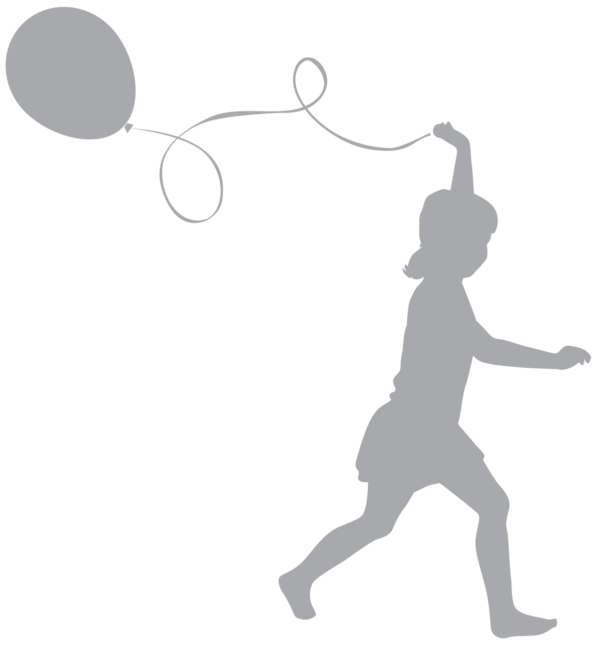
annual report 2010



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We are Medibank.

We believe that all people have the right to good health which is why we use our strength in the health system to our customers' advantage.

Our Purpose
Our Purpose – to ensure our customers are clearly better off with Medibank – challenges us to:

- create valued and enduring relationships
- deliver superior health outcomes for our customers
- be a consistently high performing organisation
- become a trusted guide in health and wellbeing
- advocate for a stronger and sustainable health system.

Our Vision
Our Vision is to be recognised as our region's leading provider of innovative and cost-effective health solutions and health insurance.

Chairman's Report

2009/10 was a landmark year for Medibank, with the organisation accomplishing excellent results and implementing a suite of changes which have transformed the nature of our business.

In last year's annual report, we were bracing ourselves for continued difficult economic times. Whilst the past 12 months presented significant challenges for us and our industry, we have emerged from the global financial crisis in good shape.

By retaining a focus on the things that we had the capacity to impact or control, I am pleased to report that we achieved a profit before tax of $380 million for 2009/10. This is a sound result driven by exceptional performance of our investment portfolio coupled with increased private health insurance revenue and profit growth by our Health Solutions division. It returns the company to the profit growth path achieved before the impact on markets of recent global events.

A key achievement which was another contributing factor to our successful year was the loyalty demonstrated by our customers through a financially stressful time and I extend my appreciation to our members and clients.

The addition of over 100,000 new health fund memberships reflects our continual efforts to develop relevant health insurance products and deliver quality services. It also indicates that we're providing a level of cover that our members value.

Across the organisation a strong effort has also been made to reduce management expenses during 2010 to create a leaner, more efficient business model that will help us to deliver our Purpose while underpinning future earnings growth.

In October 2009, the Federal Government converted Medibank to a tax-paying entity. The change was consistent with the commercial environment in which Medibank operates, and brings us in line with some of our main private health insurance competitors and our Government Business Enterprise peers.

Advocating for health reform

Medibank has been, and will continue to be, an active advocate in the health care reform debate which is critical to improving the quality and timeliness of health care for Australians.

The biennial conference of the International Federation of Health Plans (iFHP) in May demonstrated that health reform is a 'hot issue' across the globe. The knowledge gained through attendance at such international exchanges by Medibank is invaluable in helping us campaign on behalf of our members in the Australian debate.

It is also becoming increasingly clear that the private health insurance sector has an important role to play in improving Australians' access to health care as the demand on, and the limitations of, a solely public health system – including longer waiting lists – become more obvious.

"We will continue to be inspired by our Purpose and our belief that all Australians have the right to good health..."

The issues associated with Australia's ageing population and mounting incidence of chronic disease require us to take a lead in health reform and to explore new approaches to private health insurance and health service delivery. The private sector needs to be at the forefront of change and it was pleasing to observe that the worldwide health insurance sector is stepping up to the challenge – genuinely committing to health management, business transformation, and health reform debate.

Like many countries, Australia is examining its health system in a bid to better equip the nation for future demands. Whilst this necessary first step has generated a wealth of ideas and recommendations, and some change to the way public hospitals are funded and administered, the reform process is far from complete.

At a Health Policy Forum convened by Medibank last November, key opinion leaders and stakeholders from various areas of the health system agreed on the foundations of a sustainable, universal and high quality health system. The need for a single funder; division of funder and provider; and establishment of sophisticated, performance-based purchasing arrangements coupled with choice, competition and innovation were determined to be sound priorities for future health reform.

A commitment to review various aspects of the National Health and Hospital Reform Commission report, including the more comprehensive Medicare Select reform, is an acknowledgement by the Federal Government that reform has further to go. Medibank is well placed to contribute to the debate and will continue to play an active role in the discussion that will shape Australia's health system.

Medibank reform

As the national health policy and regulatory environment is being remodelled, Medibank has also focused on delivering our own transformation to meet these changes and enable us to be an active participant in the debate and reform moving forward.

During the past year, we have taken further tangible steps in the health care space. Just as we would like to see in the external environment, we have increased emphasis on prevention and coordinated care. The changes we are making are enabling us to build an organisation that can meet not only the health financing requirements of our customers, but also their desires to be healthier, able to navigate and access the best health solutions from our complex health system, and feel they can access customer-centred health services when they need them.

Following on from the successful acquisitions of Health Services Australia (HSA) – now Medibank Health Solutions – and Australian Health Management (ahm) and in the 2008/09 financial year, I am delighted to welcome the team from McKesson Asia-Pacific on board from 1 July 2010. Our acquisition of McKesson is a logical extension to our long-term business relationship and the work that both organisations have been delivering in the broader health system.

We will continue to be inspired by our Purpose and our belief that all Australians have the right to good health, and anticipate future reform within our own organisation.

A strong team

At the heart of Medibank is our people and the evolution of the business is being shaped by our organisational Values of being courageous; building trust; getting connected, thinking fresh; and inspiring performance.

Developed with the input of employees across the organisation, these Values have been widely adopted and incorporated into Medibank's systems and are influencing our direction and expansion. Importantly they have been used to guide change management activities and help with a smooth integration of new business divisions.

The past two years have transformed the size and composition of our workforce. We have new capability and a new Medibank identity which we intend to build on in the coming year.

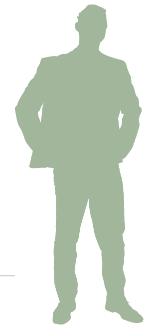
Medibank's employee mix now boasts almost 1200 medical and allied health professionals, characterising our evolution to a broader health company. This figure is set to rise to 2000 following the acquisition of McKesson, which was completed early in the new financial year.

Our intention to continue to grow Medibank's health care capacity will result in further complexity of our workforce – in both professional diversity and operating models – and the need for extended integration activity. Aligning key processes and systems and building a shared community across the expanded organisation will underscore our human resources strategy.

I would like to take this opportunity to thank my fellow Directors and welcome new Board member Dr Cherrell Hirst AO who joined the team in December 2009.

I extend my appreciation to Managing Director George Savvides and his senior leadership team for their efforts throughout the year. Acknowledging the challenges that come with integrating businesses and building a truly unified team and service offering, I would like to thank all staff for their continuing dedication to Medibank's Vision and to the health and wellbeing of our customers.

Paul McClintock AO
Chairman



Managing Director's Report

Without question, 2009/10 has been a stand-out year for the organisation. We achieved record-high financial results and the largest growth in resident memberships of any Australian health fund, whilst making a successful transition to our expanded business operations following last year's acquisition of HSA Group and ahm.

Despite a difficult economic climate, we maintained a strong focus on our Purpose of ensuring our customers are clearly better off with Medibank – both now and into the future – by delivering value-for-money premiums and seizing opportunities to increase our services, products and expertise.

Some of the key highlights for the year include:

- a 12 percent increase in member benefits to $3.8 billion
- a 17 percent increase in group revenue to $4.6 billion
- net profit before tax grew fourfold to $380 million – representing exceptional profit due to the strong turnaround in investment income coupled with solid growth in operating profit from all divisions
- reaching a membership base of 3.7 million people
- strong growth in our health insurance underwriting profit (up 58 percent) to $226 million, a record result
- significant contribution from our new Health Solutions division.

Excellent financial performance, whilst pleasing, is not enough. To be a great health insurer for our customers, we had to do more: we had to change.

Whilst our core business produced exceptional results during the past financial year, the most significant change in Medibank's history was taking place in parallel with a major expansion of our health service capability. Informed by our Purpose we responded to the call to build organisational capability to enable us to not only meet the health financing requirements of our customers, but also their desire to be healthier and have access to more patient-centred health services when they need it, regardless of the time of day or night. We also listened to customer feedback that they wanted assistance to navigate the complex health system.

During the past 18 months we have successfully acquired three health service organisations – ahm Total Health (January 2009), HSA Group (April 2009) and most recently, McKesson Asia-Pacific (effective July 2010) – which now comprise the new Medibank Health Solutions division.

The acquisitions have largely completed Medibank's transformation into a genuine health company – that is, one that offers health insurance plus health solutions.

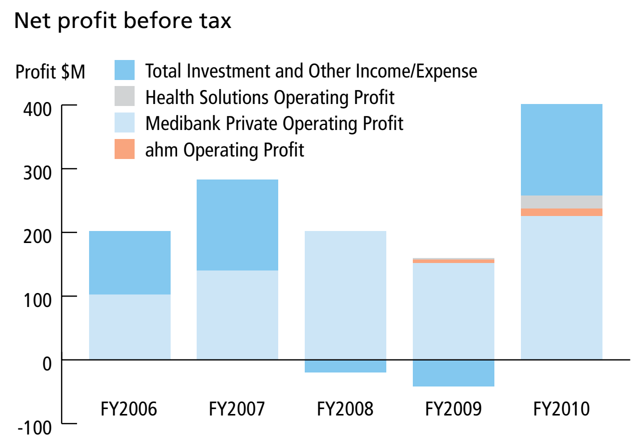
As well as significantly broadening the health care products and services we offer, the business acquisitions have doubled our total number of employees to over 4000 (at 1 July 2010).

The innovative Medibank Health Solutions team will have a combined workforce of some 1500 health professionals (from July 2010) including doctors, nurses, psychologists, dentists and physiotherapists across Australia and New Zealand.

"Excellent financial performance, whilst pleasing, is not enough. To be a great health insurer for our customers, we had to do more: we had to change."

Health Solutions works closely with our leading health insurance businesses of Medibank Private and ahm to enhance the health services available to our combined health insurance customer base. The team also provides health services to major corporations, State and Federal Government health departments and direct-to-pubic health services such as the Travel Doctor network.

Medibank Health Solutions' strong focus on encouraging customers to take a proactive approach to their wellbeing is simultaneously helping people stay healthy and supporting Medibank's financial viability and sustainability. It is imperative that we contain the growth rate of health benefits which are expanding rapidly due to population ageing, increases in technology costs and incidence of chronic disease. The ability to offer services such as phone- and web-based health care including telephone nurse triage, health and wellness advice, chronic disease management and mental health services, will benefit the health of our customers in Australia and New Zealand as well as help us to continue offering affordable health cover in Australia.



With increased resources in 2010/11, our Health Solutions business will be able to scale up its provision of nurse-operated telephone support for members with heart disease, lung disease, diabetes and some mental health issues. The program has been designed to help members manage their chronic conditions and provide them with the peace of mind that comes with unlimited access to 24-hour, seven days a week support over the phone. The support line is staffed by qualified health professionals and is designed to complement the care that members already receive from their GPs, specialists and other health professionals.

A further health innovation that will flow from our enhanced capability through Medibank Health Solutions is our new Rapid Care Clinics, the first of which was opened in Brisbane in February 2010. We are the first health insurer to provide walk-in medical care for minor injuries and illnesses. The clinic offers a faster alternative to a public hospital emergency department for treatment of non life-threatening injuries.

Medibank Health Solutions also won a five-year contract to deliver the medical personnel and services for the Gorgon Natural Gas Project – Australia's single largest resources operation.

Improving services and trimming overheads

Simultaneous to the extensive expansion of our business, approximately two years ago our leadership team commenced a three-year project to re-engineer our complex business processes, reduce overheads and enable customer service improvement. The Customer First Project has included enhancing our retail footprint and service technology with claims processing moving from the high-cost retail environment to web-based Online Member Services. We have also introduced a new system to allow members to claim their PackageBonus benefits at the point of dental, optical and physiotherapy care. This advancement has seen an additional 500,000 transactions processed 'straight through'. Utilising the Eclipse e-commerce gateway, we now have more than 120 hospitals transacting with Medibank Private in real time – reducing keying errors and costly delays. These changes have allowed us to lower our management expense ratio from 10.0 percent in 2007/08 to 8.9 percent in 2009/10 – an overhead saving in excess of $50 million over this period. (Medibank Private residents only, excluding overseas students and visitors). Medibank has one of the lowest management expense-to-revenue ratios in the industry.

Record profit

This year's net profit of $380 million is four times last year's profit of $94 million and 29 percent higher than our previous record profit of $295 million in 2006/07.

An important contributor to this increased growth is the diversification of our business through our acquisitions of ahm and HSA Group in 2008. ahm achieved a net profit before tax of $27 million and Medibank Health Solutions achieved a net profit before tax of $20 million this year. Our Private Health Insurance business also generated a record underwriting profit of $226 million – an increase of $83 million or 58 percent on the previous year.

The strong business performance was further strengthened by the recovery of investment markets in 2009/10, adding $135 million to Medibank's profit before income tax.

Following our conversion to a tax-paying entity in October 2009, Medibank Private Limited has paid tax and dividends on this strong 2010 result.

Medibank staff and management have done an exceptional job of ensuring we strengthened membership, profit margin and importantly our service quality during this period of rapid expansion and transformation. I sincerely thank them for their tireless efforts and commitment to giving life to our Purpose. I also wish to thank Chairman Paul McClintock and our Board members who have provided both encouragement and wise counsel throughout the year.

We will continue to strive to be Australia and New Zealand's most trusted provider of health and insurance solutions and ensure our customers are clearly better off with Medibank.

George Savvides
Managing Director

Board of Directors

Leanne Rowe
AM, MBBS, MD, FRACGP, FAICD

Non-Executive Director

Appointed Director
17 December 2008.

Current term expires
16 December 2011.

Professor Rowe is currently Deputy Chancellor of Monash University; and Director, Medical Consulting Victoria.

Cherrell Hirst
AO, MBBS, BEdSt D, Univ (Hons), FAICD

Non-Executive Director

Appointed Director
16 December 2009.

Current term expires
15 December 2012.

Dr Hirst currently holds directorships of Avant Mutual Group, Avant Insurance Limited, ImpediMed Limited, Tissue Therapies Limited and Xenome Limited. Dr Hirst is also Deputy Chair and part-time CEO of Queensland Biocapital Funds.

Paul McClintock
AO, BA LLB (Sydney), FAICD

Non-Executive Chairman

Appointed Chairman
19 March 2007.

Current term expires
18 March 2013.

Chairman of the Nomination Committee.

Mr McClintock is currently Chairman of Thales Australia Limited, the COAG Reform Council, Intoll Management Limited and St. Vincent's Institute of Virology. He is also Director of the European Australian Business Council and Perpetual Limited.

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

Non-Executive Director

Appointed Director
26 June 2002.

Current term expires
28 June 2011.

Chairman of the Health and Business Innovation Committee.

Professor Stoelwinder is currently Chair of Health Services Management and Head, Division of Health Services and Global Health Research, School of Public Health and Preventive Medicine, Monash University.

Philip J Twyman
BSc, MBA, FAICD

Non-Executive Director

Appointed Director
21 September 2007.

Current term expires
20 September 2010.

Chairman of the Investment Committee.

Mr Twyman is currently Chairman of ANZ Lenders Mortgage Insurance Pty Limited and Swiss Reinsurance Company (Australian Board of Advice) and Director, Perpetual Limited, Swiss Re Life & Health Australia Limited, and Insurance Australia Group Limited (IAG).

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

Non-Executive Director

Appointed Director
21 September 2007.

Current term expires
20 September 2010.

Chairman of the Audit and Risk Management Committee.

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

Elizabeth Alexander
AM, BCom, FAICD, FCA, FCPA

Non-Executive Director

Appointed Director
23 October 2008.

Current term expires
22 October 2011.

Chairman of the Human Resources Committee.

Ms Alexander is currently Chairman of CSL Limited and DEXUS Wholesale Property Limited, a Director of DEXUS Property Group, and serves on the Board of the Australian International Health Institute. She is Chair of: the Australia Prudential Regulatory Authority's Risk and Audit Committee; the Portfolio Audit Committee of the Victoria Department of Education and Early Childhood Development; and the University of Melbourne's Finance Committee.

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

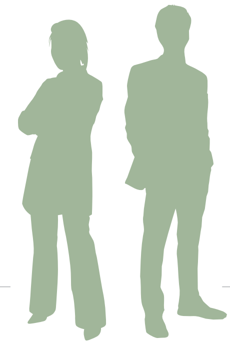
Managing Director

Appointed Director
6 September 2001.

Appointed Managing Director
19 April 2002.

Current term expires
11 December 2011.

Mr Savvides is currently: a Member of the Business Council of Australia, a Councillor of the International Federation of Health Plans; and a Director, World Vision Australia and World Vision International



Our Management Team

Michael Sammells
Chief Financial Officer

George Savvides
Managing Director

Bruce Levy
Chief Executive Officer
Private Health Insurance

Terry Snyders
Chief Information Officer

Ilona Charles
Group General Manager
People & Culture

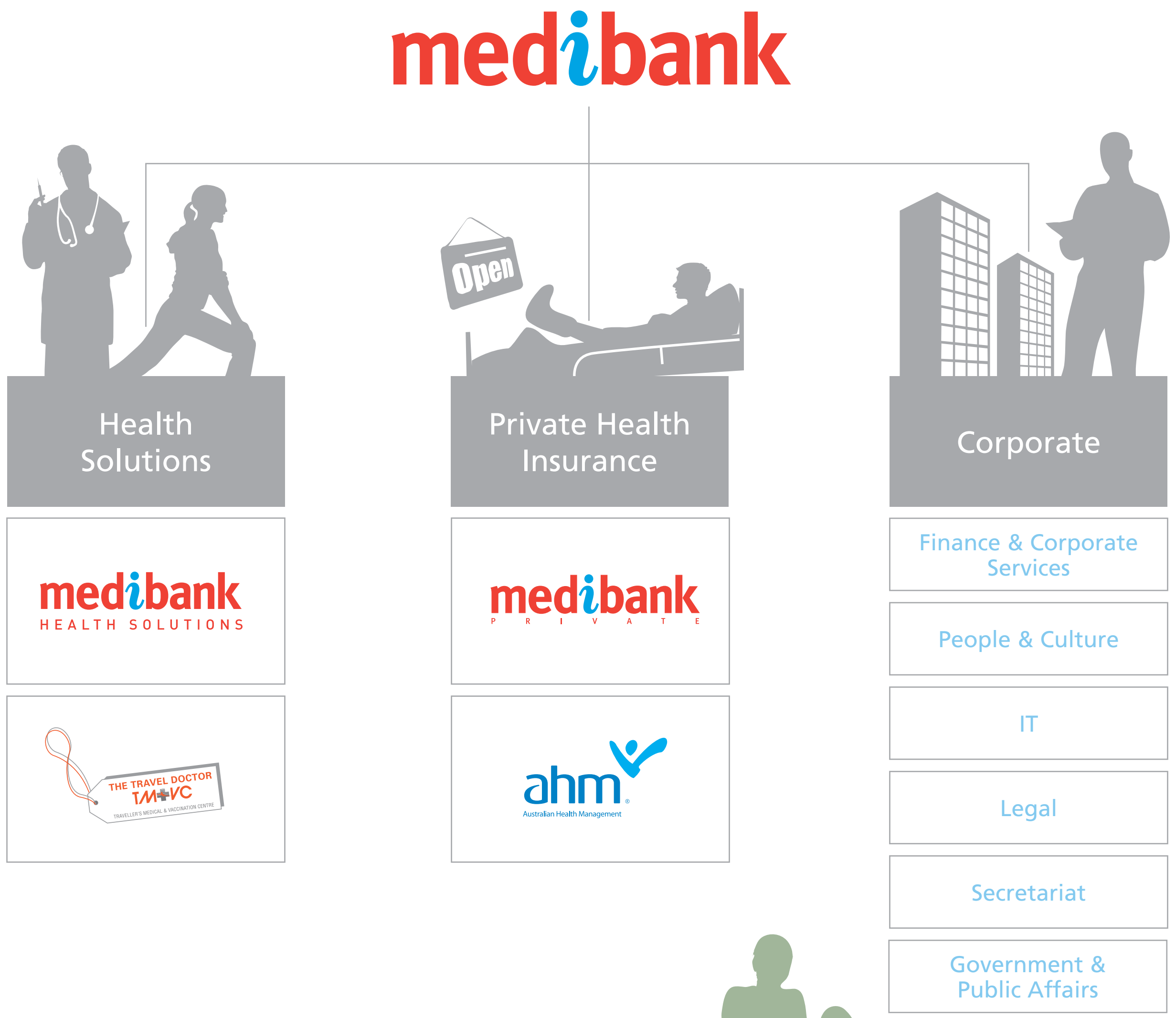
Stan Macionis
Group General Manager
Medical and Allied Health Services

Andrew Wilson
Group General Manager
Telephone and Online Services*

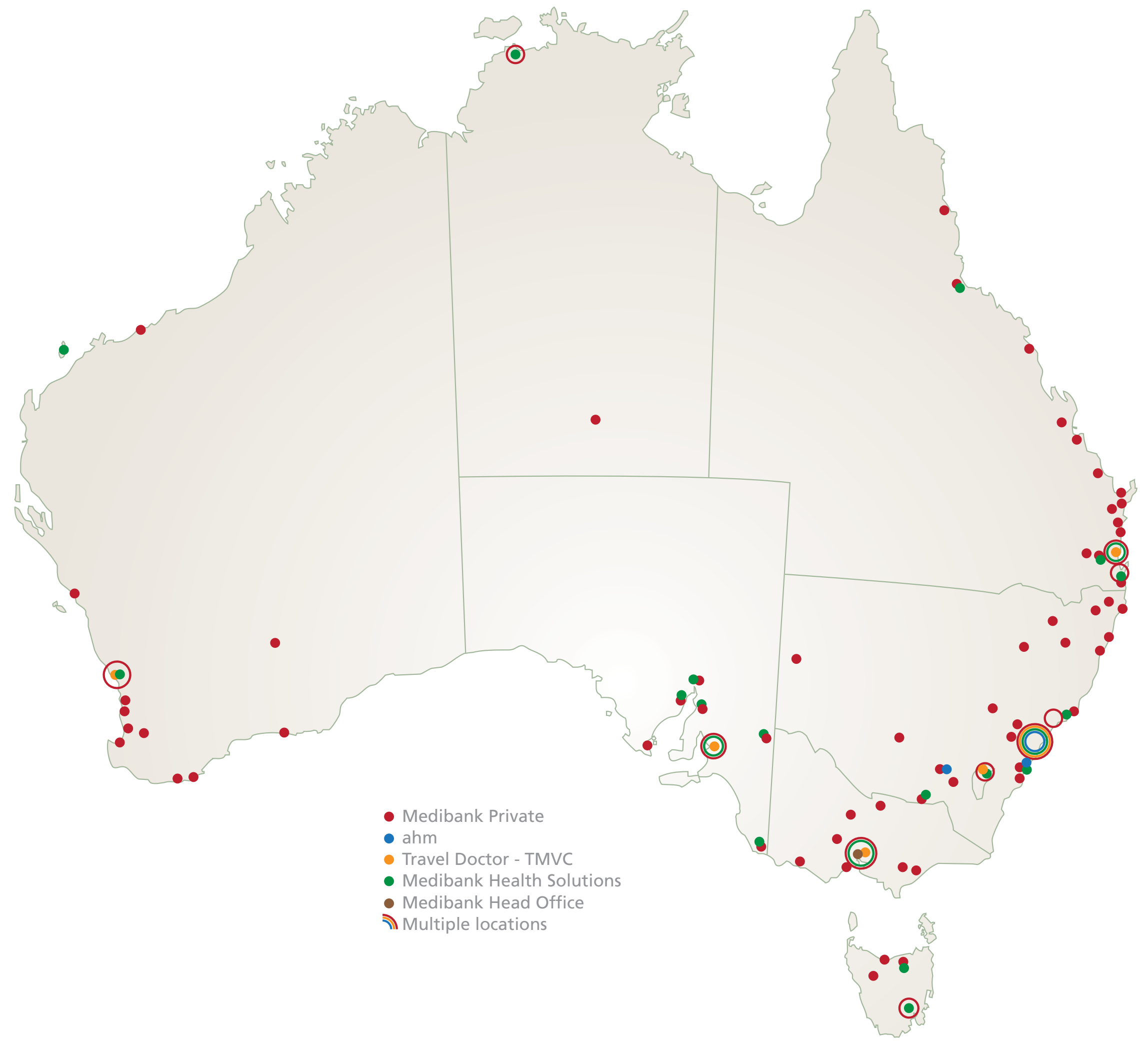
Matthew Cullen
Group General Manager
Telephone and Online Services*

