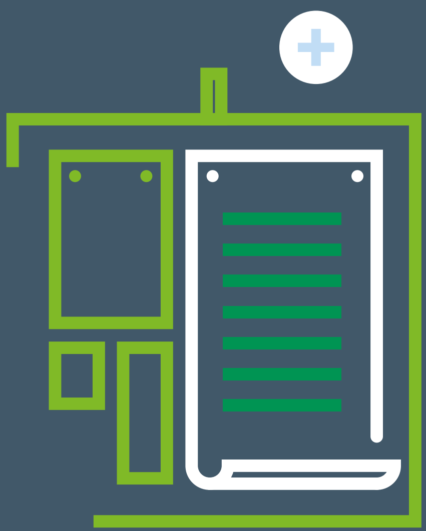
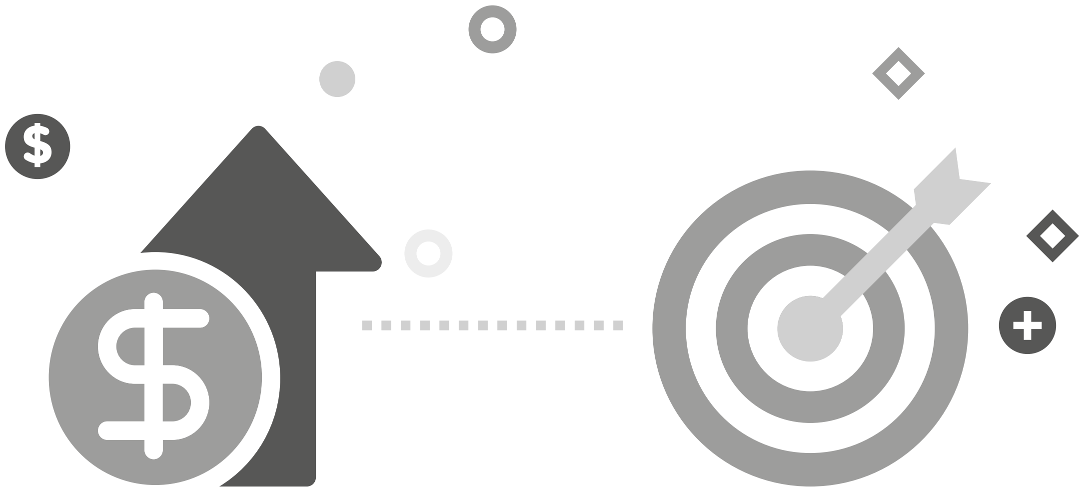


annual report

2019

contents



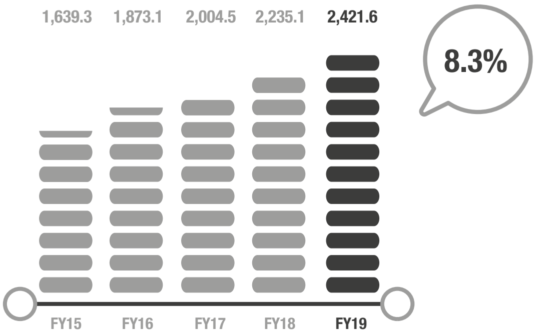
Notice of annual general meeting

The Annual General Meeting of nib holdings limited will be held on Wednesday, 30 October 2019 at 11am (AEDT) at Amora Hotel, 11 Jamison Street, Sydney NSW 2000.

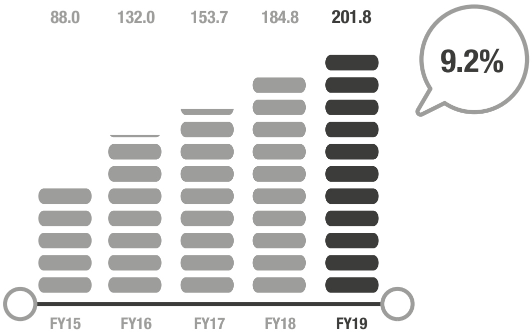
nib holdings limited
ABN 51 125 633 856

group performance highlights

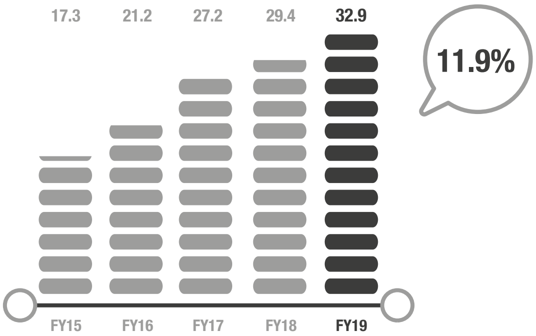
Total underlying revenue
$m



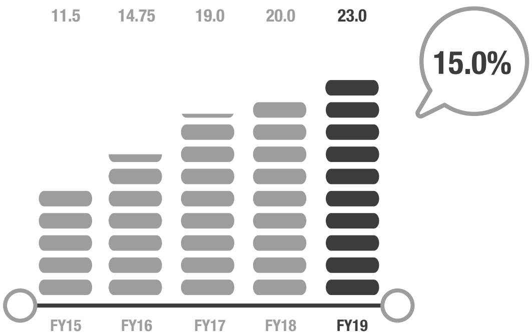
Underlying operating profit
$m



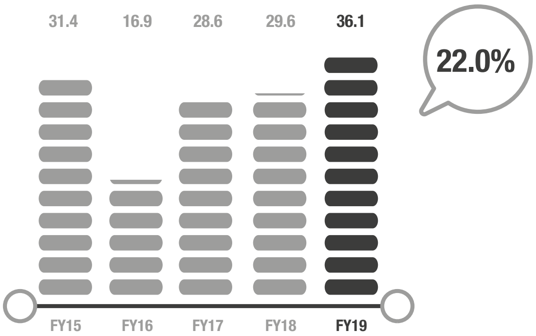
Earnings per share (statutory)
CPS



Dividends
CPS

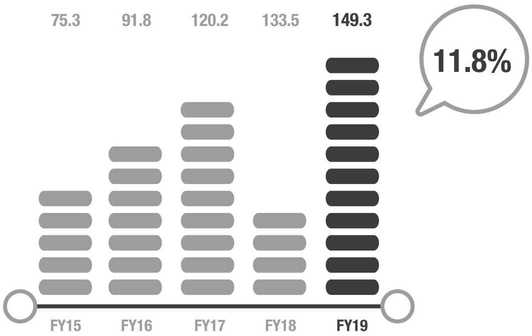


Net investment income[1]
$m

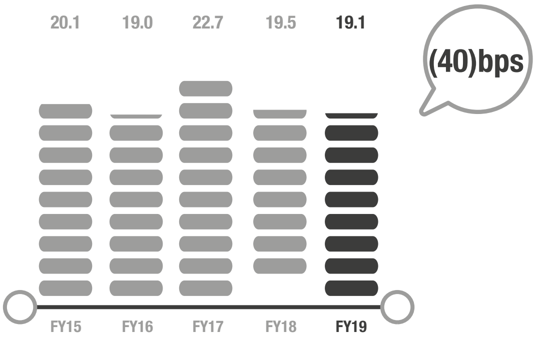


1. Includes profit on sale of PSG shares of $5.4m in FY15

Net profit after tax
$m

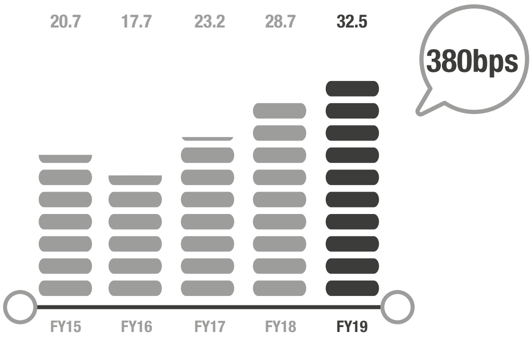


Return on invested capital[2]
%



2. ROIC calculated using average shareholders' equity including non-controlling interests and average interest-bearing debt over a rolling 12 month period

Net promoter score (arhi)[3]



3. Excludes GU Health

All figures quoted are in Australian dollars unless otherwise stated.

our purpose your better health

BUSINESS STRATEGY

personalised healthcare

Harness data science and digital technologies to better “personalise” our relationship with members, the products and services we provide or connect them with and especially help them, their doctors and other clinicians make more informed healthcare decisions. Use “personalisation” as the bedrock of enhancing our member value proposition, differentiating us in the market, improving individual and population health and better managing costs.

affordability and sustainability

Improve the affordability of our financial protection through improved operating efficiency, disciplined benefits management and helping members better manage their health and healthcare decisions. Ensure governance and operations across the Group are sensitive and responsive to our broader social, economic and environmental responsibilities.

grow the core (arhi)

Strive for above “system” organic growth with measured brand and acquisition investment, prudent product design and combatting adverse risk selection, channel diversification and “personalising” the value proposition. Consider and pursue M&A as opportunities present.

economies of scope

Leverage existing Group assets and capabilities to pursue adjacent business opportunities for the purposes of both growing enterprise value and diversifying risk. Amplify investment in growing our international workers and students, New Zealand, travel insurance and Chinese businesses and deliver identified new prospects.

racing the red queen (RRQ)

Create competitive advantage across the Group through constant innovation, our RRQ principles around “natural selection”, having world class talent and prudent risk management.

operating and financial review

for the year ended 30 June 2019

Chairman's year in review

It's with pleasure that I report to shareholders another successful performance for the nib Group for the fiscal period ending 30 June 2019. As can be observed from our financial and operating results, strong member, revenue and earnings growth reflect our commitment to meeting the needs of our members and travellers wherever they are in the world.

