



ANNUAL REPORT

2014

medibank
For Better Health

Who is Medibank?

Our Business

Medibank is Australia's largest private health insurer with a 29.1% market share. Through its health insurance business (Health Insurance), Medibank offers private health insurance policies through two national brands (Medibank and ahm) and more than 3.8 million people are covered including overseas visitors and students (Policyholders).

Medibank also generates revenue from a number of related activities that utilise Medibank's experience and expertise and support the Health Insurance business (Complementary Services).

Medibank employs more than 3,700 people (as at 31 July 2014) and operates throughout Australia, with a limited presence in New Zealand and Singapore. Medibank has its head office in Melbourne.



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Corporate Governance Statement

Medibank Private Limited (the Company) is a wholly-owned Commonwealth Company as defined in the Public Governance Performance and Accountability Act 2013 (PGPA Act), which became effective from 1 July 2014, a Government Business Enterprise (GBE), and a company subject to the *Corporations Act 2001* (Cth). Prior to this date the Company was subject to the *Commonwealth Authorities and Companies Act 1997* (Cth) (CAC Act).

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

The Group is committed to corporate governance. The governance practices are derived principally from the provisions of the PGPA Act and requirements of the Governance and Oversight Guidelines for Commonwealth Government Business Enterprises (2011).

The Group is also committed to compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations 3rd Edition (ASXCGC Recommendations) Guidelines in so far as they are applicable to an unlisted, Commonwealth-owned company. The Group must also comply with the Corporations Act and as a private health insurer must comply with governance requirements prescribed by the Private Health Insurance Administration Council (PHIAC) as Part 3, Schedule 1 (rule 10) of the Private Health Insurance (Insurer Obligations) Rules 2009.

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

During the year the Group provided regular reports to the PHIAC in relation to the private health insurance fund operated by the Company. PHIAC is an independent statutory authority that is responsible to the Federal Minister for Health. PHIAC's central responsibility is to protect consumers of private health insurance by ensuring an industry which is competitive, efficient and financially sound. PHIAC's statutory objectives are to take all reasonable steps to strike an appropriate balance between the following three objectives:

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

Diversity at Medibank

At Medibank, we are committed to a culture that embraces and fosters diversity and inclusion. Medibank's Diversity and Inclusion Strategy works to ensure individuals are provided with equal opportunity, while also creating opportunities for those groups that may be disadvantaged.

Diversity embodies all that makes us unique as individuals. Medibank recognises diversity as one of our most important resources because we believe diversity in our workforce helps us:

- foster a culture that reflects our Intent (Healthy, Collaborative, Connected) and Values (Customer Focus, Accountability, Integrity and Respect), and is open to all;
- innovate, create, and inspire critical thinking;
- create a dynamic environment that leads to higher performance and well-being and greater employee engagement and satisfaction; and
- improve the connection between our people and the community we serve.

Medibank's Diversity and Inclusion Strategy is underpinned by four key pillars: Gender, Culture, Age and Accessibility. These are the four areas Medibank is focusing on to build a strong sustainable organisation, with the strategy identifying measurable objectives and actions in each area.

Our Shareholder

Ownership and Shareholder Minister

The Commonwealth of Australia holds all shares in the Company. The responsible Shareholder Minister is the Minister for Finance.

Shareholder communication

The Shareholder Minister is briefed on a regular basis on the performance of the Group and on 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 (a Statement of Corporate Intent) is tabled annually in Parliament. Quarterly reports on progress against the Corporate Plan are made to the Shareholder Minister.

Medibank's Annual Report is submitted to the Commonwealth Parliament in accordance with Section 46 of the PGPA Act.

Board of Directors

Role and responsibilities

The Board of Directors is responsible for the overall corporate governance and successful operation of the Group. It is also 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, the *Corporations Act 2001* (Cth), the Board Charter and other relevant legislation and law.

Key accountabilities and matters reserved for the Board include:

- ensuring that the Medibank Private Health Insurance Fund is financially sound and meets the regulatory, prudential and other requirements of the *Private Health Insurance Act 2007* (Cth) (PHI Act);
- 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 Medibank meets regulatory requirements;
- 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;
- approval of the Corporate Plan;
- approval of all new business activities, loans to external parties and other commitments in excess of certain thresholds detailed in the Delegation of Authority documents; and
- reporting to the Shareholder Minister on the Board's stewardship of the Group and monitoring the achievement of the Corporate Plan.

Matters and areas of authority not specifically reserved for the Board are delegated by the Board to the Managing Director who in turn delegates certain matters to individual Group Executives. The delegation of authority within the Group is managed in accordance with the Governance Policy and the Delegation of Authority Policy and associated procedures.

The Chairman leads the Board. She 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 in consultation with the Managing Director 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 comprises eight Directors; 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.

Directors are appointed by the Shareholder Minister in accordance with the Company's Constitution and GBE Guidelines. Current practice is generally for terms of appointment to be of three years' duration and reappointment is permissible. The Board considers the mix of skills and diversity of Board members when determining the composition of the Board. The Directors' skills are assessed to ensure that the Board has appropriate expertise and experience to understand collectively the risks to the Group, its legal and prudential obligations, to effectively oversee management and that each Director can contribute effectively to the Board's deliberations and process.

The GBE Guidelines require that Medibank's Board consist of 40 percent women, 40 percent men, and the remaining 20 percent of Board positions are to be held by either women or men. Currently, the Board comprises five women and three men.

Subsidiaries

The activities of each subsidiary in the Group are governed by Medibank Group policies and are overseen by their own Boards of Directors. These Boards comprise senior management personnel of the Group.

Director induction and education

Medibank has an induction program for new Directors, which is reviewed periodically by the People and Remuneration Committee.

Directors are provided with detailed briefings by management on corporate strategy and current issues affecting the Group, the private health insurance industry and health services industry matters generally.

All Directors are provided opportunities to visit retail and customer service centres, clinics and call centres and to meet with employees and key providers of health services.

In order to achieve continuing improvement in Board performance, all Directors have access to professional development opportunities. Specifically, Directors are provided with the resources and training to enhance skills that benefit Board performance.

Conflicts of interest

Directors must keep the Board advised on an ongoing basis of any interests 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 receive the relevant Board papers, do not participate in discussions and abstain from voting on that matter.

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 is conducted in accordance with the Company's Fit and Proper Policy. This assessment is undertaken prior to a person being appointed into a Responsible Person position (except in relation to Directors appointed by the Shareholder Minister, where it is conducted as soon as practicable after appointment) and is reassessed on an annual basis while that person remains holding a Responsible Person 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 Group Executive and Senior Managers. The Company undertakes any necessary and relevant investigations to verify the information provided in the attestations including where considered appropriate or desirable: referee checks, police checks and searches of appropriate registers. Each assessment is conducted against a set of documented character and competence assessment criteria.

The policy includes a process for dealing with and reporting breaches of the policy.

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 delivery of their responsibilities.

Each Director has the right of access to all relevant Group information and to the Group's management.

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.

Director dealings in Company shares

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

Board meetings

The Board met 14 times during the past 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 either an independent external assessment or an internally facilitated assessment. The assessment process utilises a combination of Director and Executive completed surveys and individual interviews. The Board determines the actions to be taken in relation to the recommendations arising from the assessments and regularly reviews progress against the action plans. The aim of the review is to undertake an objective assessment of the performance of the Board as a whole, its Committees and the Directors. During the past 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;
- People and Remuneration Committee;
- Investment Committee;
- Nomination Committee;
- Health and Business Innovation Committee (ceased to operate during the year); and
- Privatisation Committee (formed during the year).

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 C O'Reilly, 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 at least four times per year. The Committee met five times during the past year.

The External Auditor met with the Audit and Risk Management Committee five times during the year and, on one occasion, without management being present.

People and Remuneration Committee

The People and Remuneration Committee comprises six Non-Executive Directors. The Managing Director attends Committee meetings by invitation.

The Chairman of the Committee, Ms L Bardo Nicholls, is an independent Non-Executive Director.

The role of the Committee is to review and make recommendations to the Board in relation to:

- the Group's policy for recruitment, remuneration and diversity;
- the Group's performance in relation to health and safety;
- the performance of the Managing Director and his direct reports;
- Senior Executive remuneration; and
- Senior Executive succession planning and development.

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

Investment Committee

The Investment Committee currently comprises four Non-Executive Directors and the Managing Director. The Chairman of the Committee, Mr P Hodgett, is an independent Non-Executive Director.

The primary role of the Committee is to formulate and recommend the investment strategy to the Board and 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 past year.

Nomination Committee

The Nomination Committee comprises four Non-Executive Directors. The Managing Director attends Committee meetings by invitation.

Corporate Governance Statement (continued)

The Chairman of the Committee, Ms E Alexander, is an independent Non-Executive Director.

The primary role of the Committee is to review and make recommendations to the Board in relation to Board performance evaluation, Board composition, appointment, succession planning, recruitment and selection of the Managing Director.

The Committee Charter recommends that the Committee meet as required. The Committee met once during the past year.

Health and Business Innovation Committee

During the year the Health and Business Innovation Committee was disbanded. While it operated it comprised four Non-Executive Directors and the Managing Director and was chaired by Dr C. Hirst, an independent Non-Executive Director.

The primary role of the Committee was to review, on behalf of the Board, strategic initiatives covering health and business innovation before they appear in the

Corporate Planning process. These initiatives are aimed at improving value to customers and improving the business.

These initiatives are now reviewed by the Board as part of the Board's strategic planning process. The Committee met two times during the past year.

Privatisation Committee

During the year the Board formed a Privatisation Committee, which comprises four Non-Executive Directors. The Chairman of the Committee, Mr D Fagan, is an independent Non-Executive Director.

The primary role of the Committee is to act as a conduit between the Medibank Board and the Government's sale process, including the due diligence efforts and prospectus preparation, to assist with management and coordination of the privatisation process. The Privatisation Committee will also develop and recommend governance policies for the Company, except for remuneration matters which will be addressed by the People and Remuneration Committee.

The Committee met four times during the year.

Committee members

	Audit and Risk Management Committee	People and Remuneration Committee	Investment Committee	Nomination Committee	Privatisation Committee
Elizabeth Alexander	x			x	
Cherrell Hirst	x	x	x		x
Anna Bligh		x	x		
Peter Hodgett	x	x	x	x	
David Fagan		x			x
Linda Bardo Nicholls		x		x	x
Christine O'Reilly	x			x	x
George Savvides			x		

Accountability and Audit

External audit

In accordance with the PGPA Act, the Commonwealth Auditor-General audits the records and Financial Statements of the Company and the Group. 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 and internal audit plans, and 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 General Manager Internal Audit 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.

Risk management

The Board has approved the risk management system which is based on the International Standard for Risk Management (ISO31000:2009). Overseen by the Chief Risk Officer, the system includes a Board-approved risk appetite, policy, risk management strategy and risk profile, as well as comprehensive procedures to identify, measure, monitor and manage risk, including control effectiveness and related mitigation plans. Material risks are assessed on a regular basis and the Audit and Risk Management Committee and the Board receive and consider regular reports on their status.

Certification by Managing Director and Chief Financial Officer

In accordance with Board policy, the Managing Director, Chief Financial Officer and other Senior Executives provide sign-off regarding the effectiveness of key 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 control, and the system is operating efficiently and effectively in all material respects in relation to financial reporting risks.

Based on the evaluation performed as at 30 June 2014, the Managing Director and Chief Financial Officer concluded that, as of the evaluation date, such risk management and internal control systems were reasonably designed to ensure that the Financial Statements and notes 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.

Ethical standards

The Group has documented key governance policies and procedures. These include the Group's Purpose, Vision, Values and Behaviours, as well as policy statements regarding conduct and ethical behaviour, the role and responsibilities of the Board and management, 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, employees and contractors 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 Whistleblower policy.





Directors' Report





The Board of Directors of Medibank Private Limited ('Medibank') 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

Name and title	Biography
 Elizabeth Alexander AM Non-Executive Chairman <i>BCom, MCom, FAICD, FCA, FCPA</i>	<p>Elizabeth was appointed as a Director in October 2008 and appointed as Non-executive Chairman of the Board in March 2013.</p> <p>As a former partner at PricewaterhouseCoopers (1977–2002), Elizabeth specialised in the area of risk management and corporate governance issues.</p> <p>Elizabeth is currently Non-executive Chairman of DEXUS Wholesale Property, a Non-executive Director of DEXUS Property Group and the IOOF Foundation, Chancellor of the University of Melbourne, and a member of the McKeon Review, the Strategic Review of Health and Medical Research.</p> <p>Elizabeth was previously Chairman of CSL and a Director of Boral and Amcor. She is a former Chair of the Australian Prudential Regulation Authority's Risk and Audit Committee. Elizabeth is also a former National President of CPA Australia and the Australian Institute of Company Directors, and a former member of the Takeovers Panel in Australia.</p>
 George Savvides Managing Director <i>BE (Hons), MBA, FAICD</i>	<p>George was appointed to the Board in September 2001 and appointed Managing Director of Medibank Private in April 2002.</p> <p>Trained as an industrial engineer, George has 25 years experience in the Australian healthcare industry. George also holds an MBA.</p> <p>George is currently a member of the Business Council of Australia, represents Australia as the Vice President on the Council of the International Federation of Health Plans, is a Non-executive Director of Ryman Healthcare NZ, and is Chairman of World Vision Australia.</p> <p>George is a former Managing Director of Healthpoint Technologies and Smith & Nephew Australasia, Managing Director and Chief Executive Officer of Sigma Pharmaceuticals, General Manager of CIG Healthcare Australia, and Chairman of Medicines Partnerships of Australia.</p>
 Anna Bligh Non-Executive Director <i>BA (QLD)</i>	<p>Anna was appointed to the Board in December 2012 as a Non-executive Director.</p> <p>Anna has extensive experience in leadership and public policy, including in the fields of healthcare, finance, infrastructure and project management.</p> <p>Anna is currently the Chief Executive Officer of YWCA NSW and a Non-executive Director of Bangarra Dance Theatre.</p> <p>Anna has held several roles in the Queensland Government, including Premier, Treasurer, Minister for Finance, Minister for State Development, Minister for Trade and Innovation and Minister for Education. She was also a member of the Queensland Cabinet Budget Review Committee for 11 years.</p>
 David Fagan Non-Executive Director <i>LLB, LLM, GAICD</i>	<p>David was appointed to the Board in March 2014 as a Non-executive Director and is Chairman of the Privatisation Committee.</p> <p>David is a highly experienced banking and major projects lawyer with more than 35 years experience. He acted for major banks and corporate clients with Clayton Utz, and was Clayton Utz's Chief Executive Partner from May 2001 to June 2010.</p> <p>David is a Director and Chair of the Audit Committee of The Global Foundation, a Director of Hilco Merchant Australia, Hilco Oz and UBS Grocon Real Estate Investment Management, and a member of the Law Institute of Victoria, the Law Society of New South Wales and the International Bar Association.</p>