**Effective 1 July 2010 following McKesson aquisition.*

Our businesses

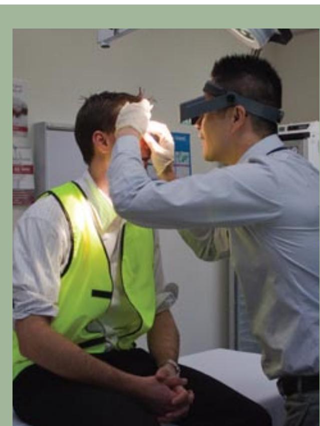


Where we are



Our products and services

- Rapid Care Clinics
- Health insurances
- Diversified Insurances – Life, Travel, Pet
- Telephonic counselling
- Dental Clinics
- Optical Clinics
- Hospital contracting
- Workplace health
- Visa medicals
- Travel medicine
- Heart health
- Psychology services
- Return-to-work programs
- Advocate for a healthier Australia
- Champion better quality and safety standards
- Chronic disease management programs
- Flu vaccinations



Business highlights

3,479,895	Number of Australian residents covered by health insurance Medibank Private and ahm
212,847	Number of international private health insurance members Medibank Private
$2,133,644	Amount paid in Pet Insurance claims Medibank Pet Insurance
$4,457,760	Amount paid in Travel Insurance claims Medibank Travel Insurance
25,000+	Number of lives covered Medibank Life Insurance
$3,756,000,000	Amount of benefits paid on behalf of members Medibank Private and ahm
2,400,000	Number of hospital bed nights we provide for our members Medibank Private
237,000	Number of hospital bed nights we provide for our members ahm
32,000	Number of people in chronic disease management programs Medibank Health Solutions
221,124	Number of visa medical assessments conducted Medibank Health Solutions
68,720	Number of travel health consultations Medibank Health Solutions
67,550	Number of flu vaccinations administered Medibank Health Solutions
41,814	Number of work injury treatment services delivered Medibank Health Solutions

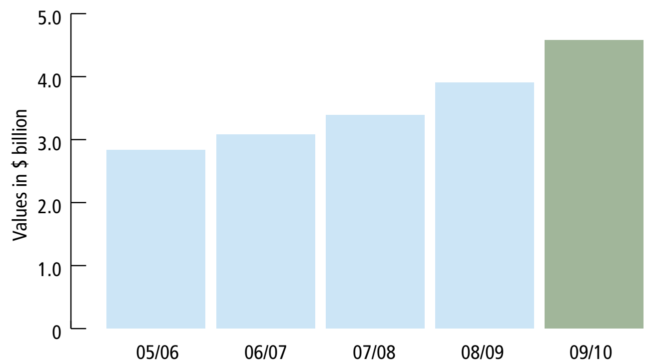
Key achievements

Key achievements for 2009/10

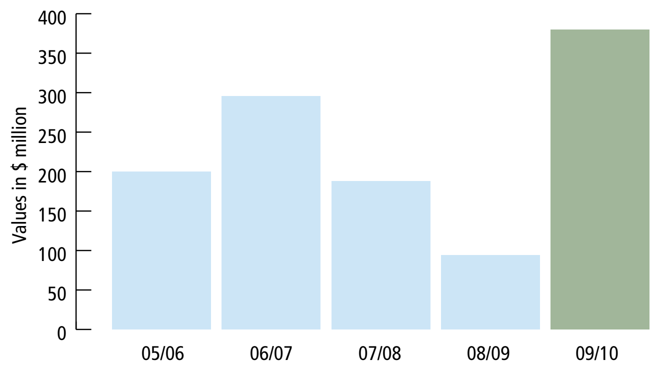
- Medibank launched its Health Solutions brand. The change consolidated the medical and allied health capabilities formerly offered under the Health Services Australia, Health for Industry, Work Solutions and ahm's Total Health brands, delivering face-to-face, telephonic and online health solutions Australia-wide.
- Medibank Private (residents only, excluding overseas students and visitors) successfully reduced its management expense ratio from 10.0 percent in 2008 to 8.9 percent in 2010, reducing costs over these years by more than $50 million.
- Medibank Private simplified a number of hospital products in order to provide greater clarity for members and help them avoid unexpected costs.
- Medibank Health Solutions won a five-year contract to deliver medical services and personnel for the Gorgon Project - Australia's single largest resources operation, based in Karratha, WA.
- Medibank opened Australia's first Rapid Care Clinic in Brisbane, providing faster treatment for minor injuries and illnesses than is typically experienced in a hospital emergency room.
- Medibank Private delivered its third consecutive below industry-average premium rise for its fund membership.
- As part of its commitment to thought leadership in health reform, Medibank convened a policy forum of leading health stakeholders to discuss key principles underpinning Australian health reform. Medibank also commissioned an independent review of a vision and practical roadmap for the Medicare Select health reform model.
- ahm was named the 2009 winner of the Large Business Category at the Australian Privacy Awards for its two e-learning packages (Privacy Package and Private Health Insurance Privacy Package) which were specifically developed for staff to inform them on privacy obligations.

- Medibank was converted to a for-profit, tax-paying entity in October 2009, and paid the first dividend in June 2010.
- The e-commerce gateway Eclipse became fully operational in 2009/10 and now processes claims from over 120 hospitals through the Medibank and Medicare claims system.

Revenue



Profit before income tax



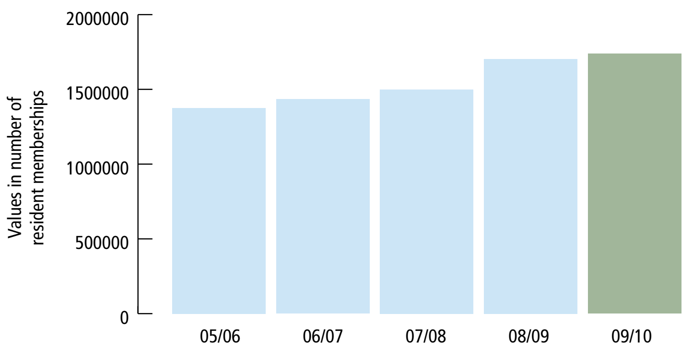
Health insurance

Medibank offers a comprehensive suite of private health insurance products through ahm and Medibank Private.

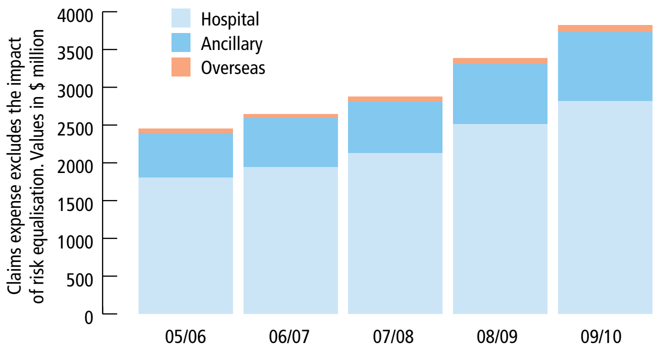
While the private health insurance industry as a whole expanded over the past year, Medibank's valued products and services attracted a greater number of new memberships than any other fund. Medibank retained its position as the largest private health insurer in Australia.

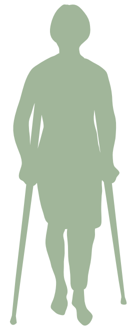
Benefit payments continue to rise, and over the past 12 months, $3.8 billion was paid to hospitals, ancillary providers, specialists and other health professionals on behalf of Medibank Private and ahm members. Pressure on claims comes not only from the increased number of policy holders but also from increased utilisation, an ageing population, increased prevalence of chronic disease and improved health technologies. We have continued our efforts to manage these costs and achieve a balance between reducing pressure on premiums and providing good choice and access to customers. Our members benefit from our purchasing power and our belief that both Medibank and our network providers are responsible for managing costs.

Resident membership growth



Member benefits





Medibank Private

In 2009/10 we implemented a number of changes to Medibank Private's product range as a direct response to customer feedback. Our members told us that certain policies and conditions can be confusing, therefore we are striving to communicate information more clearly to remove frustration and provide peace of mind for members.

Our product strategy, which aims to deliver a better customer experience, has been driven by our desire to provide simple, flexible health insurance with certainty of benefit and value on core services. We are streamlining our products in order to provide clarity for members so they can avoid unexpected costs. We're also continuing our push to match customers with the right product to meet their individual needs.

In line with our commitment to deliver excellent value for money, we worked hard to keep Medibank Private's 2010 premium increases below the industry average for the third consecutive year, successfully shielding members from the full impact of rising costs through smart purchasing of health services and responsible business management.

Hospital cover

Medibank Private's hospital products now cover more than 2.6 million resident members who can benefit from our Members' Choice network of 454 private hospitals and day surgeries throughout Australia. With these facilities, Medibank Private has negotiated agreed fees on behalf of our members. This means that Members' Choice hospital costs are fixed and any out-of-pocket expenses are kept to a minimum and known prior to treatment. Importantly, it means that, in many cases, there is no gap or limited out-of-pocket expense.

Medibank Private's hospital cover pays benefits for the cost of members receiving treatment in a private or public hospital, including accommodation, prostheses costs and medical fees. In 2009/10, Medibank Private paid benefits towards 895,000 resident hospital admissions, at a cost of $2.48 billion, an increase of 7.2 percent.

Ancillary cover

During 2009/10, 86 percent of Medibank Private's ancillary memberships used their private health insurance to claim benefits for such services as dental, optical items, physiotherapy, chiropractic and natural therapies. This equates to almost 19 million services delivered at more than 86,000 provider locations throughout Australia.

Ancillary claims totalled $752 million, an increase of 9.2 percent from 2008/09. Highest payments in 2009/10 were for dental services at more than $401 million, followed by optical items at more than $154 million.

Members' Choice offers members with ancillary cover typically higher benefits and capped fees or discounts through network providers. At the end of June 2010, there were more than 6,200 provider locations nationally in the network covering the broadest range of services of any health fund.

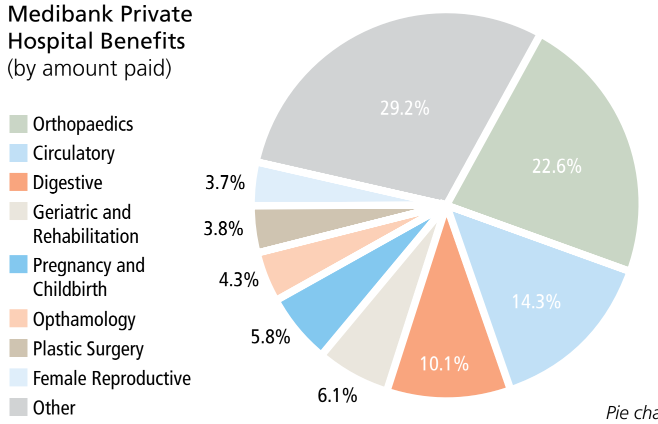
Cover for visitors to Australia

Medibank Private has a range of health insurance products tailored to the needs of visitors to Australia. While there has been a significant decline in the number of people visiting Australia, Medibank Private has retained stable membership in this market.

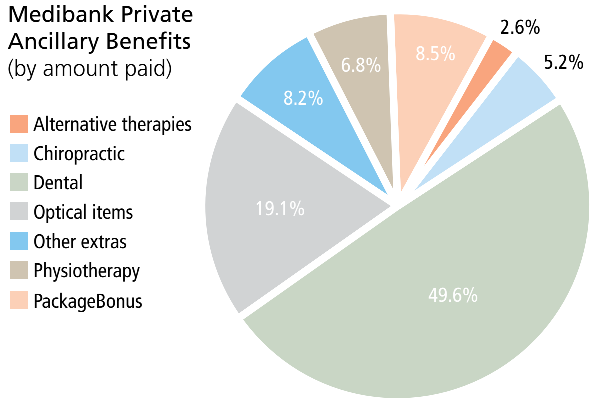
Overseas Student Health Cover (OSHC)

Medibank Private's OSHC business has performed well in a difficult environment over the past year. Whilst there have been declining enrolments of international students in Australia's education institutions and a range of external factors have reduced overseas student demand for places, Medibank retained its strong client base and has positioned itself to gain further market share.

Medibank Private Hospital Benefits (by amount paid)



Medibank Private Ancillary Benefits (by amount paid)



Pie charts reflect resident member claims.

A robust program of continuous improvement and enhancement to its online systems has been undertaken this year, further consolidating Medibank Private's ability to offer superior service to client education institutions and its position as an e-business leader in the OSHC market.

New agreements with major medical providers such as Healthscope have delivered Medibank Private the largest OSHC bulk-billing medical provider network available to international students in Australia, offering great value and medical assistance when needed.

Corporate health cover

The corporate business continues to deliver strong membership growth. Medibank Private works closely with organisations to provide private health insurance to employees and engage with employers and employees on health factors that impact employee health and wellbeing and workforce productivity in the workplace.

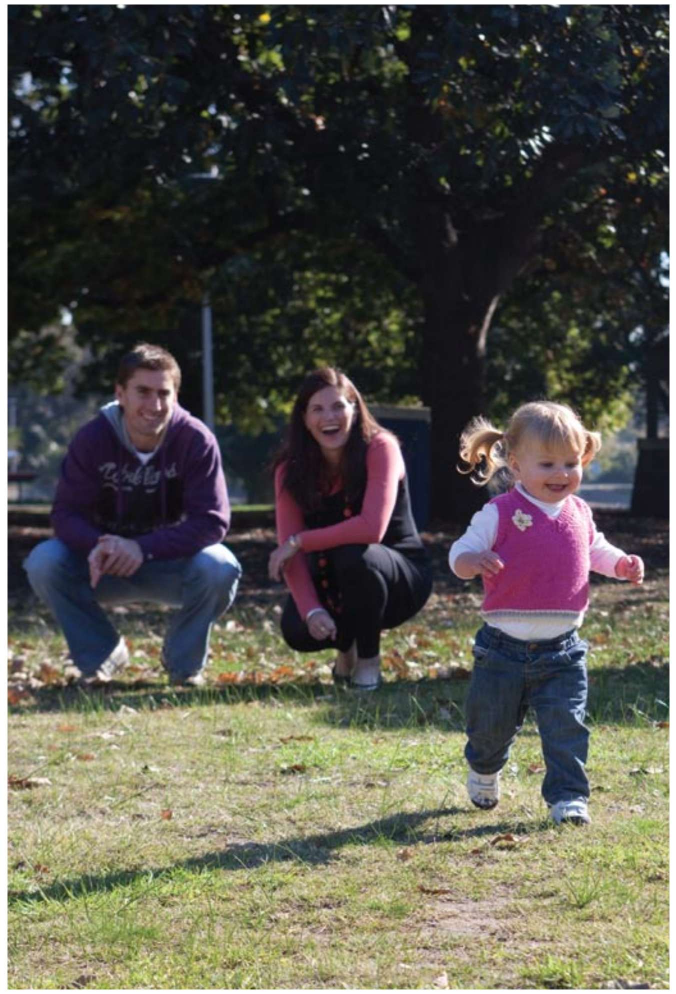
Supporting members' health - *better*health programs

The need to play an active role in keeping our members healthier and out of hospital continued to drive our health management focus in 2009/10. Impressively, Medibank Private's *better*health programs attracted over 21,000 new participants, demonstrating a true desire by our members to be healthier and a genuine Medibank Private service offering to address chronic disease within our membership.

Medibank Support Service

The Medibank Support Service is now operating within 22 Members' Choice hospitals across Australia. The Service sees Medibank Private staff based on hospital wards and visiting members during their stay to ensure they receive timely assistance for any health cover queries they may have during their admission.

Extensive feedback received from hospitals and patients tells us that members and hospital staff alike value the service and appreciate having Medibank Private staff members onsite to provide information and alleviate any confusion and anxiety that can arise.



Serving our members better

Staff at Medibank Private's network of retail stores assist hundreds of thousands of members across Australia each year.

In 2009, Medibank Private began implementing a strategy to ensure our retail network remains relevant to the needs of members. This continued throughout 2010. The strategy aims to make service levels even better, while reducing pressure on private health insurance premium increases by ensuring the cost of operating our retail network represents industry best practice.

As we progress the roll-out across Australia, we are conscious that the member experience may change but would like to reassure members that the organisation is working through this process in a way that ultimately improves member service.

The Customer First project has also included enhancing our service technology, with claims processing moving from the high cost retail environment to web-based Online Member Services.

In January 2010 we launched a comparative tool on the Medibank website that allows potential customers to evaluate Medibank Private policies against similar products from other funds. The application offers an objective view of price, services and product features in line with customer needs and has been well received by potential members.

To assist members further with their claiming, Medibank Private introduced a new system that enables members to claim their PackageBonus benefits – for services such as dental, optical items and physiotherapy – at the point of care.

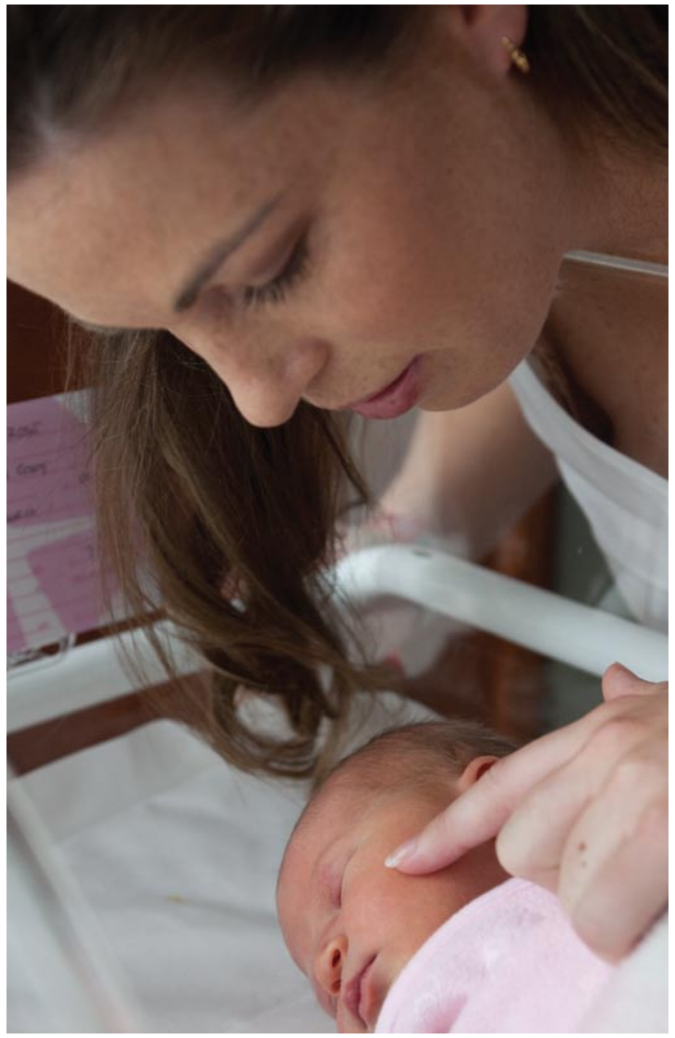
The e-commerce gateway Eclipse became fully operational in 2009/10 and we now process claims from over 120 contracted hospitals through the Medibank Private and Medicare system. With less manual intervention, Medibank's business-to-business capability is enhanced via faster resolution of claims, faster payment times, fewer errors, and lower costs, contributing to a reduction in management expenses.

Medibank Private Hospital Experience Survey

Medibank is committed to ensuring the quality and effectiveness of acute health care services provided by private hospitals to its members around Australia. Monitoring members' satisfaction with their hospital care provides key indicators of these attributes as perceived by overnight hospital inpatients.

During the past three years, Medibank Private has undertaken the only national surveys regarding patient experiences at private hospitals in Australia. The annual Medibank Private Hospital Experience Survey – conducted by independent market research company IPSOS – examines the satisfaction levels amongst overnight patients at 144 private hospitals across Australia.

Survey responses are 'weighted' to ensure the outcomes are representative of all Medibank Private members who were admitted to the hospital, not just those who completed the questionnaire.



The annual reporting includes benchmarking and tracking data on a variety of topics such as: hospital staff; communications; accommodation and amenities; treatment and personal issues; pre-admission and admission; and discharge and follow up. Additionally, a Member Experience Index is calibrated based on patient responses to 52 separate measures.

For the period of October 2008 to September 2009, we received 21,085 responses to the survey. This followed the 2006/07 (Year One) and 2007/08 (Year Two) reviews which surveyed a total of 46,000 members.

Patients' satisfaction with their overall hospital experience was rated very high at 7.9 out of 10.

The 2008/09 survey showed private hospital patients were highly satisfied with the care they receive from clinical staff but frustrated by the lack of transparency around gap payments.

Continued improvement can be achieved by hospitals in the areas of communication and hospital discharge services.

The survey also revealed that smaller metropolitan and regional private hospitals are leading the way when it comes to patient satisfaction.

The survey found that clinical staff, including nurses, doctors and specialists, were rated very highly by patients. The skills and knowledge of doctors were especially highly rated, with 96 percent of patients rating them good or better, and similar levels of satisfaction for the level of care and compassion they were shown by doctors (94 percent rated as 'good' or better).

The skills and attitude of nurses were similarly highly regarded, with 91 percent of patients satisfied with the care provided, and 90 percent satisfied with the levels of clinical skill and knowledge of nurses.

The top performing hospitals in Australia as rated by our members, based on the Member Experience Index are as follows.