Managing Director, Mark Fitzgibbon will provide further granularity of our business performance for the year in his report, but it's fair for me to note that our financial results demonstrate our member focus, measured risk-taking and a culture that embraces the role of innovation.

And while our commercial results speak for themselves, our primary motivation is the better health of our members and travellers.

Based on our financial results the Board have declared a full year dividend of 23.0 cents per share fully franked, up from 20.0 cents per share last year. The full year dividend comprises an interim dividend of 10.0 cents per share and a final dividend of 13.0 cents per share, payable to shareholders on 30 September 2019. We're pleased to confirm the Dividend Reinvestment Plan will be available for the final dividend for eligible shareholders.

Our performance continues to deliver a very good return for shareholders. Since we listed on the ASX in late 2007, our total shareholder return is 1,701% compared to 66% for ASX 200.[1]

You can learn more in our 2019 Annual Report, including the Remuneration Report which is available on our shareholder website, nib.com.au/shareholders.

But we know past performance is definitely no indication of future success and we remain focused as ever on delivering value for our members. We're also cognisant that companies and some industries are being increasingly scrutinised on their various environmental, social, governance and ethical practices.

I can assure our shareholders we remain committed to maintaining the productive relationship we have with our regulators is not just limited to our Australian operations. Our broad operating environment and geographies in which we operate, means we apply a Group-wide risk governance approach to meet our multi-regulated obligations.

Our sense of community and being a good corporate citizen is the bedrock of our foundations from when nib was established more than 65 years ago as a sick and hospital fund for workers and their families at Newcastle's BHP steelworks. I encourage shareholders to take the time to read our 2019 Sustainability Report and Community Report available at nib.com.au/shareholders, which highlights our ongoing commitment to helping make the world a better place.

Increasingly, we're seeing the Australian private healthcare system do much more in terms of healthcare funding and treatment. During FY18, the industry paid a record $20.8 billion in benefits, contributed over $1.8 billion for the treatment of private patients in public hospitals and funded over 42 million dental services. All the while the industry has worked hard to keep prices as low as possible, with premiums increasing on average by 3.25% during the year, compared to public healthcare costs which are rising at more than 6% annually.

However, like many consumer discretionary sectors, private health insurance (PHI) has not been immune to the affordability challenges many households are confronting. And there's no shortage of political and media commentary taking a swipe at our industry for not doing enough.

We agree that there is more to be done to improve affordability, increase transparency and reduce unnecessary cost (and with that waste) to help curb rising premiums, significant out-of-pocket expenses and a diminishing value proposition for members.

We're working hard to address these very real challenges. The recent Australian Government PHI Reforms, which we adopted from 1 April 2019, are a meaningful and positive start to help make health insurance more affordable and encourage consumers, particularly younger people into private health cover. The initiative and resolve of Federal Health Minister Greg Hunt to introduce these important reform measures is making a real difference to improve the value of PHI. Our Australian premium increase this year was also the lowest in 16 years and the fifth consecutive year we've delivered an increase lower than the previous year.

As we have to date, we will continue to be active and engage with our own supply chain and providers, as well as policy makers for more substantial and meaningful health policy reform.

We're also doing more to help our members to make better healthcare decisions, and if they do need treatment, helping them to recover as quickly as possible. There's no better example of this than our recently launched Clinical Partners program in the Hunter Region, which provides our arhi members guaranteed no out-of-pocket expenses for knee and hip replacement surgery. These members can also access home rehabilitation programs ensuring a speedy at home recovery. Based on the success of this program we hope to expand to other regions and include many other surgical procedures.

While our financial and operating results reflect solid commercial and strategic execution across all parts of our business, they have not been without challenge and subject to appropriate discussion and interrogation by your Board. I would like to thank my fellow Directors, our Executive team and everyone at nib for their ongoing commitment and sense of purpose to help deliver another successful year.

Steve Crane
Chairman

1. Source: Bloomberg. Total shareholder return represents the simple return over the holding period due to the change in the share price plus dividends re-invested on the ex-dividend date.

operating and financial review continued

for the year ended 30 June 2019

Managing Director's year in review

Private health insurance continues to play an indispensable role in both Australia's and New Zealand's healthcare systems. In Australia insurers fund the lion's share of almost 5 million hospital admissions (about 40% of total) and about 60% of all surgery. In FY19, nib's arhi business alone paid $1.4 billion in benefits for 281,757 hospital admissions as well as over $373 million for dental procedures throughout Australia.

Yet the industry across Australia and New Zealand experienced another year of challenging market conditions. On the back of actual claims growth, premiums continue to rise while household disposable incomes remain static and competition for discretionary consumer spending fierce.

Nevertheless, we had another year of generally strong performance across the Group. Group net membership growth was in the order of 5.7%[1] with Group revenue up 8.3% to $2.4 billion and Underlying Operating Profit (UOP) up 9.2% to $201.8 million. EPS (Statutory) grew 11.9% to 32.9 cents per share.

Our flagship Australian Residents Health Insurance (arhi) business led the performance adding 2.1% to our membership even though we expect the industry as a whole retreated. arhi has now consistently outperformed industry growth by multiples for over 15 years. During the past five years we estimate we've accounted for about 20%[2] of total industry growth. It's a remarkable achievement mostly explained by a culture of entrepreneurship and innovation. For example, who would have imagined 15 years ago we'd one day be private labelling health insurance for our partner Qantas.

FY19 was of course, somewhat a turbulent year for arhi given most people expected a change of Federal Government. Investor confidence in the sector was at an all-time low when the prospect of a legislated "cap" for two years on arhi premiums looked so likely. It's now history that the risk passed with the re-election of a Coalition Government, but it served to reinforce just how vital it is for the industry to have a stronger voice in healthcare policy and work even harder at keeping premium growth as low as possible. Not that we haven't been getting results on the latter. Our most recent premium increase for arhi of 3.38% was the lowest since FY03.

While arhi still accounts for the bulk of our operating earnings, our portfolio of adjacent businesses continues to demonstrate "economies of scale and scope". Today we have membership[3] spread across New Zealand (213,061) and foreign student and workers (188,324) and last year sold over 736,000 travel insurance policies. We also have a new business in China with our joint venture partner Tasly. Together our non-arhi businesses accounted for 25.9% of UOP in FY19 and future prospects within each remain attractive.

The outlook for all of our businesses remains positive even if our arhi insurance margins look likely to normalise towards longer term averages (circa 5%-6%) and competition continues to intensify across the Group. In Australia, New Zealand and across the entire OECD healthcare spending generally is expanding at twice the rate of GDP and we'll need more private funding and delivery to relieve pressure on public financing. Government healthcare spending in Australia today accounts for about 27% of all tax revenue compared to just 22% 10 years ago.

There are some common themes within all our businesses.

First, each has to become all the more focused upon understanding and, as best we can, meeting the needs of members and travellers. Second, we recognise just how important a role technology is playing in healthcare and how we must best capture the "zeitgeist". Third, we can never "rest on our laurels". While we celebrate our successes, we have an endless sense of discontentment and ambition to do even better.

At the heart of each of these themes is an enormous effort and investment we're putting into healthcare "personalisation". Courtesy of the digital age and data science we're convinced our future value proposition will be as much about helping our members better understand their individual health profile and disease risk and then equipping them in conjunction with their healthcare providers, with the means to prevent, mitigate and more precisely treat disease. I've no doubt just how well we realise this potential will decide our future.

My thanks to the Board of Directors, Executive team and the more than 1,500 nib employees who are located in six countries around the globe for their very meaningful contribution towards our defining purpose of "your better health".

Mark Fitzgibbon
Managing Director

1. Membership growth is for underwriting segments only and excludes travel insurance sales.
2. Source: APRA data for the 5 years leading up to and including 31 March 2019.
3. Persons covered.

$2.4b
total Group revenue
up 8.3%

$201.8m
Group UOP
up 9.2%

$36.1m
net investment income
up 22.0%

$149.3m
NPAT
up 11.8%

32.9cps
statuatory EPS
up 11.9%

23.0cps
full year dividend

nib GROUP

2019 was another successful year for the nib Group reflecting sound execution of our business strategy, member-first focus and capability we have across the entire organisation.

Our operating performance for fiscal year 2019 delivered another strong result with total Group revenue up 8.3% to $2.4 billion, while underlying operating profit (UOP) increased 9.2% to $201.8 million.

We continue to place a high emphasis on meeting our members' and travellers' expectations; and by delivering on our purpose of "Your Better Health", we strive to be a trusted partner in helping them make more informed healthcare decisions, transact with healthcare systems wherever they may be and generally live healthier lives.

