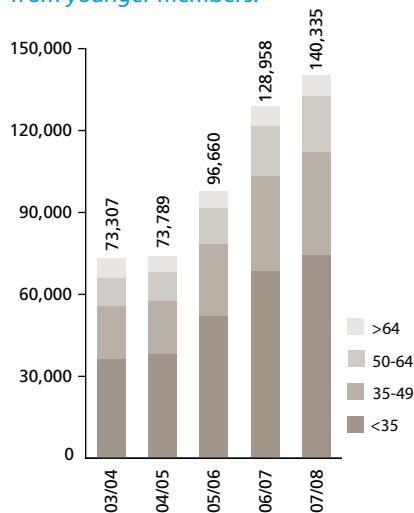
*Medibank Private continues to deliver an impressive performance, with strong growth in underwriting result and membership.*



## NEW TO FUND MEMBERSHIP

### Up 8.8%

*We achieved our highest new to fund membership growth from younger members.*

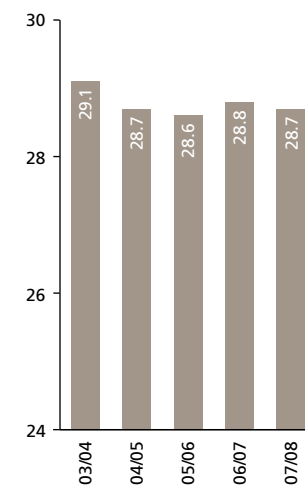


Values in number of resident memberships.

## MARKET SHARE

### Stable at 28.7%

*Market share remains strong in a competitive environment.*



Based on resident private health insurance memberships. Values in %

**Financial results**

Medibank Private recorded a profit of \$187.5 million for 2007/08. Whilst this result was down by 36.5% from last year, this can be attributed to weaker investment results caused by the volatility in worldwide credit and equity markets. Our core underwriting result after expenses and impairment was \$200.2 million, up 31.2% on the previous year and representing an underwriting margin of 5.9%. This is the sixth consecutive year Medibank Private has achieved growth in underwriting margin.

Premium income was \$3.4 billion, which represented an increase of 10.1% over the previous year, reflecting strong growth in overall memberships. Despite benefit outlays continuing to be controlled through our ongoing hospital contracting process, the ever-increasing demand for services led to growth of 8.7% over the year, compared to 8.0% in 2006/07. In total, almost \$2.9 billion was incurred in benefits for and on behalf of members.

Medibank Private's financial performance has been achieved in an environment of increased competition through broker intermediaries, increased utilisation of hospital and ancillary services, ageing of the population requiring more complex and expensive health care, and an environment of downward pressure on premium increases.

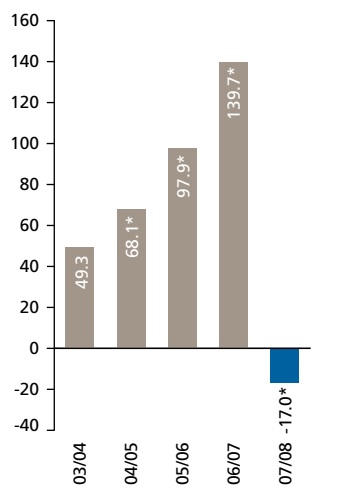
Our challenge remains to be in a strong financial position to enable us to continue to deliver on the services that our members expect. We have again successfully contained growth in members' premiums to an average rise of 4.6%, which is below the industry average and represents the fourth consecutive year of declining growth in premium increases.

As a result of the underwriting performance, our solvency position again improved during the year, which puts the organisation on a strong financial footing and positions it well for the challenging period ahead.

**INVESTMENT RETURN**

**Down 112%**

*Investment returns were significantly impacted by global market downturn, but managed within Board risk tolerance.*

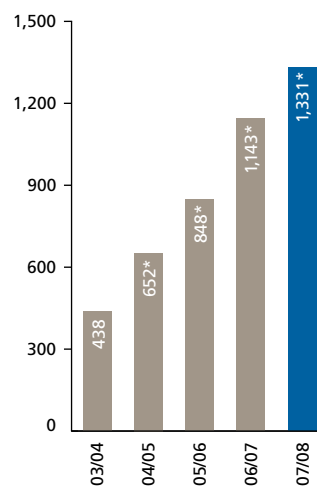


Investment return excludes other income. Values in \$m

**NET ASSETS GROWTH**

**Up 16.4%**

*Our financial strength and stability continue to improve despite investment earnings decline.*



Values in \$m

**Investment results**

Due to volatile Australian and global equity returns, Medibank Private's 2007/08 investment portfolio recorded a loss for the year of \$17 million, a net loss return of 0.77%. This loss was largely a result of Australian equity markets returning -13.4% and Global equity markets returning -11.7% for the year. This loss needs to be considered in light of the previous five years of positive returns, which have significantly strengthened Medibank Private's balance sheet.

The Board has an established protection regime in place which has enabled the Company to participate in equity markets' growth whilst limiting losses to within the Board's overall risk tolerance levels.

# Service Highlights

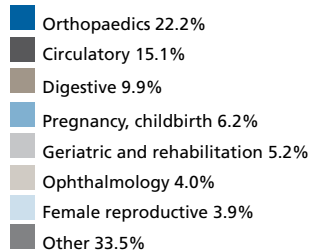
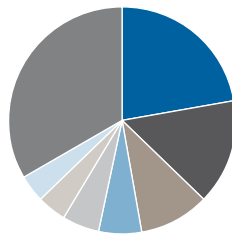
Australians value their mixed health care system and they value their private health insurance. Of the nearly \$90 billion spent on Australian health care, almost one-third is funded privately. Private health insurance covers about half of the population, offering important access to their choice of hospital and choice of provider when they need it. The high cost of health care means private health insurance continues to be a valued product and service to more than 10 million Australians. The amounts paid by our members together with the Australian Government rebate create a \$15 billion private health insurance contribution to our mixed health system.

This year, Medibank began releasing six-monthly Health Benefits Reports outlining the hospital, medical and prosthetic benefits paid out on behalf of members in the previous year.

The latest report, issued in May, showed that health costs continue to increase, driven by rising specialist, hospital and prostheses costs, and increasing utilisation. The most common overnight procedure was childbirth (18,374 admissions at an average cost of \$6,325) while the most common same-day procedures were colonoscopies (89,982 admissions, an increase of 6%) and chemotherapy (50,937 admissions – an increase of 4.5%).

Over the past year, Medibank Private paid out over \$300,000 each for two claims; one for a brain aneurysm and one for acute respiratory failure. In fact, in 2007/08 we paid 71 single claims over \$100,000, totalling \$10.4 million.

## HOSPITAL BENEFITS BY TYPE



## Private Health Insurance and more

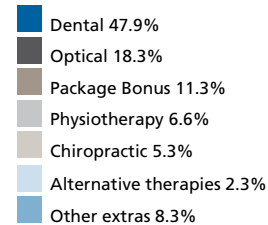
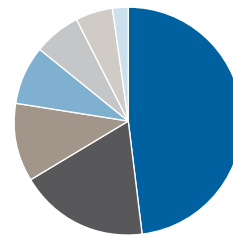
### Hospital Cover

Medibank Private health insurance means greater control over who administers treatment, greater control over where the treatment occurs and greater control over when it occurs. Nowhere is this more evident than with Medibank Private hospital products, which cover 2.6 million resident members.

With 449 Members' Choice hospitals and day surgeries throughout Australia, and benefits payable for treatment at all other hospitals, Medibank Private hospital members can be confident that when they need care, they will be able to go to the hospital and doctor of their choice.

Medibank Private hospital cover pays benefits for the cost of members receiving treatment in a private or public hospital, including costs associated with accommodation, theatre fees, prosthesis costs and medical fees. In 2007/08, Medibank Private paid hospital benefits for almost 800,000 resident hospital admissions, at a cost of \$2.1 billion.

## ANCILLARY BENEFITS BY TYPE



## Ancillary Services

Medibank Private manages the benefit outlays for services to members from ancillary providers across more than 70,000 provider locations.

In 2007/08, resident ancillary payments reached in excess of \$687 million, covering over 17.3 million resident services, with dental benefits accounting for \$318 million.

Medibank's Members' Choice network, which operates across a wide range of ancillary services, enables our members with ancillary cover to get more from their Medibank products. Arrangements include capped fees and/or discounts and, in most cases, higher benefits. This provides value through lower out-of-pocket costs and certainty of known maximum (or in some cases no) out-of-pocket costs.

In 2007/08, the Members' Choice network grew to over 5,000 provider locations nationally. It covers a wide range of providers, including dentists, dental prosthetists, optical retail outlets, physiotherapists, chiropractors, podiatrists, acupuncturists and naturopaths.

## Service Highlights

continued



### Overseas Student Health Cover

Whilst Medibank Private is one of five private health funds in Australia that offer Overseas Student Health Cover (OSHC), it has differentiated itself from competitors with its eBusiness online servicing that provides: Medibank Connect – an automatic join process for educational institutions; E-claims Medical – direct billing from medical centres; 24-hour emergency legal and medical advice and assistance with interpreters (provided through International SOS); short-term counselling for OSHC members through a partnership with OSA Group and International SOS; and 24/7 online Member Service Centres located on campus.

### Overseas Visitors Cover

Medibank Private offers a range of products for visitors to Australia, from basic cover through to comprehensive package products. The product range continues to develop in response to market demands and has grown in membership for the last three years, catering for international visitors who are visiting friends and family, and those who are in Australia to work. With the forecasted increases for skilled migration into Australia, Medibank Private will continue to invest in innovation and resources to capitalise on this expanding market.



### Priority – our Corporate Channel

Through our Priority program, the Medibank Corporate Channel provides an integrated corporate health cover program that addresses workplace wellbeing and productivity.

Through Medibank, companies provide their staff with access to health insurance cost savings and other benefits. At the same time, the program promotes a happier, healthier workforce. The Corporate Channel seeks to:

- positively impact on the health and wellbeing of Medibank members;
- enhance employer status;
- increase productivity and profitability;
- provide a significant value-added benefit for members;
- improve employee retention; and
- reduce absenteeism.

Medibank's Corporate Channel strategy has been well received by some of Australia's largest employers. As a result, Medibank has been able to increase the number of its corporate members by 22% in 2007/08.



### Life Insurance

Medibank Life Insurance cover was launched to the Australian market in August 2007 via a six-month pilot. The results of the pilot were extremely encouraging, with both member and non-member interest in the product being very high. The number of sales recorded during the pilot was in keeping with expectations and reflected the competitive product offering, which featured low prices, high available sums insured and a simple application process. Our Life Insurance product will be launched nationally in late 2008, with enhancements identified during the initial pilot.

### Travel Insurance

Sales of Medibank Travel Insurance in 2007/08 increased 56% on the previous year. Almost 90% of sales were to existing members of Medibank Private, which continues to highlight the strength of the Medibank Private brand and the loyalty of our existing customer base. Travel insurance sales to non-members also continued to grow as the awareness of Medibank Private's broader insurance product range increased.

# Improving our Members' Health

Our 'Purpose' is to ensure our members are clearly better off with Medibank Private – better off in terms of their health and wellbeing, and better off for making the choice to receive superior value for the cost of their cover. Our 'Purpose' reflects our values, and underpins our corporate strategy and goals. Our employees are the ambassadors of our 'Purpose', our members are the intended beneficiaries.

Over the past year, our 'Purpose' has been embedded in our:

**Service excellence** – ensuring our health, travel and life insurance businesses offer superior products and service.

**Health management** – our increasing role in chronic disease management and our move from being a health payer to an active health partner.

**Advocacy** – our role in leading the industry and driving better health outcomes through quality and safety, physical activity and workplace health.

**People leadership** – our values and behaviours, our leadership programs and career planning.

**End-to-end systems** – our efforts to simplify our systems and processes to ensure our staff have the tools to better support our members.

The following projects, inspired by our 'Purpose' journey, were implemented in the past 12 months.

**'You don't have to be sick to benefit. We're here for you'**

We aim to deliver information in a way that enables members to understand how they can get the most out of their cover, whether they are sick or not.

Members can find the complexity of purchasing private health insurance daunting. Typically, an extensive amount of product information is given to them at the time of joining, making it difficult for members to digest and understand what they are entitled to. In response, Medibank Private is continually seeking out opportunities to improve the new member experience.

*At Medibank Private, we are focused on ensuring our members are clearly better off. Good health and better health outcomes are central to everything we do. We want to contribute to a healthier Australia.*

## OUR 'PURPOSE' SHAPES MEDIBANK'S STRATEGIC DIRECTION



Medibank communicates to members via several different channels, including SMS, email, mail and phone. These communications deliver tips on helping members to get to know their specific product, helping them to claim, as well as notifying them when their waiting periods have ended.

**'Medibank is here for you when you need us most...we don't just pay the bills'**

Many people can find the experience of going into hospital for the first time overwhelming. They may not be entirely sure of what to expect nor aware of their rights as a patient. This program gives support and guidance to members to help them navigate through the

hospital system, so they have the knowledge and confidence to deal with the experience. Our program helps to guide members towards low cost/high value post-hospital interventions to support their surgery.

Key program initiatives include:

- contacting members before, during and after hospital or day surgery;
- providing procedure information, claims assistance and increasing our members' awareness of GapCover and out-of-pocket information;
- ensuring members are on the appropriate cover for their needs;
- assisting members with controlling and managing their health outcomes.

## Improving our Members' Health

continued

### 'Prevention is better than cure'

In order to better service or provide relevant information to match the needs of our members, we need to better understand their current and future health requirements. This program utilises a model that allows us to match our members with our health programs. We want to encourage our members to see Medibank as a partner who helps them to take an active role in managing their own health via Medibank's *betterhealth* online programs.

As part of this initiative, members are given the opportunity to participate in free health checks, which provide results for blood pressure, blood glucose, blood cholesterol, Body Mass Index and healthy waist circumference. This data is then combined and entered into the online database, which produces a Wellness Score. These health checks are conducted at selected Medibank Private retail outlets and help to highlight to members any current or possible future health risks.

### 'Medibank is a clear and consistent voice of quality and safety'

Medibank Private has been at the forefront of promoting better, safer health care in the private system, and our commitment to ensuring our members experience the best health care possible remains a focus. The quality and safety campaign supports this by equipping staff with the knowledge and skills to address member queries and concerns regarding hospitals and health care providers. An important initiative has been the introduction of training programs for Medibank customer service staff, focusing on medical technology, the health system and safer health care in the hospital environment.

Outside of this campaign, our quality and safety focus recognises that optimal health outcomes can only be achieved when all participants in health care – patients, health care professionals and health funds – work together.

Through the engagement of members and health care providers, Medibank has the opportunity to foster collaborative relationships with our health provider partners and lift overall quality and safety standards.

A quality and safety framework has featured in our contracting arrangements with partner hospitals for some time. The intention of this framework is to ensure our Members' Choice hospital network offers our members services that deliver safe practice in the health care sector, through the adoption of accepted industry quality and safety guidelines.

We're supporting our health care partners as they continue to improve their quality and safety standards to secure better care and a better patient experience for our members. The Medibank Private Clinical and Safety Improvement Incentive Pool (MPCSIIP) has been a key initiative in this partnership approach, and has allocated funding to 73 quality and safety projects across Australia.

This year, Medibank Private has actively encouraged our hospital partners to share the learning gained from their projects with staff, providers and communities. In addition, Medibank Private has produced a MPCSIIP project summary publication for distribution across our Members' Choice hospital network. The publication includes project objectives, achievements and contact details of the project managers to facilitate a greater sharing of knowledge and project outcomes.

Fostering quality and safety networks across the private health sector is the key objective of a series of national forums during 2008, where representatives from our partner hospitals have the opportunity to meet and discuss project outcomes and consider how the best performance can be replicated across hospital sites.

### Supporting our members' health at all life stages

In 2004, Medibank Private initiated a range of programs to assist our members to manage their health, by helping them to maintain existing good health and supporting them in managing ongoing health conditions.

