
medibank
ANNUAL
REPORT
09

About Medibank

Medibank is Australia's largest integrated health solutions and insurance group.

Medibank is an amalgamation of Medibank Private Limited (Medibank Private), Australian Health Management Group Pty Limited (ahm), and the HSA Group of Health Services Australia Pty Limited (HSA), Work Solutions Australia Pty Limited (Work Solutions) and The Travel Doctor - TMVC Pty Limited (Travel Doctor - TMVC).

Under our brands of Medibank Private and ahm we cover over 3.7 million people with health insurance, with significant membership in every state and territory. Medibank Private offers health insurance to all Australians, as well as catering for overseas students and visitors.

Medibank also offers access to a range of personal insurances, including:

- Travel insurance for both domestic and international travel
- Life insurance
- Pet insurance

Medibank is a leader in corporate health cover products and we offer a comprehensive suite of health and wellbeing programs. Our health management capability has increased significantly through our acquisitions of ahm and HSA Group, and Medibank is now a leading provider of programs that aim to improve the health status of our customers.

Our Health for Industry (HFI) and Work Solutions businesses deliver workplace health services such as health assessments, vaccinations, injury prevention and management, and rehabilitation services to governments and corporate Australia.

Our Travel Doctor - TMVC business offers specialised travel health services and advice to government, corporate and private clients via clinics located across Australia.

Medibank is an Australian Government Business Enterprise (GBE). Medibank's Shareholder Minister is the Minister for Finance and Deregulation.

Our Purpose

is to ensure our customers are clearly better off with Medibank.

Our Purpose drives the corporate strategy and is the key influencer of workplace culture. Our customers are at the centre of everything we do.

Our commitment to our Purpose and values lead us in:

- Creating valued and enduring customer relationships
- Delivering superior health outcomes for customers
- Being a constant high performing business, sharing outcomes with customers
- Becoming the trusted guide for customers in managing their health and wellbeing
- Advocating for a stronger and sustainable private health insurance industry

Our Vision

is to be Australia's leading provider of private health insurance and health solutions.

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Chairman's Report

The last year has delivered a number of challenges, together with some exciting opportunities for Medibank.

We have faced a difficult economic climate, which we expect to continue throughout the next financial year. Our commitment to reduce pressure on premiums while improving the quality of our products has squeezed margins in spite of our focus on reducing management expenses. However, we still delivered a solid underwriting result after expenses of $143 million - consistent with the Board's expectations but still down 28 percent from last year's record. It's also pleasing to be able to report that in this environment we have had one of the most exciting years on record, bringing together Australian Health Management (ahm) and Health Services Australia (HSA Group) under the Medibank umbrella. Like many organisations, our investment performance has been negatively impacted by the downturn in financial markets, resulting in a disappointing investment loss of $54 million. Our performance in our core business remains solid and in line with the Board's expectations.

We've also had strong membership growth, and as a group, we now provide private health insurance to over 3.7 million people. To achieve this in tougher economic times is an excellent result and one that reflects the value our customers place on our product and service offering.

Change brings opportunity

The continuing developments in our regulatory environment have been a theme for the past year and will continue into the foreseeable future. The changes, including an increase in the Medicare Levy Surcharge (MLS) thresholds, together with the Government's proposal to alter the Federal Government 30% Rebate on private health insurance, compel us to continue to strive for ways that we can deliver better value to our members. In June, we welcomed the introduction of legislation allowing private health insurers to continue to cover non-student dependent children on family covers.

On a broader level, the outcome of the Australian Government's review of the health system via the National Health and Hospital Reform Commission (NHHRC) is likely to be known over the next 12 months. Medibank has been, and will continue to be, an active advocate for many of the recommendations in the report during this period of consultation.

The amalgamation has clear and immediate benefits for our respective customers, who will benefit from an increased service and product offering.

During the last year, we have taken significant and tangible steps in the health care space. We were very pleased that our bid to acquire the ahm health fund, which is also a leading provider of health management services, was approved in December. The proposal was strongly supported by the ahm Directors and its members, which gives us an important foundation for our combined organisation. I would like to take this opportunity to thank the former ahm Chairman, Chris Doogan, and the Board, together with members of ahm for giving the Medibank Private proposal their consideration and support.

In December, we also welcomed the Government's decision to bring together Medibank Private, ahm and HSA Group, creating a national integrated health solutions and insurance group. The linking of these organisations parallels industry direction in Australia and overseas, with several health funds establishing strategic partnerships with health service providers.

HSA Group is one of Australia's leading providers of occupational and travel health services to government and corporate Australia. Its services include health assessments, workplace health and injury prevention, injury treatment, rehabilitation case management and return-to-work programs.

The amalgamation has clear and immediate benefits for our respective customers, who will benefit from an increased service and product offering. Beyond this, the integration is an important milestone in our evolution towards a broader health organisation.

Continuing our evolution

The reforms to private health insurance that came into effect in April 2007 opened the door for private health funds to offer a broader array of services, including chronic disease management and preventative health programs to members. Until now, we have had a limited opportunity to make this a reality. However, the acquisition of Total Health through ahm and the HSA Group integration, means we have "crossed the Rubicon" – moving from being only a payer of health insurance claims, to an organisation with the capability and opportunity for us to positively influence the health status of our customers, and do so profitably.

The challenge now is to seize this opportunity. The first step is to successfully integrate the formerly discrete businesses of ahm, HSA Group and Medibank Private - each of which has a unique culture, comprising people from different professional backgrounds. We do not take on this task lightly and acknowledge the challenge ahead of us, but only with the successful merging of these businesses can we fully capitalise on our potential as a broader health organisation. It has been pleasing to observe how smoothly the integration has progressed over the past six months.

In the May 2009 Federal Budget, the Government announced its intention to convert Medibank to a tax-paying entity. The change is consistent with the commercial environment that Medibank operates within, and brings us in line with some of our main private health insurance competitors and our GBE peers. This will become effective from 1 October, 2009.

A strong team

I'd like to thank my fellow Directors and welcome Elizabeth Alexander AM and Professor Leanne Rowe AM to the Board. Elizabeth joined the Board in October 2008 and brings a wealth of experience in risk management and financial strategy. As a leading GP advocate, Leanne has unique and valuable insight into many of the issues that are important to our stakeholders and customers.

I extend my appreciation to Managing Director George Savvides and his senior leadership team for their excellent efforts during a challenging year. I also thank all staff at Medibank Private and extend a warm welcome to the staff and customers of ahm and HSA.

I look forward to an exciting 12 months ahead as we forge a strong, unified team delivering highly valued products and services that make a positive impact on the health of our customers.

Paul McClintock AO
Chairman

Managing Director's Report

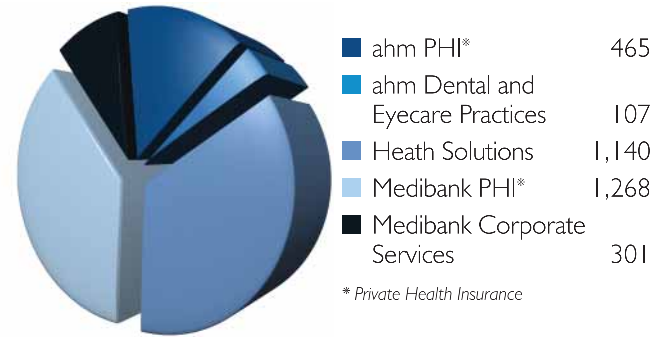
Medibank has remained profitable and strong through the past financial year, while experiencing one of the most dynamic periods of change in our 33-year history. Significantly, our growth and underlying profitability has been achieved in an environment where local and overseas organisations exposed to the financial services sector have suffered losses or material downturn.

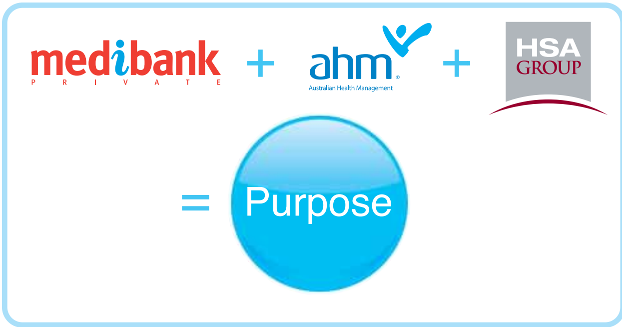
Strong revenue growth in our core health insurance business outstripped competitors, lifting our market share. When coupled with our two acquisitions of Australian Health Management (ahm) and Health Services Australia (HSA Group), revenue for the 2009 financial year lifted by more than $500 million to $3.9 billion, which is an increase of 15.2 percent over the prior year's revenue.

At the heart of our Purpose is the desire to ensure all our customers are clearly better off with Medibank. At Medibank Private, we have focussed on cost management to ensure we offer competitive and affordable premiums, excellent products, and the best customer service through the largest national health insurance retail network and our highly responsive national call centre. In recent years our collective understanding of our Purpose has influenced our strategy to build new capabilities that deliver health management programs to customers with chronic diseases, and health-coaching services to customers at key points within the health system. For this reason, we were excited to see ahm and HSA Group join the Medibank organisation. The acquisitions were completed by January and April 2009 respectively, and Medibank doubled its workforce, growing to 3,300 employees across Australia. Significantly, the number of health professionals we employ grew from 60 to almost 1,000, which includes doctors, nurses, physiotherapists, maternal health nurses, occupational therapists and nutritionists. This is a landmark change in the capability and identity of Medibank as an organisation, and represents our commitment to preventative health as well as insurance.

Medibank is well placed to take on the challenges of an ageing population and we look forward to continuing our active role in the health reform process and contributing to the future direction of Australia's health system.

Medibank's Employees





Medibank's underwriting result combined with the net Health Services result delivered a $148m return, making it our second highest operational result. The underwriting margin for our private health insurance business was 3.7 per cent. While this result was down on the previous record year - impacted by the slowing economy, changes to the Medicare Levy Surcharge and significant growth in benefit outlays - our overall profit result was healthy, and achieved with a below industry average premium increase.

Net profit after tax of $91 million was lower than the prior year by $96 million, due partly to a negative investment result of $54 million and the near 18 percent growth in the amount paid out for health services on behalf of members which was almost $3.4 billion. While the investment loss is disappointing, it represents a 3 percent negative return, considerably better than the average loss experienced across the investment sector. Medibank's investment pool of $2 billion remains secure, and we continue to be debt free.

Medibank Private has continued to invest in improved productivity, reflected in a reduction of our overhead-expenses-to-revenue ratio, now under 10 percent. In particular, our new automated hospital claims system introduced late in 2007 has reduced staffing costs while processing an increased volume of claims. As we move toward the end of 2009, major hospital providers will interact with Medibank and through us to Medicare using the Eclipse e-commerce pathway, removing all manual processing between the three entities that drive claims adjudication and payment. This system will process more than $2 billion of claims per year electronically when all our major hospital providers are connected.

Medibank Private has also completed the implementation of a new high speed broadband network, dramatically lifting performance while reducing usage costs. Our telephony systems, including call centres, are now state-of-the-art VOIP (Voice Over Internet Protocol), ensuring we provide a strong and reliable foundation to service our private health insurance customers. Customer service performance improved dramatically in the second half of the financial year following a complete business process re-engineering exercise that saw our call centre grade of service lift from 65 percent to more than 90 percent. Health insurance membership continued to grow despite the negative effect of the global financial crisis, rising from 1.5 million to 1.7 million resident memberships, an increase of 13.6 percent in this year.

Medibank is well placed to take on the challenges of an ageing population and we look forward to continuing our active role in shaping the health debate and making a positive contribution to the future direction of Australia's health system.

I commend Medibank's management and staff for their commitment and hard work in what has been a significant and successful year of dynamic organisational growth.

We are well on our way to building a unique health insurance and health solutions company capable of improving the health of its customers.

George Savvides
Managing Director

Board of Directors

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.

He is currently Chairman of Thales Australia, the COAG Reform Council and St Vincent's Centre for Applied & Clinical Research, and a director of Perpetual Limited, Macquarie Infrastructure Group and the European Australian Business Council.

George Savvides

BE (Hons) (UNSW), MBA (UTS), FAICD

Managing Director

Appointed Director
6 September 2001.

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).

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.

Leanne Rowe

Adjunct Associate Professor
AM, MD, MBBS, Dip RACOG, FRACGP, FAICD

Non-Executive Director

Appointed Director
17 December 2008.

Current term expires
16 December 2011.

Professor Rowe is currently Deputy Chancellor, Monash University; and past Chairman, Royal Australian College of General Practitioners.

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.

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 in addition to holding other Directorships.

Elizabeth Alexander

AM, FAICD

Non-Executive Director

Appointed Director 23 October 2008.

Current term expires 22 October 2011.

Ms Alexander is currently Chairman, CSL Limited; Chair of the Risk & Audit Committee of the Australian Prudential Regulator (APRA); and holds Directorships with Boral Ltd and Dexus Property Group.

Philip J Twyman

BSc, MBA, FIA, FIAA, FAICD

Non-Executive Director

Appointed Director 21 September 2007.

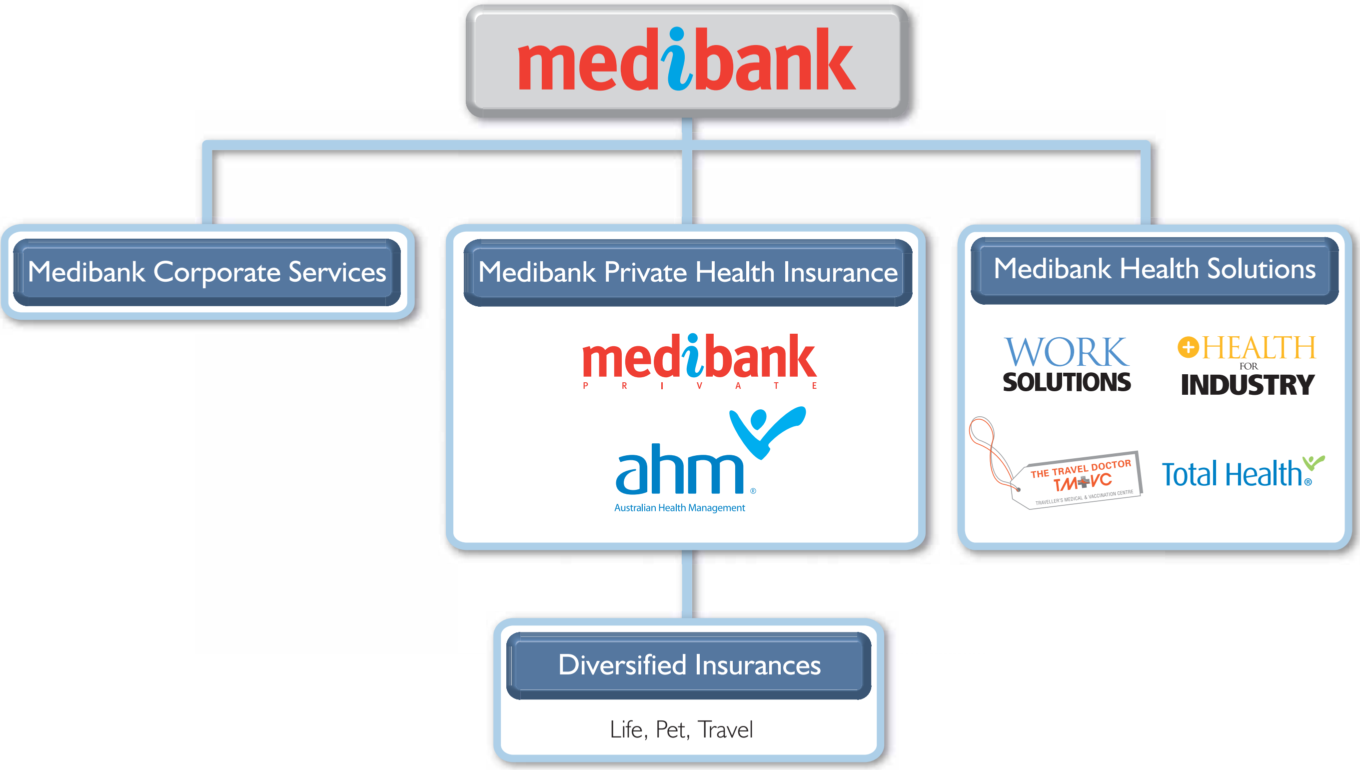
Current term expires 20 September 2010.

Chairman of the Investment Committee.

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

Our Management Team

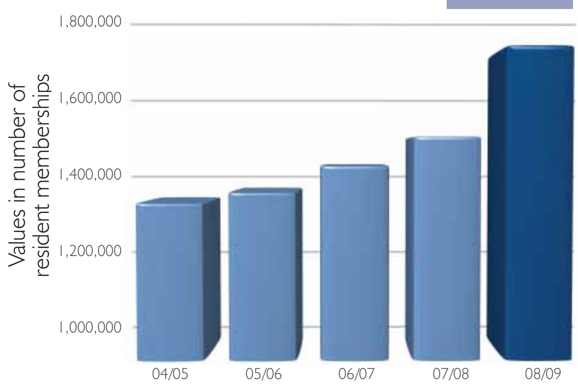
Left to right: *George Savvides - Managing Director, Justine Halloran - General Counsel, Stan Macionis - CEO Health Solutions, Michael Sammells - Chief Financial Officer, Heather Parkinson - Group Executive People Culture & Communications, Terry Snyders - Chief Information Officer, Bruce Levy - CEO Private Health Insurance, Stephen Harris - Company Secretary.*



Medibank Performance Highlights

Resident membership growth

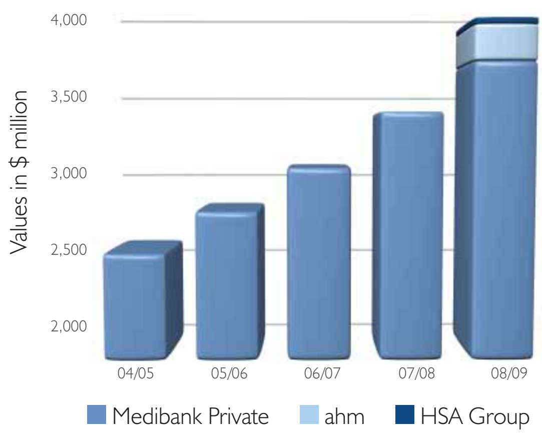
Up 13.6%



Medibank achieved its highest net growth in resident memberships in five years (in part due to the ahm acquisition).

Revenue

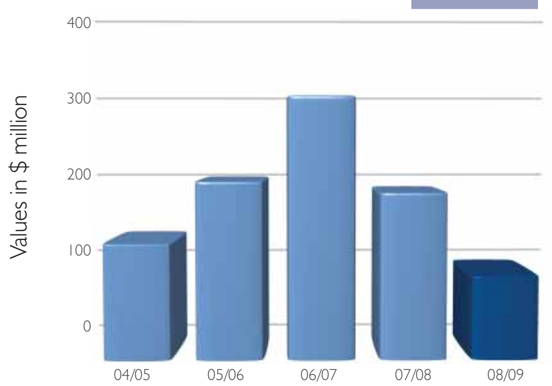
Up 15.2%



Total revenue increased through strong membership growth and the impact of the ahm and HSA Group acquisitions.

Profit before income tax

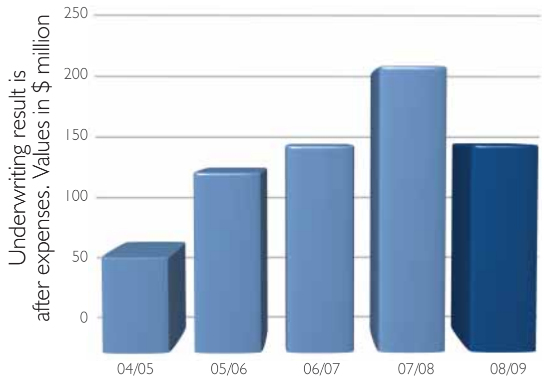
Down 50.0%



While profit was adversely impacted by the investment loss, the $93.8 million profit continues to provide a stable operating platform.

Underwriting result after expenses

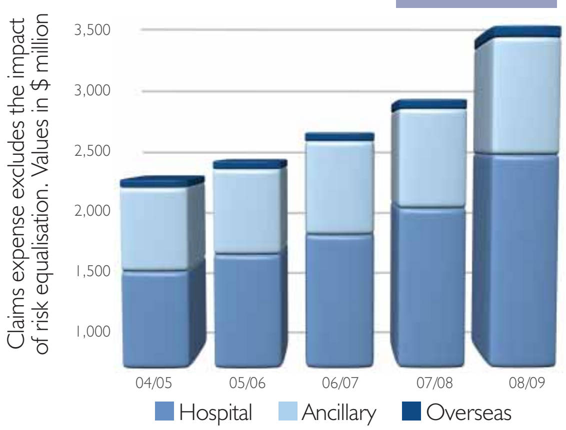
Down 28.4%



Underwriting result from the private health insurance business was affected considerably by the increase in member benefits.

Member benefits

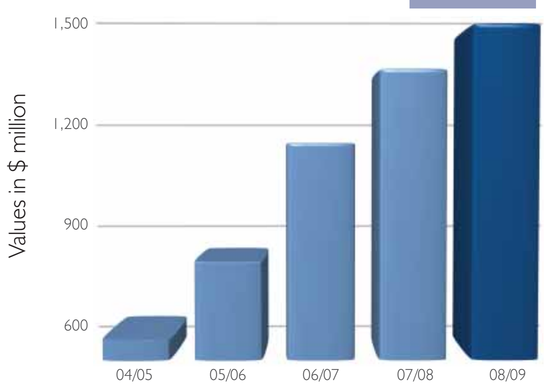
Up 17.7%



A record amount was paid out in private health insurance member benefits (in part due to the ahm acquisition). The 17.7 percent increase surpasses the increase in revenue.

Net assets

Up 8.2%



Financial stability and strength continue to improve.

Private Health Insurance

Medibank now offers private health insurance through both the Medibank Private and ahm brands. During the year, we extended our market leadership despite dealing with the many challenges in the health care environment and an increasingly competitive sector. Our current total market share is 31.6 percent (up from 28.7 percent in 2007/08) due to solid organic growth and our acquisition of ahm.

The private health insurance sector has an important role to play in improving access to healthcare for all Australians. Although the number of Australians with private health insurance continues to grow (52 percent of the population now has some form of private health cover), demand in the public health system is also increasing, leading to long waiting lists. During the year, Medibank has been, and will continue to be, an active advocate in the health care reform debate, which is critical to improving the quality and timeliness of healthcare for Australians.

The growth in membership reflects the value Australians place on being able to access their choice of hospital and provider when they need it. It also indicates that we are continuing to provide a level of cover and services that our members value. Both of these factors will be important as we prepare for another challenging year in the private health insurance sector. We are committed to ensuring that our members are clearly better off with us. The private health insurance area of our business works closely with our health management team to help keep members healthy and in doing so, reduce claims incidence and lower the pressure on premiums.

Increasing utilisation of health cover has seen benefit payments continue to rise. In 2008/09, $3.4 billion was incurred in benefits for and on behalf of Medibank Private and ahm members (compared to $2.9 billion in 2007/08), including:

- 134 single claims over $100,000 (up from 72 in 2007/08)
- Most common overnight procedure – childbirth (21,000 admissions at an average cost of $6,500)
- Most common same-day procedure – colonoscopy (85,000 admissions at an average cost of $1,342)

Medibank Private

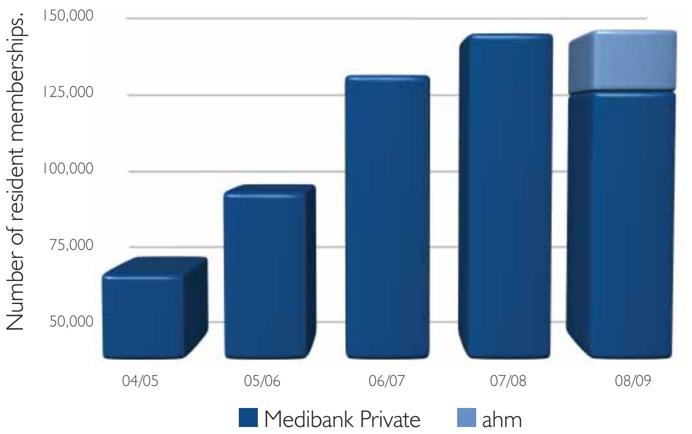
Despite the increase in payments, Medibank Private's premium rise was lower than the industry average, which was a result of effectively controlling our operational costs.