Our members, travellers, shareholders, employees, suppliers and the communities we serve all benefit from how well we deliver on our purpose.

For FY19 net profit after tax (NPAT) was $149.3 million (up 11.8%), with net investment income of $36.1m (up 22.0%) while earnings per share (Statutory) were 32.9 cents per share up 11.9%.

Based on our sound financial results the Board has declared full year dividend of 23.0 cents per share fully franked, comprising an interim dividend of 10.0 cents per share and a final dividend of 13.0 cents per share. The final dividend will be paid to shareholders on 30 September 2019. nib's Dividend Reinvestment Plan (DRP) will be available to eligible shareholders for the final dividend.

$2.0b
premium revenue
up 7.6%

$1.6b
claims paid
up 6.1%

$149.5m
UOP
up 14.4%

NPS
32.5
net promoter score[1]

$313,926
highest cost claim

2.1%
net policyholder growth

AUSTRALIAN RESIDENTS HEALTH INSURANCE BUSINESS (arhi)

Our core arhi business again led the charge in terms of Group contribution, accounting for 74.1% of total earnings.

In the face of challenging macro conditions and industry headwinds, the business delivered another stellar result, with UOP up 14.4% to $149.5 million. Premium revenue rose 7.6% to just over $2.0 billion.

A key contributor to our top line growth for over 15 years has been our above-industry policyholder growth. And while our net policyholder growth was down on previous years at 2.1%, we expect to account for more than our fair share of industry growth for the period.

We're also seeing tough market conditions drive an increase in the number of members reducing their level of cover, particularly as household budgets tighten. And while price is important, so is making sure our members are covered for things they want, need or when something goes wrong. To support this, we've made good progress during the year personalising the information and engagement we have with our members, to help them choose the health cover that's right for them.

Helping our members access and afford healthcare treatment when and where needed is a key part of our value proposition. During the period we paid for almost 300,000 hospital admissions and more than 3.8 million ancillary visits. We helped fund more than 3,300 births and deliveries, in excess of 4,500 knee and hip replacements and 35,000 rehabilitation admissions. The largest claim we paid for on behalf of a member was more than $310,000, with almost 2,300 of our members during the year having claims in excess $50,000.

This saw our total annual claims expense top more than $1.6 billion for the first time.

We also continue to pursue and invest in programs that help our members lead a healthier life, particularly those who have a chronic illness. We recognise members have different needs for financial protection and access to quality healthcare information, products and services. And while we understand that in the majority of occasions hospitalisation may be the most effective course of treatment for our members, we do have a have a positive bias towards early intervention initiatives and where possible help members improve their health and wellbeing to avoid potentially unnecessary future hospitalisation. Over the past 12 months we've enrolled almost 10,500 new members in a preventative health management program, from personalised weight management programs to support for members discharged from hospital. We think there's a lot more we can do, with a number of new initiatives planned for the coming 12 months.

A strong emphasis on improving the experience for our members, from when they contact us to join, to helping them make a claim or choose a medical provider, saw our net promoter score1 for the year rise to 32.5 from 28.7 last year.

1. Based on arhi customers, excludes GU Health.

$110.1m
iihi premium revenue
up 18.0%

19.5%
iihi policyholder growth

$34.9m
iihi UOP
up 17.9%

INTERNATIONAL INBOUND HEALTH INSURANCE (iihi)

Our international inbound health insurance business had another impressive year with improvement across key performance metrics. The business which now provides comprehensive health cover and financial protection for almost 190,000 international students and workers[1] while they are in Australia, saw premium revenue rise 18.0% to $110.1 million and UOP of $34.9 million up 17.9%.

Our strong sales pipeline remains a key contributor of our improved commercial results, with net policyholder growth for the period up 19.5%.

We continue to believe the outlook for our iihi business remains positive, supported by strong growth prospects, increasing scale and with that ongoing stable margins.

$215.5m
premium revenue
up 8.8%

$129.7m
claims paid
up 10.7%

$19.8m
UOP
down 15.4%

NPS
34.0
net promoter score

1st anniversary of Ngāti Whātua Ōrākei partnership

7.2%
net policyholder growth

nib NEW ZEALAND

Our New Zealand business delivered a solid result for the year with premium revenue up 8.8% to $215.5 million. One of the key drivers of this improvement has been policyholder growth, which for the period was 7.2%[2].

Claims expense rose 10.7% for the period due to an increase in utilisation, with UOP down 15.4% to $19.8 million. The earnings and performance of our New Zealand business is consistent with our long term strategy as we deliver more value to members.

One of the most exciting initiatives we have underway across the nib Group at the moment, is our population health initiative with Auckland iwi (Māori tribe), Ngāti Whātua Ōrākei. The first program of its kind, Ngāti Whātua Ōrākei partnered with us as part of their commitment to improve the health and wellbeing of their iwi members by providing access to comprehensive private health insurance.

Through this partnership, the aim is to target better health outcomes and tackle existing barriers Māori experience in the public system such as cost, choice, waiting times and accessibility which have seen them experience the poorest health outcomes within the New Zealand health system.

Based on the success of this program, we have bold plans to expand to other populations and at-risk communities both in New Zealand and Australia.

Our New Zealand NPS continued its positive trajectory reaching 34.0 from 21.1 last year, the highest ever annual result.

1. Total persons covered.
2. Includes policyholder growth attributable to new strategic partnership.

$152.7m
nib Travel GWP
up 7.5%

15.5%
nib Travel international sales growth

$6.6m
nib Travel UOP
down 18.5%

nib TRAVEL

While the earnings for our travel insurance business were down on last year, we've started to see some green shoots of recovery in our second half of the year sales.

While domestic sales remain flat compared to last year, international sales have taken-off, up 15.5% for FY19. International sales to markets such as the USA, accounted for more than half of the 736,553 travel insurance sales we made during the year.

We also recently completed our acquisition of Australia's fourth largest travel insurer, QBE Travel, which is already showing signs of bolstering our presence in the domestic market.

Gross written premium for the period was up 7.5% to $152.7 million, with UOP of $6.6 million down 18.5%.

PRINCIPAL RISKS AND UNCERTAINTIES

nib has established policies for the oversight and management of material business risks. Further information regarding how nib recognises and manages risk is detailed in Principle 7 of our Corporate Governance Statement. The Corporate Governance Statement is available on our website at nib.com.au.

Further to the Sustainability risks and approaches detailed on our website at nib.com.au/shareholders, principal risks and uncertainties for nib include:

Insurance risks	
Claims inflation and affordability	nib is subject to significant claims inflation which may not be adequately covered by premium price increases and/or product design changes. Key sources of claims inflation risk include the renewal of key provider contracts on acceptable terms, service utilisation rates, services related to complex and members with high cost needs (usually with chronic diseases), claims leakage, provider and member fraud, public hospital claiming, as well as general provider behaviour, which results in a weakening of nib's gross margin and overall profitability. Additionally, members are increasingly facing household affordability pressures. If growth of premiums over time were to be uncontrolled, it could result in a reduced value proposition leading to significant numbers of policyholders reducing their cover.
Pricing risk	Australian health insurance premium increases for existing products are required to be approved by the Minister for Health. Historically, nib and other health funds have only raised premiums once a year. There is a risk that nib's application for a change in its premium rates may only receive approval at a level lower than originally requested, or may be rejected by the Minister. Such an amendment or rejection may have a negative impact on nib's operating and financial performance. Furthermore, there are operational risks associated with pricing and forecasting involving process, people and system. Control failures could negatively impact pricing decisions, financial performance and regulations such ASX Continuous Disclosure obligations.
Government policies and regulations	A number of regulatory policy settings and incentives notably impact the Australian private health insurance market. Examples include Federal or State Governments taxes and duties, risk equalisation arrangements supporting the community rating principle, PHI Rebates and Lifetime Health Cover Loading. Unanticipated modifications to regulations in the future may result in an adverse financial impact on nib and the structure of the wider private health insurance industry.
Financial risks	
Investment and capital management	A substantial proportion of nib's profits are generated from its investment portfolio. Consequently, investment performance significantly affects nib's profits and financial position. Effective management of investments and capital is required in order to meet Return On Investment (ROI) objectives, nib's prudential requirements and in order to satisfy stakeholder expectations.
General economic conditions	nib's performance is impacted by the broader Australian economic conditions such as inflation, interest rates, exchange rates, credit markets, consumer and business spending and employment rates which are outside nib's control. The environment in which nib operates may experience challenging conditions as a result of general uncertainty about future Australian and international economic conditions.
Strategic risks	
Performance of adjacent (non-Australian Residents Health Insurance) businesses	In recent years, in addition to focusing on its Australian regulated health insurance business, nib has diversified its business and identified adjacent earnings opportunities, such as International (Inbound) Health Insurance, New Zealand, nib Travel and Grand United Corporate Health. These adjacent businesses now make a meaningful contribution to nib's operating result and as a result the performance of these businesses could significantly affect nib's profits.
Merger or acquisition opportunities	nib has a business strategy of pursuing merger and acquisition opportunities. The pursuit of merger and acquisition opportunities carries with it risks and there is no guarantee that such a strategy will be successful.