Top Performing Regional and Rural Hospitals

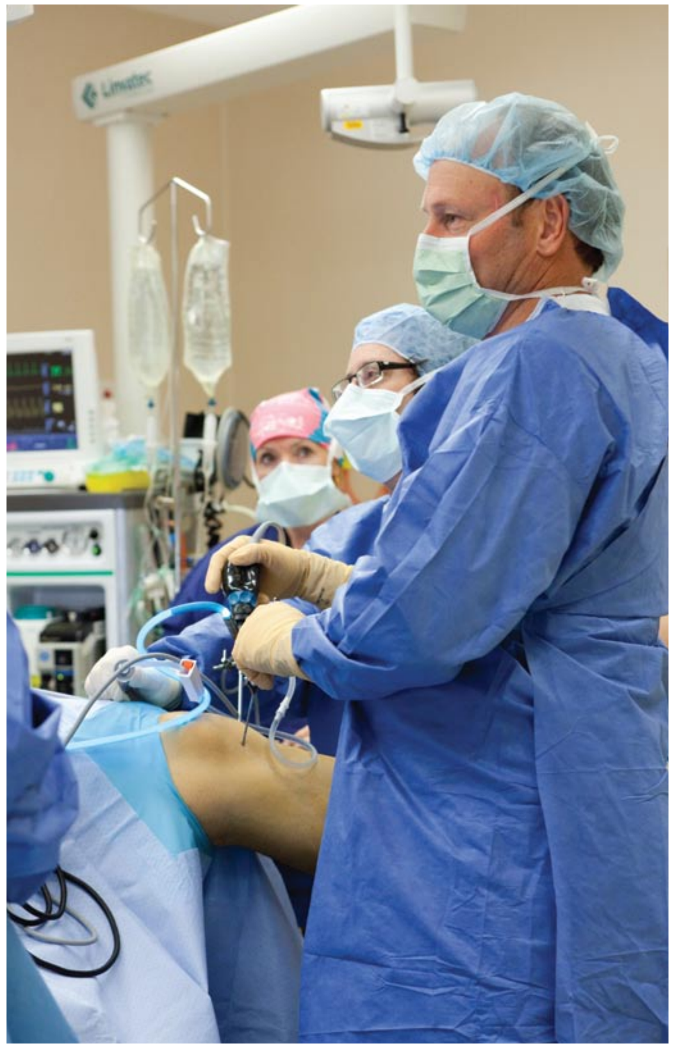
Mater Misericordiae Hospital - Gladstone	QLD
Albury-Wodonga Private Hospital	NSW
Tamara Private Hospital	NSW
Caloundra Private Hospital	QLD
Hillcrest - Rockhampton Private Hospital	QLD
Baringa Private Hospital	NSW
Mayo Private Hospital	NSW
St John of God, Ballarat	VIC
St John of God, Geelong	VIC
St John of God, Bendigo	VIC

Top Performing Metropolitan Hospitals

Sportsmed - SA Hospital	SA
Glenferrie Private Hospital	VIC
Mater Misericordiae Hospital - Redland	QLD
Western Hospital	SA
The Burnside War Memorial Hospital	SA
St John of God, Berwick	VIC
Delmar Private Hospital	NSW
Mater Women's & Children's Private Health Services	QLD
Peninsula Private Hospital	VIC
Cabrini Brighton Private Hospital	VIC
St Vincents & Mercy Hospitals (Mercy Campus)	VIC

As the Member Experience Index is based on ratings of a broad range of measures, we consider it a more comprehensive benchmark for satisfaction than 'stand alone' satisfaction measures. This measure of satisfaction increased significantly in Year Three compared to Year Two.

The survey is highly valuable to Medibank and the industry as it provides a unique, complete and objective picture of our patients' perspective of private healthcare services. Sharing this valuable information with our providers enables us to work together to improve various aspects of care.



ahm

Positioning itself in the market as an alternative to the mainstream health insurance funds, ahm appeals to customers seeking a smaller, more personal offering from their health insurer and the business will continue to focus on its strengths in this area.

An independent 2009 survey of the private health insurance industry demonstrated a high level of satisfaction amongst ahm members. Industry-leading scores for call centre service and personal treatment (defined as seeing members as individuals) reflect ahm's focus on its members and consistently high quality service.

A number of service initiatives implemented during the past year will help build ahm's excellent customer experience capability. Some of the developments included a new contact centre service model, better tools for staff to access information and a new channel for staff to provide feedback on process improvement or service initiatives.

In November 2009 ahm was awarded the Australian Privacy Award in the 'Large Business' category. ahm beat many leading Australian businesses to win the award for its two e-learning packages ('Privacy Package' and 'Private Health Insurance Privacy Package') which were specifically developed for staff to inform them on privacy obligations, providing detailed information in a user friendly format whilst ensuring the highest standards of privacy protection for members. ahm's success reflects a commitment to privacy across the entire Medibank group.

This year, ahm supported its members by paying out $331 million in benefits, a 9 percent increase from the previous year and a reflection of increasing utilisation and the rising cost of services.

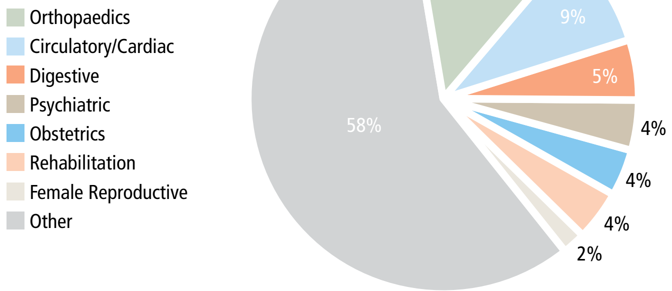
Hospital cover

More than 300,000 people are covered by ahm's range of hospital products, with $259 million paid on behalf of ahm members for over 100,000 hospital episodes. This represents 78 percent of total benefits paid, with the most common services being orthopaedics and cardiac/circulatory.

As part of ahm's focus on offering more than health insurance, in excess of 200 members were helped with their hospitalisation through ahm's support program. This program includes providing services, such as nursing and personal care, in members' homes that allow them to leave hospital earlier or avoid a hospitalisation altogether.

ahm also had 1,330 mums participate in its pregnancy program which saw experienced midwives provide advice, education, information and support to new parents.

ahm
Hospital Benefits
(by amount paid)



Supporting members' good health

In addition to providing support during hospitalisation and pregnancy, ahm offers members support in managing a chronic illness and getting their health back on track. With ahm's support, over 3,250 members have achieved their health goals during the year. ahm's health consultants work with members either over a six- or 12-month period to identify a health goal and a plan of action for achieving it.

Extras cover

Dental and optical topped the list of most claimed extras items for ahm members with nearly $46 million paid out in benefits, and a total of $72 million paid across all extras categories. ahm is also giving back around $1.5 million in additional benefits to members via increases for popular benefits like dental, physiotherapy, chiropractic, alternative therapies, psychology and podiatry across its range.

ahm continues to provide access to quality, affordable dental and eye care through its Dental and Eyecare Practices (DEP) – pictured below.

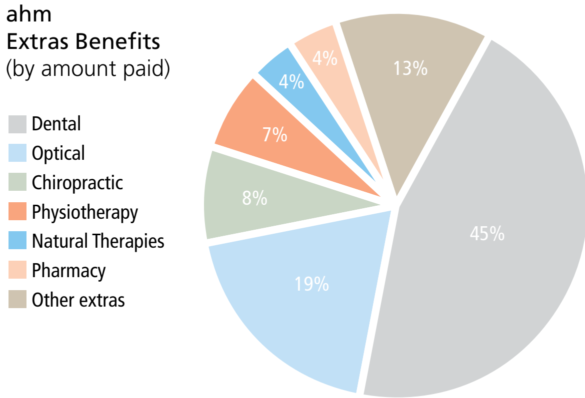
With more than 176,000 services provided to patients across the practice network in 2009/10, we believe the primary goal of these practices - to assist customers to build long-term oral and eye health - is being realised.

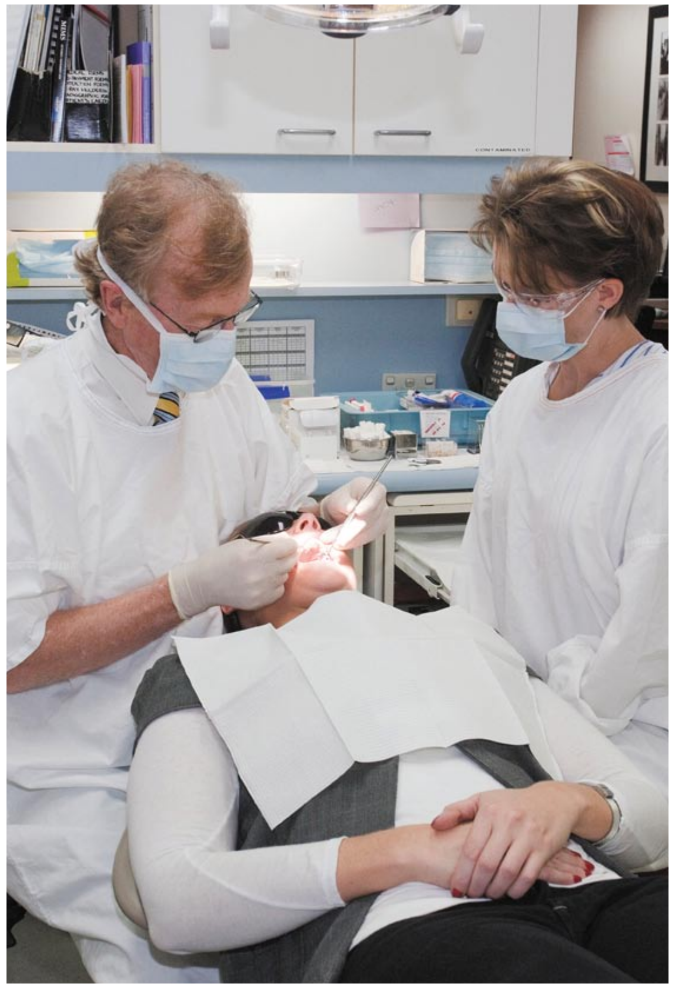
In May 2010, ahm's DEP received ongoing accreditation status under the EQuIP Program of the Australian Council on Healthcare Standards. Significant clinical quality improvements were acknowledged by the surveyors in areas such as triage, patient assessment, introduction of digital radiography and infection control (where an 'extensive achievement' rating was given).

Overseas Student Health Cover

The past 12 months for ahm's Overseas Student Health Cover (OSHC) division have focused on reviewing and building system efficiency and capability to support growth. Initiatives centred around greater business-to-business capability in credit control and risk management as well as better reporting on profitability, costs and business processes. OSHC students are already seeing benefits from ahm's improved online service capability.

ahm
Extras Benefits
(by amount paid)





> ahm paid over $331 million in benefits to its members for hospital, medical and extras.

Medibank diversified insurances

Life Insurance

Since launching in October 2008, Medibank's Life Insurance has insured over 25,000 individuals and this arm of the business continues to show strong growth.

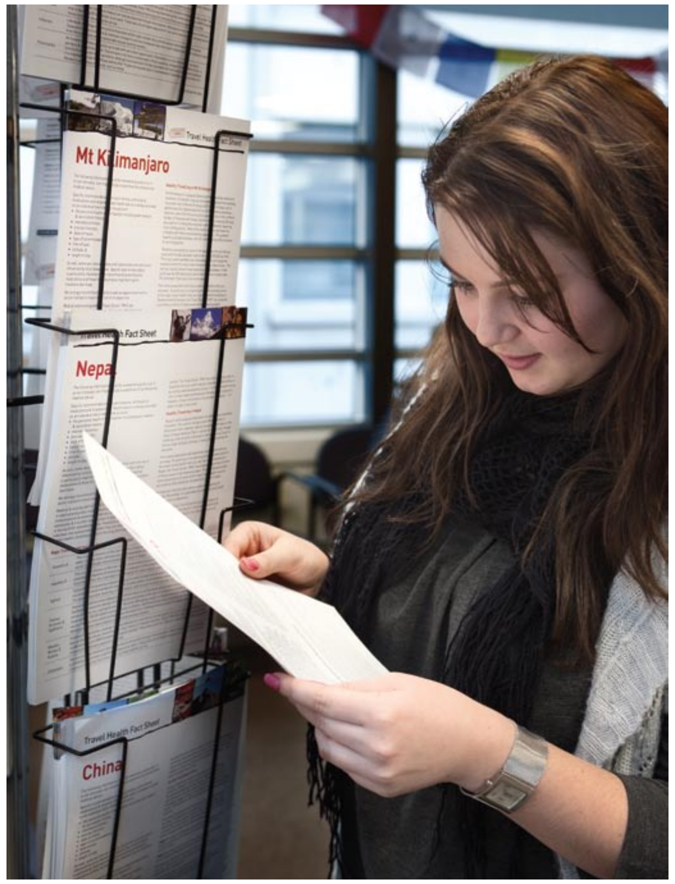
We have expanded our product suite to include trauma insurance which is a logical addition to our Life Insurance business and ensures a complete offering for consumers.

Medibank also supports the not-for-profit Investment and Financial Services Association's (IFSA) 'Lifewise' industry initiative to assist Australians in bridging the under-insurance gap.

Medibank Private Travel Insurance and ahm Travel Insurance

The travel insurance business continues to grow significantly year-on-year and both Medibank Travel Insurance and ahm Travel Insurance experienced strong sales in 2009/10.

Sales performance throughout the year has proven that Medibank is a strong competitor in the travel insurance market, positioning us well for further growth as we continue to invest in this market.



Pet Insurance

Pet insurance has been a natural extension to our product range, enabling members and customers to purchase affordable health cover for their cats and dogs. Proving to be a strong market for Medibank, uptake of our pet insurance cover has been high amongst both members and non-members.

As the cost of veterinary services rise, we continue to make improvements to the product to ensure that families can better manage the risk of potentially large veterinary expenses.

Medibank continues to work closely with Lort Smith Animal Hospital to co-promote animal welfare and responsible pet ownership.

Medibank Health Solutions

To help people stay healthy and get the most out of life, Medibank Health Solutions provides health services to companies, government, health insurance members and consumers alike with a range of medical and allied health solutions that are delivered face-to-face, over the telephone and online.

The innovative Medibank Health Solutions business brings together all of Medibank's recently acquired health companies under one umbrella brand.

The business draws its wealth of expertise from a combined workforce of 1500 health professionals (effective July 2010) including nurses, doctors, psychologists, dentists, physiotherapists and other allied health staff across Australia and New Zealand. From 1 July 2010, the former McKesson Asia-Pacific and McKesson New Zealand as well as Fitness2Live also form part of Medibank Health Solutions.

Medibank Health Solutions comprises:

- Medical and Allied Health Services, providing face-to-face health services via a national network of workplace health clinics, a Rapid Care Clinic, Travel Doctor – TMVC clinics, and the ahm Dental and Eyecare Practices
- Telephone and Online Services, providing telephone triage, web-based health and wellness advice, chronic disease management and mental health services to government and business in Australia and New Zealand (from July 2010) including 'healthdirect Australia', 'NURSE-ON-CALL' and 'Healthline', as well as '*better*health on call' and '*better*health online'.

Medibank Health Solutions is the clear choice when it comes to innovative health services for business, government and, increasingly, the wider community.

Visa medical assessment

Medibank Health Solutions is the only health solutions company contracted by the Australian Government to undertake visa health assessments. These medical assessments include screening for conditions such as tuberculosis and HIV and are required by Australian law for anyone wanting to emigrate, work or study here for more than three months. In 2009/10, we conducted over 220,000 assessments.

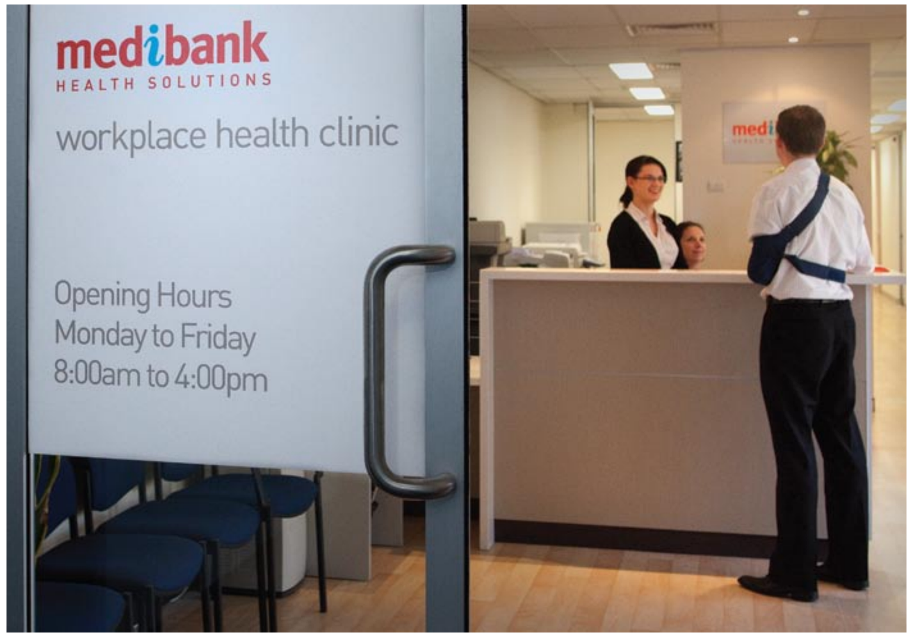
Rapid Care Clinic

In February 2010, Medibank opened Australia's first Rapid Care Clinic in the Brisbane suburb of Cannon Hill to offer faster treatment for minor injuries and illnesses.

Providing locals with an alternative to visiting a hospital emergency department, the Rapid Care Clinic offers medical treatment for patients who require immediate care but whose injuries and ailments are not life-threatening, such as sprains, strains, cuts, abrasions, broken bones, minor burns and sporting injuries. People suffering from viruses, headaches and migraines can also present for treatment.

The clinic operates extended hours from 8am to 9pm, seven days a week, 365 days a year to cater for families and sporting injuries. It is open to members and non-members alike, although members of Medibank Private receive a discount. Patients require no appointment and will receive medical care within an hour of arrival.

The Medibank Rapid Care Clinic concept is designed to complement existing medical services by filling the gap between the family GP and hospital emergency rooms. Medibank intends to open more clinics in other Australian cities in 2010/11.



RAPID CARE CLINIC
MINOR INJURY AND ILLNESS
medibank

Healthy Generations

Geni Papacostas – a contestant of the high-rating *Masterchef* television program (season one) – helped Medibank launch the first of our Healthy Generations programs at Mill Park Heights Primary School in Melbourne during the year.

The Healthy Generations program is a new and innovative program for parents of primary school aged children designed to foster healthy eating habits amongst students through behavioural psychology and cooking skill development. The program was developed with financial assistance from the Department of Health and Ageing.

Chevron - Gorgon Project

In 2009/10 Medibank Health Solutions won a five-year contract to deliver medical services and personnel for Chevron Australia's liquid natural gas operations and projects on Barrow Island, off the coast of Western Australia.

Medibank Health Solutions will be providing an all encompassing medical service to construction and operational staff for injury treatment and management, injury prevention programs, drug and alcohol testing, health education and a GP service for non-work related injuries and illnesses.

As part of the contract, Medibank will partner with St John Ambulance to ensure the availability of industrial paramedics.

Travel Doctor

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

In 2009/10 our dedicated and diverse team of specialist doctors and nurses, conducted almost 69,000 travel health consultations.

Our clients include regular holiday travellers as well as major public and private sector organisations. We are also the preferred provider to international aid organisations, volunteer groups, government agencies, including the Australian Federal Police and departments of Foreign Affairs and Trade and Defence, and major Australian sporting organisations.

Chronic Disease Management

The sustainability of Australia's health system and strategies for addressing chronic disease continue to drive discussion both internally and at a broader national level.

Our significantly enhanced capability to deliver health management programs has positioned Medibank well in this space and has boosted participation in Total Health and *better*health programs as well as supporting early discharge from hospital and avoiding admissions.

In 2009/10 we achieved participation in our programs of more than 32,000 Australians, with over 21,500 new enrolments during the year.

Community

Medibank is a significant player in the Australian health care system and believes it is important to represent our customers through our advocacy platforms.

Obesity in Australia: the financial impacts and cost-benefits of intervention

New research by Medibank in 2009/10 examined the success rates and cost-effectiveness of various interventions available to combat Australia's obesity epidemic.

The report modelled the cost of obesity to Australia and estimated the total direct, indirect and social cost to the economy at a massive $37.7 billion in 2008/09. The social costs of obesity in terms of decreased quality of life and life expectancy comprise $30 billion of that figure while indirect costs, representing the impact of obesity on workplace productivity and the size of labour force were the next largest component at $6.4 billion.

Three types of intervention were examined - lifestyle interventions (referring to a combination of a healthy diet, physical activity and counselling), pharmacological interventions and bariatric surgery (popularly known as lap-banding). The research demonstrates substantial net economic benefits of lifestyle intervention programs and considers the strong success rates of higher cost bariatric surgery.

The report forms a strong argument for greater investment in obesity interventions by individuals, employers and governments, highlighting the need for interventions to balance success and cost-effectiveness.

Over the coming months and years, Medibank will continue to research the impacts and benefits of a range of health conditions and interventions that are relevant to our customers. We will also continue to champion the benefits of regular physical activity and comprehensive workplace health programs.

Medibank International

Medibank has been the naming rights sponsor of the Sydney-based Medibank International for the past six years. Medibank leverages its sponsorship of the tennis tournament to communicate the importance of physical activity and leading a healthy lifestyle.

The televised event, combined with a national advertising campaign, allows the Medibank brand to reach millions of Australians and also help attract new members.

Medibank's Junior Tennis - a grass roots program that supports junior tennis across New South Wales - is also integrated into this event, by providing young players with an opportunity to participate in the Medibank Challenge at the tournament and giving some the special chance to accompany star players onto Centre Court. The aim is to inspire these youngsters to lead a healthy, active life like their tennis heroes participating in the Medibank International.

> “We are continually reinforcing the importance of maintaining a healthy lifestyle…”

A feature of Medibank's Junior Tennis initiative in NSW is the 'Volunteer and Coach of the Year' program to reward people who actively contribute to the development of the state's Junior Tennis community.

Haiti Earthquake

Following the devastating Haiti earthquake, Medibank lent its support both at an organisational level and through the efforts and donations of individual staff. Medibank's Travel Doctor - TMVC was involved in the preparation and rapid deployment of aid workers to the stricken country as well as providing subsequent assistance to aid organisations and non-government organisations to strengthen their efforts, including the Australian Red Cross, Caritas, AusAID and Childfund. Medibank also partnered with World Vision during the Medibank International tennis tournament to enable tennis fans to show their support through donations.

Wollongong ahm Hawks

ahm has been a supporter of the Wollongong Hawks basketball team, the oldest surviving team in the National Basketball League, since 1993. After facing an uncertain future in early 2009, the Illawarra based team went on to win a place in the grand final of the 2009/10 NBL season.

The Wiggles

Our partnership with The Wiggles has successfully positioned Medibank alongside a trusted family-oriented organisation which is aligned with our Purpose. Through the fun and exciting world of The Wiggles, we are continually reinforcing the importance of maintaining a healthy lifestyle.

A key feature of this sponsorship is the wiggleintohealth.com website which aims to inspire young families to participate in healthy activity. The website covers four key topics - nutrition, physical activity, hygiene and safety - each represented by a different band member of The Wiggles.

Medibank Community program

Our Community program provides employees with the opportunity to be involved in, and contribute to, their local community through volunteering, gift matching and workplace giving.

Eligible Medibank employees are encouraged to volunteer with our nominated charity partners – including Whitelion, Juvenile Diabetes Research Foundation, Ronald McDonald House and Salvation Army – by using one paid day of community leave each year.

During the past year, more than 400 employees volunteered their time to assist with various activities ranging from planting trees with Conservation Volunteers to cooking meals for families staying at Ronald McDonald House, assisting with animal care at Lort Smith Animal Hospital and donating blood to the Australian Red Cross.

Medibank's Workplace Giving enables employees to donate directly to a chosen Medibank charity partner through their pre-tax pay. These regular donations allow our charity partners to continue their valuable work and improve their programs thoughout the community.

The Gift Matching initiative gives employees the chance to support their favourite cause and strengthen our commitment to on-going corporate giving. Medibank Community will match up to $500 per eligible employee.

Gift matching donations made by Medibank have been steadily rising due to internal promotion and increased incidence of natural disasters in our local and international communities. During the past year, Medibank gift matched over $24,000. The previous year was an unprecedented year which included donations for the devastating Victorian bushfires.