This year, the emphasis on supporting our members' health has expanded through new pilot approaches. These include our care co-ordination program with general practitioners, and our *from dot-to-tot* pregnancy and infant support initiative, which has expanded our program range to cater for members at all life stages.

In addition, we continue to focus on the health and wellbeing of our own employees and that of our corporate clients. With plans to extend the existing 'My Wellbeing' program for our own employees and planned upgrades to the Medibank Priority Heartbeat program for our corporate clients, we are assisting employees to live healthy and productive lives in the workplace and beyond.

### *betterhealth* programs

This year, our *betterhealth* programs – Online, On Call and On Track – continued to support our members' health and wellbeing.

Launched in 2006, *betterhealth* Online provides health and active support directly to members via the Medibank Private website. 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 17,000 members have now registered for *betterhealth* Online, with nearly three quarters of these going on to complete a health risk assessment. This assessment helps members understand any health risks they have so they can make sound health and lifestyle choices. The range of Active Health Programs available through



*betterhealth* Online includes Weight Loss, Healthy Ageing and Stress Management. Heart Health and Back Care programs are imminent. To date, 6,740 members have participated in at least one of these programs.

In the corporate segment, we have approximately 15 corporate clients and 4,000 employees utilising the online health and wellbeing services. Medibank Private will continue to ensure all members and clients have access to the best online and face-to-face health and wellbeing services.

Meanwhile, our *betterhealth* On Call telephone-based support service for members with heart and respiratory conditions, diabetes and mental health issues continues to add greater value to the services we offer our members facing long-term health challenges.

The service is provided by registered nurses and equips members to better self-manage their conditions and health risks. The programs are designed to complement the care members already receive from GPs, specialists and other health care providers. To date, 5,750 members are participating in the program, with the majority receiving assistance to manage Coronary Artery Disease.

Evaluation of this intervention has so far demonstrated an increased self-awareness of health and wellbeing for participants, including increased compliance with health guidelines, such as influenza vaccinations. Following 12 months on the program, participants were more likely to have adopted and sustained a low-salt diet and were significantly more likely to know their blood pressure results. Members rated their participation in the program as very useful in helping them to improve their ability to manage their condition themselves, as well as increasing their confidence in speaking to their GP about their health.

*betterhealth* On Track is designed for members with Type II diabetes. Run in partnership with the International

## GPPARTNERS CASE STUDY

The Medibank Private GPartners co-ordinated care program has the potential to dramatically enhance our members' health and quality of life.

'Mary', an 82-year-old member from Queensland, had been suffering from multiple chronic conditions, was immobile, and required intensive daily care prior to registering for the co-ordinated care program. Mary's health had been in slow decline and it was looking increasingly likely that Mary would be forced to leave the home she shared with her husband and take up permanent residence in a nursing home. Understandably, she was anxious and distressed as control over her own life started to slip away.

On the advice of her GP, Mary undertook a Team Care Co-ordination assessment, which recommended changes to her health management plan and new equipment to lessen the burden on Mary's family.



The GP's practice nurse was also able to assist Mary with referrals to government funded nursing and physiotherapy services.

Thanks to the co-ordinated care approach, Mary has regained her mobility and independence, and hospital care has not been required. Her improved health has brought about improved mental health, and her quality of life, along with that of her loved ones, is dramatically better.

Diabetes Institute, the program is staffed by experienced diabetes educators and offers participants assessments, individualised feedback and regular reminders of diabetes health checks and tests. Pilot results indicate the program will achieve statistically significant improvements in diabetes control and risk factor management in, for example, cholesterol and weight reduction.

Over 640 members are participating in this program, and with a number of these now benefiting from over 12 months' participation, a detailed evaluation of the program's impact on the health outcomes for these members will be undertaken.

### Helping members negotiate a complex health care system

Last year, Medibank Private commenced collaboration with GPartners, a progressive Division of General Practice covering Brisbane's northern and western suburbs, to pilot a care co-ordination program. The pilot is designed to better support members with complex health needs who have been identified by their GP as needing care co-ordination. Typically, this involves the service co-ordinator, who is a registered nurse, providing face-to-face and telephone support to members on self-care, supporting compliance with members' GP care plans and linking members to a range of community services.

### CASE STUDY – PAULINE LAVIN AT ST VINCENT'S & MERCY PRIVATE HOSPITAL

I am the Medibank Hospital Liaison Representative at St Vincent's & Mercy Private Hospital in Melbourne. During the last nine months, I have had the pleasure to assist many of our members in both trying times as well as joyous occasions.

In all cases, the support offered by me and Medibank is extremely well received. The relief and reduced stress during these times has gone a long way to ensuring the wellbeing of our members, as well as cementing long-term relationships with our membership.

As for me, I get a tremendous amount of personal and professional



satisfaction by being able to help and support our members. I love feeling like we make a real difference to people's lives instead of just being a person on the end of a phone or across a counter. It makes going to work each day something to look forward to instead of an obligation.

I think my presence reinforces that Medibank's 'Purpose' is not just insurance, but that we actually care and support our members better than anyone else.

This service is creating an exciting new platform for Medibank Private to collaborate with GPs and ensure our members are better able to manage their conditions and avoid unnecessary hospital admissions.

An electronic health record is the centrepiece of the initiative. This tool removes the need for members to repeat their health history and particulars of their condition to each health professional who plays a role in their care. This tool also assists all health professionals working with our members to guide them more efficiently through what can be a confusing health care system for patients.

#### A leading role in chronic disease management

We continue to play an active role, both locally and internationally, in contributing to the growing body of research in the

area of chronic disease management. This includes sharing independent evaluation and findings of the various programs Medibank Private offers its members.

Representatives from Medibank Private have presented at international forums to highlight our activities in this area, including at the Singapore Disease Management Conference this year and the Australian Disease Management Association's 2007 annual national conference. Medibank Private is also the exclusive conference sponsor of this year's Australian Disease Management Association event in Sydney.

#### Medibank Private Special Purpose Fund

In 2004, a \$5 million funding pool – the Special Purpose Fund – was established to provide qualifying members with the opportunity to access leading-edge' clinical interventions

not yet recognised as standard medical care by the health insurance industry.

The total funding committed to applications to date is in excess of \$2.7 million, with individual member benefits ranging from \$350 to \$300,000. Over 135 members have now received medical treatment that may have otherwise been beyond their financial reach.

Some examples of the assistance provided by the fund include:

- A seven-year-old boy received funding of \$23,000 for the purchase of a custom-made internal limb-lengthening device (Fitbone) to treat shortening of his right leg that occurred following a bacterial blood infection in his joints when he was a baby. Unlike other devices, this device is implanted into the bone and activated through a computerised control unit. Compared to other devices, it allows a significantly shortened hospital stay, reduced risk of infection and increased mobility and function.
- The fund continues to support Magellan wound healing therapy. Magellan is a product designed to heal extensive leg ulcers that have persisted for at least six months. The treatment provides an exciting alternative to invasive procedures, such as amputation or skin grafts.

An Independent Approvals Committee with both clinical and legal expertise makes final funding decisions regarding the operation of the fund. There are specific pre-qualification criteria that must be met before an application can be forwarded to the Committee for consideration. Significantly, in May this year, Medibank Private altered the membership pre-qualifying criteria to include all members who have held a Medibank Private resident hospital cover for at least 12 months. This change will enable more members to access the fund, provided they meet all other relevant pre-qualifications.

### Medibank Private's newest delivery – 'from dot-to-tot'

Medibank Private this year commenced the *from dot-to-tot* pilot program – a pregnancy and infant support program, which provides members with a welcome package, information, and telephone and email support. Through the pilot, members have access to a team of experienced and understanding midwives who can assist with all their queries and concerns, from the early stages of pregnancy right through until the child's first birthday.

Each year, Medibank Private receives 20,000 obstetric claims, as well as associated post-birth claims as members seek support for breastfeeding, depression and infant sleeping difficulties – all areas in which the pilot program aims to support members. Insights from our ongoing Member Hospital Experience Survey reveal that members' perception of satisfactory care in the areas of breast feeding support, advice on self-care and care of the baby, can be improved. *From dot-to-tot* is designed to enhance the value of Medibank Private membership to our members with a young family or members planning a family.

### Member Liaison Service

The Member Liaison Service commenced in October 2006 and initially operated in four hospitals in two states: Victoria and Western Australia. It has now been extended to a further three hospital sites.

The Service is intended to provide assistance to members during their period of hospitalisation, which is often a stressful time, and to ensure members are fully aware of their health care benefits. The Medibank Hospital Liaison Representatives who staff the program help members with any cover enquiries they may have during their stay, including entitlements, medical benefits covered, claiming procedures, waiting periods and out-of-pocket expenses.

In a new development, nursing staff at three of the pilot hospitals are identifying members who would particularly benefit from the support available through our *betterhealth* programs. As part of the discharge process, the Medibank Hospital Liaison Representatives in these hospitals liaise with nursing staff so that they can assist our members to take advantage of Medibank's *betterhealth* programs. This can provide additional support in helping them manage specific health conditions, such as diabetes, once they are discharged.

### Improving our members' hospital experiences

To assess how we and our hospital partners are performing as part of ensuring our members are clearly better off, Medibank Private is undertaking regular surveys of our members to find out more about their hospital experience. The project aims to survey 50,000 members, who were admitted overnight at one of 57 of our largest Members' Choice hospitals. The survey will be conducted annually over the next three years. Members will be asked about their hospital experiences from pre-admission through to discharge, including their claiming experiences with Medibank.

Results for each hospital will be generated and benchmarked so that we can work with our hospital partners to improve our members' hospital experience. The survey results also give an insight into the experiences of specific patient groups, including, for example, members in hospital for surgical or obstetric-related events.

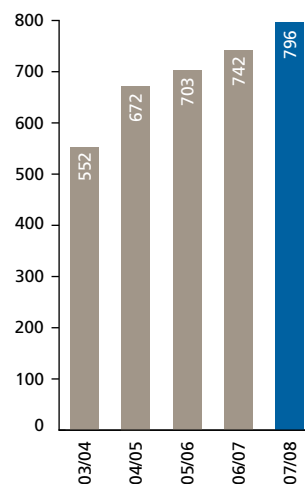
Early trends from the first survey results confirmed that while there were high degrees of satisfaction about the various aspects of members' hospital experiences, there are clear areas for improvement.

A good understanding of their discharge plan and medication regime were important to members, with the survey revealing wide variations

## HOSPITAL EPISODES

# Up 7.4%

Number of resident hospital episodes grew by 7.4% to 796,376.



Values in number of hospital resident episodes '000

on how members rated the written communication they received prior to discharge.

### Advocacy

Medibank Private is committed to better health outcomes for Australians and considers advocacy an important part of our ongoing role. Promoting public health, such as physical and workplace health and community health initiatives, remains the focus of our research. Some of the activities during 2007/08 include: Physical Activity – In August 2007, Medibank research identified the health and monetary cost of physical inactivity. An estimated nine million Australian adults are not doing enough physical exercise on a daily basis, which 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

## Improving our Members' Health

continued

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.

Workplace health – Like other health conditions, stress can have an adverse effect on organisations as well as individuals. Specifically, stress can impact on employee productivity by causing increased absenteeism and presenteeism (work attendance with reduced productivity), which imposes a direct economic cost to employers, the community and the broader economy.

In 2008, Medibank commissioned research to measure the economic impact of workplace stress. The report found that workplace stress has a substantial impact on productivity and imposes a heavy economic burden on businesses and to the Australian economy as a whole.

The research found that stress-related presenteeism and absenteeism are directly costing Australian employers \$10.1 billion a year. The total cost to the economy is \$14.8 billion due to a general reduction in the level of exports, imports and investments.

### **feelbetter Rewards**

Medibank Private's business imperative is to engage, cultivate and build stronger relationships with our membership base. We do this through developing a communication interface that appeals to the needs of our individual member segments and three differentiated target markets: singles, couples and families.

The *feelbetter* Rewards program was implemented to improve the value that members can derive from their membership with us. The program delivers value by offering discounted products and services, which are advertised via online member services and through the *feelbetter* magazines.

Approximately 50 partners contribute to the program, offering a range of discounted products and services (some exclusive) for members. The program is managed and operated exclusively by Medibank Private. The Rewards program has successfully been in operation for four years and the rewards cover: health, fitness, sport, nutrition, leisure and lifestyle and travel. Access to the program, available via online member services or the *feelbetter* magazines, is free to all Medibank Private members.

### **Sponsorship**

Medibank Private's sponsorships are important activities that support and improve brand awareness, assist Medibank to attract new members and allow Medibank to engage with the community and support worthwhile causes.

Medibank partners with the Australian Football League and Netball Australia to promote and deliver the Medibank Private 1Seven program. The program aims to encourage primary school-aged children to participate in at least one hour of physical activity and eat up to seven serves of fruit and vegetables (five serves of vegetables and two of fruit) every day. The program uses well known players of AFL and netball to inspire children to participate in a healthy lifestyle. The basic message is 'Move more, Eat well'.

As major sponsor of the Sydney-based Medibank International Tennis Tournament, Medibank promotes the importance of physical participation in sport for a healthier lifestyle. This nationally televised event and national advertising campaign reaches millions of Australians, further extending its effectiveness in attracting new members.

In October 2007, Medibank Private began a two-year partnership with Tennis NSW to support junior tennis across the state. Medibank Junior Tennis NSW is a grass-roots initiative that includes the development of

the Medibank Junior Tennis Club Grants Program, which assists in improvement of infrastructure for clubs through seven \$2,500 grants. Each year, Medibank Private will be actively involved in 111 tournaments and events, including the Medibank Junior Development Series, Medibank Super Series, Medibank Team Championships, Medibank Age Championships, Medibank Cup, Medibank Country Junior Championships, and Medibank Challenge.

Medibank Private has also maintained brand awareness through sponsorship of nationally recognised sporting teams, such as the Melbourne Storm rugby league team, Melbourne Tigers basketball team and the West Coast Eagles football club.

# Improving our Business Processes

## eBusiness

This last year has been a watershed for Medibank's online presence. eBusiness was created as a separate division, sitting alongside our retail and telephone sales divisions.

Under the new structure, the eBusiness team has expanded to take up the challenge of growing the online channel. A significant program of work was developed to make improvements to the online quoting and sales process. The first stage of this initiative resulted in almost double the number of members joining Medibank Private via the internet over the previous year. Our website, [www.medibank.com.au](http://www.medibank.com.au), held its number one position from Hitwise in the health insurance category, with more than three million visits.

As a result of this success, an ambitious program of work covering improved processing, health and lifestyle applications, education and member retention has been developed for the coming year. The aim is to ensure that Medibank continues to evolve to respond to our members and to consolidate our industry position as leader – both face-to-face and online.

## Retail operations

Our Retail Store channel now interacts with around 23,000 members per week and our retail systems tell us that about a third of our membership base has visited a store at least once in the last 12 months. Over 45% of all new residential and travel insurance sales occur through the Retail Store channel.

The channel consists of 110 stores nationally, over 60 agents and more than 25 mobile sales staff.

As part of our continuing effort to ensure we are located in the most convenient places for members, this year we opened new stores at Rouse Hill (NSW), Box Hill, Doncaster, Plenty Valley and Werribee (VIC) and Whitfords (WA).



*At Medibank Private, we aim to provide our members with friendly, efficient service to assist them in protecting or restoring their good health. We remain focused on improving our systems and processes so that our staff, our hospital partners and health providers benefit.*

In NSW and QLD, we introduced new mid-mall kiosks in East Maitland and Northlakes.

We relocated to new locations in Chadstone (VIC), Woden (ACT), Gladstone, Bundaberg (QLD), Hurstville and Castle Hill (NSW). We closed stores in Kingston (TAS), Epping (VIC), Dubbo, North Sydney and Orange (NSW), replacing them with either new stores or agencies located nearby.