Operational risks	
Business continuity	There is uncertainty surrounding events that have the potential to prevent nib from continuing to operate its businesses and in the effectiveness of the processes nib has established to manage those events. Impacts of events such as natural disasters or a major failure or inadequacy in information technology systems, may have an adverse effect on nib's earnings, assets and reputation.
Cyber Security	The health insurance industry relies increasingly on technology to conduct an efficient and cost effective business. nib's approach is also increasingly reliant on the personalisation of our relationship with members using digital and data strategies. nib faces the risk, in common with other participants, that a cyber-attack or major security incident could result in adverse impacts to members, disruption to nib's business continuity, non-compliance with regulations and data standards and negative reputational effects.
Regulatory compliance and legal risks	nib is subject to a high degree of regulation concerning how private health insurers conduct their health insurance business. If nib does not comply with its regulatory requirements, it may suffer results including financial penalties, cancellation of authorisations and / or negative reputational impacts. In terms of legal risk, nib could be involved in civil proceedings in courts of various jurisdictions. nib may also be exposed to litigation in the future over claims which may affect its business. To the extent that these risks are not covered by nib's insurance policies, litigation or the costs of responding to these legal actions could have a material adverse impact on nib's financial position, earnings and share price.
Worker Health & Safety	nib is responsible for managing the physical and mental health and safety of employees and the broader range of individuals that visit our premises or undertake work on our behalf. Given the nature of our business and our physical work environment, the likelihood of death or serious injury is rare. However if realised, a threat to the physical and mental/psychological health and safety of employees could have a significant impact in terms of reputation, employee morale, financial cost to the company and legal consequences.

FIVE YEAR SUMMARY

		2019 $m	2018 $m	2017 $m	2016 $m	2015 $m
Consolidated Income Statement						
Net premium revenue		2,340.8	2,162.6	1,943.1	1,818.7	1,634.9
Net claims incurred		(1,811.4)	(1,694.3)	(1,545.8)	(1,481.0)	(1,367.1)
Gross margin		**529.4**	**468.3**	**397.3**	**337.7**	**267.8**
Other underwriting revenue		**3.6**	**3.0**	**1.0**	**–**	**–**
Management expenses		(329.1)	(287.1)	(242.1)	(209.3)	(175.6)
Underwriting result		**203.9**	**184.2**	**156.2**	**128.4**	**92.2**
Other income		77.2	69.5	60.4	54.4	4.4
Other expenses		(78.3)	(68.4)	(62.6)	(50.8)	(8.5)
Share of net profit / (loss) of associates and joint ventures		(1.0)	(0.5)	(0.3)	–	–
Underlying operating profit		**201.8**	**184.8**	**153.7**	**132.0**	**88.0**
Amortisation of acquired intangibles		(9.2)	(8.4)	(7.6)	(7.8)	(3.5)
One-off transactions, merger, acquisition and new business implementation costs		(8.0)	(7.4)	4.5	(3.4)	(2.8)
Statutory operating profit		**184.6**	**169.0**	**150.6**	**120.8**	**81.7**
Finance costs		(7.7)	(6.3)	(4.8)	(5.3)	(3.4)
Net investment income		36.1	29.6	28.6	16.9	31.4
Profit before tax		**213.0**	**192.3**	**174.4**	**132.4**	**109.6**
Tax		(63.7)	(58.8)	(54.2)	(40.6)	(34.3)
NPAT		**149.3**	**133.5**	**120.2**	**91.8**	**75.3**
Consolidated Balance Sheet						
Total assets		1,554.1	1,447.5	1,136.1	1,045.6	837.1
Equity		632.2	557.8	427.6	386.1	344.3
Debt		233.9	230.6	153.2	151.9	63.9
Share Performance						
Number of shares	m	455.6	454.8	439.0	439.0	439.0
Weighted average number of shares – basic	m	455.4	450.6	439.0	439.0	439.0
Weighted average number of shares – diluted	m	455.4	450.6	439.0	439.0	439.0
Basic earnings per share	cps	32.9	29.4	27.2	21.2	17.3
Diluted earnings per share	cps	32.9	29.4	27.2	21.2	17.3
Underlying earnings per share	cps	35.4	31.9	27.7	22.9	18.3
Share price at year end	$	7.67	5.73	5.75	4.22	3.36
Dividend per share – ordinary	cps	23.00	20.00	19.00	14.75	11.50
Dividend per share – special	cps	0.00	0.00	0.00	0.00	0.00
Dividend payout ratio – ordinary	%	70.0	68.5	70.0	70.0	66.6
Dividend payout ratio – combined ordinary and special	%	70.0	68.5	70.0	70.0	66.6
Other financial data						
ROIC	%	19.1	19.5	22.7	19.0	20.1
Group underlying operating revenue	$m	2,421.6	2,235.1	2,004.5	1,873.1	1,639.3
Operating cash flow	$m	184.5	179.9	171.7	148.4	114.2

directors' report

for the year ended 30 June 2019

The Directors of nib holdings limited (Company) present their report on the consolidated entity (Group) consisting of nib holdings limited and the entities it controlled at the end of or during the year ended 30 June 2019.

DIRECTORS

The following persons were Directors of nib holdings limited during the whole of the financial year and up to the date of this report:

Steve Crane
Lee Ausburn
Anne Loveridge
Donal O'Dwyer
Mark Fitzgibbon
Jacqueline Chow
Christine McLoughlin

Philip Gardner retired as a Director on 31 August 2018.

PRINCIPAL ACTIVITIES

The principal activities of the nib Group during the financial year were as a private health insurer in Australia and New Zealand, whereby it underwrites and distributes private health insurance to Australian and New Zealand residents as well as international students and visitors to Australia. Through its nib Travel business (formerly World Nomads Group), it also specialises in the sale and distribution of travel insurance policies globally.

During the year, nib Travel Pty Limited (formerly World Nomads Group Pty Limited), a wholly-owned subsidiary acquired QBE's travel insurance business for a final purchase price of $24.2 million.

REVIEW OF OPERATIONS

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the Operating and Financial Review on pages 3 to 11 of this Annual Report.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

DIVIDENDS

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

	2019 $m	2018 $m
Final dividend for the year ended 30 June 2018 of 11.0 cents (2017 – 10.5 cents) per fully paid share paid on 5 October 2018	50.0	46.1
Interim dividend for the year ended 30 June 2019 of 10.0 cents (2018 – 9.0 cents) per fully paid share paid on 2 April 2019	45.5	40.9
	95.5	**87.0**

In addition to these dividends, since the end of the financial year the Directors have recommended the payment of a fully franked final dividend of $59.2 million (13.0 cents per fully paid ordinary share) to be paid on 30 September 2019 out of retained profits at 30 June 2019.

Subject to franking credit availability, the Board's position is that future ordinary dividends will reflect a dividend payout ratio of 60% to 70% of earnings with additional capacity to pay special dividends as part of future capital management.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2019 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.

INFORMATION ON DIRECTORS

Details of the qualifications, experience, special responsibilities and interests in shares and performance rights of the Directors are as follows:

Steve Crane
BCom, FAICD, SF Fin

Chairman, Independent Non-Executive Director

Experience and expertise
Mr Crane has been a Director of the Group since September 2010 and was appointed Chairman in October 2011. He has approximately 40 years of financial market experience, as well as an extensive background in publicly-listed companies. Mr Crane has expertise in developing and leading international businesses, reviewing, scrutinising and implementing corporate strategy, people leadership, and government interactions at senior levels. He was previously the Chief Executive of BZW Australia and ABN AMRO.

Directorships of listed entities
Director of APA Group, including APT Pipelines Limited (since 2011) and SCA Property Group (since 2018).

Other current directorships
Mr Crane's other Directorships include Chairman of the Taronga Conservation Society Australia, Chairman of Global Valve Technology Limited.

Former directorships of listed entities in the last 3 years
Director of Transfield Services Limited (Tenure: 7 years) and Bank of Queensland Limited (Tenure: 7 years and 1 month).

Subsidiary boards and special responsibilities
Chairman of nib holdings limited, nib health funds limited and Grand United Corporate Health Limited. Steve is also Chairman of the Nomination Committee.

Interests in shares and performance rights
Indirect: 250,000 ordinary shares in nib holdings limited held by Depeto Pty Ltd.

Mark Fitzgibbon
MBA, MA, ALCA, FAICD

Managing Director/Chief Executive Officer

Experience and expertise
Mark joined nib health funds limited in October 2002 as Chief Executive Officer (CEO) and led nib through its demutualisation and listing on the ASX in May 2007 when he was appointed Managing Director of nib holdings limited.

Directorships of listed entities
None.

Other current directorships
None.

Former directorships of listed entities in the last 3 years

None.

