APPENDIX 4D
MEDIBANK PRIVATE LIMITED
ABN 47 080 890 259

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Medibank Private Limited Group Half-year ended			
	31 Dec 2015 $m	**31 Dec 2014 $m**	**Movement $m**	**Movement %**
Health Insurance premium revenue	3,080.0	2,943.3	136.7	4.6%
Complementary Services revenue	300.6	326.4	(25.8)	(7.9%)
Revenue (excluding net investment and other income) from ordinary activities	**3,380.6**	3,269.7	110.9	3.4%
Net investment and other income	24.7	52.2	(27.5)	(52.7%)
Total income from continuing operations	**3,405.3**	3,321.9	83.4	2.5%
Profit from ordinary activities after tax attributable to shareholders	**227.6**	143.8	83.8	58.3%

The results are summarised as follows:

- Health Insurance premium revenue increased 4.6 per cent or $136.7 million to $3,080.0 million
- Complementary Services revenue decreased 7.9 per cent or $25.8 million to $300.6 million
- Net investment and other income decreased 52.7 per cent or $27.5 million to $24.7 million
- Profit from ordinary activities increased 58.3 per cent or $83.8 million to $227.6 million

For further information refer to the Directors' report in the attached Interim report of Medibank Private Limited for the half-year period ended 31 December 2015.

Dividend information

On 28 September 2015, a dividend of 5.3 cents per share amounting to $146.0 million was paid to shareholders in respect of the 7 month period from listing.

A fully franked interim dividend of 5 cents per share was declared on 19 February 2016 in respect of the 6 months ended 31 December 2015, payable on 29 March 2016 to shareholders registered on 8 March 2016.

Net tangible assets per ordinary share

	31 Dec 2015 cents	**31 Dec 2014 cents**
Net tangible assets per ordinary share	**45.2**	38.0

Net tangible assets are defined as the net assets of the Medibank Private Limited Group less intangible assets.

MEDIBANK PRIVATE LIMITED

ABN 47 080 890 259

INTERIM REPORT
31 DECEMBER 2015

CONTENTS

The directors of Medibank Private Limited (Medibank or the Group) present their report on the consolidated entity for the half-year ended 31 December 2015.

Directors

The following persons were directors of Medibank during the whole of the half-year and up to the date of this report:

- Elizabeth Alexander AM (Chairman)
- George Savvides (Managing Director)
- Anna Bligh
- David Fagan
- Dr Cherrell Hirst AO
- Peter Hodgett
- Linda Bardo Nicholls AO
- Christine O'Reilly

Review of operations

Group result

Group net profit after tax was up 58.3% to $227.6 million primarily reflecting the increase in operating profit from the Health Insurance business. The result reflects a $23.2 million one-off tax benefit relating to the Company's success in having a change in tax position for prior periods endorsed by the Australian Taxation Office in December 2015.

Health Insurance

Health Insurance premium revenue was up 4.6% to $3,080.0 million, underpinned by the government approved premium rate rise of 6.59% (effective from 1 April 2015). The number of policyholders decreased by 0.6%, reflecting both a slowing overall market growth and a reduction in Medibank group's market share despite continued growth in the ahm brand.

Health Insurance operating profit increased 58.8% to $271.7 million, with the operating margin up from 5.8% to 8.8%. Gross margin increased from 13.9% to 17.2%. A strong focus on health cost leadership initiatives continued to benefit margins, which were also assisted by a slowdown in the growth of hospital utilisation rates and the benefit of a c. $19 million pre-tax release from the 30 June 2015 claims provision.

Management expenses increased by 8.6% to $257.2 million. As a result, Medibank's management expense ratio increased from 8.1% to 8.4%. Management expenses in FY15 were more heavily weighted to the second half reflecting the timing of project and marketing spend, due, in part, to the Company's November 2014 float.

Complementary Services

Complementary Services revenue declined 7.9% to $300.6 million, however operating profit increased 27.8% to $9.2 million. This reflected changes in response to the Company's strategic review, most notably the October 2015 sale of the Workplace Health and Travel Doctor businesses.

Investment Income

Net investment income fell from $43.4 million to $18.6 million, due to relatively lower equity market returns, as well as lower interest rates compared to the prior corresponding period.