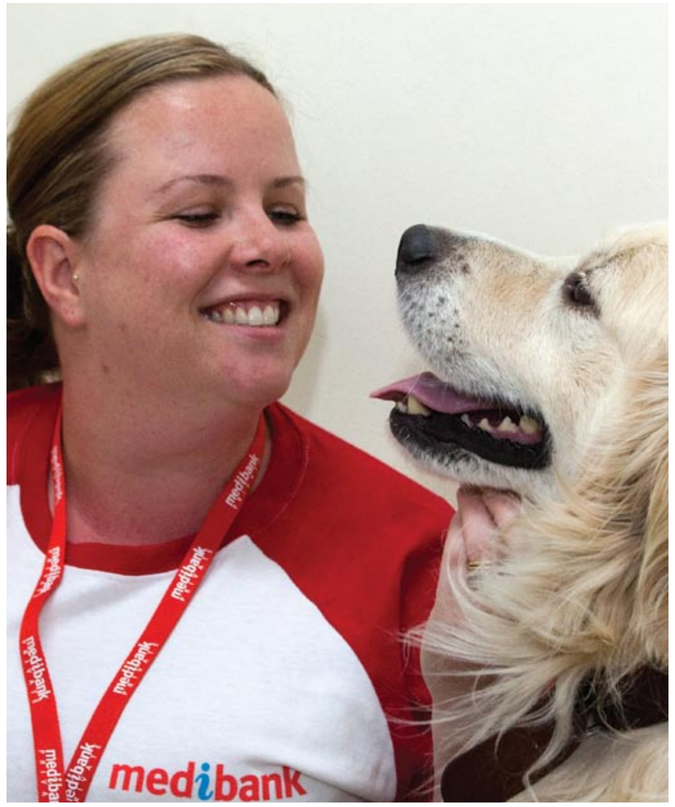
ahm Health and Medical Research Fund

In January 2010, the ahm Health and Medical Research Fund awarded a $753,884 grant to Professor Kim Bennell, Professor of Physiotherapy at Melbourne University, to conduct new research into osteoarthritis. The research project titled 'Addressing pain in knee osteoarthritis: physiotherapist-delivered exercise and cognitive behavioural therapy', will be carried out over two years and aims to determine optimal treatment and management of the chronic disease.

Since its inception in 1986, and thanks to generous donations of ahm members, the Fund has made some important contributions to health and medical research and has contributed almost $7 million towards diverse projects throughout Australia.

Medibank Health Solutions Community Fund

The Medibank Health Solutions Community Fund contributes to activities of a humanitarian, cultural or sporting nature in response to grant applications from our employees. Grants are made available to support community groups such as charities, not-for-profit organisations, youth groups and sporting bodies. Since its inception in 2006, the Community Fund has donated over $200,000 to more than 80 local community projects across Australia.



Medibank Community Fund

Over the coming months, the Medibank Community Fund (MCF) will be launched. The Fund aims 'to support initiatives that enable people to live longer in good health, staying mentally and physically active by encouraging physical activity, healthy eating and community connectedness'. To achieve this, the Fund has been designed around three programs: flagship community partnerships; community grants; and scholarship study grants.

The Medibank Community Fund will complement the existing community activities, including gift matching, community leave and corporate funding to not-for-profit groups as well as sponsorships undertaken by Medibank's Marketing Division.

Environment

The Medibank Green Team, made up of employees from across the organisation, has been very successful in implementing various changes to reduce the organisation's impact on the environment.

Some of their achievements to date include:

- refreshing all network printers to print double-sided
- refreshing all network colour printers to default to black and white printing
- removing screen savers
- electronic waste recycling day
- 100 percent recycled paper set as default paper for ordering
- introduction of green volunteering through Conservation Volunteers including tree planting.

Medibank also participated in the first Greenhouse Games Workplace. A number of teams participated, resulting in an impressive annual saving across the business of: 116.5 tonnes of greenhouse gas; 1,136 kilolitres of water; and 6.6 tonnes of waste.

Our people

One of our most important objectives is to enable our people to perform at their best and achieve our organisational goals by sharing our Vision and Purpose. The way we attract, retain and develop our employees is essential to achieving these goals.

Medibank's Values guide the way we work together to achieve our objectives, engage with our customers and interact with one another.

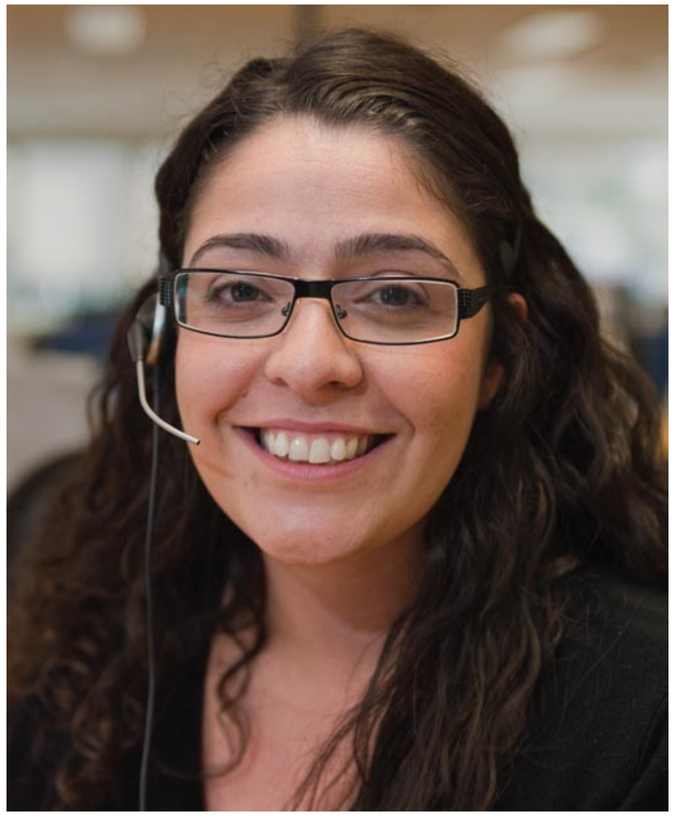
Developed with input from employees across the organisation, our set of corporate Values and behaviours – 'get connected', 'build trust', 'think fresh', 'be courageous' and 'inspire performance' - have been widely adopted and integrated into our systems and processes. The Values are incorporated into performance management and used to guide our change management activities and improve the service experience of our customers.

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

Employee numbers growth

With the acquisitions of ahm and HSA Group in 2009/10, Medibank's workforce doubled, growing to 3,300 employees across Australia. Significantly, the number of health professionals - including doctors, nurses, physiotherapists, maternal health nurses, occupational therapists and nutritionists - we employ grew from 60 to almost 1,000. This was a landmark change in Medibank's capability and identity and one on which we will build in the coming year.

Our decision to grow our health workforce further through our acquisition of McKesson Asia-Pacific will result in further complexity of the workforce - in professional diversity and in operating models - and the need for extended integration activity.



An additional 800 employees will join the Medibank family on 1 July 2010 to further enhance our workforce. Aligning key processes and systems and building a shared community across the expanded organisation will underpin our human resources strategy.

Medibank Private's Board and management are committed to ensuring we have quality engagement with all areas of the business as we continue to work to build Medibank's workforce capability. We are committed to having the right people and the right service culture to deliver excellent customer experiences within a positive corporate work environment.

In the year ahead, our People and Culture team will focus on partnering with the business to:

- provide personal and professional development resources
- foster leadership capability
- develop and support Medibank's talent strategy
- enhance workforce diversity
- optimise communication tools and channels
- leverage our knowledge management capability.

Leadership and Employee Forums

Medibank's Group Executive team is committed to regular face-to-face employee engagement. Every six months, members of the Group Executive host forums across the country to update staff on business plans and recognise achievements. In addition, the Group Executive hosts an annual Medibank Leadership Forum for senior leaders across the organisation.

My Wellbeing

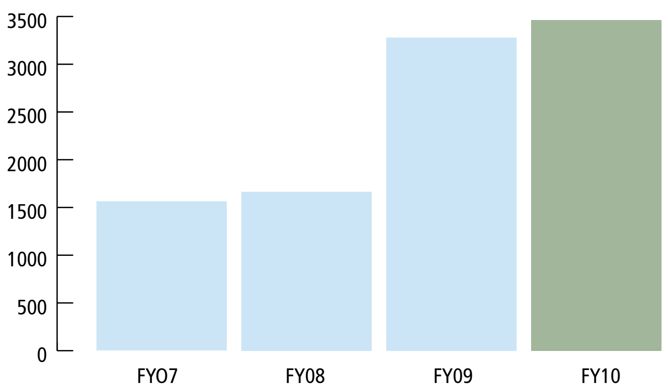
The My Wellbeing program provides staff with the opportunity to take part in healthy activities to improve health and wellbeing. During 2009/10, the program achieved exceptional involvement from staff with 70 percent of eligible staff enrolling in the program (significantly higher than Australian industry standards).

Through the year: 450 staff participated in face-to-face health checks; 500 staff completed online health risk assessments; and many others benefited from onsite pilates, yoga, meditation and health information seminars.

A broad range of services are offered to staff across Australia and the integrated rewards program encourages staff to get involved and be creative through the use of online self-managed programs, the telephonic health advice line, 'mates agreements' and suggested physical and wellbeing activity opportunities.

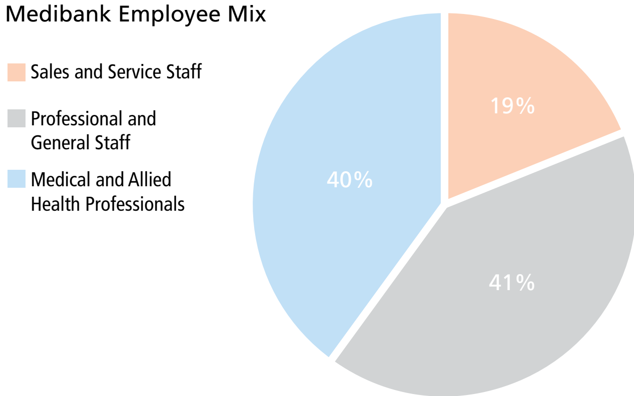
We are now benefiting from the expanded health capability within the Medibank business and the program is now being delivered internally. This enables us to demonstrate the way in which these services can be brought together in order to bring to life a truly evidence based, fully integrated workplace health and wellbeing program.

Number of Medibank Employees



*values in number of people at 30 June of each year.

Medibank Employee Mix



MediBUG – Bike user group

The Medibank bike user group, known as MediBUG, is a collection of cyclists who enjoy riding. The group was formed to promote the benefits - both physically and environmentally - of riding to work.

MediBUG members have played an important role in establishing better facilities (such as lockers, change rooms) for cyclists at the Head Office which has in turn encouraged more people to ride to work. By removing barriers, we hope to make is easier for employees to enjoy the benefits of cycling.

MediBUG also encourages employees to participate in social cycling events which not only promote health and wellbeing, but are also a great way to strengthen relationships with work colleagues.

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Corporate governance statement

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

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

Governance at Medibank Private

The Group is committed to the highest standards of corporate governance. The governance practices are derived principally from the provisions of the Commonwealth Authorities and Companies Act 1997 (Cth) ("CAC Act") and requirements of the Governance Arrangements for Commonwealth Government Business Enterprises (1997).

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

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

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

The Group also provides regular reports to the Private Health Insurance Administration Council (PHIAC) in relation to its two private health insurance funds operated by the Company and its subsidiary Australian Health Management Group Pty Limited (ahm). PHIAC is an independent statutory authority that is responsible to the Federal Minister for Health and Ageing. The role of PHIAC is to monitor and regulate the private health insurance industry with the objectives of:

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

Our Shareholder

Ownership and Shareholder Minister

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

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 (the Statement of Corporate Intent) is tabled annually in Parliament. Quarterly reports on progress against the Corporate Plan are made to the Shareholder Minister.

Medibank Private's Annual Report is submitted to the Commonwealth Parliament in accordance with Section 9 of the CAC Act.

Annual General Meeting

The Shareholder Minister has indicated his intention to waive the requirement to hold an Annual General Meeting for the 2010 financial year. Accordingly, an Annual General Meeting will not be held in 2010.

Board of Directors

Role and Responsibilities

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

In carrying out its governance role, the Board must also ensure that the Group complies with all of its contractual, statutory and other legal obligations, including the requirements of all applicable regulatory bodies.

The powers and duties of the Board are specified in the Constitution of Medibank Private, the Corporations Act 2001 (Cth), and other relevant legislation and law. The Corporate Governance Section of the Group's website links to a document which addresses ASX Guideline 1.1 – Summary of Matters Reserved for the Board.

Key accountabilities and matters reserved for the Board include:

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

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

The Company Secretary is appointed by the Board 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 Private comprises seven Non-Executive Directors including a Non-Executive Chairman, and an Executive Managing Director. All current Non-Executive Directors are independent in accordance with the ASX Guidelines criteria for independence. Medibank's Non-Executive Directors comprise four women and three men.

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

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

The term of a director, Ms Julia Bowen, expired on 2 November 2009.

One new director was appointed during the year. Dr Cherrell Hirst AO was appointed on 16 December 2009 for a three year term.

Subsidiaries

The activities of each subsidiary in the Group are overseen by their own Board of Directors. These Boards comprise senior management personnel of the Medibank Group or Directors of Medibank Private Limited.

Director Induction and Education

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

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

All Directors are provided opportunities to visit retail and customer service centres and clinics 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 interest that could potentially conflict with those of the Group.

Each Director is obliged to notify the other Directors of any material personal interest that he or she may have in a matter that relates to the affairs of the Group (subject to certain exceptions specified in the Corporations Act 2001 (Cth)).

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

Fit and Proper

The Company has a policy and effective procedures in place to ensure that individuals appointed to and holding responsible senior positions are fit and proper to undertake their prudential responsibilities.

A fit and proper assessment, in accordance with the Company's Fit and Proper policy, is conducted prior to a person being appointed into a Responsible Person position 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 Executive Managers 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 Group Manager, People & Culture maintains a register of Responsible Persons which is tabled to the Board on an annual basis as part of the Board's annual review and approval of the Policy.

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

Independent Professional Advice and Access to Company Information

The Board and its Committees may seek advice from independent experts whenever it is considered appropriate.

With the consent of the Chairman, individual Directors may seek independent professional advice at the expense of the Company on any matter connected with the discharge of their responsibilities.

Each Director has the right of access to all relevant 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.

Details of Directors' remuneration are included in the Directors' Report.

Director Dealings in Company Shares

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

Board Meetings

The Board met 8 times during the year.

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

Board Performance

A review of Board performance is conducted annually by way of alternate formal and informal assessment. The aim is to undertake an objective assessment of the performance of the Board as a whole, its Committees and the Directors. An informal assessment was completed for the 2009 year and a formal, independently facilitated review is being conducted for the 2010 year. During the year, the Board regularly assessed its performance.

Board Committees

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

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

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

Board Committees monitor and facilitate detailed discussion on particular issues and other matters as delegated by the Board.

With the exception of the Investment Committee (which has been delegated certain decision making responsibilities), the Committees have no delegated authority, but make recommendations and report to the Board of Directors on appropriate and relevant issues.

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

Audit and Risk Management Committee

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

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

Key responsibilities include:

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

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

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

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

Investment Committee

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

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

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

Nomination, Remuneration and Human Resources Committee

During the year the Nomination, Remuneration and Human Resources Committee was split into two separate committees; the Nomination Committee and the Human Resources Committee. While it operated as a combined committee it comprised four Non-Executive Directors. The Managing Director attended Committee meetings by invitation.

The Chairman of this Committee, Mr P McClintock, was an independent Non-Executive Director.

The primary role of this Committee was to review and make recommendations on Board composition and nomination, Board and Senior Executive remuneration, Board and Senior Executive succession planning, and insurance requirements as they relate to Directors and Officers of the Group.

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

The Committee Charter recommended that the Committee met twice a year. This Committee met four times during the year.

Nomination Committee

The Nomination Committee was formed during the second half of the year and comprises five Non-Executive Directors. The Managing Director attends Committee meetings by invitation.

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

The primary role of the Committee is to review and make recommendations 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 did not meet during the year due to its recent formation.

The Corporate Governance section of the company's website links to a document which addresses ASX Guideline 2.6 and 8.3 – Nomination Committee Charter.

Human Resources Committee

The Human Resources Committee was formed during the second half of the year and comprises four Non-Executive Directors. The Managing Director attends Committee meetings by invitation.

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

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

The Committee Charter recommends that the Committee meet twice a year. The Committee met only once during the year.

Health and Business Innovation Committee

The Health and Business Innovation Committee currently comprises three Non-Executive Directors and the Managing Director. The Chairman of the Committee, Professor J Stoelwinder is an independent Non-Executive Director.

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

The Committee Charter recommends that the Committee meet at least three times a year. The Committee met four times during the year.

Accountability and Audit

External Audit

In accordance with the Commonwealth Authorities and Companies (CAC) Act 1997 (Cth), the Commonwealth Auditor-General audits the records and Financial Statements of the Company and the Group. The Australian National Audit Office (ANAO) has contracted with PricewaterhouseCoopers to audit the Company and the Group for the 2010 financial year on behalf of the Auditor-General.

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

The Audit and Risk Management Committee meets with the External Auditor during the year to:

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

Internal Control Framework

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

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

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

Internal Audit

Internal auditing is an independent objective assurance and consulting activity designed to add value and improve the Group's operations. It helps the Group accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. It operates under a Charter from the Audit and Risk Management Committee that gives it unrestricted access to review all activities. The internal audit function is managed by the Manager Group Assurance who reports directly to the Chair of the Audit and Risk Management Committee.

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

Risk Management

The Board has approved a risk management system which is based on the Australian Standard for Risk Management. The system in place includes comprehensive written policies and procedures to measure, monitor and manage risk. Each business unit is responsible for assessing and updating its own risks, including control effectiveness and related mitigation plans. Strategic risks are assessed on a regular basis and the Audit and Risk Management Committee receive reports on the status of these key business risks. The Board reviews and sets annual measures for risk tolerance.

Certification by Managing Director and Chief Financial Officer

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

This process supports the Managing Director and Chief Financial Officer's written certification to the Board under ASX Guideline Recommendation 7.3 that the certifications they give to the Board under Section 295A of the Corporations Act (as to the integrity of the Company's Financial Statements) are founded on a sound system of risk management and internal compliance and control that implements the policies adopted by the Board, and that the Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Based on the evaluation performed as at 30 June 2010, the Managing Director and Chief Financial Officer concluded that, as of the evaluation date, such risk management and internal compliance and control systems were reasonably designed to ensure that the Financial Statements and notes of the Company and of the Group are in accordance with the Corporations Act 2001 (Cth) and there are reasonable grounds to believe the Group will be able to pay its debts as and when they become due and payable.

Compliance

The Group has established a comprehensive compliance management framework which is based on the Australian Standard for Compliance. The Compliance function supports the organisation in identifying, managing and monitoring its compliance obligations. In addition, the Compliance function conducts reviews in accordance with a Compliance Plan which is reviewed and approved annually by the Audit and Risk Management Committee and the Board.

Ethical Standards

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

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

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

The reporting of fraud and other inappropriate activity is encouraged by the Board and management via a formal, confidential reporting system and other internal processes.

These processes ensure that people making a report are protected from any discrimination or intimidation, and are reflected in the Company's Whistleblower policy.

Director's report

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

Board of Directors

The names and details of the Directors in office at any time during the financial year, including the period until the date of this report, are as follows.

Current Directors

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

Appointed Chairman from 19 March 2007.
Current term expires 18 March 2013.
Chairman of the Nomination Committee.

Mr McClintock is currently Chairman, Thales Australia Limited, the COAG Reform Council, Intoll Management Limited and St. Vincent's Institute of Virology; and Director of the European Australian Business Council and Perpetual Limited.

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

From July 2000 to March 2003 he was Secretary to Cabinet and Head of the Cabinet Policy Unit in the Australian Government.

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

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

Appointed Director from 6 September 2001.
Appointed Managing Director 19 April 2002.
Current term expires 11 December 2011.

Mr Savvides has over 20 years corporate leadership experience in the health care industry and is currently a Councillor of the International Federation of Health Plans. He is also Director, World Vision Australia and World Vision International; and Member, Australian Institute for Population Ageing Research and also Member, Business Council of Australia.

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

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

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

Professor Stoelwinder has extensive experience in medical and health care roles and is currently Chair of Health Services Management and Head, Division of Health Services & Global Health Research, School of Public Health and Preventive Medicine, Monash University.

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

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

Appointed Director from 21 September 2007.
Current term expires 20 September 2010.
Chairman of the Investment Committee.

Mr Twyman is currently Chairman of ANZ Lenders Mortgage Insurance Pty Ltd and Swiss Reinsurance Company (Australian Board of Advice) and Director, Perpetual Limited, Swiss Re Life & Health Australia Limited, and Insurance Australia Group Limited (IAG).

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

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

Appointed Director from 21 September 2007.
Current term expires 20 September 2010.
Chairman of the Audit and Risk Management Committee.

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

Ms Harvey was formerly a Partner at PricewaterhouseCoopers.

Elizabeth Alexander AM BCom, FAICD, FCA, FCPA
(Non-Executive Director)

Appointed Director from 23 October 2008.
Current term expires 22 October 2011.
Chairman of the Human Resources Committee.

Ms Alexander is currently Chairman of CSL Limited and DEXUS Wholesale Property Limited, a Director of DEXUS Property Group, and serves on the Board of the Australian International Health Institute. She is Chair of the Australia Prudential Regulatory Authority's Risk and Audit Committee, the Portfolio Audit Committee of the Victoria Department of Education and Early Childhood Development, the University of Melbourne's Finance Committee, and the Nossal Institute for Global Health.

She is a former National President of CPA Australia and the Australian Institute of Company Directors, and a former member of the Takeovers Panel.

Leanne Rowe AM, MB BS, MD, FRACGP, FAICD
(Non-Executive Director)

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

Professor Rowe has extensive experience across the health sector including working as a rural GP and immediate past Chairman of the Royal Australian College of General Practitioners. She was recently awarded the prestigious Rose Hunt Medal for service to Medicine. She is an expert in primary care and has written on the benefits of healthy lifestyles. She currently serves as Deputy Chancellor of Monash University.

Professor Rowe is a Director, Medical Consulting Victoria; presiding Member, Medical Panels, Victoria and South Australia; and a Board Member, *beyond blue: the national depression initiative*.

Cherrell Hirst AO MBBS, BEdSt D, Univ (Hon), FAICD
(Non-Executive Director)

Appointed Director from 16 December 2009.
Current term expires 15 December 2012.

Dr Hirst currently holds directorships of Avant Mutual Group, Avant Insurance Limited, Impedimed Ltd, Tissue Therapies Ltd and Xenome Ltd. Additionally Dr Hirst is also Deputy Chair and part time CEO of Queensland Biocapital Funds and was formerly a director of Suncorp-Metway Ltd. Prior to becoming a non-executive Director Dr Hirst practiced medicine for 30 years.

Former Non-Executive Director

The term of Julia Bowen's directorship expired on 2 November 2009.

Company Secretary

Stephen Harris ACIS, CA

Appointed Company Secretary on 6 July 2007.

Mr Harris has experience in Corporate Governance, Financial Reporting and Policy, Corporate Taxation as well as Assurance and Accounting Services obtained across a range of large Australian and international companies in varied industries.

Directors' Interests

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

Principal Activities

The principal activity of the Group during the financial year was to operate as a registered private health insurer in accordance with the Private Health Insurance Act 2007 (Cth).

The Company directly or indirectly provides a range of insurance services, such as:

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

The latter two under agency agreements with third party providers.

The Group's Health Solutions Division also provides additional services including:

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

Results

The Group's 2009/10 after tax profit was $305,090,000 (2008/09 $91,187,000).

Dividends

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

	2010 $'000
Interim ordinary dividend for the three months ended 31 December 2009, paid 4 June 2010	32,844

In addition to the dividend above, since the end of the financial year Directors have recommended the payment of a final ordinary dividend of $48,381,000 out of retained earnings at 30 June 2010.

Review Of Operations

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

Significant Changes In The State of Affairs

On 1 October 2009 the Company became a tax-paying entity following the conversion from a not-for-profit to a for-profit entity. There were no other significant changes in the state of affairs for 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 2010, and attendance by Directors at those meetings.