In line with our commitment to continue to deliver excellent value to members, this year we introduced a number of additional member benefits, including:

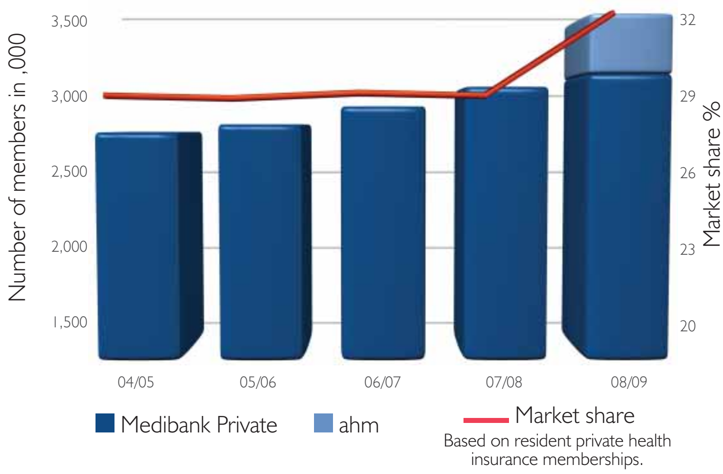
- Improved excess structures
- Removal of individual member limits for PackageBonus claiming

Also, recognising the difficult economic times, we introduced new products including very affordable Accident Cover, designed to better fit the needs and budgets of members.

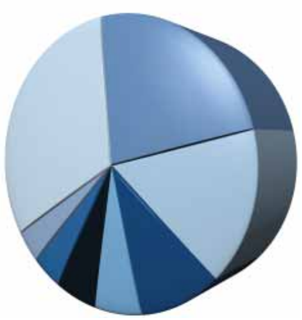
New to fund membership growth



Total number of resident members



Medibank Private Hospital Benefits (by amount paid)



Orthopaedics	22.7%
Circulatory	15.4%
Digestive	9.8%
Pregnancy and Childbirth	6.1%
Geriatric and Rehabilitation	5.5%
Ophthalmology	4.2%
Female Reproductive	3.9%
Other	32.5%

Hospital Cover

Medibank Private's hospital products cover over 2.6 million resident members who benefit from our Members' Choice network of 449 private hospitals and day surgeries throughout Australia. With these facilities, Medibank Private has negotiated agreed fees on behalf of our members. This means the cost of services at Members' Choice hospitals are set and any out-of-pocket expenses are kept to a minimum and are known prior to treatment. Importantly, in many cases, it means there is no gap and no out-of-pockets.

Medibank Private hospital cover pays benefits for the cost of members receiving treatment in a private or public hospital, including accommodation, prostheses costs and medical fees. In 2008/09, Medibank Private paid out almost 840,000 resident hospital admissions, at a cost of $2.33 billion, an increase of 9.5 percent.

Supporting Medibank Private members

The Medibank Support Service is now operating in 20 Members' Choice hospitals nationally with an additional 13 hospitals across Brisbane, Toowoomba and the Gold Coast commencing the Service in the first half of 2009.

Member Support Service team

The Service is designed to ensure members receive personal and timely assistance for any health cover queries they may have during their admission, so that getting better is their only concern. The program is continuing to operate at seven hospitals across Victoria and Western Australia and sees Medibank Private staff based on the hospital wards and visiting members during their hospital stay.

The 12 new Medibank Support Representatives in Queensland are all long-standing Medibank staff members who bring a wealth of experience in customer service to the hospital setting. In fact, between them they have a total of 88 years' experience with Medibank.

The Medibank Support Representatives typically handle a variety of queries relating to matters such as entitlements, medical benefits covered, claiming procedures, waiting periods, out-of-pocket expenses and adding newborns to memberships.

Survey results

Over the past two years Medibank Private has undertaken the first national survey into patient experiences at private hospitals in Australia. The review, which was conducted in both 2007/08 and 2008/09, surveyed a total of 46,000 members nationally on a range of topics to produce a Customer Experience Index rated out of 100.

Individual indexes examined hospital staff; communications; accommodation and amenities (environment); treatment and personal issues; pre-admission and admission; and, discharge and follow up.

Patients' satisfaction with the overall hospital experience was rated very high at 91.

The survey is highly valuable to Medibank and the industry as it provides a unique, complete and accurate picture of our patients' perspective of private healthcare services.

Medibank Private contracts with all major private hospital groups and independent hospitals, and sharing this valuable information with our providers enables us to work together to improve various aspects of care.

ahm

ahm's hospital products cover over 300,000 people. In 2008/09 ahm paid out 90,000 hospital claims at a total cost of over $231 million.

The largest percentage of ahm's hospital expenses covered orthopaedic services for our policy holders. This was followed by cardiology treatment, neurosurgery, gynaecology and childbirth.

As part of our dedication to improving our policy holders' health and promoting access to services in and out of the hospital environment, we supported our policy holders with access to 222 assisted discharge or avoided admission programs.

As part of the merger of ahm with Medibank earlier this year, our hospital purchasing strategy has been reviewed. Previously, ahm engaged the services of the Australian Health Services Alliance (AHSA) to undertake the process of hospital contracting. To take advantage of the buying power and operational efficiencies of Medibank, Medibank's hospital contracting team has now commenced negotiating ahm contracts with an intent to continue to provide access for our ahm policy holders to a large network of partner hospitals. ahm's support of health management programs and our purchasing strategy are aimed at reducing benefit outlays and therefore lessening the pressure on premium increases.

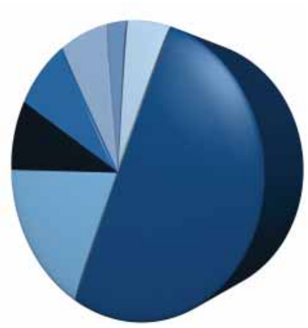
Ancillary Services

Medibank Private

During 2008/09, 84 percent of Medibank Private's resident ancillary memberships claimed benefits for more than 17.5 million services delivered at approximately 75,000 ancillary provider locations throughout Australia.

Resident ancillary payments totalled $752 million, an increase of 9.2 percent from 2007/08. Highest payments in 2008/09 were for dental services at more than $375 million, followed by optical appliances at more than $140 million.

Ancillary Benefits (by amount paid)



Alternative therapies	2.5%
Chiropractic	5.3%
Dental	49.9%
Optical	18.7%
Other extras	8.5%
Package Bonus	8.4%
Physiotherapy	6.7%

Medibank Private's Members' Choice network is an arrangement with a wide range of ancillary providers, which provides members with the certainty of capped fees and/or discounts. Members using Members' Choice providers also receive value, in most cases, through higher benefits, which results in low (and in some cases no) out-of-pocket costs.

At the end of June 2009, the Members' Choice ancillary network comprised more than 5,500 provider locations nationally covering a wide range of provider types, including dentists, dental prosthetists, optical retail outlets, physiotherapists, chiropractors, podiatrists, acupuncturists and naturopaths.

ahm

ahm ancillary products cover 268,000 people. In 2008/09 ahm paid out almost $71 million in benefits for dental, optical, physiotherapy, chiropractic, osteopathy, podiatry, alternative therapies, pharmacy, health improvement and other services.

A number of enhancements were made to extras products in 2008/2009 to improve their value proposition and further support our focus on improving or maintaining the health of our policy holders.

ahm's Dental and Eyecare Practices

Maintaining the health of our eyes and teeth is an important part of good health. There is growing evidence of the role that dental health plays in diagnosing other disease.

Our ahm Dental and Eyecare Practices are underpinned by our need to ensure access for our ahm members to quality services and care, and continue to be valued by members for this reason and for the significant cost savings.

In 2008 ahm conducted over 197,000 patient services at our Practices, with ahm policy holders saving an average of $255 when compared to private practice.

ahm policy holders have access to four Dental and Eyecare Practices - Haymarket, Parramatta and Wagga Wagga and Port Melbourne. The addition of the Port Melbourne Practice reflects the increasing number of ahm members in Victoria and the commitment from ahm to provide high quality, low cost dental services to members. We will continue to recruit more clinicians as we expand the service to its full capacity.

Optical services are provided from our two metropolitan Sydney sites, both of which offer comprehensive eye examinations and a large range of frames, lenses and contact lenses at competitive prices to ahm policy holders.

All four Dental Practices are equipped with digital radiography and two sites, Wagga and Port Melbourne, are going paperless, using electronic dental records.

Our Practices were successfully reviewed and accredited again this year by the Australian Council on Healthcare Standards (ACHS) as we demonstrated our ongoing commitment to "continuous quality improvement".

Staff training and skill development are a critical part of our goal of continuous improvement of services.

Overseas and Corporate Cover

Overseas Visitor Cover

Medibank Private has a growing range of products tailored to the needs of visitors to Australia. There has been significant growth in the number of people visiting Australia to work, study and stay with friends and family, and Medibank Private has had strong growth in its membership in this market. Further research and innovation next year will allow Medibank Private to continue to increase engagement with the migrant and transient population.

Overseas Student Health Cover

The past year has seen very strong growth in Overseas Student Health Cover (OSHC). This growth in membership has been largely driven by the unprecedented growth in international student enrolments in the Australian Vocational Education and Training sector, in which Medibank Private is the leading OSHC provider. Total OSHC memberships were at a record high as at 30 June 2009.

Medibank Connect, the industry leading web-based client interface for administration of OSHC, underwent a significant rebuild and upgrade to improve functionality and support. A major training program for existing client institutions' staff to support implementation of the new system has been undertaken in all states. It has provided a great opportunity to strengthen relationships with the Medibank OSHC client community and to learn more about their business requirements.

The merger with ahm has given Medibank two great brands in the OSHC market and strengthened the group's understanding of, and competitive position in, the international student services environment.

Corporate

The Medibank Private Corporate business delivered strong membership growth in 2008/09. This was achieved by working closely with Australian organisations to provide private health insurance to employees at competitive pricing. During the year, we also partnered with Australia's leading telecommunications company, Telstra, to offer Medibank Private Corporate as an employee benefit.

Medibank Private utilises the corporate channel to meet its Purpose objectives by focusing not only on private health insurance, but engaging with employers and employees on health factors that impact on productivity in the workplace. This year we provided health and well-being services, such as Executive Health Checks and Health Fairs to a number of corporate clients.

Dean Tillotson
Executive General Manager ahm

"The ahm integration has seen a smooth transition into the Medibank group.

A number of public promises were made both to the staff within ahm and to the broader Illawarra community and we are pleased to report that these have all lived within the spirit of the merger. ahm has been a lean and nimble brand working along side the well established national Medibank Private brand, and this current year will see ahm moving to a more focused niche market fund. The leadership team, in conjunction with our Medibank colleagues, will see us explore the group direction, the competitive landscape and member needs.

ahm continues to play a large and active part within the local community, funding a number of local initiatives and has recently announced the i98fm ahm local hero awards for 2009.

We look forward to ahm continuing to be leaders in innovation and superior customer service living our credo of "live life large, live life better"."

ahm Health and Medical Research Fund

ahm established a Health and Medical Research Fund in 1986 to support vital medical research that benefits the whole community. Since then, the Fund has contributed almost $7 million towards diverse research projects throughout Australia including:

- Understanding DNA-binding proteins in the cause of childhood leukaemia
- How stress affects health
- Strategies for improving participation in Bowel Cancer screening
- Cellular changes in brains affected by Parkinson's Disease
- Development of a Malaria vaccine

Research findings not only benefit the entire population but allow ahm to better address the needs of its members. Understanding how health issues impact on different age groups and genders gives ahm the ability to provide health management programs that are aimed at improving health and/or managing chronic conditions. It also allows ahm to target high priority areas such as obesity and diabetes.

Purpose Campaigns and Initiatives

Purpose campaigns

At Medibank Private we are continuing to extend our reach and influence as an active partner in our members' health management via our Purpose campaigns.

In 2008/09, we piloted a program that provided disease and health system information through seminars around Australia. The sessions were very well attended by both members and non-members, many of whom suffered from the disease or health issues discussed.

Specialist organisations such as the Cancer Council and Diabetes Australia, together with senior staff from Medibank Private spoke at the sessions, provided members with practical ideas about disease management and the opportunity to be referred to relevant Medibank health management programs.

My Health Record

This year, Medibank Private developed and piloted a new initiative called My Health Record, which gives selected members a convenient way of managing their health-related information. The tool facilitates improved communication between members and their various treating healthcare providers and builds on Medibank Private's advocacy role in encouraging and supporting members to assume an active role in their health journey.

The pilot campaign was conducted between November 2008 and June 2009, with a total of 14,000 My Health Records being distributed to targeted members via 16 Medibank Private retail stores across Victoria, Western Australia, Queensland and New South Wales.

Feedback from members has been extremely positive. Most members reported that they didn't have a complete system for keeping their health records or they didn't keep health records at all. My Health Record is a good example of the way Medibank Private is helping to ensure our members are "clearly better off" and is regarded as a proactive and rewarding initiative by Medibank Private.

The initiative is also expected to:

- Increase member advocacy rates
- Increase member satisfaction rates
- Positively impact member retention

Final evaluation of the pilot, together with a decision regarding its implementation on an ongoing basis will be made early in the next financial year.

Medibank Private Special Purpose Fund

In 2004, a $5 million funding pool – the Special Purpose Fund – was established to give qualifying Medibank Private members 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 $3.5 million, with individual member benefits ranging from $350 to $400,000. Over 195 members have now received medical treatment that may have otherwise been beyond their financial reach. In 2008/09, examples of assistance by the fund included:

- A 16 year-old male received funding of $1,950 for corneal collagen cross-linking (CXL) to treat Keratoconus (an eye condition). This treatment works to strengthen the corneal collagen, freezing the progression of Keratoconus, which can lead to significant vision impairment. There is no alternative treatment available that stops progression of the condition
- Continued funding of the drug Azacytidine to treat Myelodysplastic Syndrome (MDS) after standard treatment has been unsuccessful. MDS is a group of bone marrow disorders that are characterised by a defect in stem cells. Azacytidine works by killing unhealthy cells in the bone marrow and assists in producing healthy cells, prolonging overall survival rate. Standard treatment options for this condition include chemotherapy, stem cell transplant or supportive care such as blood transfusions and antibiotics
- Continued funding support for Radio Frequency Ablation of oesophagus (HALO). The HALO system is a minimally invasive procedure used to remove the diseased portion of the oesophageal lining. The treatment provides an alternative to oesophagectomy (total removal of the oesophagus) which is the current standard of care with the potential for high morbidity and mortality

Improving our Business Operations

Changing the way we do our business - Customer First Project

Medibank is in the early stages of an exciting transformation from being a passive payer of healthcare services to a more broadly based health care organisation which plays an active part in our customers' health. Our aim is to create a better operating model in line with our Purpose of ensuring our customers are clearly better off with Medibank.

We are also determined to better meet customers' needs in our core private health insurance business. The changes we are looking at will improve the way we interact with our customers and how we deliver services, as well as lowering our operating costs. During the year, Medibank Private launched new systems and processes in our retail centres, call centres, and back offices to drive efficiency and improve customer services and experiences. This work will continue into the next year.

e-Business

Over the past year, the e-Business group has completed significant improvements to the Medibank Private online systems, which have had a positive impact across the business.

With improvements to our online quoting and sales process, more customers are choosing to use our website to purchase private health insurance and take care of their membership needs. The benefit to customers is the reduced time it takes to join and make claims.

In the coming months, Medibank Private will be looking to adopt new technologies and online marketing opportunities such as mobile and social media. We will also be looking at improving our online member service experience and the visibility of our online presence.

IT Systems Renewal

Since the implementation of our new claims system iMED within Medibank Private's hospital claims area in 2007, the new system is delivering operational efficiencies as well as consistent claims assessments. Straight-through processing of our hospital claims exceeds 80 percent and we expect further improvements in the next 12 months.

During the year Medibank Private achieved our formal accreditation to begin processing hospital claims with the Medicare Eclipse system. This further enhances our business-to-business capability. Over the last six months we have successfully piloted this with two of our larger hospital groups across a small number of hospitals and we plan to expand this activity considerably in the next 12 months.

The next phase of the iMED rollout will be in our medical area and the first phase of this development work is expected to go live later in 2009.

Direct Sales and Service

The 2008/09 year has seen numerous changes to Medibank Private's call centre operations. These have delivered significant improvements to the customer experience, and include:

- Extensive use of Six Sigma processes and methodology
- Significant simplification of call flow management
- Reduction of complexity in certain processes which cause customer complaints
- Improvements to quality expectations which lead to improved customer services
- Electronic storage that complies with a number of regulatory requirements

The processes above have improved customer service performance dramatically, with our call centre grade of service lifting to over 90 percent. We are now looking at taking many of these improvements to ahm's direct sales and service operations.

Retail sales and service

Medibank Private's network of retail stores stretches across Australia, assisting hundreds of thousands of members with their private health and personal insurance needs each year. As one of Medibank Private's principal sales channels, the retail network is one of our greatest assets.

In 2008/09, Medibank Private began implementation of a strategy that will ensure the retail network remains relevant to the needs of members. The strategy aims to make service levels even better, while reducing pressure on private health insurance premium increases by ensuring the cost of operating our retail network represents industry best practice.

The most visible improvement is the extra staff behind retail counters at peak demand times. With more staff on hand at the times members most want them, queues are shorter and staff have more time to spend with each member to assist with enquiries.

During the year, Medibank Private retail stores moved to a cashless operating model. Reducing cash has the dual effect of reducing the costs involved with delivering retail centre services, while also improving safety of staff and members using retail centres by reducing the threat of crime. Members may still claim at retail centres, but benefits are paid directly into bank accounts. We will also continue to accept contribution payments at stores, but only with non-cash means, such as cheques and credit cards.

Looking to the future we will continue to look carefully at the location of our retail centres, and where necessary, relocate them to ensure they are in the most convenient locations to the most number of members.

Cabramatta kiosk

As part of the 2009 Corporate Plan, Medibank Private extended its ethnic segment sales and marketing program from the Chinese community to the Vietnamese community.

A key feature of the Vietnamese community is its geographical concentration in a small area of greater Sydney. Over 75 percent of the Vietnamese community reside within a 15 kilometre radius which takes in Bankstown, Liverpool and Cabramatta. Cabramatta is the main hub with over 43 percent of the community living in this suburb.

Since its launch, the Cabramatta kiosk has been performing in the top 12 retail centres in NSW and is in the top 45 in the nation for sales.

We have also appointed Dr Nguyen AO as our Vietnamese ambassador. As Former President of the Vietnamese Association, Dr Nguyen is helping us to better understand the needs of the Vietnamese community in relation to their health care and private health insurance.

We also have staff members who speak Vietnamese.

Medibank is also a proud sponsor of the Moon Festival – a major event on the Vietnamese calendar.

During the year, we held a Vietnamese health and well-being session on ovarian and prostate cancer, which was designed to assist individuals and families to better manage their health and get more out of their cover. Over 250 community members attended the event.

Diversified Insurances

Medibank Life Insurance

In October 2008, Medibank Life Insurance was launched nationally following a successful pilot. The product has been well-received in the market, with rapid growth which has exceeded our expectations.

Medibank Private has partnered with Swiss Re Life and The Hollard Insurance Company to provide life insurance cover to almost 10,000 customers.

Travel Insurance

Medibank Travel Insurance and ahm Travel Insurance continue to experience strong growth among customers. We are committed to continuing to improve these travel insurance products and services to meet the needs of today's travellers - looking after customers' health even when they're overseas.

With a 30 percent increase in Medibank Travel Insurance sales year-on-year, we have built a strong platform for further growth in the coming years.

Medibank Private Limited ABN 47 080 890 259 AR 286089 is an authorised representative of ETI Australia Pty Ltd ABN 52 097 227 177, AFSL 245631 who arranges Medibank Travel Insurance, and The Hollard Insurance Company Pty Ltd ABN 78 090 584 473, AFSL 241436 (Hollard) who arrange Medibank Life Insurance and issue and underwrite Medibank Pet Insurance. Medibank Travel Insurance is issued and underwritten by Allianz Australia Insurance Limited ABN 15 000 122 850, AFSL 234708. Medibank Life Insurance is issued and underwritten by Swiss RE Life & Health Australia Limited ABN 74 000 218 306, AFSL 324908. You should consider the relevant Product Disclosure Statements for each product available from medibank.com.au to decide if the product is right for you before making a purchase.

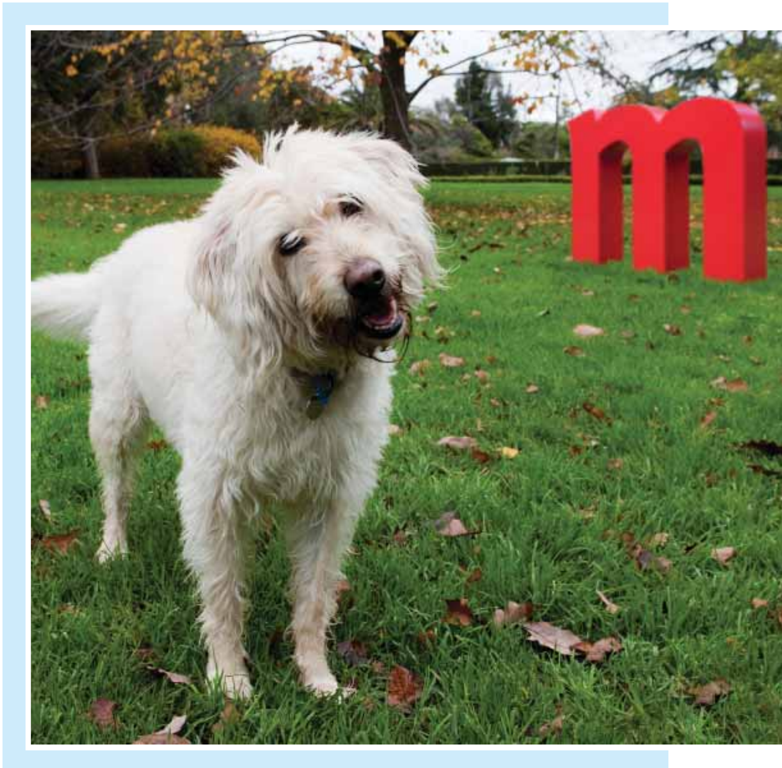
Pet Insurance

Medibank Pet Insurance was launched nationally in December 2008. The product represents a strong fit with Medibank's Purpose and is a natural extension of our existing product range, providing health cover for the entire family.

Medibank Pet Insurance has a number of benefits including:

- Better managing the health of pets, which are often seen as extended family members
- Peace of mind that your pet can be covered for up to 100 percent of unexpected vet bills
- Encouraging routine and preventative care for pets, which may otherwise have been deemed too expensive

Sales have been strong among members and non-members since the product launch. Medibank Private is also committed to building relationships with key players in the pet care and veterinary industry. We recently formed a strategic partnership with Lort Smith Animal Hospital and Animal Welfare League Australia to co-promote animal welfare and the role that pet insurance plays in responsible pet ownership.



Medibank Health Solutions

On 1 April 2009, HSA Group formally merged with Medibank Private. As a result, the Health Solutions Division of Medibank was established, which comprises staff from HSA Group, Total Health (formerly a division of ahm), Medibank Private's Health Management unit and Medibank Private's Corporate Relationships team.

HSA Group, formerly also a GBE, has offered occupational and travel health services to government and corporate Australia, including health assessments, workplace health and injury prevention, injury treatment, rehabilitation case management and return to work programs.

Total Health has been acknowledged as a leader in the provision of preventative and health management services and provided telephonic based health coaching services to members of ahm, Medibank Private and several other private health insurers.