Name and title	Biography
 <p>Dr. Cherrell Hirst AO Non-Executive Director <i>FTSE, MBBS, BEdSt, D. Univ (Hon), FAICD</i></p>	<p>Cherrell was appointed to the Board in December 2009 as a Non-executive Director. Cherrell practised medicine for 30 years and is a highly experienced company director. Cherrell is the Chairman of ImpediMed and a Non-executive Director of the Gold Coast Hospital and Health Service and Tissue Therapies. In addition, she sits on the boards of two unlisted biotechnology companies (Hatchtech and Verva Pharmaceuticals) and on the advisory boards of two research entities.</p> <p>Cherrell was formerly a Director of Suncorp Group and Avant Group, Chair of Peplin, and, until very recently, the part-time CEO of QIC BioVentures. She was Chancellor of the Queensland University of Technology from 1994 to 2004.</p>
 <p>Peter Hodgett Non-Executive Director <i>BSc (Hons), FIAA, FAHRI, FAICD</i></p>	<p>Peter was appointed to the Board in June 2013 as a Non-executive Director and is Chairman of the Investment and Capital Committee.</p> <p>Peter worked for AMP for more than 20 years in a wide variety of business and functional roles, including Chief Actuary during its demutualisation, General Manager of Human Resources and Strategy, and as Global Director of Finance and Operations for Henderson Global Investors in the United Kingdom. Prior to that, Peter spent 10 years in the United Kingdom working for the UK Government Actuary and Hill Samuel.</p> <p>Peter is currently a Non-executive Director of Colonial First State Investments, Colonial Mutual Superannuation and Avanteos Investments. He is also a member of the Compliance Committee for CFS Managed Property.</p>
 <p>Linda Bardo Nicholls AO Non-Executive Director <i>BA, MBA (Harvard), FAICD</i></p>	<p>Linda was appointed to the Board in March 2014 as a Non-executive Director.</p> <p>Linda has more than 30 years experience as a senior executive and director in banking, insurance and funds management in Australia, New Zealand and the United States.</p> <p>Linda is currently a Director of Pacific Brands, Fairfax Media and Sigma Pharmaceuticals. She is also Chairman of Japara Healthcare and KD Australia.</p> <p>Linda was previously a director of a number of companies, including Healthscope (a former chair), St.George Bank, Australia Post (a former chair) and Insurance Manufacturers of Australia.</p>
 <p>Christine O'Reilly Non-Executive Director <i>BBus</i></p>	<p>Christine was appointed to the Board in March 2014 as a Non-executive Director.</p> <p>Christine has more than 30 years of financial and infrastructure experience both in Australia and internationally.</p> <p>Christine is currently a Director of CSL, Transurban, EnergyAustralia and Baker IDI, and is Deputy Chair of Care Australia.</p> <p>Christine was formerly Co-head of Unlisted Infrastructure at Colonial First State Global Asset Management, and prior to that was CEO and a Director of GasNet Australia Group.</p>

Former Board Members

Jane Harvey

BCom (Melb), MBA (Melb), FCA, FAICD

(Former Non-Executive Director)

(Former Chairman of the Audit and Risk Management Committee)

Appointed Director from 21 September 2007.

Term expired 20 March 2014.

During the year Ms Harvey was a Director of IOOF Holdings Limited, David Jones Limited, Duet Finance Limited, Telecommunications Industry Ombudsman and a member of the Advisory Board of the Department of Treasury and Finance (Vic). Ms Harvey also served on the Victorian Council of the Australian Institute of Company Directors.

Leanne Rowe AM

MB BS, MD, FRACGP, FAICD

(Former Non-Executive Director)

Appointed Director from 17 December 2008.

Resigned effective 29 March 2014.

During the year Professor Rowe was a Director, Medical Consulting Victoria; Presiding Member, Medical Panels, Victoria and South Australia; and a Board Member of the Medical Indemnity Protection Society and I-MED Australia.

Steve Vamos

BEng (Hons)

(Former Non-Executive Director)

(Former Chairman of the Human Resource Committee)

Appointed Director from 24 October 2011.

Resigned effective 29 March 2014.

During the year Mr Vamos was a Non-Executive Director of Telstra Corporation Limited and David Jones Limited. He is was also the Founding President of the Society for Knowledge Economics – a not-for-profit think tank that encourages new and better practices in organisational leadership and management.

Company Secretary

Stephen Harris

ACSA, ICSA, CA, GAICD

Appointed Company Secretary on 6 July 2007.

Mr Harris has extensive 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.

Key management personnel

In addition to the Directors, the following are members of the Group Executive who have been the key management personnel during the financial year.

Current key management personnel

- L Cotsios
- P Koppelman
- A Wilson
- K Bishop
- D Koczkar

Former key management personnel (ceased during 2013/14)

- I Charles
- M Cullen

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 activities of the Group during the financial year were to:

- operate its health insurance business in accordance with the *Private Health Insurance Act 2007* (Cth) and Private Health Insurance rules; and
- operate its complementary services activities.

The Company provides a range of health insurance services in Australia, such as:

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

Complementary services are provided predominantly in Australia and New Zealand and include:

- health management;
- health triage;
- healthcare coordination;
- immigration health checks (due to cease in July 2014);
- workplace health;
- travel health; and
- life, travel and pet insurance under agency agreements.

Results

The Group's 2013/14 after-tax profit was \$130,802,000 (2012/13 \$232,741,000).

Dividends

Dividends paid or payable to the Shareholder during the financial year were as follows:

Consolidated	Note	2014		2013	
		\$ per fully paid share	\$'000	\$ per fully paid share	\$'000
Final unfranked dividend – prior financial year	i	0.92	78,100	0.58	48,987
Special unfranked dividend – prior financial year		–	–	0.47	39,843
Interim unfranked dividend – current financial year	ii	0.75	63,600	0.72	61,500
Special unfranked dividend – current financial year	iii	–	–	3.53	300,000
			141,700		450,330

i. The final unfranked dividend for the year ended 30 June 2013 was paid on 31 October 2013.

ii. The interim unfranked dividend for the year ended 30 June 2014 was paid on 5 May 2014.

iii. The special unfranked dividend for the year ended 30 June 2013 was provided for at 30 June 2013 and was paid on 15 August 2013.

Review of operations

Health Insurance

Health Insurance premium revenue rose by 5.7% to \$5,649 million. Volumes were up marginally, but most of the revenue growth was due to a 4.6% increase in the average revenue per policy single equivalent units (PSEU) which, in turn, was underpinned by rate rises which were partially offset by mix changes and some policyholders downgrading cover levels.

The gross underwriting margin rose slightly from 13.3% to 13.5%, reflecting improvements from ongoing initiatives to enhance the management of claims expenses. The management expense ratio fell from 9.5% to 9.1% due primarily to ongoing cost reduction initiatives.

Driven by the above factors, Health Insurance's operating margin rose from 3.8% to 4.4% and Health Insurance's operating profit rose 22.8% to \$251 million.

Complementary Services

Complementary Services revenue rose 40.0% to \$723 million, due almost entirely to the full year impact of the Garrison contract which commenced in November 2012.

Restructuring expenses and impairment charges

Following the loss of a key customer contract, a restructuring was undertaken and this, together with some smaller software related impairments, resulted in impairment expenses of \$100 million and restructuring expenses of \$35 million.

Investment income

Investment income fell 21.1% to \$114 million due principally to a combination of lower average investment balances (due mainly to the payment of significant dividends in FY2014) and reductions in interest rates.

Group result

Group net profit after tax declined 43.8% to \$130.8 million.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group that occurred during the financial year.

Directors' meetings

The number of meetings of the Board of Directors and Board Committees during the year ended 30 June 2014, and attendance by Directors at those meetings.

A = Attended

H = Held

^ = Number of meetings held during the time the Director held office and was a member of the Committee

* = Not a member of the relevant Committee

Director	Board		Audit and Risk Management Committee		Investment Committee		People and Remuneration Committee		Nomination Committee		Privatisation Committee		Health and Business Innovation Committee	
	A	H^	A	H^	A	H^	A	H^	A	H^	A	H^	A	H^
Elizabeth Alexander	14	14	5	5	1	*	4	4	1	1	1	*	2	*
Anna Bligh	14	14	1	*	4	4	4	4	*	*	1	*	2	*
David Fagan Appointed 31 March 2014	3	3	2	*	*	*	1	1	*	*	4	4	*	*
Jane Harvey Ceased 20 March 2014	10	10	2	2	3	3	1	*	1	1	*	*	2	*
Cherrell Hirst	14	14	4	2	4	4	4	4	1	1	4	4	2	2
Peter Hodgett	14	14	5	3	4	4	4	4	1	1	1	*	2	*
Linda Bardo Nicholls Appointed 31 March 2014	2	3	1	*	1	*	1	1	*	*	1	4	*	*
Christine O'Reilly Appointed 31 March 2014	3	3	2	2	1	*	1	*	*	*	4	4	*	*
Leanne Rowe Ceased 29 March 2014	11	11	3	3	1	*	3	*	1	*	*	*	2	2
George Savvides	14	14	3	*	4	4	4	*	*	*	3	*	2	2
Steve Vamos Ceased 29 March 2014	11	11	1	*	1	*	3	3	1	1	*	*	2	2

Notes:

1. Anna Bligh, David Fagan, Linda Bardo Nicholls, George Savvides and Steve Vamos were not members of the Audit and Risk Management Committee but attended meetings during the year.
2. Elizabeth Alexander, Linda Bardo Nicholls, Christine O'Reilly, Leanne Rowe and Steve Vamos were not members of the Investment Committee but attended meetings during the year.
3. Jane Harvey, Christine O'Reilly, Leanne Rowe and George Savvides were not members of the People and Remuneration Committee but attended meetings during the year.
4. Leanne Rowe was not a member of the Nomination Committee but attended meetings during the year.
5. Elizabeth Alexander, Anna Bligh, Jane Harvey and Peter Hodgett were not members of the Health and Business Innovation Committee but attended meetings during the year.
6. The Health and Business Innovation Committee ceased to operate during the year.
7. The Privatisation Committee was formed during the year. Linda Bardo Nicholls was a member of this committee. Ms Bardo Nicholls attended one meeting and subsequently resigned.

Significant events after the balance date

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect:

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

Likely developments and future results

The Directors anticipate that revenue growth will be sustained in 2014/15, underpinned by continued successful execution of the Group's strategy. The Health Insurance segment will continue to focus on developing strategies to profitably grow both the Medibank and ahm brands in different market segments. The Group will continue to invest in its operations through differentiated product and customer offerings and operational excellence.

Complementary service activities will continue to focus on delivering value and service to its existing customers and to retain major contracts, whilst also bedding down the restructuring of operations. Sales and profits (before restructuring costs and impairment charges) are expected to decline in 2014/15 due primarily to the loss of the immigration contract from July 2014.

On 26 March 2014 the Federal Government announced its intention to sell Medibank Private through an initial public offering some time in the 2014/15 financial year, subject to market conditions. It is a major priority of the Directors and management to ensure focus remains on executing the Group's strategies during this period.

Indemnification of Directors and Officers

A Deed of Indemnity, Access and Insurance has been entered into between Medibank and each of its Directors. Under the deed, Medibank agrees to indemnify out of the property of Medibank each Director against any liability the Director may incur to another person (other than Medibank or a related body corporate) as a Director of Medibank.

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's constitution provides that Medibank indemnifies each officer of Medibank against any liability incurred in his or her capacity as an officer of Medibank (other than a liability to Medibank 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 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 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 Group's 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 is set out on page 74.

Resolution of Directors

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



Elizabeth Alexander AM
Chairman



George Savvides
Managing Director

Melbourne, 8 August 2014

Remuneration report

1. Remuneration report

The following report describes the remuneration arrangements for Directors and other Key Management Personnel (KMP). These individuals have the authority and responsibility for planning, directing and controlling the activities of the Group.

2. Board policy on remuneration

The Group's remuneration policy is designed to focus Senior Executives on achieving the Group's strategy and business objectives. The philosophy links remuneration directly to the performance and behaviour of individuals and the Group's results. The reward framework is designed to:

- align the interests of Senior Executives to reward growth in enterprise value;
- link reward with the strategic goals and the performance of the Group; and
- provide competitive levels of remuneration to attract and retain talent.

3. Key management personnel

In addition to the Non-Executive Directors, the following Executive Committee Members are recognised as KMP.

Name	Role	Commenced in role
G Savvides	Managing Director	19 April 2002
L Cotsios	Chief Customer Officer	22 August 2011
P Koppelman	Chief Financial Officer	7 May 2012
A Wilson	Executive General Manager, Provider Networks & Integrated Care	1 July 2010
K Bishop	Executive General Manager, People & Culture	12 July 2013
D Koczkar	Chief Operating Officer	31 March 2014
Former	Role	Cessation Date
I Charles	Group Executive, People & Culture	12 July 2013
M Cullen	Group Executive, Medibank Health Solutions	30 April 2014

4. Executive remuneration

The Managing Director's remuneration is reviewed annually by the Board and recommendations for adjustment are made within the limits set by the Commonwealth Remuneration Tribunal (CRT).

To ensure market competitiveness of remuneration for other Senior Executives, reference data is sourced from various surveys, and where appropriate specialist remuneration consultants, to provide an objective basis for benchmarking Senior Executive remuneration. During the 2014 financial year, the Board sought and received advice from KPMG in relation to the appropriateness of the Group's reward framework and market competitiveness. KPMG was engaged by the Chairman of the People & Remuneration Committee, who received the advice directly.

5. Short-term incentive plan (STI plan)

The STI plan includes measures tied to a number of key performance objectives. Measures (threshold, target and stretch) are set annually, covering corporate, financial and 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 STI plan. An annual performance scorecard is agreed with each Senior Executive, incorporating measures set and agreed to by the Board.

For the 2014 financial year, performance was assessed against Group financial, customer, people and divisional measures.

6. Executive Service Agreements

Terms of employment (including all components of remuneration) for the Managing Director and Executive Committee Members are formalised in individual employment contracts.

6.1 Notice of termination

The Group may terminate the Managing Director's employment by giving him 12 months written notice and he may terminate his employment by giving the Group three months written notice. Executive Committee members' employment may be terminated by the Group by giving them six months written notice, and they may end their employment by giving the Group between three to six months written notice. The Group may pay the Managing Director and Executive Committee members in lieu of any applicable notice period.

6.2 Post-employment

The Managing Director and Executive Committee members' employment contracts contain a restraint of trade provision on termination of between six and twelve months.

7. Non-Executive remuneration

Non-Executive Director fees, including Committee fees, are set by the CRT. The level of fees is not set with reference to measures of Company performance.

7.1 Directors' Fees

As determined by the CRT, Non-Executive Director fees were increased by 2% with effect from 1 July 2013. The Chairman's annual fee was adjusted to \$128,530 and for the other Non-Executive Directors, excluding Anna Bligh, a fee of \$64,320 per annum was set from that date.

The CRT set Anna Bligh's directors fee at \$47,600 per annum to reflect Ms Bligh's agreement with the Shareholder Minister to mirror the conditions applying to recipients of Commonwealth Government pensions in relation to her receipt of a Queensland Government pension.