Director	Board		Audit and Risk Management Committee		Health and Business Innovation Committee		Investment Committee		Nomination, Remuneration and Human Resources Committee		Human Resources Committee	
	H	A	H	A	H	A	H	A	H	A	H	A
P McClintock	8	8	-	-	-	-	4	3	4	4	1	1
G Savvides	8	8	4	3	4	4	4	4	4	4	-	-
J Bowen	2	2	1	1	2	1	-	-	-	-	-	-
J Stoelwinder	8	8	-	-	4	4	1	1	4	4	-	-
J Harvey	8	8	4	4	-	-	4	4	4	4	-	-
P Twyman	8	8	4	4	-	-	4	4	4	4	1	1
E Alexander	8	8	4	3	-	-	-	-	-	-	1	1
L Rowe	8	8	1	1	-	-	4	4	-	-	-	-
C Hirst	4	3	-	-	-	-	-	-	-	-	1	1

H – Number of meetings held during the time the director held office or was a member of that committee during the year.
A – Number of meetings attended.
There were no meetings of the Nomination Committee during the year.

Significant Events After The Balance Date

On 1 July 2010 a subsidiary of the Company, Medibank Health Solutions Pty Limited (formerly Health Services Australia Pty Limited) acquired 100% of the shares in McKesson Asia Pacific Pty Ltd (subsequently renamed Medibank Health Solutions Telehealth Pty Limited). The acquisition will significantly increase the Group's on-line and telephone health management business. Medibank Health Solutions Pty Limited also acquired Carepoint Holdings Pty Ltd on 30 August 2010, further expanding coverage of its occupational health clinics.

In early 2010, the Shadow Treasurer announced the Coalition's plan to privatise Medibank should they be successful at the next Federal Election. During that election campaign, on 2 August, the Labor Party announced their intent to require Medibank Private to pay a Special Dividend of $300 million, payable in the 2011 financial year, in the event that the Labor government is returned. At time of signing, the outcomes of the August 21 election had not been declared and, consequently, the outcome of these policy announcements is unknown.

Except for those outlined above, no other matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

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

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

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

Likely Developments And Future Results

Directors anticipate that the improvement in revenue growth will be sustained in the 2010/11 financial year despite parts of the business being subject to fixed contracts and the loss of Job Capacity Assessment work following changes announced in the 2010 Federal Budget. It is anticipated that further regulation change to the private insurance sector, through legislation to means test the private health insurance rebate, may slow the rate of revenue growth. To manage the financial impact arising from these challenges, the Group will continue to invest in streamlining its operational effectiveness and efficiency, particularly in the private health insurance core business by investing in the continuation of the systems renewal program, and implementing continued improvements to its product suite and distribution model. The Group will also focus on increasing the volume of patients treated including recently launched health management programmes and generating growth in its health solutions business.

During the 2010/11 financial year the Group will be concerned with ensuring an effective integration of the recent acquisitions while continuing to develop the Health Solutions Divisions' core business.

Investment income will continue to be subject to the effects of the global economic environment and the inherent market volatility, with this risk being managed by implementing an investment strategy consistent with the Group's risk profile.

1. Remuneration Report

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

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

2. Board Policy on Remuneration

The Nomination, Remuneration and Human Resources Committee, which was in place until April 2010, has recommended, and the Board has adopted, a policy that remuneration will:

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

In line with the ASX Corporate Governance Principles and Recommendations the Board decided to replace the Nomination, Remuneration and Human Resources Committee with the following two committees:

Nomination Committee responsibilities include making recommendations to the Board in relation to:

- Board performance evaluation;
- Board composition, including, appointments and succession planning; and
- Recruitment and selection of the Managing Director, including the review of the MD succession plan.

Human Resources Committee responsibilities include making recommendations to the Board in relation to:

- The Group's policy for recruitment and remuneration;
- The Group's performance in relation to health and safety;
- The remuneration package for the Managing Director and other senior executives;
- The performance of the Managing Director and his direct reports; and
- The Group's executive management succession and development planning.

The new Committee structure and terms of reference were approved in April 2010.

Details of the composition and responsibilities of both the new Committees are set out in the Corporate Governance Statements which are available on the Company's website. The Committee and senior management receive advice on matters relating to remuneration from both internal and external sources.

3. Remuneration Strategy and Structure

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

The remuneration arrangements for the Managing Director are reviewed and approved by the Commonwealth Remuneration Tribunal. The Managing Director does not participate in the long term incentive plan or the deferred short term incentive plan.

During financial year 2010 the Board conducted a review of the remuneration policy for senior executives (excluding the Managing Director) which resulted in the Board deciding to:

- Phase out the cash-based Long-Term Incentive plan (LTI);
- Introduce deferred payment of part of the Short-Term Incentive (STI) for a period of two years.

The Board has a policy that remuneration packages of Executives include both a fixed component and an at-risk or performance-related component. The Board views the STI as an essential driver of Medibank's strong performance based approach to remuneration. The mix between fixed remuneration and at-risk remuneration is designed to provide incentive to Executives, and reflects competitive market conditions for this level of role.

For the Managing Director the STI can deliver a maximum of 60 percent of his fixed remuneration. For the Group Executive the STI can deliver a maximum of between 50 and 60 percent of their fixed remuneration, depending on their role. In setting measures for the STI, the Board aims to balance the focus on generating profit, with the development of sustainable value and improving the customer experience. A quarter of the Group Executive's STI is deferred for payment for a period of two years.

Group Executives (excluding the Managing Director) who were employed at the time of grant in November 2009 were invited to participate in the financial year 2010 LTI from which they can earn a maximum of between 12.5 and 15 percent of fixed remuneration (depending on their role). In line with the decision of the Board to phase out the LTI, the weighting for the financial year 2010 allocation was half of previous years. Existing LTI plans will continue to the scheduled assessment date.

The Company Secretary reports to the Managing Director who reviews the remuneration arrangements for the Company Secretary on an annual basis.

The following summarises the mix of reward elements for the non executive directors and senior executives:

Elements of remuneration		Directors[1] Non-Executive	Directors[1] Executive (MD)	Group Executives
Fixed Remuneration	Cash salary	✗	✓	✓
	Cash fees	✓	✗	✗
	Superannuation	✓	✓	✓
	Other benefits[2]	✓	✓	✓
Short-term Incentives	Cash	✗	✓	✓
Long-term Incentives	Cash	✗	✗	✓[3]
Post Employment	Service agreements	✗	✓	✓
	Termination payments	✗	✓	✓

[1] *Commonwealth Remuneration Tribunals Juristriction.*
[2] *Includes insurance and the value of fringe benefits.*
[3] *During the 2010 financial year the Board decided to phase out the cash-based LTI with the final assessment occurring at the end of the financial year 2012.*

4. Key Management Personnel

In addition to the Non-Executive Directors, the following are the senior executives who are members of the Group Executive and have been the key management personnel during the financial year and to whom this report applies.

Name	Current Role	Commenced in Role
G Savvides	Managing Director	19 Apr 2002[1]
B Levy	Chief Executive Officer - Private Health Insurance Division	1 Apr 2009[2]
S Macionis	Group General Manager - Medibank Health Solutions, Medical & Allied Health Services	1 Apr 2009[3]
M Sammells	Chief Financial Officer	4 Nov 2005
I Charles	Group General Manager - People & Culture	1 Feb 2010[4]
T Snyders	Chief Information Officer	5 Sept 2007
Former		**Cessation Date**
H Parkinson	Group Manager - People, Culture & Communications	31 Dec 2009[5]

[1] *Commenced in the role as interim, 1 April 2003 appointed permanent. Previously, Non-Executive Board member 6 September 2001 to 18 April 2002.*
[2] *Commenced in role 1 April 2009. Previously Mr Levy was Medibank Private's Chief Operating Officer / Deputy Managing Director.*
[3] *Commenced in the role following the acquisition of Medibank Health Solutions Pty Limited (formerly Health Services Australia Pty Ltd). Previously Mr Macionis was the Managing Director of Health Services Australia Limited.*
[4] *Commenced with Medibank on 1 February 2010.*
[5] *Ms Parkinson resigned effective 31 December 2009.*

5. Executive Remuneration

5.1 Fixed Remuneration

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

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

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

In 2008, the Shareholder also approved the re-appointment of the Managing Director for a three-year term until 11 December 2011.

5. Executive Remuneration continued

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

What is the STI?	An annual cash incentive plan directly linked to specific annual performance targets.
Who participates in the STI?	All Group Executives; this includes the Managing Director.
What are the changes from the financial year 2009 plan?	There were no changes to the structure of the 2009 plan but the measures and weightings did change to reflect the financial and operational focus of Medibank Private in 2010. In addition, the Board introduced the deferral of part of the incentive payment.
How much of the STI payment is deferred?	For the financial year 2010 16.67% of the STI payment to senior executives (excluding the Managing Director) will be deferred for a period of two years. The deferred payment will be forfeited if the executive resigns, or is terminated with cause, prior to the payment date. In the event the executive employment is terminated by the Company for reasons other than those above, they will received any amount deferred from previous years.
Why does the Board consider the STI an appropriate incentive?	The STI is designed to put a significant proportion of Executive total remuneration at-risk against meeting targets linked to Medibank's annual business objectives contained in the Corporate Plan which is submitted to the Shareholder.
Who assesses the performance of Group Executives?	The Managing Director assesses the performance of Group Executives at the end of each financial year and submits the results of his evaluation to the Board for approval.
Who assesses the performance of the Managing Director?	The Board evaluates the Managing Director annually and agrees the Managing Director's targets at the beginning of each financial year and assesses his performance against those targets at the end of the financial year, having conferred with the Human Resources Committee.
What are the performance conditions?	The performance conditions comprise financial and non-financial targets. In setting the performance conditions the Board considers the balance between the expected behaviours that the Plan will drive versus the management of risk and reward within the business.
Why were these conditions chosen?	The targets are set in line with Medibank's Annual Business Plan and three year rolling Corporate Plan.
Are both target and stretch performance conditions imposed?	Yes. The STI and the performance conditions set under the STI have been designed to motivate and reward high performance. Where all targets are achieved the payment is between 25% and 30% (depending on role) of Fixed Remuneration. If performance exceeds the challenging targets, the STI provides additional reward on a linear scale for achievement of stretch performance. The maximum payment is between 50% and 60% (depending on role) of Fixed Remuneration.
How well were the performance conditions met in the 2010 financial year?	Details of performance are provided in Section 6 of this report.

5.3 Long-Term Incentive Plan (LTI) - Summary Table

What is the LTI?	The LTI is a cash-based incentive component of remuneration for Group Executives who, at the time of allocation, were able to influence and have a direct impact on longer term company performance. The LTI was introduced in the financial year 2007. During the financial year 2010 the Board reviewed the current LTI and decided it would be phased out. The last grant was made in the financial year 2010, with the final test period at the end of the financial year 2012.
Who participates in the LTI?	Members of the Group Executive (excluding the Managing Director) at the date of allocation were eligible to participate subject to an invitation from the Board.
What are the changes from the financial year 2009 plan?	As a result of the review of the LTI which was undertaken by the Board, the financial year 2010 allocation was reduced by half in line with the decision to phase out the existing cash based plan. Allocations were between 12.5% and 15% of Fixed Remuneration depending on the role of the executive. The financial year 2010 metrics plan includes market share, Return on Equity and IT Transformation measures.
Why has the Board decided to phase out the LTI?	During the financial year 2010 the Board conducted a review of the executive remuneration strategy. The Board decided that the STI, with the introduction of a deferred element, was the appropriate reward focus for senior executives as this provides direct linkage with company performance and provides an appropriate retention mechanism.
What are the key features of the LTI?	The Board at its absolute discretion may notify participants of their eligibility to participate in the LTI. Participants are notified of the potential award amounts for both on-target and maximum performance for which they may become entitled; the applicable period over which performance will be measured; and the performance conditions that must be satisfied before an award vests (which only occurs upon the Board's assessment that performance conditions have been met). Where a participant ceases to be an employee of Medibank, unless the Board determines otherwise, all unvested awards held by an Executive lapse.
What is the performance measurement testing period?	The financial year grants for 2008, 2009 and 2010 each have a measurement period of three financial years, which includes the year in which the grant has been made.
What are the performance measures?	All plans include market share and Return on Capital measures. For the financial year 2010 plan an additional measure of delivery of the IT Roadmap was included. Further details are provided in Section 6 of this report.
How well were the performance conditions met for the financial year 2008 plan?	Details of performance are provided in Section 6 of this report.

6. Company Performance – the link to reward

The Board's policy is that there should be an alignment between executive reward and Company performance. Therefore, the entire at-risk component of Executive remuneration is tied to the performance of the Executive and the organisation.

6.1 Company Financial Performance

The following table provides details of the financial performance of the Group over the past five years, which reflect an increase in performance over the longer term. From 1 October 2009 the status of Medibank changed to a "for profit" entity which now pays both tax to the Government and dividends to its shareholder.

Measure/ Financial Year	2006 $M	2007 $M	2008 $M	2009(1) $M	2010(2) $M
Revenue	2,835	3,079	3,391	3,917	4,579
Operating Profit Before Tax(3)	100	153	200	153	245
Profit Before Tax	200	295	187	94	380
Total Dividends Paid	-	-	-	-	33

(1) Medibank acquired Medibank Health Solutions Pty Limited and ahm during the financial year 2009.

(2) Medibank became a "for profit" entity and commenced paying a dividend to the Shareholder.

(3) Excludes investment performance.

6.2 Short Term Incentive Plan

The Short-Term Incentive plan includes measures tied to a number of key performance objectives. Measures (both target and stretch) are set annually, covering corporate, financial and more direct operational performance targets. The mix and weighting of measures may vary annually, depending on the focus of the organisation for the coming financial year. These are cascaded to individual Executives participating in the plan. For this year, these included: financial results, customer, operational, integration and people measures. An annual performance contract is struck with each Executive, incorporating measures set and agreed to by the Board.

For the financial year 2010 the stretch performance targets for the financial, operational and integration measures were achieved. The customer and people measures were partially achieved.

The following table average percentage of the maximum STI which has been paid to Key Management Personal over the past five years:

Financial Year	2006	2007	2008	2009	2010
STI Received	88.3%	96.7%	81.7%	93.8%	90.3%

6.3 Long-Term Incentive Plan

Medibank has operated a cash based Long Term Incentive Plan since the financial year 2007. It is based on two measures:

- Market share; and
- Return on Capital.

Achievement of these measures was tested over the three years to 30 June 2010. Target performance must be achieved for both these measures for a payment to be made.

The board has approved payment for this plan at 80% of the maximum payment. LTI payments are included in table 9.1 under Long-Term Other.

6.4 Remuneration Mix for Senior Executives

The following table summarises the mix between fixed and performance based remuneration for the senior executives for financial year 2010 based on achievement of target performance:

Name	Fixed Remuneration	Short Term Incentive	Long Term Incentive	Total
G Savvides	77%	23%	-	100%
B Levy	69%	21%	10%	100%
M Sammells	70%	21%	9%	100%
T Snyders	70%	21%	9%	100%
S Macionis	77%	23%	-	100%
I Charles	80%	20%	-	100%

7. Executive Service Agreements

Terms of employment (including all components of remuneration) for the Managing Director and Group Executives are formalised in individual employment contracts. Specific information relating to the terms of the service agreements contained within these contracts is set out in section 7.2.

7.1 Post-employment

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

Termination arrangements were put in place to protect Medibank against the possible flight risk of some key Executives in the lead up to the previous government's proposal for an IPO of Medibank. These were fixed at six months of an Executive's Total Fixed Remuneration, but can be 12 months (if the Executive's employment is terminated due to a change in control). These arrangements are still in place.

7.2 Summary of specific terms

Name	Notice Period by Medibank	Notice Period by Executive	Normal Termination Payment	Maximum Termination Payment
G Savvides	6 months[1]	3 months	6 months	15 months[2]
B Levy	6 months	3 months	6 months	12 months[3]
M Sammells	6 months	3 months	6 months	12 months[3]
I Charles	6 months	3 months	6 months	6 months
T Snyders	6 months	3 months	6 months	6 months
S Macionis	6 months	3 months	6 months	6 months

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

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

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

8. Non-Executive Remuneration

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

As determined by the Commonwealth Remuneration Tribunal, Non-Executive Directors' fees were increased by 3% with effect from 1 October 2009. The Chairman received an annual fee of $113,640 and other Non-Executive Directors received a fee of $56,860 per annum from that date.

In addition, Directors who sit on the Audit and Risk Management Committee received an additional fee which was also increased 3% with effect from 1 October 2009. The new fees for the Chair of the Audit and Risk Management Committee is $13,300 per annum and members of Audit and Risk Management Committee receive $6,650 per annum.

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

8. Non-Executive Remuneration continued

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

30 June 2010	Directors Fees[(a)]	Audit and Risk Management Committee	Non Monetary Benefits[(b)]	Superannuation Benefits[(c)]	Total Remuneration
	$	$	$	$	$
Non-Executive Directors					
P McClintock (Chairman)	112,749	-	1,496	10,147	124,392
J Stoelwinder	56,413	-	2,255	5,077	63,745
J Bowen	19,892	2,326	3,384	2,000	27,602
J Harvey	56,413	13,195	1,719	6,265	77,592
P Twyman	56,413	6,598	1,738	5,671	70,420
E Alexander	56,413	6,598	871	5,671	69,553
L Rowe	56,413	1,023	1,999	5,169	64,604
C Hirst	29,742	-	28	2,677	32,447
Total Non-Executive Directors	444,448	29,740	13,490	42,677	530,355

(a) Represents actual directors fees paid during the financial year.
(b) Non Monetary Benefits include death, total and permanent disablement, salary continuance, subsidised health insurance and fringe benefits.
(c) Compulsory superannuation contributions made on behalf of non-executive directors to satisfy the Company's obligations under applicable Superannuation Guarantee Charge legislation.

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

(a) Represents actual directors fees paid during the financial year.
(b) Non Monetary Benefits include death, total and permanent disablement, salary continuance, subsidised health insurance and fringe benefits.
(c) Compulsory superannuation contributions made on behalf of non-executive directors to satisfy the Company's obligations under applicable Superannuation Guarantee Charge legislation.

9. Details of Remuneration

9.1 Directors' and Group Executives' remuneration

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

	Short-Term				Post Employment	Long -Term	Other	
30 June 2010	Salary & Fees[(b)]	STI[(f)]	Non Monetary Benefits[(c)]	Retention Payments	Super-annuation	Other [(d, f, g)]	Termination Benefits	Total Remuneration
	$	$	$	$	$	$	$	$
Current Directors[(a)]								
P McClintock (Chairman)	112,749	-	1,496	-	10,147	-	-	124,392
J Stoelwinder	56,413	-	2,255	-	5,077	-	-	63,745
J Harvey	69,608	-	1,719	-	6,265	-	-	77,592
P Twyman	63,011	-	1,738	-	5,671	-	-	70,420
E Alexander	63,011	-	871	-	5,671	-	-	69,553
L Rowe	57,436	-	1,999	-	5,169	-	-	64,604
C Hirst[(e)]	29,742	-	28	-	2,677	-	-	32,447
Total Director Remuneration	451,970	-	10,106	-	40,677	-	-	502,753
Former Directors								
J Bowen[(e)]	22,218	-	3,384	-	2,000	-	-	27,602
Total Former Director Remuneration	22,218	-	3,384	-	2,000	-	-	27,602
Current Executives								
G Savvides (Managing Director)	739,022	412,801	17,081	-	51,439	46,294	-	1,266,637
B Levy	548,146	318,530	13,850	-	51,118	168,268	-	1,099,912
M Sammells	476,466	270,459	9,932	-	41,278	128,421	-	926,556
T Snyders	346,514	201,321	10,811	-	30,442	83,585	-	672,673
S Macionis	347,948	194,775	5,935	-	29,727	2,290	-	580,675
I Charles[(e)]	142,413	78,208	3,980	-	12,274	896	-	237,771
Total Current Executive Remuneration	2,600,509	1,476,094	61,589	-	216,278	429,754	-	4,784,224
Former Executives								
H Parkinson[(e)]	134,209	-	6,110	-	14,106	(19,490)	-	134,935
Total Former Executive Remuneration	134,209	-	6,110	-	14,106	(19,490)	-	134,935

[(a)] Directors comprise all those who acted at any time during the reporting period.
[(b)] Salary of Executives includes accruals for annual leave.
[(c)] Non Monetary Benefits include death, total and permanent disablement, salary continuance, subsidised health insurance and fringe benefits.
[(d)] Long-Term Other comprises accrual for long service leave and Long-Term Incentive plan.
[(e)] Remuneration to C Hirst, J Bowen, I Charles, and H Parkinson relate to the period in which they were a Key Management Person only.
[(f)] STI and LTI includes Superannuation when paid.
[(g)] The amount of LTI paid represents 80% of the maximum LTI available.

9. Details of Remuneration continued

9.1 Directors' and Group Executives' remuneration continued

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

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

[a] *Directors comprise all those who acted at any time during the reporting period.*
[b] *Salary of Executives includes accruals for annual leave.*
[c] *Non Monetary Benefits include death, total & permanent disablement, salary continuance, subsidised health insurance and fringe benefits.*
[d] *Long-Term other comprises accrual for long service leave and Long-Term Incentive plan.*
[e] *Retention Payments vested during the year.*
[f] *This amount includes the additional performance based bonus of $50,000.*
[g] *Remuneration to S Macionis and K McGrath relate to the period in which they were a Key Management Person only.*
[h] *STI and LTI includes Superannuation when paid.*
[i] *The amount of LTI paid represents 90.3% of the maximum LTI available.*

9.2 Managing Director and Group Executives' STI

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

30 June 2010	Actual STI Payment[a]	STI Paid as % of Maximum STI	STI Not Paid as % of Maximum STI	% of Maximum STI Deferred
Current Managing Director				
G Savvides	412,801	88.3%	11.7%	-
Current Group Executives				
B Levy	318,530	88.3%	11.7%	16.67%
M Sammells	270,459	88.3%	11.7%	16.67%
T Snyders	201,321	88.3%	11.7%	16.67%
S Macionis	194,775	88.3%	11.7%	16.67%
I Charles[b]	78,208	100.0%	0.0%	16.67%
Former Group Executive				
H Parkinson[c]	-	0.0%	100.0%	-

[a] *STI constitutes a cash incentive earned during the 2010 Financial Year and the non-deferred portion is expected to be paid in September 2010.*
[b] *Prorata STI applicable for the 2010 Financial Year due to commencement date of 1 February 2010.*
[c] *Relates to the period in which H Parkinson was a Key Management Person only.*

30 June 2009	Actual STI Payment[a]	STI Paid as % of Maximum STI	STI Not Paid as % of Maximum STI	% of Maximum STI Deferred
Current Managing Director				
G Savvides	453,709	100.0%	0.0%	-
Current Group Executives				
B Levy	333,479	92.5%	7.5%	-
M Sammells	269,730	92.5%	7.5%	-
H Parkinson	186,758	92.5%	7.5%	-
T Snyders[b]	197,025	92.5%	7.5%	-
S Macionis[c]	-	-	-	-
Former Group Executive				
K McGrath[d]	114,964	92.5%	7.5%	-

[a] *STI constitutes a cash incentive earned during the 2009 Financial Year and is expected to be paid in September 2009.*
[b] *This amount does not include the additional performance based bonus of $50,000.*
[c] *STI not applicable for the 2009 Financial Year due to commencement date.*
[d] *Relates to the period in which K McGrath was a Key Management Person only.*

9.3 Group Executive Long Term Incentive

Detail the payments to the members of the Group Executive who participate in the financial year 2008 long term incentive plan are set out in the table below:

Name	Actual LTI Paid	LTI Paid as a % of Maximum	LTI Forfeited as a % of Maximum
B Levy	$144,294	80%	20%
M Sammells	$102,098	80%	20%
T Snyders	$75,998	80%	20%

The following tables provide the details of remaining long term incentive plan grants:

	FY2009		FY2010	
	% of Fixed Remuneration at Maximum	Performance Period Ends (2011)	% of Fixed Remuneration at Maximum	Performance Period Ends (2012)
B Levy	30%	30 June	15%	30 June
M Sammells	25%	30 June	12.5%	30 June
T Snyders	25%	30 June	12.5%	30 June

Indemnification of Directors and Officers

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

A Director is not indemnified in respect of any liability arising out of conduct involving a lack of good faith. There have been no claims made pursuant to the deed.