Rounding of amounts

The amounts contained in this report and in the financial report have been rounded to the nearest hundred thousand dollars (where rounding is applicable) unless specifically stated otherwise under the relief available pursuant to Australian Securities and Investments Commission Class Order 98/100. Medibank is an entity to which that Class Order applies.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is set out on page 3.

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

Elizabeth Alexander AM Chairman	George Savvides Managing Director

19 February 2016
Melbourne

Auditor’s Independence Declaration

As lead auditor for the review of Medibank Private Limited for the half-year ended 31 December 2015, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Medibank Private Limited and the entities it controlled during the period.

Chris Dodd
Partner
PricewaterhouseCoopers

Melbourne
19 February 2016

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Consolidated income statement

For the half-year ended 31 December 2015

	Note	31 Dec 2015 $m	31 Dec 2014 $m
Revenue			
Health Insurance premium revenue	4(a)	**3,080.0**	2,943.3
Complementary Services revenue		**300.6**	326.4
		3,380.6	3,269.7
Other income		**6.1**	8.8
Expenses			
Claims expense		**(2,548.5)**	(2,529.8)
Medical services expense		**(208.9)**	(203.7)
Employee benefits expense		**(173.0)**	(193.1)
Office and administration expense		**(41.5)**	(51.6)
Marketing expense		**(43.5)**	(36.9)
Information technology expense		**(24.3)**	(29.2)
Professional service expense		**(31.0)**	(19.1)
Lease expense		**(20.0)**	(22.1)
Depreciation and amortisation expense		**(30.3)**	(30.1)
Other expenses		**(2.1)**	(4.2)
		(3,123.1)	(3,119.8)
Profit before net investment income and income tax		**263.6**	158.7
Net investment income	4(c)	**18.6**	43.4
Profit for the half-year before income tax		**282.2**	202.1
Income tax expense	8	**(54.6)**	(58.3)
Profit for the half-year		**227.6**	143.8

		Cents	Cents
Earnings per share for profit attributable to ordinary equity holders of the Company			
Basic earnings per share		**8.3**	5.2
Diluted earnings per share		**8.3**	5.2

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

Consolidated statement of comprehensive income

For the half-year ended 31 December 2015

	31 Dec 2015 $m	31 Dec 2014 $m
Profit for the half-year	**227.6**	143.8
Other comprehensive income, net of tax		
Items that may be reclassified to profit or loss		
Exchange differences on translation of foreign operations	**(0.6)**	0.1
Items that will not be reclassified to profit or loss		
Revaluation of land and buildings	**-**	(0.1)
	(0.6)	-
Total comprehensive income for the half-year	**227.0**	143.8

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For Better Health

Consolidated statement of financial position

As at 31 December 2015

	Note	31 Dec 2015 $m	30 Jun 2015 $m
Current assets			
Cash and cash equivalents		**456.3**	408.7
Trade and other receivables		**309.7**	301.2
Financial assets at fair value through profit or loss	6	**1,702.1**	1,971.8
Deferred acquisition costs		**24.5**	22.4
Other assets		**10.2**	7.9
Assets held for sale		**-**	14.6
Total current assets		**2,502.8**	2,726.6
Non-current assets			
Property, plant and equipment		**98.8**	106.1
Intangible assets	9	**280.8**	261.8
Deferred acquisition costs		**40.7**	45.3
Other assets		**1.1**	1.1
Total non-current assets		**421.4**	414.3
Total assets		**2,924.2**	3,140.9
Current liabilities			
Trade and other payables		**287.1**	383.0
Claims liabilities	5	**363.7**	387.5
Unearned premium liability		**503.6**	668.4
Tax liability		**47.9**	26.9
Provisions and employee entitlements		**53.0**	69.2
Total current liabilities		**1,255.3**	1,535.0
Non-current liabilities			
Trade and other payables		**35.4**	36.1
Claims liabilities	5	**17.1**	23.1
Unearned premium liability		**53.7**	57.2
Deferred tax liabilities		**0.7**	5.6
Provisions and employee entitlements		**36.3**	41.9
Total non-current liabilities		**143.2**	163.9
Total liabilities		**1,398.5**	1,698.9
Net assets		**1,525.7**	1,442.0
Equity			
Contributed equity		**85.0**	85.0
Reserves		**21.7**	21.1
Retained earnings		**1,419.0**	1,335.9
Total equity		**1,525.7**	1,442.0