The CRT has determined that only the Audit and Risk Management Committee members receive additional fees. The fee for the Chair of the Audit and Risk Management Committee was adjusted to \$15,060 per annum and the fee for members of the Audit and Risk Management Committee was set at \$7,527 per annum.

8. Details of remuneration

Details of Non-Executive Directors' remuneration for the financial year ended 30 June 2014 are set out in the following table:

	Directors Fees \$	Audit & Risk Management Committee \$	Non Monetary Benefits \$	Superannuation Benefits \$	Total Remuneration \$
30 June 2014					
Non-Executive Directors					
E Alexander	128,647	7,324	60	12,577	148,608
C Hirst	64,279	869	412	6,026	71,586
C O'Reilly	16,292	1,680	15	1,663	19,650
D Fagan	16,292	–	311	1,507	18,110
A Bligh	47,570	–	1,944	4,400	53,914
L Bardo Nicholls	16,292	–	15	1,507	17,814
P Hodgett	64,038	1,882	733	6,098	72,751
Total Non-Executive Directors remuneration	353,410	11,755	3,490	33,778	402,433
Former Non-Executives Directors					
S Vamos	47,515	–	45	4,396	51,956
L Rowe	47,233	5,843	2,472	4,909	60,457
J Harvey	45,777	11,343	3,769	5,284	66,173
Total Former Non-Executive Directors	140,525	17,186	6,286	14,589	178,586

Remuneration report (continued)

8.1 Directors' and Group Executives' remuneration

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

30 June 2014	Short-Term			Non Monetary Benefits ^d	Post Employment	Long-Term	Other	Total Remuneration
	Salary & Fees ^b	STI	Other ^c		Super-annuation	Other ^e	Termination Benefits	
	\$	\$	\$	\$	\$	\$	\$	\$
Current Directors^a								
E Alexander	135,971	–	–	60	12,577	–	–	148,608
C Hirst	65,148	–	–	412	6,026	–	–	71,586
C O'Reilly	17,972	–	–	15	1,663	–	–	19,650
D Fagan	16,292	–	–	311	1,507	–	–	18,110
A Bligh	47,570	–	–	1,944	4,400	–	–	53,914
L Bardo Nicholls	16,292	–	–	15	1,507	–	–	17,814
P Hodggett	65,920	–	–	733	6,098	–	–	72,751
Total Director remuneration	365,165	–	–	3,490	33,778	–	–	402,433
Former Non-Executives Directors								
S Vamos ^f	47,515	–	–	45	4,396	–	–	51,956
L Rowe ^g	53,076	–	–	2,472	4,909	–	–	60,457
J Harvey ^h	57,120	–	–	3,769	5,284	–	–	66,173
Total Former Non-Executive Directors	157,711	–	–	6,286	14,589	–	–	178,586
Current Executives								
G Savvides (Managing Director)	839,361	528,510	–	11,382	24,807	24,173	–	1,428,233
L Cotsios	565,249	506,489	–	9,234	52,206	14,608	–	1,147,786
P Koppelman	665,657	544,240	–	4,599	24,807	13,353	–	1,252,656
A Wilson	605,771	582,824	–	19,741	55,001	(21,004)	–	1,242,333
D Koczkar	179,009	126,128	106,977	580	7,019	1,282	–	420,995
K Bishop ⁱ	380,501	296,773	–	6,527	24,502	22,853	–	731,156
Total Current Executive remuneration	3,235,548	2,584,964	106,977	52,063	188,342	55,265	–	6,223,159
Former Executives								
M Cullen ^j	484,458	130,688	–	8,900	45,851	21,217	710,951	1,402,065
I Charles ^k	50,338	–	–	2,734	4,906	(21,255)	–	36,723
Total Former Executive remuneration	534,796	130,688	–	11,634	50,757	(38)	710,951	1,438,788

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

b. Salary and fees includes cash salary payments and the movement in salary and annual leave accruals.

c. Other relates to pro-rata incentives granted to KMP during the financial year.

d. Non Monetary Benefits may include death, total & permanent disablement, salary continuance, subsidised health insurance and fringe benefits that are on the same terms and conditions that are available to employees of the Group.

e. Long-Term Other comprises accrual for long service leave.

f. S Vamos left Medibank Group on 29 March 2014.

g. L Rowe left Medibank Group on 29 March 2014.

h. J Harvey left Medibank Group on 20 March 2014.

i. K Bishop commenced as Acting Executive GM P&C effective 12 July 2013 and was appointed permanently to the role on 1 October 2013. K Bishop's remuneration as Key Management Personnel commences on 12 July 2013.

j. M Cullen left Medibank Group on 27 June 2014. M Cullen ceased being a member of the Executive Committee on 30 April 2014 and therefore the remuneration disclosed ceases then.

k. I Charles left Medibank Group on 12 July 2013.

Consolidated Income Statement

for the financial year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Revenue			
Private health insurance premium revenue	5(a)	5,648,679	5,344,083
Health solutions revenue		703,093	498,403
Other		20,005	18,154
		6,371,777	5,860,640
Other income	5(b)	10,333	2,321
Expenses			
Claims expense		(4,854,186)	(4,594,338)
Employee benefits expense	5(c)	(463,851)	(461,899)
Medical services expense		(403,410)	(220,190)
Office and administration expense		(111,701)	(111,111)
Marketing expense		(90,378)	(80,787)
Information technology expense		(82,396)	(72,802)
Professional service expense		(36,242)	(41,210)
Lease expense	5(d)	(50,876)	(35,166)
Depreciation and amortisation expense	5(e)	(62,875)	(55,065)
Impairment expense	14	(100,159)	(7,938)
Other expenses		(23,027)	(11,788)
		(6,279,101)	(5,692,294)
Profit before net investment income and income tax		103,009	170,667
Net investment income	5(f)	113,869	144,382
Profit for the year before income tax		216,878	315,049
Income tax expense	6(a)	(86,076)	(82,308)
Profit for the year		130,802	232,741

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

Consolidated Statement of Comprehensive Income

for the financial year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Profit for the year		130,802	232,741
Other comprehensive income, net of tax			
<i>Items that may be reclassified to profit or loss</i>			
Exchange differences on translation of foreign operations	22	487	322
<i>Items that will not be reclassified to profit or loss</i>			
Revaluation of land and buildings	22	1,990	80
Actuarial (loss)/gain on retirement benefit obligation	23	(741)	722
		1,736	1,124
Total comprehensive income for the year		132,538	233,865

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

Consolidated Balance Sheet

As at 30 June 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents	7	707,992	895,059
Trade and other receivables	8	338,649	311,701
Inventories		749	1,534
Financial assets at fair value through profit or loss	9	1,490,622	1,448,428
Deferred acquisition costs	10	11,320	2,281
Other assets	11	8,209	10,469
Total current assets		2,557,541	2,669,472
Non-current assets			
Property, plant and equipment	12	137,954	88,628
Deferred tax assets	13	8,310	7,771
Intangible assets	14	243,472	338,630
Deferred acquisition costs	10	26,662	10,195
Other assets	11	331	236
Total non-current assets		416,729	445,460
Total assets		2,974,270	3,114,932
Current liabilities			
Trade and other payables	15	345,112	576,799
Financial liabilities at fair value through profit or loss	16	294	23,448
Claims liabilities	17	380,596	395,243
Unearned premium liability	18	621,408	559,466
Tax liability		26,786	1,187
Provisions	20	89,658	68,817
Total current liabilities		1,463,854	1,624,960
Non-current liabilities			
Trade and other payables	15	1,316	1,411
Claims liabilities	17	26,501	11,390
Unearned premium liability	18	43,455	37,469
Provisions	20	45,197	37,003
Total non-current liabilities		116,469	87,273
Total liabilities		1,580,323	1,712,233
Net assets		1,393,947	1,402,699
Equity			
Contributed equity	21	85,000	85,000
Reserves	22	20,933	18,591
Retained earnings	23	1,288,014	1,299,108
Total equity		1,393,947	1,402,699

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

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2014

	Contributed Equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance at 1 July 2012	85,000	18,189	1,515,975	1,619,164
Profit for the year	–	–	232,741	232,741
Other comprehensive income	–	402	722	1,124
Total comprehensive income for the year	–	402	233,463	233,865
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	–	–	(450,330)	(450,330)
Balance at 30 June 2013	85,000	18,591	1,299,108	1,402,699
Profit for the year	–	–	130,802	130,802
Other comprehensive income	–	2,477	(741)	1,736
Total comprehensive income for the year	–	2,477	130,061	132,538
Transfers upon sale of properties (Note 22)	–	(135)	545	410
Transactions with owners in their capacity as owners:				
Dividends provided for or paid	–	–	(141,700)	(141,700)
Balance at 30 June 2014	85,000	20,933	1,288,014	1,393,947

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

Consolidated Statement of Cash Flows

for the financial year ended 30 June 2014

	Note	2014 \$'000	2013 \$'000
Cash flows from operating activities			
Premium receipts		5,718,753	5,256,499
Health Solutions receipts		742,295	456,129
Other receipts		24,295	20,621
Payments for claims and levies		(4,816,594)	(4,562,263)
Payments to suppliers and employees		(1,294,906)	(1,015,465)
Income taxes paid		(61,016)	(51,020)
Net cash inflow from operating activities	31	312,827	104,501
Cash flows from investing activities			
Interest received		53,467	78,040
Investment expenses		(4,707)	(5,738)
Proceeds from sale of financial assets		1,159,253	1,247,126
Purchase of financial assets		(1,159,060)	(931,162)
Proceeds from sale of plant and equipment		4,538	1,064
Purchase of plant and equipment		(69,211)	(27,532)
Purchase of intangible assets		(42,474)	(34,623)
Net cash (outflow)/inflow from investing activities		(58,194)	327,175
Cash flows from financing activities			
Dividends paid		(441,700)	(150,330)
Net cash outflow from financing activities		(441,700)	(150,330)
Net (decrease)/increase in cash and cash equivalents		(187,067)	281,346
Cash and cash equivalents at beginning of period		895,059	613,713
Cash and cash equivalents at end of period	7	707,992	895,059

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

Notes to the Financial Statements

Note 1: Summary of significant accounting policies

The financial statements of Medibank Private Limited ("Medibank Private" or "the Company") for the financial year ended 30 June 2014 ("2014") were authorised for issue in accordance with a resolution of the Directors on 8 August 2014. 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 these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Medibank Private and its subsidiaries.

a. Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Medibank Private is a for-profit entity for the purpose of preparing the financial statements.

The consolidated financial statements of the Medibank Private Group ("the Group") also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivative instruments) at fair value through profit or loss, land and buildings, and claims liabilities.

The preparation of financial statements 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.

i. New and amended standards adopted

AASB 8 *Operating Segments* became applicable for the Group for the annual reporting period commencing 1 July 2013. Although the Group's equity instruments are not currently traded in a public market, application of AASB 8 is required for those entities that file, or are in the process of filing, financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. Information on the Group's operating segments is disclosed in Note 4.

In addition, the following standards became effective for the financial year ended 30 June 2014:

AASB 10 Consolidated Financial Statements and AASB 12 Disclosure of Interests in Other Entities

AASB 10 replaces the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*. Under the new principles, the Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. AASB 12 sets out the disclosure requirements for entities reporting under the new standard, including information about the composition of the Group and any significant judgements made in determining whether the Group has control, joint control or significant influence over another entity.

As the Company holds 100% of the shares in its subsidiaries and does not hold any other types of investments which require equity accounting, there is no difference to the consolidation conclusion of the Company's subsidiaries under AASB 10 than under AASB 127. No adjustments to the consolidated financial statements and no changes to the Group's "principles of consolidation" accounting policy are required as a result of the new standard. No significant judgements were made in determining the Group's control and no additional disclosures are included in the Group's financial report as a result of the adoption of AASB 12.

AASB 13 Fair Value Measurement

AASB 13 *Fair Value Measurement* combines and further expands the fair value measurement guidance previously set out in other standards, for both financial and non-financial assets, and introduces additional related disclosure requirements. There is no change to the circumstances under which an entity is required or permitted to use fair value measurement under the new standard.

The standard introduced new disclosure requirements for the Group's financial report (refer Note 3(iv)) but did not affect the Group's accounting policies or the amounts recognised in the consolidated financial statements, as the fair value measurement techniques used by the Group are in line with the guidance of the new standard.

AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

AASB 2012-2 clarifies some of the requirements for offsetting financial assets and financial liabilities in the statement of financial position and introduces additional disclosure requirements for entities that do so, or have a legally enforceable right to do so, under master netting or similar arrangements.

As the Group does not offset its financial assets and financial liabilities, and has no legally enforceable right to do so, the amendments have no impact on the measurement and classification of these balances and do not require any additional disclosures in the Group's consolidated financial statements.

Revised AASB 119 Employee Benefits

The revised AASB 119 introduced changes relating to accounting for defined benefit plans. Management does not consider the net obligation in respect of defined benefit funds to be material to the Group, therefore these changes have had no material impact on the Group's financial statements.

The revised standard also clarifies the distinction between short-term and long-term employee entitlements for measurement purposes, requiring entities to measure employee entitlement liabilities as long-term liabilities where they are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. Obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur. The application of the revised standard has not had a material impact on the classification and measurement of the Group's employee entitlement provisions.

ii. Early adoption of standards

In the current financial year, the Group elected to early adopt AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*. The adoption had a minor impact on the impairment disclosures set out in Note 14, as the standard removes the requirement of AASB 136 to disclose the recoverable amount of cash-generating units (CGUs) to which goodwill is allocated, when no impairment loss on that goodwill has been recognised.

The Group has not elected to apply any other pronouncements before their operative date in the annual reporting period beginning 1 July 2013. Note 1(ad) provides details of new standards and interpretations which have been published but are not mandatory for 30 June 2014 reporting periods.

iii. Basis of measurement for claims liability – bonus provisions

During the current financial year, the Group revised the measurement basis for its bonus provision liability, which is included within claims liabilities in the balance sheet (refer Note 17(a)). The revised methodology altered the recognition pattern of the bonus provision, by recognising it when a constructive obligation is met.

iv. Changes to presentation and comparative information

When the presentation or classification of items in the financial statements is amended, comparative amounts have been reclassified.

b. Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Medibank Private ("parent entity") as at 30 June 2014 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 over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the 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 acquisition method of accounting is used to account for the acquisition of subsidiaries. The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred and the liabilities incurred. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired, is recorded as goodwill.

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.

Note 1: Summary of significant accounting policies *continued*

c. Segment reporting

Operating segments are identified based on the separate financial information that is regularly reviewed by the Chief Operating Decision Maker (CODM). The term CODM refers to the function performed by the Managing Director in assessing performance and determining the allocation of resources across the Group. Operating segments are aggregated where applicable and reported in accordance with the quantitative and qualitative criteria of AASB 8 *Operating Segments*.

d. Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is Medibank Private's functional and presentation currency.