This year in Retail, we concentrated on increasing the proficiency of our workforce in consultative selling – especially cross-selling. This built on previous work to set benchmark service practices and behaviours. In the next year, we'll be bringing these components together with our purpose and brand to form a new Face-to-Face Customer Experience program.

## Business Systems Renewal

In November 2007, the first phase of Medibank's major systems and business transformation project, Business Systems Renewal, was delivered with the implementation of our new iMed system to automate our hospital claims process. This forms the

foundation for the replacement of 30-year-old mainframe systems. The first phase delivered new functionality and business process improvements for the management of hospital claims. A significant number of hospital claims are processed faster due to the reduction of manual intervention and the enablement of 'straight-through processing'.

Further straight-through processing improvements to the iMed Hospital platform will occur with the implementation of the industry-standard Eclipse processing technology. This initiative has commenced and represents a collaborative effort with a number of the hospital providers.

Work has also commenced on the development of further phases, such as the processing of medical claims and ancillary claims.

## DIRECT SALES AND SERVICE

This year, Direct Sales and Service has focused on identifying opportunities to further improve the member experience. Direct Sales and Service is Medibank's primary customer access channel and comprises three discrete functions.

The Direct Sales team is charged with enrolling new members and the delivery of a series of proactive campaigns. The team implements campaigns that are designed to help our members extract optimum value from their products and support their understanding

of Medibank's range of products for different life cycle needs.

The Customer Services team supports our internal partners and acts as the processing engine for Medibank's 3.2 million members through premium collection, membership related processing and the management of member email and written communications.

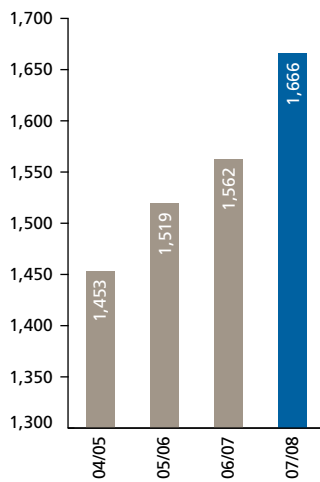
The Customer Care Line, our contact centre channel, manages in excess of 1.8 million member calls per year and assists Medibank in product diversification, with the Sales team supporting Priority products, life insurance and travel insurance.

We have remained committed to continuous improvement by embarking on a Lean Six Sigma program, which has seen a number of significant processes and procedures re-engineered from a customer viewpoint. Staff engagement has improved due to the formation of new protocols, and in 2008/09 we expect to further enhance the customer experience by building on the platform we have established over the last 18 months.



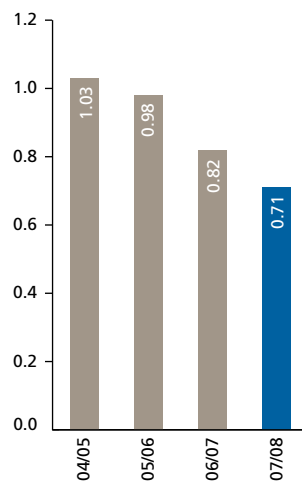
*Our 'Purpose' journey shows us that when business and personal lives converge, it inspires change and deepens commitment amongst employees to our values.*

## NUMBER OF EMPLOYEES



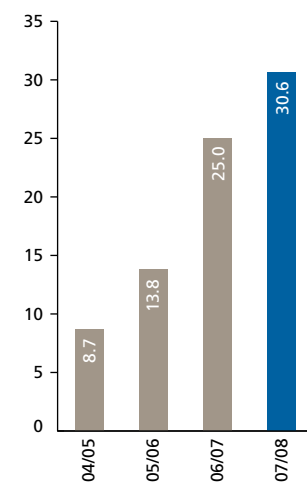
Values in numbers

## COMCARE PREMIUMS AS A PERCENTAGE OF PAYROLL



Values in %

## PERCENTAGE OF SENIOR EXECUTIVES WHO ARE WOMEN



Values in %

People and Culture is charged with helping Medibank fulfil its 'Purpose' through the engagement and alignment of staff at all levels throughout the business. From recruitment and development to workplace health and effective communications, we equip Medibank's people with the skills and knowledge they need to deliver to our members affordable products, excellent customer service and trusted health advice.

Key achievements during 2007/08 included:

- A reduction in total employee turnover of 2.1% (compared with last year), with an improvement of 4.4% in the retention of employees within their first 12 months of service by focusing on all aspects of our recruitment process.
- Greatly increasing the number of internal applicants for vacant roles.
- Introducing comprehensive training programs for frontline staff to increase sales capability and prepare them for the launch of life insurance.

- Improved performance in workplace health and injury prevention, with our Comcare premium reduced to 0.71% of payroll.
- Improving the effectiveness of our internal communication tools and channels.

Employees also enjoyed an increase in our subsidised health insurance (from 33% to 50%), the introduction of a new employee benefits and rewards scheme, and health and wellbeing initiatives, such as a national walking program in which 600 staff members participated.

A key focus throughout the year was the Organisational Alignment Survey. This was completed by more than 70% of Medibank's employees and helped to gauge their clarity on our vision, their views on our systems and processes, and their commitment to the organisation. The results have helped to identify a range of improvements to our organisational culture, which are now being addressed. One of the most significant actions has been a review of

Medibank's values and behaviours by the senior executive team and representative groups of employees from around Australia. The final set of new values and behaviours is now being 'road-tested' before national roll-out in 2009.

As we seek to further infuse our 'Purpose' in everything we do and increasingly move from being a health payer to health partner, we will equip our staff with the tools they need to help achieve this. Initiatives underway include a customer experience program for retail staff, the introduction of medical terminology training, a new program to improve the health and wellbeing of our own employees, and the requirement that all senior executives spend time in our call centres or retail stores to pre-qualify for the annual performance payment.

In 2009, we expect to see tangible links and benefits between making our employees better off with Medibank and ultimately making our members better off as well.

**Corporate Social Responsibility (CSR)**

At Medibank, we are committed to ensuring we give back to the communities in which we operate and live. In 2007/08, our umbrella program, Medibank Community, was further developed.

A key component of the program is employee volunteering, where permanent employees can utilise one paid day of leave for volunteer activities each year. Through the development and promotion of a number of Company-initiated opportunities, employee volunteering increased from 6% to 17%, a best practice level for Australian companies. This involved more than 200 employees nationally participating in activities such as cooking meals for the homeless, distributing toys to the needy at Christmas, donating blood and visiting youths in the juvenile justice system.

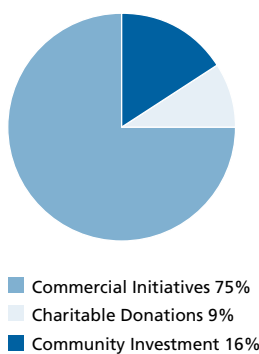
We also strengthened links with our charity partners (Juvenile Diabetes Research Foundation, the Salvos, Ronald McDonald House and Whitelion), who each became beneficiaries of our new workplace giving program. This allows employees to make regular donations from their pre-tax pay to these organisations.

We also recognise that employees choose to personally support a wide range of charities, so Medibank helps by matching their personal donations to registered charities (up to \$500 per person per year). As a result, Medibank contributed more than \$15,000 to community organisations in 2007/08.

During the year, Medibank subscribed to the London Benchmarking Group (LBG), which provides an internationally-recognised framework for organisations to measure and report their investment in the community. It takes into account not only activities that benefit charities, but also commercial activities benefiting the wider community. Medibank's contribution to the community exceeded \$600,000 in 2007/08.

**COMMUNITY CONTRIBUTION**

*Community Investment totalled \$99,698, Charitable Donations were \$54,656 and Commercial Initiatives were valued at \$464,000.*



These figures have been calculated in accordance with the London Benchmarking Group Model.

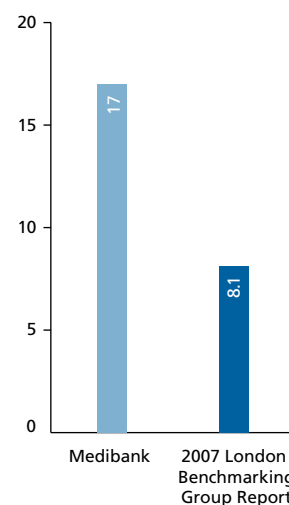
Major activities included our support of the 1Seven program, which, through our partnership with the AFL and Netball Australia, encourages primary school children to eat well and move more.

Medibank Private's Community Contribution is divided into three categories: Community Investment, Charitable Donations and Commercial Initiatives (community elements of our commercial sponsorships).

Community Investment is classified as a long-term strategic partnership to address a specific range of social issues to enhance a company's reputation and contribute effectively to communities. Charitable Donations is providing intermittent support to a wide variety of good causes in response to the needs and appeals of charitable and community organisations. Commercial Initiatives aligns with activities in the community, to directly support the success of a company and promote its corporate brand identity.

**EMPLOYEE INVOLVEMENT**

*17% of Medibank employees participated in company-initiated community activity.*



Values in %

As part of our new CSR strategy, which focuses on the health and wellbeing of Australians, Medibank's community activities will continue to be enhanced during 2008/09.

Formulating Medibank's environmental policy and increasing efforts to reduce greenhouse gases will also be a major focus for the next 12 months. The organisation is already a signatory to the United Nations Environment Program for Financial Institutions and the Australian Government's Greenhouse Challenge. Current initiatives to reduce our environmental footprint include paper recycling throughout corporate offices, all surplus furniture, uniforms and equipment recycled to reduce landfill, the introduction of energy efficient T5 light fittings in retail centres, and the availability of Fair Trade coffee and other products.

Other pillars of our CSR strategy, including workplace, marketplace (supply chain) and human rights initiatives will be progressively pursued in the year ahead.



# 2007/08 Financial Report

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# Corporate Governance Statement

Medibank Private Limited (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 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 *Corporate Governance Principles and Recommendations* (ASX Guidelines) in so far as they are applicable.

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.

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.

The Company also provides regular reports to the Private Health Insurance Administration Council (PHIAC). PHIAC is an independent statutory authority that is responsible to the Federal Minister for Health and Ageing. The role of PHIAC is to monitor and regulate the Private Health insurance industry with the objectives of:

- fostering an efficient and competitive health insurance industry;
- protecting the interests of consumers; and
- ensuring the prudential safety of individual registered organisations.

## Our Shareholder

### Ownership and Shareholder Minister

The Commonwealth of Australia holds all shares in Medibank Private Limited. The responsible Shareholder Minister is the Hon Lindsay Tanner MP, Minister for Finance and Deregulation.

### 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 August 2007 and May 2008, 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 the 2007 and 2008 financial years respectively. Accordingly, an Annual General Meeting was not held in 2007 and will not be held in 2008.

## Board of Directors

### Role and Responsibilities

The Board of Directors is responsible for the overall corporate governance of Medibank Private and the successful operation of the Company. It is accountable to the Shareholder Minister.

In carrying out its governance role, 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 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. The Corporate Governance Section of the company's website links to a document which addresses ASX Guideline 1.1 – Summary of Matters Reserved for the Board.

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 five 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 Secretary, including names and qualifications are included in the Directors' Report, together with Directors' remuneration.

Directors are appointed by the Shareholder Minister in accordance with the Company's Constitution and GBE Guidelines. 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. Mr Brian Keane and Mr Roger Harley's terms as Director expired on 29 August 2007 and 20 September 2007 respectively. Mr Adrian Brien AM and Mr Peter Wade's terms as Director expired on 27 June 2008. Ms Jane Harvey and Mr Philip Twyman were appointed as Directors on 21 September 2007 for a three-year term.

#### **Director Induction and Education**

Medibank Private has an induction program for new Directors, which is reviewed periodically by the Board Nomination, Remuneration and 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 and key providers of health services.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. 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, and do not receive the relevant Board papers.

#### **Fit and Proper**

Medibank Private has a policy and effective procedures in place to ensure that individuals appointed to and holding responsible senior positions are Fit and Proper to undertake their prudential responsibilities.

A Fit and Proper assessment, in accordance with the Company's Fit and Proper policy, is conducted prior to appointment into a Responsible Person position and is reassessed on an annual basis while that person remains holding that position.

The assessment consists of an attestation by the individual together with an assessment by either the full Board in relation to the Chairman, the Chairman in relation to a Director and the Managing Director for Executive Managers and Senior Managers. The Company undertakes any necessary and relevant investigations to verify the information provided in the attestations including referee checks, police checks and searches of appropriate registers. The Audit and Risk Management Committee is responsible for conducting the Fit and Proper assessment of the external auditor. Each assessment is conducted against a set of documented character and competence assessment criteria.

The Group Manager, People and Culture maintains a register of Responsible Persons which is tabled to the Board on an annual basis as part of the Board's annual review and approval of the Policy.

The Policy includes a process for dealing with and reporting breaches of the Policy, together with the protection of whistleblowers.

#### **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.

#### **Director Dealings in Company Shares**

As the Commonwealth of Australia holds all shares in Medibank Private, no trading in the Company's shares is possible.

#### **Board Meetings**

The Board met 13 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**

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 2008. During the year, the Board regularly assessed its performance.

#### **Board Committees**

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

- Audit and Risk Management Committee;
- Investment Committee;
- Nomination, Remuneration and Human Resources Committee; and
- Health and Business 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 and Risk Management Committee

There are currently three Non-Executive Directors on the Audit and Risk Management Committee. The Managing Director attends Audit and Risk Management Committee meetings by invitation. The Chairman of this Committee, Ms J Harvey, is an independent Non-Executive Director who is not the Chairman of the Board.

The role of the Audit and Risk Management Committee is to assist the Board in relation to the reviewing and 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 and Risk Management Committee four times during the year and, on one occasion, without management being present.

The Corporate Governance Section of the company's website links to a document which addresses ASX Guideline 4.4 – Audit and Risk Management Committee Charter.

### Investment Committee

The Investment Committee currently comprises three Non-Executive Directors and the Managing Director. The Chairman of the Committee, Mr P Twyman, 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 four times during the year.

### Nomination, Remuneration and Human Resources Committee

The Nomination, Remuneration and Human Resources Committee comprises four Non-Executive Directors. The Managing Director attends Committee meetings by invitation.

The Chairman of the Committee, Mr P McClintock, is an independent Non-Executive Director.

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 twice a year. The Committee met four times during the year.

The Corporate Governance section of the company's website links to a document which addresses ASX Guideline 2.5 and 8.3 – Nomination, Remuneration and Human Resources Committee Charter.

### Health and Business Innovation Committee

The Health and Business Innovation Committee currently comprises three Non-Executive Directors and the Managing Director.

The Chairman of the Committee, Professor J Stoelwinder is an independent Non-Executive Director.

The primary role of the Committee is to review on behalf of the Board strategic initiatives covering health and innovation before they appear in the Corporate Planning process. These initiatives are aimed at improving value to members.

This Committee was established during the year and met once since its establishment. The Committee Charter recommends that the Committee meet approximately three times a year.

During the year, both the Product Benefits and Innovation Committee and the Business Enablement Committee were discontinued.

## 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 contracted with Ernst and Young to conduct the audit for the 2008 financial year 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 and Risk Management Committee meets with the External Auditor during the year to:

- discuss the external audit and internal audit plans, identify 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 7.3 that the certifications they give to the Board under Section 295A of the *Corporations Act* (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 2008, 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

Internal Audit provides independent assurance that the design and operation of the risk and control framework across the Company is effective. It operates under a Charter from the Audit and Risk Management Committee that gives it unrestricted access to review all activities. The internal audit function is managed by the Manager, Internal Audit and Compliance who reports directly to the Chair of the Audit and Risk Management Committee.

A risk-based approach is used to develop an annual Internal Audit Plan which is reviewed and approved by the Audit and Risk Management Committee and the Board. All audits are conducted in a manner that conforms to international auditing standards. All significant audit reports and a summary of other audit reports are reviewed by the Audit and Risk Management Committee and reported to the Board.