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

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

Rounding

Medibank Private is a Company of the kind specified in Australian Securities and Investment Commission class order 98/100. In accordance with that class order, amounts in the financial statements and the Directors' Report have been rounded to the nearest thousand dollars, or in certain cases, to the nearest dollar unless specifically stated to be otherwise.

Environmental Issues

The 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 2001 is set out on the following page.

Resolution of Directors

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

Paul McClintock AO
Chairman

Melbourne, 30 August 2010

George Savvides
Managing Director

Australian National
Audit Office

MEDIBANK PRIVATE LIMITED FINANCIAL REPORT 2009–10
AUDITOR'S INDEPENDENCE DECLARATION

In relation to my audit of the financial report of the Medibank Private Limited (and consolidated entity) for the year ended 30 June 2010, 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

Ian Goodwin
Principal Advisor
Delegate of the Auditor-General

Canberra

30 August 2010

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Income Statement

For the financial year ended 30 June 2010

		Consolidated	
	Note	2010 $'000	2009 $'000
Revenue			
Private health insurance premium revenue	4(a)	4,416,668	3,871,411
Health solutions revenue		168,449	40,362
Other		9,186	5,236
		4,594,303	3,917,009
Expenses			
Claims expense	4(a)	(3,745,822)	(3,332,666)
Employee benefits expense		(280,961)	(195,248)
Office and administration expense		(90,462)	(66,085)
Marketing expense		(56,333)	(50,173)
Information technology expense		(48,560)	(46,731)
Professional service expense		(48,494)	(24,445)
Lease expense	4(b)	(30,943)	(20,311)
Depreciation and amortisation expense	4(c)	(32,474)	(23,893)
Other expenses		(11,521)	(4,231)
		(4,345,570)	(3,763,783)
Operating profit		248,733	153,226
Investment and other income/(expense)			
Investment income	4(d)	139,029	106,502
Investment expense	4(e)	(4,201)	(160,341)
Other income/(expense)	4(f)	1,314	(3,349)
Amortisation of customer intangible		(4,862)	(2,229)
Total investment and other income/(expense)		131,280	(59,417)
Profit for the year before income tax		380,013	93,809
Income tax expense	5(a)	(74,923)	(2,622)
Profit for the year after tax		305,090	91,187

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

Statement of Comprehensive Income

For the financial year ended 30 June 2010

	Consolidated	
	2010 $'000	2009 $'000
Profit for the year after tax	305,090	91,187
Other comprehensive income, net of tax		
Initial recognition of deferred tax balances	7,295	-
Revaluation of land & buildings	402	-
Actuarial (loss)/gain on retirement benefit obligation	(285)	462
	7,412	462
Total comprehensive income for the year	312,502	91,649

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

Balance Sheet

As at 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Current assets			
Cash and cash equivalents	6	1,256,425	975,534
Trade and other receivables	7	187,078	219,124
Inventories	8	1,307	1,508
Investments	9	1,122,232	1,059,366
Other assets	10	6,041	6,814
Total current assets		2,573,083	2,262,346
Non-current assets			
Property, plant and equipment	11	78,776	85,333
Deferred tax assets	12	38,462	9,201
Intangible assets	13	210,063	203,289
Other assets	10	246	576
Total non-current assets		327,547	298,399
Total assets		2,900,630	2,560,745
Current liabilities			
Trade and other payables	14	613,009	576,718
Financial liabilities at fair value through profit or loss	15	6,033	917
Claims liabilities	16(a)	372,861	431,383
Tax liability		86,123	5,032
Provisions	17	40,105	34,122
Total current liabilities		1,118,131	1,048,172
Non-current liabilities			
Trade and other payables	14	8,896	8,453
Claims liabilities	16(a)	27,416	47,870
Deferred tax liabilities	18	7,120	1,287
Provisions	17	19,080	14,634
Total non-current liabilities		62,512	72,244
Total liabilities		1,180,643	1,120,416
Net assets		1,719,987	1,440,329
Equity			
Contributed equity	19	85,000	85,000
Reserves	20	18,221	17,819
Retained earnings	21	1,616,766	1,337,510
Total equity		1,719,987	1,440,329

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

Statement of Changes in Equity

For the financial year ended 30 June 2010

Consolidated	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2008	85,000	17,819	1,245,861	1,348,680
Total comprehensive income for the year	-	-	91,649	91,649
Balance at 30 June 2009	85,000	17,819	1,337,510	1,440,329
Total comprehensive income for the year	-	402	312,100	312,502
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(32,844)	(32,844)
Balance at 30 June 2010	85,000	18,221	1,616,766	1,719,987

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

Statement of Cash Flows

For the financial year ended 30 June 2010

	Note	Consolidated 2010 $'000	2009 $'000
Cash flows from operating activities			
Premium receipts		4,411,651	3,895,117
Health Solutions receipts		165,591	39,716
Other receipts		10,203	5,780
Payments for claims and levies		(3,788,707)	(3,202,714)
Payments to suppliers and employees		(568,679)	(423,897)
Income taxes paid		(10,012)	-
Dividends paid		(32,844)	-
Net cash flow from operating activities	30	187,203	314,002
Cash flows from investing activities			
Payment for purchase of subsidiaries, net of cash acquired		-	(215,104)
Interest received		76,084	90,978
Investment expenses		(4,105)	(3,582)
Proceeds from sale of financial assets		550,267	430,284
Purchase of financial assets		(496,749)	(562,154)
Proceeds from sale of plant and equipment		255	-
Purchase of plant and equipment		(9,852)	(8,915)
Purchase of intangible assets		(22,212)	(16,138)
Net cash inflow/(outflow) from investing activities		93,688	(284,631)
Net increase in cash and cash equivalents		280,891	29,371
Cash and cash equivalents at beginning of period		975,534	946,163
Cash and cash equivalents at end of period	6	1,256,425	975,534

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 2010 ("2010") were authorised for issue in accordance with a resolution of the directors on 30 August 2010. Medibank Private is an unlisted public company incorporated in Australia. It is a company limited by shares and is wholly-owned by the Commonwealth of Australia.

The principal accounting policies adopted in the preparation of the financial 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 or the Group consisting of Medibank Private and its subsidiaries.

a) Basis of preparation

The financial statements are general-purpose financial statements, which have been prepared in accordance with the requirements of Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Corporations Act 2001. The financial statements also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

The presentation of the income statement has changed from the prior year to present an operating profit from the Group's combined private health insurance and health solutions operations. The reclassification has made the income statement more relevant due to the ongoing integration changes of the Group's activities. The insurance underwriting result disclosures previously on the face of the income statement are in Note 4(a). The income statement and Note 4(a) for the prior year have been restated to reflect these changes. There was no change to profit after tax in the prior year.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars ($'000) unless otherwise stated under the option available to Medibank Private under Class Order 98/100 issued by the Australian Securities and Investments Commission. The Group is an entity to which the Class order applies.

The preparation of the financial statements 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.

In line with the requirements under AASB101 – Presentation of Financial Statements which became effective on 1 January 2009, the financial statements include a statement of comprehensive income and a statement of changes in equity. The statement of comprehensive income is presented using the two statements approach, an income statement and a statement of comprehensive income. The statement of comprehensive income includes non-owner changes in equity. In the statement of changes in equity, all changes in equity are from transactions with owners in their capacity as owners. The comparative information has been re-presented so that it is in conformity with the revised standard.

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 2010 and the results of all subsidiaries for the year then ended. Medibank Private and its subsidiaries together are referred to in this financial report as the Group or the Consolidated Entity.

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

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

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

c) Segment reporting

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 require segment information to be reported based on the information that is provided internally to the chief operating decision maker. The standards are applicable to annual reporting periods beginning on or after 1 January 2009. These standards apply to for-profit entities whose debt or equity instruments are traded in a public market or that files, or is in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. As the Group does not fall under this definition, segment information is not required.

Notes to the Financial Statements

Note 1: Summary of significant accounting policies continued

c) Segment reporting continued

The Group carries out business primarily in the provision of private health insurance and health services. The Group operates within Australia.

d) Revenue and other income recognition

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

(i) Private health insurance premium revenue (premium revenue)

Premium revenue comprises premiums received inclusive of any Commonwealth of Australia Government Rebate.

Premium revenue is recognised in the income statement from the commencement date of the current period of insurance cover, in accordance with the pattern of the incidence of risk expected to match the seasonality of claims over the term of the insurance cover. Premium revenue 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 unearned premium liability in the balance sheet.

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

(ii) Sale of non-current assets

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

(iii) Investment income

Unit trust distribution income and income arising from investments in direct mandates is recognised when the right to receive is established. Interest income accrues using the effective interest method. Refer to Note 1(o) for details on the measurement of gains and losses on financial assets measured at fair value through profit or loss and derivative financial instruments.

(iv) Health solutions revenue

Health solutions revenue includes the provision of medical assessments, the delivery of advice and vaccinations to Australians travelling overseas, Dental and Eyecare products and services and provision of telephonic health coaching services. Revenue from health and medical 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.

(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.

(vi) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, refer to Note 1(u).

e) Claims expense

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

f) Health insurance contracts acquisition costs

Costs incurred in obtaining and writing private health insurance contracts are expensed directly in the income statement.

g) Foreign currencies

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

Foreign currency transactions are translated to Australian currency at the rates of exchange prevailing at the date of the transactions. Amounts receivable and payable in foreign currencies at end of the reporting period are translated at the rates of the exchange on that date. Exchange differences relating to amounts receivable and payable in foreign currencies are brought to account as foreign exchange gains or losses in the income statement in the financial period in which the exchange rates change.

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

h) Income tax

Medibank Private became a tax paying entity on 1 October 2009 following its conversion from a not-for profit entity to a for profit entity. On 15 January 2009 Medibank Private acquired Australian Health Management Group Pty Ltd ("Australian Health Management") and on 1 April 2009 it acquired Medibank Health Solutions Pty Ltd ("MHS Group") (formerly Health Services Australia Pty Ltd). Both of the entities acquired by Medibank Private were tax paying entities from the dates of acquisition.

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

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. 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 amounts expected to be paid.

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

(i) Investment allowances

Companies within the Group may be entitled to claim special tax deductions for investments in qualifying assets (investment allowances). The Group accounts for such allowances as tax credits, which means that the allowance reduces income tax payable and the current tax expense.

(ii) Tax consolidation legislation

Medibank Private and its wholly-owned controlled entities have implemented the tax consolidation legislation as of 1 October 2009.

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 stand alone 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.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group. Details about the tax funding agreement are disclosed in Note 5.

Any difference between 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.

i) Leases

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

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.

Lease incentives

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

Notes to the Financial Statements

Note 1: Summary of significant accounting policies continued

j) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair value values of the assets transferred and the liabilities incurred. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. 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, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill.

Change in accounting policy

A revised AASB 3 Business Combinations became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, acquisition-related costs are now expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

The change was implemented prospectively from 1 July 2009 and affected the accounting for pending acquisitions, resulting in an expense included in professional service expense of $828,000 for the year ended 30 June 2010. Refer to Note 29 for details of pending acquisitions.

k) Restructure of administrative arrangements

A restructure of administrative arrangements occurs where there is a reallocation or reorganisation of assets, liabilities, activities and responsibilities amongst government controlled entities that arises as a consequence of a rearrangement in the way in which activities and responsibilities as prescribed under legislation or other authority are allocated between those government controlled entities. When both assets and liabilities are transferred as a consequence of such a restructure, the Group recognises a net contribution by owners directly in equity. The Group measures those assets and liabilities transferred at their book value as at the date of transfer.

l) Cash and cash equivalents

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

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

m) 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. The carrying amount reasonably approximates fair value at balance date. The recognition criteria for the impairment of trade and other receivables, is detailed in Note 1(q).

n) Inventories

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

o) Financial assets at fair value through profit or loss

Assets Backing Insurance Liabilities

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

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

Measurement

Financial assets that are designated at fair value through profit and loss, consist of externally managed equity trusts and direct mandates, and an internally managed fixed income portfolio (with maturity greater than 90 days). Gains or losses are recognised in the income statement.

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

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date, with the exception of foreign currency positions which are valued at the price sourced from an appropriate external source on the balance sheet date. If quoted market prices are not available, fair values are estimated on the basis of pricing models or other recognised valuation techniques. The assumptions used as inputs into these models include the value of variables such as risk-free rates, volatility, strike rates, time to expiry, credit-default swap levels, and correlations.

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Changes in fair value are recognised in the income statement for the period. The fair value of these arrangements is determined using valuation techniques, or market price where available. Valuation techniques include the use of option valuation models and require assumptions regarding inputs such as risk-free rates, strike rates, volatility and term to maturity to be made. Derivatives are carried as assets when their fair value is positive. Derivatives are carried as liabilities when their fair value is negative.

Derecognition of Financial assets

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

Derecognition of Financial liabilities

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

p) Held to maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. The amount of impairment shall be recognised in the profit and loss.

q) Impairment of financial assets

The Group assesses at the end of the reporting period whether a financial asset or group of financial assets is impaired. If there is objective evidence that an impairment loss on receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Objective evidence of impairment for premiums in arrears is 63 days past due. Objective evidence of impairment for trade receivables and sundry debtors is 90 days past due. The carrying amount of the asset shall be reduced either directly or through use of an allowance account.

Individual debts that are known to be uncollectible are written off when identified. The amount of the loss shall be recognised in the income statement. The carrying amount of financial assets reasonably approximates fair value at balance date.

r) Goods and Services Taxes

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

(i) where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority in which case, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

(ii) receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet. Cash flows are included in the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as part of operating cash flows.

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

s) Property, plant and equipment

Property, plant and equipment, except for land and buildings, are stated at cost less accumulated depreciation and any accumulated impairment losses.

Land and buildings are stated at fair value based on periodic valuations by external independent experts, less subsequent depreciation for buildings. The Group obtains information and advice on general fair value movements of the land and buildings from valuation experts on an annual basis. The revaluation is carried out when the annual assessment on the fair value results in a significant variation to the carrying amounts of the assets. At the date of revaluation the carrying amount of land and buildings, net of accumulated depreciation, is restated to the revalued amount. Increases in the carrying amounts arising from the revaluation are recognised, net of tax, in other comprehensive income and accumulated in the revaluation reserves under equity in the balance sheet.

Notes to the Financial Statements

Note 1: Summary of significant accounting policies continued

s) Property plant and equipment continued

To the extent that the increase reverses a decrease of the same assets 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 reserve attributable to the asset; all other decreases are charged to the income statement. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to income statement and depreciation based on the asset's original cost, net of tax, is reclassified from the revaluation surplus to retained earnings.

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

Assets under construction are not depreciated until in use.

Land is not depreciated. Depreciation on other property, plant and equipment 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, the shorter lease term as follows:

Leasehold improvements:	
- retail centres/clinics	5 years
- all other improvements	the lease term
Buildings	40 years
Plant and equipment	3 - 15 years

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

Impairment

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

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised. When revalued assets are sold, any amounts included in the revaluation reserves in respect of those assets are transferred to the retained earnings.

t) Intangibles

Intangible assets acquired are initially measured at cost. Following initial recognition, intangible assets, except for goodwill, are carried at cost less any accumulated amortisation. Goodwill is carried at cost less any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is recognised in the income statement in the year in which the expenditure is incurred, except for software development costs which are capitalised.

Intangible assets with finite lives are amortised over their useful life and assessed for impairment annually or whenever there is an indication that the intangible asset is impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate.

Amortisation of intangible assets is calculated on a straight-line basis over the expected useful lives as follows:

Customer relationships – private health insurance policies	12 years
Software	2.5 – 5 years

(i) Goodwill

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

(ii) Software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software intangibles. Costs capitalised include external direct costs of materials and service and direct payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 2.5 to 5 years.

(iii) Customer relationships

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

(iv) Research and development

Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development, and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use, or more frequently when an indicator of impairment arises during the reporting period. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset.

u) Impairment of assets

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An assessment is also made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss on non-financial assets other than goodwill is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior periods. Such reversals are recognised in the income statement unless the asset is carried at its revalued amount in which case, the reversal is treated as a revaluation increase. After such reversals the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic value over its remaining useful life.

v) Net Risk Equalisation Trust Fund levies

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

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

w) Claims liabilities and unexpired risk liability

(i) Claims liabilities

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

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

Certain private health insurance products cover benefits related to Health Management Programs which include Chronic Disease Management Programs. The Health Management Programs are provided by health care organisations or other providers who then charge the Group with the costs incurred in respect of the members insured.

Note 1: Summary of significant accounting policies continued

w) Claims liabilities and unexpired risk liability continued

(i) Claims liabilities continued

The liability in relation to these programs represents policy benefit amounts to be paid by the Group to the providers on behalf of the members insured. This has been included in the claims liabilities.

Medibank Private's PackagePlus product range includes a benefit category, PackageBonus, covering additional health related services. A feature of this benefit category is that any unused PackageBonus in a calendar year is carried forward to future calendar years subject to a maximum limit. Accordingly, 92% (2009: 90%) of the PackageBonus entitlements, less the amount paid in relation to these entitlements, has been included in claims liabilities to reflect the expected future utilisation of this benefit in respect of membership up to 30 June 2010. A risk margin has also been added to reflect the inherent uncertainty in the central estimate.

(ii) Unexpired risk liability

The liability adequacy test is required to be performed to determine whether the insurance liability in respect of unearned premium liability (contributions in advance) 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 then the unearned premium liability is deemed to be deficient. Liability adequacy testing did not result in any deficiency as at 30 June 2010 and 30 June 2009 for Medibank Private and Australian Health Management.

x) Trade and other payables

Trade and other payables are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition. The carrying amount reasonably approximates fair value at the end of the reporting period.

Unearned premium liability

The proportion of premium received or receivable that has not been earned at the end of each reporting period is recognised in the balance sheet as unearned premium liability. The change in the liability for unearned premiums is taken to the income statement over the term of the insurance cover. Refer also to Note 14 for details of the split between the current and non-current portion of this balance.

y) Provisions

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of each reporting period. If the effect of the time value of money is material, provisions are discounted using a current discount rate that reflects the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

z) Make good provision

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

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

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

aa) Employee entitlements

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

Wages, salaries and annual leave

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

Long service leave

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

Bonus plans

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

Termination benefits

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

Superannuation

Staff of the Group are members of the two defined benefit superannuation funds (refer to Note 1(ab)), Commonwealth Superannuation scheme (CSS), the Public Sector Superannuation Scheme (PSS) or other funds as nominated by the individual employees. The CSS and PSS are defined benefit schemes for the Australian Government. All other funds are defined contribution plans.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported by the Department of Finance and Deregulation as an administered item.

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.

A defined contribution plan is a post-employment benefit plan under which the Company pays fixed contributions into the plan and will have no legal or constructive obligation to pay further amounts. Payments for the defined contribution plans are recognised as an expense in the income statement in the period when it is incurred. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

ab) Defined benefit fund

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. All actuarial gains and losses are recognised directly in equity.

Management do not consider the net obligation in respect of these defined benefit funds to be material to the Group as at 30 June 2010.

ac) Contributed equity

Fully paid ordinary shares are classified as contributed equity.

ad) 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.

ae) Equity Reserve

Where the parent entity entered into a restructure of administrative arrangements, this gave rise to an equity reserve (refer Note 20) which represents the difference between the book value of the net assets acquired from the MHS Group (formerly Health Services Australia Pty Ltd) and the total purchase consideration.

af) 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

ag) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The following summarises the Group's assessment of the impact of the new standards and interpretations applicable to the Group which are not yet effective and the date the Group intends to adopt.

AASB Amendment	Affected Standard(s)	Nature of change to accounting policy	Application date of standard*	Application date for the Group
AASB 9 *Financial Instruments* and AASB 2009-11	Amendments to Australian Accounting Standards arising from AASB 9	All financial assets to be recognised at fair value except debt instruments with basic loan features that are managed on a contracted yield basis. The standard is not applicable until 1 January 2013, therefore the Group is unable to assess its full impact. However, based on the existing recognition of financial assets, the Group does not expect a material impact.	1 January 2013	1 July 2013
Revised AASB 124 and AASB 2009-12	Amendments to Australian Accounting Standards	The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The Group has elected to early adopt this revised standard.	1 January 2011	1 July 2009
AASB 2009-14	Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement	The amendment permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. The Group does not make any such prepayments. The amendment is therefore not expected to have any impact on the Group's financial statements.	1 January 2011	1 July 2011

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

ah) Parent entity financial information

The financial information for the parent entity, Medibank Private, disclosed in Note 31 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Medibank Private. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(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 stand alone 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: Significant accounting estimates and assumptions

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

Ultimate liability arising from claims made under insurance coverage

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

(i) Insurance risk assumptions

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

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

(ii) Central estimates

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

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

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

An overall risk margin is determined after consideration of the uncertainty of the outstanding claims estimate.

The objective for Medibank Private is to achieve at least a 95% probability of sufficiency (2009: 95%). The risk margin applied at 30 June 2010 is 4.5% which equates to $13,435,000 as reflected in Note 16 (a) (2009: 6.5%, $22,534,000).

The objective for Australian Health Management is to achieve at least a 95% probability of sufficiency. The risk margin applied at 30 June 2010 is 8.2% which equates to $2,886,000 as reflected in Note 16 (a) (2009: 8.3%, $2,471,000).

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

(iii) Financial assumptions used to determine outstanding claims provision

The outstanding claims provision is discounted to net present value using a risk-free rate of return.

The risk-free rate applied to the outstanding claims provision of Medibank Private at 30 June 2010 is 4.92% which equates to $2,121,000 (2009: 3.19%, $1,685,000).

The risk-free rate applied to the outstanding claims provision of Australian Health Management at 30 June 2010 is 4.92% which equates to a discount of $223,000 (2009: 3.19%, $140,000).

(iv) Impact of changes in key variables on the outstanding claims provision

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

		Financial Impact	
		Consolidated	
	Movement in variable	Profit/(loss) $'000	Equity $'000
Central estimate	1%	(3,944)	(3,944)
Central estimate	-1%	3,944	3,944
Discount rate	1%	628	628
Discount rate	-1%	(635)	(635)
Risk Margin	1%	(6,230)	(6,230)
Risk Margin	-1%	6,230	6,230
Weighted average term to settlement*	+1 month	1,579	1,579
Weighted average term to settlement	-1 month	(1,585)	(1,585)

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

Note 2: Significant accounting estimates and assumptions continued

(v) PackageBonus provision

A PackageBonus provision is included in the accounts to cover expected future utilisation of this benefit accrued in respect of past membership. The true cost of the PackageBonus entitlement cannot be known with certainty until any unclaimed entitlements expire, five years after they were credited to the PackageBonus account. The expected ultimate utilisation rate of current PackageBonus entitlements was increased to 92% (2009: 90%) based on a regular analysis of past claims experience.

A risk margin is added to the central estimate to achieve a desired probability of adequacy. The objective for Medibank Private is to achieve at least a 95% probability of sufficiency. The risk margin applied at 30 June 2010 is 2.0% of PackageBonus entitlements which equates to $5,845,000 (2009: 0.0%, $0).

The PackageBonus provision is discounted at risk-free rates of return to reflect the time value of money. The risk-free rate applied to the PackageBonus provision of Medibank Private at 30 June 2010 is 4.92% pa which equates to $681,000 (2009: 0.00%, $0).

Classification of and valuation of investments

Medibank Private and Australian Health Management classify investments in listed and unlisted securities as financial assets that back insurance liabilities and are therefore designated at initial recognition as at fair value through profit or loss. The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the reporting period, with the exception of foreign currency positions which are valued at the price sourced from an appropriate external source at the end of the reporting period. 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.

Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 1(u). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to Note 13 for details of these assumptions and the potential impact of changes to the assumptions.

Long service leave provision

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

Allowance for impairment loss on trade and other receivables

Collectibility of trade receivables is reviewed on an ongoing basis. Receivables that are known to be uncollectible are written off when identified. An allowance for impairment is raised when there is objective evidence that the receivable will not be collected. Due to the large number of debtors, this assessment is based on supportable past history and historical write-offs of bad debts with all receivables greater than 90 days past due being considered. The impairment loss is outlined in Note 7.

Note 3: Financial risk management

This note is prepared in accordance with AASB 7 "Financial Instruments: Disclosures" and reflects risk management policies and procedures associated with financial instruments and capital and insurance contracts. The Group's principal financial instruments comprise cash and short term money market instruments (including bank bills, negotiable certificates of deposit and commercial paper), debentures and floating rate notes (both domestic and global), domestic equity trusts, global equity trusts, domestic listed shares, 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 are also established and reviewed by the Investment Committee of the Board. The Group predominantly enters into derivative transactions to principally offset positions in equity market options and forward currency contracts, with the sole purpose of managing its risks to equity market downturns and currency risks arising from its investment operations. Short term derivative contracts are also used to maintain exposures to certain asset classes. It is the Group's policy that at no time throughout the period will trading of these derivative instruments for purposes other than risk management be undertaken. Adherence to this policy is ensured by allowing the execution of such trades to occur only with the explicit approval of the Board Investment Committee.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, price risk, credit risk and liquidity risk. The Group uses different methods to measure and manage the different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate, price risk and foreign exchange risk. In analysing exposure to these risks, consideration is given to interest rate expectations, potential

renewals of existing positions, and any expected changes in asset allocation. Ageing analyses and monitoring of counter party credit quality are undertaken to manage credit risk, whilst liquidity risk is monitored through the development of future rolling cash flow forecasts. Equity price risk is managed through the use of diversification and limit setting on investments in each country, sector and market. Additionally derivative instruments are used to limit the Group's exposure to downside risks.

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

(i) Market risk

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

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

- Compliance with the investment policy is monitored and exposures and breaches are reported to the Investment Committee. The policy is reviewed regularly for changes in the risk environment.
- Strict control over hedging activities.

The Capital Adequacy Standard requires insurance companies to perform "resilience tests" to determine the exposure to market risk and to hold sufficient capital reserves to cover this risk. Medibank Private and Australian Health Management require that additional capital be held at a level in excess of the minimal capital requirement.

(a) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fixed interest rate instruments expose the Group to fair value interest risk, whilst floating rate instruments expose the group to cash flow risk and fair value risk.

The Group's exposure to the risk of changes in market interest rates consists of its exposure to cash and cash equivalents, investments in unit trusts and floating rate investments. The Group's current policy is to not hedge against falls in market interest rates.

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

Consolidated

	Profit		Equity	
Judgements of reasonably possible movements	2010 $'000	2009 $'000	2010 $'000	2009 $'000
+150 bps (2009: +75 bps)	26,517	11,773	26,517	11,773
-150 bps (2009: -75 bps)	(26,517)	(11,773)	(26,517)	(11,773)

The assessment of reasonably possible movements was made with guidance from the Department of Finance and Deregulation (DOFD).

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

	Consolidated	
	2010 $'000	2009 $'000
Assets		
Cash & cash equivalents	1,256,425	975,319
Assets held to maturity		
- Other	390	1,167
Financial assets at fair value through profit and loss		
- Debentures and Notes	588,323	663,322
- Unit Trusts	3,308	47,392
	1,848,446	1,687,200

Cash equivalents are short term money market investments primarily incorporating bills, commercial papers and negotiable certificate of deposits. Debentures and notes primarily consist of floating rate notes (FRN's) and other term debt instruments. Both classes of financial assets have variable interest rates and are therefore, exposed to cash flow movements if these interest rates change. The Group constantly analyses its interest rate exposure. The interest rates on all long term investments are reset every 90 days on average.

Assets held to maturity are investments in floating rate notes within the subsidiary, the MHS Group (formerly Health Services Australia Pty Ltd). These investments are held at a fixed interest rate for the duration of the investment.

Note 3: Financial risk management continued

(i) Market risk continued

(b) Foreign currency risk

Foreign currency risk is the risk that the fair value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's investments in global equity trusts are exposed to fluctuations in currency exchange rates. Forward rate contracts are entered into between the Australian dollar and the following currencies: US dollar, Japanese Yen, the Euro and Pound Sterling, Hong Kong dollar, Singapore dollar and Swiss Franc 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 2010, the Group had the following net exposure to foreign currency movements:

	Consolidated	
	2010 $'000	2009 $'000
Assets		
Net Financial assets at fair value through profit and loss		
- Debentures and Notes	32,947	-
- Unit Trusts	243,234	125,565
	276,181	125,565

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

At 30 June 2010, the Group had entered offsetting positions for 97% (2009: 97%) of its foreign currency translation exposure resulting from Global investments.

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

Consolidated entity	Profit		Equity	
Judgements of reasonably possible movements	2010 $'000	2009 $'000	2010 $'000	2009 $'000
AUD/USD +14% (2009: +12%)	(411)	(219)	(411)	(219)
AUD/USD -14% (2009: -12%)	411	219	411	219
AUD/GBP +14% (2009: +12%)	(87)	(55)	(87)	(55)
AUD/GBP -14% (2009: -12%)	87	55	87	55
AUD/EUR +14% (2009: +12%)	(190)	(101)	(190)	(101)
AUD/EUR -14% (2009: -12%)	190	101	190	101
AUD/JPY +14% (2009: +12%)	(103)	(46)	(103)	(46)
AUD/JPY -14% (2009: -12%)	103	46	103	46

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

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

(c) Price risk

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

The Group's equity price risk arises from investments in equity and property securities. It is managed by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each country, sector and market, and careful planned use of derivative financial instruments.

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

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

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

Consolidated entity	Profit		Equity	
Judgements of reasonably possible movements	2010 $'000	2009 $'000	2010 $'000	2009 $'000
Australian Equity Investments +10%	20,134	20,224	20,134	20,224
Australian Equity Investments -10%	(20,134)	(20,224)	(20,134)	(20,224)
Australian Listed Property Investments +9%	7,291	-	7,291	-
Australian Listed Property Investments -9%	(7,291)	-	(7,291)	-
Global Listed Property Investments +9%	2,880	-	2,880	-
Global Listed Property Investments -9%	(2,880)	-	(2,880)	-
Global Equity Investments +12%	19,695	15,491	19,695	15,491
Global Equity Investments -12%	(19,695)	(15,491)	(19,695)	(15,491)
Emerging Market Investments +20%	2,245	2,077	2,245	2,077
Emerging Market Investments -20%	(2,245)	(2,077)	(2,245)	(2,077)

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

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

(ii) Credit risk

(a) Investments

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

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

The Group maintains a counter party exposure policy where credit exposure is limited to the A- or higher rated categories for long term investments, and A2 or higher for short term investments. All debt securities are rated investment grade (as measured by external rating agencies such as Standard & Poor's). Departures from this policy require Board approval.

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

Note 3: Financial risk management continued

(ii) Credit risk continued

(a) Investments continued

The Group does not have any financial instruments to mitigate exposure against credit risk and all investments are unsecured (except for asset backed securities and mortgage backed securities). However, the impact of default of 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. The use of debt collection agencies are also used to obtain settlement.

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

(c) Counter party credit risk ratings

The following table provides information regarding the credit risk exposure of the Group at 30 June 2010 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 S&P correlations.

Consolidated

Short Term Long Term 2010	A-1+ AAA $'000	A-1+ AA $'000	A-1 A $'000	A-2 BBB $'000	B & below BB & below $'000	Not rated $'000	Total $'000
Assets							
Cash/cash equivalents	73,353	957,947	122,377	128,647	-	(25,899)	1,256,425
FRN's held to maturity	-	-	-	-	390	-	390
Premiums in arrears	-	-	-	-	-	10,964	10,964
Trade and other Receivables	-	-	-	-	-	176,114	176,114
Advance payments to hospitals	-	-	-	-	-	-	-
Financial Assets							
Unit Trusts - Unlisted	-	-	-	-	-	368,692	368,692
Direct Mandate - Aust Listed	-	-	-	-	-	159,302	159,302
Debentures & notes	133,786	292,606	138,520	22,336	1,075	-	588,323
Private Equity	-	-	-	-	-	4,040	4,040
Derivatives	-	1,471	14	-	-	-	1,485
Liabilities							
Derivatives	-	(6,033)	-	-	-	-	(6,033)
Total	207,139	1,245,991	260,911	150,983	1,465	693,213	2,559,702

Consolidated

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

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 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 40% of its' total investment assets in short term, highly liquid bank bills, tradeable commercial paper and short dated floating rate notes, maturing in 185 days or less.

The table below reflects all contractually fixed pay-offs for settlement and interest resulting from recognised financial liabilities, including derivative financial instruments as at 30 June 2010. For derivative financial instruments, the market value is presented whereas for the other obligations, the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2010.

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 the Group's 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.

Notes to the Financial Statements

Note 3: Financial risk management continued

(iii) Liquidity risk continued

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

Consolidated

2010	Under 6 months $'000	6 to 12 months $'000	1 - 2 years $'000	Over 2 years $'000	Total contractual cash flows $'000	Carrying amount $'000
Non-derivatives						
Trade and other payables	185,818	104	202	2,374	188,498	188,498
Unearned premium liability	363,834	62,209	5,636	1,728	433,407	433,407
Claims liabilities	344,646	30,577	16,300	11,693	403,216	400,277
Total non-derivatives	894,298	92,890	22,138	15,795	1,025,121	1,022,182
Derivatives						
Net settled (forward exchange contracts)	-	-	-	-	-	-
Total derivatives	-	-	-	-	-	-

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

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

(iv) Fair value measurements

As at 1 July 2009, the Group adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements 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 process) 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 tables present the Group's assets and liabilities measured and recognised at fair value at 30 June 2010.

Consolidated Year ended 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial Assets				
Financial assets at fair value through profit or loss	204,450	907,401	9,991	1,121,842
	204,450	907,401	9,991	1,121,842
Financial Liabilities				
Financial liabilities at fair value through profit or loss	-	(6,033)	-	(6,033)
	-	(6,033)	-	(6,033)

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. Instruments included in this classification includes exchange traded equities. 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, 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 investments, where the valuation technique is based on significant unobservable inputs are included in level 3.

There were no significant transfers between level 1 and level 2.

The following tables present the changes in level 3 instruments for the year ended 30 June 2010:

Consolidated Year ended 30 June 2010	Financial assets at fair value through profit or loss $'000
Opening Balance	70,476
Transfers into level 3	1,322
Transfers out of level 3	(3,757)
Purchases	2,280
Sales	(50,355)
Gains/(Losses) recognised in profit or loss	(9,975)
Closing balance	9,991

The opening value of level 3 holdings in the consolidated entity comprised of investment in two frozen unit trusts, various debentures and notes that have been valued using valuation models with unobservable inputs and an investment into a private equity trust.

Due to the depressed financial climate the unit trusts had been frozen, were closed for redemption and were in the process of being wound up. During the 2010 financial year one fund was redeemed through a process where underlying assets held within the trust were transferred as a direct investment to Australian Health Management. The value of the remaining unit trust is based on a quoted unit trust price based on a calculation of the value of the underlying asset values of the trust. The majority of the inputs into this valuation are unobservable and thus has been classified as a level 3 investment. The debentures and notes that were included in level 3 were either sold or transferred to level 2, where the 2010 year end valuation was calculated using predominantly market data.

There were two investments transferred from level 2 into level 3. One was a Debenture and Note that could not get an active price as at 30 June 2010. The other related to a direct share holding within the discrete mandates that was suspended from trading as at 30 June 2010.

The asset transferred out of level 3 was a debenture note that was suspended for trading due to reconstruction in the prior year, but which was subsequently released and is now actively traded. The 2010 year end valuation was calculated using predominantly market data.

The asset purchased during the year relates to a directly held private equity investment. The company was set up as a PHI initiative in the prosthetics market. Due to the nature of the business the valuation could not based on observable market inputs and therefore is classified as a level 3 investment.

The debentures and notes that were included in level 3 were sold and one holding was transferred to level 2, where the 2010 year end valuation was calculated using predominantly market data.

Notes to the Financial Statements

Note 3: Financial risk management continued

(v) Insurance risk

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

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

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

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

Claims management

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

Experience monitoring

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

Prudential capital requirements

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

Ability to vary premium rates

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

Risk Equalisation

The Private Health Insurance Act requires health insurance contracts to meet community rating requirements, prohibiting health insurers from discriminating between people on the basis of their health status, gender, race, sexual orientation, religious belief, age (except as allowed under Lifetime Health Cover provisions), increased need for treatment or claims history. To support these restrictions, all private health insurers must participate in the Risk Equalisation Trust Fund under which all private health insurers share the cost of proportions of the eligible claims of all persons aged 55 years and over, and claims meeting the high cost claim criteria.

Concentration of Health Risk

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

Note 4: Revenue and expenses

	Consolidated 2010 $'000	Consolidated 2009 $'000
(a) Insurance underwriting result		
Premium revenue	4,416,668	3,871,411
Claims expense		
Claims incurred	(3,755,917)	(3,341,016)
State levies	(39,092)	(34,335)
Net Risk Equalisation Trust Fund levies	49,187	42,685
	(3,745,822)	(3,332,666)
Other claims expense	(28,872)	(13,400)
Net claims incurred	(3,774,694)	(3,346,066)
Underwriting expenses	(416,095)	(381,953)
Underwriting result after expenses	225,879	143,392
(b) Lease expense		
Operating lease rental expense	30,943	20,311
	30,943	20,311
(c) Depreciation and amortisation		
Depreciation - land and buildings	798	357
Depreciation - plant and equipment	7,388	4,365
Depreciation - leasehold improvements	6,964	5,285
Amortisation - software	17,324	13,886
	32,474	23,893
(d) Investment income		
Interest	77,459	90,068
Trust distributions	4,822	13,292
Dividend income	4,425	3,142
Net gain on disposal of financial assets	27,267	-
Net gain on fair value movements on financial assets	25,056	-
	139,029	106,502
(e) Investment expense		
Investment management fees	4,201	3,486
Net loss on disposal of financial assets	-	128,721
Net loss on fair value movements on financial assets	-	28,134
	4,201	160,341
(f) Other income/(expense)		
Interest	103	192
Other income	1,211	456
Other expenses (i)	-	(3,997)
	1,314	(3,349)

(i) Other expenses in 2009 represent integration costs associated with the acquisition of Australian Health Management.

Notes to the Financial Statements

Note 5: Income tax expense

	Consolidated	
	2010 $'000	2009 $'000
(a) Income tax expense		
Current tax	91,172	4,056
Deferred tax	(16,183)	(1,434)
Adjustment for current tax of prior period	(66)	-
	74,923	2,622
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Decrease/ (increase) in deferred tax assets (Note 12)	(20,697)	(1,218)
(Decrease)/ increase in deferred tax liabilities (Note 18)	4,514	(216)
	(16,183)	(1,434)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit for the year before income tax expense	380,013	93,809
Tax at the Australian tax rate of 30% (2009 - 30%)	114,004	28,143
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Net exempt income (i)	(38,302)	(25,842)
Entertainment	273	95
Tax offset for franked dividends	(1,066)	-
Sundry items	80	226
	74,989	2,622
Adjustment for current tax of prior period	(66)	-
Income tax expense	74,923	2,622

(i) Prior to 1 October 2009, the Parent Entity was exempt from income tax (refer to Note 1(h) for details).

	Consolidated	
	2010 $'000	2009 $'000
(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	(7,245)	199
	(7,245)	199

(d) Tax consolidation legislation

Medibank Private and its wholly-owned controlled entities have implemented the tax consolidation legislation from 1 October 2009 being the date Medibank Private became a taxpayer. The accounting policy in relation to this legislation is set out in Note 1(h).

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 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.

The adoption of the tax consolidation legislation has not yet been formally notified to the Australian Taxation Office.

Note 6: Cash and cash equivalents

	Consolidated	
	2010 $'000	2009 $'000
Cash and cash equivalents (i)	1,256,425	975,534

(i) In February 2004, the Parent reached agreement on a 'Principles of Settlement' with the Australian Competition and Consumer Commission regarding an Action in October 2000. The settlement required payment of $5,000,000 to a Special Purpose Fund (SPF) account. These funds are classified as restricted funds by Medibank Private. The SPF will continue to operate until the monies are fully expended through the payment of member settlement claims. The balance of the SPF at 30 June 2010 was $723,000. (2009: $1,728,000).

Bank overdraft facilities

The Group has unsecured overdraft facilities from the bank which are reviewed annually as follows:

Unsecured overdraft credit facilities	Consolidated	
	2010 $'000	2009 $'000
Amount used	-	-
Amount unused	11,350	12,000
	11,350	12,000

Note 7: Trade and other receivables

		Consolidated	
	Note	2010 $'000	2009 $'000
Premiums in arrears		13,863	18,459
Allowance for impairment loss	(i)	(2,899)	(3,509)
		10,964	14,950
Trade Receivables		31,453	84,048
Allowance for impairment loss	(ii)	(595)	(1,212)
		30,858	82,836
Goods and services tax		2,356	2,331
Government rebate scheme	(a)	119,783	109,474
Risk Equalisation Trust Fund		23,117	9,533
		145,256	121,338
Total trade and other receivables		187,078	219,124

(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 $2,899,000 (2009: $3,509,000) has been recognised by the Group. This amount has been offset against 'premium revenue' in the income statement.

Note 7: Trade and other receivables continued

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

	Consolidated 2010 $'000	2009 $'000
Balance at 1 July	3,509	3,263
Acquisition of subsidiaries	-	283
Charge for the year	2,899	3,434
Amounts recovered	-	(219)
Amounts written-back	(3,509)	(3,252)
Balance at 30 June	2,899	3,509

(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 $595,000 (2009: $1,212,000) has been recognised by the Group at 30 June 2010. 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 2010 $'000	2009 $'000
Balance at 1 July	1,212	644
Acquisition of subsidiaries	-	66
Charge for the year	371	1,123
Amounts recovered	(423)	(579)
Amounts written-off	(565)	(42)
Balance at 30 June	595	1,212

(a) Considered impaired

Consolidated	Total	0-30 days	31-60 days	61-90 days	+91 days
2010					
Premiums in arrears	2,899	563	1,138	526	672
Trade receivables	595	9	10	-	576
	3,494	572	1,148	526	1,248
2009					
Premiums in arrears	3,509	532	1,008	359	1,610
Trade receivables	1,212	-	-	-	1,212
	4,721	532	1,008	359	2,822

(b) Past due but not considered impaired

Consolidated	Total	0-30 days	31-60 days	61-90 days	+91 days
2010					
Premiums in arrears	10,964	7,828	2,769	146	221
Trade receivables	10,859	6,788	1,933	891	1,247
	21,823	14,616	4,702	1,037	1,468
2009					
Premiums in arrears	14,950	10,715	3,209	477	549
Trade receivables	8,201	3,477	1,401	1,122	2,201
	23,151	14,192	4,610	1,599	2,750

Receivables past due but not considered impaired at 30 June 2010 for the Group are $21,822,000. (2009: $23,151,000). Each operating unit has been in contact with the relevant debtor and is satisfied that payment will be received in full. Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Note 8: Inventories

	Consolidated 2010 $'000	2009 $'000
Medical Supplies	1,307	1,508

Note 9: Investments

	Consolidated 2010 $'000	2009 $'000
Assets held to maturity		
Other	390	1,167
Financial assets at fair value through profit and loss		
Unit trusts	368,692	268,567
Australian listed equities	159,302	120,539
Debentures and notes	588,323	663,322
Private Equity	4,040	3,490
Derivatives	1,485	2,281
	1,122,232	1,059,366

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 either monthly, quarterly or biannually with an average maturity of 2,224 days (2009: 1,093 days).

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

Notes to the Financial Statements

Note 10: Other assets

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Current			
Advance payments to hospitals	(i)	-	80
Prepayments	(ii)	6,008	6,014
Other current assets		33	720
		6,041	6,814

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

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Non-current			
Defined benefit superannuation fund		-	330
Artworks	(iii)	246	246
		246	576

(iii) 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.

Fair value and credit risk

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

Note 11: Property, plant and equipment

Consolidated	Land and buildings $'000	Plant and equipment $'000	Leasehold improvements $'000	Assets under construction $'000	Total $'000
2010					
Gross carrying amount					
Balance at 1 July 2009	39,330	40,863	41,321	314	121,828
Additions	202	2,477	6,203	970	9,852
Transfers in/(out)	-	100	208	(313)	(5)
Disposals	-	(2,229)	(4,162)	-	(6,391)
Revaluations	360	-	-	-	360
Impairment	-	(1,419)	-	-	(1,419)
Balance at 30 June 2010	39,892	39,792	43,570	971	124,225
Accumulated depreciation					
Balance at 1 July 2009	(357)	(15,682)	(20,456)	-	(36,495)
Depreciation expense	(798)	(7,388)	(6,964)	-	(15,150)
Disposals	-	1,981	3,451	-	5,432
Revaluations	302	-	-	-	302
Impairment	-	462	-	-	462
Balance at 30 June 2010	(853)	(20,627)	(23,969)	-	(45,449)
2009					
Gross carrying amount					
Balance at 1 July 2008	-	18,275	30,543	1,354	50,172
Additions	-	4,610	4,442	314	9,366
Acquisition of subsidiaries	39,330	19,615	7,532	-	66,477
Transfers in/(out)	-	-	1,354	(1,354)	-
Disposals	-	(1,637)	(2,550)	-	(4,187)
Balance at 30 June 2009	39,330	40,863	41,321	314	121,828
Accumulated depreciation					
Balance at 1 July 2008	-	(12,046)	(17,391)	-	(29,437)
Depreciation expense	(357)	(4,365)	(5,286)	-	(10,008)
Disposals	-	729	2,221	-	2,950
Balance at 30 June 2009	(357)	(15,682)	(20,456)	-	(36,495)
Closing net book amount					
As at 30 June 2010	**39,039**	**19,165**	**19,601**	**971**	**78,776**
As at 30 June 2009	38,973	25,181	20,865	314	85,333

Notes to the Financial Statements

Note 11: Property, plant and equipment continued

(a) Valuations of land and buildings

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current observable prices in an active market for similar properties in the same location and condition. The revaluations of the land and buildings of Australian Health Management and MHS Group (formerly Health Services Australia Pty Ltd) were made as at 30 June 2010. Both revaluations were based on independent assessments by external valuation experts who were members of the Australian Property Institute.