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

Consolidated statement of changes in equity

For the half-year ended 31 December 2015

	Contributed equity $m	Reserves $m	Retained earnings $m	Total equity $m
Balance at 1 July 2014	85.0	20.9	1,288.0	**1,393.9**
Profit for the half-year	-	-	143.8	**143.8**
Other comprehensive income	-	-	-	**-**
Total comprehensive income for the half-year	-	-	143.8	**143.8**
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(238.8)	**(238.8)**
Balance at 31 December 2014	**85.0**	**20.9**	**1,193.0**	**1,298.9**
Balance at 1 July 2015	85.0	21.1	1,335.9	**1,442.0**
Profit for the half-year	-	-	227.6	**227.6**
Other comprehensive income	-	(0.6)	-	**(0.6)**
Total comprehensive income for the half-year	**-**	**(0.6)**	**227.6**	**227.0**
Transfers upon sale of properties	-	(0.7)	1.5	0.8
Transactions with owners in their capacity as owners:				
Dividends paid	-	-	(146.0)	**(146.0)**
Share-based payments transactions	-	1.9	-	**1.9**
Balance at 31 December 2015	**85.0**	**21.7**	**1,419.0**	**1,525.7**

Consolidated statement of cash flows

For the half-year ended 31 December 2015

	31 Dec 2015 $m	31 Dec 2014 $m
Cash flows from operating activities		
Premium receipts	**2,908.1**	2,799.0
Complementary Services receipts	**329.9**	406.6
Other receipts	**1.4**	4.1
Contribution received towards fitout of property	**-**	30.4
Payments for claims and levies	**(2,618.2)**	(2,585.5)
Payments to suppliers and employees	**(648.6)**	(682.4)
Income taxes paid	**(60.8)**	(57.1)
Net cash outflow from operating activities	**(88.2)**	(84.9)
Cash flows from investing activities		
Interest received	**20.9**	25.6
Investment expenses	**(2.2)**	(2.5)
Proceeds from sale of financial assets	**696.2**	477.0
Purchase of financial assets	**(427.1)**	(393.1)
Proceeds from sale of businesses	**23.1**	-
Purchase of plant and equipment	**(2.9)**	(5.9)
Proceeds from sale of land and buildings	**6.5**	-
Purchase of intangible assets	**(32.7)**	(14.6)
Net cash inflow from investing activities	**281.8**	86.5
Cash flows from financing activities		
Dividends paid	**(146.0)**	(238.8)
Net cash outflow from financing activities	**(146.0)**	(238.8)
Net increase/(decrease) in cash and cash equivalents	**47.6**	(237.2)
Cash and cash equivalents at beginning of the half-year	**408.7**	708.0
Cash and cash equivalents at end of the half-year	**456.3**	470.8

Note 1: Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous financial year and corresponding interim period, as set out in the annual financial report for the year ended 30 June 2015. The financial statements are for the consolidated entity (the Group), consisting of Medibank Private Limited (Medibank Private or the Company) and its subsidiaries. Medibank Private is a company limited by shares whose shares are publicly traded on the Australian Securities Exchange (ASX).

a) Basis of preparation of consolidated interim financial report

The consolidated interim financial report for the half-year period ended 31 December 2015 has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Medibank Private during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

c) New and amended standards adopted

The Group has not elected to apply any pronouncements before their operative date in the half-year reporting period ended 31 December 2015.

The following standards became effective for the annual reporting period commencing on 1 July 2015, but did not have a material impact on the Group's accounting policies or on the consolidated interim financial report.

(i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality

The Standard completes the AASB's project to remove Australian guidance on materiality from Australian Accounting Standards, and therefore there is no material impact on the Group's consolidated interim financial report.

Note 2: Critical accounting estimates and judgements

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

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

a) Gross claims liability

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

The outstanding claims estimate is derived based on three valuation classes, namely hospital, ancillary and overseas. In calculating the estimated outstanding claims for ancillary, statistical methods are adopted for all service months. For hospital and overseas, the same statistical method is also adopted but with service levels for the most recent 2 service months being based on the latest forecast for those months. Adjustments are then applied to reflect any unusual or abnormal events that may affect the estimate of service levels such as major variability to claims processing volumes. The process for establishing the outstanding claims provision involves consultation with internal actuaries, claims managers and other senior management. The process includes monthly internal claims review meetings attended by senior 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.