### Risk Management

The Board has approved a risk management system which is based on the Australian Standard for Risk Management and the framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO ERM Framework). The system in place includes comprehensive written policies and procedures to measure, monitor and manage risk. Each business unit is responsible for assessing and updating its risks, including control effectiveness and related mitigation plans.

Corporate level risks are assessed on a regular basis and the Audit and Risk Management Committee receive reports on the status of these key business risks. The Board reviews and sets annual measures for risk tolerance.

### Compliance

Medibank has established a comprehensive compliance management framework. As part of its commitment to Trade Practices and Privacy compliance, the Company has in place an active Trade Practices and Privacy compliance training program, which is completed annually by all staff. The Compliance function reports through the Manager, Internal Audit and Compliance to the Chief Financial Officer. The Compliance function supports the organisation in identifying, managing and monitoring its compliance obligations. In addition, the Compliance function conducts reviews in accordance with a Compliance Plan which is reviewed and approved annually by the Audit and Risk Management Committee and the Board.

### 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 has approved a Code of Conduct which 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. The Corporate Governance section of the company's website links to a document which addresses ASX Guideline 3.1 – Medibank Private's Code of Conduct.

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 at any time during the financial year, including the period 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 Group 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 of Thales Australia, the COAG Reform Council and St Vincent's Centre for Applied and Clinical Research and Director of the European Australian Business Council, Macquarie Infrastructure Investment Management Limited and Perpetual Limited.

His former positions include Chairman of the Expert Panel of the Low Emissions Technology Demonstration Fund, Symbion Health Limited, 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.

**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 2011.

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 of the 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 of CSIRO Health Sector Advisory Council.

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

Appointed Director from 3 November 2003. Current term expires 2 November 2009.

Ms Bowen has executive and consulting experience in information technology and is currently a Director of Link 2 Group Pty Ltd and an independent consultant.

Ms Bowen was formerly Director, Consulting Services, Asia Pacific, Cerner Corporation and Director of Systems and Programmes, Cable and Wireless Optus. Foundation member of the Ernst and 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, retired 28 June 2008. Mr Brien was Chairman of the Investment Committee until 20 May 2008.

Mr Brien is currently Chairman, Equitrade Ltd; a Member of Venture Capital Board of Australia, Innovation Board of Australia; Trustee, Les Favell Cricket Foundation and Life Governor, Flinders Medical Centre Research Foundation. Mr Brien received the Centenary Medal in 2003.

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

Appointed Director from 26 June 2002. Current term expires 28 June 2011. Chairman of the Health and Business Innovation Committee.

Professor Stoelwinder has extensive experience in medical and health care roles and is currently Chair of Health Services Management, School of Public Health 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, CEO Queen Victoria Medical Centre (Melbourne); Director, Private Health Insurance Administration Council (PHIAC); Professor and Head, Health Services Management Development Unit, School of Medicine, Flinders University 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, retired 28 June 2008. Mr Wade was Chairman of the Audit and Risk Management Committee until 31 March 2008.

Mr Wade is currently Chairman, Open Universities Australia Pty Ltd; Director, CASS Foundation Limited, The Knox School Ltd, Ebis Pty Ltd and PhillipsKPA Consulting Pty Ltd.

**Jane Harvey** BCom (Melb), MBA (Melb), FCA, FAICD  
*(Non-Executive Director)*

Appointed Director from 21 September 2007. Current term expires 20 September 2010.

Chairman of the Audit and Risk Management Committee from 1 April 2008.

Ms Harvey is currently a Director of IOOF Holdings Limited, Boom Logistics Limited, Bayside Health Services, the Royal Flying Doctor Service (Vic), Colonial Foundation Trust and Telecommunications Industry Ombudsman.

Ms Harvey was formerly a Partner at PricewaterhouseCoopers. Prior directorships included The Royal Melbourne Hospital and the Victorian Managed Insurance Authority.

**Philip J Twyman** BSc, MBA, FIA, FIAA, FAICD  
*(Non-Executive Director)*

Appointed Director from 21 September 2007. Current term expires 20 September 2010.

Chairman of the Investment Committee from 21 May 2008.

Mr Twyman is currently Chairman, ANZ Lenders Mortgage Insurance Pty Ltd and the Overseas Council Australia; Director of Perpetual Limited, Insurance Australia Group Limited, Swiss Reinsurance Company (Australian Board of Advice), Swiss Re Life and Health Australia Limited and Tokio Marine Management (Australasia) Pty Ltd.

Mr Twyman was formerly Director Insurance Manufacturers of Australia Pty Ltd; Executive Director Aviva plc and Chairman of Morley Fund Management.

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

Appointed Director from 30 August 2004, retired 21 September 2007.

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

Appointed Director from 30 August 2004, retired 29 August 2007.

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

Brian Keane, Roger Harley, Peter Wade and Adrian Brien.

**Company Secretary:**  
**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 as well as 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.

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

- Audit and Risk Management Committee;
- Health and Business Innovation Committee;
- Investment Committee; and
- Nomination, Remuneration and Human Resources Committee.

The role of these Committees is outlined in the Corporate Governance Statement section of the Annual Report.

While not all Directors are on all of the Committees and therefore do not receive all Committee papers, they do receive a copy of all Committee agendas and meeting minutes and can attend any Committee meeting by arrangement with that Committee's Chairman.

## 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 2007/08 profit was \$187,492,000 (2006/07 \$295,169,000). 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 2007/08 financial year included:

- The Australian Government announced a planned increase in the Medicare Levy Surcharge thresholds for the 2008/09 financial year as part of the Federal Budget announced on 13 May 2008; and
- Plans to sell Medibank Private via an ASX sharemarket float were halted with the change of government in November 2007.

## Directors' Meetings

The number of meetings of the Board of Directors and Board Committees during the year ended 30 June 2008, and attendance by Directors at those meetings.

Director	Board Meeting		Audit and Risk Management Committee		Business Enablement Committee		Product, Benefits and Innovation Committee		Health and Business Innovation Committee		Investment Committee		Nomination, Remuneration and Human Resources Committee	
	H	A	H	A	H	A	H	A	H	A	H	A	H	A
Paul McClintock <sup>(1)</sup>	13	13	4	4	–	–	–	–	–	–	4	3	4	4
George Sawwides	13	13	4	4	1	1	2	2	1	1	4	4	4	4
Julia Bowen <sup>(2)</sup>	13	13	4	4	1	1	2	2	1	1	–	–	–	–
Adrian Brien <sup>(3)</sup>	13	12	4	4	–	–	–	–	1	1	4	4	4	3
Just Stoelwinder <sup>(4)</sup>	13	12	4	4	–	–	2	2	1	1	–	–	4	4
Peter Wade <sup>(5)</sup>	13	10	4	4	1	1	–	–	1	1	4	4	–	–
Jane Harvey <sup>(6)</sup>	10	10	2	2	–	–	–	–	–	–	3	3	–	–
Philip Twyman <sup>(7)</sup>	10	10	2	2	–	–	–	–	–	–	3	3	–	–
Roger Harley	3	2	2	1	–	–	1	1	–	–	1	1	2	1
Brian Keane	2	2	2	2	1	1	1	1	–	–	–	–	–	–

A – Number of meetings attended.

H – Number of meetings held during the time the Director held office or was a member of that Committee during the year.

1. Mr McClintock is Chairman of the Board and is Chairman of the Nomination, Remuneration and Human Resources Committee.

2. Ms Bowen was Chairman of the Business Enablement Committee.

3. Mr Brien AM was Chairman of the Investment Committee until 20 May 2008.

4. Professor Stoelwinder was Chairman of the Product, Benefits and Innovation Committee and is currently Chairman of the Health and Business Innovation Committee.

5. Mr Wade was Chairman of the Audit and Risk Management Committee until 31 March 2008.

6. Ms Harvey is Chairman of the Audit and Risk Management Committee.

7. Mr Twyman is Chairman of the Investment Committee.

## Significant Events After The Balance Date

On 14 July 2008 the company signed a Merger Implementation Deed with Australian Health Management Group Ltd (ahm) under which Medibank Private will acquire 100% ownership of ahm by way of a scheme of arrangement between ahm and its members for cash consideration of \$367 million. The ahm Board unanimously agreed to recommend the proposal to its members. There are a number of conditions which are required to be satisfied prior to the scheme becoming effective, including regulatory clearances, ahm member approval and court approval of the scheme. It is anticipated that the scheme will become effective during the 2008/09 Financial Year. The acquisition will be funded from the Company's existing capital reserves.

Except for the acquisition outlined above, no other matter or circumstance has arisen since 30 June 2008 that has significantly affected, or may significantly affect:

- the Company's operations in future financial years;
- the results of those operations in future financial years; or
- the Company's state of affairs in future financial years.

## Likely Developments And Future Results

Directors anticipate that the sustained growth in underwriting financial performance over the past couple of years will not continue through to 2008/09. Expectations are that due to the tightening economic conditions, where more pressure is being placed on discretionary income, that the rate of growth in membership will slow as compared to recent years. In addition, the Federal Government's decision through the May 2008 Budget to increase the Medicare Levy Surcharge thresholds is expected to result in a one-off loss in hospital membership, which will have an adverse impact on revenue growth, resulting in a lower underwriting financial performance in 2008/09. A range of strategies will be implemented to mitigate the level of impact from these challenges. Medibank Private will continue to reinvest in the core business by investing in the continuation of the Business Systems Renewal program, as well as continue to develop its offering to members through the ongoing development of our health and wellbeing service capabilities. Investment Income is expected to be impacted by further volatility in domestic and global equity and credit markets, with this risk being managed by protection policies consistent with Medibank Private's risk profile.

The business will be concerned with ensuring an effective integration of the ahm acquisition into Medibank Private during the second half of the year, assuming all conditions are satisfied.



## 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		Group Executives
	Non-Executive	Executive	
<b>Fixed Remuneration</b>			
Cash salary	×	✓	✓
Cash fees	✓	×	×
Superannuation	✓	✓	✓
Other benefits	✓	✓	✓
<b>Short-term Incentives</b>			
Cash	×	✓	✓
<b>Long-term Incentives</b>			
Cash	×	×	✓
<b>Post-Employment</b>			
Service agreements	×	✓	✓
Termination payments	×	✓	✓
<b>Retention Payments</b>			
Cash	×	×	✓ <sup>(1)</sup>

1. Refer to section 1.6.

### 1.2 Fixed Remuneration

Fixed remuneration comprises cash salary, superannuation contributions, subsidised health insurance, other insurances and car parking. Nominated benefits could also be salary-packaged – novated car leases, superannuation contributions and laptops.

To ensure market competitiveness of fixed remuneration, data is sourced from various surveys and, where appropriate, specialist remuneration consultants to provide an objective basis for benchmarking Executive remuneration to a competitive frame of reference. Surveys from CSI and Mercer were referred to during the year, with Ernst and Young and Freehills Lawyers 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.

The Managing Director's remuneration is reviewed annually by the Board and recommendations for adjustment require approval of the Commonwealth Remuneration Tribunal.

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 4.2% to \$52,920 with effect from 1 July 2007. The Chairman, taking into account the greater commitment required, received a fee of \$105,780.

In addition, Directors who sit on the Audit and Risk Management Committee received an additional fee of \$6,185 and the Chair of that Committee received an additional fee of \$12,370 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**

<b>What is the STI?</b>	An annual cash incentive plan linked to specific annual targets.
<b>Who participates in the STI?</b>	All Group Executives (including the Managing Director).
<b>What are the changes from the 2007 plan?</b>	There were no changes to the structure of the 2008 plan but the measures and weightings did change to reflect the financial and operational focus of Medibank Private.
<b>Why does the Board consider the STI an appropriate incentive?</b>	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 contained in the Corporate Plan, which is approved by the shareholder.
<b>Who assesses the performance of Group Executives?</b>	The Managing Director assesses the performance of Group Executives at the end of each financial year and submits the results to the Board for approval.
<b>Who assesses the performance of the Managing Director?</b>	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 and Human Resources Committee.
<b>What are the performance conditions?</b>	The performance conditions comprise corporate financial and non-financial targets.
<b>Why were these conditions chosen?</b>	The targets are set in line with Medibank Private's Corporate Plan.
<b>Are both target and stretch performance conditions imposed?</b>	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.
<b>How well were the performance conditions met in the 2008 financial year?</b>	Following the record membership and underwriting profit result, most stretch performance targets were exceeded.

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

<b>What is the LTI?</b>	The LTI is the incentive component of remuneration for Group 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.
<b>Who participates in the LTI?</b>	All Group Executives (excluding the Managing Director) invited by the Board.
<b>What are the changes from the 2007 plan?</b>	As a result of the change of government in November 2007 and, therefore, the shareholder, the focus of the business has changed. Accordingly, LTI measures and targets were modified to better reflect the long-term objectives of the shareholder and the Board, also reflected in the Corporate Plan.
<b>Why does the Board consider the structure of the LTI appropriate?</b>	The LTI links a proportion of the participants' total 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.
<b>What are the key features of the LTI?</b>	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.
<b>What is the performance measurement testing period?</b>	The first grant will operate over a 2.5 year period (to coincide with the completion of the 2009 financial year). All future grants will be for 3 years.

**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 were put in place to protect Medibank Private against the possible flight risk of key Executives under a sale environment. These were fixed at six months of an Executive's Total Fixed Remuneration, but can be 12 months (if the Executive's employment is terminated due to a change in control).

**1.6 Retention Payments**

With the prospect of a sale of Medibank Private in 2007 the Board approved the introduction of a retention plan for the Group Executives employed at the first vesting date (excluding the Managing Director). The plan comprised of two 3-month tranches (based on the Group Executive's remuneration at the time of payment). The first tranche vested on 1 April 2007 and is to be paid at the time of the sale or 31 December 2008, whichever comes first. The second tranche vested on 1 April 2008 and is to be paid three months after the sale or at 31 March 2009, whichever comes first. If the sale occurred prior to the 1 April 2008, participation in the second tranche would have been forfeited by the Group Executive. All payments under the plan are time based, i.e. being employed by Medibank Private at each of the vesting dates determines entitlement.

## 2 Non-Executive Remuneration

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

30 June 2008	Directors' Fees <sup>(1)</sup> \$	Audit and Risk Management Committee \$	Non-Monetary Benefits \$	Superannuation Benefits <sup>(2)</sup> \$	Total Remuneration \$
<b>Non-Executive Directors</b>					
P McClintock (Chairman) <sup>(3)</sup>	106,219	4,665	2,000	9,980	122,864
J Stoelwinder <sup>(3)</sup>	53,140	4,474	7,022	5,185	69,821
J Bowen	53,140	6,211	3,344	5,342	68,037
J Harvey	41,114	6,352	459	4,272	52,197
P Twyman	41,115	4,805	1,514	4,133	51,567
<b>Total Non-Executive Directors</b>	<b>294,728</b>	<b>26,507</b>	<b>14,339</b>	<b>28,912</b>	<b>364,486</b>
<b>Former Directors</b>					
P Wade	52,984	10,804	15,425	5,741	84,954
A Brien <sup>(3)</sup>	53,600	4,665	13,228	5,581	77,074
R Harley	12,228	1,620	4,966	1,246	20,060
B Keane	8,768	1,025	296	1,188	11,277
<b>Total Former Non-Executive Directors</b>	<b>127,580</b>	<b>18,114</b>	<b>33,915</b>	<b>13,756</b>	<b>193,365</b>

1. Represents actual Directors' fees paid during the financial year reflecting an increase in fees which became effective 1 July 2007.