Foreign currency transactions are translated into Australian currency at the rates of exchange prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are attributable to part of the net investment in a foreign operation. Net foreign exchange gains or losses are presented in the income statement within investment income or investment expense.

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 or loss as outlined in Note 1(m).

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transaction); and

- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

e. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below.

Revenue is recognised for the major business activities as follows:

i. Private health insurance premium revenue (premium revenue)

Premium revenue comprises premiums received inclusive of any Federal 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 includes the movement in the contributions in arrears which is assessed based on the likelihood of collection established from past experience. Premium revenue relating to future financial periods is classified as an unearned premium liability in the balance sheet.

The Australian Government provides a rebate in respect of the premium paid for resident private health insurance. Policyholders can elect to receive this entitlement by paying the net amount of the premium, with the rebate being paid directly by the Government to the Group. 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. Health solutions revenue

Health solutions revenue includes the provision of face-to-face injury management, rehabilitation, allied health and specialist clinical services (including travel

health and dental and eyecare products and services), telephone triage, chronic disease management, web-based health and wellness advice, the provision of clinical decision support software to companies, government and consumers, and the management and co-ordination of healthcare services delivered by third party providers. Revenue from these services is recognised in the period in which the service is provided, having regard to the proportion of completion of the service at the end of each reporting period. The Group recognises as a liability any amounts received for which it has not provided the service at reporting date.

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 profit or loss and derivative financial instruments. Dividends are recognised as revenue when the right to receive payment is established.

iv. 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).

v. Travel, pet and life insurance commission

Travel, pet and life insurance commission is recognised as income in the period in which the service is provided based on the commission agreement.

f. Claims expense

Claims expense consists of claims paid, changes in claims liabilities, change in amounts receivable from and payable to the Risk Equalisation Trust Fund, applicable state levies and costs incurred in providing dental, optical and health management services.

g. Income tax

The income tax expense or revenue for the period is the tax payable or receivable 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and

generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

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, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also 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 substantively enacted by the end of each reporting period 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 is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Medibank Private and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are offset in the consolidated financial statements.

Note 1: Summary of significant accounting policies *continued*

h. Leases

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 (Note 24). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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.

Onerous lease contracts

The Group recognises a provision (refer Note 1(v)) for losses on lease contracts when the Group's unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

i. Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value-in-use. 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

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 and term deposits, commercial paper, negotiable certificates 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.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes all cash assets as described above, net of outstanding bank overdrafts.

k. Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 7 to 30 days, except for premiums in arrears as outlined below. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Objective evidence of impairment for premiums in arrears is 63 days past due. Objective evidence of impairment for trade receivables and sundry debtors is 60 to 90 days past due. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is credited against other expenses in the income statement.

l. Inventories

Inventories consist of 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. Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, trade and other receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

i. 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 fund (Medibank Private), 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 fund. Financial assets that are designated at fair value through profit or loss consist of externally managed equity trusts and direct mandates, and an internally managed fixed income portfolio.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

ii. Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

Recognition and derecognition

Purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade and other receivables are subsequently carried at amortised cost and accrue interest using the effective interest method.

Financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in profit or loss within net investment income in the period in which they arise. Dividend income derived from financial assets at fair value through profit or loss is recognised in profit or loss as part of net investment income when the Group's right to receive payments is established. Interest income from these financial assets is also included in net investment income.

n. Deferred acquisition costs

Acquisition costs incurred in obtaining health insurance contracts are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the consolidated income statement in subsequent reporting periods.

Deferred acquisition costs are amortised systematically over the average expected duration of the insurance contracts to which they relate, in accordance with the expected pattern of the incidence of risk under the insurance contracts to which they relate. This pattern of amortisation corresponds to the earning pattern of the corresponding actual and expected premium revenue. This is subject to the results of liability adequacy testing performed on the unearned premium liability.

The appropriateness of the average expected duration of the insurance contracts is reassessed annually.

Note 1: Summary of significant accounting policies *continued*

o. Property, plant and equipment

Land and buildings (none of which are investment properties) are shown at fair value, based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Other property, plant and equipment is stated as historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the income statement during the reporting period in which they are incurred.

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in equity. To the extent that the increase reverses a decrease previously recognised in the income statement, the increase is first recognised in the income statement. Decreases that reverse previous increases of the same assets are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to the income statement.

Assets under construction are not depreciated until in use.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their costs or revalued amounts, net of any residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

Leasehold improvements	Lease term
Buildings	40 years
Plant and equipment	3- 15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to retained earnings.

p. Intangibles

i. Goodwill

Goodwill is measured as described in Note 1(i). Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is not amortised but it 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. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

ii. Software

Costs incurred in acquiring software and licences 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 and payroll related costs of employees' time spent on the project. Software intangibles are carried at cost less accumulated amortisation and impairment losses (refer Note 1(i)).

Amortisation is calculated on a straight-line basis over the expected useful lives of the software, generally estimated to have a useful life of 1.5 to 7 years. Amortisation is recognised in depreciation and amortisation expense in the income statement.

iii. Customer contracts and relationships

Customer contracts and relationships acquired as part of a business combination are recognised separately from goodwill. The customer contracts and relationships are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses (refer Note 1(i)). Amortisation of customer contracts and relationships is calculated on a straight-line basis over the expected useful lives,

which for assets currently owned by the Group is 10 - 12 years and is recognised in depreciation and amortisation expense in the income statement.

q. Net Risk Equalisation Trust Fund levies and rebates

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

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

r. Claims liabilities and provisions

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 end of each reporting period under insurance cover issued by Medibank Private, plus a risk margin reflecting the inherent uncertainty in the central estimate. The expected future payments are discounted to present value using a risk-free rate.

The liability also allows for an estimate of claims handling costs, which include internal and external costs incurred in connection with the negotiation and settlement of claims. Claims handling costs comprise all direct expenses of the claims department and any part of the general administrative costs directly attributable to the claims function.

s. Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

t. Unearned premium liability

The proportion of premium received that has not been earned at the end of each reporting period is recognised in the balance sheet as unearned premium liability. The liability for unearned premiums is released to the income statement as revenue in accordance with Note 1(e)(i) over the term of the insurance cover. Refer also to Note 18 for details of the split between the current and non-current portion of this balance.

u. Unexpired risk liability

A liability adequacy test is required to be performed to determine whether the insurance liability in respect of the unearned premium liability (contributions in advance) net of deferred acquisition costs and insurance contracts renewable before the next pricing review (constructive obligation) 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, the unearned premium liability is deemed to be deficient, with the entire deficiency being recorded immediately in the income statement. The deficiency is recognised first by writing down any related intangible assets and then related deferred acquisition costs, with any excess being recorded in the balance sheet as an unexpired risk liability.

v. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Note 1: Summary of significant accounting policies *continued*

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Expected future payments are discounted using market yields at the end of the reporting period using Commonwealth Government Bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows. The increase in the provision due to the passage of time is recognised as interest expense.

w. Employee entitlements

i. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. These short-term employee benefit obligations are presented as payables.

ii. Other long-term employee benefit obligations

Liabilities for long service leave and annual leave which are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service, are recognised in the provision for employee entitlements and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period using Commonwealth Government Bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

iii. 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, the profit of the Group and other financial and non-financial key performance indicators. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

iv. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

v. Retirement benefit obligations

All employees of the Group are entitled to benefits from either of the defined benefit superannuation funds, Commonwealth Superannuation Scheme (CSS), and the Public Sector Superannuation Scheme (PSSS), or other funds as nominated by the individual employees. The CSS and PSSS are defined benefit schemes for the Australian Government and provide defined lump sum benefits based on years of service and final average salary. All other funds are defined contribution which receive fixed contributions from Group companies, and the Group's legal or constructive obligation is limited to these contributions.

The liability or asset recognised in respect of the defined benefit superannuation plans is presented in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability or asset is reported by the Department of Finance as an administered item.

One of the Group's subsidiaries, Australian Health Management, 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. The net obligation is presented within trade and other payables in the balance sheet. All actuarial gains and losses are recognised directly in retained earnings through other comprehensive income. Management does not consider the net obligation in respect of these defined benefit funds to be material to the Group as at 30 June 2014.

The Group makes employer contributions to the employees' superannuation schemes at rates determined by an actuary to be sufficient to meet the current cost to the Australian Government for the superannuation entitlements of the Group's employees. The Group accounts for the contributions as if they were contributions to defined contribution plans.

Contributions to defined contribution funds are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

x. Contributed equity

Fully paid ordinary shares are classified as contributed equity.

y. Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

z. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST component of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

aa. Equity Reserve

The parent entity previously entered into a restructure of administrative arrangements, which gave rise to an equity reserve (refer Note 22) representing the difference between the book value of the net assets acquired from Medibank Health Solutions Pty Ltd (formerly Health Services Australia Pty Ltd) and the total purchase consideration.

ab. Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars unless otherwise stated.

ac. Insurance contracts

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.

Note 1: Summary of significant accounting policies *continued*

ad. New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for the Group
AASB 9, AASB 2010-7, AASB 2012-6	Financial Instruments, Amendments to Australian Accounting Standards arising from AASB 9, and Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures. The International Accounting Standards Board issued newly revised IFRS 9 on 24 July 2014, which provides further amendments, but has not yet been endorsed by the Australian Accounting Standards Board.	The revised standard addresses the classification, measurement and derecognition of financial assets and financial liabilities. All financial assets and liabilities are to be recognised at fair value with the exception of debt instruments with basic loan features that are managed on a contracted yield basis. As the Group currently classifies its investments at fair value through profit or loss, the Group does not expect this to have a material impact. The derecognition rules have been transferred from AASB 139 and have not been changed. IFRS 9 also introduces the expected credit losses (ECL) model which is based on the concept of providing for expected impairment losses at inception of a contract. The impairment requirements of IFRS 9 do not apply to the financial assets at fair value through profit or loss; no significant impact is expected for the Group's investments. The Group will be required to evaluate trade receivables for expected lifetime losses, if their credit risk has increased significantly since initial recognition, which is presumed to be the case for receivables that are more than 30 days past due. This is likely to result in the recognition of additional impairment losses by the Group, but based on the ageing profile of the amounts currently past due but not impaired (refer Note 8(b)), the Group does not expect a significant impact on the financial statements.	1 January 2018 (based on newly revised IFRS 9)	1 July 2018 (based on newly revised IFRS 9)
AASB 2012-3	Amendments to Australian Accounting Standard – Offsetting Financial Assets and Financial Liabilities	This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities, including whether entities have a current legally enforceable right of set-off which is not contingent on a future event and the criteria which evidence that the entity intends to settle on a net basis. The Group does not offset its financial assets and liabilities, or have a legally enforceable right to do so; therefore the application of this amendment is not expected to have an impact on the Group's financial statements.	1 January 2014	1 July 2014
Interpretation 21	Accounting for Levies	The Interpretation clarifies the circumstances under which a liability to pay a levy imposed by a government should be recognised. Due to the nature of the Group's operations, the Interpretation is not expected to have a material impact on the financial statements.	1 January 2014	1 July 2014

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

ae. Parent entity financial information

The financial information for the parent entity, Medibank Private, disclosed in Note 32 has been prepared on the same basis as the consolidated financial statements, except as set out below.

i. Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the financial statements of Medibank Private.

ii. Tax consolidation legislation

Medibank Private and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Medibank Private, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Medibank Private also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Medibank Private for any current tax payable assumed and are compensated by Medibank Private for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Medibank Private under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the Group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Note 2: Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a. 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 estimate

The outstanding claims liability comprises the central estimate and a risk margin. The central estimate is an estimate of the level of claims liability 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 central estimate is determined based on analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected central estimate is based on a judgemental consideration of the results and qualitative information.

The central estimate is 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.

Note 2: Critical accounting estimates and judgements *continued*

iii. Financial assumptions used to determine outstanding claims provision

The outstanding claims central estimate is discounted to the net present value using a risk-free rate of return. The risk-free rate applied to the Group's outstanding claims central estimate at 30 June 2014 is 2.71% which equates to a reduction in the central estimate of \$1,477,000 (2013: 2.82%, \$1,491,000).

iv. Bonus provisions

Certain private health insurance products of the Group include benefit categories – PackageBonus, Ultra Bonus and Membership Bonus (the latter of which was introduced in the current financial year), covering additional health related services. A feature of these benefit entitlements is that any unused portion in a calendar year is carried forward to future calendar years, subject to a limit of five years for PackageBonus and ten years for Membership Bonus. Ultra Bonus is carried forward without limit.

The Group's claims liabilities include a provision to cover expected future utilisation of these benefit entitlements in respect of current membership. The true cost of these entitlements cannot be known with certainty until any unclaimed entitlements vest.

v. Risk margins

An overall risk margin is determined after consideration of the uncertainty surrounding the outstanding claims liability. The objective for the Group is to achieve at least a 95% probability of sufficiency (2013: 95%). The calculation of the risk margin has been based on an analysis of the past experience. This analysis examined the volatility of past payments in comparison to the central estimate.

The risk margin applied to the Group's outstanding claims central estimate at 30 June 2014 is 7.7% which equates to \$25,546,000 (2013: 5.0%, equated to \$18,534,000).

vi. Impact of changes in key variables on the outstanding claims provision

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

	Movement in variable	Financial Impact			
		Consolidated			
		2014		2013	
		Profit/(loss) after tax \$'000	Equity \$'000	Profit/(loss) after tax \$'000	Equity \$'000
Central estimate	+5%	(14,244)	(14,244)	(14,075)	(14,075)
Central estimate	-5%	14,244	14,244	14,075	14,075
Discount rate	+1%	408	408	354	354
Discount rate	-1%	(414)	(414)	(359)	(359)
Risk margin	+1%	(2,381)	(2,381)	(2,595)	(2,595)
Risk margin	-1%	2,381	2,381	2,595	2,595
Weighted average term to settlement*	+1 month	569	569	569	569
Weighted average term to settlement	-1 month	(570)	(570)	(570)	(570)

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

b. Classification and valuation of investments

The Group classifies 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 or loss. In determining the fair value of investments, 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. Investments for which valuation is based on significant unobservable inputs as described above are those classified as Level 3 in the fair value measurement hierarchy (refer Note 3(iv)(c)).

c. Estimated impairment of goodwill and customer contracts and relationships

On an annual basis, the Group tests whether goodwill and customer contracts and relationships have suffered any impairment, in accordance with the accounting policy stated in Note 1(i).

In assessing goodwill for impairment, 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 14 for details of these assumptions.

A key assumption in testing customer contracts and relationships for impairment is the retention of the underlying contracts.

d. Long service leave provision

As discussed in Note 1(w), 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.

e. Useful lives of software

The Group's management determines the estimated useful lives and related amortisation charges for its software and technology. This estimate is based on projected product lifecycles for its high-tech segment. It could change significantly as a result of technical innovations and competitor actions. Where software and technology is purchased or developed to enter new or uncertain but strategically important markets it is expensed as incurred. The useful lives of the Group's software are outlined in Note 1(p)(ii).