Subsidiary boards and special responsibilities

Managing Director of nib holdings limited. Director of nib health funds limited, Grand United Corporate Health Limited, nib Life pty limited, nib servicing facilities pty limited, nib Global Pty Limited, IMAN Australian Health Plans Pty Limited, nib nz holdings limited, nib nz limited, nib Options Pty Limited, RealSurgeons Pty Ltd, RealSelf Pty Ltd, nib Options Holdings (Thailand) Co. Ltd, nib Options (Thailand) Co. Ltd, nib Asia Pty Ltd, Nuo Ban Business Information Consulting (Shanghai) Co., Ltd, Sino-Australia Insurance Consulting Co. Ltd, and nib Travel Pty Ltd. Mark is also a member of the Nomination Committee.

Interests in shares and performance rights
Direct: 1,609,623 ordinary shares in nib holdings limited.

Indirect: 690,621 ordinary shares in nib holdings limited held by Fitzy (NSW) Pty Ltd.

284,320 performance rights under FY16-FY19 Long Term Incentive Plan which may vest from 1 September 2019.

225,978 performance rights under FY17-FY20 Long Term Incentive Plan which may vest from 1 September 2020.

222,298 performance rights under FY18-FY21 Long Term Incentive Plan which may vest from 1 September 2021.

215,962 performance rights under FY19-FY22 Long Term Incentive Plan which may vest from 1 September 2022.

INFORMATION ON DIRECTORS continued

Lee Ausburn *MPharm, BPharm, Dip Hosp Pharm, FAICD*	Independent Non-Executive Director ***Experience and expertise*** Ms Ausburn has been a Director of the Group since November 2013. With more than 30 years in leadership roles in the global pharmaceuticals industry, she is an experienced Non-Executive Director with a wealth of knowledge of the international healthcare industry and has expertise in corporate strategy, marketing and people and culture. ***Directorships of listed entities*** A Director of Australian Pharmaceutical Industries Ltd (since October 2008, also Chair of the Nomination Committee and member of Audit and Risk Committee) and SomnoMed Ltd (since September 2011). ***Other current directorships*** None. ***Former directorships of listed entities in the last 3 years*** None. ***Subsidiary boards and special responsibilities*** A Director of nib health funds limited and Grand United Corporate Health Limited. Chairman of the People and Remuneration Committee and a member of the Risk and Reputation Committee and Nomination Committee. ***Interests in shares and performance rights*** Indirect: 20,000 ordinary shares in nib holdings limited held by Leedoc Pty Ltd and 30,885 ordinary shares in nib holdings limited held by MIML Pension Consolidator (Lee Ausburn).
Jacqueline Chow *BSc (Hons), MBA, GAICD*	Independent Non-Executive Director ***Experience and expertise*** Ms Chow was appointed as an additional Director of the Group in April 2018. Ms Chow has more than 20 years' experience working with global blue-chip consumer product multinationals in a range of executive and non-executive positions in general management, strategy, marketing as well as technology and innovation. ***Directorships of listed entities*** Ms Chow is a Non-Executive Director of Coles Group Limited. ***Other current directorships*** Ms Chow is a Senior Advisor at McKinsey & Company RTS. ***Former directorships of listed entities in the last 3 years*** None. ***Subsidiary boards and special responsibilities*** A Director of nib health funds limited and Grand United Corporate Health Limited. A member of Nomination Committee, Audit Committee and People and Remuneration Committee. ***Interests in shares and performance rights*** Direct: 50,000 shares in nib holdings limited.
Philip Gardner *BCom, CPA, CCM, FAICD, JP*	Independent Non-Executive Director until 31 August 2018 ***Experience and expertise*** Mr Gardner was a Director of the Group from May 2007 to August 2018. Current Chief Executive Officer of The Wests Group Australia, a position he has held for more than a decade in which time he has led the Group's significant growth and expansion. ***Directorships of listed entities*** None. ***Former directorships of listed entities in the last 3 years*** None. ***Subsidiary boards and special responsibilities (at the date of Mr Gardner's retirement)*** Director of nib health funds limited and Grand United Corporate Health Limited. Chairman of the Investment Committee and a member of the Audit Committee, People and Remuneration Committee and Nomination Committee. ***Interests in shares and performance rights*** Indirect: 150,000 ordinary shares in nib holdings limited held by Sutton Gardner Pty Ltd as at the date of Mr Gardner's retirement on 31 August 2018.

Anne Loveridge *BA (Hons), FCA, GAICD*	Independent Non-Executive Director ***Experience and expertise*** Ms Loveridge has been a Director of the Group since February 2017. Over 30 years' experience in financial services, risk management, regulatory reporting, and people leadership including senior positions at PricewaterhouseCoopers (Australia). ***Directorships of listed entities*** Non-Executive Director of Platinum Asset Management Limited (since September 2016), Non-Executive Director of National Australia Bank Limited (since December 2015). ***Other current directorships*** Ms Loveridge's other directorships include Chairman of Bell Shakespeare Limited. ***Former directorships of listed entities in the last 3 years*** None. ***Subsidiary boards and special responsibilities*** A Director of nib health funds limited and Grand United Corporate Health Limited. Chairman of the Audit Committee and member of the Risk and Reputation Committee, Nomination Committee and Investment Committee. She is also Chairman of nib nz holdings limited's Audit Committee, nib nz limited's Board, Audit, Risk and Compliance Committee (BARCC) and a Director of nib's New Zealand subsidiaries. ***Interests in shares and performance rights*** Direct: 23,885 ordinary shares in nib holdings limited.
Christine McLoughlin *BA, LLB (Hons), FAICD*	Independent Non-Executive Director ***Experience and expertise*** Ms McLoughlin has been a Director of the Group since 20 March 2011. Ms McLoughlin brings to nib her experience as a director on the boards of ASX Top 50 companies in the financial services, resources, health insurance and infrastructure sectors for the past ten years. Her executive career was in leadership roles in financial services and telecommunications sectors in ASX Top 20 Companies. ***Directorships of listed entities*** Chairman and Non-Executive Director of Suncorp Group Limited (Non-Executive Director since February 2015 and Chairman since September 2018, also Chairman of the Customer and Nomination Committees.) ***Other current directorships*** Ms McLoughlin is Chairman of Venues NSW. She is also a director of McGrath Foundation and Chairman of the Minerva Network. Ms McLoughlin is a member of the Australian Securities & Investments Commission's Non-Executive Director Advisory Panel, a Fellow of the Australian Institute of Company Directors and a member of Chief Executive Women. ***Former directorships of listed entities in the last 3 years*** Ms McLoughlin's previous directorships of listed companies include Whitehaven Coal Limited (May 2012–February 2018) and Spark Infrastructure RE Limited (October 2014–October 2017). She was also inaugural Chairman of the Australian Payments Council. ***Subsidiary boards and special responsibilities*** A Director of nib health funds limited and Grand United Corporate Health Limited. Chairman of Risk and Reputation Committee and a member of the Audit and Nomination Committees. ***Interests in shares and performance rights*** Indirect: 110,885 shares in nib holdings limited held by Dundas Street Investments Pty Ltd.

INFORMATION ON DIRECTORS continued

Donal O'Dwyer *MBA, BE*	Independent Non-Executive Director ***Experience and expertise*** Mr O'Dwyer has been a Director of the Group since March 2016. He is a highly experienced Non Executive Director and former executive as the worldwide President at Cordis Cardiology (a Johnson & Johnson company) and President of the Cardiovascular Group, Europe with Baxter Healthcare (now Edwards Lifesciences). Mr O'Dwyer has broad international business experience in the healthcare technology sector and particular expertise in driving innovation and business growth through existing and emerging technology. ***Directorships of listed entities*** A Director of Cochlear Ltd (since August 2005), Mesoblast Ltd (since September 2004) and Fisher & Paykel Healthcare Corporation Ltd (since December 2012) (listed on NZ Stock Exchange). ***Other current directorships*** Mr O'Dwyer's other directorships include Endoluminal Sciences Pty Limited. ***Former directorships of listed entities in the last 3 years*** Chairman of CardieX Limited (formerly AtCor Medical Holdings Limited). ***Subsidiary boards and special responsibilities*** A Director of nib health funds limited and Grand United Corporate Health Limited. Chairman of the Investment Committee, and a member of the Risk and Reputation Committee, People and Remuneration Committee and Nomination Committee. ***Interests in shares and performance rights*** Indirect: 41,485 shares in nib holdings limited held by Dundrum Investments Pty Ltd.

COMPANY SECRETARIES

Ms Roslyn Toms (LLB (UNSW), BA Comms (Hons) (UCAN/UTS), GAICD) was appointed Company Secretary on 29 April 2013. Ms Toms is also Group Executive - Legal and Chief Risk Officer and is responsible for managing legal, risk, compliance, governance, community & sustainability across the nib group businesses in Australia and its global operations. Ms Toms has over 15 years' experience in-house and in private practice and is a member of the Law Society of NSW and the Governance Institute. She is also director of the nib foundation and is a graduate of the Australian Institute of Company Directors (AICD).

Mr Jordan French (BSc (Hons) LLB (Macquarie)) was appointed Company Secretary on 15 August 2017. Mr French also acts in the role of Senior Corporate Counsel for the nib Group, as well as the Company Secretary for nib foundation Ltd.