It is an exciting new era for Medibank, enabling us to realise our vision of evolving into a broader health organisation, and our capabilities in health management have now grown to include:

- Almost 1,000 medical and allied health professionals
- A telephonic health coaching capacity provided by allied health professionals based in Wollongong
- Forty-five HSA Group sites located in capital cities and regional centres throughout Australia, which includes medical treatment clinics, specialised Travel Doctor - TMVC clinics and teams of allied health professionals
- Medical services provided by more than 250 doctors and 200 nurses, which includes treatment of ambulatory cases of sickness and injury, medical assessments and a range of medical services provided in the workplace setting (ie occupational medicine services)
- Injury prevention and return-to-work services provided by allied health professionals in both compensatory and non-compensatory settings
- Behavioural change programs provided telephonically by a call centre in Wollongong staffed by exercise physiologists, dieticians and nurses
- A wide range of health and well-being programs provided to corporations and private health insurers, including wellness seminars, health fairs, health screening and education and lifestyle management programs

Health for Industry

Health for Industry (HFI) is a core business area of Medibank Health Solutions and provides occupation health services across Australia to help prevent, treat and manage workplace injuries and illness. Its functions include:

- Improving workplace health
- Delivering over 350,000 health assessments each year
- Being the sole provider of immigration health assessments to the Australian Government

Key Health for Industry services include:

- Injury treatment and management
- Migrant health assessments
- Pre-employment medicals
- Health surveillance programs
- Occupational and flu vaccinations
- Fitness for duty assessments
- Drug and alcohol screening
- Health education and training
- Fatigue management
- Health screening
- Corporate health promotion

2008-09 Priorities

HFI has continued to grow with the opening of new clinics in Campbellfield, Victoria and Gateway in Brisbane. This brings the number of clinics and centres to 22.

Despite the tougher economic conditions experienced over the year, HFI has met its growth and financial targets. This has been achieved through a focus on ongoing employment services (as opposed to pre-employment services) and a strong focus on cost control and maintaining productivity.

This year HFI introduced an Electronic Service Delivery system, which allows our service providers to complete medical assessments online. Clients benefit from improved quality and improved timeliness. The system allows reports to be digitally signed by our doctors and provides secure email transmission of results.

Strengthening our client base

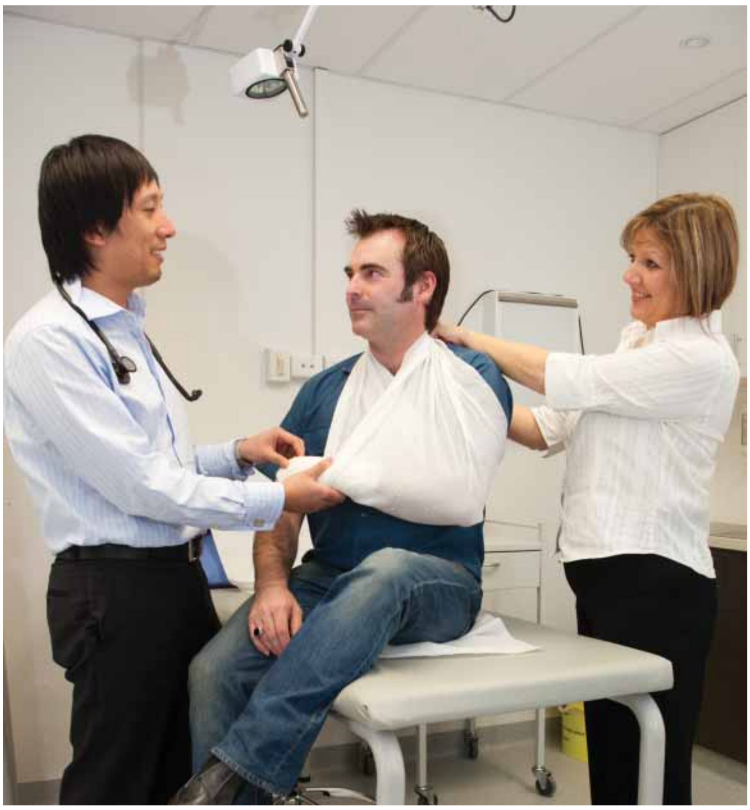
During the year, HFI continued to strengthen its position as leader in occupation health services.

HFI provides services to many of Australia's top companies and many government (local, state and Commonwealth) clients. We continue to make gains in the resource sector with significant contracts in place. Within state government jurisdictions we provide services to police, ambulance, transport and corrective services.

Immigration

Under Australian law anyone wishing to permanently migrate to, or work or study in Australia for more than three months, must have a health assessment. HFI is the only organisation in Australia authorised to do these checks.

During 2008/09, the number of immigration assessments increased by 20 percent, yet we have maintained a high level of quality and continue to meet our contractual benchmarks.



Work Solutions

Work Solutions has evolved to become one of Australia's largest and most successful players in the occupational rehabilitation and employment services sector. Work Solutions is the allied health arm of Health Solutions. We employ over 300 highly skilled occupational therapists, physiotherapists, psychologists, rehab counsellors, nurses and exercise physiologists delivering a broad range of services.

Work Solutions' service delivery can be broken up into three broad segments:

Employment Services

This relates to all services where the goal is to either assess a person's capacity to work or actually assist in securing sustainable and durable employment for an individual. The current services we deliver in this category are Job Capacity Assessments, Vocational Rehabilitation Services and Job Capacity Account Services.

Occupational Rehabilitation

This relates to services where the focus is to coordinate and facilitate the return to work of an individual who has sustained a work related illness or injury. The services that Work Solutions currently deliver within this segment are linked to employers, Workcover agents and insurers which operate in the Comcare and State based Workers Compensation jurisdictions.

Health Management

This sector of our business relates to services which assist to prevent illness or injury occurring or reduce or stabilize an existing injury or illness. This involves services such as training and education and health promotion activities.

Performance and achievements

During the first half of 2008/09, Work Solutions management started the process of reviewing internal systems and structures involving a quality management review which has resulted in the implementation of a number of internal process improvements.

Our focus over the next two years will be to maintain and further improve the quality of our service, while capitalising on the opportunities in corporate health and wellbeing services for the corporate sector, broader community and Medibank Private health insurance membership, with the latter being linked to reducing the cost of benefit outlays.

The Travel Doctor - TMVC

Protecting Australian travellers

The Travel Doctor - TMVC (Traveller's Medical and Vaccination Centre) is one of the world's largest individual suppliers of travel health services and a recognised leader in the field.

Our dedicated and diverse team of specially trained doctors and nurses, infectious diseases physicians, parasitologists, and public health physicians enables us to service the broad travel market. Our clients include everyday holiday travellers as well as major public and private sector organisations.

We are also the preferred provider to international aid organisations, volunteer groups, government agencies, including the Australian Federal Police and departments of Foreign Affairs and Trade and Defence, and major Australian sporting organisations, such as the 2008 Australian Olympic Committee.

We help our clients stay healthy and safe by providing the most up-to-date international health advice and medical services, including:

- Pre and post travel medical consultations
- Vaccinations
- Psychological services to assist with overseas postings
- Destination specific fact sheets, and
- Travel medical kits

A focus on growth

Growth was the key focus for and a major outcome of the 2008/09 year. Travel Doctor - TMVC continued to strongly serve both our retail/holiday and corporate clients, while also opening up new markets. We embraced new technologies and developed online services to better meet the evolving needs of our clients. We also opened a new clinic in Parramatta and doubled the size of our clinic in the Melbourne CBD.

The Travel Doctor - TMVC Advantage

Healthy travel begins with The Travel Doctor - TMVC which:

- Has more than 20 clinics in Australia and New Zealand and a growing list of associates in Africa and Asia
- Has doctors who are leaders in travel medicine
- Sees more than 110,000 travellers a year
- Provides peace of mind that travellers are afforded maximum protection for health and safety while travelling.

Taking the stress out of working overseas

A major part of what we do at the Travel Doctor - TMVC is preparing employees and their families for overseas deployment. Overseas postings demand major investment and unsuccessful deployments can exact huge personal and financial costs for both employees and employers.

A significant cause of unsuccessful relocations relates to psychosocial issues. During the year, the Travel Doctor - TMVC, in partnership with Work Solutions, developed and launched a range of psychological services to help limit the impact of psychosocial issues on overseas postings.

Aiding the aid agencies

International aid workers are identified among the five highest risk jobs in the world. This is hardly surprising when considering they are to be found in some of the world's leading 'hot spots' - places devastated by war, cyclones, earthquakes, tsunamis and famine.

The Travel Doctor–TMVC has a long-established reputation for helping prepare aid workers for rapid overseas deployment to high risk areas. In 2008/09 we further strengthened our links with the humanitarian aid sector. Our activities included:

- Providing regular training sessions for RedR, a leading international trainer and provider of aid workers to humanitarian agencies including Care International, Oxfam and Save the Children
- Establishing a relationship with People-In-Aid, the international association of aid workers, which works to enhance the impact of humanitarian aid by promoting good practice in the management and support of aid personnel
- Developing tools (eg. checklists) for aid and development organisations to help them better understand the complexities of deploying people

The Travel Doctor–TMVC will continue to grow and strengthen our involvement with the aid sector, especially through partnerships to develop best practice policies and procedures.

Swine flu

HSA Group provided a timely response to the threat of Pandemic H1N1 Influenza (swine flu). We responded both to the threat of pandemic influenza across our own operations and provided external support to the business community and to travellers. We launched a website **fluthreat.com.au** with information about swine, avian and seasonal influenza, updates on the status of the pandemic threat, and tips for staying healthy at work, at home and when travelling overseas. We delivered management briefings and employee information sessions for major Australian companies and provided regular communications on identifying, assessing and managing the organisational and personal risks. The Travel Doctor-TMVC played a critical role in providing advice and support to travellers and travel agents to minimise the risks of contracting the virus, and sold Travellers' Flu Kits.

Health Management

The sustainability of our national health system and strategies for addressing chronic disease continue to drive discussion at both a Federal Government level and within Medibank.

The need to play an active role in keeping our customers healthier and out of hospital is at the foundation of our mergers with ahm and HSA Group in the past year.

Medibank now has the expertise and capability to be a leader in developing and delivering health management programs. Our focus and strategy in this area is coming to life through our Total Health and *better*health channels; our ahm Dental and Eyecare Practices; and our Health for Industry, Work Solutions, and Travel Doctor - TMVC businesses.

Medibank believes that preventative health is one of the key platforms for a national health model, allowing individuals to be empowered to take charge of their own health and providing tangible strategies and programs, which reduce health risks and help prevent disease and illness.

Customers are offered support across a comprehensive range of programs including personal assessment and coaching, pregnancy support, early discharge from hospital, avoided admissions and management of chronic illness. These strategies are making a real difference to the lives of many of our customers.

*better*health programs

This year, Medibank Private's existing *better*health programs – Online and On Call have been extended to include our new *better*health Coaching program. This addition to the program suite ensures that we are continuing to support our Medibank Private members' health and well-being.

Launched in 2006, *better*health Online is designed to provide Medibank Private members with a health, fitness and well-being service to help them achieve health goals. The program offers support through diet and exercise planners, health-related articles and tools, as well as regular email contact to maintain motivation in achieving their health goals.

Since its launch, over 24,000 members have now registered for *better*health Online, with 74 percent of these going on to complete a health risk assessment. This assessment is a key component of the site and helps members understand any health risks they have so they can make sound health and lifestyle choices. The tool also refers members to the range of Active Health Programs available, which includes Weight Loss, Healthy Ageing and Stress Management, Heart Health, Smoking Cessation, Glucose Management and Back Care. These make up the Active Care Programs which are designed specifically for individuals who need to address certain health needs. Currently there are over 14,000 enrolments in these programs.

Our new *better*health Coaching program provided by Total Health, is designed to support and assist Medibank Private members as they manage risk factors that may lead to the development of chronic disease. As at the end of 2008/09, more than 1,000 Medibank Private members have enrolled in this program and set goals such as weight loss, increased exercise and improved stress management.

*better*health On Call telephone-based support service is designed for members with heart and respiratory conditions, diabetes and mental health issues. This program 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 Medibank Private 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. As at the end of 2008/09, over 10,000 members are participating in the program, with the majority receiving assistance to manage Coronary Artery Disease.

Helping members negotiate the health care system

Medibank Private has been conducting a pilot program over the last two years with GPpartners, a progressive Division of General Practice covering Brisbane's northern and western suburbs. 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. Medibank Private is about to evaluate the outcomes of this program to determine whether we have been effective in supporting members with long-term health conditions.

Total Health

Total Health is at the forefront of designing and delivering a comprehensive range of health management programs aimed at having a positive impact on our ahm and Medibank Private members' health. Total Health continues to expand with the provision of preventative health, chronic disease management, hospital substitution and pregnancy support programs to customers within the private health insurance, government and corporate sectors.

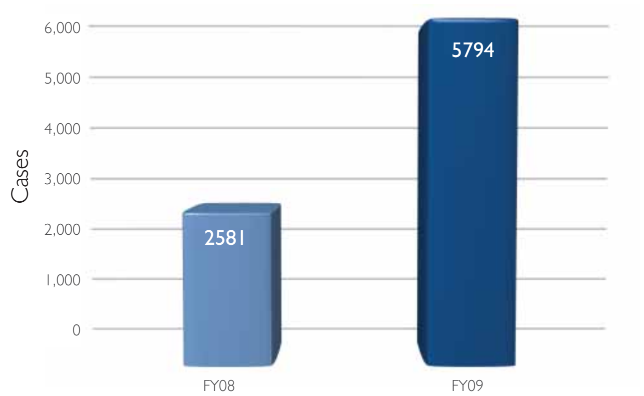
The last year has been one of tremendous growth in Total Health as the range and scope of services continued to expand. In particular, the commencement of new programs being offered to Medibank Private members and winning the contract to provide a new population-based health coaching program in NSW has seen the overall number of participants on health programs increase by 49 percent from 10,500 in 2008 to just over 15,600 in 2009.

Health Coaching and Chronic Disease Management

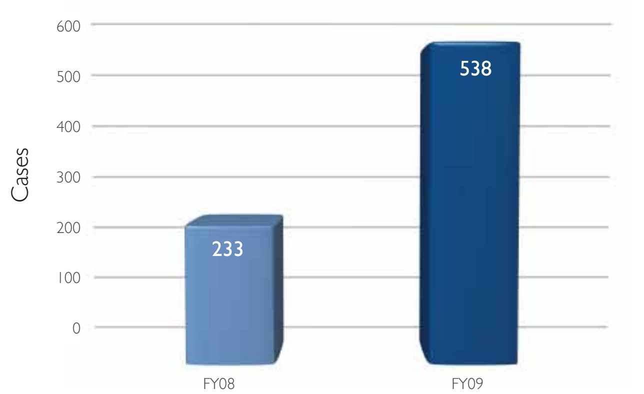
Substantial increases in participation were seen in both our Health Coaching (6-month program) and Chronic Disease Management (12-month program) programs during the year. These include personal coaching and support from our health consultants. The primary areas of focus are weight management and diet, and high levels of success are being achieved for those enrolled on a program. A series of outbound calls are made over the term of the program at key times to provide motivation, support and guidance and ensure goals are reached.

Driving this growth has been the commencement of new programs with Medibank Private members (1,483 new enrolments) and an increase in the numbers participating on programs from the ahm membership (4,068 new enrolments). The increases in program participation are demonstrated in the following graphs.

Total Health Coaching Enrolments



Total Health Chronic Disease Management Enrolments



Influencing population health

As both Federal and State Governments attempt to take pressure off the public hospital system, the establishment of the National Preventative Health Taskforce and the National Health and Hospital Reform Commission has been a positive step in recognising that prevention and health management services can result in improved population health and reduced hospital pressure.

In February, Total Health was awarded a two-year contract for the provision of a new health coaching service. The 'Get Healthy Information and Coaching Service' is a free telephone and web-based service designed to help address the rising numbers of overweight and obese people in NSW.

It is the first of its kind to be provided state-wide in Australia. The Total Health division and its team of dietitians, exercise physiologists, and nurses provide information and ongoing health coaching support to help people lose weight through regular exercise and healthy eating habits.

Total Health is also continuing its positive impact on the health of Australia's veterans through the Heart Health and Outreach programs run by the Federal Government.

Hospital Substitution

Total Health's hospital substitution program allows participants to recover in the comfort of their own home after a hospitalisation (or to avoid admission altogether). With the permission of the treating doctor, ahm members can leave hospital early and receive support in the home. The package of care services to assist in recovery is tailored by our health consultants and covers services such as nursing, personal care or transport. This year, a total of over 1,200 participants utilised the service (with over 200 of these ahm members).

Pregnancy Support

We recognise that having a child is an exciting time but one where extra support can be important. Our Pregnancy Support program offers expectant and new mothers support from a team of experienced midwives who can answer questions and provide information on pregnancy, birth and child-care. Total Health employs child health nurses, registered midwives and lactation consultants to provide this support and guidance to new mums. This service is provided to both ahm and Medibank Private members as well as other health insurance businesses.

Feel*better* Rewards

At Medibank Private, we strive to cultivate and build stronger relationships with our members. We do this through developing a communication interface that is tailored to the needs of our individual member segments and three distinct target markets: singles, couples and families.

The feel*better* Rewards program commenced in 2004 and aims to improve the value that Medibank Private members derive from their membership with us. The program is free for members and offers discounted products and services, which are advertised via online member services and through our feel*better* magazine. The rewards cover health, fitness, sport, nutrition, leisure, lifestyle and travel.

Approximately 80 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.

Feel*better* member magazine

Medibank Private's feel*better* magazine is published each quarter. It contains information for members that is engaging, credible and relevant, while championing better health management among our members. The magazine integrates the three elements of Medibank Private's loyalty framework:

- feel*better* Rewards – promoting a range of discounted products and services members can access
- *better*health programs – tailored programs members can enrol into
- PackageBonus products – discounts that can be claimed on certain products

The magazines are available at any Medibank store or available for download through the feel*better* Rewards section within the online member services area at medibank.com.au.

Fulfilling our potential as a broader health organisation

With the acquisitions of HSA Group and ahm during the year, Medibank is moving from being a passive payer of hospital and healthcare providers to a more broadly based health company.

Medibank's expanded capabilities in the area of health services enable it to fulfil its vision of being Australia's leading provider of private health insurance and health solutions. Specifically, Medibank now has the potential to provide services to corporations and the wider Australian population, as well as to members in areas such as telephonic and online health coaching services, allied health and rehabilitation, home support services, and the acute clinic environment.

Medibank's focus will be to utilise our expanded capability to:

- Offer a broader and deeper range of services and programs to members to meet their health care needs, which, in turn, will take pressure off premium increases
- Offer Medibank Private's corporate clients health and well-being services in addition to private health insurance
- Offer an expanded range of workplace health services to corporate Australia
- Contribute to the Government's preventative health agenda by providing health services to the wider community

Specific services which Medibank now has the capability to expand or introduce in the future include:

- Behavioural change programs through telephonic and online coaching services
- Chronic disease management through telephonic and online channels
- Care coordination provided by nurses in conjunction with treating GPs
- Online health education
- Hospital avoidance and discharge support services
- Supported aged care at home
- Work injury clinics
- Travel clinics
- Urgent Care clinics
- Wound Care clinics
- Individual rehabilitation services
- Mental health support services
- Intensive conditioning clinics
- In-home rehabilitation
- Allied health clinics

Advocacy for better health

Medibank Private is committed to better health outcomes for Australians and ongoing advocacy in this area. Promoting public health, such as physical and workplace health and community health initiatives remains the focus of our research. Our activities during 2008/09 included:

Building bone density and osteoporosis

In January 2008 Medibank Private completed a comprehensive review of Australian and international research, which revealed the true extent of the benefits of physical activity in both building bone density and preventing osteoporosis.

The review highlighted two key areas for focus in delaying the onset of osteoporosis: increasing bone mass prior to 20-30 years of age, and decreasing the rate of bone loss that occurs after the age of 40-50 years. Specifically, the research suggests that having a high bone density as a 20 year-old may be the single most important factor in slowing the development of the disease.

The review drew attention to the younger years of development and illustrated how physical activity during childhood – and at any age – significantly improves bone strength and assists in preventing osteoporosis.

Prevention is the key in terms of both quality of life, and the financial impact the disease can have. An estimate by the International Osteoporosis Foundation and Osteoporosis Australia puts the annual treatment costs at $1.9 billion – a huge cost to governments and individuals.

We also know that amongst Medibank Private's membership, individuals with osteoporosis stay longer in hospital – an average stay of 14.4 days - compared to those members without osteoporosis, who have an average stay of 5.6 days.

There is consistent evidence from observational studies that weight-bearing exercise during youth contributes to increased bone density and provides the mechanical 'loading' important for the maintenance of bone health and to minimise the rate of bone loss later in life.

The cost of physical inactivity

Other Medibank Private-commissioned research in 2008/09 found that physical inactivity is costing the Australian economy $13.8 billion a year. This study captured the healthcare costs, economy wide productivity costs, and the mortality costs of individuals passing away prematurely as a result of physical inactivity.

The findings further demonstrate the importance of being active and the burden that a lack of physical activity can have on the Australian economy as a whole.

The modelling approach used in the research also looked at the increased number of medical conditions as a result of physical inactivity and the ensuing medical costs of coronary heart disease, stroke, Type 2 diabetes, breast and colon cancer, depression, and falls. The direct health cost of falls alone (attributable to physical inactivity) was found to be $503 million/year.

Like other health risk factors, physical inactivity can have an adverse effect on organisations as well as individuals. Specifically, physical inactivity can impact on employee productivity by causing increased absenteeism and presenteeism, which impose direct economic costs on employers. The Medibank Private research has found that productivity loss due to physical inactivity equates to 1.8 working days per worker per year.

Sedentary behaviour

Medibank has also undertaken Australian-first research into sedentary (or sitting) behaviour in conjunction with Baker IDI and the University of Queensland.

The study examined sitting time as well as physical activity levels in office, retail and call centre workers across both working days and non-working time.

The research revealed an average 77 percent of working hours are spent sedentary with very low levels of energy expenditure. Taking into account the hours before and after work, workers still spent 70 percent of their total day sedentary, and most people continued to spend significant amounts of time inactive on non-work days, averaging 62 percent of waking hours spent sitting.

The study used an 'accelerometer' device to objectively record the duration and intensity of movement and time, in addition to participant-recorded diaries and questionnaires, and a key finding was the difference between participants' perceptions of the amount of physical activity they engaged in versus the amount measured objectively.

Two thirds of participants self-reported they were meeting the National Physical Activity Guidelines of 150 minutes of moderate-intensity physical activity each week. However, the objectively measured data recorded by the accelerometers showed that, in fact, only one third were meeting this target.

Sedentary lifestyles are considered to be a major contributor to poor health, linked to Type 2 Diabetes, obesity and cardiovascular disease.

Sponsorship

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

In 2008/09, our sponsorship activity included:

Medibank International Tennis

As naming rights sponsor of the Sydney-based Medibank International Tennis event, Medibank Private communicates the importance of physical participation in sport for a healthier lifestyle.

The nationally televised event, coupled with a national advertising campaign, enables Medibank Private to reach millions of Australians, and helps to attract new members.

In 2009, the NSW Junior Tennis sponsorship was integrated into the Medibank International tournament. This included Junior Tennis participants accompanying players onto Centre Court and the Medibank Challenge being conducted at the event.

Junior Tennis NSW

Medibank Junior tennis is a "grass roots" program that supports junior tennis across New South Wales. Key elements of Medibank Private's sponsorship include:

- A grant program to help clubs improve infrastructure
- Facilitation of fundraising activities through donation of prizes for club raffles
- Morning teas at Junior Tennis NSW events
- Providing access for Tennis NSW members and their families to Medibank Private VIP health cover
- Naming rights to various Junior Tennis events in NSW

AFL 1Seven Program

Medibank Private partnered with the Australian Football League (AFL) and Netball Australia to promote and deliver the 1Seven Program. The program encourages primary school children to lead a healthy lifestyle with the basic message: "Move More, Eat Well" using well-known AFL and netball players to inspire them.

Wollongong Hawks

ahm has been a proud long-time sponsor of the Wollongong Hawks, the Illawarra national basketball team. The players are champions of a healthy lifestyle in a fun, family oriented sport. ahm also supports community events and activities such as the Local Hero Awards (recognising and rewarding unsung volunteers) and Australia Day celebrations (combining health checks with sporting activities and games for the family).

The Wiggles

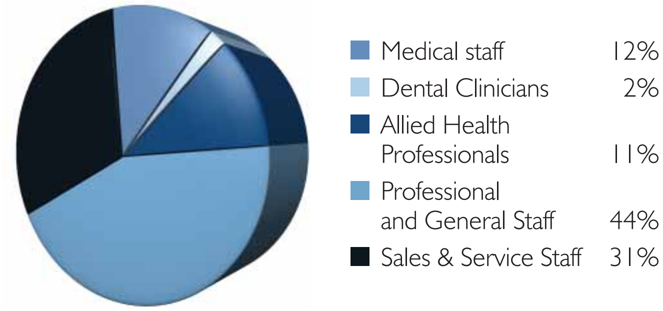
A key feature of Medibank Private's sponsorship of The Wiggles, which commenced in 2009, is wiggleintohealth.com, which aims to inspire young families to participate in healthy activity. The website covers four major topics: nutrition, physical activity, hygiene and safety, each represented by a different Wiggle. The website also contains recipes and children's games.