During the financial year, management revised the estimated useful life of software/technology held by the Medibank Health Solutions Telehealth CGU to five years (2013: six years). The revision resulted in an additional \$1,147,000 of amortisation being recognised in the income statement for the 2014 financial year.

f. Provision for medical services and accrued revenue

Provision is made for the estimated cost of sub-contracted medical services incurred but not settled or processed at balance date. Accrued revenue comprises unbilled amounts and estimated revenue accrued in relation to sub-contract medical services provided – (Note 20(iv)). The provision and accrued revenue calculation utilise a number of inputs including the number of invoices on hand, an estimate of the invoices not yet received, the average past invoice value or contractual price and the mix of medical service providers.

Note 3: Financial risk management and fair value measurement

This note is prepared in accordance with AASB 7 "Financial Instruments: Disclosures" and AASB 13 "Fair Value Measurements" 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, term deposits, and commercial paper), debentures and floating rate notes (both domestic and global), asset backed securities, hybrid securities, domestic equity trusts, global equity trusts, domestic listed shares, and domestic and global property trusts.

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 is also established and reviewed by the Investment Committee of the Board. The Group predominantly enters into derivative transactions to principally offset positions in equity and forward currency markets, 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, unless explicitly approved by 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 risk, 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 analysis 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 Board Investment Committee under the authority of the Board. The Board Investment Committee 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 Board Investment Committee. The policy is reviewed regularly for changes in the risk environment.
- Strict control over any hedging activities.

The Capital Adequacy Standard requires a private health insurer to demonstrate that the assets of its health benefits fund are sufficient to meet the liabilities of the fund, in the context of enabling the future business plans of the fund, and any difficult market conditions it may encounter.

In addition, the Solvency Standard requires that the Board of a private health insurer must endorse a liquidity management plan. This plan must consider the liquidity and concentration of assets held under stressed market conditions. Medibank Private operates a capital management policy and liquidity management plan that establishes target levels above minimum regulatory requirements.

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.

At the balance date, the Group had exposure to the risk of changes in market interest rates in respect of its cash and cash equivalents and debentures and notes. Cash and cash equivalents are short-term money market investments primarily incorporating bills, commercial papers, negotiable certificates of deposit, and term deposits.

Debentures and notes primarily consist of floating rate notes (FRNs) 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 longer-term investments are reset every 90 days on average.

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 after tax and equity would have been affected as follows:

Consolidated	Profit after tax		Equity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Judgements of reasonably possible movements				
+60 bps (2013: +120 bps)	8,131	16,389	8,131	16,389
-60 bps (2013: -120 bps)	(8,131)	(16,389)	(8,131)	(16,389)

The assessment of reasonably possible movements was made with guidance from the Australian Department of Finance.

At the balance date, the Group had the following financial assets exposed to Australian variable interest rate risk that are not designated in a hedging relationship:

	Consolidated	
	2014 \$'000	2013 \$'000
Assets		
Cash and cash equivalents	707,992	895,059
Financial assets at fair value through profit or loss		
– Debentures and notes	858,764	782,032
– Unit trusts	340,943	340,648
– Private equity	270	1,030
	1,907,969	2,018,769

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, Pound Sterling and New Zealand dollar 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.

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 2014, the Group had the following net exposure to foreign currency movements:

	Consolidated	
	2014 \$'000	2013 \$'000
Assets		
Net financial assets at fair value through profit or loss		
– Unit trusts	76,022	167,668
	76,022	167,668

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

Note 3: Financial risk management and fair value measurement *continued*

At 30 June 2014, the Group had entered offsetting positions for 48% (2013: 90%) of its foreign currency translation exposure resulting from Global investments. The decrease in the current financial year was due to a change in the Group's foreign exchange hedging strategy.

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

Consolidated	Profit after tax		Equity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Judgements of reasonably possible movements				
AUD/USD +11.5% (2013: +15%)	(1,875)	(943)	(1,875)	(943)
AUD/USD -11.5% (2013: -15%)	1,875	943	1,875	943
AUD/GBP +11.5% (2013: +15%)	(442)	(66)	(442)	(66)
AUD/GBP -11.5% (2013: -15%)	442	66	442	66
AUD/EUR +11.5% (2013: +15%)	(522)	(218)	(522)	(218)
AUD/EUR -11.5% (2013: -15%)	522	218	522	218
AUD/JPY +11.5% (2013: +15%)	(321)	(155)	(321)	(155)
AUD/JPY -11.5% (2013: -15%)	321	155	321	155
AUD/NZD +11.5% (2013: +15%)	(180)	(483)	(180)	(483)
AUD/NZD -11.5% (2013: -15%)	180	483	180	483

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 the Department of Finance.

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

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, absolute return funds and listed 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 style 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.

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

Consolidated	Profit after tax		Equity	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Judgements of reasonably possible movements				
Australian Equity & Absolute Return Fund +6.4% (2013: +10%)	16,891	24,739	16,891	24,739
Australian Equity & Absolute Return Fund -6.4% (2013: -10%)	(16,891)	(24,739)	(16,891)	(24,739)
Australian Property Investments +6.7% (2013: +9%)	5,018	6,451	5,018	6,451
Australian Property Investments -6.7% (2013: -9%)	(5,018)	(6,451)	(5,018)	(6,451)
Global Listed Infrastructure Investments +8.0% (2013: +9%)	2,177	2,140	2,177	2,140
Global Listed Infrastructure Investments -8.0% (2013: -9%)	(2,177)	(2,140)	(2,177)	(2,140)
Global Equity Investments +8.1% (2013: +12%)	6,909	14,473	6,909	14,473
Global Equity Investments -8.1% (2013: -12%)	(6,909)	(14,473)	(6,909)	(14,473)
Emerging Market Investments: n/a (2013: +20%)	-	636	-	636
Emerging Market Investments: n/a (2013: -20%)	-	(636)	-	(636)

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 believes 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 or 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 the majority of 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 counterparty exposure limits. These limits specify that no more than 25% of the cash portfolio can be invested in any one counterparty bank and no

more than 10% in any one counterparty corporate entity. In respect of the Group's debentures and notes portfolio, the maximum amounts that can be invested in any one counterparty bank and any one counterparty corporate entity are 50% and 15% of the portfolio respectively. As at 30 June 2014 and 2013, the counterparty exposure of the Group was within these limits.

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

b. Trade and other receivables

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. Debt collection agencies are also used to obtain settlement.

There are no significant concentrations of premium credit risk within the Group.

Note 3: Financial risk management and fair value measurement *continued*

c. Counter-party credit risk ratings

The following table provides information regarding the credit risk exposure of the Group at 30 June 2014 by classifying assets according to credit ratings of the counter-parties. 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 Standard & Poor's correlations.

Consolidated						
Short-Term Long-Term 2014	A-1+ AAA \$'000	A-1+ AA \$'000	A-1 A \$'000	A-2 BBB \$'000	Not rated \$'000	Total \$'000
Assets						
Cash and cash equivalents	10,250	473,935	149,232	90,812	(16,237)	707,992
Premiums in arrears	–	–	–	–	7,364	7,364
Trade and other receivables	–	–	–	–	331,285	331,285
Financial assets						
Unit trusts – unlisted	–	–	–	–	340,943	340,943
Australian listed equities	–	–	–	19,863	155,415	175,278
Debentures and notes	113,380	392,892	308,552	43,940	–	858,764
Absolute return fund	–	–	–	–	114,744	114,744
Private equity	–	–	–	–	270	270
Derivatives	–	521	102	–	–	623
Total	123,630	867,348	457,886	154,615	933,784	2,537,263

Consolidated						
Short-Term Long-Term 2013	A-1+ AAA \$'000	A-1+ AA \$'000	A-1 A \$'000	A-2 BBB \$'000	Not rated \$'000	Total \$'000
Assets						
Cash and cash equivalents	280	640,534	169,312	106,361	(21,428)	895,059
Premiums in arrears	–	–	–	–	8,461	8,461
Trade and other receivables	–	–	–	–	303,240	303,240
Financial assets						
Unit trusts – unlisted	–	–	–	–	340,648	340,648
Australian listed equities	–	–	–	19,858	184,250	204,108
Debentures and notes	116,961	456,749	198,934	9,388	–	782,032
Absolute return fund	–	–	–	–	113,746	113,746
Private equity	–	–	–	–	1,030	1,030
Derivatives	–	979	5,885	–	–	6,864
Total	117,241	1,098,262	374,131	135,607	929,947	2,655,188

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.

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 a counter-party failing on repayment of a contractual obligation; or insurance liability falling due for payment earlier than expected; or inability to generate cash inflows as anticipated.

In order to maintain appropriate levels of liquidity, the Group's policy is to hold at least 45% of its total investment assets in short-term, highly liquid bank bills, tradeable commercial paper and short dated floating rate notes, maturing in 365 days or less.

The table below reflects all contractually fixed pay-offs for settlement and interest resulting from recognised financial liabilities as at 30 June 2014, as well as the respective undiscounted cash flows for the respective upcoming fiscal years. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2014.

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 ongoing operations such as property, plant and equipment and investments in working capital. 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 and estimated timing of net cash outflows from claims liabilities are:

Consolidated 2014	Under 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000s	Over 2 years \$'000s	Total contractual cash flows \$'000	Carrying amount \$'000
Trade and other payables	344,411	701	466	850	346,428	346,428
Claims liabilities	350,070	31,760	17,392	9,352	408,574	407,097
	694,481	32,461	17,858	10,202	755,002	753,525

Consolidated 2013	Under 6 months \$'000	6 to 12 months \$'000	1 to 2 years \$'000s	Over 2 years \$'000s	Total contractual cash flows \$'000	Carrying amount \$'000
Trade and other payables	576,492	307	595	816	578,210	578,210
Claims liabilities	370,416	26,255	9,080	2,478	408,229	406,633
	946,908	26,562	9,675	3,294	986,439	984,843

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.

Note 3: Financial risk management and fair value measurement *continued*

iv. Fair value measurement

a. Fair value hierarchy

The Group classifies the fair value measurement of its investments by level of the following fair value measurement hierarchy:

- i. Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- ii. Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- iii. Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table presents the Group's assets and liabilities measured and recognised at fair value at 30 June 2014. Comparative information for non-financial assets has not been provided as permitted by the transitional provisions of AASB 13.

Consolidated As at 30 June 2014	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Recurring fair value measurements					
Financial assets at fair value through profit or loss					
Unit trusts		349	340,594	–	340,943
Australian listed equities		175,238	–	40	175,278
Debentures and notes		200,195	658,569	–	858,764
Absolute return funds		12,884	101,860	–	114,744
Private equity		–	–	270	270
Derivatives		–	623	–	623
	9	388,666	1,101,646	310	1,490,622
Non-financial assets					
Land and buildings	12	–	–	36,050	36,050
		–	–	36,050	36,050
Financial liabilities at fair value through profit or loss					
Derivatives	16	–	(294)	–	(294)
		–	(294)	–	(294)

Consolidated As at 30 June 2013	Note	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss					
Unit trusts		35,655	291,460	13,533	340,648
Australian listed equities		204,067	41	–	204,108
Debentures and notes		246,942	535,090	–	782,032
Absolute return funds		20,033	93,713	–	113,746
Private equity		–	–	1,030	1,030
Derivatives		–	6,864	–	6,864
	9	506,697	927,168	14,563	1,448,428
Financial liabilities at fair value through profit or loss					
Derivatives	16	–	(23,448)	–	(23,448)
		–	(23,448)	–	(23,448)

The Group's other financial instruments, being trade and other receivables and trade and other payables, are not measured at fair value. The fair value of these instruments has not been disclosed, as due to their short-term nature, their carrying amounts are assumed to approximate their fair values.

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at 30 June 2014.

The Group recognises any transfers into and out of fair value hierarchy levels from the date of effect of the transfer. During the financial year, an amount of \$40,000 (2013: \$16,536,000) was transferred from Level 2 to Level 3 in the fair value hierarchy (refer to Note 3(iv)(c) below). There were other no transfers into or out of Level 3, and no significant transfers between Level 1 and Level 2 during the year ended 30 June 2014.

b. Valuation techniques

Financial assets and liabilities

The fair value of financial instruments traded in active markets (such as exchange traded equities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined using a variety of valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Valuation methods include quoted market prices or dealer quotes for similar instruments, and yield curve calculations using the mid yield, vendor or independent developed models. These instruments are included in Level 2 classification.

The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in Level 2.

All other financial instruments, where the valuation technique is based on significant unobservable inputs, are included in Level 3. There were no changes made during the financial year to the valuation techniques applied as of 30 June 2013.

Non-financial assets (land and buildings)

The valuation basis for 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 Group's land and buildings were made as at 30 June 2014 and were based on independent assessments by external valuation experts who were members of the Australian Property Institute.

The valuation methodologies reconcile the estimated value of the properties under the capitalisation and the discounted cash flow approaches, or under the capitalisation and the direct comparison approaches, and assume a notional lease at market rent subject to normal commercial terms and conditions.

Under the capitalisation approach, the net market rental income as at the valuation date is capitalised at an appropriate market yield to estimate the value of the property. Under the discounted cash flow approach, the estimated future annual net cash flows over a notional lease term, including the expected terminal sales value, are discounted to present value. The direct comparison approach compares the rates assumed for the Group's properties to those for actual observable sales of similar properties, to arrive at a resultant valuation range.

The fair value of land and buildings is included in Level 3 in the fair value hierarchy.

Note 3: Financial risk management and fair value measurement *continued*

c. Fair value measurements using significant unobservable inputs (Level 3)

The following tables present the changes in Level 3 instruments for the year ended 30 June 2014:

Consolidated	Financial assets \$'000	Land and buildings \$'000	Total \$'000
Opening balance 1 July 2012	1,030		1,030
Transfers into Level 3	16,536		16,536
Losses recognised in profit or loss	(3,003)		(3,003)
Closing balance 30 June 2013	14,563		14,563
Opening balance 1 July 2013	14,563		14,563
Adoption of AASB 13	–	33,707	33,707
Transfers into Level 3	40	–	40
Carrying value of disposals	(14,078)	(2,107)	(16,185)
Depreciation	–	(715)	(715)
Revaluations	–	5,165	5,165
Losses recognised in profit or loss	(215)	–	(215)
Closing balance 30 June 2014	310	36,050	36,360

Financial assets

The opening balance of Level 3 financial assets at fair value through profit or loss is made up of an investment in a private equity trust, two direct investments in an unlisted domestic company and a holding in an unlisted unit trust which at 30 June 2013 was illiquid. Due to the nature of the business the valuations of these investments could not be based on observable market inputs and therefore are classified as Level 3 investments. The closing balance comprises a direct investment in an unlisted domestic company and the remaining holdings in a listed Australian equity fund which at 30 June 2014 was illiquid.

There are no reasonably possible movements in unobservable inputs or inter-relationships between these inputs that would materially affect the carrying value of the Group's Level 3 financial assets.