(i) Outstanding claims liability - central estimate

The outstanding claims liability comprises the central estimate and a risk margin (refer Note 2 (a)(iii)). The central estimate is an estimate of the level of claims liability that is intended to contain no intentional under or over estimation. The risk margin is added to the central estimate of outstanding claims to achieve a 95% probability of adequacy.

The central estimate is determined based on analysis of historical experience which assumes an underlying pattern of claims development and payment. The final selected central estimate is based on a judgemental consideration of the results of this analysis and other qualitative information. The central estimate is calculated excluding the impact of the Risk Equalisation Trust Fund. A separate estimate is made of levies payable to and recoveries from the Risk Equalisation Trust Fund.

(ii) Discounting

The outstanding claims liability central estimate is discounted to present value using a risk-free rate of 2.375 percent per annum which equates to a reduction in the central estimate of $1.1 million (30 June 2015: 2.15%, $1.1 million).

(iii) Risk margin

An overall risk margin is determined after consideration of the uncertainty surrounding the outstanding claims liability. The risk margin applied to the Group’s outstanding claims central estimate (net of risk equalisation) at 31 December 2015 is 7.7 percent (30 June 2015: 7.7 percent).

The risk margin is determined based on an analysis of past experience. In determining the risk margin the analysis examined the volatility of past payments in comparison to the central estimate. The risk margin has been estimated to equate to the Group’s objective of achieving a probability of adequacy of at least 95 percent (30 June 2015: 95 percent).

Note 2: Critical accounting estimates and judgements (continued)

a) Gross claims liability (continued)

(iv) Claims handling costs
The allowance for claims handling costs at 31 December 2015 is 2.5 percent of the outstanding claims liability (30 June 2015: 2.1 percent).

(v) Claims liabilities - bonus provisions
Certain private health insurance products of the Group include benefit categories – Package Bonus, Ultra Bonus and Membership Bonus, covering additional health related services. A feature of these benefit entitlements is that any unused portion in a calendar year is carried forward to future calendar years, subject to a limit of 5 years for Package Bonus and 10 years for Membership Bonus. Ultra Bonus is carried forward without limit. The Group's claims liabilities include a provision to cover expected future utilisation of these benefit entitlements in respect of current membership.

The bonus provision has been calculated by determining the total entitlement available to members under the terms of the relevant insurance policies, less any amounts utilised, and applying a probability of utilisation. The probability of utilisation is based on past experience and current claiming patterns. The true cost of these entitlements cannot be known with certainty until any unclaimed entitlements are processed.

(vi) Impact of changes in key variables on the outstanding claims provision
The central estimate, discount rate, risk margin and weighted average term to settlement are the key outstanding claims variables. A 10% increase/decrease in the central estimate would result in a $22.6m decrease/increase to equity (30 June 2015: $23.7 million) and a $22.6m decrease/increase to profit/(loss) (30 June 2015: $23.7 million). A 1% movement in the other key outstanding claims variables, including discount rate, risk margin and weighted average term to settlement, would result in an insignificant decrease/increase to equity and profit/(loss).

b) Classification and valuation of investments

The Group classifies investments in listed and unlisted securities as financial assets that back insurance liabilities and are therefore designated at initial recognition as at fair value through profit or loss. In determining the fair value of investments, if quoted market prices are not available, fair values are estimated on the basis of pricing models or other recognised valuation techniques. The assumptions used as inputs into these models include the value of variables such as risk-free rates, volatility, strike rates, time to expiry, credit-default swap levels, and correlations. Investments for which valuation is based on significant unobservable inputs as described above are those classified as level 3 in the fair value measurement hierarchy.

c) Estimated impairment of goodwill and customer contracts and relationships

The Group tests whether goodwill and customer contract and relationship assets have suffered any impairment on an annual basis, or more frequently if events or changes in circumstances indicate that they may be impaired.

Management have performed an assessment for indicators of impairment of the Group's intangible assets as at 31 December 2015 and have concluded that no indicators of impairment existed.

In assessing the goodwill for impairment, the recoverable amount of the CGU was determined based on a value-in-use calculation. The key assumptions used in testing the CGU for impairment are outlined in the Group's annual financial report for the year ended 30 June 2015.