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

3. These Directors resigned from the Audit & Risk Management Committee during the year.

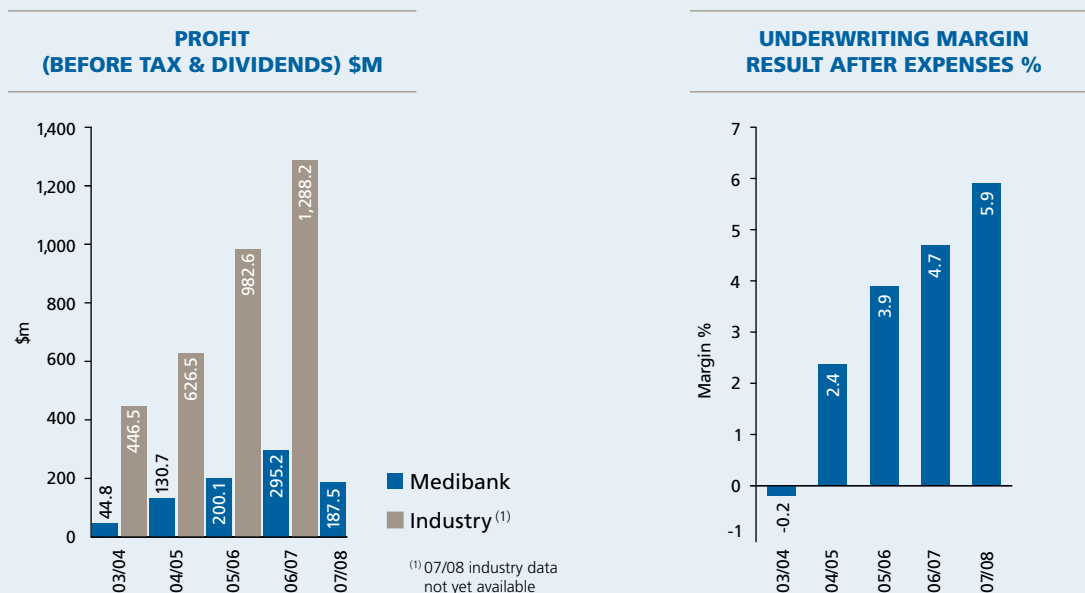
30 June 2007	Directors' Fees <sup>(1)</sup> \$	Audit and Risk Management Committee \$	Non-Monetary Benefits \$	Superannuation Benefits <sup>(2)</sup> \$	Total Remuneration \$
<b>Non-Executive Directors</b>					
P McClintock (Chairman)	28,501	1,666	2,453	2,715	35,335
J Stoelwinder	56,634	5,935	9,149	5,631	77,349
J Bowen	50,780	5,935	2,825	5,104	64,644
P Wade	50,780	11,870	11,267	5,639	79,556
A Brien	50,116	6,154	5,246	5,064	66,580
R Harley	50,780	5,935	9,609	5,104	71,428
B Keane	50,780	5,935	1,339	5,104	63,158
<b>Total Non-Executive Directors</b>	<b>338,371</b>	<b>43,430</b>	<b>41,888</b>	<b>34,361</b>	<b>458,050</b>
<b>Former Directors</b>					
P Kirby (Chairman)	62,468	3,652	12,243	5,951	84,314
<b>Total Former Non-Executive Directors</b>	<b>62,468</b>	<b>3,652</b>	<b>12,243</b>	<b>5,951</b>	<b>84,314</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

Executives have an annual performance review. The entire at-risk component of executive remuneration is tied to the performance of the executive and the organisation.

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 performance targets.

The mix and weighting of measures may vary annually, depending on the focus of the organisation for the coming financial year. These are cascaded to individual executives participating in the plan. For this year, measures included a corporate financial result, market share of revenue, customer satisfaction, employee turnover, non-PHI income 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	Commencement Date*
<b>Current</b>		
G Savvides	Managing Director	19 April 2002 <sup>(1)</sup>
B Levy	Chief Operating Officer and Deputy Managing Director	1 December 2006
M Sammells	Chief Financial Officer	4 November 2005
H Parkinson	Group Manager – People and Culture	15 August 2005
T Snyders	Chief Information Officer	5 September 2007
K McGrath	Group Manager – Corporate and Medical Affairs	12 May 2008
<b>Former</b>		
T Jones	Group Manager – Corporate Strategy and Communications	31 March 2008

\* Commenced in role.

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

#### 4.2 Board policy on remuneration

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

- reward executives for corporate, financial and operational performance against targets set by reference to appropriate benchmarks;

- align the interests of the executives to reward growth in enterprise 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 and 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 provide incentive to 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. Group Executives (excluding the Managing Director) invited to participate in the LTI can earn a maximum of 25%–30% of fixed remuneration (depending on position). This mix between fixed and variable remuneration reflects the Board's commitment to performance-based reward and has been benchmarked against market practice.

## 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 <sup>(c)</sup>	Superannuation	Other <sup>(d)</sup>	Termination Benefits	
30 June 2008	\$	\$	\$	\$	\$	\$	\$
<b>Current Directors<sup>(a)</sup></b>							
P McClintock (Chairman)	110,884	–	2,000	9,980	–	–	122,864
J Stoelwinder	57,614	–	7,022	5,185	–	–	69,821
J Bowen	59,351	–	3,344	5,342	–	–	68,037
J Harvey	47,466	–	459	4,272	–	–	52,197
P Twyman	45,920	–	1,514	4,133	–	–	51,567
<b>Total Director Remuneration</b>	<b>321,235</b>	<b>–</b>	<b>14,339</b>	<b>28,912</b>	<b>–</b>	<b>–</b>	<b>364,486</b>
<b>Former Directors</b>							
P Wade	63,788	–	15,425	5,741	–	–	84,954
A Brien	58,265	–	13,228	5,581	–	–	77,074
R Harley	13,848	–	4,966	1,246	–	–	20,060
B Keane	9,793	–	296	1,188	–	–	11,277
<b>Total Former Director Remuneration</b>	<b>145,694</b>	<b>–</b>	<b>33,915</b>	<b>13,756</b>	<b>–</b>	<b>–</b>	<b>193,365</b>
<b>Current Executives</b>							
G Sawides (Managing Director)	666,774	391,500	19,900	60,093	15,461	–	1,153,728
B Levy	530,727	274,680	9,420	47,449	22,707	–	884,983
M Sammells	430,718	266,000 <sup>(e)</sup>	8,121	37,337	24,039	–	766,215
H Parkinson	312,317	153,720	10,081	26,554	16,727	–	519,399
T Snyders	257,057	127,869	6,584	21,984	6,086	–	419,580
K McGrath	52,355	–	1,490	4,402	1,133	–	59,380
<b>Total Current Executive Remuneration</b>	<b>2,249,948</b>	<b>1,213,769</b>	<b>55,596</b>	<b>197,819</b>	<b>86,153</b>	<b>–</b>	<b>3,803,285</b>
<b>Former Executives</b>							
T Jones	319,288	144,262	8,721	10,843	–	200,000	683,114
<b>Total Former Executive Remuneration</b>	<b>319,288</b>	<b>144,262</b>	<b>8,721</b>	<b>10,843</b>	<b>–</b>	<b>200,000</b>	<b>683,114</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) Non-Monetary Benefits include death, total and permanent disablement, salary continuance, subsidised health insurance and fringe benefits.

(d) Long-Term and Other comprises accrual for long service leave. The LTI is not reliably measurable at this point and no amount has been accrued in the 2008 Financial Year.

(e) This amount includes an additional performance bonus of \$50,000.

5 Details of remuneration continued

5.1 Directors' and Group Executives' remuneration continued

30 June 2007	Short-Term		Post-Employment	Long-Term	Other		Total Remuneration \$
	Salary and Fees <sup>(b)</sup> \$	STI \$	Non-Monetary Benefits <sup>(c)</sup> \$	Superannuation \$	Other <sup>(d)</sup> \$	Termination Benefits \$	
<b>Current Directors<sup>(a)</sup></b>							
P McClintock (Chairman)	30,167	–	2,453	2,715	–	–	35,335
J Stoelwinder	62,569	–	9,149	5,631	–	–	77,349
J Bowen	56,715	–	2,825	5,104	–	–	64,644
P Wade	62,650	–	11,267	5,639	–	–	79,556
A Brien	56,270	–	5,246	5,064	–	–	66,580
R Harley	56,715	–	9,609	5,104	–	–	71,428
B Keane	56,715	–	1,339	5,104	–	–	63,158
<b>Total Director Remuneration</b>	<b>381,801</b>	<b>–</b>	<b>41,888</b>	<b>34,361</b>	<b>–</b>	<b>–</b>	<b>458,050</b>
<b>Former Directors</b>							
P Kirby (Former Chairman)	66,120	–	12,243	5,951	–	–	84,314
<b>Total Former Director Remuneration</b>	<b>66,120</b>	<b>–</b>	<b>12,243</b>	<b>5,951</b>	<b>–</b>	<b>–</b>	<b>84,314</b>
<b>Current Executives</b>							
G Savvides (Managing Director)	654,923	416,150	29,084	54,538	56,411	–	1,211,106
B Levy	473,232	341,100 <sup>(e)</sup>	30,001	40,560	34,002	–	918,895
M Sammells	365,283	226,200	10,178	31,131	16,986	–	649,778
H Parkinson	277,762	176,900	10,628	24,699	2,846	–	492,835
T Jones	385,721	217,210	11,265	12,930	9,235	–	636,361
<b>Total Current Executive Remuneration</b>	<b>2,156,921</b>	<b>1,377,560</b>	<b>91,156</b>	<b>163,858</b>	<b>119,480</b>	<b>–</b>	<b>3,908,975</b>
<b>Former Executives</b>							
K Crompton	301,956	134,074	3,020	24,601	–	44,691	508,342
S Blair	117,727	–	17,190	9,820	–	43,655	188,392
<b>Total Former Executive Remuneration</b>	<b>419,683</b>	<b>134,074</b>	<b>20,210</b>	<b>34,421</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) Non-Monetary Benefits include death, total and permanent disablement, salary continuance, subsidised health insurance and fringe benefits.

(d) Long-Term and Other comprises accrual for long service leave. The LTI is not reliably measurable at this point and no amount has been accrued in the 2007 Financial Year.

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

## 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 2008	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	391,500	90.0%	10.0%	–
<b>Current Group Executives</b>				
B Levy	274,680	80.0%	20.0%	–
M Sammells <sup>(2)</sup>	216,000	80.0%	20.0%	–
H Parkinson	153,720	80.0%	20.0%	–
T Snyders	127,869	80.0%	20.0%	–
K McGrath <sup>(3)</sup>	–	–	–	–
<b>Former Group Executive</b>				
T Jones	144,262	80.0%	20.0%	–

1. STI constitutes a cash incentive earned during the 2008 Financial Year and is expected to be paid in September 2008.

2. This amount does not include the additional performance-based bonus of \$50,000.

3. STI not applicable for the 2008 Financial Year due to commencement date.

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	416,500	95.7%	4.3%	–
<b>Current Group Executives</b>				
B Levy <sup>(2)</sup>	316,100	96.7%	3.3%	–
M Sammells	226,200	96.7%	3.3%	–
H Parkinson	176,900	96.7%	3.3%	–
T Jones	217,210	96.7%	3.3%	–

1. STI constitutes a cash incentive earned during the 2007 Financial Year and was paid in September 2007.

2. This amount does not include the 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
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
T Snyders	6 months	3 months	12 months	n/a
K McGrath	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.

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 \$210,240 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

George Savvides  
Managing Director

Melbourne, 15 August 2008



## 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 2008, 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

15 August 2008

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

## Income Statement

For the financial year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
<b>Revenue</b>			
Premium revenue		3,390,372	3,079,126
<b>Claims expense</b>			
Claims incurred	13(b)	(2,848,836)	(2,622,133)
State levies		(29,377)	(26,899)
Net Risk Equalisation Trust Fund levies		37,109	16,639
<b>Net claims incurred</b>		<b>(2,841,104)</b>	<b>(2,632,393)</b>
<b>Underwriting result</b>		<b>549,268</b>	<b>446,733</b>
<b>Expenses</b>			
Employee benefits expense		(149,580)	(123,799)
Office and administration expense		(60,379)	(53,834)
Marketing expense		(42,382)	(34,765)
Information and technology expense		(37,413)	(33,431)
Business systems renewal program expense	4(f)(i)	(22,110)	(26,830)
Lease expense	4(e)	(16,381)	(14,536)
Depreciation and amortisation expense	4(d)	(19,462)	(14,087)
Other expenses		(1,411)	(312)
<b>Total expenses</b>		<b>(349,118)</b>	<b>(301,594)</b>
<b>Underwriting result after expenses</b>		<b>200,150</b>	<b>145,139</b>
Reversal of impairment of intangible assets	4(f)(ii)	–	7,448
<b>Underwriting result after expenses and impairment</b>		<b>200,150</b>	<b>152,587</b>
<b>Investment and other income/(expense)</b>			
Investment income	4(a)	142,184	140,994
Investment expense	4(b)	(159,206)	(1,306)
Other income	4(c)	4,364	2,894
<b>Total investment and other income/(expense)</b>		<b>(12,658)</b>	<b>142,582</b>
<b>Profit for the year</b>		<b>187,492</b>	<b>295,169</b>

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

# Balance Sheet

As at 30 June 2008

	Note	2008 \$'000	2007 \$'000
<b>Current assets</b>			
Cash and cash equivalents	18(a)	1,047,049	865,839
Trade and other receivables	5	190,466	120,437
Inventories	6	514	363
Financial assets at fair value through profit and loss	7	929,581	896,975
Other assets	8	56,724	5,398
<b>Total current assets</b>		<b>2,224,334</b>	<b>1,889,012</b>
<b>Non-current assets</b>			
Plant and equipment	9	20,735	23,067
Intangible assets	10	46,413	48,502
Other assets	8	246	246
<b>Total non-current assets</b>		<b>67,394</b>	<b>71,815</b>
<b>Total assets</b>		<b>2,291,728</b>	<b>1,960,827</b>
<b>Current liabilities</b>			
Trade and other payables	11	506,821	406,357
Financial liabilities at fair value through profit and loss	12	15,474	843
Claims liabilities	13(a)	353,082	327,513
Provisions	14	21,577	16,572
<b>Total current liabilities</b>		<b>896,954</b>	<b>751,285</b>
<b>Non-current liabilities</b>			
Trade and other payables	11	5,015	7,544
Claims liabilities	13(a)	47,746	47,511
Provisions	14	11,152	11,118
<b>Total non-current liabilities</b>		<b>63,913</b>	<b>66,173</b>
<b>Total liabilities</b>		<b>960,867</b>	<b>817,458</b>
<b>Net assets</b>		<b>1,330,861</b>	<b>1,143,369</b>
<b>Equity</b>			
Contributed equity	15	85,000	85,000
Retained earnings	16	1,245,861	1,058,369
<b>Total equity</b>		<b>1,330,861</b>	<b>1,143,369</b>

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

## Cash Flow Statement

For the financial year ended 30 June 2008

	Note	2008 \$'000	2007 \$'000
<b>Cash flows from operating activities</b>			
Premium receipts		3,398,112	3,086,981
Other receipts		4,089	2,652
Payments for claims and levies		(2,820,717)	(2,594,256)
Payments to suppliers and employees		(331,103)	(282,769)
<b>Net cash flow from operating activities</b>	18(b)	<b>250,381</b>	<b>212,608</b>
<b>Cash flows from investing activities</b>			
Interest received		94,214	79,005
Investment expenses		(1,843)	(1,306)
Proceeds from sale of financial assets		201,016	86,114
Purchase of financial assets		(345,203)	(394,805)
Purchase of plant and equipment		(6,032)	(3,160)
Purchase of intangible assets		(11,323)	(20,786)
<b>Net cash flow used in investing activities</b>		<b>(69,171)</b>	<b>(254,938)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>181,210</b>	<b>(42,330)</b>
Cash and cash equivalents at beginning of period		865,839	908,169
<b>Cash and cash equivalents at end of period</b>	18(a)	<b>1,047,049</b>	<b>865,839</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 2008

	Contributed equity \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 July 2006</b>	85,000	763,200	848,200
Profit for the year	–	295,169	295,169
<b>Balance at 30 June 2007</b>	<b>85,000</b>	<b>1,058,369</b>	<b>1,143,369</b>
Profit for the year	–	187,492	187,492
<b>Balance at 30 June 2008</b>	<b>85,000</b>	<b>1,245,861</b>	<b>1,330,861</b>

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

# Notes to the Financial Statements

For the financial year ended 30 June 2008

## Note 1: Summary of significant accounting policies

The financial report of Medibank Private Limited (Medibank Private) for the financial year ended 30 June 2008 (2008) was authorised for issue in accordance with a resolution of the directors on 15 August 2008.