Non-financial assets (land and buildings)

The valuation of the Group's land and buildings is performed by an external valuation expert as described in Note 3(iv)(b). Significant assumptions used in the valuation include:

	2014 %
Capitalisation approach	
Core market yield	8.0–9.5
Discounted cash flow approach	
Discount rate	9.8
Terminal yield	10.0

An increase in either the yield and/or the discount rate would result in a decrease in the valuation of the property. Similarly, decreases in these inputs would result in an increase in the valuation. Based on the range of potential values for these inputs provided in the valuation report, there are no reasonably possible movements which would have a significant impact on the valuation.

v. Insurance risk

Medibank Private provides 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. The Group 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 dependent.

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

Ability to vary premium rates

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

Risk equalisation

The Private Health Insurance Act requires resident private 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: Segment information

a. Description of segments

The segments of the Group are determined based on the reports received and reviewed by the Managing Director and used in making strategic decisions.

The Group has one reportable segment, Health Insurance, which provides a range of health insurance products to Australian residents, overseas visitors and overseas students.

The results of the non-reportable segments of the Group have been aggregated and disclosed within the "all other segments" category. The revenue of these segments is derived mainly from complementary service related businesses relating to the provision of an extensive range of healthcare services and commissions earned from the sale of diversified insurances on behalf of third party insurers, for which the Group is an authorised representative.

b. Segment information provided to the Managing Director

The segment information provided to the Managing Director for the year ended 30 June 2014 is as follows:

Consolidated Year ended 30 June 2014	Health Insurance \$'000	All other segments \$'000	Total \$'000
Revenues			
Total segment revenue	5,648,679	754,530	6,403,209
Inter-segment revenue	–	(31,432)	(31,432)
Revenue from external customers	5,648,679	723,098	6,371,777
Operating profit	250,791	26,738	277,529
<i>Items included in segment operating profit:</i>			
Depreciation and amortisation	(33,559)	(17,609)	(51,168)
Impairment expenses	–	(603)	(603)

Consolidated Year ended 30 June 2013	Health Insurance \$'000	All other segments \$'000	Total \$'000
Revenues			
Total segment revenue	5,344,083	559,357	5,903,440
Inter-segment revenue	–	(42,800)	(42,800)
Revenue from external customers	5,344,083	516,557	5,860,640
Operating profit	204,277	8,551	212,828
<i>Items included in segment operating profit:</i>			
Depreciation and amortisation	(31,107)	(10,970)	(42,077)
Impairment expenses	–	(2,098)	(2,098)

c. Other segment information

i. Segment revenue

Segment revenue from external parties reported to the Managing Director is measured in a manner consistent with that in the Group's consolidated income statement. Total segment revenue from external customers corresponds to the Group's total revenue per the consolidated income statement. The Group is not reliant on any one major customer. Transactions between segments are carried out on arm's length basis and are eliminated on consolidation.

ii. Segment operating profit or loss

The Managing Director measures the performance of the Group's operating segments based on the operating profit of those segments.

A reconciliation of the operating profit of the reportable segments to the consolidated profit before tax of the Group is as follows:

		Consolidated	
	Note	2014 \$'000	2013 \$'000
Total operating profit for reportable segments		277,529	212,828
Restructuring expenses		(35,050)	–
Impairment expenses:			
Goodwill	14	(88,850)	(143)
Software – acquired and under construction	14	(10,706)	(5,697)
Unallocated to operating segments:			
Depreciation and amortisation		(11,707)	(12,988)
Corporate operating expenses		(29,220)	(25,654)
Total corporate operating expenses		(40,927)	(38,642)
Net investment income	5(f)	113,869	144,382
Other income	5(b)	10,333	2,321
Other expenses		(9,320)	–
Consolidated profit before tax		216,878	315,049

Restructuring expenses

In the current financial year, the Group undertook a significant restructuring programme within its other operating segments. This was driven by the loss of a key customer contract within the Medibank Health Solutions Workplace Health CGU. The resulting restructuring expense has been reported to the Managing Director outside of the impacted segments' operating profit, as these costs relate to reorganisation activities that are one-off in nature.

Impairment

The impairment of goodwill is not reported within the measure of profit or loss reported to the Managing Director, as the Managing Director regards such items to be one-off expenses outside of the normal trading activities of the CGU. The CGUs to which the goodwill impairment relates form part of the Group's other operating segments (refer Note 14).

The impairment loss on acquired software is excluded as it relates to the write-down of the fair value which was determined upon acquisition of one of the Group's subsidiaries (the amortisation of which is not allocated to an operating segment).

The impairment loss on software under construction has been excluded from the measure of profit or loss provided to the Managing Director, as it arose from the allocation of the impairment loss on the Medibank Health Solutions Workplace Health CGU (refer Note 14), and is considered to be one-off in nature.

Note 4: Segment information *continued*

Other items

Segment operating profit also excludes the following:

- interest, distribution and dividend income and related investment management expenses (refer Note 5(f)), as this represents income from outside of the Group's normal scope of operations and arises from investments which are managed by a central treasury function;
- net gains and losses on disposals of and fair value movements in financial assets and liabilities (refer Note 5(f)), as they are not indicative of the Group's long-term performance;
- other income (refer Note 5(b)), which does not relate to the trading activities of the Group's segments;
- depreciation, amortisation and operating expenses of the Group's Corporate function, which are not allocated to operating segments; and
- other expenses which include initial public offering preparation expenses incurred by the Group and the loss on the sale of a minor line of business during the financial year.

iii. Segment assets and segment liabilities

No information regarding segment assets and segment liabilities has been disclosed, as these amounts are not reported to the Managing Director for the purpose of making strategic decisions. The Group's investments are not considered to be segment assets and are managed by the Group's central treasury function.

iv. Geographic information

Segment revenues based on the geographical location of customers has not been disclosed, as the Group derives substantially all of its revenues from its Australian operations.

Note 5: Revenue and expenses

	Note	Consolidated	
		2014 \$'000	2013 \$'000
a. Insurance underwriting result			
Private health insurance premium revenue		5,648,679	5,344,083
Claims expense			
Claims incurred	i	(4,953,344)	(4,683,306)
State levies		(45,613)	(43,484)
Net Risk Equalisation Trust Fund rebates		116,760	98,196
		(4,882,197)	(4,628,594)
Other claims expense		(2,069)	(2,329)
Net claims incurred		(4,884,266)	(4,630,923)
Underwriting expenses		(513,622)	(508,883)
Underwriting result after expenses		250,791	204,277
b. Other income			
Interest		–	22
Revaluation – land and buildings		2,324	599
Other income	ii	8,009	1,700
		10,333	2,321

i. Prior to elimination of transactions with the Group's other operating segments of \$29,807,000 (2013: \$38,807,000).

ii. Other income includes sub-lease rental income, gains on disposal of non-current assets, amounts recoverable from the Commonwealth Government relating to initial public offering (IPO) preparation expenses incurred by the Group, and income from other miscellaneous sources.

		Consolidated	
		2014	2013
		\$'000	\$'000
	Note		
c. Employee benefits expense			
Defined contribution superannuation expense		29,394	30,085
Other employee benefits expense		434,457	431,814
		463,851	461,899
d. Lease expense			
Operating lease rental expense		50,876	35,166
		50,876	35,166
e. Depreciation and amortisation expense			
Depreciation:			
Land and buildings	12	715	748
Plant and equipment	12	6,466	6,712
Leasehold improvements	12	12,786	8,766
Amortisation:			
Internally generated software	14	26,751	27,183
Acquired software	14	2,513	3,576
Customer contracts and relationships	14	7,132	7,146
Deferred acquisition costs	10	6,512	934
		62,875	55,065
f. Net investment income			
Interest		60,296	84,783
Trust distributions		13,097	13,868
Dividend income		4,842	6,901
Investment management fees		(4,241)	(5,710)
Net gain on fair value movements in financial assets		25,268	59,279
Net gain/(loss) on disposal of financial assets		14,607	(14,739)
		113,869	144,382

Note 6: Income tax expense

	Consolidated	
	2014 \$'000	2013 \$'000
a. Income tax expense		
Current tax	98,301	80,441
Deferred tax	(8,845)	8,731
Adjustment for tax of prior period	(3,380)	(6,864)
	86,076	82,308
b. Numerical reconciliation of income tax expense to prima facie tax payable		
Profit for the year before income tax expense	216,878	315,049
Tax at the Australian tax rate of 30% (2013 – 30%)	65,063	94,515
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Entertainment	372	337
Impairment	26,655	43
Tax offset for franked dividends	(1,794)	(2,062)
Net research and development tax concession	–	(2,570)
Sundry items	(840)	(1,091)
	89,456	89,172
Adjustment for current tax of prior period	(3,380)	(6,864)
Income tax expense	86,076	82,308
c. Amounts recognised in other comprehensive income		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to other comprehensive income		
Net deferred tax – (credited)/debited directly to other comprehensive income relating to:		
Items that will not be reclassified to profit or loss	(533)	505
	(533)	505

d. Tax consolidation legislation

On adoption of the tax consolidation legislation, the entities in the tax consolidated group entered into a tax sharing agreement which, in the opinion of the Directors, limits the joint and several liability of the wholly-owned entities in the case of a default by the head entity, Medibank Private. The entities have also entered into a tax funding agreement as described in Note 1(ae)(ii).

Amounts receivable from or payable to entities within the Group which arise under the tax funding agreement are eliminated upon consolidation.

Note 7: Cash and cash equivalents

	Consolidated	
	2014 \$'000	2013 \$'000
Cash and cash equivalents	707,992	895,059

Note 8: Trade and other receivables

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Premiums in arrears		11,682	12,124
Allowance for impairment loss	i	(4,318)	(3,663)
		7,364	8,461
Trade receivables		139,504	103,730
Allowance for impairment loss	ii	(2,289)	(1,303)
		137,215	102,427
Goods and services tax		1,693	3,091
Government rebate scheme	a	126,584	126,847
Risk Equalisation Trust Fund		34,696	29,802
Accrued revenue		30,783	41,073
Other receivables		314	–
		194,070	200,813
Total trade and other receivables		338,649	311,701

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 \$4,318,000 (2013: \$3,663,000) has been recognised by the Group. This amount has been offset against premium revenue in the income statement.

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

	Consolidated	
	2014 \$'000	2013 \$'000
Balance at 1 July	3,663	2,496
Charge for the year	1,663	2,272
Amounts recovered	(1,008)	(1,050)
Amounts written-off	–	(55)
Balance at 30 June	4,318	3,663

Note 8: Trade and other receivables *continued*

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 \$2,289,000 (2013: \$1,303,000) has been recognised by the Group at 30 June 2014. The movement for the period forms part of other expenses in the income statement.

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

	Consolidated	
	2014 \$'000	2013 \$'000
Balance at 1 July	1,303	1,445
Charge for the year	2,217	426
Amounts recovered	(1,164)	(303)
Amounts written off	(67)	(265)
Balance at 30 June	2,289	1,303

a. Considered impaired

Consolidated	Total \$'000	0-30 days \$'000	31-60 days \$'000	61-90 days \$'000	+91 days \$'000
2014					
Premiums in arrears	4,318	1,114	1,941	357	906
Trade receivables	2,289	–	–	–	2,289
	6,607	1,114	1,941	357	3,195
2013					
Premiums in arrears	3,663	889	1,438	258	1,078
Trade receivables	1,303	–	–	–	1,303
	4,966	889	1,438	258	2,381

b. Past due but not considered impaired

Consolidated	Total \$'000	0-30 days \$'000	31-60 days \$'000	61-90 days \$'000	+91 days \$'000
2014					
Premiums in arrears	7,364	4,229	2,927	113	95
Trade receivables	9,681	7,374	824	489	994
	17,045	11,603	3,751	602	1,089
2013					
Premiums in arrears	8,461	6,833	1,592	9	27
Trade receivables	8,678	4,295	1,746	1,012	1,625
	17,139	11,128	3,338	1,021	1,652

Receivables past due but not considered impaired at 30 June 2014 for the Group are \$17,045,000 (2013: \$17,139,000). Each business unit of the Group has reviewed their individual debtors 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 9: Financial assets at fair value through profit or loss

	Consolidated	
	2014 \$'000	2013 \$'000
Unit trusts	340,943	340,648
Australian listed equities	175,278	204,108
Debentures and notes	858,764	782,032
Absolute return funds	114,744	113,746
Private equity	270	1,030
Derivatives	623	6,864
	1,490,622	1,448,428

Financial assets at fair value through profit or 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 on either a monthly, quarterly or biannual basis with an average maturity of 2,802 days (2013: 3,116 days).

The Group invests in absolute return funds which aim to deliver positive investment returns regardless of market performance. The investment is under a discrete mandate arrangement, whereby the investment manager has the authority to invest in a range of asset classes on behalf of the Group, within the terms of the investment management agreement.

Floating rate notes are classified as financial assets at fair value through profit or loss in the Group's balance sheet. They are carried at market value, which approximates fair value.

Note 10: Deferred acquisition costs

	Consolidated	
	2014 \$'000	2013 \$'000
Current		
Deferred acquisition costs	11,320	2,281
	11,320	2,281
Non-current		
Deferred acquisition costs	26,662	10,195
	26,662	10,195

Movements in the deferred acquisition costs are as follows:

Balance at beginning of year	12,476	–
Costs deferred during the year	32,018	13,410
Amortisation expense	(6,512)	(934)
	37,982	12,476

Note: Movement includes both current and non-current.

The result of liability adequacy testing performed on the unearned premium liability at 30 June 2014 and 30 June 2013 was that there existed a surplus to support recognition of the deferred acquisition cost balance and no write-down of the balance was required.

Notes to the Financial Statements (continued)

Note 11: Other assets

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Current			
Prepayments	i	8,209	10,469
		8,209	10,469
Non-current			
Artworks	ii	236	236
Other assets		95	–
		331	236

i. Expenses paid in advance.

ii. These represent works of art displayed at the Medibank Private Head Office and are measured at cost.

All amounts are not considered past due or impaired.

Note 12: Property, plant and equipment

Consolidated	Land and buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Assets under construction \$'000	Total \$'000
2014					
Gross carrying amount					
Balance at 1 July 2013	35,891	50,719	68,544	10,440	165,594
Additions	–	1,857	7,359	59,995	69,211
Transfers in/(out)	–	743	644	(1,928)	(541)
Disposals	(2,140)	(15,083)	(10,999)	–	(28,222)
Revaluations	4,450	–	–	–	4,450
Balance at 30 June 2014	38,201	38,236	65,548	68,507	210,492
Accumulated depreciation and impairment					
Balance at 1 July 2013	(2,184)	(33,224)	(41,558)	–	(76,966)
Depreciation expense	(715)	(6,466)	(12,786)	–	(19,967)
Disposals	33	13,627	10,020	–	23,680
Revaluations	715	–	–	–	715
Impairment	–	–	–	–	–
Balance at 30 June 2014	(2,151)	(26,063)	(44,324)	–	(72,538)

Consolidated	Land and buildings \$'000	Plant and equipment \$'000	Leasehold improvements \$'000	Assets under construction \$'000	Total \$'000
2013					
Gross carrying amount					
Balance at 1 July 2012	35,891	50,611	60,970	742	148,214
Additions	–	4,444	12,605	10,863	27,912
Transfers in/(out)	–	591	93	(684)	–
Disposals	–	(4,927)	(5,124)	(481)	(10,532)
Balance at 30 June 2013	35,891	50,719	68,544	10,440	165,594
Accumulated depreciation and impairment					
Balance at 1 July 2012	(2,151)	(31,471)	(37,320)	–	(70,942)
Depreciation expense	(748)	(6,712)	(8,766)	–	(16,226)
Disposals	–	4,807	4,970	–	9,777
Revaluations	715	–	–	–	715
Writeback of/(impairment)	–	152	(442)	–	(290)
Balance at 30 June 2013	(2,184)	(33,224)	(41,558)	–	(76,966)
Closing net book amount					
As at 30 June 2014	36,050	12,173	21,224	68,507	137,954
As at 30 June 2013	33,707	17,495	26,986	10,440	88,628

a. Valuations of land and buildings

The valuation basis for land and buildings is described in Note 3(iv).