MEETINGS OF DIRECTORS

The number of meetings of nib holdings limited's Board of Directors and of each Board committee held during the year ended 30 June 2019, and the numbers of meetings attended by each Director are noted below:

	Board		Audit Committee		Risk and Reputation Committee		People and Remuneration Committee		Investment Committee		Nomination Committee	
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
S Crane	18	18	6	6*	7	7*	6	6*	6	3*	1	1
M Fitzgibbon	18	18	6	6*	7	7*	6	6*	6	4*	1	1
L Ausburn	18	18	6	6*	7	7	6	6	6	1*	1	1
J Chow	18	18	6	6	7	5*	6	6	6	1*	1	1
P Gardner[1]	5	5	2	2	1	0*	2	1	1	1	1	1
A Loveridge	18	18	6	6	7	7	6	6*	6	6	1	1
C McLoughlin	18	18	6	6	7	7	6	6*	6	1*	1	1
D O'Dwyer	18	18	6	6*	7	7	6	6	6	6	1	1

* Director not a member of the stated Committee as at the date of the relevant meeting(s). Attendance by non-members is optional, and any attendance is in an ex-officio capacity.
1. Philip Gardner retired as a director of the Boards of nib holdings limited, nib health funds limited and Grand United Corporate Health Limited with effect from 31 August 2018. The stated number of meetings held for Mr Gardner are those that were convened during the term of his appointment.
2. Includes seven unscheduled board meetings called at short notice.

nib's Non-Executive Directors participated in a number of site visits, work related functions and staff events during the course of the year including offices in Newcastle, Sydney, Auckland, Manila, San Francisco, Cork and China.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS FROM OPERATIONS

Additional comments on expected results on operations of the Group are included in this Annual Report under Operating and Financial Review on pages 3 to 11.

Further information on likely developments in the operations of the Group have not been included in this Annual Report because the Directors believe it would be likely to result in unreasonable prejudice to the Group.

REMUNERATION REPORT

The Remuneration Report is set out on pages 20 to 39 of the Annual Report and forms part of this Report.

ENVIRONMENTAL REGULATION

The Group is not subject to any specific environmental regulation and has not breached any legislation regarding environmental matters.

SHARES UNDER PERFORMANCE RIGHTS

Unissued ordinary shares of nib holdings limited under performance rights at the date of this report are as follows:

Date performance rights granted	Expiry date	Issue price of shares	Number under performance right
22 January 2016	1 September 2019	nil	628,895
5 December 2016	1 September 2020	nil	574,785
27 October 2017	1 September 2020	nil	6,530
15 December 2017	1 September 2021	nil	631,092
23 November 2018	1 September 2022	nil	540,086
11 June 2019	1 September 2022	nil	9,511

Shares may be issued or acquired on-market at the election of the Company. It is anticipated that the performance rights will be satisfied through on-market share purchases administered by the nib Holdings Ltd Share Ownership Plan Trust.

No performance right holder has any right under the performance rights to participate in any other share issue of the Company or any other entity.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services during the year are disclosed in Note 31- Remuneration of Auditors.

The Board of Directors has considered the position and, in accordance with advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor, as set out in Note 1, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure that they did not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

INSURANCE OF OFFICERS

During the financial year, the Group paid a premium in respect of a contract insuring the Directors and Officers of the Group against liability incurred as such a Director or Officer, other than conduct involving wilful breach of duty in relation to the Group, to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 19.

CHIEF EXECUTIVE OFFICER/CHIEF FINANCIAL OFFICER DECLARATION

The Chief Executive Officer and the Chief Financial Officer have given the declarations to the Board concerning the Group's financial statements required under section 295A(2) of the *Corporations Act 2001* and Recommendation 7.3 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off to the nearest hundred thousand dollars in accordance with that Instrument.

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

On behalf of the Board

Anne Loveridge

Steve Crane
Director

Anne Loveridge
Director

Newcastle, NSW
16 August 2019

auditor's independence declaration

for the year ended 30 June 2019

pwc

Auditor's Independence Declaration

As lead auditor for the audit of nib holdings limited for the year ended 30 June 2019, 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 audit; and

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

This declaration is in respect of nib holdings limited and the entities it controlled during the period.

C. Mara

Caroline Mara
Partner
PricewaterhouseCoopers

Newcastle
16 August 2019

PricewaterhouseCoopers, ABN 52 780 433 757
Level 3, 45 Watt Street, PO Box 798, NEWCASTLE NSW 2300
T: +61 2 4925 1100, F: +61 2 4925 1199, www.pwc.com.au

remuneration report

for the year ended 30 June 2019

MESSAGE FROM THE BOARD

Dear Shareholder

As Chair of nib's People and Remuneration Committee I am pleased to present to our shareholders the Directors' Remuneration Report for the year ended 30 June 2019.

Fiscal 2019 marks another strong year for the nib Group, underpinned by improved top line and earnings growth which again delivered a strong commercial result. Our total shareholder return[1] (TSR) for the year was 38.1% compared to 11.8% for the ASX 200. But as we've always maintained, our financial performance is a function of being good at what we're meant to be doing. In our case, our purpose of "your better health". We are a trusted partner in helping our members make more informed healthcare decisions, transact with healthcare systems and generally live healthier lives.

Through our success, we also aspire to more prosperous and sustainable communities. How we go about our business, including the examples we set, directly and indirectly impact the communities in which we operate and their sustainability. As touched on by the Chairman, during the year we've continued to build and enhance our business sustainability efforts as well as continuing to strengthen our governance and risk management.

Our growth, and with that, the diversification of the nib Group, has not been without challenge. Today, we have over 1,500 people operating in more than six countries around the globe. Our Executive Management Team and my fellow Directors have invested time during the year getting to know our people, visiting and seeing our operations. This is particularly important for our newly established or acquired operations overseas, in places such as Cork, Ireland, to support our international travel insurance expansion, Tianjin, China, as part of our health insurance joint venture with Chinese pharmaceutical company, Tasly as well as Cebu and Manila contact centres in the Philippines for our health insurance business and following our acquisition of QBE Travel.

We've also invested in the right technology to keep our people in touch with each other and engaged around the world so that ideas and great initiatives are shared. Each of our new offices is connected through video conferencing facilities, enterprise chat and collaboration tools. Our senior managers host Group-wide webinars and our Managing Director Mark Fitzgibbon holds bi-annual 'Town Hall' sessions to share our strategy and performance with all our employees across the Group.

Celebrating milestones and success is a key part of nib's fabric. Our annual *Achievement Awards* brings our employees together to recognise continuous improvement and excellence in everything we do. This year four of our locations in Newcastle, Sydney, Melbourne and Auckland will be simultaneously linked by satellite to celebrate nib's night of nights. Our *Years of Service* program recognises employees who have achieved a major employment milestone, reflecting their commitment to nib and our record as a good employer. This year 23 of our employees reached more than 25 years of continuous service with nib, with our current longest serving employee surpassing 44 years. Our employee share plans also continue to be popular, allowing people who work for us to share in our ongoing success through share ownership.

Like most of corporate Australia – in particular the financial services sector – there's been increased scrutiny on organisational risk, culture and the link to performance assessment and remuneration.

As Chair of our People and Remuneration Committee, I can assure you our approach to remuneration is not 'set and forget'. We're cognisant that our remuneration and executive reward strategy must keep pace with our overall business strategy and growth aspirations, and that we continue to attract, motivate, develop and retain the right people to lead the nib Group. Our remuneration framework and executive reward outcomes must also be transparent and suitably robust to manage, monitor and mitigate risks associated with performance-based pay.

Our approach to remuneration is simple and underpinned by a strong governance framework:

1. our philosophy needs to be fit for purpose and aligned to our organisational strategy;
2. our shareholders need to understand what we pay our people and they need to know how performance is measured and rewarded – transparency is key; and
3. remuneration must be linked to short and long-term shareholder value creation; the two are inextricably linked.

We also seek regular feedback on our remuneration framework from shareholders, proxy advisors and other representative groups such as the Australian Shareholders' Association.

1. Source: Bloomberg as at 30 June 2019. nib's total shareholder return represents the simple return over the holding period due to the change in the share price plus dividends re-invested on the ex-dividend date.

From this, we aim to further improve our remuneration disclosure, in particular how our executive reward strategy is aligned to shareholder interests. Pleasingly at last year's AGM our shareholders again voted overwhelmingly in favour of our Remuneration Report and Managing Director's Long-Term Incentive Plan.

While overall our remuneration framework remains unchanged, we have made some amendments to our Executive Short Term Incentive to ensure risk culture and risk management are appropriately considered. This is reflected in our Remuneration Report for FY19. Further information regarding Executive remuneration, as well as total remuneration mix and performance against both short and long-term incentive hurdles for FY19, can be found on pages 25 to 30 of the Annual Report.

For 2020, based on our external benchmarks, the MD/CEO's total fixed remuneration was increased by 2.5%, Non-Executive Director's remuneration was increased by 2.5% and the STI and LTI frameworks were unchanged, apart from changes in metrics to reflect 2020 priorities.

nib Board performance assessment and succession planning also remains a focus for Directors. We've recently completed our annual skills assessment for each Non-Executive Director as well as revisited the Board's succession planning, overlaid with our Group business strategy. We're confident your Board has the right mix of skills, experience, diversity and capacity to position nib for future growth and success.