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 2008:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for Medibank Private
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 of leases, revenue and financial instruments.	1 January 2008	1 July 2008
2007-8	Amendments to Australian Accounting Standards arising from AASB 101	No change in accounting policy required. The amendments are expected to only affect the presentation of the Group's financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101.	1 January 2009	1 July 2009
2007-9	Amendments to Australian Accounting Standards arising from the review of AAS's 27, 29, 31 [AASB 3, 5, 8, 101, 114, 116, 127 & 137]	No change to accounting policy. This pronouncement was issued as a result of the review of AAS's 27, 29 and 31, which largely relocates the industry-based standards to topic-based standards.	1 July 2008	1 July 2008
AASB 101 (revised)	Presentation of Financial Statements	Refer to AASB 2007-8 above.	1 January 2009	1 July 2009
AASB Interpretation 4 (revised)	Determining whether an Arrangement contains a Lease	Refer to AASB 2007-2 above.	1 January 2008	1 July 2008
AASB Interpretation 12	Service Concession Arrangements	Refer to AASB 2007-2 above.	1 January 2008	1 July 2008
AASB Interpretation 13	Customer Loyalty Programmes	New accounting policy detailing the accounting for customer loyalty programmes, which are used to provide incentives to members to buy products. Medibank is in the process of assessing the impact.	1 July 2008	1 July 2008
AASB Interpretation 129	Service Concession Arrangements: Disclosures	Refer to AASB 2007-2 above.	1 January 2008	1 July 2008

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

### Adoption of new Accounting Standard

Medibank has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 July 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on the Income Statement or Balance Sheet.

## 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 premiums received inclusive of any Commonwealth of Australia 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.

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 and income arising from investments in direct 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 and 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 from and payments to 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 and cash equivalents in the Balance Sheet are stated at nominal value and include cash on hand, short term bank bills, commercial paper, certificate of deposits, Floating Rate Notes (FRN) (maturing within 185 days), as well as restricted funds held in a special purpose fund account and in escrow.

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 at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. The carrying amount reasonably approximates fair value at balance date.

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 direct mandates, and an internally managed fixed income portfolio (with maturity greater than 185 days). 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 market place, 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 an appropriate external source on the balance sheet date. If quoted market prices are not available, fair values are estimated on the basis of pricing models or other recognised valuation techniques. The assumptions used as inputs into these models include the value of variables such as risk-free rates, volatility, strike rates, time to expiry, credit-default swap levels and correlations. Also considered is whether the fair value results reflects a price which the entity could trade and is current and consistent with market information.

Medibank Private entered into derivative contracts in the financial year including over-the-counter equity options (puts and calls), equity futures contracts, cash-equity swaps, and foreign exchange forward and swap contracts. The over-the-counter equity options (puts and calls), cash-equity swaps and foreign exchange forward and swap contract 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 mitigate any exposure to currency risk arising from Medibank Private's offshore investment holdings. The equity futures contracts were entered into as a method of increasing exposures to certain asset classes to align financial asset holdings with the strategic asset allocation of the organisation.

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.

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

### 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 mitigate any exposure to 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. Valuation techniques include the use of option valuation models and require assumptions regarding inputs such as risk-free rates, strike rates, volatility and term-to-maturity to be made.

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, 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). An impairment provision is recognised when there is objective evidence that Medibank Private will not be able to collect the receivable. Objective evidence of impairment for premiums in arrears is 63 days past due. Objective evidence of impairment for sundry debtors is 90 days past due. The carrying amount of the asset shall be reduced either directly or through use of an allowance account. Individual debts that are known to be uncollectible are written off when identified. The amount of the loss shall be recognised in the Income Statement. The carrying amount of financial assets reasonably approximates fair value at balance date.

#### (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. Funds are also forwarded to hospitals to cover expected payments held within the hospital claims audit process awaiting final assessment, where delays in assessment are considered excessive. These advances are reviewed regularly against amounts held within the hospital claims assessment process and are repaid usually within 30 days.

#### (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.

Medibank Private entered into derivative contracts in the financial year including foreign exchange forward and swap contracts. These transactions are used to minimise exposure as per the protection strategy on financial assets at fair value through profit and loss as outlined in Note 1(i).

#### (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:

	2008	2007
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 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. 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.



### 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:

	2008	2007
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 the 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 cannot 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 its revalued amount in which case, the reversal is treated as a revaluation increase. After such reversals 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 provisions

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.

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. Claims handling costs comprise 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 2008 is 2.20% of the claims liability (2007: 2.01%).

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% (2007: 90%) 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 2008.

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

#### (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 which is the fair value of the consideration to be paid in the future for goods and services received. 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. The carrying amount reasonably approximates fair value at balance date.

#### (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, salaries and annual leave, long service leave, and profit sharing and bonus plans.

##### (i) 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.

##### (ii) 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.

##### (iii) 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.

##### (iv) 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 the adverse effects of 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).

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.

### Note 2: Significant accounting estimates and assumptions

#### 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.

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 (2007: 95%). The risk margin applied at 30 June 2008 is 6.5% which equates to \$19,529,000 as reflected in Note 13 (a) (2007: 5.9%, \$16,521,000).

##### (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 2008 is 7.8% pa which equates to a discount of \$3,353,000 (2007: 6.3%, \$2,261,000).

## Note 2: Significant accounting estimates and assumptions continued

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

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.

	Movement in variable	Financial Impact	
		Profit/(loss) \$'000	Equity \$'000
Central estimate	+1%	(3,004)	(3,004)
Central estimate	-1%	3,004	3,004
Discount rate	+1%	403	403
Discount rate	-1%	(409)	(409)
Risk margin	+1%	(3,004)	(3,004)
Risk margin	-1%	3,004	3,004
Weighted average term to settlement	+1 month	1,883	1,883
Weighted average term to settlement	-1 month	(1,895)	(1,895)

### (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 maintained at 90% based on a regular analysis of past claims experience.

### (vii) Classification of and valuation of investments

Medibank Private has decided to classify investments in listed and unlisted securities as financial assets that back general insurance liabilities and are therefore designated as at fair value through profit and loss. The fair value of unlisted and listed securities has been determined by reference to published price quotations in an active market.

## 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 as the present value of the estimated future long service leave cash flows to be made in respect of all employees as 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

This note is prepared in accordance with AASB 7 'Financial Instruments: Disclosures' and reflects risk management policies and procedures associated with financial instruments and capital and insurance contracts.

Medibank Private's principal financial instruments comprise cash and short-term money market instruments (including bank bills, negotiable certificate deposits and commercial paper), debentures and floating rate notes, global property trusts, domestic equity trusts, global equity trusts and domestic listed shares.

The positions in these financial instruments are determined by Board policy and to achieve appropriate levels of return for risk from the funds available. A strategic asset allocation is set and/or reviewed at least annually by the board, which establishes the maximum and minimum exposures in each asset class. Transacting in individual instruments is subject to delegated authorities and an approval process which are also established and reviewed by the Investment Committee of the Board. Medibank Private enters into derivative transactions, principally offsetting positions in equity market options 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 for purposes other than risk management be undertaken. Adherence to this policy is ensured by allowing the execution of such trades to occur only with the explicit approval of the Investment Committee.

The main risks arising from Medibank Private's financial instruments are market risk (comprising interest rate risk, foreign currency risk and price risk), credit risk and liquidity risk. Medibank uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate, price risk and foreign exchange risk. In analysing exposure to these risks, consideration is given to interest rate expectations, potential renewals of existing positions, the mix of fixed and variable interest rates, and any expected changes in asset allocation. Ageing analyses and monitoring of counter party credit quality are undertaken to manage credit risk, whilst liquidity risk is monitored through the development of future rolling cash flow forecasts. Equity price risk is managed through the use of diversification and limit-setting on investments in each country, sector and market. Additionally, derivative instruments are used to limit Medibank Private's exposure to downside risks.

Primary responsibility for consideration and control of financial risks rests with the Investment Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified below, including the setting of limits for trading in derivatives, foreign currency contracts and other instruments. Limits are also set for credit exposure and interest rate risk.

### (a) 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: market interest rates (interest rate risk), foreign exchange rates (currency risk), and market prices (price risk).

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

- Compliance with the investment 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.

The Capital Adequacy Standard requires insurance companies to perform 'resilience tests' to determine the exposure to market risk and to hold sufficient capital reserves to cover this risk.

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

### Note 3: Financial risk management objectives and policies continued

#### (i) 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 floating rate investments. Medibank Private's current policy is to not hedge against falls in market interest rates.

If interest rates had differed for the entire reporting period by the amounts illustrated in the table below, with all other variables remaining constant, profit and equity would have been affected as follows:

Judgements of reasonably possible movements	Profit		Equity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
+0.5% (50 basis points)	6,764	6,097	6,764	6,097
+1.0% (100 basis points)	13,528	12,195	13,528	12,195
-0.5% (50 basis points)	(6,764)	(6,097)	(6,764)	(6,097)
-1.0% (100 basis points)	(13,528)	(12,195)	(13,528)	(12,195)

The assessment of reasonably possible movements was made with reference to historical movements in Australian interest rates over the previous seven years.

At balance date, Medibank Private had the following financial assets exposed to Australian variable interest rate risk that were not designated as cash flow hedges:

	2008 \$'000	2007 \$'000
<b>Assets</b>		
Cash and cash equivalents	1,044,734	863,781
Financial assets at fair value through profit and loss		
– Debentures and notes	407,488	389,694
	<b>1,452,222</b>	<b>1,253,475</b>

Cash equivalents are Short Term Money Market investments primarily incorporating bills, commercial papers and Negotiable Certificate of Deposits. Debentures and notes primarily consist of Floating Rate Notes and other term debt instruments. Both classes of financial assets have variable interest rates and are therefore exposed to cash flow movements if these interest rates change.

Medibank Private constantly analyses its interest rate exposure. The interest rates on all long-term investments are reset every 45 days on average.

#### (ii) Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. Medibank Private's investments in global equity trusts are exposed to fluctuations in currency exchange rates. Forward rate contracts are entered into between the Australian dollar and the following currencies: the US dollar, Japanese Yen, Euro and Pound Sterling, in order to minimise this exposure. Medibank Private's investment policy states that this foreign currency risk is to be mitigated by using forward currency contracts.

Medibank Private also has transactional currency exposures which arise from purchases in currencies other than the functional currency. These transactions consist of operational costs within Trade and other payables which are minimal, and purchases of foreign currency denominated investments.

At 30 June 2008, Medibank had the following gross exposure to foreign currency movements:

	2008 \$'000	2007 \$'000
<b>Assets</b>		
Net Financial assets at fair value through profit and loss	233,625	242,703

Medibank Private has forward currency contracts that are subject to fair value movements through profit and loss as foreign exchange rates move.

At 30 June 2008, Medibank Private had entered offsetting positions for 91% (2007: 93%) of its foreign currency translation exposure resulting from global investments.

### Note 3: Financial risk management objectives and policies continued

Had exchange rates moved as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

Judgements of reasonably possible movements	Profit		Equity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
AUD/USD +10%	985	415	985	415
AUD/USD -10%	(985)	(415)	(985)	(415)
AUD/GBP +7%	153	64	153	64
AUD/GBP -7%	(153)	(64)	(153)	(64)
AUD/EUR +5%	219	92	219	92
AUD/EUR -5%	(219)	(92)	(219)	(92)
AUD/JPY +10%	182	77	182	77
AUD/JPY -10%	(182)	(77)	(182)	(77)

The assessment of reasonably possible movements was made with reference to published consensus forecasts or market expectations of potential movements in the relevant exchange rates.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial statements.

#### (iii) 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, 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 arises from investments in equity and property securities. It 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 Private holds and sells European put and call options to protect its exposure to Australian and global equities, and international property investments.

The following sensitivity analysis is based on the equity price risk exposures in existence at the balance sheet date, net of any offsetting impact created by protection positions.

Had the market prices moved, as illustrated in the table below, with all other variables held constant, profit and equity would have been affected as follows:

Judgements of reasonably possible movements	Profit		Equity	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Australian equity investments +10%	23,728	16,347	23,728	16,347
Australian equity investments -10%	(23,728)	(16,347)	(23,728)	(16,347)
Australian listed property investments +9%	589	1,203	589	1,203
Australian listed property investments -9%	(589)	(1,203)	(589)	(1,203)
Global listed property investments +9%	2,389	1,194	2,389	1,194
Global listed property investments -9%	(2,389)	(1,194)	(2,389)	(1,194)
Global equity investments +12%	25,959	21,204	25,959	21,204
Global equity investments -12%	(25,959)	(21,204)	(25,959)	(21,204)
Emerging market investments +20%	3,257	2,563	3,257	2,563
Emerging market investments -20%	(3,257)	(2,563)	(3,257)	(2,563)

The assessment of reasonably possible movements was made with reference to published forecasts or market expectations of potential movements in the relevant equity markets.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial statements.

#### (b) Credit risk

##### (i) Investments

Credit risk arises from the financial assets of the Company, which comprise cash and cash equivalents, trade and other receivables, financial assets at fair value through profit and loss and derivative instruments. Medibank Private's exposure to credit risk arises from potential default of the counter-party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

Credit risk exposure is measured by reference to exposures by ratings bands, country, industry and instrument type.

Medibank Private maintains a counter-party exposure policy where credit exposure is limited to the BBB- or higher rated categories for long-term investments, and A3 or higher for short-term investments. All debt securities are rated investment grade (as measured by external rating agencies such as Standard & Poor's). Departures from this policy require Board approval.

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

### Note 3: Financial risk management objectives and policies continued

There are no significant concentrations of credit risk to a single entity within Medibank Private's investment portfolio. There is a geographical concentration to Australian domiciled banks and corporations, which is managed through the use of exposure limits.

Medibank Private does not have any financial instruments to mitigate exposure against credit risk and all investments are unsecured (except for asset-backed securities and mortgage backed securities). However, the impact of default of counter-parties is minimised through the use of Board-approved limits by counter party and rating, diversification of counter-parties, and the conservative policy to maintain investments in investment grade entities only.

#### (ii) Premiums

Due to the nature of the industry and value of individual policies, Medibank Private does not request any collateral nor is it the policy to secure its Premiums in arrears and trade and other receivables.

Medibank Private regularly monitors its Premiums in arrears, with the result that exposure to bad debts is not significant. The credit risk in respect to Premiums in arrears, incurred on non-payment of premiums, will only persist during the grace period of 63 days as specified in the Fund Rules when the policy may be terminated. Medibank Private is not exposed to claims whilst a Membership is in arrears.

Trade and other receivables are monitored regularly and escalated when they fall outside of terms. The use of debt collection agencies are also used to obtain settlement.

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

#### (iii) Counter-party credit risk ratings

The following table provides information regarding the credit risk exposure of the Company at 30 June 2008 by classifying assets according to credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range AAA to BBB are classified as non-investment grade. The table below highlights the short-term rating as well as the equivalent long-term ratings bands as per published Standard & Poor's correlations.