Note 3: Segment information

a) Segment information provided to the Managing Director

The segment information provided to the Managing Director for the half-year ended 31 December 2015 is as follows:

31 Dec 2015	Health Insurance $m	Complementary Services $m	Total $m
Revenues			
Total segment revenue	3,080.0	304.1	3,384.1
Inter-segment revenue	-	(3.5)	(3.5)
Revenue from external customers	**3,080.0**	**300.6**	**3,380.6**
Operating profit	**271.7**	**9.2**	**280.9**

31 Dec 2014	Health Insurance $m	Complementary Services $m	Total $m
Revenues			
Total segment revenue	2,943.3	331.5	3,274.8
Inter-segment revenue	-	(5.1)	(5.1)
Revenue from external customers	2,943.3	326.4	3,269.7
Operating profit	171.1	7.2	178.3

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

Other items

Segment operating profit also excludes the following:

- interest, distribution and dividend income and related investment management expenses (refer Note 4(c)), as this represents income from outside of the Group's normal scope of operations and arises from investments which are managed by a central treasury function;
- net gains and losses on disposals of, and fair value movements on financial assets and liabilities (refer Note 4(c)), as they are not indicative of the Group's long-term performance; and
- depreciation, amortisation and operating expenses of the Group's Corporate function of $23.4 million (31 December 2014: $15.1 million), which are not allocated to operating segments.

Note 3: Segment information (continued)

b) Segment information provided to the Managing Director (continued)

A reconciliation of the operating profit to the profit for the half-year before income tax of the Group is as follows:

	Note	31 Dec 2015 $m	31 Dec 2014 $m
Total segment operating profit		**280.9**	178.3
Unallocated to operating segments:			
Corporate operating expenses		(13.6)	(10.8)
Group operating profit		**267.3**	167.5
Other expenses		(9.8)	(4.3)
Other income		6.1	3.8
Net investment income	4(c)	18.6	43.4
IPO transaction costs		-	(13.3)
IPO reimbursement income		-	5.0
Profit for the half-year before income tax		**282.2**	202.1

c) Segment assets and segment liabilities

No information regarding segment assets and segment liabilities has been disclosed, as these amounts are not reported to the Managing Director for the purpose of making strategic decisions.

Note 4: Revenue and expenses

a) Insurance underwriting result

	Note	31 Dec 2015 $m	31 Dec 2014 $m
Private health insurance premium revenue		**3,080.0**	2,943.3
Claims expense			
Claims incurred	(i)	**(2,546.7)**	(2,545.7)
State levies		**(24.2)**	(23.3)
Net Risk Equalisation Trust Fund rebates		**19.8**	33.8
Net claims incurred excluding claims handling costs on outstanding claims liabilities		**(2,551.1)**	(2,535.2)
Claims handling costs on outstanding claims liaiblities		**(0.9)**	0.1
Net claims incurred		**(2,552.0)**	(2,535.1)
Underwriting expenses		**(256.3)**	(237.1)
Underwriting result after expenses		**271.7**	171.1

(i) Prior to elimination of transactions with the Group's other operating segments of $3.5 million (31 December 2014: $5.3 million).

Note 4: Revenue and expenses (continued)

b) Other income

The sales of Workplace Health, Travel Doctor and Medibank Health Solutions New Zealand Ltd were completed on 2 October 2015, 16 October 2015 and 30 November 2015 respectively, resulting in an aggregate $4.5 million gain on disposal being recognised as other income in the consolidated income statement.

c) Net investment income

	31 Dec 2015 $m	31 Dec 2014 $m
Interest	**23.1**	28.2
Trust distributions	**29.8**	8.7
Dividend income	**4.9**	5.6
Investment management fees	**(2.0)**	(2.5)
Net loss on fair value movements on financial assets	**(49.9)**	(0.8)
Net gain on disposal of financial assets	**12.7**	4.2
	18.6	43.4

Note 5: Claims liabilities

a) Gross claims liability

	Note	**31 Dec 2015 $m**	30 Jun 2015 $m
Current			
Outstanding claims liability - central estimate	(i), 2(a)(i,ii)	**318.4**	334.3
Risk margin	(ii), 2(a)(i,iii)	**24.9**	25.8
Claims handling costs	(iii), 2(a)(iv)	**8.0**	7.0
		351.3	367.1
Claims liability - bonus provision	2(a)(v)	**12.4**	20.4
Gross claims liability	5(b)	**363.7**	387.5
Non-current			
Outstanding claims liability - central estimate	(i), 2(a)(i,ii)	**5.1**	5.1
Risk margin	(ii), 2(a)(i,iii)	**0.4**	0.4
Claims handling costs	(iii), 2(a)(iv)	**0.1**	0.1
		5.6	5.6
Claims liability - bonus provision	2(a)(v)	**11.5**	17.5
Gross claims liability	5(b)	**17.1**	23.1

(i) The expected future payments of claims liabilities are discounted to present value using a risk-free rate of 2.375% pa (30 June 2015: 2.15% pa).