Teamlife - Transplant Australia

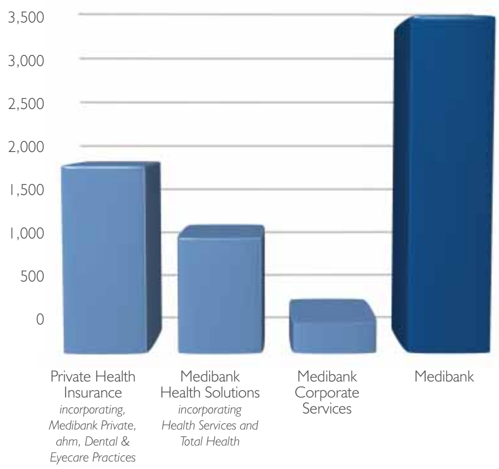
As part of the HSA community engagement program (now part of Medibank Health Solutions) we have a corporate partnership with Transplant Australia to sponsor Teamlife, a program aimed at raising donor rates by highlighting the value of organ donation to the Australian public. The sponsorship includes branding on all Teamlife program material and staff volunteering opportunities including the World Transplant Games held on the Gold Coast Queensland in August 2009. We have also made Australian Organ Donor Register forms available in all of our clinic and office reception areas.

Our People our culture

Medibank Employee Mix



All Employees



Our people and culture are key to Medibank's operation and success, and with 2008/09 being a year of significant change in profile and direction for the organisation, our team has been at the centre of several major initiatives, including:

- The integration of ahm and HSA Group, which saw Medibank's employee numbers double to almost 3,300 people nationwide. The cultural integration process of both organisations began even before acquisitions were complete as it was vital to ensure employees were supportive of the transition
- In June 2009, more than 100 leaders from across the organisation came together for the first time to discuss business strategy and objectives
- The Customer First initiative across the private health insurance business and corporate areas of Medibank Private is focussed on simplifying processes, improving customer service and reducing costs. The first stage of this project has involved both structural change and job redesign, which have been introduced smoothly following consultation with both unions and employees, and application of a comprehensive change management process

Other highlights during the year included:

- A reduction in Medibank Private's employee turnover of 8.77 percent, in part reflecting the changed economic conditions
- Reducing our Medibank Private Comcare premium to its lowest point in our history
- The relaunch of our Medibank Private Plan For Success program, designed to better equip employees and their managers to have regular coaching discussions to inspire performance and individual employee development
- The development of a Customer Experience program for Medibank Private retail employees, designed to increase skills and deliver a better service to our customers
- The launch of a new Workplace Diversity program in Medibank Private with the first phase focussing on supporting employees to remain connected with the workplace during parental leave. The aim is to increase employee retention and to assist parents achieve an appropriate work/life balance

Looking ahead to 2010, the People, Culture and Communications team will focus on:

- Taking people capability and engagement to a new level to enable business strategy and ensure alignment with Purpose
- Continuing efforts to support integration
- Supporting the move to a lower-cost operating environment
- Implementing an integrated communications strategy that helps reposition Medibank as Australia's leading provider of health solutions as well as private health insurance
- The development of a comprehensive Leadership Program specifically designed for Medibank managers, which will be rolled out over the next 12 months

Values and behaviours

The rollout of Medibank's new values and behaviours define the culture Medibank is seeking to foster. Developed with the input of employees across the organisation, the values and behaviours have been widely adopted and integrated into our systems such as performance management, used to guide our change management activities and improve the service experience of our customers.

They are action oriented and designed to foster a performance-driven culture: For example, "Think Fresh" has challenged all employees to look for simple solutions which deliver internal efficiency and a better experience for customers.

Be courageous

Build trust

Get connected

Think fresh

Inspire performance

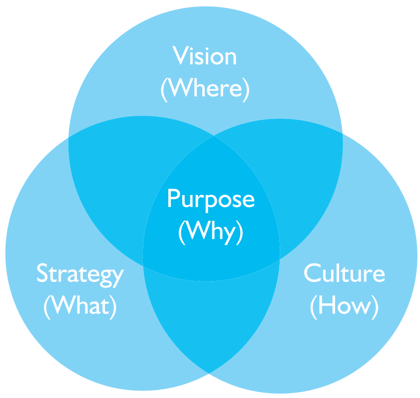
Purpose

Medibank's Purpose is to ensure our customers are clearly better off.

Our Purpose

Our Purpose gives greater clarity to why our employees come to work every day and why we do what we do. It is not something additional to our day-to-day activities but drives our vision and corporate strategy and influences our workplace culture, placing our customers at the centre of everything we do. And it's changing the way we work.

Our expanding Vision is informed by our Purpose and our increased focus on health services. The changes are reflected in the acquisitions of HSA Group and ahm, now part of Medibank, as well as our diversified product range that now includes Life, Pet and Travel Insurance.



Corporate Social Responsibility

Through our Medibank Community program, Medibank Private is committed to working with charities and organisations that contribute to the health and wellbeing of Australians. In 2008/2009 our community investment was further strengthened, with the development of environment and workplace pillars of Corporate Social Responsibility (CSR).

Medibank employees cooking for families at Ronald McDonald House

Medibank Private Community program

Our community program has a number of initiatives including volunteering, gift matching and workplace giving.

Volunteering

Permanent employees of Medibank Private can utilise one paid day of leave for volunteering per year. In 2008/09, our employee participation rate increased from 17 percent to 36 percent, largely due to internal promotion of the excellent team building opportunities that can be gained through company initiated volunteering.

More than 530 employees participated in activities such as donating blood, cooking for families and assisting the disadvantaged during the festive season.

Workplace Giving program

Medibank Private's Workplace Giving program continued throughout 2008/09 with employees donating to our charity partners (Juvenile Diabetes Foundation, The Salvation Army, Ronald McDonald House and Whitelion) through their pre-tax pay. The program has enabled Victoria's Ronald McDonald House to support parents of ill children to take time out by attending a gym or undertaking a similar health and wellbeing activity.

Gift Matching program

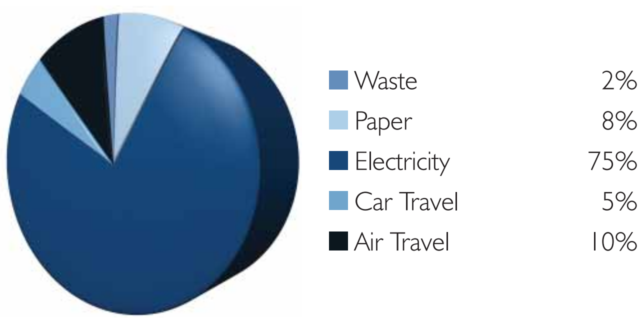
The Medibank Private gift matching program demonstrates our ongoing commitment to corporate giving. Gift matching enables employees to contribute to organisations that they are passionate about. Medibank Community dollar matches employee donations, up to $500 per year. During the past year, Medibank Community experienced a substantial increase in employee gift matching, with more than $50,000 of employee donations matched compared with $15,000 from the previous year. The increase was largely due to the Victoria bushfire devastation in February 2009.

Environment

Through our CSR strategy, Medibank Private's efforts to actively contribute to the environment were increased. In March 2009, Netbalance (a third party company) measured Medibank Private's carbon footprint for the 2007/08 financial year and provided us with our first greenhouse gas emissions report.

In 2007/08 Medibank Private's greenhouse gas emissions, both directly and indirectly, as a result of our operations totalled 10,730 tonnes or carbon dioxide equivalent. Our highest areas of emission sources were electricity, air travel and paper consumption (including member communications).

Greenhouse Gas Emissions
Total Emissions 10,730 tonnes in 2007/08



As a result of this report, the Medibank Private Green Team was established. The team is made up of employees across the organisation and focuses on implementing simple changes to reduce our impact on the environment. Medibank Private has continued its status as a signatory to the United Nations Environment programs. Further development of Medibank Private's environment strategy will continue in 2009/10.

My Wellbeing

Workplace, another pillar of corporate social responsibility, was also strengthened in 2008/09. My Wellbeing, a health and wellbeing program for Medibank Private employees, was implemented in April 2009. The program offers employees a range of initiatives, including free flu vaccinations, health and wellbeing seminars, health checks, health advice lines, employee-initiated activities and more. Particular emphasis is placed on ensuring opportunities are available for Retail and Customer Care Line staff to engage in the program.

Through My Wellbeing, employees are able to earn reward points while looking after themselves, which they can use to redeem goods through an online program. The launch of this program has already achieved early success with the highest number of free flu vaccination employee recipients ever in 2008/09.

Other pillars of our CSR strategy include marketplace and human rights initiatives, which will be progressively pursued in the year ahead.

London Benchmarking Group (LBG)

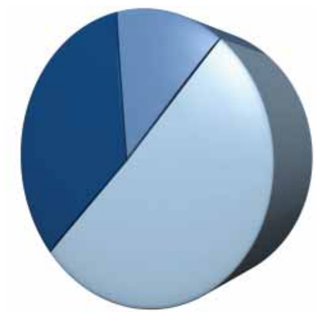
This is Medibank Private's second year of subscription to the London Benchmarking Group (LBG), which provides an internationally recognised framework for organisations to measure and report their investment to the community. Medibank Private's contribution to the community exceeded $1.2 million in 2008/09, an increase of 50 percent from 2007/08.

Medibank Private's community contribution is divided into three categories:

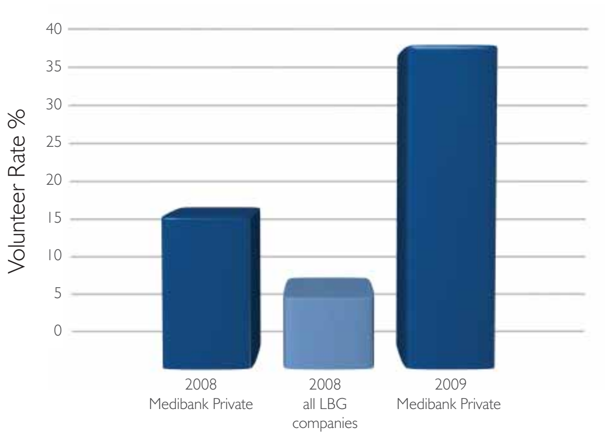
- Community investment
- Charitable donations
- Commercial initiatives

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 are providing intermittent support to a wide variety of good causes in response to the needs and appeals of charitable and community organisations. Commercial initiatives align with activities in the community, to directly support the success of a company and promote corporate brand identity.

Community Contributions



Employee Volunteering



Building new partnerships and new hope

During the year, staff from HSA Group and ahm travelled to the remote Nepalese village of Junbesi where they worked to upgrade and extend the Kushudebu Public Health mission.

The key objective of the Kushudebu Public Health mission is to improve the health of the orphaned and disadvantaged in this region, and to promote a better understanding of good health practices in a bid to reduce the rate of premature and preventable death.

The trip was truly a Medibank group project, with the HSA Community Fund providing financial assistance, Travel Doctor - TMVC looking after the volunteers' travel health needs, and Medibank Private supporting the group with travel insurance. The Travel Doctor-TMVC also provided funds for materials and hiring of local labour for the project.

Emilee Trinder and Deborah Judd from the Travel Doctor - TMVC, Michelle Cumming and Fiona Lyon from Work Solutions and Karen Longley from Health for Industry joined Mark Broadhurst from ahm and other individuals from Australia and Canada. The team trekked into Junbesi where they spent three days working on extending the clinic and improving its facilities, including building living quarters for staff so that it can offer services to the community around the clock.

HSA Community Fund

Since 2006 the HSA Community Fund has funded activities of a humanitarian, cultural or sporting nature based on application from employees. Grants are made available to support community groups such as charities, not-for-profit organisations, youth groups and sporting bodies. In 2008/09, HSA Group provided funding for the following activities:

- Nepal Kushudebu Medical Health Mission Project
- Movember
- Tasmanian Pony Club
- Participation in the National Primary School Sport Australia Championships (NPSSAC)
- Healthy Habits program for people with mental health disorders
- Relay For Life fundraising event for cancer research
- Leadership Training One and All
- Variety Club
- Participation in the Pacific School Games
- Care Australia

Donating blood at the Australian Red Cross Blood Bank

- Prince Phillip Mounted Games
- Senses Foundation, the primary advocate and service provider in WA for people who are deaf blind or blind with additional disabilities
- Parkinson Victoria Cycle Vietnam Challenge
- Operation Flinders Foundation
- Merewether Surf Lifesaving Club – Junior Activities Group
- MS Society's Sydney to the Gong Bike Ride
- Victorian Bushfire appeal and an employee who lost her home in the fire
- Cancer Council's Australia's Biggest Morning Tea

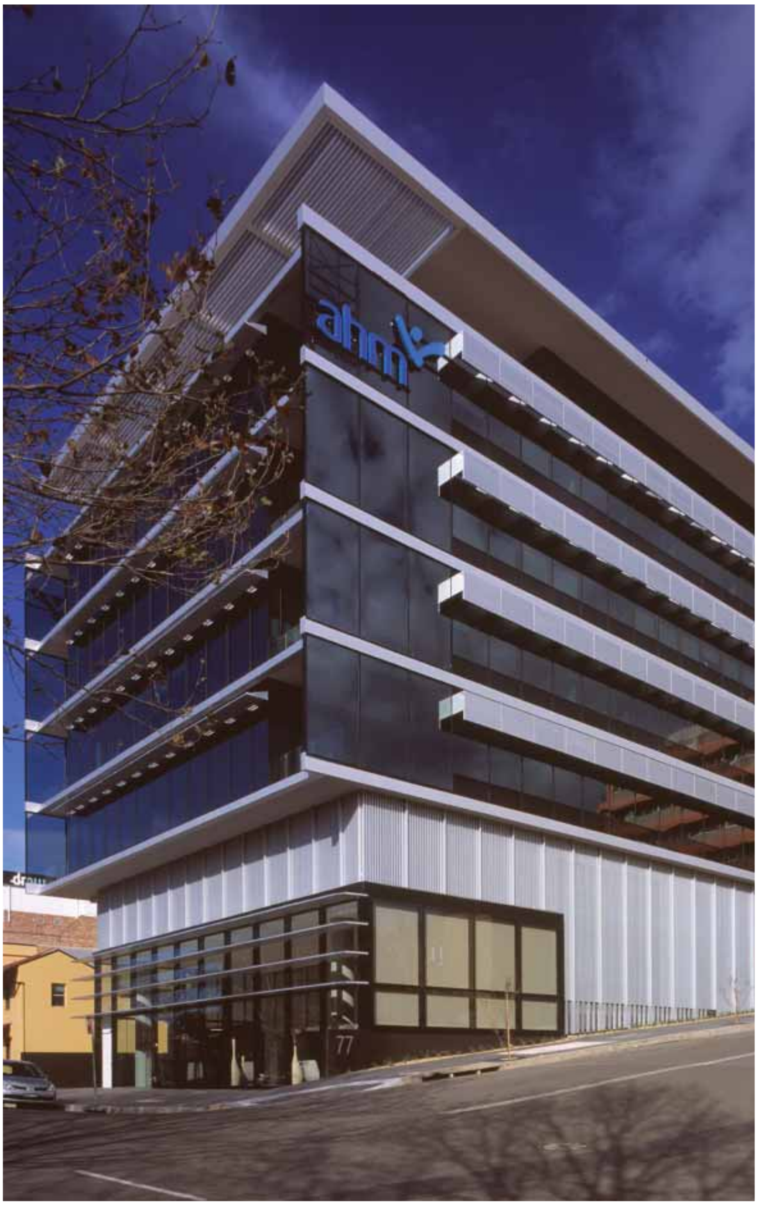
Spin to Cure for the Juvenile Diabetes Research Foundation

Assistance to the bushfire victims

The devastation caused by the Victorian bushfires in February 2009 affected many Australians. Medibank Private was keen to assist and support our members and the wider community during this time. Our assistance included:

- Waiving of membership premiums for those affected by the bushfire
- $100,000 donation to The Salvation Army Bushfire Appeal
- More than 60 employees donating blood
- Facilitating a Wesley Mission microwave fundraiser
- Volunteering through Australian Red Cross and The Salvation Army
- Fundraising through our Medibank Private stores
- Gift Matching employee donations to the Bushfire Appeal
- Sponsoring the Medibank Bushfire Appeal Concert as a thank you to SES and CFA volunteers

Financial Report



Lynne House - the ahm building in Wollongong

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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).

The Company and its subsidiaries together are referred to as the Group in this statement. The Board of directors of the Company is responsible for the governance practices of the Group. A description of the Group's main corporate governance practices are set out below.

Governance at Medibank Private

The Group is committed to the highest standards of corporate governance. The governance practices are derived 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 Group is also committed to reporting in accordance with the ASX Corporate Governance Council's Principles and Recommendations (ASX Guidelines) in so far as they are applicable to an unlisted, Commonwealth owned company.

The Board believes the Group's policies and practices comply with the ASX Guidelines except for Principle 5 'make timely and balanced ASX Listing Rules disclosures'.

A dedicated Corporate Governance section on the Medibank Private website (www.medibank.com.au) provides a detailed description of the Group's governance framework and associated practices, with links to key documents.

The Group also provides regular reports to the Private Health Insurance Administration Council (PHIAC) in relation to its two private health insurance funds operated by the Company and Australian Health Management Group Pty Limited (ahm). 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 the Company. 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 the Group 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 May 2008 and August 2009, the Company was granted permission by the sole shareholder, in accordance with the *Corporations Act 2001* (Cth), to waive the requirement to hold an Annual General Meeting for the 2008 and 2009 financial years respectively. Accordingly, an Annual General Meeting was not held in 2008 and will not be held in 2009.

Board of Directors

Role and Responsibilities

The Board of Directors is responsible for the overall corporate governance and the successful operation of the Group and it is accountable to the Shareholder Minister.

In carrying out its governance role, the Board must also ensure that the Group 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 Group's website links to a document which addresses ASX Guideline 1.1 – Summary of Matters Reserved for the Board.

Key accountabilities and matters reserved for the Board include:

- setting and reviewing objectives, goals and strategic direction, and assessing performance against these benchmarks;
- ensuring the Group 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 Group 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 Group as a whole. The Chairman is responsible for representing the Board to the Shareholder.

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

Board Composition

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

Details of the Directors and Company 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.

Two new directors were appointed during the year. Elizabeth Alexander AM was appointed on 23 October 2008 for a three year term. Professor Leanne Rowe AM was appointed on 17 December 2008 for a three year term.

Subsidiaries

The activities of every subsidiary in the Group are overseen by their own Board of Directors and members of these Boards are also key management personnel of the Group.

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 the Group, the private health insurance industry and related health industry matters generally.

All Directors are provided opportunities to visit retail and customer service 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 Group.

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 Group (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

The Company 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, Culture and Communication 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 Group information and to the Group'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 9 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 and an informal assessment is being completed for the 2009 year. 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.

With the exception of the Investment Committee (which has been delegated certain decision making responsibilities), the Committees 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 four 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;
- monitoring the strategic risks and the risk management process;
- monitoring the activities and performance 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 5 times during the year.

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

The Corporate Governance Section of the company's website links to a document which addresses ASX Guideline 4.3 – Audit and Risk Management Committee Charter.

Investment Committee

The Investment Committee currently comprises three Non-Executive Directors. The Managing Director attends Committee meetings by invitation. The Chairman of the Committee, Mr P Twyman, is an independent Non-Executive Director.

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

The Committee Charter recommends that the Committee meet 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 Group.

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 six times during the year.

The Corporate Governance section of the company's website links to a document which addresses ASX Guideline 2.6 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 customers.

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

Accountability and Audit

External Audit

In accordance with the *Commonwealth Authorities and Companies (CAC) Act 1997* (Cth), the Commonwealth Auditor-General audits the records and Financial Statements of the Company and the Group. The Australian National Audit Office (ANAO) has contracted with PricewaterhouseCoopers to audit Medibank Private and Australian Health Management Group for the 2009 financial year on behalf of the Auditor-General.

The Group applied audit independence principles in relation to the External Auditors.

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;
- segregation of roles and responsibilities;
- 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.

Internal Audit

Internal auditing is an independent objective assurance and consulting activity designed to add value and improve the Group's operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. 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 Group Assurance 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 internal 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. 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 own risks, including control effectiveness and related mitigation plans. Strategic 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.

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 Group, including assurance as to the Group'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 Group'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 2009, 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 and of the Group are in accordance with the Corporations Act 2001(Cth) and there are reasonable grounds to believe the Group will be able to pay its debts as and when they become due and payable.

Compliance

The Group has established a comprehensive compliance management framework which is based on the Australian Standard for Compliance. 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 Group has documented key governance policies and procedures. These include the Group'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.

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

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, and are reflected in the Company's Whistle Blower policy.

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

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

Chairman of the Nomination, Remuneration and Human Resources Committee.

Member of Investment Committee.

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 healthcare 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.

Member of Audit and Risk Management Committee.
Member of Health and Business Innovation Committee.

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.

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 Health and Business Innovation Committee.
Member of Nomination, Remuneration and Human Resources 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.

He is a Fellow, Royal Australian College of Medical Administrators; Fellow, Australian College Health Service Executives; Fellow, Australian Faculty of Public Health Medicine.

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.
Member of Investment Committee.
Member of Nomination, Remuneration and Human Resources Committee.

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

She is Chair of the Audit Committee of the Department of Treasury and Finance (Victoria) and a member of the Department's Advisory Board.

Ms Harvey was formerly a Partner at PricewaterhouseCoopers.

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.
Member of Audit and Risk Management Committee.
Member of Nomination, Remuneration and Human Resources Committee.

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, both in the UK.

Elizabeth Alexander AM, FAICD
(Non-Executive Director)

Appointed Director from 23 October 2008.
Current term expires 22 October 2011.

Member of Audit and Risk Management Committee.

Ms Alexander is currently Chairman, CSL Limited; Director, Boral Ltd, Dexus Property Group and Australian International Health Institute. She is also a member of Takeovers Panel, Chair of the Australia Prudential Regulatory Authority's Risk and Audit Committee, Chair of the Audit Committee of the Victoria Department of Education and Early Childhood Development, and Chair of University of Melbourne's Finance Committee.

Adjunct Associate Professor Leanne Rowe AM, MD, MBBS, Dip RACOG, FRACGP, FAICD
(Non-Executive Director)

Appointed Director from 17 December 2008.
Current term expires 16 December 2011.

Member of Health and Business Innovation Committee.

Professor Rowe is currently Deputy Chancellor, Monash University; Board member of Beyond Blue: *the national depression initiative*; Presiding Member, Medical Panels, Victoria and Fellow, Royal Australian College of General Practitioners. Professor Rowe was formerly chairman of the Royal Australian College of General Practitioners.

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.

Principal Activities

The principal activity of the Group 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;
- life insurance;
- travel insurance.

The latter two under agency agreements with third party providers.

Following the acquisition by Medibank Private Limited of ahm and Health Services Australia Pty Ltd (HSA) during the current financial year, the Group also provides the additional services including:

- health management;
- the operation of dental and eyecare practices;
- occupational rehabilitation; and
- travel health.

Refer below to *Significant Change in the State of Affairs* for details of these acquisitions.

Results

The Group's 2008/09 after tax profit was $91,187,000 (2007/08 $187,492,000). For the current year Medibank Private is exempt from income tax, but its wholly owned subsidiaries ahm and HSA are liable for 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 the Group'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 2008/09 financial year included:

- On the 15 January 2009, Medibank Private Limited acquired the private health insurer Australian Health Management Group Limited. The transaction was effected by way of a demutualisation of Australian Health Management Group Limited and merger with Medibank Private Limited via a scheme of arrangement. Medibank Private Limited paid $367 million in consideration to Australian Health Management Group Limited which was distributed among eligible members. On 15 January 2009, Australian Health Management Group Limited was converted from a public company limited by guarantee to a proprietary company limited by shares. All shares in ahm are held by Medibank Private Limited; and
- Effective 1 April 2009, the Commonwealth Government transferred 100 percent of the share capital of Health Services Australia Limited to Medibank Private Limited. Details of the transfer which represents a restructure of administrative arrangements are set out in Note 26. Health Services Australia Limited was converted from a public company to a proprietary limited company on 26 June 2009. All shares in HSA Limited are owned by Medibank Private Limited. HSA is a provider of comprehensive health assessment services.