2008	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	BB \$'000	Not rated \$'000	Total \$'000
<b>Assets</b>							
Cash/cash equivalents	16,656	449,542	211,758	397,069	–	(27,976)	1,047,049
Premiums in arrears	–	–	–	–	–	5,400	5,400
Trade and other Receivables	–	–	–	–	–	185,066	185,066
Advance payments to hospitals	–	–	–	–	–	48,692	48,692
Prepayments	–	–	–	–	–	6,780	6,780
Other current assets	–	–	–	–	–	1,252	1,252
<b>Financial Assets</b>							
Unit Trust investments	–	–	–	–	–	412,222	412,222
Australian listed equities	–	–	–	–	–	94,839	94,839
Debentures, notes and bills	107,268	207,349	77,356	4,835	10,680	–	407,488
Derivatives	–	12,224	2,808	–	–	–	15,032
<b>Total</b>	<b>123,924</b>	<b>669,115</b>	<b>291,922</b>	<b>401,904</b>	<b>10,680</b>	<b>726,275</b>	<b>2,223,820</b>

2007	AAA \$'000	AA \$'000	A \$'000	BBB \$'000	BB \$'000	Not rated \$'000	Total \$'000
<b>Assets</b>							
Cash/cash equivalents	92,542	104,596	326,857	380,083	–	(38,239)	865,839
Premiums in arrears	–	–	–	–	–	10,460	10,460
Trade and other Receivables	–	–	–	–	–	109,977	109,977
Advance payments to hospitals	–	–	–	–	–	2,012	2,012
Prepayments	–	–	–	–	–	3,386	3,386
<b>Financial Assets</b>							
Unit Trust investments	–	–	–	–	–	449,037	449,037
Australian listed equities	–	–	–	–	–	49,857	49,857
Debentures, notes and bills	128,408	149,693	111,593	–	–	–	389,694
Derivatives	–	6,946	1,441	–	–	–	8,387
<b>Total</b>	<b>220,950</b>	<b>261,235</b>	<b>439,891</b>	<b>380,083</b>	<b>–</b>	<b>586,490</b>	<b>1,888,649</b>

Medibank Private's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Balance Sheet.

### Note 3: Financial risk management objectives and policies continued

#### (c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet cash commitments associated with financial instruments. It may result from either the inability to sell financial assets quickly at their fair values; or the counter-party failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

In order to maintain appropriate levels of liquidity, Medibank Private's policy is to hold at least 45% of its total investment assets in short term, highly liquid bank bills and tradeable commercial paper, maturing in 185 days or less.

The table below reflects all contractually fixed pay-offs for settlement and interest resulting from recognised financial liabilities, including derivative financial instruments as at 30 June 2008. For derivative financial instruments, the market value is presented whereas for the other obligations, the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2008.

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant and equipment and investments in working capital e.g. trade receivables. These assets are considered by Medibank in the overall liquidity risk. To monitor existing financial liabilities as well as to enable an effective overall controlling of future risks, Medibank has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial liabilities.

The remaining contractual maturities of the Company's financial liabilities are:

	under 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000	over 2 years \$'000	Total \$'000
<b>2008</b>					
<b>Liabilities</b>					
Trade and other payables	157,972	4,958	119	25	163,074
Unearned premium liability	289,977	53,914	3,825	1,046	348,762
Provisions	17,027	4,550	4,551	6,601	32,729
Claims liabilities	324,217	28,865	25,611	22,135	400,828
Financial liabilities at fair value through profit and loss	369	15,105	–	–	15,474
<b>Total liabilities</b>	<b>789,562</b>	<b>107,392</b>	<b>34,106</b>	<b>29,807</b>	<b>960,867</b>
<b>2007</b>					
<b>Liabilities</b>					
Trade and other payables	66,944	1,812	3,506	56	72,318
Unearned premium liability	283,045	54,556	3,142	840	341,583
Provisions	12,251	4,321	4,126	6,992	27,690
Claims liabilities	303,189	24,324	25,075	22,436	375,024
Financial liabilities at fair value through profit and loss	–	843	–	–	843
<b>Total liabilities</b>	<b>665,429</b>	<b>85,856</b>	<b>35,849</b>	<b>30,324</b>	<b>817,458</b>

It is not possible for a company primarily transacting in insurance business to predict the requirements of funding with absolute certainty. The theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement. The amounts and maturities in respect of insurance liabilities are therefore, based on management's best estimate which incorporates statistical techniques and past experience.

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

### Note 3: Financial risk management objectives and policies continued

#### (d) Insurance risk

The table below provides an overview of the key variables upon which the cash flows of the insurance contracts are dependent.

Type of contract	Detail of contract workings	Nature of claims	Key variables that affect the timing and uncertainty of future cash flows
Hospital Cover	Defined benefits paid for hospital treatment, including accommodation, medical and prostheses costs	Hospital benefits defined by the insurance contract or relevant Deed	Claims incidence and claims inflation
Ancillary Cover	Defined benefits paid for ancillary treatment, such as dental, optical and physiotherapy	Hospital benefits defined by the insurance contract or relevant Deed	Claims incidence and claims inflation Insurance risk

Insurance risks are managed through the use of claims management procedures, close monitoring of experience, the holding of capital in excess of prudential requirements, the ability to vary premium rates, and risk equalisation.

#### Claims management

Strict claims management ensure the timely and correct payment of claims in accordance with policy conditions and provider contracts. Claims are monitored on a monthly basis to track the experience of the portfolios.

#### Experience monitoring

Monthly financial and operational results, including portfolio profitability and prudential capital requirements, are reported to management committees and the Board. Insurance risks and experience in the industry are also monitored by the Private Health Insurance Administration Council (PHIAC).

#### Prudential capital requirements

All private health insurers are required to comply with prudential capital requirements, providing a buffer against certain levels of adverse experience. In addition, the Board also has a target level of capital in excess of the prudential requirement. Actual capital exceeds these levels, providing a buffer against adverse claims experience.

#### Ability to vary premium rates

Medibank Private has the ability to vary future premium rates, subject to the approval of the Minister for Health and Ageing.

#### Risk Equalisation

All private health insurers are required to participate in the Risk Equalisation Trust Fund which aims to share the increased risks associated with aged members and high cost claims.

#### (e) Fair value

The methods for estimating fair value are outlined in the relevant notes to the financial statements.



#### Note 4: Revenue and expenses

	2008 \$'000	2007 \$'000
<b>(a) Investment income</b>		
Interest	93,939	78,755
Trust distributions	29,763	37,457
Dividend income	2,450	1,181
Net gain on disposal of financial assets	16,032	7,307
Net gain on fair value movements on financial assets	–	16,294
	<b>142,184</b>	<b>140,994</b>
<b>(b) Investment expense</b>		
Investment management fees	2,055	1,306
Net loss on fair value movements on financial assets	157,151	–
	<b>159,206</b>	<b>1,306</b>
<b>(c) Other income</b>		
Travel insurance commission	3,658	2,260
Interest	275	250
Other	431	384
	<b>4,364</b>	<b>2,894</b>
<b>(d) Depreciation and amortisation</b>		
Depreciation – plant and equipment	2,816	2,899
Depreciation – leasehold improvements	4,656	4,413
Amortisation – software	11,990	6,775
	<b>19,462</b>	<b>14,087</b>
<b>(e) Lease expense</b>		
Operating lease rental expense	16,381	14,536
	<b>16,381</b>	<b>14,536</b>
<b>(f) Business systems renewal program</b>		
<i>(i) Expense</i>		
Business systems renewal program expense	22,110	26,830
	<b>22,110</b>	<b>26,830</b>

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

Commenced in 2005, the multi-year project aims 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 to support the introduction of new products. The program is designed to deliver a staged implementation, with the first stage delivered in the financial year ended 30 June 2008.

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

	Note	2008 \$'000	2007 \$'000
<i>(ii) Impairment</i>			
Reversal of impairment	10	–	(7,448)
		–	(7,448)

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.

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

### Note 5: Trade and other receivables

	Note	2008 \$'000	2007 \$'000
Premiums in arrears		8,663	12,927
Allowance for impairment loss	(i)	(3,263)	(2,467)
		5,400	10,460
Trade receivables		75,918	21,605
Allowance for impairment loss	(ii)	(644)	(409)
		75,274	21,196
Goods and services tax		2,060	3,526
Government rebate scheme	(a)	88,385	84,558
Risk Equalisation Trust Fund		19,347	697
		109,792	88,781
Total trade and other receivables		190,466	120,437

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

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

Premiums in arrears are non-interest bearing. An allowance for impairment loss is generally recognised when there is objective evidence that premium in arrears is impaired. An allowance for impairment loss of \$3,263,000 (2007: \$2,467,000) has been recognised by Medibank Private in the current year. This amount has been offset against 'premium revenue' in the Income Statement.

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

	2008 \$'000	2007 \$'000
Balance at 1 July	2,467	2,545
Charge for the year	3,263	2,467
Amounts recovered	–	(396)
Amounts written-back	(2,467)	(2,149)
Balance at 30 June	3,263	2,467

#### (ii) Allowance for impairment loss – Trade receivables

Trade receivables 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 \$644,000 (2007: \$409,000) has been recognised by Medibank Private at 30 June 2008. The movement for the period forms part of 'other expenses' in the Income Statement.

Movements in the allowance for impairment loss for trade receivables were as follows:

	2008 \$'000	2007 \$'000
Balance at 1 July	409	–
Charge for the year	538	409
Amounts recovered	(95)	–
Amounts written off	(208)	–
Balance at 30 June	644	409

## Note 5: Trade and other receivables continued

### Ageing Analysis

	Total	0 to 30 days	31 to 60 days	61 to 90 days	+91 days
<b>2008</b>					
Premiums in arrears	8,663	2,842	3,375	1,359	1,087
Trade receivables	75,918	73,188	1,177	366	1,187
Other receivables	109,792	103,104	3,333	3,355	–
	194,373	179,134	7,885	5,080	2,274
<b>2007</b>					
Premiums in arrears	12,927	3,069	6,103	2,264	1,491
Trade receivables	21,605	19,518	710	281	1,096
Other receivables	88,781	88,781	–	–	–
	123,313	111,368	6,813	2,545	2,587

### (a) Considered impaired

<b>2008</b>					
Premiums in arrears	3,263	520	1,030	727	986
Trade receivables	644	–	–	–	644
Other receivables	–	–	–	–	–
	3,907	520	1,030	727	1,630
<b>2007</b>					
Premiums in arrears	2,467	356	786	473	852
Trade receivables	409	–	–	–	409
Other receivables	–	–	–	–	–
	2,876	356	786	473	1,261

### (b) Past due but not considered impaired

<b>2008</b>					
Premiums in arrears	5,400	2,322	2,345	632	101
Trade receivables	2,086	–	1,177	366	543
Other receivables	6,688	–	3,333	3,355	–
	14,174	2,322	6,855	4,353	644
<b>2007</b>					
Premiums in arrears	10,460	2,713	5,317	1,791	639
Trade receivables	1,678	–	710	281	687
Other receivables	–	–	–	–	–
	12,138	2,713	6,027	2,072	1,326

Receivables past due but not considered impaired are \$14,174,000 (2007: \$12,138,000). Each operating unit has been in direct contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

## Note 6: Inventories

	2008 \$'000	2007 \$'000
<b>Current</b>		
Loyalty scheme tickets		
At cost	539	388
Provision for diminution in value	(25)	(25)
	514	363

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

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

	2008 \$'000	2007 \$'000
<b>Current</b>		
Unit trusts	412,222	449,037
Direct mandate	94,839	49,857
Debentures and notes	407,488	389,694
Derivatives	15,032	8,387
	<b>929,581</b>	<b>896,975</b>

Financial assets at fair value through profit and loss consists of investments in unit trusts (whose underlying assets are listed shares or property), direct investment in shares and share-related contracts and therefore, have no fixed maturity date or coupon rate.

Debentures and notes are interest-bearing and are reset either monthly, quarterly or biannually with an average maturity of 1,071 days (2007: 1,345 days).

### Note 8: Other assets

	Note	2008 \$'000	2007 \$'000
<b>Current</b>			
Advance payments to hospitals	(i)	48,692	2,012
Pre-payments	(ii)	6,780	3,386
Other current assets	(iii)	1,252	–
		<b>56,724</b>	<b>5,398</b>

Terms and conditions relating to other current assets:

- (i) Payments made in accordance with contractual agreements.
- (ii) Expenses paid in advance.
- (iii) Non-current assets held for sale.

#### Non-current

Artworks	(iv)	246	246
		<b>246</b>	<b>246</b>

Terms and conditions relating to other non-current assets:

- (iv) Measured at cost.

### Ageing Analysis

	Total	0 to 30 days	31 to 60 days	61 to 90 days	+91 days
<b>2008</b>					
Advance payments to hospitals	48,692	46,624	–	–	2,068
Pre-payments	6,780	2,936	124	236	3,484
Other current assets	1,252	1,252	–	–	–
	<b>56,724</b>	<b>50,812</b>	<b>124</b>	<b>236</b>	<b>5,552</b>
<b>2007</b>					
Advance payments to hospitals	2,012	463	–	452	1,097
Pre-payments	3,386	1,880	371	660	475
	<b>5,398</b>	<b>2,343</b>	<b>371</b>	<b>1,112</b>	<b>1,572</b>

All amounts are receivable in Australian Dollars and are not considered past due or impaired.

#### Fair value and credit risk

The carrying value of other assets is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value. Collateral is not held as security.

## Note 9: Plant and equipment

	Plant and equipment \$'000	Leasehold improvements \$'000	Assets under construction \$'000	Total \$'000
<b>2008</b>				
<b>Gross carrying amount</b>				
Balance at 1 July 2007	18,456	27,543	522	46,521
Additions	1,551	3,649	832	6,032
Transfers in/(out)	499	–	–	499
Assets held for sale	(2,152)	–	–	(2,152)
Write-offs	(79)	(649)	–	(728)
Balance at 30 June 2008	18,275	30,543	1,354	50,172
<b>Accumulated depreciation</b>				
Balance at 1 July 2007	(10,342)	(13,112)	–	(23,454)
Depreciation expense	(2,816)	(4,656)	–	(7,472)
Assets held for sale	1,102	–	–	1,102
Write-offs	10	377	–	387
Balance at 30 June 2008	(12,046)	(17,391)	–	(29,437)
<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	(811)	(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>Net carrying amount</b>				
As at 30 June 2008	6,229	13,152	1,354	20,735
As at 30 June 2007	8,114	14,431	522	23,067

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

### Note 10: Intangible assets

	Note	Software \$'000	Assets under construction \$'000	Total \$'000
<b>2008</b>				
<b>Gross carrying amount</b>				
Balance at 1 July 2007		30,520	39,230	69,750
Additions		2,485	8,838	11,323
Transfers in/(out)		44,183	(44,682)	(499)
Assets held for sale		(202)	–	(202)
Write-offs		(2,141)	–	(2,141)
Balance at 30 June 2008		74,845	3,386	78,231
<b>Accumulated amortisation</b>				
Balance at 1 July 2007		(21,248)	–	(21,248)
Amortisation expense		(11,990)	–	(11,990)
Write-offs		1,420	–	1,420
Balance at 30 June 2008		(31,818)	–	(31,818)
<b>2007</b>				
<b>Gross carrying amount</b>				
Balance at 1 July 2006		27,759	13,773	41,532
Additions		819	19,967	20,786
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 amortisation</b>				
Balance at 1 July 2006		(14,470)	–	(14,470)
Amortisation expense		(6,775)	–	(6,775)
Transfers in/(out)		(3)	–	(3)
Balance at 30 June 2007		(21,248)	–	(21,248)
<b>Net carrying amount</b>				
<b>As at 30 June 2008</b>		<b>43,027</b>	<b>3,386</b>	<b>46,413</b>
As at 30 June 2007		9,272	39,230	48,502

### Note 11: Trade and other payables

	Note	2008 \$'000	2007 \$'000
<b>Current</b>			
Trade creditors	(i)	65,180	22,197
Other creditors and accrued expenses	(ii)	97,596	46,296
Unearned premium liability	(a)(iii)	343,891	337,601
Lease incentives	(iv)	154	263
		<b>506,821</b>	<b>406,357</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 and accrued expenses are non-interest bearing.
- (iii) Unearned premium liability is non-interest bearing.
- (iv) 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.