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

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

	Consolidated 2010 $'000	Consolidated 2009 $'000
Land and buildings		
Cost	36,917	36,715
Accumulated depreciation	(2,646)	(1,800)
Net book amount	34,271	34,915

Note 12: Deferred tax assets

	Consolidated 2010 $'000	Consolidated 2009 $'000
Deferred tax balances comprise temporary differences attributable to:		
Financial assets at fair value through profit & loss	11,366	510
Property, plant & equipment	8,664	1,609
Employee benefits	8,816	2,294
	28,846	4,413
Other		
Accruals	3,107	1,065
Business capital costs	2,154	2,045
Restructure provision	1,835	315
Leases payable	979	332
Make good provision	585	374
Other	956	657
Sub-total Other	9,616	4,788
Total deferred tax assets	38,462	9,201
Set off deferred tax liabilities pursuant to set-off provisions	-	-
Net deferred tax assets	38,462	9,201
Deferred tax assets to be recovered within 12 months	27,644	5,547
Deferred tax assets to be recovered after more than 12 months	10,818	3,654
	38,462	9,201

Movements - Consolidated	Financial assets at fair value through profit and loss $'000	Property, plant & equipment $'000	Employee Benefits $'000	Other $'000	Total $'000
At 1 July 2008	-	-	-	-	-
Acquisition of subsidiaries	-	1,741	1,817	4,425	7,983
(Charged)/credited to the income statement	510	(132)	477	363	1,218
Credited directly to other comprehensive income	-	-	-	-	-
At 30 June 2009	510	1,609	2,294	4,788	9,201
Credited to the income statement	10,856	1,313	6,522	2,006	20,697
Credited directly to other comprehensive income	-	5,742	-	2,822	8,564
At 30 June 2010	11,366	8,664	8,816	9,616	38,462

Note 13: Intangible assets

Consolidated	Goodwill (i) $'000	Customer Relationships $'000	Software (ii) $'000	Assets Under Construction $'000	Total $'000
2010					
Gross carrying amount					
Balance at 1 July 2009	93,129	58,347	92,358	6,672	250,506
Additions	7,007	-	10,083	12,128	29,218
Transfers in/(out)	-	-	6,677	(6,672)	5
Disposals	-	-	(1,795)	-	(1,795)
Impairment	-	-	(261)	-	(261)
Balance at 30 June 2010	100,136	58,347	107,062	12,128	277,673
Accumulated amortisation					
Balance at 1 July 2009	-	(2,229)	(44,988)	-	(47,217)
Amortisation expense	-	(4,862)	(17,324)	-	(22,186)
Disposals	-	-	1,793	-	1,793
Balance at 30 June 2010	-	(7,091)	(60,519)	-	(67,610)
2009					
Gross carrying amount					
Balance at 1 July 2008	-	-	74,845	3,386	78,231
Additions	-	-	9,552	6,592	16,144
Acquisition of subsidiaries	93,129	58,347	5,296	80	156,852
Transfers in/(out)	-	-	3,386	(3,386)	-
Disposals	-	-	(721)	-	(721)
Balance at 30 June 2009	93,129	58,347	92,358	6,672	250,506
Accumulated amortisation					
Balance at 1 July 2008	-	-	(31,818)	-	(31,818)
Amortisation expense	-	(2,229)	(13,887)	-	(16,116)
Disposals	-	-	717	-	717
Balance at 30 June 2009	-	(2,229)	(44,988)	-	(47,217)
Net carrying amount					
As at 30 June 2010	**100,136**	**51,256**	**46,543**	**12,128**	**210,063**
As at 30 June 2009	93,129	56,118	47,370	6,672	203,289

(i) Goodwill relating to the acquisition of Australian Health Management has increased in the current financial year due to the release of monies held in trust at the date of acquisition, representing the final payment to the previous members of Australian Health Management.
(ii) Software includes capitalised development costs being an internally generated intangible asset.

(a) Impairment tests for goodwill

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

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

CGU	Total $'000
2010	
Australian Health Management	96,133
Medibank Health Solutions	4,003
	100,136
2009	
Australian Health Management	89,126
Medibank Health Solutions	4,003
	93,129

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

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

CGU	Growth rate %	Discount rate %
2010		
Australian Health Management	2.5%	17.5%
Medibank Health Solutions	2.5%	16.6% - 19.2%
2009		
Australian Health Management	2.5%	17.0%
Medibank Health Solutions	2.5%	17.5 - 17.9%

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

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

(c) Impact of changes in key assumptions

Australian Health Management

The recoverable amount of the goodwill arising from the acquisition of Australian Health Management is estimated to be $138,669,000 (2009: $93,318,000). This exceeds the carrying amount of the CGU's goodwill at 30 June 2010 by $42,536,000 (2009: $4,192,000).

If the pre-tax discount rate applied to the cash flow projections of the Australian Health Management CGU was 20.0% instead of 17.5% (2009: 17.3% instead of 17.0%), the recoverable amount of the CGU's goodwill will equal its carrying amount. Management does not consider a change in any of the other key assumptions to be reasonably possible.

Notes to the Financial Statements

Note 14: Trade and other payables

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Current			
Trade creditors	(i)	131,161	86,447
Other creditors and accrued expenses	(ii)	46,528	65,554
Unearned premium liability	(iii)(a)	427,094	416,956
Risk Equalisation Trust Fund	(iv)	7,945	7,556
Lease incentives	(v)	203	205
Defined benefit superannuation fund	1(ab)	78	-
		613,009	576,718

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

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Non-current			
Other creditors and accrued expenses	(ii)	483	1,110
Unearned premium liability	(iii)(a)	6,313	6,702
Lease incentives	(v)	2,100	641
		8,896	8,453

Terms and conditions relating to the above financial instruments:
(i) Trade creditors are non-interest bearing and are normally settled up to 30 days.
(ii) Other creditors and accrued expenses are non-interest bearing.
(iii) Unearned premium liability is non-interest bearing.
(iv) Amount payable to the Risk Equalisation Trust Fund is non-interest bearing.
(v) Lease incentives are non-interest bearing and are settled over the term of the lease. The current liability represents 12 months or less of the term of the lease.

(a) Unearned premium liability

	Consolidated 2010 $'000	Consolidated 2009 $'000
Balance at 1 July	423,658	348,762
Acquisition of subsidiary	-	37,307
Deferral of premium on contracts written during the year	427,675	419,399
Earnings of premiums deferred in prior years	(417,926)	(381,810)
Balance at 30 June	433,407	423,658

Note: movement includes both current and non-current provision

Note 15: Financial liabilities at fair value through profit or loss

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Current			
Derivatives	(i)	6,033	917
		6,033	917

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

Note 16: Claims liabilities

(a) Gross claims liability

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Current			
Claims liability - central estimate of the expected present value of future payments for claims liabilities	(i), 2(ii)	347,172	398,748
Risk margin	(ii), 2(ii,v)	19,252	24,673
Claims handling costs	(iii)	6,437	7,962
Gross claims liability	16(c)	372,861	431,383
Non-current			
Claims liability - central estimate of the expected present value of future payments for claims liabilities	(i), 2(ii)	24,415	47,431
Risk margin	(ii), 2(ii,v)	2,914	332
Claims handling costs	(iii)	87	107
Gross claims liability	16(c)	27,416	47,870

(i) The expected future payments of claims liabilities for Medibank Private are discounted to present value using a risk-free rate of 4.92% pa (2009: 3.19% pa).
The expected future payments of claims liabilities for Australian Health Management are discounted to present value using a risk-free rate of 4.92% pa (2009: 3.19% pa).
(ii) The risk margin for the Parent entity of 4.5% (2009: 6.5%) of the underlying outstanding claims liabilities and 2.0% (2009: 0.0%) of PackageBonus entitlements for Medibank Private has been estimated to equate to a probability of adequacy of at least 95% (2009: 95%).
The risk margin of 8.2% (2009: 8.3%) of the underlying claims liabilities for Australian Health Management has been estimated to equate to a probability of adequacy of at least 95% (2009: 95%).
(iii) The allowance for claims handling costs for Medibank Private at 30 June 2010 is 1.65% of the claims liability (2009: 1.71%).
The allowance for claims handling costs for Australian Health Management at 30 June 2009 is 2.8% of the claims liability (2009: 3.3%).

Notes to the Financial Statements

Note 16: Claims liabilities continued

(b) Claims incurred

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

2010	Prior $'000	Current $'000	Total $'000
Claims incurred			
Undiscounted	(15,135)	3,772,267	3,757,132
Movement in Discount	-	(1,215)	(1,215)
	(15,135)	3,771,052	3,755,917

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

(c) Reconciliation of movement in claims liabilities

	Consolidated 2010 $'000	2009 $'000
Balance at 1 July	479,253	400,828
Acquisition of subsidiary	-	27,126
Additional provision	350,159	399,811
Amounts utilised during the year	(408,403)	(374,486)
Movement in claims handling costs	(1,545)	(1,628)
Movement in risk margin	(2,837)	4,195
Movement in discounting	(1,215)	1,528
Amount under/(over) provided	(15,135)	21,879
Balance at 30 June	400,277	479,253

Note: movement includes both current and non-current

Note 17: Provisions

	Note	Consolidated 2010 $'000	2009 $'000
Current			
Restructuring	(i)	4,309	2,535
Make good	(ii)	673	890
Employee Entitlements	(iii)	34,532	30,578
Other	(iv)	591	119
		40,105	34,122
Non-current			
Restructuring	(i)	2,331	-
Make good	(ii)	3,124	2,265
Employee Entitlements	(iii)	13,625	12,369
		19,080	14,634

Movement in provisions

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

	Consolidated 2010 $'000	2009 $'000
(i) Restructuring		
Balance at 1 July	2,535	800
Acquisition of subsidiary	-	37
Additional provision	6,625	2,498
Amounts utilised during the year	(2,127)	(611)
Reversal of unused provision	(393)	(189)
Balance at 30 June	6,640	2,535

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

	Consolidated 2010 $'000	2009 $'000
(ii) Make good		
Balance at 1 July	3,155	1,552
Acquisition of subsidiary	-	920
Additional provision	1,123	1,088
Amounts utilised during the year	(328)	(152)
Reversal of unused provision	(153)	(253)
Balance at 30 June	3,797	3,155

In accordance with certain lease agreements, the Group is obligated to restore leased premises to their original condition at the end of the lease term. Because of the long-term nature of the liability, there is uncertainty in estimating the ultimate amount of these costs. The provision has been discounted to take into account the time value of money throughout the remaining term of the lease.

Notes to the Financial Statements

Note 17: Provisions continued

	Consolidated	
	2010 $'000	2009 $'000
(iii) Employee Entitlements		
Balance at 1 July	42,947	29,562
Acquisition of subsidiary	-	12,697
Additional provision	26,924	24,658
Amounts utilised during the year	(20,855)	(21,998)
Reversal of unused provision	(859)	(1,972)
Balance at 30 June	48,157	42,947

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

	Consolidated	
	2010 $'000	2009 $'000
(iv) Other		
Balance at 1 July	119	815
Acquisition of subsidiary	-	-
Additional provision	591	-
Amounts utilised during the year	(119)	(455)
Reversal of unused provision	-	(241)
Balance at 30 June	591	119

Note 18: Deferred tax liability

	Consolidated	
	2010 $'000	2009 $'000
Deferred tax balances comprise temporary differences attributable to:		
Financial assets at fair value through profit and loss	4,122	149
Property, plant and equipment	2,484	657
	6,606	806
Other		
Defined benefit fund surplus	61	183
Trade & other receivables	334	176
Other	119	122
Sub-total Other	514	481
Total deferred tax liabilities	7,120	1,287
Set off of deferred tax liabilities pursuant to set-off provisions	-	-
Net deferred tax liabilities	7,120	1,287
Deferred tax liabilities to be settled within 12 months	4,636	630
Deferred tax liabilities to be setteled after more than 12 months	2,484	657
	7,120	1,287

Movements - Consolidated	Financial assets at fair value through profit and loss $'000	Property, plant & equipment $'000	Other $'000	Total $'000
At 1 July 2008	-	-	-	-
Acquisition of subsidiary	-	1,202	102	1,304
Charged/(credited) to the income statement	149	(545)	180	(216)
Charged directly to other comprehensive income	-	-	199	199
At 30 June 2009	149	657	481	1,287
Charged/(credited) to the income statement	3,973	386	155	4,514
Charged directly to other comprehensive income	-	1,441	(122)	1,319
At 30 June 2010	4,122	2,484	514	7,120

Notes to the Financial Statements

Note 19: Contributed equity

Consolidated entity	2010 $'000	2009 $'000
(a) Fully paid ordinary shares		
Ordinary shares fully paid	85,000	85,000

(b) Movements in shares on issue	2010		2009	
	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

The two private health insurance funds of the Group (Medibank Private and Australian Health Management) are required to maintain minimum levels of capital to meet both solvency and capital adequacy requirements.

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

The Capital Adequacy Standard sets out the level of capital required based on a going concern basis where the requirement is for the two private health insurance funds of the Group to demonstrate that they have sufficient capital to accept contributions from new and existing members, fund their business plans, absorb short term adverse experience from time to time, and continue to remain solvent.

The two private health insurance funds of the Group are required to comply with these standards on a continuous basis and report results to PHIAC on a quarterly basis. Both funds have been in compliance with these standards throughout the year.

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

Refer to Note 28 for details of the Group's excess over the solvency reserve as at 30 June 2010.

Note 20: Reserves

	Consolidated 2010 $'000	Consolidated 2009 $'000
Equity reserve	17,819	17,819
Revaluation reserve	402	-
	18,221	17,819

Movements:	Consolidated 2010 $'000	Consolidated 2009 $'000
Equity reserve (i)		
Balance at July 1	17,819	-
Contribution to equity	-	17,819
Balance at 30 June	17,819	17,819
Revaluation reserve (ii)		
Balance at July 1	-	-
Revaluation of land & buildings - gross	574	-
Deferred tax (Note 12)	(172)	-
Balance at 30 June	402	-

(i) The equity reserve resulted from a restructure of administrative arrangements in 2009.
(ii) The revaluation reserve is used to record increments and decrements on the revaluation of non-current assets, as described in Note 1(s).

Note 21: Retained earnings

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Balance at 1 July		1,337,510	1,245,861
Net profit for the year		305,090	91,187
Items of other comprehensive income recognised directly in retained earnings			
Actuarial gains on retirement benefit obligation, net of tax		(285)	462
Initial recognition of deferred tax balances		7,295	-
Dividends paid	(a)	(32,844)	-
Balance at 30 June		1,616,766	1,337,510

(a) Dividends paid
On 4 June 2010, the Company paid an unfranked dividend at $0.39 per fully paid ordinary share.

Note 22: Commitments

	Consolidated 2010 $'000	2009 $'000
(a) Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date, but not provided for, payable:		
Within one year	1,519	6,032
After one year but not more than five years	-	-
Longer than five years	-	-
	1,519	6,032

Capital expenditure commitments predominantly relate to IT projects.

	Consolidated 2010 $'000	2009 $'000
(b) Operating lease commitments		
Future operating lease rentals not provided for, payable:		
Within one year	25,941	26,379
After one year but not more than five years	60,412	68,713
Longer than five years	8,366	10,278
Total minimum lease payments	94,719	105,370

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 2010 $'000	2009 $'000
(c) Other expenditure commitments		
Other commitments not provided for, payable:		
Within one year	46,461	46,465
After one year but not more than five years	50,507	63,104
Longer than five years	125	546
	97,093	110,115

Other commitments consist of IT outsourcing, IT software, sponsorship agreements and property maintenance commitments.

	2010 $'000	2009 $'000
Total commitments payable	193,331	221,517

	Consolidated 2010 $'000	2009 $'000
(d) Lease commitments: Group as lessee		
Opearing lease commitments not accrued for, receivable:		
Within one year	519	-
After one year but not more than five years	851	-
Longer than five years	-	-
	1,370	-

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

Note 23: Key management personnel

The names of persons who were directors and specified executives of the Group at any time during the financial year are disclosed in the Directors' Report. Except where indicated, all of these persons were also directors and specified executives during the year ended 30 June 2010.

	Consolidated 2010 $	2009 $
Short term	4,766,189	5,527,460
Post Employment	273,061	263,063
Long term	410,264	434,897
Termination benefits	-	222,115
	5,449,514	6,447,535

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

Note 24: Related party transactions

Transactions with related parties

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

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

Transactions entered into directly by Directors or Director related entities with the Group have been either trivial or domestic in nature.

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

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

Notes to the Financial Statements

Note 25: 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	Country of incorporation	Class of Units	Ownership interest 2010 %	Ownership interest 2009 %
Australian Health Management Group Pty Ltd	Australia	Ordinary Shares	100	100
- International Health Benefits Pty Ltd *	Australia	Ordinary Shares	100	100
- Dencare Australia Pty Ltd *	Australia	Ordinary Shares	100	100
- Carelink Australia Pty Ltd*	Australia	Ordinary Shares	100	100
- Mercantile Mutual Health Pty Ltd *	Australia	Ordinary Shares	100	100
- Total Health Pty Ltd *	Australia	Ordinary Shares	100	100
Medibank Health Solutions Pty Ltd (formerly Health Services Australia Pty Ltd)	Australia	Ordinary Shares	100	100
- Work Solutions Australia Pty Ltd	Australia	Ordinary Shares	100	100
- The Travel Doctor TMVC Pty Ltd	Australia	Ordinary Shares	100	100
- IQ Consultants Pty Ltd *	Australia	Ordinary Shares	100	100

** These entities were non-operating entities during the year ended 30 June 2010.*

Note 26: Contingencies

There is no material contingent asset or liability at the end of each reporting period.

Note 27: Auditor's remuneration

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

	Consolidated 2010 $	Consolidated 2009 $
Australian National Audit Office		
- Auditing the financial report	551,572	399,790
- Other services - regulatory reporting	108,060	95,750
PricewaterhouseCoopers		
- Audit of regulatory returns	28,090	24,500
- Other assurance services	-	37,510
- Non audit services	184,600	-
	872,322	557,550

The Australian National Audit Office sub-contracted the audit of the financial report of the Group to PricewaterhouseCoopers for the year ended 30 June 2010 and 30 June 2009.

Note 28: Solvency reserve

The Solvency Reserve of the health benefits fund of Medibank Private, as per the Private Health Insurance (Health Benefits Fund Administration) Rules 2007, as at 30 June 2010 is $613,269,000. Total Net Assets are $1,672,696,000 representing an excess of $1,059,427,000 over the Solvency Reserve.

The Solvency Reserve of the health benefits fund of Australian Health Management, as per the Private Health Insurance (Health Benefits Fund Administration) Rules 2007, as at 30 June 2010 is $70,060,000. Total Net Assets are $231,242,000 representing an excess of $161,182,000 over the Solvency Reserve.

Refer also to Note 19(d) for details of the Group's strategy regarding its meeting of these requirements.

Note 29: Events occurring after the reporting period

On 9 April 2010 a subsidiary of the Group entered into a Share Purchase Agreement to acquire 100% of the shares in McKesson Asia Pacific Pty Ltd. Following satisfaction of customary conditions precedent the completion of this transaction occurred on 1 July 2010. The purchase consideration was $140 million (excluding surplus cash and working capital adjustments) paid in cash. It is not practical to determine the fair value of the identifiable intangible assets at this point, however known intangible assets purchased include internally generated software and customer related intangible assets. Acquisition accounting will be completed in the following financial year.

On 29 July 2010, a subsidiary of the Group entered into a Share Purchase Agreement to acquire 100% of the shares in Carepoint Holdings Pty Ltd. Following satisfaction of customary conditions precedent the completion of the transaction occurred on 30 August 2010. The purchase consideration was $8 million paid in cash. It is not practical to determine the acquisition accounting as at the date of this report. Acquisition accounting will be completed in the following financial year.

In early 2010, the Shadow Treasurer announced the Coalition's plan to privatise Medibank should they be successful at the next Federal Election. During that election campaign, on 2 August, the Labor Party announced their intent to require Medibank Private to pay a Special Dividend of $300 million, payable in the 2010-11 financial year, in the event that the Labor government is returned. At the time of signing, the outcomes of the August 21 election had not been declared and, consequently, the outcome of these policy announcements is unknown.

Note 30: Reconciliation of profit after income tax to net cash flow from operating activities

	Consolidated	
	2010 $'000	2009 $'000
Profit	305,090	91,187
Add/(less) non-cash items:		
Depreciation	15,150	10,007
Amortisation of software intangibles	17,324	13,886
Amortisation of customer intangible	4,862	2,229
Loss on disposal of plant and equipment	706	786
Net realised (gain)/loss on financial assets	(27,267)	128,721
Net unrealised (gain)/loss on financial assets	(25,056)	28,134
Non-operating cash flows		
Interest income	(77,562)	(90,019)
Dividend income reinvested	(4,425)	(3,142)
Trust distribution reinvested	(4,822)	(13,292)
Investment expenses	4,201	3,486
Amounts written off		
Asset impairment	1,128	-
Dividend paid included in cash flows from operations	(32,844)	-
Change in operating assets and liabilities, net of effects from purchase of controlled entities:		
(Increase)/decrease in assets:		
Trade and other receivables	(25,397)	(1,917)
Inventories	201	269
Other assets	7,417	54,156
Deferred tax asset	(29,261)	(1,218)
Increase/(decrease) in liabilities:		
Trade and other payables	39,381	32,986
Claims liabilities	(78,976)	51,300
Income tax liability	81,091	4,088
Deferred tax liability	5,833	(17)
Provisions	10,429	2,372
Net cash flow from operating activities	187,203	314,002

Note 31: Parent entity financial information

(a) Summary financial information

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

	2010 $'000	2009 $'000
Balance Sheet		
Current assets	2,241,721	1,943,412
Total assets	2,727,870	2,398,676
Current liabilities	980,671	896,312
Total liabilities	1,033,863	961,627
Shareholder's equity		
Issued capital	85,000	85,000
Reserve		
Equity reserve	17,819	17,819
Retained earnings	1,591,188	1,334,230
	1,694,007	1,437,049
Profit for the year	282,558	88,369
Total comprehensive income	289,802	88,369

(b) Guarantees entered into by parent entity

The parent entity has not provided any financial guarantees.

(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 2010, the parent entity had contractual commitments for the acquisition of property, plant and equipment totalling $421,000 (2009: $6,032,000). 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 56 to 105 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 2010 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 2010.

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

On behalf of the Board,

Paul McClintock AO	**George Savvides**
Chairman	Managing Director

Melbourne, 30 August 2010

Australian National Audit Office

INDEPENDENT AUDITOR'S REPORT

To the members of Medibank Private Limited

I have audited the accompanying financial report of Medibank Private Limited and the consolidated entity, which comprises the Balance Sheet as at 30 June 2010, and the Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, Notes to and forming part of the Financial Statements including a Summary of Significant Accounting Policies, and the Directors' Declaration. The consolidated entity comprises Medibank Private Limited and the entities it controlled at the year's end or from time to time during the financial year.

The Directors' Responsibility for the Financial Report

The directors of the Medibank Private Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that the 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 conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's Opinion

In my opinion:

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

(i) giving a true and fair view of Medibank Private Limited's and the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Australian National Audit Office

Ian Goodwin

Principal Advisor

Delegate of the Auditor-General

Canberra

30 August 2010

Medibank Private Retail Sites

New South Wales

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

Western Australia

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

Victoria

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

Queensland

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

South Australia

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

Tasmania

Devonport
Glenorchy
Hobart
Kingston
Launceston
Rosebery

Australian Capital Territory

Belconnen
Civic
Queanbeyan
Tuggeranong Greenway
Woden

Northern Territory

Alice Springs
Casuarina
Darwin
Palmerston

ahm

Private Health Insurance

New South Wales
Wollongong

Dental and Eyecare Practices

New South Wales
Parramatta
Sydney
Wagga Wagga

Medibank Health Solutions

New South Wales
Albury
Botany
Liverpool
Newcastle
Parramatta
Smithfield
Surry Hills
Wollongong

Western Australia
Barrow Island
Perth

Victoria
Campbellfield
Dandenong
Laverton North
Melbourne

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

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

Tasmania
Hobart
Launceston

Australian Capital Territory
Woden

Northern Territory
Darwin

The Travel Doctor - TMVC

New South Wales
Parramatta
Sydney

Western Australia
Perth

Victoria
Melbourne

Queensland
Spring Hill, Brisbane

South Australia
Adelaide

Australian Capital Territory
Canberra

Rapid Care Clinic

Queensland
Cannon Hill

Corporate Directory

Company name
Medibank Private Limited

Current Directors (at 30 August 2010)
Paul McClintock (Chairman)
George Savvides (Managing Director)
Elizabeth Alexander
Jane Harvey
Cherrell Hirst
Leanne Rowe
Just Stoelwinder
Philip Twyman

Company Secretary
Stephen Harris

Registered office
Level 17, 700 Collins Street
Docklands, Victoria 3008

ACN
080 890 259

ABN
47 080 890 259

Medibank Private Limited is a Registered Private Health Insurer

General Counsel
Justine Halloran

Auditor
Auditor-General

Bankers
Westpac Banking Corporation

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Ask_us@medibank.com.au

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Elisabeth Jane Photography

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