Directors' Meetings

The number of meetings of the Board of Directors and Board Committees during the year ended 30 June 2009, and attendance by Directors at those meetings.

Director	Board Meeting		Audit and Risk Management Committee		Health and Business Innovation Committee		Investment Committee		Nomination, Remuneration and Human Resources Committee	
	H	A	H	A	H	A	H	A	H	A
Paul McClintock[1]	9	9	-	-	-	-	4	4	6	6
George Savvides	9	9	5	5	5	5	4	4	6	6
Julia Bowen	9	9	5	5	5	5	-	-	-	-
Just Stoelwinder[2]	9	9	-	-	5	5	-	-	6	6
Jane Harvey[3]	9	9	5	5	-	-	4	4	6	6
Philip Twyman[4]	9	9	5	5	-	-	4	4	6	6
Elizabeth Alexander[5]	6	6	2	1	-	-	-	-	-	-
Leanne Rowe[6]	4	4	-	-	2	2	-	-	-	-

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] *Professor Stoelwinder is Chairman of the Health and Business Innovation Committee.*

[3] *Ms Harvey is Chairman of the Audit and Risk Management Committee.*

[4] *Mr Twyman is Chairman of the Investment Committee.*

[5] *Ms Alexander was appointed a Director on 23 October 2008.*

[6] *Professor Rowe was appointed a Director on 17 December 2008, and was a member of the Audit and Risk Management Committee between 17 December 2008 and 13 February 2009. During that period, there were no meetings of the Committee.*

Significant Events After The Balance Date

Medibank Private will convert to being a 'for-profit' health insurer on 1 October 2009. Medibank is currently exempt from income tax on the basis that it is a private health insurer that does not carry on business for the profit or gain of its members. Accordingly, when Medibank Private converts to being 'for-profit', it will also become subject to income tax and the payment of dividends. PHIAC approved Medibank's conversion to a 'for-profit' health insurer on 2 July 2009.

Except for the change in taxation status outlined above, no other matter or circumstance has arisen since 30 June 2009 that has significantly affected, or may significantly affect:

a) the Group's operations in future financial years, or

b) the results of those operations in future financial years, or

c) the Group's state of affairs in future financial years.

Likely Developments And Future Results

Directors anticipate that the rate of revenue growth is likely to slow, and there will be further pressure on profit margins. It is also anticipated that financial markets will continue to be subject to market volatility, with resulting uncertainty over Investment Income.

The combined pressures of Australian economic conditions, the Federal Government's decision through the May 2009 Budget to means test the private health insurance rebate and Medicare Levy Surcharge threshold changes are expected to have a combined adverse impact on private health insurance membership growth, with resultant increased pressure on underwriting financial performance in 2009/10. The Group will focus on improving operating costs and customer service delivery, continue to invest in infrastructure and business processes across all areas to improve the efficiency and effectiveness of all services. We will continue to develop improved offerings to members through the ongoing development of both insurance products and health and wellbeing service capabilities. The Group will focus on completing the integration of the ahm and HSA acquisitions, continue to grow and develop the core HSA business while developing new health management based services. Investment income will continue to be subject to the effects of the global economic environment and the inherent market volatility, with this risk being managed by protection policies consistent with the Group's risk profile.

In July 2009, the National Health and Hospitals Reform Commission released its report into the Australian health system. The report recommendations are wide ranging at the date of this report and are subject to ongoing consultation. The Company will continue to monitor the implications of the report and its recommendations on the operations of the Group.

1. Remuneration Report

This report outlines the remuneration arrangements in place for Directors and Executives of the Group.

Key management personnel have authority and responsibility for planning, directing, and controlling the activities of the Company and the Group. Key management personnel comprise the Directors of the Company and certain Executives of the Company and the Group.

1.1 Board Policy on Remuneration

The Nomination, Remuneration, and Human Resources Committee have 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 the 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.

1.2 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[1] Non-Executive	Directors[1] Executive (MD)	Group Executives
Fixed Remuneration	Cash salary	✗	✓	✓
	Cash fees	✓	✗	✗
	Superannuation	✓	✓	✓
	Other benefits	✓	✓	✓
Short-term Incentives	Cash	✗	✓	✓
Long-term Incentives	Cash	✗	✗	✓
Post Employment	Service agreements	✗	✓	✓
	Termination payments	✗	✓	✓
Retention Payments	Cash	✗	✗	✓[2]

[1] *Commonwealth Remuneration Tribunals Juristriction.*

[2] *Refer Section 1.7.*

1.3 Fixed Remuneration

Fixed remuneration comprises cash salary and superannuation contributions. Nominated benefits could also be salary packaged - novated car leases and superannuation contributions.

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 Hewitt CSi and the HayGroup were referred to during the year, with Ernst and Young engaged for specialist executive remuneration advice.

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

The Managing Director's remuneration is reviewed annually by the Board and recommendations for adjustment require approval of the Commonwealth Remuneration Tribunal. The shareholder also approved the re-appointment of the Managing Director for a 3 year term from 12 December 2008.

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 4.3 percent to $55,200 per annum with effect from 1 July 2008. The Chairman received a fee of $110,330.

In addition, Directors who sit on the Audit and Risk Management Committee received an additional fee. The Chair of the Audit and Risk Management Committee receives $12,910 per annum and members of Audit and Risk Management Committee receive $6,455 per annum.

Directors are entitled to life insurance cover and may purchase private health insurance and other insurance products on the same terms as employees. Compulsory statutory superannuation contributions are also made.

1.4 Short-Term Incentive Plan (STI) - Summary Table

What is the STI?	An annual cash incentive plan directly linked to specific annual performance targets.
Who participates in the STI?	All Group Executives; this includes the Managing Director.
What are the changes from the 2008 plan?	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 in 2009.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a significant proportion of Executive total 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.
Who assesses the performance of Group Executives?	The Managing Director assesses the performance of Group Executives at the end of each financial year and submits the results of his evaluation to the Board for approval.
Who assesses the performance of the Managing Director?	The Board agrees the Managing Director's targets at the beginning of each financial year and assesses his performance against those targets at the end of the financial year, having conferred with the Nomination, Remuneration and Human Resources Committee.
What are the performance conditions?	The performance conditions comprise financial and non-financial targets.
Why were these conditions chosen?	The targets are set in line with Medibank Private's three year rolling Corporate Plan.
Are both target and stretch performance conditions imposed?	Yes. The STI and the performance conditions set under the STI have been designed to motivate and reward high performance. If performance exceeds the challenging targets, the STI has the facility to increase if stretch targets are achieved.
How well were the performance conditions met in the 2009 financial year?	The target profit objective was achieved but the stretch target was not fully achieved. Most other target and stretch objectives were met.

1.5 Long-Term Incentive Plan (LTI) – Summary Table

What is the LTI?	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 Group Executive retention, and to focus on the key performance drivers which underpin sustainable organisational growth.
Who participates in the LTI?	All Group Executives (excluding the Managing Director) are eligible to participate subject to an invitation from the Board.
What are the changes from the 2008 plan?	A review of the LTI was undertaken, in conjunction with Ernst & Young. Accordingly, LTI measures and targets were adjusted to better reflect the long term objectives of the company.
Why does the Board consider the structure of the LTI appropriate?	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.
What are the key features of the LTI?	The Board at its absolute discretion may notify participants of their eligibility to participate in the LTI. Participants are notified of the potential award amounts for both on-target and maximum performance for which they may become entitled; the applicable period over which performance will be measured; and the performance conditions that must be satisfied before an award vests (which only occurs upon the Board's assessment that performance conditions have been met). Where a participant ceases to be an employee of Medibank Private, unless the Board determines otherwise, all unvested awards held by an Executive lapse.
What is the performance measurement testing period?	The first grant ("FY 2007 Grant") operated over a 2.5 year period (to coincide with the completion of the 2009 financial year). All subsequent grants have been for 3 years (FY2008 Grant and FY2009 Grant).

1.6 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, the agreement provides 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 some key Executives in the lead up to the previous government's proposal for an IPO of Medibank. 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). These arrangements are still in place.

1.7 Retention Payments

Prompted by the then Government's declared intention to sell Medibank Private the Board, at the time, approved the introduction of a retention plan for the Group Executives employed at the first vesting date (the Managing Director was excluded from this benefit). The plan comprised two 3 month tranches (based on the Group Executive's fixed remuneration at the time of payment). The first tranche vested on 1 April 2007 and was to be paid at the time of the sale or 31 December 2008, whichever came first. The first tranche was paid on 31 December 2008. The second tranche vested on 1 April 2008 and was to be paid three months after the sale or at 31st March 2009. A total of $711,685 (including Superannuation) was paid in the year ended 30th June 2009.

2 Non-Executive Remuneration

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

30 June 2009	Directors Fees [(a)] $	Audit & Risk Management Committee $	Non Monetary Benefits $	Superannuation Benefits [(b)] $	Total Remuneration $
Non-Executive Directors					
P McClintock (Chairman)	110,330	-	3,266	9,930	123,526
J Stoelwinder	55,200	-	1,948	4,968	62,116
J Bowen	55,200	6,455	3,451	5,549	70,655
J Harvey	55,200	12,910	2,958	6,130	77,198
P Twyman	55,200	6,455	3,066	5,549	70,270
E Alexander	37,154	4,345	45	3,735	45,279
L Rowe	28,874	1,564	560	2,739	33,737
Total Non-Executive Directors	397,158	31,729	15,294	38,600	482,781

(a) Represents actual directors fees paid during the financial year.

(b) Compulsory superannuation contributions made on behalf of non-executive directors to satisfy the Company's obligations under applicable Superannuation Guarantee Charge legislation.

30 June 2008	Directors Fees [(a)] $	Audit & Risk Management Committee $	Non Monetary Benefits $	Superannuation Benefits [(b)] $	Total Remuneration $
Non-Executive Directors					
P McClintock (Chairman) [(c)]	106,219	4,665	2,000	9,980	122,864
J Stoelwinder [(c)]	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
Total Non-Executive Directors	294,728	26,507	14,339	28,912	364,486
Former Directors					
P Wade	52,984	10,804	15,425	5,741	84,954
A Brien [(c)]	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
Total Former Non-Executive Directors	127,580	18,114	33,915	13,756	193,365

(a) Represents actual directors fees paid during the financial year reflecting an increase in fees which became effective 1 July2007.

(b) Compulsory superannuation contributions made on behalf of non-executive directors to satisfy the Company's obligations under applicable Superannuation Guarantee Charge legislation.

(c) These Directors' resigned from the Audit and Risk Management Committee during the year.

3 Company Performance – the link to reward

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, customer satisfaction, employee turnover, organisational alignment survey improvement results, and on-plan performance for major IT projects. The measures were only based on the private health insurance business. An annual performance contract is struck with each Executive, incorporating measures set and agreed to by the Board.

4 Executive Remuneration

Key management personnel during the financial year and to whom this report applies are:

Name	Current Role	Commencement Date*
G Savvides	Managing Director	19 Apr 2002[1]
B Levy	Chief Executive Officer - Private Health Insurance Division	1 Apr 2009[2]
S Macionis	Chief Executive Officer - Health Services Division	1 Apr 2009[3]
M Sammells	Chief Financial Officer	4 Nov 2005
H Parkinson	Group Manager - People, Culture & Communications	15 Aug 2005
T Snyders	Chief Information Officer	5 Sept 2007
Former		**Cessation Date**
K McGrath	Group Manager - Corporate and Medical Affairs	19 Mar 2009

* Commenced in role.

[1] Commenced in the role as interim, 1 April 2003 appointed permanent. Previously, Non-Executive Board member 6 September 2001 to 18 April 2002.

[2] Commenced in role 1 April 2009. Previously Mr Levy was Medibank Private's Chief Operating Officer / Deputy Managing Director.

[3] Commenced in the role following the acquisition of Health Services Australia Pty Ltd ("HSA"). Previously Mr Macionis was the Managing Director of HSA.

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	
30 June 2009	Salary & Fees [b]	STI [h]	Non Monetary Benefits [c]	Retention Payments [e]	Super-annuation	Other [d, h, i]	Termination Benefits	Total Remuneration
	$	$	$	$	$	$	$	$
Current Directors [a]								
P McClintock (Chairman)	110,330	-	3,266	-	9,930	-	-	123,526
J Bowen	61,655	-	3,451	-	5,549	-	-	70,655
J Stoelwinder	55,200	-	1,948	-	4,968	-	-	62,116
J Harvey	68,110	-	2,958	-	6,130	-	-	77,198
P Twyman	61,655	-	3,066	-	5,549	-	-	70,270
E Alexander	41,499	-	45	-	3,735	-	-	45,279
L Rowe	30,438	-	560	-	2,739	-	-	33,737
Total Director Remuneration	428,887	-	15,294	-	38,600	-	-	482,781
Current Executives								
G Savvides (Managing Director)	710,808	453,709	36,321	-	52,141	30,480	-	1,283,459
B Levy	525,246	333,479	8,690	300,435	45,252	190,456	-	1,403,558
M Sammells	466,519	269,730	11,943	243,000	40,317	120,783	-	1,152,292
H Parkinson	306,999	186,758	9,613	168,250	27,907	84,750	-	784,277
T Snyders	325,645	247,025 [f]	9,573	-	29,115	4,052	-	615,410
S Macionis [g]	86,070	-	2,382	-	7,225	1,904	-	97,581
Total Current Executive Remuneration	2,421,287	1,490,701	78,522	711,685	201,957	432,425	-	5,336,577
Former Executives								
K McGrath [g]	257,096	114,964	9,024	-	22,506	2,472	222,115	628,177
Total Former Executive Remuneration	257,096	114,964	9,024	-	22,506	2,472	222,115	628,177

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

(b) Salary of Executives includes accruals for annual leave.

(c) Non Monetary Benefits include death, total & permanent disablement, salary continuance, subsidised health insurance and fringe benefits.

(d) Long-Term other comprises accrual for long service leave and Long-Term Incentive plan.

(e) Retention Payments vested during the year and were paid in accordance with Section 1.7.

(f) This amount includes the additional performance based bonus of $50,000.

(g) Remuneration to S Macionis and K McGrath relate to the period in which they were a Key Management Person only.

(h) STI and LTI includes Superannuation when paid.

(i) The amount of LTI paid represents 90.3% of the maximum LTI available.

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	
30 June 2008	Salary & Fees [b]	STI	Non Monetary Benefits [c]	Retention Payments	Super-annuation	Other [d]	Termination Benefits	Total Remuneration
	$	$	$	$	$	$	$	$
Current Directors [a]								
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
Total Director Remuneration	321,235	-	14,339	-	28,912	-	-	364,486
Former Directors								
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
Total Former Director Remuneration	145,694	-	33,915	-	13,756	-	-	193,365
Current Executives								
G Savvides (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 [e]	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
Total Current Executive Remuneration	2,249,948	1,213,769	55,596	-	197,819	86,153	-	3,803,285
Former Executives								
T Jones	319,288	144,262	8,721	-	10,843	-	200,000	683,114
Total Former Executive Remuneration	319,288	144,262	8,721	-	10,843	-	200,000	683,114

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

(b) Salary of Executives includes accruals for annual leave.

(c) Non Monetary Benefits include death, total & permanent disablement, salary continuance, subsidised health insurance and fringe benefits.

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

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

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 2009	Actual STI Payment [a]	STI Paid as % of Maximum STI	STI Not Paid as % of Maximum STI	% of Maximum STI Deferred
Current Managing Director				
G Savvides	453,709	100%	0%	-
Current Group Executives				
B Levy	333,479	92.5%	7.5%	-
M Sammells	269,730	92.5%	7.5%	-
H Parkinson	186,758	92.5%	7.5%	-
T Snyders [b]	197,025	92.5%	7.5%	-
S Macionis [c]	-	-	-	-
Former Group Executive				
K McGrath [d]	114,964	92.5%	7.5%	-

(a) STI constitutes a cash incentive earned during the 2009 Financial Year and is expected to be paid in September 2009.

(b) This amount does not include the additional performance based bonus of $50,000.

(c) STI not applicable for the 2009 Financial Year due to commencement date.

(d) Relates to the period in which K McGrath was a Key Management Person only.

30 June 2008	Actual STI Payment [a]	STI Paid as % of Maximum STI	STI Not Paid as % of Maximum STI	% of Maximum STI Deferred
Current Managing Director				
G Savvides	391,500	90.0%	10.0%	-
Current Group Executives				
B Levy	274,680	80.0%	20.0%	-
M Sammells [b]	216,000	80.0%	20.0%	-
H Parkinson	153,720	80.0%	20.0%	-
T Snyders	127,869	80.0%	20.0%	-
K McGrath [c]	-	-	-	-
Former Group Executive				
T Jones	144,262	80.0%	20.0%	-

(a) STI constitutes a cash incentive earned during the 2008 Financial Year and was paid in September 2008.

(b) This amount does not include the additional performance based bonus of $50,000.

(c) STI not applicable for the 2008 Financial Year due to commencement date.

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	Normal Termination Payment[4]
G Savvides	6 months[1]	3 months	6 months	15 months[2]
B Levy	6 months	3 months	6 months	12 months[3]
M Sammells	6 months	3 months	6 months	12 months[3]
H Parkinson	6 months	3 months	6 months	12 months[3]
T Snyders	6 months	3 months	6 months	6 months
S Macionis	6 months	3 months	6 months	6 months

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.

4 If a change in control occurs.

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 in respect of insurance covering each of the Directors, Secretaries and Executive Officers of the Group 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 98/100. In accordance with that class order, amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar unless specifically stated to be otherwise.

Environmental Issues

The Companys operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

Auditor Independence

A copy of the Auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out on the following page.

Resolution of Directors

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

Paul McClintock AO
Chairman

George Savvides
Managing Director

Melbourne, 28 August 2009

Australian National
Audit Office

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

In relation to my audit of the financial report of Medibank Private Limited (and the consolidated entity) for the year ended 30 June 2009, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Michael J Watson
Group Executive Director
Delegate of the Auditor-General

Canberra

28 August 2009

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

Income Statements

For the financial year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Private Health Insurance					
Revenue					
Premium revenue		3,871,411	3,390,372	3,669,652	3,390,372
Claims expense					
Claims incurred	15(b)	(3,341,016)	(2,848,836)	(3,190,833)	(2,848,836)
State levies		(34,335)	(29,377)	(31,341)	(29,377)
Net Risk Equalisation Trust Fund levies		42,685	37,109	53,026	37,109
Net other underwriting expenses	4(g)	(13,400)	-	-	-
Net claims incurred		(3,346,066)	(2,841,104)	(3,169,148)	(2,841,104)
Underwriting result		525,345	549,268	500,504	549,268
Expenses					
Employee benefits expense		(186,810)	(168,312)	(176,797)	(168,312)
Office and administration expense		(59,529)	(61,034)	(57,749)	(61,034)
Marketing expense		(48,751)	(42,383)	(43,566)	(42,383)
Information technology expense		(46,150)	(39,812)	(44,778)	(39,812)
Lease expense	4(e)	(18,204)	(16,704)	(18,136)	(16,704)
Depreciation and amortisation expense	4(d)	(21,723)	(19,462)	(20,129)	(19,462)
Other expenses		(786)	(1,411)	(355)	(1,411)
Total expenses		(381,953)	(349,118)	(361,510)	(349,118)
Underwriting result after expenses		143,392	200,150	138,994	200,150
Health Services					
Revenue	4(f)	35,147	-	-	-
Expenses	4(f)	(30,706)	-	-	-
Net Health Services result		4,441	-	-	-
Investment and other income/(expense)					
Investment income	4(a)	106,261	142,184	101,527	142,184
Investment expense	4(b)	(160,341)	(159,206)	(157,781)	(159,206)
Other income/(expense)	4(c)	2,285	4,364	5,629	4,364
Amortisation of customer intangible		(2,229)	-	-	-
Total investment and other income/(expense)		(54,024)	(12,658)	(50,625)	(12,658)
Profit for the year before income tax		93,809	187,492	88,369	187,492
Income tax expense	5(a)	(2,622)	-	-	-
Profit for the year after income tax		91,187	187,492	88,369	187,492

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

Balance Sheets

As at 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Current assets					
Cash and cash equivalents	22	975,534	946,163	754,243	946,163
Trade and other receivables	6	219,124	190,466	179,233	190,466
Inventories	7	1,508	514	-	514
Investments	8	1,059,366	1,030,467	1,005,164	1,030,467
Other assets	9	6,814	56,724	4,772	56,724
Total current assets		2,262,346	2,224,334	1,943,412	2,224,334
Non-current assets					
Investment in subsidiaries		-	-	386,300	-
Property, plant and equipment	10	85,333	20,735	19,816	20,735
Deferred tax assets	11	9,201	-	-	-
Intangible assets	12	203,289	46,413	48,902	46,413
Other assets	9	576	246	246	246
Total non-current assets		298,399	67,394	455,264	67,394
Total assets		2,560,745	2,291,728	2,398,676	2,291,728
Current liabilities					
Trade and other payables	13	576,718	506,821	473,203	506,821
Financial liabilities at fair value through profit and loss	14	917	15,474	917	15,474
Claims liabilities	15(a)	431,383	353,082	399,594	353,082
Tax liability		5,032	-	-	-
Provisions	16	34,122	21,577	22,598	21,577
Total current liabilities		1,048,172	896,954	896,312	896,954
Non-current liabilities					
Trade and other payables	13	8,453	5,015	7,150	5,015
Claims liabilities	15(a)	47,870	47,746	47,421	47,746
Deferred tax liabilities	17	1,287	-	-	-
Provisions	16	14,634	11,152	10,744	11,152
Total non-current liabilities		72,244	63,913	65,315	63,913
Total liabilities		1,120,416	960,867	961,627	960,867
Net assets		1,440,329	1,330,861	1,437,049	1,330,861
Equity					
Contributed equity	18	85,000	85,000	85,000	85,000
Reserve	19	17,819	-	17,819	-
Retained earnings	20	1,337,510	1,245,861	1,334,230	1,245,861
Total equity		1,440,329	1,330,861	1,437,049	1,330,861

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

Statements of recognised income and expense

For the financial year ended 30 June 2009

	Consolidated		Parent entity	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Actuarial gains on retirement benefit obligation, net of tax	462	-	-	-
Net income recognised directly in equity	462	-	-	-
Profit for the year	91,187	187,492	88,369	187,492
Total recognised income and expense for the year	91,649	187,492	88,369	187,492

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

Cash Flow Statements

For the financial year ended 30 June 2009

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Cash flows from operating activities					
Premium receipts		3,895,742	3,398,112	3,685,563	3,398,112
Other receipts		45,395	4,089	5,340	4,089
Payments for claims and levies		(3,203,238)	(2,820,717)	(3,053,732)	(2,820,717)
Payments to suppliers and employees		(423,897)	(331,103)	(347,139)	(331,103)
Income taxes received /(paid)		-	-	-	-
Net cash flow from operating activities	22(b)	314,002	250,381	290,032	250,381
Cash flows from investing activities					
Payment for purchase of subsidiaries, net of cash acquired	25 & 26	(215,104)	-	(368,481)	-
Interest received		90,978	94,214	86,777	94,214
Investment expenses		(3,582)	(1,843)	(3,561)	(1,843)
Proceeds from sale of financial assets		430,284	201,016	383,903	201,016
Purchase of financial assets		(562,154)	(446,089)	(558,537)	(446,089)
Purchase of plant and equipment		(8,915)	(6,032)	(6,551)	(6,032)
Purchase of intangible assets		(16,138)	(11,323)	(15,502)	(11,323)
Net cash flow used in investing activities		(284,631)	(170,057)	(481,952)	(170,057)
Net (decrease)/increase in cash and cash equivalents		29,371	80,324	(191,920)	80,324
Cash and cash equivalents at beginning of period		946,163	865,839	946,163	865,839
Cash and cash equivalents at end of period	22(a)	975,534	946,163	754,243	946,163

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

Note 1: Summary of significant accounting policies

The financial report of Medibank Private Limited ("Medibank Private" or "the Company") for the financial year ended 30 June 2009 ("2009") was authorised for issue in accordance with a resolution of the directors on 28 August 2009. 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.