Due to the short-term nature of these payables, their carrying value is assumed to approximate their fair value.

#### Non-current

Other creditors and accrued expenses	(i)	50	3,364
Unearned premium liability	(a)(ii)	4,871	3,982
Lease incentives	(iii)	94	198
		<b>5,015</b>	<b>7,544</b>

Terms and conditions relating to the above financial instruments:

- (i) Other creditors and accrued expenses are non-interest bearing.
- (ii) Unearned premium liability is non-interest bearing.
- (iii) Lease incentives are non-interest bearing and are settled over the term of the lease. The non-current liability represents >12 months of the term of the lease.

#### (a) Unearned premium liability

Balance at 1 July	341,583	323,997
Deferral of premium on contracts written during the year	345,965	339,850
Earnings of premiums deferred in prior years	(338,786)	(322,264)
Balance at 30 June	<b>348,762</b>	<b>341,583</b>

Note: table includes both current and non-current liability.

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

	Note	2008 \$'000	2007 \$'000
<b>Current</b>			
Derivatives	(i)	15,474	843

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.

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

### Note 13: Claims liabilities

#### (a) Gross claims liability

	Note	2008 \$'000	2007 \$'000
<b>Current</b>			
Claims liability – central estimate of the expected present value of future payments for claims liabilities	(i)	325,217	303,852
Risk margin	(ii)2(iii)	19,321	16,347
Claims handling costs		8,544	7,314
<b>Gross claims liability</b>	13(c)	<b>353,082</b>	<b>327,513</b>
<b>Non-current</b>			
Claims liability – central estimate of the expected present value of future payments for claims liabilities	(i)	47,446	47,259
Risk margin	(ii)2(iii)	208	174
Claims handling costs		92	78
<b>Gross claims liability</b>	13(c)	<b>47,746</b>	<b>47,511</b>

(i) The expected future payments of claims liabilities excluding PackageBonus are discounted to present value using a risk-free rate of 7.8% pa (2007: 6.3% pa).

(ii) The risk margin of 6.5% (2007: 5.9%) of the underlying claims liabilities excluding PackageBonus has been estimated to equate to a probability of adequacy of at least 95% (2007: 95%).

Due to the short-term nature of these liabilities their carrying value is assumed to approximate their fair value.

#### (b) Claims incurred

Information regarding credit risk is set out on Note 3. Interest rate risk is not applicable as claims liabilities are non-interest bearing.

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.

2008	Prior \$'000	Current \$'000	Total \$'000
<b>Claims incurred</b>			
Undiscounted	5,258	2,844,671	2,849,929
Discount	–	(1,093)	(1,093)
	5,258	2,843,578	2,848,836
<b>2007</b>			
<b>Claims incurred</b>			
Undiscounted	(9,662)	2,634,056	2,624,394
Discount	–	(2,261)	(2,261)
	(9,662)	2,631,795	2,622,133

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

	2008 \$'000	2007 \$'000
Balance at 1 July	375,024	342,332
Additional provision	327,517	350,668
Amounts utilised during the year	(310,130)	(317,382)
Movement in claims handling costs	1,244	(424)
Movement in risk margin	3,008	9,780
Movement in discounting	(1,093)	(288)
Amount under/(over) provided	5,258	(9,662)
<b>Balance at 30 June</b>	<b>400,828</b>	<b>375,024</b>

Note: Movement includes both current and non-current.



## Note 14: Provisions

	Note	2008 \$'000	2007 \$'000
<b>Current</b>			
Restructuring	(i)	800	569
Make good	(ii)	359	284
Employee Entitlements	(iii)	19,603	15,719
Other	(iv)	815	–
		<b>21,577</b>	<b>16,572</b>
<b>Non-current</b>			
Make good	(ii)	1,193	879
Employee Entitlements	(iii)	9,959	9,896
Other	(iv)	–	343
		<b>11,152</b>	<b>11,118</b>

### Movement in provisions

#### (i) Restructuring

Balance at 1 July		569	1,524
Additional provision		800	568
Amounts utilised during the year		(411)	(1,354)
Reversal of unused provision		(158)	(169)
Balance at 30 June		800	569

The restructuring provision relates to head office restructuring programs. The estimated costs are based on detailed plans that were communicated during June 2008. The provision was recognised in Medibank Private's financial statements upon announcement of the plans and is expected to be completed by December 2008.

#### (ii) Make good

Balance at 1 July		1,163	1,176
Additional provision		442	75
Amounts utilised during the year		(53)	(87)
Reversal of unused provision		–	(1)
Balance at 30 June		1,552	1,163

Note: Movement includes both current and non-current provision.

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. The provision has been discounted to take into account the time value of money throughout the remaining term of the lease.

#### (iii) Employee Entitlements

Balance at 1 July		25,615	23,312
Additional provision		19,866	16,883
Amounts utilised during the year		(14,955)	(12,924)
Reversal of unused provision		(964)	(1,656)
Balance at 30 June		29,562	25,615

Note: Movement includes both current and non-current provision.

This provision incorporates annual leave, long service leave, termination payments, and profit-sharing and bonus plans. Refer to note 1(x) for the relevant accounting policy and details of the significant estimations and assumptions applied in the measurement of employee entitlements.

#### (iv) Other

Balance at 1 July		343	–
Additional provision		815	343
Amounts utilised during the year		–	–
Reversal of unused provision		(343)	–
Balance at 30 June		815	343

Note: Movement includes both current and non-current provision.

Other provisions includes a provision for asset impairment and a marketing campaign that will both be fully utilised by 31 December 2008.

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

### Note 15: Contributed equity

	2008 \$'000	2007 \$'000		
<b>(a) Fully paid ordinary shares</b>				
Ordinary shares fully paid	85,000	85,000		
<b>(b) Movements in shares on issue</b>				
	2008		2007	
	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	85,000,100	85,000	85,000,100	85,000

### (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.

### (d) Capital management

Medibank Private is required to maintain minimum levels of capital to meet both solvency and capital adequacy requirements.

The Solvency Standard sets out the level of capital required to ensure that under a range of adverse circumstances Medibank Private can meet its existing obligations to members and creditors. This is essentially based on ensuring sufficient capital is available to meet accrued liabilities and obligations if there was an orderly termination of the fund.

The Capital Adequacy Standard sets out the level of capital required, based on a going concern basis where the requirement is for Medibank Private to demonstrate that it has sufficient capital to accept contributions from new and existing members, fund its business plans, absorb short term adverse experience from time to time, and continue to remain solvent.

Medibank Private is required to comply with these standards on a continuous basis and reports results to PHIAC on a quarterly basis.

The Board of Medibank Private has established a capital adequacy target in excess of the prudential capital adequacy requirements to cover both investment and non-investment risks. This buffer is required to protect against adverse variations in experience that could reduce retained earnings and/or increase the statutory minimum capital adequacy requirement in order to reduce the likelihood of a breach of the capital adequacy requirements. Capital is managed against this target and performance is reported monthly to the Board.

### Note 16: Retained earnings

	2008 \$'000	2007 \$'000
Balance at 1 July	1,058,369	763,200
Profit for the year	187,492	295,169
Balance at 30 June	1,245,861	1,058,369

### Note 17: Commitments

	2008 \$'000	2007 \$'000
<b>(a) Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
Within one year	493	800
	493	800

Capital expenditure commitments consist of costs associated with the retail centre refurbishment project.

### (b) Operating lease commitments

Future operating lease rentals not provided for, payable:

Within one year	21,372	15,651
After one year but not more than five years	50,443	33,955
Longer than five years	9,787	11,034
Total minimum lease payments	81,602	60,640

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.

**Note 17: Commitments continued**

	2008 \$'000	2007 \$'000
<b>(c) Other expenditure commitments</b>		
Other commitments not provided for, payable:		
Within one year	32,656	32,183
After one year but not more than five years	39,151	25,032
Longer than five years	2,080	3,573
	<b>73,887</b>	<b>60,788</b>
Other commitments consist of IT outsourcing, IT software, sponsorship agreements and property maintenance commitments.		
<b>Total commitments payable</b>	<b>155,982</b>	<b>122,228</b>

**Note 18: Cash and cash equivalents**

**(a) Reconciliation of cash**

	2008 \$'000	2007 \$'000
Cash and cash equivalents (i) and (ii)	1,047,049	865,839

- (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 2008 was \$2,718,000 (2007: \$3,389,000).
- (ii) This includes restricted funds of \$598,000 (2007: \$1,700,000) held in escrow under the contractual agreement between a vendor and Medibank Private.

**(b) Reconciliation of the net profit to net cash flows from operations**

Profit	187,492	295,169
<i>Add/(less) non-cash items:</i>		
Depreciation	7,472	7,312
Amortisation of software intangibles	11,990	6,775
Loss on disposal of plant and equipment	994	312
Net realised (gain)/loss on financial assets	(16,032)	(7,307)
Net unrealised (gain)/loss on financial assets	157,151	(16,294)
<i>Non-operating cash flows</i>		
Interest income	(94,214)	(79,005)
Dividend income/Trust distribution reinvested	(32,213)	(38,638)
Investment expenses	2,055	1,306
<i>Amounts written off</i>		
Asset impairment	66	-
Intangible assets written off (write-back)	-	(7,448)
<i>(Increase)/decrease in assets:</i>		
Trade and other receivables	(13,236)	(7,171)
Inventories	(151)	128
Prepayments	(3,394)	408
Advance payments to hospitals	(46,680)	(1,787)
<i>Increase/(decrease) in liabilities:</i>		
Trade and other payables	58,238	24,477
Claims liabilities	25,804	32,692
Provisions	5,039	1,679
<b>Net cash flow from/(used in) operating activities</b>	<b>250,381</b>	<b>212,608</b>

**(c) Financing facilities**

Unsecured overdraft credit facility, reviewed annually:		
Amount used	-	-
Amount unused	16,000	16,000
	<b>16,000</b>	<b>16,000</b>

## Notes to the Financial Statements continued

For the financial year ended 30 June 2008

### Note 19: Key management personnel

	2008 \$	2007 \$
Short-Term	4,506,727	4,701,656
Post-Employment	251,330	238,591
Long-Term	86,153	119,480
Termination Benefits	200,000	88,346
	5,044,250	5,148,073

### Note 20: Related party disclosure

There were no related party transactions that required disclosure during the financial year ended 30 June 2008 (2007: Nil).

### Note 21: Contingent liabilities

There are no material contingent liabilities at reporting date.

### Note 22: Auditor's remuneration

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

	2008 \$	2007 \$
Auditing the financial report	259,100	309,462
Other services – regulatory reporting	60,739	50,817
Other services – advisory	32,653	250,986
	352,492	611,265

### Note 23: Solvency reserve

Medibank Private's Solvency Reserve, as per the Private Health Insurance (Health Benefits Fund Administration) Rules 2007, is \$318,239,000. Total Net Assets are \$1,330,861,000 representing an excess of \$1,012,622,000 over the solvency reserve.

### Note 24: Events occurring after balance sheet date

On 14 July 2008 the Company signed a Merger Implementation Deed with Australian Health Management Group Ltd (ahm) under which Medibank will acquire 100% ownership of ahm by way of a scheme of arrangement between ahm and its members for cash consideration of \$367 million. The ahm Board unanimously agreed to recommend the proposal to its members. There are a number of conditions which are required to be satisfied prior to the scheme becoming effective, including regulatory clearances, ahm member approval and court approval of the scheme. It is anticipated that the scheme will become effective during the 2008/09 Financial Year. The acquisition will be funded from the Company's existing capital reserves.

### 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 health benefits organisation, 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 2008 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 2008.

On behalf of the Board



**Paul McClintock**  
Chairman



**George Savvides**  
Managing Director

Melbourne, 15 August 2008

# Independent Auditor's Report to members of Medibank Private Limited



## INDEPENDENT AUDITOR'S REPORT

To the members of Medibank Private Limited

### Scope

I have audited the accompanying financial report of Medibank Private Limited, which comprises the balance sheet as at 30 June 2008, 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 Medibank Private Limited 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 is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(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. 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

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

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.

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 was engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired my independence.

### **Auditor's Opinion**

In my opinion:

- (a) the financial report of the Medibank Private Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of Medibank's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) 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

15 August 2008

## Medibank Private Retail Sites

### MEDIBANK PRIVATE RETAIL SITES

#### NEW SOUTH WALES

Albury  
Armidale  
Ballina  
Bankstown  
Blacktown  
Bondi Junction  
Broken Hill  
Brookvale  
Burwood  
Campbelltown  
Casino  
Castle Hill  
Charlestown  
Chatswood  
Coffs Harbour  
Cooma  
Dubbo  
East Maitland  
Erina  
Griffith  
Gunnedah  
Haymarket  
Hornsby  
Hurstville  
Inverell  
Lismore  
Liverpool  
Macksville  
Maitland  
Martin Place, Sydney  
Miranda  
Nelson Bay  
North Ryde  
Nowra  
Orange  
Pagewood, East Garden  
Parramatta  
Penrith  
Queanbeyan  
Raymond Terrace  
Richmond  
Rouse Hill  
Tamworth  
Tuggerah  
Umina  
Wagga Wagga  
Wallsend  
Wollongong

#### WESTERN AUSTRALIA

Albany  
Armadale  
Belmont  
Bentley  
Booragoon  
Bunbury  
Busselton  
Cannington  
Claremont  
Clarkson  
Collie  
Denmark  
East Victoria Park  
Esperance  
Fremantle  
Geraldton  
Hillarys Whitford  
Innaloo  
Joondalup  
Kalgoorlie  
Karratha  
Karrinyup  
Maddington  
Mandurah  
Mandurah  
Midland  
Morley  
Perth  
Rockingham  
Secret Harbour  
Subiaco  
Wanneroo

#### VICTORIA

Airport West  
Albury  
Ballarat  
Bendigo  
Box Hill  
Broadmeadows  
Camberwell  
Chadstone  
Dandenong  
Doncaster  
Elsternwick  
Fountain Gate  
Frankston  
Galleria, Melbourne  
Geelong  
Glen Waverley  
Plenty Valley South  
Morang  
Highpoint Maribyrnong  
Knox  
Northland  
Prahran  
Ringwood  
Sale  
Shepparton  
Southland  
Traralgon  
Warrnambool  
Watergardens  
Werribee  
QV Melbourne

#### QUEENSLAND

Brookside  
Browns Plains  
Bundaberg West  
Cairns  
Caloundra  
Capalaba  
Carindale  
Chermside  
Elanora  
Garden City, Mt Gravatt  
Gladstone  
Gympie  
Helensvale  
Hervey Bay  
Indooroopilly  
Ipswich  
Loganholme  
Mackay  
Maroochydore  
Maryborough  
Mt Gravatt  
Northlakes  
Pacific Fair  
Rockhampton  
Southport  
Sunnybank  
Toowoomba  
Townsville  
Wintergarden

#### SOUTH AUSTRALIA

Adelaide  
Berri  
Colonnades Noarlunga  
Elizabeth  
Gawler  
Marion Oaklands Park  
Modbury  
Mount Gambier  
Port Augusta  
Port Lincoln  
Port Pirie  
Salisbury  
Unley  
Victor Harbour  
West Lakes  
Whyalla

#### TASMANIA

Burnie  
Devonport  
Glenorchy  
Hobart  
Launceston  
Rosebery  
Rosny

#### AUSTRALIAN CAPITAL TERRITORY

Belconnen  
Civic  
Queanbeyan  
Tuggeranong Greenway  
Woden

#### NORTHERN TERRITORY

Alice Springs  
Casuarina  
Darwin  
Palmerston



# Corporate Directory

**Company name**

Medibank Private Limited

**Current Directors (at 15 August 2008)**

Paul McClintock (Chairman)

George Savvides (Managing Director)

Julia Bowen

Jane Harvey

Philip Twyman

Just Stoelwinder

**Company Secretary**

Stephen Harris

**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)