On behalf of the Board, I invite you to consider our Remuneration Report which will be presented to shareholders for adoption at the 2019 Annual General Meeting, and look forward to ongoing feedback and the support of our shareholders.

Yours sincerely

Lee Ausburn
Chair
People and Remuneration Committee

CONTENTS

KEY TERMS USED IN THIS REPORT

FY18	Financial year ended 30 June 2018
FY19	Financial year ended 30 June 2019
FY20	Financial year ended 30 June 2020
AGM	Annual General Meeting
Group	nib holdings limited consolidated entity
KMP	Key Management Personnel (those Directors and Executives who have responsibility for planning, directing and controlling the activities of nib, either directly or indirectly)
KPI	Key Performance Indicator
LTI	Long-Term Incentive
LTIP	Long-Term Incentive Plan
NPAT	Net Profit After Tax
STI	Short-Term Incentive
TFR	Total Fixed Remuneration
TSR	Total Shareholder Return

WHO THIS REPORT COVERS

This Report presents the remuneration arrangements for nib's key management personnel.

Executive Director Mark Fitzgibbon	Managing Director/Chief Executive Officer (MD/CEO)
Other Executives	
Rob Hennin	Chief Executive Officer – New Zealand (CEO NZ)
David Kan	Group Executive International and New Business (GEINB)
Wendy Lenton	Group Executive People and Culture (GEPC)
Rhod McKensey	Group Executive Australian Residents Health Insurance (GEARHI)
Michelle McPherson	Deputy Chief Executive Officer/Chief Financial Officer (DCEO/CFO)
Brendan Mills	Chief Information Officer (CIO)
Roslyn Toms	Group Executive Legal and Chief Risk Officer (GELCRO)
Justin Vaughan	Group Executive Benefits and Provider Relations (GEBPR)
Independent Non-Executive Directors	
Steve Crane	Chairman Chair Nomination Committee
Lee Ausburn	Chair People and Remuneration Committee Member Risk and Reputation Committee Member Nomination Committee
Jacqueline Chow	Member People and Remuneration Committee Member Audit Committee Member Nomination Committee
Philip Gardner	Chair Investment Committee (until 31 August 2018) Member Audit Committee (until 31 August 2018) Member People and Remuneration Committee (until 31 August 2018) Member Nomination Committee (until 31 August 2018)
Anne Loveridge	Chair of Audit Committee Chair Board, Audit, Risk and Compliance Committee New Zealand Director New Zealand subsidiaries Member Risk and Reputation Committee Member Investment Committee Member Nomination Committee
Christine McLoughlin	Chair of Risk and Reputation Committee Member Audit Committee Member Nomination Committee
Donal O'Dwyer	Chairman Investment Committee (from 1 September 2018) Member Investment Committee (until 31 August 2018) Member People and Remuneration Committee Member Risk and Reputation Committee Member Nomination Committee

OUR REMUNERATION GOVERNANCE

The People and Remuneration Committee's (Committee) role is to set the remuneration framework and executive rewards strategy for the nib Group against the short and long-term performance of the nib Group. As part of this process the Committee seeks advice and feedback from a range of external remuneration consultants, specialists, major shareholders and shareholder advisory groups.

When assessing our remuneration framework the Committee ensures there is a clear link to nib's culture, values, risk management and business strategy, diversity, people and development strategy, succession planning and employee development and engagement. External factors such as the operating environment and governance and regulatory expectations also feed into this process.

The Committee includes the following independent Non-Executive Directors:

Lee Ausburn (Chair)

Jacqueline Chow

Donal O'Dwyer

Shareholders can view the Committee Charter on the nib website (nib.com.au/shareholders).

As has been the case for many years, the structure of our Executive remuneration arrangements is set against a comparator group of listed organisations or peers, which nib determines in consultation with external remuneration advisors. The Committee also considers shareholder views when setting the remuneration of our Managing Director/Chief Executive Officer (MD/CEO) as well as Executive Management team, with feedback shared and used as input by the Committee.

In February 2018, EY provided remuneration data, which the Committee used together with a range of other factors and supplementary data, such as the ongoing growth of the company and external competitive landscape, to inform our FY19 and FY20 analysis. nib typically seeks external remuneration data every two years, with this information previously provided in May 2016 to inform our FY17 and FY18 analysis. The Committee considered the data provided by EY along with a range of other factors and supplementary data, such as ongoing growth and the external competitive landscape, in setting Executive remuneration for FY20.

The companies which make up our peer group include the following sectors and industries:

- Australian market capitalisation comparator group (all roles except nib New Zealand Chief Executive Officer): this includes ASX200 companies within 50%-200% of nib's market capitalisation.
- Australian industry-based comparator group (all roles): This includes selected ASX200 financial services and healthcare companies as well as relevant unlisted healthcare companies (where data is available).
- New Zealand industry-based comparator group (nib New Zealand Chief Executive Officer only): both listed and unlisted financial services companies in New Zealand.

The Board's aim is to position the fixed remuneration of our Executive team between the 50th and 75th percentile of benchmarked companies.

We've also strived to align executive reward with shareholders' interests and returns. Pleasingly we think this balance is appropriate as we've seen over time significant creation of shareholder value.

This is shown in our Managing Director/CEO's Total Fixed Remuneration (TFR), which has increased 54% over the past five years. Over the same five-year period our revenue has grown 62%, underlying operating profit has risen 179%, total shareholder return[1] has been 201.1% compared to 53.4% for S&P/ASX 200 companies, market capitalisation has increased from approximately $1.4 billion to more than $3.5 billion and our arhi net promoter score has risen from 16.9% to 32.5%.[2]

1. Source: Bloomberg. Total shareholder return represents the simple return over the holding period due to the change in the share price plus dividends re-invested on the ex-dividend date.
2. Excludes GU Health.

EXECUTIVE REMUNERATION STRUCTURE

nib's remuneration framework and executive reward strategy provides a mix of fixed and variable remuneration with a blend of short and long-term incentives. There are three components to total remuneration:

- fixed remuneration, comprising a base remuneration package, superannuation and insurance cover.
- short-term incentives based on pre-determined Key Performance Indicator (KPI) targets established by the Board as well as individual and leadership assessment; and
- longer-term incentives based on pre-determined Total Shareholder Return (TSR) and Earnings Per Share (EPS) performance established by the Board.

A significant portion of remuneration for our Executives is performance-based or "at risk" through Short-Term Incentives (STI) and Long-Term Incentives (LTI) arrangements. In the case of our Managing Director/CEO 72% of his FY19 remuneration mix was performance-based.

All Executives' performance-based incentives (STI and LTI) have claw-back arrangements and a malus condition included.

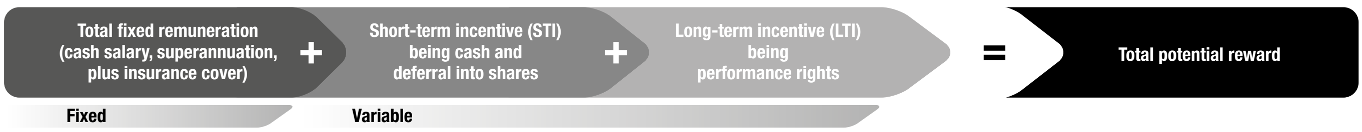
If the Board becomes aware of a material misstatement of our financial accounts or statements, and nib has awarded an Executive an incentive payment or award, short or long-term, having regard to misstatement, the Board may (in its absolute discretion), require the Executive to:

- repay the Company any short or long-term incentive received; or
- forfeit or cancel any short or long-term award (vested or unvested).

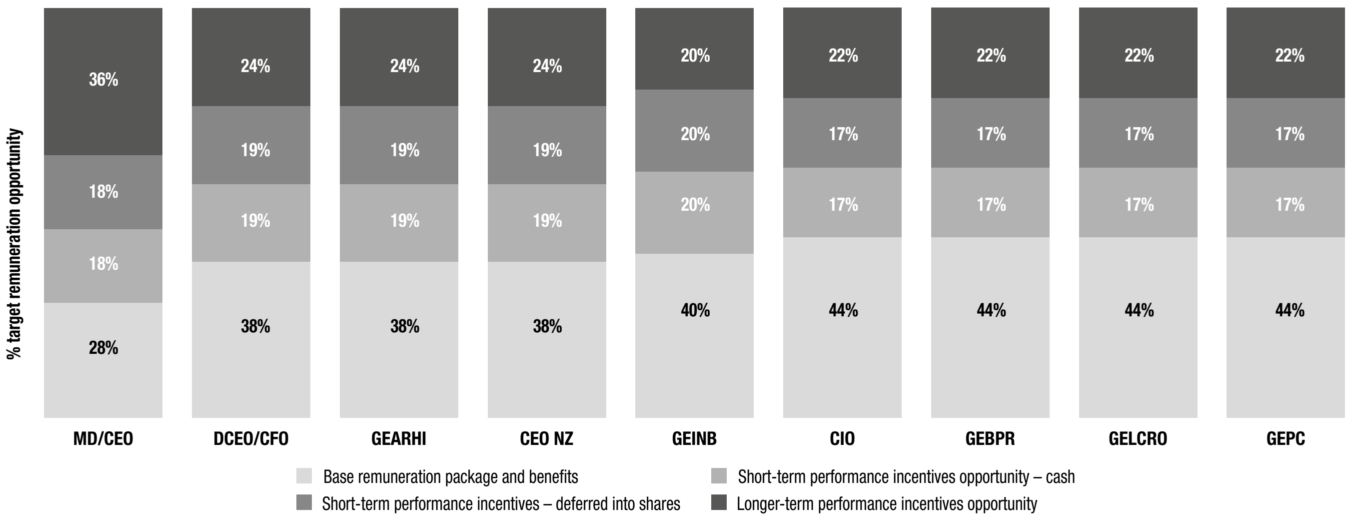
When granting a variable remuneration component for each Executive relating to the performance period, such as STI and LTI Awards, the Board also ensure any governance, adverse risk taking, or audit issues are factored into the quantum of any payments to each Executive. The process used to do this has been strengthened this year to increase our focus on risk management.