(ii) The risk margin of 7.7% (30 June 2015: 7.7%) of the underlying outstanding claims liability (net of risk equalisation) has been estimated to equate to a probability of adequacy of at least 95% (30 June 2015: 95%).

(iii) The allowance for claims handling costs at 31 December 2015 is 2.5% of the outstanding claims liability (30 June 2015: 2.1%).

Note 5: Claims liabilities (continued)

b) Reconciliation of movement in claims liabilities

	31 Dec 2015 $m	30 Jun 2015 $m
Balance at beginning of period (1 July)	**410.6**	407.1
Claims incurred during the period	**2,573.8**	5,141.8
Claims paid during the period	**(2,572.8)**	(5,111.1)
Amount over provided on central estimate	**(30.7)**	(28.4)
Risk margin	**(0.9)**	0.7
Claims handling costs	**0.9**	0.1
Movement in discount	**(0.1)**	0.4
Balance at end of period	**380.8**	410.6

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

Note 6: Fair value measurement of financial instruments

a) Fair value hierarchy

The Group classifies the fair value measurement of its investments by level, in accordance with the following fair value measurement hierarchy:

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

The following tables present the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2015 on a recurring basis:

31 Dec 2015	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value through profit or loss				
Australian equities	1.2	161.1	-	162.3
International equities	-	187.8	-	187.8
Property	0.6	121.7	-	122.3
Infrastructure	-	67.9	-	67.9
Fixed income	108.4	1,053.4	-	1,161.8
Derivatives	-	-	-	-
	110.2	**1,591.9**	**-**	**1,702.1**

Note 6: Fair value measurement of financial instruments (continued)

a) Fair value hierarchy (continued)

30 Jun 2015	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Financial assets at fair value through profit or loss				
Australian equities	163.3	-	-	163.3
International equities	-	185.0	-	185.0
Property	1.0	115.6	-	116.6
Infrastructure	-	71.0	-	71.0
Fixed income	163.2	1,272.4	-	1,435.6
Derivatives	-	0.3	-	0.3
	327.5	1,644.3	-	1,971.8

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

The Group did not measure any financial assets or financial liabilities at fair value on a non-recurring basis at 31 December 2015.

The Group recognises any transfers into and transfers out of fair value hierarchy levels from the date of effect of the transfer. At 31 December 2015, Australian equities with a carrying amount of $161.1 million were transferred from level 1 to level 2 as the investments in the equities are now through an unlisted unit trust. At 30 June 2015, Medibank had a direct investment in these exchange traded equities and therefore were classified as level 1.

Market risk
Medibank's investment portfolio is subject to normal market risks (such as interest rates, exchange rates and equity market volatility) that can affect investment valuations and income volatility. Subsequent to balance date, the financial assets at fair value have been impacted by volatility in the financial markets. The estimated financial impact is a reduction in the financial asset at fair value of $26.0 million to $1,676.1 million.

b) Valuation techniques

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

The fair value of financial instruments that are not traded in an active market is determined using a variety of valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Valuation methods include quoted market prices or dealer quotes for similar instruments, 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.

There are no investments classified as level 3.

Note 7: Dividends

a) Dividends paid

	31 Dec 2015 cents per fully paid share	31 Dec 2015 $m	31 Dec 2014 cents per fully paid share	31 Dec 2014 $m
Special unfranked dividend - prior financial year	-	-	5.01	138.0
Final unfranked dividend - prior financial year			1.53	42.0
Final fully franked dividend - prior financial year	5.30	146.0	-	-
Special unfranked dividend - current financial year	-	-	2.14	58.8
	5.30	**146.0**	8.68	238.8

The final fully franked dividend for the financial year ended 30 June 2015 was paid on 28 September 2015.

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

Note 8: Income tax expense

		31 Dec 2015 $m	31 Dec 2014 $m
Current tax		**81.9**	52.7
Deferred tax		**(4.1)**	5.6
Adjustment for tax of prior period	(i)	**(23.2)**	-
		54.6	58.3

(i) Medibank was successful in having a change in tax position for prior periods endorsed by the Australian Taxation Office in December 2015 resulting in a previously unclaimed tax deduction being allowed. This deduction has been recorded in the current financial year.