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	
	2014 \$'000	2013 \$'000
Land and buildings		
Cost	35,734	36,917
Accumulated depreciation	(5,153)	(5,175)
Net book amount	30,581	31,742

Note 13: Deferred tax assets

	Consolidated	
	2014 \$'000	2013 \$'000
Deferred tax balances comprise temporary differences attributable to items:		
<i>Recognised in the income statement</i>		
Trade and other receivables	1,125	353
Financial assets at fair value through profit or loss	(19,581)	(11,610)
Other assets	(11,395)	(3,639)
Property, plant and equipment	7,718	12,559
Intangible assets	(19,270)	(20,057)
Employee entitlements	19,519	20,483
Provisions and other payables	28,002	9,397
Business capital costs	2,138	764
	8,256	8,250
<i>Recognised directly in other comprehensive income</i>		
Revaluation of land and buildings	(979)	(1,102)
Actuarial loss on retirement benefit obligation	1,033	623
	54	(479)
Net deferred tax assets	8,310	7,771

Note 14: Intangible assets

Consolidated	Goodwill \$'000	Customer Contracts and Relationships \$'000	Internally Generated Software ⁱ \$'000	Acquired Software ⁱ \$'000	Assets under construction \$'000	Total \$'000
2014						
Gross carrying amount						
Balance at 1 July 2013	199,480	82,080	169,680	17,874	42,129	511,243
Additions	–	–	2,937	–	39,537	42,474
Transfers in/(out)	–	–	38,018	–	(39,026)	(1,008)
Disposals	–	–	(1,499)	–	–	(1,499)
Balance at 30 June 2014	199,480	82,080	209,136	17,874	42,640	551,210
Accumulated amortisation and impairment						
Balance at 1 July 2013	(2,666)	(29,524)	(127,575)	(12,848)	–	(172,613)
Amortisation expense	–	(7,132)	(26,751)	(2,513)	–	(36,396)
Disposals	–	–	1,430	–	–	1,430
Impairment	(88,850)	–	(603)	(1,203)	(9,503)	(100,159)
Balance at 30 June 2014	(91,516)	(36,656)	(153,499)	(16,564)	(9,503)	(307,738)

i. Software includes capitalised development costs being an internally generated intangible asset and software acquired through the purchase of Medibank Health Solutions Telehealth Pty Ltd.

Consolidated	Goodwill \$'000	Customer Contracts and Relationships \$'000	Internally Generated Software ⁱ \$'000	Acquired Software ⁱ \$'000	Assets under construction \$'000	Total \$'000
2013						
Gross carrying amount						
Balance at 1 July 2012	199,480	82,080	162,691	17,874	25,567	487,692
Additions	–	–	13,956	–	20,667	34,623
Transfers in/(out)	–	–	3,679	–	(3,679)	–
Disposals	–	–	(10,646)	–	(426)	(11,072)
Balance at 30 June 2013	199,480	82,080	169,680	17,874	42,129	511,243
Accumulated amortisation and impairment						
Balance at 1 July 2012	(2,523)	(22,378)	(108,692)	(3,575)	–	(137,168)
Amortisation expense	–	(7,146)	(27,183)	(3,576)	–	(37,905)
Disposals	–	–	10,398	–	–	10,398
Impairment	(143)	–	(2,098)	(5,697)	–	(7,938)
Balance at 30 June 2013	(2,666)	(29,524)	(127,575)	(12,848)	–	(172,613)
As at 30 June 2014	107,964	45,424	55,637	1,310	33,137	243,472
As at 30 June 2013	196,814	52,556	42,105	5,026	42,129	338,630

i. Software includes capitalised development costs being an internally generated intangible asset and software acquired through the purchase of Medibank Health Solutions Telehealth Pty Ltd.

a. Impairment charge

Internally generated and acquired software

The impairment charge of \$1,806,000 (2013: \$7,795,000) arose mainly as a result of the outcome of customer contract agreements whereby the software will be replaced earlier than anticipated.

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 Group's goodwill allocation is presented below.

CGU	Note	Total \$'000
2014		
Health Insurance	i	96,133
Medibank Health Solutions Workplace Health		–
Medibank Health Solutions Telehealth		11,831
		107,964
2013		
Australian Health Management	i	96,133
Medibank Health Solutions Workplace Health		8,850
Medibank Health Solutions Telehealth		91,831
		196,814

i. Following the merging of the former Australian Health Management fund with the Medibank Private health benefits fund in the 2013 financial year and the continued integration of the management of the two brands in the current financial year, the Group has revised the structure of its CGUs and has concluded that the Health Insurance segment now comprises one CGU, which incorporates both brands (Medibank and ahm health insurance). The goodwill which was previously allocated to the Australian Health Management CGU is now allocated to the Health Insurance CGU and has been tested for impairment at this level in the current financial year.

Note 14: Intangible assets *continued*

The impairment charge of \$88,850,000 (2013: \$143,000) relates to the write-down of goodwill attributable to the Medibank Health Solutions Workplace Health CGU of \$8,850,000 (2013: \$nil) and the Medibank Health Solutions Telehealth CGU of \$80,000,000 (2013: \$nil). These CGUs are included within the Group's other operating segments (refer Note 4).

The impairment charge recognised on the Medibank Health Solutions Workplace Health CGU goodwill is attributable to the loss of a key customer contract which significantly impacted the future cash flow performance of the CGU and reduced its recoverable amount to below its carrying value. The impairment charge was allocated first to reduce the carrying amount of the CGU's goodwill to nil, and then to reduce the carrying amount of the CGU's other non-financial assets to the higher of their fair value less costs of disposal and value in use, which resulted in the recognition of an impairment charge on software assets under construction (refer below). The residual impairment losses were not allocated against the other assets of the CGU, as their fair value is represented by their carrying value.

The impairment charge recognised on the Medibank Health Solutions Telehealth goodwill is attributable to a number of factors, the key one being greater uncertainty surrounding the CGU's longer-term future cash flow performance, as a result of increased competition in the market from new entrants and continual technological developments. The impairment charge was also impacted by an unfavourable movement in the discount rate and the realisation of acquisition-related synergies which have been fully consumed by the Group.

Assets under construction

The impairment charge of \$9,503,000 (2013: \$nil) relates to the write-down of a software asset under construction in the Medibank Health Solutions Workplace Health CGU, as a result of the impairment of the Medibank Health Solutions Workplace Health CGU as described above.

b. Impairment tests for goodwill

Recoverable amount – Health Insurance CGU

The recoverable amount of the Health Insurance CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on the corporate plan approved by the Board covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below.

Recoverable amount – Medibank Health Solutions Workplace Health CGU

The recoverable amount of the Medibank Health Solutions Workplace Health CGU is determined based on a fair value less costs of disposal calculation. Management has determined the fair value less costs of disposal of the CGU by assessing the fair value less costs of disposal of the underlying assets. This is a change in valuation technique, from value-in-use in the prior year, as a result of the fair value less costs of disposal valuation generating a higher recoverable amount and better reflecting the recoverable amount of the Medibank Health Solutions Workplace Health CGU.

The CGU's fair value measurement is not based on observable market data (unobservable inputs) and hence the CGU is categorised as Level 3 in the fair value hierarchy. The recoverable amount of the CGU at 30 June 2014 was estimated to be \$25,429,000.

Recoverable amount – Medibank Health Solutions Telehealth CGU

Following the goodwill impairment in the Medibank Health Solutions Workplace Health CGU, and having considered the developments in the market in which the Medibank Health Solutions Telehealth CGU operates, management has concluded that the period over which the cash flows can be reliably estimated has decreased and that it is no longer appropriate to assume a terminal value for this CGU.

The recoverable amount of the CGU continues to be based on a value-in-use calculation, which uses the three-year cash flow projections per the Group's corporate plan. Cash flows that are beyond this period, but within the period that management can reliably estimate, are extrapolated using the estimated growth rates stated below.

At 30 June 2014, the recoverable amount of the CGU was estimated to be \$35,842,000.

c. Key assumptions used for recoverable amount calculations

In order to calculate the recoverable amounts of the Group's CGUs, management is required to make a number of assumptions. The following key assumptions have been made in determining the recoverable amounts:

Growth rates and discount rates

CGU	Growth rate %	Discount rate %
2014		
Health Insurance	2.5%	15.4%
Medibank Health Solutions Telehealth	2.5%	17.9%
2013		
Australian Health Management	2.5%	15.6%
Medibank Health Solutions Workplace Health	2.5%	14.7%
Medibank Health Solutions Telehealth	2.5%	14.3%

The growth rate disclosed above represents the weighted average growth rate used to extrapolate cash flows beyond the budget period. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

In performing the recoverable amount calculations for each CGU, the Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are disclosed above.

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.

Other key assumptions made by management in determining the three-year corporate plan estimates include:

Health Insurance CGU

- Forecast revenue comprising estimated change in the number of policyholders and future premium revenue rate rises; and
- Forecast claims and operating expenses.

Medibank Health Solutions Telehealth CGU

- Forecast revenue for the market sector and specific forecasts for key customer contracts; and
- Forecast direct expenses and corporate costs.

Impact of reasonably possible changes

Following the impairment of the Medibank Health Solutions Telehealth CGU goodwill at 30 June 2014, no headroom exists between the recoverable amount and the carrying amount. Accordingly, any adverse change in the growth rate, discount rate or other assumptions applied to this CGU would further reduce its carrying value to below its recoverable amount and result in the recognition of further impairment charges. Based on what management believes to be reasonably possible movements, it is not expected that such changes would have a material impact on the financial statements.

There are no reasonably possible changes in key assumptions that could have resulted in an impairment charge for the Health Insurance CGU in the current financial year.

Note 15: Trade and other payables

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Current			
Trade creditors	i	265,976	195,757
Other creditors and accrued expenses	ii	77,806	79,962
Dividend payable	23(a)	–	300,000
Lease incentives	iii	647	638
Defined benefit superannuation fund		683	442
		345,112	576,799

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

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Non-current			
Lease incentives	iii	1,316	1,411
		1,316	1,411

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. 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.

Note 16: Financial liabilities at fair value through profit or loss

	Consolidated	
	2014 \$'000	2013 \$'000
Current		
Derivatives	294	23,448
	294	23,448

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

Note 17: Claims liabilities

a. Gross claims liability

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Current			
Outstanding claims liability – central estimate	i, 2(a)ii	326,415	358,906
Risk margin	ii,2(a)ii,v	25,022	18,304
Claims handling costs	iii	6,855	7,179
		358,292	384,389
Claims liability – bonus provision	2(a)iv	22,304	10,854
Gross claims liability	17(c)	380,596	395,243
Non-current			
Outstanding claims liability – central estimate	i,2(a)ii	6,822	4,502
Risk margin	ii,2(a)ii,v	524	230
Claims handling costs	iii	143	90
		7,489	4,822
Claims liability – bonus provision	2(a)iv	19,012	6,568
Gross claims liability	17(c)	26,501	11,390

i. The expected future payments of claims liabilities are discounted to present value using a risk-free rate of 2.71% p.a. (2013: 2.82% p.a.).

ii. The risk margin of 7.7% (2013: 5.0%) of the underlying outstanding claims liability has been estimated to equate to a probability of adequacy of at least 95% (2013: 95%).

iii. The allowance for claims handling costs at 30 June 2014 is 2.1% of the outstanding claims liability (2013: 2.0%).

b. Claims incurred

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

Current year claims relate to risks borne in the current financial year. 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	Prior \$'000	Current \$'000	Total \$'000
2014			
Claims incurred			
Undiscounted	(33,541)	4,958,860	4,925,319
Movement in discount	–	14	14
	(33,541)	4,958,874	4,925,333
2013			
Claims incurred			
Undiscounted	(8,874)	4,657,576	4,648,702
Movement in discount	–	348	348
	(8,874)	4,657,924	4,649,050

Note 17: Claims liabilities *continued*

c. Reconciliation of movement in claims liabilities

	Consolidated	
	2014 \$'000	2013 \$'000
Balance at 1 July	406,633	371,022
Claims incurred during the year	4,952,384	4,653,156
Claims paid during the year	(4,925,134)	(4,612,978)
Amount over-provided on central estimate	(33,541)	(8,874)
Risk margin	7,013	2,366
Claims handling costs	(272)	1,593
Movement in discount	14	348
Balance at 30 June	407,097	406,633

Note: Movement includes both current and non-current. Claims incurred and claims paid exclude levies and rebates.

Note 18: Unearned premium liability

	Consolidated	
	2014 \$'000	2013 \$'000
Current		
Unearned premium liability	621,408	559,466
	621,408	559,466
Non-current		
Unearned premium liability	43,455	37,469
	43,455	37,469

The unearned premium liability is non-interest bearing.

Movement in the unearned premium liability is as follows:

	Consolidated	
	2014 \$'000	2013 \$'000
Balance at 1 July	596,935	797,355
Deferral of premium on contracts written during the year	627,443	485,343
Earnings of premiums deferred in prior years	(559,515)	(685,763)
Balance at 30 June	664,863	596,935

Note: Movement includes both current and non-current.

Note 19: Unexpired risk liability

Liability adequacy testing did not result in the identification of any deficiency as at 30 June 2014 and 2013 which would require the recognition of an unexpired risk liability.

Note 20: Provisions

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Current			
Restructuring	i	24,724	10,224
Make good	ii	2,320	1,349
Employee entitlements	iii	42,015	37,257
Medical services	iv	15,071	19,940
Other	v	5,528	47
		89,658	68,817
Non-current			
Restructuring	i	10,584	–
Make good	ii	7,711	7,081
Employee entitlements	iii	23,288	29,922
Other	v	3,614	–
		45,197	37,003

Movements in provisions

The following movements in provisions include both current and non-current balances.