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Medibank Private as an individual entity and the Consolidated Entity or the Group consisting of Medibank Private and its subsidiaries.

a) Basis of preparation

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of Australian Accounting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The financial report has also been prepared on a historical cost basis, except for cash and financial assets which have been measured at fair value through profit and loss, and land and buildings, intangibles, financial derivatives and claims liabilities which have been measured at fair value. There has been a reclassification in the prior year Balance Sheet (refer to Note 8 for details). In addition, the presentation of the Income Statement has changed from the prior year to remove separate disclosure of the business systems renewal program expense.

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 98/100 issued by the Australian Securities and Investments Commission. The Group is an entity to which the Class order applies.

The preparation of the financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.

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 the Group that have recently been issued or amended but are not yet effective, have not been adopted for the financial year ending 30 June 2009:

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for the Group
2007-8 and AASB 101 (revised)	Amendments to Australian Accounting Standards arising from AASB 101	No change in accounting policy required. The amendments affect the presentation of the financial report and will not have a direct impact on the measurement and recognition of amounts under the current AASB 101. The standard requires a statement of comprehensive income and amendments to the statement of changes in equity. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.	1 January 2009	1 July 2009

Note 1: Summary of significant accounting policies (continued)

b) Statement of compliance (continued)

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for the Group
AASB 3 (Revised), AASB 127 (Revised) and AASB 2008-3	Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127	An acquirer is not permitted to recognise contingencies acquired in a business combination that do not meet the definition of a liability. Costs in connection with a business combination are recognised as expenses. There is no immediate impact from the application of this standard to the Group.	1 July 2009	1 July 2009
Revised AASB 7 Financial Instrument Disclosures	Amendments to AASB 7	Additional disclosure is required on fair value measurement of financial instruments including disclosure pertaining to quoted prices in active markets, valuation methodology using inputs observable in active markets or unobservable inputs. It also requires enhanced disclosure on liquidity risk. The Group will apply these disclosure requirements in annual financial statements commencing 1 July 2009.	1 January 2009	1 July 2009
AASB 2008- 7 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	AASB 127 Consolidated and Separate Financial Statements	All dividends received from investments in subsidiaries to be recognised as revenue, even if paid out of preacquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. The Group will apply the revised rules prospectively from 1 July 2009.	1 July 2009	1 July 2009
AASB 2008- 8	AASB 139 Financial Instruments: Recognition and Measurement	The amendment prohibits designating inflation as a hedgeable component of fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. This is not expected to have a material impact on the Group's financial statements.	1 July 2009	1 July 2009

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

Note 1: Summary of significant accounting policies (continued)

c) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Medibank Private ("company" or "parent entity") as at 30 June 2009 and the results of all subsidiaries for the year then ended. Medibank Private and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to Note 1 (f)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. Investments in subsidiaries are accounted for at cost in the individual financial statements of Medibank Private.

d) Revenue and other income recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

(i) Health Insurance Premium revenue (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.

The Australian Government provides a rebate in respect of the premium paid for private health insurance. The rebate is 30% for persons aged under 65, 35% for persons aged from 65 to 69, and 40% for persons aged 70 and above. For certain categories of policyholders, the premium received by the Group is net of this Government rebate. In such instances, the Group receives the rebate directly from the Government. This rebate is recognised in the Income Statement as premium revenue. Rebates due from the Government but not received at balance date are recognised as receivables.

(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 the right to receive is established. Interest income accrues using the effective interest method. Refer to Note 1(m) 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) Health services

Sales of health services comprises revenue earned from the provision of medical assessments for residency applications, government and private enterprise employment and occupational health and safety purposes, and the delivery of advice and vaccinations to Australians travelling overseas. Revenue for reports and services is recognised in the period in which the service is provided, having regard to the proportion of completion of the service at the reporting date.

(v) Travel, pet and life insurance commission

Travel, pet and life insurance commission is recognised on an accrued basis.

e) Claims expense

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

f) Business combinations

The purchase method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Note 1: Summary of significant accounting policies (continued)

f) Business combinations (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to Note 1(t)).

g) Restructure of administrative arrangements

A restructure of administrative arrangements occurs where there is a reallocation or reorganisation of assets, liabilities, activities and responsibilities amongst government controlled entities that arises as a consequence of a rearrangement in the way in which activities and responsibilities as prescribed under legislation or other authority are allocated between those government controlled entities.

When both assets and liabilities are transferred as a consequence of such a restructure, the Group recognises a net contribution by owners directly in equity.

The Group measures those assets and liabilities transferred at their book value as at the date of transfer.

h) Income tax

Medibank Private (the parent entity) is exempt from income tax on the basis that it is a private health insurer that does not carry on business for the profit or gain of its members. During the current financial reporting period Medibank Private acquired Australian Health Management Group Pty Ltd and Health Services Australia Pty Ltd (refer to Notes 25 and 26). Both of the entities acquired by Medibank are subject to income tax.

The income tax expense or revenue of the Consolidated Entity for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation – Consolidated Entity

The Consolidated Entity is not a tax consolidated group as at 30 June 2009.

Tax consolidation – subsidiaries

Australian Health Management Group Pty Ltd was subject to income tax effective from 15 January 2009. However, Australian Health Management Group Pty Ltd is not part of a tax consolidation group as at 30 June 2009.

Health Services Australia Group Pty Ltd and its wholly owned subsidiaries have implemented tax consolidation legislation. (Refer to Note 27 for details of the subsidiaries of Health Services Australia Pty Ltd). On adoption of the tax consolidation legislation, the entities included in the tax consolidated group of Health Services Australia Group Pty Ltd entered into a tax sharing agreement which limits the joint and several liability of the wholly owned entities in the case of a default by the head entity of the tax consolidated group (Health Services Australia Pty Ltd).

The entities included in the tax consolidated group of Health Services Australia Group Pty Ltd have also entered into a tax funding agreement under which the wholly owned entities fully compensate Health Services Australia Pty Ltd for any current tax payable assumed and are compensated by Health Services Australia Pty Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Health Services Australia Pty Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

Note 1: Summary of significant accounting policies (continued)

i) 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.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. 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.

j) Cash and cash equivalents

Cash and cash equivalents in the balance sheet are stated at fair value and include cash on hand, short term bank bills, commercial paper, negotiable certificate of deposit, and other short-term highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant change in value, as well as restricted funds held in a special purpose fund account.

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.

k) 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(o).

l) Inventories

Inventories consist of loyalty scheme tickets, dental and optical stock and other medical supplies which are valued at the lower of cost and net realisable value. The cost is assigned to individual items of inventories based on the weighted average cost method.

m) Financial assets at fair value through profit and loss

Assets Backing Insurance Liabilities

Financial assets that back 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.

The Group has determined that the financial assets attributable to its private health insurance funds (Medibank Private and Australian Health Management), that have a quoted market price in an active market or whose fair value can be reliably measured, are financial assets permitted to be designated as assets backing general insurance liabilities of its private health insurance funds.

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 90 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 the Group 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.

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

Note 1: Summary of significant accounting policies (continued)

m) Financial assets at fair value through profit and loss (continued)

Derecognition of financial assets and liabilities

Financial assets

The Group 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.

n) Floating rate notes

Floating rate notes are classified as investments in the Group's balance sheet. They are carried at market value and their maturity falls between 90 and 185 days.

o) Impairment of financial assets

The Group 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 the Group 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.

p) Advances to hospitals

Advances to hospitals are measured at cost. Funds advanced are forwarded to hospitals which are subsequently reduced by claims expenses incurred. In the previous year, funds were 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.

q) Foreign currencies

Both the functional and presentation currency of the Group is Australian dollars ($).

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.

The Group 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(m).

r) Goods and Services Taxes

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.

Note 1: Summary of significant accounting policies (continued)

s) Property, plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are stated at valuation, based on periodic valuations by external independent valuers.

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 property, plant and equipment (excluding land which is not subject to depreciation). The expected useful lives are as follows:

	2009	2008
Leasehold improvements:		
- retail centres	5 years	5 years
- all other improvements	the lease term	the lease term
Buildings	40 years	-
Plant and equipment	3 - 15 years	3 - 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(u).

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.

t) Intangibles

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.

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

	2009	2008
Customer relationships	12 years	-
Software intangibles	3 - 5 years	3 - 5 years

Intangible assets with finite lives are amortised over their useful life and assessed for impairment annually or 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 annually. 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.

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units for the purpose of impairment testing.

(ii) Software intangibles

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software intangibles. Costs capitalised include external direct costs of materials and service and direct payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years.

(iii) Customer relationships

Customer contracts acquired as part of a business combination are recognised separately from goodwill. The customer relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the contracts over their estimated useful lives.

Note 1: Summary of significant accounting policies (continued)

t) Intangibles (continued)

(iv) Research and Development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group 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 asset is 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.

u) Impairment of assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

At each reporting date, the Group 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 on non-financial assets other than goodwill 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.

v) 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 unpresented and outstanding claims.

w) Provisions

Provisions are recognised when the Group 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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. 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. The increase in the provision due to the passage of time is recognised as interest expense.

Note 1: Summary of significant accounting policies (continued)

x) Make good provision

Make good provisions are recognised when the Group 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.

y) 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 and Australian Health Management, 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.

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% (2008: 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 2009.

(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.

The liability adequacy test is performed at the level of a portfolio of contracts that are subject to broadly similar risks and that are managed together as a single portfolio.

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 as at 30 June 2009 for Medibank Private and Australian Health Management. At 30 June 2008, Medibank Private had no deficiency.

(iii) Unearned premium liability

The proportion of premium received or receivable that has not been earned at the reporting date is recognised in the balance sheet as unearned premium liability. The change in the liability for unearned premiums is taken to the income statement over the term of the insurance cover. Refer also to Note 15 for details of the split between the current and non-current portion of this balance.

z) 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 the Group prior to the end of the financial year that are unpaid and arise when the Group 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.

aa) Employee benefits

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

Wages, salaries and annual leave

Liabilities arising in respect of wages and salaries and annual leave which have vested at reporting date and for which the Group 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.

Note 1: Summary of significant accounting policies (continued)

aa) Employee benefits (continued)

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, 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.

Bonus plans

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

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group 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.

ab) Contributed equity

Fully paid ordinary shares are classified as contributed equity.

ac) Product classification

Insurance contracts are defined as a contract under which the Group 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. The Group has determined that all insurance cover provided (excluding those insurance contracts for travel, life and pet insurance where the Group does not act as underwriter) are insurance contracts. The insurance risk assumptions are detailed in Note 2(i).

ad) Defined benefit fund

One of the Group's subsidiaries, Australian Health Management Group Pty Ltd makes contributions to two defined benefit superannuation funds that provide defined benefit amounts for employees on retirement. These funds are now closed to new members.

The net obligation in respect of these defined benefit funds is calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. The benefit is discounted in order to determine its present value and the fair value of any plan assets is deducted. All actuarial gains and losses are recognised directly in equity.

Management do not consider the net obligation in respect of these defined benefit funds to be material to the Group as at 30 June 2009.

ae) Dividends

The Parent's constitution prohibits the payment of dividends to its Shareholder and accordingly, no dividends were paid during the year.

af) Equity Reserve

Where the parent entity enters into a restructure of administrative arrangements in the current year (refer also to Note 26 and Note 1(g)), this gives rise to an equity reserve which represents the difference between the book value of the net assets acquired from the HSA Group and the total purchase consideration.

ag) Acquisition costs

Costs incurred in obtaining and writing health insurance contracts are expensed directly in the Income Statement.

Note 2: Significant accounting estimates and assumptions

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

Ultimate liability arising from claims made under insurance coverage

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

(i) Insurance risk assumptions

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

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

(ii) Central estimates

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

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

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.

The objective for Medibank Private is to achieve at least a 95% probability of sufficiency (2008: 95%). The risk margin applied at 30 June 2009 is 6.5% which equates to $22,534,000 as reflected in Note 15 (a) (2008: 6.5%, $19,529,000).

The objective for Australian Health Management is to achieve at least a 95% probability of sufficiency. The risk margin applied at 30 June 2009 is 8.3% which equates to $2,471,000 as reflected in Note 15 (a).

The calculation of the risk margin has been based on an analysis of the past experience of each Fund of the Group. This analysis examined the volatility of past payments in comparison to the central estimate.

(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 to the outstanding claims provision of Medibank Private at 30 June 2009 is 3.19%pa which equates to $1,685,000 (2008: 7.8%, $3,353,000).

The risk-free rate applied to the outstanding claims provision of Australian Health Management at 30 June 2009 is 3.19%pa which equates to a discount of $140,000.

(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.

Note 2: Significant accounting estimates and assumptions (continued)

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

	Movement in variable	Financial Impact			
		Consolidated		Parent entity	
		Profit/(loss) $'000	Equity $'000	Profit/(loss) $'000	Equity $'000
Central estimate	+1%	(4,014)	(4,014)	(3,692)	(3,692)
Central estimate	-1%	4,014	4,014	3,692	3,692
Discount rate	+1%	599	599	556	556
Discount rate	-1%	(607)	(607)	(564)	(564)
Risk Margin	+1%	(3,765)	(3,765)	(3,467)	(3,467)
Risk Margin	-1%	3,765	3,765	3,467	3,467
Weighted average term to settlement*	+1 month	1,049	1,049	965	965
Weighted average term to settlement	-1 month	(1,051)	(1,051)	(967)	(967)

** The weighted average term to settlement reflects the estimate of when outstanding claims are expected to be paid.*

(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 and Australian Health Management classify investments in listed and unlisted securities as financial assets that back insurance liabilities and are therefore designated at initial recognition as at fair value through profit and loss. 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.

(viii) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(u). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 12 for details of these assumptions and the potential impact of changes to the assumptions.

Other significant accounting estimates

(i) Long service leave provision

As discussed in Note 1(aa), 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 the balance date. In determining the present value of the liability, attrition rates and pay increases through 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 6.

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. The Group's principal financial instruments comprise cash and short term money market instruments (including bank bills, negotiable certificates of deposit and commercial paper), debentures and floating rate notes, domestic equity trusts, global equity trusts, and domestic listed shares.

The positions in these financial instruments are determined by Board policy in order 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. The Group predominantly enters into derivative transactions to principally offset 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. Short term derivative contracts are also used to maintain exposures to certain asset classes. It is the Group'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 Board Investment Committee.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The Group 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, 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 the Group'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.

(i) 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 Group'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. Medibank and Australian Health Management require that additional capital be held at a level in excess of the minimal capital requirement.

(a) 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. Fixed interest rate instruments expose the Group to fair value interest risk, whilst floating rate instruments expose the Group to cash flow risk and fair value risk.

The Group's exposure to the risk of changes in market interest rates consists of its exposure to floating rate investments. The Group'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:

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

(i) Market risk (continued)

(a) Interest rate risk (continued)

Consolidated	**Profit**		**Equity**	
Judgements of reasonably possible movements	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
+0.75% (75 basis points)	12,654	10,146	12,654	10,146
+1.0% (100 basis points)	16,872	13,528	16,872	13,528
-0.75% (75 basis points)	(12,654)	(10,146)	(12,654)	(10,146)
-1.0% (100 basis points)	(16,872)	(13,528)	(16,872)	(13,528)

Parent entity	**Profit**		**Equity**	
Judgements of reasonably possible movements	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
+0.75% (75 basis points)	10,588	10,146	10,588	10,146
+1.0% (100 basis points)	14,117	13,528	14,117	13,528
-0.75% (75 basis points)	(10,588)	(10,146)	(10,588)	(10,146)
-1.0% (100 basis points)	(14,117)	(13,528)	(14,117)	(13,528)

The assessment of reasonably possible movements was made with reference to historical movements in Australian interest rates over the previous 7 years and guidance from the Department of Finance and Deregulation (DoFD).

At balance date, the Group and the parent entity had the following financial assets exposed to Australian variable interest rate risk that are not designated in cash flow hedges:

	Consolidated		**Parent entity**	
	2009 $'000	**2008 $'000**	**2009 $'000**	**2008 $'000**
Assets				
Cash & cash equivalents	975,319	943,847	754,048	943,847
Assets held to maturity				
- Other	1,167	-	-	-
Financial assets at fair value through Profit and Loss				
- Debentures and Notes	663,322	508,375	657,680	508,375
- Unit Trusts	47,392	-	-	-
	1,687,200	1,452,222	1,411,728	1,452,222

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 (FRN's) 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. The Group constantly analyses its interest rate exposure. The interest rates on all long term investments are reset every 90 days on average.

(b) 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. The Group'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: US dollar, Japanese Yen, the Euro and Pound Sterling, in order to minimise this exposure. The Group's investment policy states that this foreign currency risk is to be mitigated by using forward currency contracts.

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

(b) Foreign currency risk (continued)

The Group 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 2009, the Group and the parent entity had the following net exposure to foreign currency movements:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Assets				
Net financial assets at fair value through profit and loss	125,565	233,625	125,565	233,625

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

At 30 June 2009, the Group had entered offsetting positions for 97% (2008: 91%) of its foreign currency translation exposure resulting from Global investments.

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:

Consolidated & Parent entity	Profit		Equity	
Judgements of reasonably possible movements	2009 $'000	2008 $'000	2009 $'000	2008 $'000
AUD/USD +12%	(219)	(1,139)	(219)	(1,139)
AUD/USD -12%	219	1,139	219	1,139
AUD/GBP +12%	(55)	(285)	(55)	(285)
AUD/GBP -12%	55	285	55	285
AUD/EUR +12%	(101)	(526)	(101)	(526)
AUD/EUR -12%	101	526	101	526
AUD/JPY +12%	(46)	(241)	(46)	(241)
AUD/JPY -12%	46	241	46	241

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 and guidance from DoFD.

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

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

(c) Price risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices, 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.

The Group'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.

The Group holds and sells European put and call options to protect its exposure to Australian and Global equities.

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:

Consolidated & Parent entity	Profit		Equity	
Judgements of reasonably possible movements	**2009 $'000**	**2008 $'000**	**2009 $'000**	**2008 $'000**
Australian Equity Investments +10%	20,224	23,728	20,224	23,728
Australian Equity Investments -10%	(20,224)	(23,728)	(20,224)	(23,728)
Australian Listed Property Investments +9%	-	589	-	589
Australian Listed Property Investments -9%	-	(589)	-	(589)
Global Listed Property Investments +9%	-	2,389	-	2,389
Global Listed Property Investments -9%	-	(2,389)	-	(2,389)
Global Equity Investments +12%	15,491	25,959	15,491	25,959
Global Equity Investments -12%	(15,491)	(25,959)	(15,491)	(25,959)
Emerging Market Investments +20%	2,077	3,257	2,077	3,257
Emerging Market Investments -20%	(2,077)	(3,257)	(2,077)	(3,257)

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.

(ii) Credit risk

(a) Investments

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables, financial assets at fair value through profit and loss and derivative instruments. The Group'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.

The Group maintains a counter-party exposure policy where credit exposure is limited to the A- or higher rated categories for long term investments, and A2 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.

There is a geographical concentration to Australian domiciled banks and corporations, which is managed through the use of exposure limits.

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

(ii) Credit risk (continued)

(a) Investments (continued)

The Group 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 counterparties 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.

(b) Premiums

Due to the nature of the industry and value of individual policies, the Group does not request any collateral nor is it the policy to secure its Premiums in arrears and Trade and other Receivables. The Group 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. The Group 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 the Group.

(c) Counterparty credit risk ratings

The following table provides information regarding the credit risk exposure of the Group at 30 June 2009 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 below table highlights the short term rating as well as the equivalent long term ratings bands as per published S&P correlations.

Consolidated

Short Term Long Term 2009	A-1+ AAA $'000	A-1+ AA $'000	A-1 A $'000	A-2 BBB $'000	B & below BB & below $'000	Not rated $'000	Total $'000
Assets							
Cash/cash equivalents	27,657	760,110	54,830	156,173	-	(23,236)	975,534
FRN's held to maturity	473	451	-	-	243	-	1,167
Premiums in arrears	-	-	-	-	-	14,950	14,950
Trade and other Receivables	-	-	-	-	-	204,174	204,174
Advance payments to hospitals	-	-	-	-	-	80	80
Financial Assets							
Unit Trusts - Unlisted	-	-	-	-	-	268,567	268,567
Direct Mandate - Aust Listed	-	-	-	-	-	120,539	120,539
Debentures & notes	54,236	479,215	110,018	18,406	1,447	-	663,322
Private Equity	-	-	-	-	-	3,490	3,490
Derivatives	-	2,281	-	-	-	-	2,281
Total	82,366	1,242,057	164,848	174,579	1,690	588,564	2,254,104

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

(ii) Credit risk (continued)

(c) Counterparty credit risk ratings (continued)

Consolidated

Short Term Long Term 2008	A-1+ AAA $'000	A-1+ AA $'000	A-1 A $'000	A-2 BBB $'000	B & below BB & below $'000	Not rated $'000	Total $'000
Assets							
Cash/cash equivalents	6,941	439,780	163,423	363,995	-	(27,976)	946,163
Premiums in arrears	-	-	-	-	-	5,400	5,400
Trade and other Receivables	-	-	-	-	-	185,066	185,066
Advance payments to hospitals	-	-	-	-	-	48,692	48,692
Financial Assets							
Unit Trusts - Unlisted	-	-	-	-	-	412,222	412,222
Direct Mandate - Aust Listed	-	-	-	-	-	94,839	94,839
Debentures & notes	116,983	217,110	125,691	37,910	10,680	-	508,374
Derivatives	-	12,224	2,808	-	-	-	15,032
Total	123,924	669,114	291,922	401,905	10,680	718,243	2,215,788

Parent entity

Short Term Long Term 2009	A-1+ AAA $'000	A-1+ AA $'000	A-1 A $'000	A-2 BBB $'000	B & below BB & below $'000	Not rated $'000	Total $'000
Assets							
Cash/cash equivalents	27,657	542,138	54,830	156,173	-	(26,555)	754,243
Premiums in arrears	-	-	-	-	-	11,303	11,303
Trade and other Receivables	-	-	-	-	-	167,930	167,930
Advance payments to hospitals	-	-	-	-	-	80	80
Financial Assets							
Unit Trusts - Unlisted	-	-	-	-	-	221,174	221,174
Direct Mandate - Aust Listed	-	-	-	-	-	120,539	120,539
Debentures & notes	52,888	479,215	109,768	14,362	1,447	-	657,680
Private Equity	-	-	-	-	-	3,490	3,490
Derivatives	-	2,281	-	-	-	-	2,281
Total	80,545	1,023,634	164,598	170,535	1,447	497,961	1,938,720

Short Term Long Term 2008	A-1+ AAA $'000	A-1+ AA $'000	A-1 A $'000	A-2 BBB $'000	B & below BB & below $'000	Not rated $'000	Total $'000
Assets							
Cash/cash equivalents	6,941	439,780	163,423	363,995	-	(27,976)	946,163
Premiums in arrears	-	-	-	-	-	5,400	5,400
Trade and other Receivables	-	-	-	-	-	185,066	185,066
Advance payments to hospitals	-	-	-	-	-	48,692	48,692
Financial Assets							
Unit Trusts - Unlisted	-	-	-	-	-	412,222	412,222
Direct Mandate - Aust Listed	-	-	-	-	-	94,839	94,839
Debentures & notes	116,983	217,110	125,691	37,910	10,680	-	508,374
Derivatives	-	12,224	2,808	-	-	-	15,032
Total	123,924	669,114	291,922	401,905	10,680	718,243	2,215,788

The Group'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)

(iii) 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 counterparty 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, the Group's policy is to hold at least 40% of its' total investment assets in short term, highly liquid bank bills, tradeable commercial paper and short dated floating rate notes, 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 2009. 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 2009.

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 eg trade receivables. These assets are considered by the Group in the overall liquidity risk. To monitor existing financial liabilities as well as to enable an effective overall controlling of future risks, the Group has established comprehensive risk reporting that reflects expectations of management of expected settlement of financial liabilities.