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Note 9: Intangible assets

	Goodwill $m	Customer Contracts & Relationships $m	Internally Generated Software $m	Acquired Software $m	Assets under construction $m	Total $m
Gross carrying amount						
Balance at 1 July 2015	199.5	82.1	222.2	17.9	74.0	**595.7**
Additions	-	-	-	-	30.7	**30.7**
Transfers in/(out)	-	-	2.2	-	(2.2)	**-**
Disposals	(0.6)	(1.5)	(4.4)	-	-	**(6.5)**
Balance at 31 December 2015	198.9	80.6	220.0	17.9	102.5	**619.9**
Accumulated amortisation and impairment						
Balance at 1 July 2015	(91.5)	(43.9)	(180.6)	(17.9)	-	**(333.9)**
Amortisation expense	-	(3.9)	(6.8)	-	-	**(10.7)**
Transfers in/(out)	-	-	-	-	-	**-**
Disposals	-	1.5	4.0	-	-	**5.5**
Balance at 31 December 2015	(91.5)	(46.3)	(183.4)	(17.9)	-	**(339.1)**
Closing net book amount						
As at 31 December 2015	**107.4**	**34.3**	**36.6**	**0.0**	**102.5**	**280.8**
As at 30 June 2015	108.0	38.2	41.6	0.0	74.0	261.8

Note 10: Reconciliation of profit after income tax to net cash flow from operating activities

	31 Dec 2015 $m	31 Dec 2014 $m
Profit for the half-year	**227.6**	143.8
Depreciation	**7.6**	9.2
Amortisation of intangibles assets	**11.0**	14.3
Amortisation of deferred acquisition costs	**11.7**	6.6
Impairment of trade receivables	**0.1**	0.1
Net loss/(gain) on disposal of assets	**0.8**	0.4
Net realised gain on financial assets	**(12.7)**	(4.2)
Net unrealised loss on financial assets	**49.9**	0.8
Interest income	**(23.1)**	(28.2)
Dividend income reinvested	**(4.9)**	(5.6)
Trust distribution reinvested	**(29.8)**	(8.7)
Investment expenses	**2.0**	2.5
Gain on sale of businesses	**(4.5)**	-
Settlement costs for sale of businesses	**(19.2)**	-
Non-cash share-based payments expense	**1.9**	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**(8.6)**	36.6
Increase in deferred acquisition costs	**(9.2)**	(14.4)
Increase in other assets	**(1.6)**	(1.8)
(Decrease)/increase in net deferred tax liabilities	**(4.0)**	5.5
Decrease in trade and other payables	**(93.7)**	(44.7)
Decrease in unearned premium liability	**(168.3)**	(136.2)
Decrease in claims liabilities	**(29.7)**	(25.3)
(Decrease)/increase in income tax liability	**21.1**	(4.4)
Decrease in provisions and employee entitlements	**(12.6)**	(31.2)
Net cash outflow from operating activities	**(88.2)**	(84.9)

Note 11: Contingencies

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

Note 12: Key management personnel remuneration

Medibank Private has granted performance rights with a fair value of $1,465,431 under a Performance Rights Plan to key management personnel as the long-term incentive component of their remuneration for the financial year ended 30 June 2016.

The plan details have been disclosed in the 30 June 2015 remuneration report.

Note 13: Events occurring after the reporting period

Since 31 December 2015, Directors have declared a fully franked interim dividend of $137.7m (5 cents per share) to be paid on 29 March 2016.

Apart from the interim dividend declared, there have been no events occurring after the reporting period which would have a material effect on the Group's consolidated interim financial report at 31 December 2015.

The directors declare that, in the opinion of the directors:

(a) the financial statements and notes set out on pages 4 to 19 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 31 December 2015 and of its performance for the half-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.

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

On behalf of the Board,

Elizabeth Alexander AM	George Savvides
Chairman	Managing Director

19 February 2016
Melbourne

Independent auditor's review report to the shareholders of Medibank Private Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Medibank Private Limited Group (the consolidated entity). The consolidated entity comprises both Medibank Private Limited (the Company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Medibank Private Limited , ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Medibank Private Limited is not in accordance with the *Corporations Act 2001* including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Dodd
Partner

Melbourne
19 February 2016