	Consolidated	
	2014 \$'000	2013 \$'000
i. Restructuring		
Balance at 1 July	10,224	8,121
Additional provision	35,621	7,187
Amounts utilised during the year	(9,204)	(2,990)
Reversal of unused provision	(1,333)	(2,094)
Balance at 30 June	35,308	10,224

The restructuring provision relates mainly to the significant restructuring programme undertaken by the Group in the current financial year, as described in Note 4(c)(ii).

ii. Make good		
Balance at 1 July	8,430	5,957
Additional provision	3,139	3,258
Amounts utilised during the year	(478)	(280)
Reversal of unused provision	(1,060)	(505)
Balance at 30 June	10,031	8,430

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. Due to 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.

Note 20: Provisions *continued*

	Consolidated	
	2014 \$'000	2013 \$'000
iii. Employee entitlements		
Balance at 1 July	67,179	63,246
Additional provision	40,809	46,401
Amounts utilised during the year	(37,807)	(42,328)
Reversal of unused provision	(4,878)	(140)
Balance at 30 June	65,303	67,179

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

iv. Medical services		
Balance at 1 July	19,940	–
Additional provision	15,071	19,940
Amounts utilised during the year	(19,940)	–
Balance at 30 June	15,071	19,940

This provision relates to the estimated cost of sub-contracted medical services incurred but not settled or processed at balance date.

v. Other		
Balance at 1 July	47	–
Additional provision	9,142	47
Amounts utilised during the year	(47)	–
Balance at 30 June	9,142	47

The other provision includes an onerous lease provision recognised on one of the Group's properties, and estimated commissions payable to third parties in relation to the acquisition of health insurance contracts, which become payable once certain criteria are met.

Note 21: Contributed equity

	Consolidated	
	2014 \$'000	2013 \$'000
a. Fully paid ordinary shares		
Ordinary shares fully paid	85,000	85,000

b. Movements in shares on issue

	2014		2013	
	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 have the right to receive dividends and, in the event of winding up the Company or reduction of capital, have the right to participate in the distribution of the surplus assets of the Company.

d. Capital management

Medibank Private's health benefits fund is required to maintain sufficient capital to comply with PHIAC's Solvency and Capital Adequacy standards. PHIAC has recently reformed its capital standards – the new Solvency standard will apply from 1 July 2014 and the new Capital Adequacy standard applied from 31 March 2014.

The Solvency standard aims to ensure liquidity of sufficient quantum and quality exists to meet all the liabilities of the fund, as they become due. The standard consists of a requirement to hold a prescribed level of cash, and also mandates a liquidity management plan.

The Capital Adequacy standard aims to ensure that there is sufficient capital within a health benefits fund to enable the ongoing conduct of the business of the fund. The standard consists of a requirement to hold a prescribed level of assets to be able to withstand adverse experience, and also mandates a capital management policy. The capital management policy includes target capital levels, capital trigger points and corrective active plans.

The health benefits fund is required to comply with these standards on a continuous basis and report results to PHIAC on a quarterly basis. The fund has been in compliance with these standards throughout the year.

The Board of the Group has established a capital management policy for the health benefits fund. Capital is managed against this policy and performance is reported to the Board. The Board expects to pay a special dividend totalling \$200,000,000 in the next financial year, which is expected to be consistent with the capital management policy and not cause the fund to reach any trigger points requiring corrective action plans.

Note 22: Reserves

	Consolidated	
	2014 \$'000	2013 \$'000
Equity reserve	17,819	17,819
Revaluation reserve	2,283	428
Foreign currency translation reserve	831	344
	20,933	18,591

Movements:

	Note	Consolidated	
		2014 \$'000	2013 \$'000
<i>Equity reserve</i>	i		
Balance at July 1		17,819	17,819
Contribution to equity		–	–
Balance at 30 June		17,819	17,819
<i>Revaluation reserve</i>	ii		
Balance at July 1		428	348
Revaluation of land and buildings – gross		2,841	115
Revaluation of land and buildings – deferred tax		(851)	(35)
Reclassification upon sale of properties:			
Transfer to retained earnings	23	(545)	–
Transfer to deferred tax		410	–
Balance at 30 June		2,283	428
<i>Foreign currency translation reserve</i>			
Balance at July 1		344	22
Currency translation differences arising during the year		487	322
Balance at 30 June		831	344

i. The equity reserve resulted from a restructure of administrative arrangements in the 2009 financial year.

ii. The revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in Note 1(o).

Note 23: Retained earnings

	Note	Consolidated	
		2014 \$'000	2013 \$'000
Balance at 1 July		1,299,108	1,515,975
Net profit for the year		130,802	232,741
Transfer from revaluation reserve upon sale of properties	22	545	–
Items of other comprehensive income recognised directly in retained earnings			
Actuarial (loss)/gain on retirement benefit obligation, net of tax		(741)	722
Dividends provided for or paid	a	(141,700)	(450,330)
Balance at 30 June		1,288,014	1,299,108

a. Dividends provided for or paid

Consolidated	Note	2014		2013	
		\$ per fully paid share	\$'000	\$ per fully paid share	\$'000
Final unfranked dividend – prior financial year	i	0.92	78,100	0.58	48,987
Special unfranked dividend – prior financial year		–	–	0.47	39,843
Interim unfranked dividend – current financial year	ii	0.75	63,600	0.72	61,500
Special unfranked dividend – current financial year	iii	–	–	3.53	300,000
			141,700		450,330

i. The final unfranked dividend for the year ended 30 June 2013 was paid on 31 October 2013.

ii. The interim unfranked dividend for the year ended 30 June 2014 was paid on 5 May 2014.

iii. The special unfranked dividend for the year ended 30 June 2013 was provided for at 30 June 2013 and was paid on 15 August 2013.

b. Dividends not recognised at the end of the reporting period

No dividends have been proposed or paid since the end of the reporting period.

c. Franking account

Under the tax consolidation regime, the franking credits of each entity within the Medibank Group belong to the head entity, Medibank Private. Since all dividends paid to the Shareholder have been unfranked, the franking credits of the Group relate only to the payment of income tax. However as the Shareholder cannot use the accumulated franking credits, the Group's franking account is not disclosed in this financial report.

Note 24: Commitments

	Consolidated	
	2014 \$'000	2013 \$'000
a. Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
Property, plant and equipment	1,159	1,570
Intangible assets	27,708	–
	28,867	1,570

Property, plant and equipment capital expenditure commitments as at 30 June 2014 relate to committed expenditure in respect of the upgrade of an existing retail property outlet and the establishment and relocation of three other retail outlets. All work is expected to be carried out during the 2015 financial year.

Intangible asset capital expenditure commitments as at 30 June 2014 relate to committed expenditure in respect of the development new software. The majority of the work is expected to be carried out during the 2015 financial year.

	Consolidated	
	2014 \$'000	2013 \$'000
b. Operating lease commitments		
Future operating lease rentals not provided for, payable:		
Within one year	45,721	34,597
After one year but not more than five years	157,158	113,535
Longer than five years	136,793	177,609
Total minimum lease payments	339,672	325,741
Total commitments payable	368,539	327,311

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	
	2014 \$'000	2013 \$'000
c. Lease commitments: Group as lessor		
Minimum lease payments not yet recognised in the financial statements are receivable as follows:		
Within one year	2,498	607
After one year but not more than five years	2,856	997
	5,354	1,604

The Group leases unused office space under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights.

Note 25: Key management personnel remuneration

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 2013.

	Consolidated	
	2014 \$	2013 \$
Short-term benefits	7,189,322	8,698,867
Post-employment benefits	287,466	356,972
Long-term benefits	55,227	144,741
Termination benefits	710,951	285,200
	8,242,966	9,485,780

Note 26: Related party transactions

Transactions with related parties

Certain key management personnel hold Director positions in other entities, some of which transacted with the Group during the 2014 financial year. All transactions that occurred were in the normal course of business. The terms and conditions of the transactions 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.

There have been no loans to Directors or specified executives during the current or prior financial years.

The Company is wholly-owned by the Commonwealth Government. No Director holds shares in the Company.

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(b).

Name of entity	Note	Country of incorporation	Class of Units	Ownership interest	
				2014 %	2013 %
Australian Health Management Group Pty Ltd		Australia	Ordinary Shares	100	100
– International Health Benefits Pty Ltd	i	Australia	Ordinary Shares	100	100
– Dencare Australia Pty Ltd	i	Australia	Ordinary Shares	100	100
– Carelink Australia Pty Ltd	i	Australia	Ordinary Shares	100	100
– Mercantile Mutual Health Pty Ltd	i	Australia	Ordinary Shares	100	100
Medibank Health Solutions Pty Ltd		Australia	Ordinary Shares	100	100
– Integrated Care Services Pty Ltd	ii, iii	Australia	Ordinary Shares	100	100
– The Travel Doctor TMVC Pty Ltd	ii	Australia	Ordinary Shares	100	100
– IQ Consultants Pty Ltd	i, ii, iv	Australia	Ordinary Shares	100	100
– Medibank Health Solutions Telehealth Pty Ltd	ii	Australia	Ordinary Shares	100	100
– Fitness2Live Pty Ltd	ii	Australia	Ordinary Shares	100	100
– Fitness2Live (UK) Ltd	i	United Kingdom	Ordinary Shares	100	100
– Medibank Health Solutions New Zealand Limited		New Zealand	Ordinary Shares	100	100

i. These entities were non-operating entities during the financial years ended 30 June 2014 and 2013.

ii. These subsidiaries are wholly-owned by Medibank Health Solutions Pty Ltd and have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 issued by the Australian Securities and Investments Commission. For further information refer to the Medibank Health Solutions Pty Ltd Annual Report.

iii. On 9 December 2013, the entity formerly known as Work Solutions Australia Pty Ltd changed its name to Integrated Care Services Pty Ltd.

iv. On 16 July 2014, IQ Consultants Pty Ltd was deregistered.

Note 28: Contingencies

A reimbursement of \$30,000,000 for fit-out costs associated with an operating lease is expected to be received in the next financial year and is contingent on the Group meeting certain conditions.

There were no other material contingent assets or contingent liabilities pertaining to the Group at the end of the current or prior reporting periods.

Note 29: Auditor's remuneration

	Note	Consolidated	
		2014 \$	2013 \$
Amounts received or due and receivable by the Company's auditor for:	i		
– An audit or review of the financial report of the Company and any other entity within the consolidated Group		938,574	709,600
Other assurance services in relation to the Company and any other entity within the consolidated Group by the Company's auditor:			
– Audit of regulatory returns		104,050	102,615
Amounts received or due and receivable by other auditors for:	ii		
– Auditing the financial report		202,970	36,257
– Audit of regulatory returns		16,586	15,980
– Other non-audit services		232,882	690,000
Total auditor's remuneration		1,495,062	1,554,452

i. The Company's auditor is the Australian National Audit Office who has retained PricewaterhouseCoopers to assist with the assignment.

ii. These services are performed by PricewaterhouseCoopers directly. Other non-audit services include accounting assistance and consulting services in relation to financial reporting, tax and IT security.

Note 30: Events occurring after the reporting period

There have been no events occurring after the reporting period which would have a material effect on the Group's financial statements at 30 June 2014.

Note 31: Reconciliation of profit after income tax to net cash flow from operating activities

	Consolidated	
	2014 \$'000	2013 \$'000
Profit for the year	130,802	232,741
Depreciation	19,967	16,226
Amortisation of intangible assets	36,396	37,905
Amortisation of deferred acquisition costs	6,512	934
Impairment of intangible assets	100,159	7,938
Loss on disposal of assets	8	291
Impairment of trade receivables	1,108	170
Net realised (gain)/loss on financial assets	(14,607)	14,739
Net unrealised gain on financial assets	(25,268)	(59,279)
Interest income	(60,296)	(84,805)
Dividend income reinvested	(4,842)	(6,901)
Trust distribution reinvested	(13,097)	(13,868)
Investment expenses	4,241	5,710
Revaluation gains on land and buildings	(2,324)	(651)
Changes in operating assets and liabilities, net of effects from purchase of controlled entities:		
(Increase)/decrease in trade and other receivables	(28,486)	40,274
Decrease in inventories	785	54
Increase in deferred acquisition costs	(32,018)	(13,410)
Decrease/(increase) in other assets	2,652	(1,131)
Decrease in deferred tax assets	(539)	9,240
Increase in trade and other payables	68,648	32,608
Increase/(decrease) in unearned premium liability	67,928	(200,420)
Increase in claims liabilities	464	35,611
Increase in income tax liability	25,599	22,029
Increase in provisions	29,035	28,496
Net cash inflow from operating activities	312,827	104,501

Note 32: Parent entity financial information

a. Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Consolidated	
	2014 \$'000	2013 \$'000
Balance Sheet		
Current assets	2,406,082	2,550,390
Total assets	2,850,812	3,032,936
Current liabilities	1,324,316	1,516,577
Total liabilities	1,465,972	1,612,461
<i>Shareholder's equity</i>		
Issued capital	85,000	85,000
Reserves		
Equity reserve	6,251	6,251
Revaluation reserve	1,799	375
Retained earnings	1,291,790	1,328,849
	1,384,840	1,420,475
Profit for the year	104,641	232,189
Total comprehensive income	104,641	232,189

b. Guarantees entered into by parent entity

The parent entity has provided guarantees in respect of service obligations assumed by members of the Group. No liability has been recognised in relation to these guarantees by the parent entity or the consolidated entity as the fair value of the guarantees is immaterial.

c. Contingent liabilities of the parent entity

The parent entity has no material contingent liabilities at the end of the reporting period.

d. Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2014, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling \$861,000 (2013: \$1,570,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

Directors' Declaration

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

In the opinion of the Directors:

- a. the financial statements and notes set out on pages 17 to 72 are in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2014 and of its 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.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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 2014.

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

On behalf of the Board,



Elizabeth Alexander AM

Chairman



George Savvides

Managing Director

Melbourne, 8 August 2014

Auditor's Independence Declaration



**MEDIBANK PRIVATE LIMITED
FINANCIAL REPORT 2013–14
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of Medibank Private Limited and its consolidated entities for the year ended 30 June 2014, 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

A handwritten signature in black ink, appearing to read 'I. Goodwin'.

Ian Goodwin
Group Executive Director
Delegate of the Auditor-General
Canberra
8 August 2014

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT

To the members of Medibank Private Limited

I have audited the accompanying financial report of Medibank Private Limited for the year ended 30 June 2014, which comprises: the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet, the Consolidated statement of changes in equity and the Consolidated statement of cash flows, Notes to the Financial Statements, including a Summary of significant accounting policies and other explanatory information, and the Directors' Declaration of the consolidated entity comprising Medibank Private Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of Medibank Private Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I have 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 about 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 Medibank Private Limited's preparation of the financial report that gives a true and fair view 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 Medibank Private Limited's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

GPO Box 707 CANBERRA ACT 2601
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Phone (02) 6203 7300 Fax (02) 6203 7777

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

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In my opinion:

1. the financial report of Medibank Private Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
2. the consolidated financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Australian National Audit Office



Ian Goodwin
Group Executive Director
Delegate of the Auditor-General

Canberra
8 August 2014

Corporate Directory

Medibank Private Limited

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ABN 47 080 890 259

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Auditor

Auditor-General

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