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

Consolidated

2009	under 6 months $'000	6 to 12 months $'000	1 to 2 years $'000	over 2 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives						
Trade and other payables	159,515	246	287	1,465	161,513	161,513
Unearned premium liability	352,125	63,406	6,311	1,816	423,658	423,658
Claims liabilities	395,994	37,150	26,845	21,235	481,224	479,253
Total non-derivatives	907,634	100,802	33,443	24,516	1,066,395	1,064,424
Derivatives						
Net settled (forward exchange contracts)	917	-	-	-	917	917
Total derivatives	917	-	-	-	917	917

2008	under 6 months $'000	6 to 12 months $'000	1 to 2 years $'000	over 2 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives						
Trade and other payables	157,972	4,958	119	25	163,074	163,074
Unearned premium liability	289,977	53,914	3,825	1,046	348,762	348,762
Claims liabilities	326,642	29,677	25,945	22,135	404,399	400,828
Total non-derivatives	774,591	88,549	29,889	23,206	916,235	912,664
Derivatives						
Net settled (forward exchange contracts)	369	15,105	-	-	15,474	15,474
Total derivatives	369	15,105	-	-	15,474	15,474

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

(iii) Liquidity risk (continued)

Parent entity

2009	under 6 months $'000	6 to 12 months $'000	1 to 2 years $'000	over 2 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives						
Trade and other payables	98,895	123	99	350	99,467	99,467
Unearned premium liability	316,237	57,947	5,218	1,484	380,886	380,886
Claims liabilities	365,445	35,790	26,377	21,235	448,847	447,015
Total non-derivatives	780,577	93,860	31,694	23,069	929,200	927,368
Derivatives						
Net settled (forward exchange contracts)	917	-	-	-	917	917
Total derivatives	917	-	-	-	917	917

2008	under 6 months $'000	6 to 12 months $'000	1 to 2 years $'000	over 2 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives						
Trade and other payables	157,972	4,958	119	25	163,074	163,074
Unearned premium liability	289,977	53,914	3,825	1,046	348,762	348,762
Claims liabilities	326,642	29,677	25,945	22,135	404,399	400,828
Total non-derivatives	774,591	88,549	29,889	23,206	916,235	912,664
Derivatives						
Net settled (forward exchange contracts)	369	15,105	-	-	15,474	15,474
Total derivatives	369	15,105	-	-	15,474	15,474

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.

(iv) Fair value

The carrying amount of financial instruments are a reasonable approximation of their fair values due to their being substantially short-term or at call.

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.

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.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar instruments.

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

(v) Insurance risk

Medibank and Australian Health Management provide private health insurance across a range of services, including: hospital insurance for private patients, ancillary or extras cover, and private health insurance for overseas students studying in Australia. Medibank also provides private health insurance for overseas visitors to Australia. These services are written as two types of contracts, Hospital and/or Ancillary cover. This business does not result in significant exposure to concentrations of risk because contracts written cover a large volume of members across all states in Australia.

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

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
Ancilliary Cover	Defined benefits paid for ancillary treatment, such as dental, optical and physiotherapy	Ancilliary benefits defined by the insurance contract or relevant Deed	Claims incidence and claims inflation

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 for 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

The Group has the ability to vary future premium rates subject to the approval of the Minister for Health and Ageing.

Risk Equalisation

The Private Health Insurance Act requires health insurance contracts to meet community rating requirements, prohibiting health insurers from discriminating between people on the basis of their health status, gender, race, sexual orientation, religious belief, age (except as allowed under Lifetime Health Cover provisions), increased need for treatment or claims history. To support these restrictions, all private health insurers must participate in the Risk Equalisation Trust Fund under which 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.

Concentration of Health Risk

The Group has health insurance contracts covering several classes of health insurance business, including: hospital insurance for private patients, ancillary or extras cover, and private health insurance for overseas students and visitors to Australia. This business does not result in significant exposure to concentrations of risk because contracts written cover a large volume of persons across all states in Australia.

Note 4: Revenue and expenses

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Investment income				
Interest	89,827	93,939	85,378	93,939
Trust distributions	13,292	29,763	13,007	29,763
Dividend income	3,142	2,450	3,142	2,450
Net gain on disposal of financial assets	-	16,032	-	16,032
	106,261	142,184	101,527	142,184
(b) Investment expense				
Investment management fees	3,486	2,055	3,464	2,055
Net loss on disposal of financial assets	128,721	-	127,540	-
Net loss on fair value movements on financial assets	28,134	157,151	26,777	157,151
	160,341	159,206	157,781	159,206
(c) Other income/(expense)				
Travel, Pet and Life insurance commission	5,236	3,704	5,051	3,704
Health and medical services - non-members				
Net operating costs	485	-	-	-
Depreciation and amortisation	(87)	-	-	-
Interest	192	275	192	275
Other income	456	385	386	385
Other expenses (i)	(3,997)	-	-	-
	2,285	4,364	5,629	4,364
(d) Depreciation and amortisation				
Depreciation - land and buildings	348	-	-	-
Depreciation - plant and equipment	3,601	2,816	2,240	2,816
Depreciation - leasehold improvements	4,876	4,656	4,875	4,656
Amortisation - software	12,898	11,990	13,014	11,990
	21,723	19,462	20,129	19,462
(e) Lease expense				
Operating lease rental expense	18,204	16,704	18,136	16,704
(f) Health Services				
Revenue (ii)	35,147	-	-	-
Expenses				
Employee related expenses	(17,693)	-	-	-
Supplier related expenses	(12,033)	-	-	-
Depreciation and amortisation	(980)	-	-	-
	(30,706)	-	-	-
(g) Net other underwriting expenses				
Health and medical services - members				
Net operating costs	12,297	-	-	-
Depreciation and amortisation	1,103	-	-	-
	13,400	-	-	-

(i) Other expenses represent integration costs associated with the acquisition of Australian Health Management Group Pty Ltd.
(ii) Revenue for Health Services consists of revenue derived from the provision of comprehensive health assessment and advisory services.

Note 5: Income tax expense

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Income tax expense				
Current tax	4,056	-	-	-
Deferred tax	(1,434)	-	-	-
	2,622	-	-	-
Deferred income tax (revenue)/expense included in income tax expense comprises:				
Decrease/(increase) in deferred tax assets (Note 11)	(1,218)	-	-	-
(Decrease)/increase in deferred tax liabilities (Note 18)	(216)	-	-	-
	(1,434)	-	-	-

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit before income tax expense	93,809	187,492	88,369	187,492
Tax at the Australian tax rate of 30% (2008 - 30%)	28,143	56,248	26,511	56,248
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Net exempt income (i)	(25,842)	(56,248)	(26,511)	(56,248)
Entertainment	95	-	-	-
Sundry items	226	-	-	-
Income tax expense	2,622	-	-	-

(i) Parent entity is exempt from income tax (refer to Note 1(h) for details).

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax - debited/(credited) directly to equity	199	-	-	-
	199	-	-	-

Note 6: Trade and other receivables

		Consolidated		Parent entity	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Premiums in arrears		18,459	8,663	14,737	8,663
Allowance for impairment loss	(i)	(3,509)	(3,263)	(3,434)	(3,263)
		14,950	5,400	11,303	5,400
Trade receivables		84,048	75,918	58,339	75,918
Allowance for impairment loss	(ii)	(1,212)	(644)	(487)	(644)
		82,836	75,274	57,852	75,274
Goods and services tax		2,331	2,060	2,131	2,060
Government rebate scheme	(a)	109,474	88,385	98,414	88,385
Risk Equalisation Trust Fund		9,533	19,347	9,533	19,347
		121,338	109,792	110,078	109,792
Total trade and other receivables		219,124	190,466	179,233	190,466

(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 a premium in arrears is impaired. An allowance for impairment loss of $3,509,000 (2008: $3,263,000) has been recognised by the Group and $3,434,000 (2008: $3,263,000) by the Parent in the current year.

These amounts have been offset against 'premium revenue' in the Income Statement.

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at 1 July	3,263	2,467	3,263	2,467
Acquisition of subsidiaries	283	-	-	-
Charge for the year	3,434	3,263	3,434	3,263
Amounts recovered	(219)	-	(11)	-
Amounts written-back	(3,252)	(2,467)	(3,252)	(2,467)
Balance at 30 June	3,509	3,263	3,434	3,263

(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 $1,212,000 (2008: $644,000) has been recognised by the Group and $487,000 (2008: $644,000) by the Parent at 30 June 2009. The movement for the period forms part of 'other expenses' in the Income Statement.

Note 6: Trade and other receivables (continued)

(ii) Allowance for impairment loss - trade receivables (continued)

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at 1 July	644	409	644	409
Acquisition of subsidiaries	66	-	-	-
Charge for the year	1,123	538	446	538
Amounts recovered	(579)	(95)	(579)	(95)
Amounts written off	(42)	(208)	(24)	(208)
Balance at 30 June	1,212	644	487	644

(a) Considered impaired

Consolidated	Total	0-30 days	31-60 days	61-90 days	+91 days
2009					
Premiums in arrears	3,509	532	1,008	359	1,610
Trade receivables	1,212	-	-	-	1,212
	4,721	532	1,008	359	2,822
2008					
Premiums in arrears	3,263	520	1,030	727	986
Trade receivables	644	-	-	-	644
	3,907	520	1,030	727	1,630

Parent entity	Total	0-30 days	31-60 days	61-90 days	+91 days
2009					
Premiums in arrears	3,434	532	1,008	324	1,570
Trade receivables	487	-	-	-	487
	3,921	532	1,008	324	2,057
2008					
Premiums in arrears	3,263	520	1,030	727	986
Trade receivables	644	-	-	-	644
	3,907	520	1,030	727	1,630

Note 6: Trade and other receivables (continued)

(b) Past due but not considered impaired

Consolidated	Total	0-30 days	31-60 days	61-90 days	+91 days
2009					
Premiums in arrears	14,950	10,715	3,209	477	549
Trade receivables	8,201	3,477	1,401	1,122	2,201
	23,151	14,192	4,610	1,599	2,750
2008					
Premiums in arrears	5,400	2,322	2,345	632	101
Trade receivables	2,086	-	1,177	366	543
	7,486	2,322	3,522	998	644

Parent entity	Total	0-30 days	31-60 days	61-90 days	+91 days
2009					
Premiums in arrears	11,303	7,522	2,760	472	549
Trade receivables	1,481	-	468	508	505
	12,784	7,522	3,228	980	1,054
2008					
Premiums in arrears	5,400	2,322	2,345	632	101
Trade receivables	2,086	-	1,177	366	543
	7,486	2,322	3,522	998	644

Receivables past due but not considered impaired for the Group are $23,151,000 (2008: $7,486,000) and for the Parent $12,784,000 (2008: $7,486,000) at 30 June 2009. 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 7: Inventories

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Medical Supplies	1,508	-	-	-
Loyalty scheme tickets				
At cost	-	539	-	539
Provision for diminution in value	-	(25)	-	(25)
	1,508	514	-	514

Note 8: Investments

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Assets held to maturity				
Other	1,167	-	-	-
Financial assets at fair value through profit and loss				
Unit trusts	268,567	412,222	221,174	412,222
Australian listed equities	120,539	94,839	120,539	94,839
Debentures and notes	663,322	508,374	657,680	508,374
Private Equity	3,490	-	3,490	-
Derivatives	2,281	15,032	2,281	15,032
	1,059,366	1,030,467	1,005,164	1,030,467

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 1,093 days (2008: 1,071 days).

Floating rate notes are classified as investments in the Group's balance sheet. They are carried at market value and their maturity is > 90 days.

Reclassification of floating rate notes

Due to a misclassification in the prior year Balance Sheet, floating rate notes of $100,887,000, with maturities between 90 and 185 days, were classified as cash rather than as assets at fair value through profit and loss. This had the effect of overstating cash and understating investments as at 30 June 2008. There was no Income Statement impact.

The prior year misclassification has been corrected in the current financial year by restating cash and investments by the amount stated above as at 30 June 2008. This reclassification has also resulted in an adjustment to the Cash Flow Statement as at 30 June 2008.

Note 9: Other Assets

		Consolidated		Parent entity	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current					
Advance payments to hospitals	(i)	80	48,692	80	48,692
Prepayments	(ii)	6,014	6,780	3,865	6,780
Other current assets		720	1,252	827	1,252
		6,814	56,724	4,772	56,724

Terms and conditions relating to other current assets:
(i) Payments made in accordance with contractual agreements.
(ii) Expenses paid in advance.

		Consolidated		Parent entity	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Non-current					
Defined benefit superannuation fund		330	-	-	-
Artworks	(iii)	246	246	246	246
		576	246	246	246

Terms and conditions relating to other non-current assets:
(iii) These represent works of art displayed at the Medibank Private Head Office and are measured at cost.

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 10: Property, plant and equipment

Consolidated	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Assets under construction $'000	Total $'000
2009					
Gross carrying amount					
Balance at 1 July 2008	-	18,275	30,543	1,354	50,172
Additions	-	4,610	4,442	314	9,366
Acquisition of subsidiaries	39,330	19,615	7,532	-	66,477
Transfers in/(out)	-	-	1,354	(1,354)	-
Write-offs	-	(1,637)	(2,550)	-	(4,187)
Balance at 30 June 2009	39,330	40,863	41,321	314	121,828
Accumulated depreciation					
Balance at 1 July 2008	-	(12,046)	(17,391)	-	(29,437)
Depreciation expense	(357)	(4,365)	(5,286)	-	(10,008)
Write-offs	-	729	2,221	-	2,950
Balance at 30 June 2009	(357)	(15,682)	(20,456)	-	(36,495)
2008					
Gross carrying amount					
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
Accumulated depreciation					
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)
Closing net book amount					
As at 30 June 2009	**38,973**	**25,181**	**20,865**	**314**	**85,333**
As at 30 June 2008	-	6,229	13,152	1,354	20,735

Note 10: Property, plant and equipment (continued)

Parent entity	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Assets under construction $'000	Total $'000
2009					
Gross carrying amount					
Balance at 1 July 2008	-	18,275	30,543	1,354	50,172
Additions	-	2,694	3,715	208	6,617
Transfers in/(out)	-	-	1,354	(1,354)	-
Write-offs	-	(609)	(2,550)	-	(3,159)
Balance at 30 June 2009	-	20,360	33,062	208	53,630
Accumulated depreciation					
Balance at 1 July 2008	-	(12,046)	(17,391)	-	(29,437)
Depreciation expense	-	(2,240)	(4,875)	-	(7,115)
Write-offs	-	519	2,219	-	2,738
Balance at 30 June 2009	-	(13,767)	(20,047)	-	(33,814)
2008					
Gross carrying amount					
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
Accumulated depreciation					
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)
Closing net book amount					
As at 30 June 2009	**-**	**6,593**	**13,015**	**208**	**19,816**
As at 30 June 2008	-	6,229	13,152	1,354	20,735

Note 10: Property, plant and equipment (continued)

(a) Valuations of land and buildings

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current observable prices in an active market for similar properties in the same location and condition. The revaluations of the land and buildings of Australian Health Management Group Pty Ltd were made as at 14 January 2009 and the revaluations of the land and buildings of Health Services Australia Pty Ltd were made as at 31 March 2009. In both cases, the revaluation was performed immediately prior to acquisition by Medibank Private (Refer also to Note 25 and Note 26). Both revaluations were based on independent assessments by external valuation experts who were members of the Australian Property Institute.

(b) Carrying amounts that would have been recognised if land and buildings were stated at cost

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Land and buildings				
Cost	36,325	-	-	-
Accumulated depreciation	(1,800)	-	-	-
Net book amount	34,525	-	-	-

Note 11: Deferred tax assets

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Deferred tax balances comprise temporary differences attributable to:				
Business capital costs	2,045	-	-	-
Property, plant & equipment	1,156	-	-	-
Employee benefits	2,609	-	-	-
	5,810	-	-	-
Other				
Leases payable	332	-	-	-
Make good provision	374	-	-	-
Accruals	1,065	-	-	-
Assets held to maturity	400	-	-	-
Financial assets at fair value through profit & loss	510	-	-	-
Other	710	-	-	-
Sub-total Other	3,391	-	-	-
Total deferred tax assets	9,201	-	-	-
Set off deferred tax liabilities pursuant to set-off provisions	-	-	-	-
Net deferred tax assets	9,201	-	-	-
Deferred tax assets to be recovered within 12 months	6,000	-	-	-
Deferred tax assets to be recovered after more than 12 months	3,201	-	-	-
	9,201	-	-	-

Movements - Consolidated	Business capital costs $'000	Employee benefits $'000	Property, plant & equipment $'000	Other $'000	Total $'000
At 1 July 2007					
(Charged)/credited to the income statement	-	-	-	-	-
(Charged)/credited directly to equity	-	-	-	-	-
At 30 June 2008	-	-	-	-	-
Acquisition of subsidiaries	2,140	1,817	1,073	2,953	7,983
(Charged)/credited to the income statement	(95)	792	83	438	1,218
(Charged)/credited directly to equity	-	-	-	-	-
At 30 June 2009	2,045	2,609	1,156	3,391	9,201

Note 12: Intangible assets

Consolidated	Goodwill $'000	Customer Relationships $'000	Software $'000	Assets under construction $'000	Total $'000
2009					
Gross carrying amount					
Balance at 1 July 2008	-	-	74,845	3,386	78,231
Additions	-	-	9,552	6,592	16,144
Acquisition of subsidiaries	93,129	58,347	5,296	80	156,852
Transfers in/(out)	-	-	3,386	(3,386)	-
Write-offs	-	-	(721)	-	(721)
Balance at 30 June 2009	93,129	58,347	92,358	6,672	250,506
Accumulated amortisation					
Balance at 1 July 2008	-	-	(31,818)	-	(31,818)
Amortisation expense	-	(2,229)	(13,887)	-	(16,116)
Write-offs	-	-	717	-	717
Balance at 30 June 2009	-	(2,229)	(44,988)	-	(47,217)
2008					
Gross carrying amount					
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
Accumulated amortisation					
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)
Net carrying amount					
As at 30 June 2009	**93,129**	**56,118**	**47,370**	**6,672**	**203,289**
As at 30 June 2008	-	-	43,027	3,386	46,413

Software includes capitalised development costs being an internally generated intangible asset.

Note 12: Intangible assets (continued)

Parent entity	Goodwill $'000	Customer Relationships $'000	Software $'000	Assets under construction $'000	Total $'000
2009					
Gross carrying amount					
Balance at 1 July 2008	-	-	74,845	3,386	78,231
Additions	-	-	9,079	6,424	15,503
Transfers in/(out)	-	-	3,386	(3,386)	-
Write-offs	-	-	(721)	-	(721)
Balance at 30 June 2009	-	-	86,589	6,424	93,013
Accumulated amortisation					
Balance at 1 July 2008	-	-	(31,818)	-	(31,818)
Amortisation expense	-	-	(13,014)	-	(13,014)
Write-offs	-	-	721	-	721
Balance at 30 June 2009	-	-	(44,111)	-	(44,111)
2008					
Gross carrying amount					
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
Accumulated amortisation					
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)
Net carrying amount					
As at 30 June 2009	**-**	**-**	**42,478**	**6,424**	**48,902**
As at 30 June 2008	-	-	43,027	3,386	46,413

Software includes capitalised development costs being an internally generated intangible asset.

Note 12: Intangible assets (continued)

(a) Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to which CGU is expected to benefit from the synergies of the combination.

A CGU level summary of the goodwill allocation is presented below.

Consolidated	Total $'000
2009	
CGU	
Australian Health Management	89,126
Health Services Australia	4,003
	93,129

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

(b) Key assumptions used for value-in-use calculations

Consolidated	Growth rate %	Discount rate %
2009		
CGU		
Australian Health Management	2.5%	13.0%
Health Services Australia	2.5%	13.0%

The growth rate disclosed above represents the weighted average growth rate used to extrapolate cash flows beyond the budget period.

In performing the value-in-use calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows.

These assumptions have been used for the analysis of each CGU. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used reflect specific risks relating to the relevant CGU.

(c) Impact of changes in key assumptions

Australian Health Management

The recoverable amount of the goodwill arising from the acquisition of Australian Health Management is estimated to be $93,318,000 (2008: Nil). This exceeds the carrying amount of the CGU's goodwill at 30 June 2009 by $4,192,000 (2008: Nil).

If the post-tax discount rate applied to the cash flow projections of the Australian Health Management CGU was 13.2% instead of 13.0%(2008: Nil), the recoverable amount of the CGU's goodwill will equal its carrying amount. Management does not consider a change in any of the other key assumptions to be reasonably possible.

Note 13: Trade and other payables

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Current					
Trade creditors	(i)	86,447	65,180	72,977	65,180
Other creditors and accrued expenses	(ii)	65,554	97,596	25,889	97,596
Unearned premium liability	(iii)(a)	416,956	343,891	374,184	343,891
Risk Equalisation Trust Fund	(iv)	7,556	-	-	-
Lease incentives	(v)	205	154	153	154
		576,718	506,821	473,203	506,821

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

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Non-current					
Other creditors and accrued expenses	(ii)	1,110	50	-	50
Unearned premium liability	(iii)(a)	6,702	4,871	6,702	4,871
Lease incentives	(v)	641	94	448	94
		8,453	5,015	7,150	5,015

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) Amount payable to the Risk Equalisation Trust Fund is non-interest bearing.
(v) Lease incentives are non-interest bearing and are settled over the term of the lease. The current liability represents 12 months or less of the term of the lease.

(a) Unearned premium liability

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Balance at 1 July	348,762	341,583	348,762	341,583
Acquisition of subsidiary	37,307	-	-	-
Deferral of premium on contracts written during the year	419,399	345,965	376,627	345,965
Earnings of premiums deferred in prior years	(381,810)	(338,786)	(344,503)	(338,786)
Balance at 30 June	423,658	348,762	380,886	348,762

Note: movement includes both current and non-current

Note 14: Financial liabilities at fair value through profit and loss

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Derivatives	(i)	917	15,474	917	15,474

Terms and conditions relating to the above financial instruments:
(i) Derivatives are European structured and fully tradeable on secondary markets. Pay-off is calculated at option expiry.

Note 15: Claims liabilities

(a) Gross claims liability

	Note	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Current					
Claims liability - central estimate of the expected present value of future payments for claims liabilities	(i),2(ii)	398,748	325,217	370,334	325,217
Risk margin	(ii),2(iii)	24,673	19,321	22,236	19,321
Claims handling costs		7,962	8,544	7,024	8,544
Gross claims liability	15(c)	431,383	353,082	399,594	353,082
Non-current					
Claims liability - central estimate of the expected present value of future payments for claims liabilities	(i)	47,431	47,446	47,029	47,446
Risk margin	(ii), 2(iii)	332	208	298	208
Claims handling costs		107	92	94	92
Gross claims liability	15(c)	47,870	47,746	47,421	47,746

(i) The expected future payments of claims liabilities excluding PackageBonus for Medibank Private are discounted to present value using a risk-free rate of 3.19% pa (2008: 7.8 % pa).

The expected future payments of claims liabilities for Australian Health Management are discounted to present value using a risk-free rate of 3.19% pa.

(ii) The risk margin for the Parent entity of 6.5% (2008: 6.5%) of the underlying claims liabilities excluding PackageBonus for Medibank Private has been estimated to equate to a probability of adequacy of at least 95% (2008: 95%).

The risk margin of 8.3% of the underlying claims liabilities for Australian Health Management has been estimated to equate to a probability of adequacy of at least 95%.

(iii) The allowance for claims handling costs for Medibank Private at 30 June 2009 is 1.62% of the claims liability (2008: 2.20%).

The allowance for claims handling costs for Australian Health Management at 30 June 2009 is 3.3% of the claims liability.

Note 15: Claims liabilities (continued)

(b) Claims incurred

Information regarding credit risk is set out in Note 3. Interest rate risk is not applicable as claims liabilities are noninterest bearing.

Current year claims relate to risks borne in the current financial year. The prior year amount represents the difference between the claims liability at the end of the previous financial year and the claims cost recognised in the current financial year for claims incurred in prior financial years, based on claims payments made during the year.

Consolidated

2009	Prior $'000	Current $'000	Total $'000
Claims incurred			
Undiscounted	21,879	3,317,609	3,339,488
Movement in Discount	-	1,528	1,528
	21,879	3,319,137	3,341,016

2008	Prior $'000	Current $'000	Total $'000
Claims incurred			
Undiscounted	5,258	2,844,671	2,849,929
Movement in Discount	-	(1,093)	(1,093)
	5,258	2,843,578	2,848,836

Parent entity

2009	Prior $'000	Current $'000	Total $'000
Claims incurred			
Undiscounted	21,866	3,167,299	3,189,165
Movement in Discount	-	1,668	1,668
	21,866	3,168,967	3,190,833

2008	Prior $'000	Current $'000	Total $'000
Claims incurred			
Undiscounted	5,258	2,844,671	2,849,929
Movement in Discount	-	(1,093)	(1,093)
	5,258	2,843,578	2,848,836

Note 15: Claims liabilities (continued)

(c) Reconciliation of movement in claims liabilities

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at 1 July	400,828	375,024	400,828	375,024
Acquisition of subsidiary	27,126	-	-	-
Additional provision	399,811	327,517	372,586	327,517
Amounts utilised during the year	(374,486)	(310,130)	(351,420)	(310,130)
Movement in claims handling costs	(1,628)	1,244	(1,518)	1,244
Movement in risk margin	4,195	3,008	3,005	3,008
Movement in discounting	1,528	(1,093)	1,668	(1,093)
Amount under/(over) provided	21,879	5 ,258	21,866	5,258
Balance at 30 June	479,253	400,828	447,015	400,828

Note: movement includes both current and non-current

Note 16: Provisions

		Consolidated		Parent entity	
	Note	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Current					
Restructuring	(i)	2,535	800	1,451	800
Make good	(ii)	890	359	701	359
Employee Entitlements	(iii)	30,578	19,603	20,327	19,603
Other	(iv)	119	815	119	815
		34,122	21,577	22,598	21,577
Non-current					
Make good	(ii)	2,265	1,193	1,208	1,193
Employee Entitlements	(iii)	12,369	9,959	9,536	9,959
		14,634	11,152	10,744	11,152

Movement in provisions

	Note	Consolidated		Parent entity	
		2009 $'000	2008 $'000	2009 $'000	2008 $'000
(i) Restructuring					
Balance at 1 July		800	569	800	569
Acquisition of subsidiary		37	-	-	-
Additional provision		2,498	800	1,451	800
Amounts utilised during the year		(611)	(411)	(611)	(411)
Reversal of unused provision		(189)	(158)	(189)	(158)
Balance at 30 June		2,535	800	1,451	800

The restructuring provision relates to retail centre and head office restructuring programs.

Note 16: Provisions (continued)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
(ii) Make good				
Balance at 1 July	1,552	1,163	1,552	1,163
Acquisition of subsidiary	920	-	-	-
Additional provision	1,088	442	762	442
Amounts utilised during the year	(152)	(53)	(152)	(53)
Reversal of unused provision	(253)	-	(253)	-
Balance at 30 June	3,155	1,552	1,909	1,552

Note: movement includes both current and non-current provision

In accordance with certain lease agreements, the Group 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.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
(iii) Employee Entitlements				
Balance at 1 July	29,562	25,615	29,562	25,615
Acquisition of subsidiary	12,697	-	-	-
Additional provision	24,658	19,866	22,203	19,866
Amounts utilised during the year	(21,998)	(14,955)	(19,929)	(14,955)
Reversal of unused provision	(1,972)	(964)	(1,972)	(964)
Balance at 30 June	42,947	29,562	29,864	29,562

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(aa) for the relevant accounting policy and details of the significant estimations and assumptions applied in the measurement of employee entitlements.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
(iv) Other				
Balance at 1 July	815	343	815	343
Acquisition of subsidiary	-	-	-	-
Additional provision	-	815	-	815
Amounts utilised during the year	(455)	-	(455)	-
Reversal of unused provision	(241)	(343)	(241)	(343)
Balance at 30 June	119	815	119	815

Note: movement includes both current and non-current provision

Note 17: Deferred tax liability

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Deferred tax balances comprise temporary differences attributable to:				
Property, plant and equipment	657	-	-	-
Defined benefit fund surplus	183	-	-	-
	840	-	-	-
Other				
Financial assets at fair value through profit and loss	149	-	-	-
Prepayments	31	-	-	-
Trade & other receivables	176	-	-	-
Other	91	-	-	-
Sub-total Other	447	-	-	-
Total deferred tax liabilities	1,287	-	-	-
Set off of deferred tax liabilities pursuant to set-off provisions	-	-	-	-
Net deferred tax liabilities	1,287	-	-	-
Deferred tax liabilities to be settled within 12 months	447	-	-	-
Deferred tax liabilities to be settled after more than 12 months	840	-	-	-
	1,287	-	-	-

Movements - Consolidated

	Property, plant and equipment $'000	Defined benefit fund surplus $'000	Other $'000	Total $'000
At 1 July 2007				
Charged/(credited) to the income statement	-	-	-	-
Charged directly to equity	-	-	-	-
At 30 June 2008	-	-	-	-
Acquisition of subsidiary	1,202	-	102	1,304
(Charged)/credited to the income statement	(545)	(16)	345	(216)
Charged directly to equity	-	199	-	199
At 30 June 2009	657	183	447	1,287

Note 18: Contributed equity

Consolidated and parent entity

(a) Fully paid ordinary shares

	2009 $'000	2008 $'000
Ordinary shares fully paid	85,000	85,000

(b) Movements in shares on issue

	2009		2008	
	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 shares.

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

The two private health insurance funds of the Group (Medibank Private and Australian Health Management) are 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 the two private health insurance funds of the Group can meet their 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 the two private health insurance funds of the Group to demonstrate that they have sufficient capital to accept contributions from new and existing members, fund their business plans, absorb short term adverse experience from time to time, and continue to remain solvent.

The two private health insurance funds of the Group are required to comply with these standards on a continuous basis and report results to PHIAC on a quarterly basis.

The Board of the Group has established a capital adequacy target for the two private health insurance funds of the Group 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 to the Board.

Refer to Note 29 for details of the Group's excess over the solvency reserve as at 30 June 2009.

Note 19: Reserve

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Equity reserve	17,819	-	17,819	-

Movements:

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at July 1	-	-	-	-
Contribution to equity (Note 26)	17,819	-	17,819	-
Balance at 30 June	17,819	-	17,819	-

The equity reserve resulted from a restructure of administrative arrangements in the current reporting period. Refer to Note 26 for details.

Note 20: Retained earnings

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Balance at 1 July	1,245,861	1,058,369	1,245,861	1,058,369
Profit for the year	91,187	187,492	88,369	187,492
Actuarial gains on retirement benefit obligation, net of tax	462	-	-	-
Balance at 30 June	1,337,510	1,245,861	1,334,230	1,245,861

Note 21: Commitments

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
(a) Capital expenditure commitments				
Estimated capital expenditure contracted for at balance date, but not provided for, payable:				
Within one year	6,032	493	6,032	493
After one year but not more than five years	-	-	-	-
Longer than five years	-	-	-	-
	6,032	493	6,032	493

Capital expenditure commitments predominantly relate to IT projects.

Note 21: Commitments (continued)

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
(b) Operating lease commitments				
Future operating lease rentals not provided for, payable:				
Within one year	26,379	21,372	19,346	21,372
After one year but not more than five years	68,713	50,443	44,589	50,443
Longer than five years	10,278	9,787	3,408	9,787
Total minimum lease payments	105,370	81,602	67,343	81,602

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.

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
(c) Other expenditure commitments				
Other commitments not provided for, payable:				
Within one year	46,465	32,656	39,459	32,656
After one year but not more than five years	63,104	39,151	63,104	39,151
Longer than five years	546	2,080	546	2,080
	110,115	73,887	103,109	73,887
Other commitments consist of IT outsourcing, IT software, sponsorship agreements and property maintenance commitments.				
Total commitments payable	221,517	155,982	176,484	155,982

Note 22: Cash and cash equivalents

(a) Reconciliation of cash

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Cash and cash equivalents (i)	975,534	946,163	754,243	946,163

(i) In February 2004, the Parent 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 2009 was $1,728,000 (2008: $2,718,000).

Note 22: Cash and cash equivalents (continued)

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

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Profit	91,187	187,492	88,369	187,492
Add/(less) non-cash items:				
Depreciation	10,007	7,472	7,115	7,472
Amortisation of software intangibles	13,886	11,990	13,014	11,990
Amortisation of customer intangible	2,229	-	-	-
Loss on disposal of plant and equipment	786	994	355	994
Net realised (gain)/loss on financial assets	128,721	(16,032)	127,540	(16,032)
Net unrealised (gain)/loss on financial assets	28,134	157,151	26,777	157,151
Non-operating cash flows				
Interest income	(93,161)	(94,214)	(85,378)	(94,214)
Trust distribution reinvested	(13,292)	(32,213)	(16,149)	(32,213)
Investment expenses	3,486	2,055	3,465	2,055
Amounts written off				
Asset impairment	-	66	-	66
Intangible assets written off	-	-	-	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities:				
(Increase)/decrease in assets:				
Trade and other receivables	(1,917)	(13,236)	(3,802)	(13,236)
Inventories	269	(151)	514	(151)
Other assets	54,156	(50,075)	52,648	(50,075)
Deferred tax asset	(1,218)	-	-	-
Increase/(decrease) in liabilities:				
Trade and other payables	32,986	58,239	28,764	58,239
Claims liabilities	51,300	25,804	46,187	25,804
Income tax liability	4,088	-	-	-
Deferred tax liability	(17)	-	-	-
Provisions	2,372	5,039	613	5,039
Net cash flow from/(used in) operating activities	314,002	250,381	290,032	250,381

(c) Financing facilities

	Consolidated 2009 $'000	Consolidated 2008 $'000	Parent entity 2009 $'000	Parent entity 2008 $'000
Unsecured overdraft credit facility, reviewed annually:				
Amount used	-	-	-	-
Amount unused	12,000	16,000	10,000	16,000
	12,000	16,000	10,000	16,000

Note 23: Key management personnel

The names of persons who were directors and specified executives of the Group at any time during the financial year are disclosed in the Directors' Report. Except where indicated, all of these persons were also directors and specified executives during the year ended 30 June 2009.

	Consolidated		Parent entity	
	2009 $	2008 $	2009 $	2008 $
Short term	5,527,460	4,506,767	5,527,460	4,506,767
Post Employment	263,063	251,330	263,063	251,330
Long term	434,897	86,153	434,897	86,153
Termination benefits	222,115	200,000	222,115	200,000
	6,447,535	5,044,250	6,447,535	5,044,250

Details of key management personnel remuneration are disclosed in the Directors' Report.

Note 24: Related party transactions

(a) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent entity	
	2009 $	2008 $	2009 $	2008 $
Purchase of health related services from subsidiaries	-	-	(418,000)	-
Purchase of health assessment packs from subsidiaries	-	-	(173,872)	-
Management fees charged to subsidiaries	-	-	509,099	-

(b) Outstanding balances arising from sales/purchases of goods and services

	Consolidated		Parent entity	
	2009 $	2008 $	2009 $	2008 $
Current receivables from subsidiaries	-	-	117,516	-

(c) Terms and conditions

All related party transactions were made on normal terms and conditions and at market rates.

Note 24: Related party transactions (continued)

(d) Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of these entities.

A number of these entities transacted with the Group in the reporting period. The terms and conditions of the transactions with key management personnel and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

A director, Mr P Twyman, is a director of Swiss Re Life & Health Australia Limited. The Group paid for marketing provided by Swiss Re Life & Health Australia Limited. The Group also derived life insurance commission from this company during the current financial year. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

A director, Ms E Alexander, is a director of CSL Limited. The Group purchased medical supplies from CSL Limited. In addition the Group provided medical supplies to CSL Limited. Amounts were billed based on normal market rates for such supplies and were due and payable under normal payment terms.

The Group made payments in return for the evaluation of health management programs by Monash University during the financial year. Professor Rowe is Deputy Chancellor of Monash University. Amounts were billed based on normal market rates and were due and payable under normal payment terms.

There have been no loans to Directors or specified executives during the year.

The company is wholly owned by the Commonwealth Government. No director holds shares in the company.

Note 25: Business combinations

Acquisition of Australian Health Management Group Pty Ltd

(a) Summary of acquisition

During the year ended 30 June 2009, Medibank Private and Australian Health Management entered into a Merger Implementation Deed. On 15 January 2009, the liability of the existing members of Australian Health Management as a guarantor in the event it being wound up was cancelled, and Medibank Private became the sole member of Australian Health Management. Medibank Private paid total merger consideration of $367,000,000 in accordance with the terms of the Merger Implementation Deed.

Australian Health Management is a private health insurer under the Private Health Insurance Act 2007.

In the period from 15 January 2009 to 30 June 2009, Australian Health Management contributed revenues of $201,759,000 and a net profit after tax of $2,078,000.

If the acquisition had occurred on 1 July 2008, management estimates that revenues would have been $427,308,000 and net profit after tax for the period would have been $15,688,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 July 2008.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

Purchase consideration (refer to (b) below):	$'000
Cash paid	367,000
Direct costs relating to acquisition	823
Total purchase consideration	367,823
Fair value of net identifiable assets acquired (refer to (c) below)	278,697
Goodwill (refer to (c) below and Note 12)	89,126

(b) Purchase consideration

	Consolidated		Parent entity	
	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Outflow of cash to acquire subsidiary, net of cash acquired				
Cash consideration	367,823	-	367,823	-
Less balances acquired:				
Cash	123,566	-	-	-
Outflow of cash	244,257	-	367,823	-

Note 25: Business combinations (continued)

(c) Assets and Liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Pre-acquisition carrying amounts $'000	Fair value adjustments $'000	Fair value recognised on acquisition $'000
Property, plant and equipment	53,571	-	53,571
Intangible assets	2,450	58,347	60,797
Inventories	661	-	661
Trade and other receivables	29,301	-	29,301
Cash and cash equivalents	123,566	-	123,566
Premiums receivable	3,491	-	3,491
Other assets	2,540	-	2,540
Deferred tax asset	3,533	-	3,533
Other investments	97,034	-	97,034
Trade and other payables	(16,367)	-	(16,367)
Unearned premium liability	(37,306)	-	(37,306)
Income in advance	(587)	-	(587)
Risk equalisation Trust Fund liability	(7,735)	-	(7,735)
Outstanding claims liability	(27,126)	-	(27,126)
Provisions	(37)	-	(37)
Employee benefits	(6,639)	-	(6,639)
Net identifiable assets and liabilities	220,350	58,347	278,697
Goodwill on acquisition			89,126
Consideration paid			367,823
Cash acquired			(123,566)
Net cash outflow			244,257

Pre-acquisition carrying amounts were determined based on applicable accounting standards immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values.

In determining the fair value of customer lists, management applied the discount rate of 13.0% to the estimated net earnings or cash flows attributable to the asset over its remaining economic life.

The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the acquired business's work force and the synergies expected to be achieved from integrating the business of Australian Health Management into the business of Medibank Private.

The accounting policies of Australian Health Management Group Pty Ltd were adjusted for the purposes of their alignment with the accounting policies of the Group.

Note 26: Restructure of administrative arrangements

Acquisition of Health Services Australia Pty Ltd

(a) Summary of acquisition

Prior to 1 April 2009, the Australian Government was the 100% owner of the share capital of Health Services Australia Ltd. Subject to a share transfer deed, dated 31 March 2009, the Australian Government transferred 100% of the share capital of Health Services Australia Ltd to Medibank Private Ltd.

This represents a restructure of administrative arrangements, in that there has been a reallocation or reorganisation of assets, liabilities, activities and responsibilities amongst government controlled entities that has arisen as a consequence of a rearrangement in the way in which the activities and responsibilities as prescribed under legislation or other authority have been allocated between those government controlled entities. (Refer to Note 1(g)).

As a consequence of this restructure of administrative arrangements, the Group has recognised a net contribution by its owners directly in equity.

Health Services Australia Ltd was converted from a company limited by guarantee into a proprietary company on 26 June 2009.

Health Services Australia Ltd is a provider of comprehensive health assessment services.

In the period from 1 April 2009 to 30 June 2009, Health Services Australia Ltd contributed revenues of $35,147,000 and net profit after tax of $2,969,000.

If the acquisition had occurred on 1 July 2008, management estimates that revenues would have been $148,751,000 and net profit after tax for the period would have been $10,827,000.

Details of the book value of the assets and liabilities acquired and contribution to equity are as follows:

Purchase consideration:	$'000
Cash paid	-
Direct costs relating to acquisition	658
Total purchase consideration	658
Book value of net identifiable assets acquired (refer to (b) below)	18,477
Contribution to equity	17,819

Note 26: Restructure of administrative arrangements (continued)

(b) Assets and Liabilities acquired

The assets and liabilities transferred have been measured at their book value as at the date of transfer.

The assets and liabilities arising from the acquisition are as follows:

	Pre-acquisition carrying amounts $'000	Book value adjustments $'000	Book value recognised on acquisition $'000
Property, plant and equipment	12,905	-	12,905
Intangible assets	6,929	-	6,929
Inventories	602	-	602
Trade and other receivables	9,133	-	9,133
Other assets	1,159	-	1,159
Cash and cash equivalents	29,811	-	29,811
Investments held to maturity	1,645	-	1,645
Deferred tax assets	4,450	-	4,450
Deferred tax liabilities	(1,304)	-	(1,304)
Trade and other payables	(37,687)	-	(37,687)
Tax liability	(944)	-	(944)
Other liabilities	(1,243)	-	(1,243)
Provisions	(6,979)	-	(6,979)
Net identifiable assets and liabilities	18,477	-	18,477
Contribution to equity			(17,819)
Consideration paid			658
Cash acquired			(29,811)
Net cash (inflow)			(29,153)

Pre-acquisition carrying amounts were determined based on applicable accounting standards immediately before the acquisition. The land and buildings were measured at fair value by an independent valuation expert immediately prior to acquisition. Refer to note 10 (a).

Note 27: Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(c).

Name of entity	Country of incorporation	Class of Units	Ownership interest 2009 %	Ownership interest 2008 %
Australian Health Management Group Pty Ltd	Australia	Ordinary Shares	100	-
- International Health Benefits Pty Ltd *	Australia	Ordinary Shares	100	-
- Dencare Australia Pty Ltd *	Australia	Ordinary Shares	100	-
- Carelink Australia Pty Ltd*	Australia	Ordinary Shares	100	-
- Mercantile Mutual Health Pty Ltd *	Australia	Ordinary Shares	100	-
- Total Health Pty Ltd *	Australia	Ordinary Shares	100	-
Health Services Australia Pty Ltd	Australia	Ordinary Shares	100	-
- Work Solutions Australia Pty Ltd	Australia	Ordinary Shares	100	-
- The Travel Doctor TMVC Pty Ltd	Australia	Ordinary Shares	100	-
- IQ Consultants Pty Ltd *	Australia	Ordinary Shares	100	-

* These entities were non-operating entities during the year ended 30 June 2009.

Note 28: Auditor's remuneration

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

	Consolidated 2009 $	Consolidated 2008 $	Parent entity 2009 $	Parent entity 2008 $
Australian National Audit Office				
- Auditing the financial report	399,790	259,100	250,115	259,100
- Other services - regulatory reporting	95,750	-	48,475	-
Ernst and Young				
- Other services - regulatory reporting	-	60,739	-	60,739
- Other services - advisory	-	32,653	-	32,653
Pricewaterhouse Coopers				
- Other services	37,510	-	37,510	-
	533,050	352,492	336,100	352,492

The Australian National Audit Office sub-contracted the audit of the financial report of the Group to Pricewaterhouse Coopers for the year ended 30 June 2009 (2008 – Ernst and Young).

Note 29: Solvency reserve

The Solvency Reserve of the health benefits fund of Medibank Private Limited, as per the Private Health Insurance (Health Benefits Fund Administration) Rules 2007, as at 30 June 2009 is $574,272,000. Total Net Assets are $1,419,230,000 representing an excess of $844,958,000 over the Solvency Reserve.

The Solvency Reserve of the health benefits fund of Australian Health Management Group Pty Ltd, as per the Private Health Insurance (Health Benefits Fund Administration) Rules 2007, as at 30 June 2009 is $84,078,000. Total Net Assets are $222,891,000 representing an excess of $138,813,000 over the Solvency Reserve.

Refer also to Note 18(d) for details of the Group's strategy regarding its meeting of these requirements.

Note 30: Events occurring after balance sheet date

Medibank Private will convert to being a 'for-profit' health insurer from 1 October 2009. Medibank is currently exempt from income tax on the basis that it is a private health insurer that does not carry on business for the profit or gain of its members. Accordingly, when Medibank Private converts to being 'for-profit' it will also become subject to income tax and dividend payments to shareholders.

Note 31: Segment reporting

The Group operates in the business of providing private health insurance in Australia. Following the acquisition of Australian Health Management (refer Note 25) and Health Services Australia (refer Note 26), the Group also provides health care services. The post-acquisition results and assets of this business are not considered material to the Group for the year ended 30 June 2009.

Note 32: Additional company information

The Group is a registered health benefits organisation, incorporated and operating in Australia.

Registered office of the parent entity and Principal Place of Business:
Level 17, 700 Collins Street
Docklands VIC 3008 Australia

Tel: (03) 8622 5222

Director's 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 set out on pages 61 to 117 are in accordance with the Corporations Act 2001, including:

   (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

   (ii) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   (b) there are reasonable grounds to believe that the company and the Group will be able to pay their 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 2009.

On behalf of the Board

Paul McClintock AO
Chairman

George Savvides
Managing Director

Melbourne, 28 August 2009

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the members of Medibank Private Limited

Scope

I have audited the accompanying financial report of Medibank Private Limited and the consolidated entity, which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and cash flow statements for the year ended on that date, notes to the financial statements including a summary of significant accounting policies, 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 opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the

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19 National Circuit BARTON ACT 2600
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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.

My procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

My audit did not involve an analysis of the prudence of business decisions made by directors or management.

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*.

Auditor's Opinion

In my opinion:

(a) the financial report of Medibank Private Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of Medibank Private Limited's and the consolidated entity's financial position as at 30 June 2009 and of their 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*; and

(b) the consolidated financial report and notes also comply with International Financial Reporting Standards as disclosed in Note 1(b).

Australian National Audit Office

Michael J Watson

Michael J Watson
Group Executive Director
Delegate of the Auditor-General

Canberra

28 August 2009

Medibank Private Retail Sites

New South Wales

Albury
Armidale
Ballina
Bankstown
Blacktown
Bondi Junction
Broken Hill
Brookvale
Burwood
Cabramatta
Campbelltown
Casino
Castle Hill
Charlestown
Chatswood
Coffs Harbour
Cooma
Dubbo
Erina
Greenhills
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
Raymond Terrace
Richmond
Rouse Hill
Tamworth
Tuggerah
Wagga Wagga
Wallsend
Wollongong

Western Australia

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

Victoria

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

Queensland

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

South Australia

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

Tasmania

Burnie
Devonport
Glenorchy
Hobart
Kingston
Launceston
Rosebery
Rosny Park

Australian Capital Territory

Belconnen
Civic
Queanbeyan
Tuggeranong Greenway
Woden

Northern Territory

Alice Springs
Casuarina
Darwin
Palmerston

ahm

Private Health Insurance

New South Wales
Wollongong

Dental and Eyecare Practices

New South Wales
Parramatta
Sydney
Wagga Wagga

Victoria
Port Melbourne

Health Solutions

Health for Industry

New South Wales
Botany
Newcastle
Parramatta
Smithfield
Surry Hills
Wollongong

Western Australia
Perth

Victoria
Campbellfield
Dandenong
Laverton North
Melbourne

Queensland
Brisbane
Brisbane Airport
Cannon Hill
Hyde Park, Townsville
Labrador
Oxley
Raceview, Ipswich

South Australia
Adelaide

Tasmania
Hobart

Australian Capital Territory
Woden, Canberra

Northern Territory
Darwin

Travel Doctor - TMVC

New South Wales
Parramatta
Sydney

Western Australia
Perth

Victoria
Melbourne

Queensland
Spring Hill, Brisbane

South Australia
Adelaide

Australian Capital Territory
Canberra

Work Solutions

New South Wales
Albury
Liverpool
Newcastle
Parramatta
Surry Hills
Wollongong

Western Australia
Perth

Victoria
Melbourne

Queensland
Brisbane
Hyde Park, Townsville

South Australia
Adelaide
Berri
Christies Beach
Elizabeth
Mt Gambier
Port Augusta
Port Pirie
Wyalla

Tasmania
Burnie
Hobart
Launceston

Australian Capital Territory
Woden, Canberra

Northern Territory
Darwin

Total Health

New South Wales
Wollongong

Corporate Directory

Company name
Medibank Private Limited

Current Directors (at 28 August 2009)
Paul McClintock (Chairman)
George Savvides (Managing Director)
Elizabeth Alexander
Julia Bowen
Jane Harvey
Leanne Rowe
Just Stoelwinder
Philip Twyman

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

Photography
Elizabeth Jane Photography

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Product group from well-managed forests and other controlled sources
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