EXECUTIVE REMUNERATION MIX

The remuneration structure for each executive is made up of the following components:



The graph below illustrates the FY19 remuneration mix for our Executives. Any variations in target remuneration mix between executive roles reflect position responsibilities. As can be seen from the graph a large portion of Executive remuneration is "at risk" and subject to meeting performance hurdles as set out through the STI and LTI for each Executive.



EXECUTIVE REMUNERATION MIX – FIXED REMUNERATION

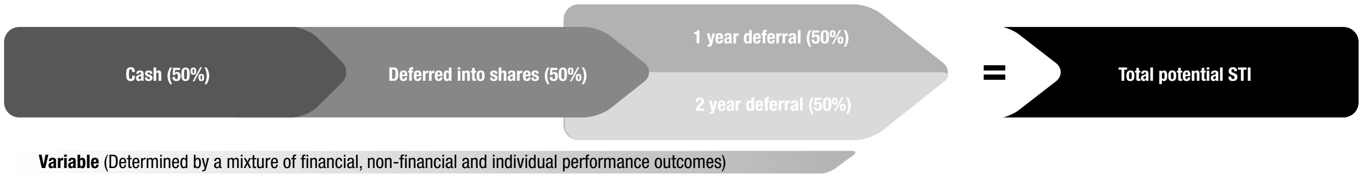
Fixed remuneration for Executives is determined with reference to a benchmarking process, external market factors, competition to attract and retain talent, as well as consideration of the expertise of the individual in the role.

Fixed remuneration includes cash salary, superannuation and insurance cover. The fixed remuneration may be salary packaged at no additional cost to the Group.

EXECUTIVE REMUNERATION MIX – VARIABLE REMUNERATION

Short-term incentives (STI)

nib's short-term incentive (STI) plan for each Executive is structured as follows.



The Board is responsible for assessing the performance of the MD/CEO and the MD/CEO is responsible for assessing the performance of the other Executives (with approval of the resulting STI awards by the Board following a recommendation from the Committee).

Performance criteria for STI is based on two components:

1. Individual and leadership assessment, which makes up 20% of the total STI. The individual and leadership component ensures we continue to focus and recognise the contribution of our Executives in developing a high performance organisational culture and seek a balance between the financial and non-financial performance of our business.

   The leadership component for the MD/CEO is assessed as part of an annual performance review by the Board, factors which are considered include:

   - Leadership
   - Strategic planning
   - Stakeholder management
   - Member satisfaction
   - Operations and people
   - Financial management
   - Work, Health and Safety
   - Risk Culture
   - Public image and professional development

   The Board also takes into account the MD/CEO's progress in achieving the various goals set out in nib's strategic plan.

   In determining the leadership component for other members of the Executive team, the MD/CEO provides a detailed assessment of each Executive's progress and achievements in relation to their individual performance plans for the year. The individual's performance plans are based on nib's strategic plan and reflect the Executive's primary accountability. The Board considers and determines the leadership component for each Executive based upon the MD/CEO's recommendations.

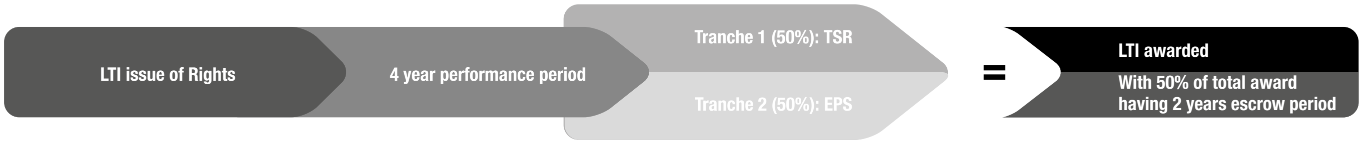
2. Performance assessment that makes up 80% of the total STI. The performance component is assessed against predetermined financial and non-financial performance milestones for each Executive and is weighted accordingly (for FY19 this is set out on page 28). In some instances, an Executive's STI assessment may also include strategic milestones.

The table on page 29 shows the STI award for each Executive for FY19 and previous year relating to their performance against both components of the STI.

A condition of acceptance for each Executive in the STI Plan is the requirement for 50% of the STI be deferred into shares, with 50% having a one year deferral and the other 50% having a two year deferral. These shares are subject to a risk of forfeiture during the deferral period under bad leaver and clawback conditions. Changes made to the STI evaluation process in 2019 ensures the Chief Risk Officer and the People and Remuneration Committee evaluate risk culture and risk management to confirm the Executive's performance warrants an award.

Long-term incentives (LTI)

nib's long-term incentive (LTI) plan for each executive is structured as follows.



The purpose of the LTI is to balance short-term performance objectives with the creation of long-term shareholder value by focusing overall Group performance over a multi-year period.

The nib LTI is an incentive provided to eligible Executives if specific measures are met over a four-year period. LTI targets are set in the interests of creating long-term shareholder value and to assist nib to attract, reward, motivate and retain executives.

LTI participants are granted performance rights that enable the Executive to acquire shares in nib for nil consideration if performance conditions are met and the Executive is still employed by nib at the end of the vesting period. No dividends are received on unvested rights.

The vesting date may be accelerated at the Board's discretion:

- in the event of death of a participant;
- on cessation of employment for other reasons (including total and permanent disablement, redundancy and retirement); or
- on winding up, delisting, change of control and reconstruction or amalgamation.

Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The performance hurdles for the nib LTI are Total Shareholder Return (TSR) relative to the S&P/ASX200 over four years and Statutory EPS growth over the performance period. The LTI is allocated in two equal tranches; 50% for TSR and 50% for Statutory EPS. The Board's view is that our current LTI performance hurdles being EPS and TSR relative to S&P/ASX200 group of companies remain appropriate and aligned to our remuneration philosophy. We will continue to assess the appropriateness of these performance hurdles each year and consult with shareholders, proxy advisors and other shareholder representative groups regarding any future amendments to ensure they are aligned to shareholders' interests.

A condition of acceptance for each Executive in the LTI Plan is the requirement for 50% of the LTI to have a two-year escrow period. This escrow period extends beyond employment at nib ceasing, including termination.

If vesting conditions are met, the performance rights will vest following the end of the performance period. On the vesting date, Executives who hold vested performance rights will be either issued or transferred shares in nib for each vested performance right. There is no re-testing of performance.

EXECUTIVE REMUNERATION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

Actual remuneration for each Executive in FY19 included a fixed component, as well as a variable or at risk component, made up of an STI payment and LTI award.

A full breakdown of executive remuneration details has been prepared in accordance with statutory requirements and accounting standards. This detailed disclosure (statutory tables) is located on page 35 of this Report.

The table below shows the key elements of total reward for each Executive for FY19. This includes the STI cash component paid to each Executive in the year, as well as the value of equity held in escrow (not subject to forfeiture conditions), and equity from previous years that vested in FY19 and which was originally reported under accounting standards in the year they were granted.

		STI applicable to the FY18 year paid in Sept 2018 (FY19)[2]			
	Total fixed remuneration[1] $	Cash $	Shares held in escrow $	LTI vested in FY19[3] $	Total reward (received or available) $
Mark Fitzgibbon	1,115,368	590,643	590,643	1,514,093	3,810,747
Rob Hennin	489,092	150,540	146,720	260,509	1,046,861
David Kan	540,750	122,150	122,150	148,085	933,135
Wendy Lenton	398,344	84,783	84,783	–	567,910
Rhod McKensey	643,440	212,888	212,888	359,593	1,428,809
Michelle McPherson	643,440	184,611	184,611	477,882	1,490,544
Brendan Mills	397,000	82,279	82,279	233,164	794,722
Roslyn Toms	373,163	87,431	87,431	–	548,025
Justin Vaughan	389,340	98,237	98,237	211,967	797,781
	4,989,937	**1,613,562**	**1,609,742**	**3,205,293**	**11,418,534**

1. Total fixed remuneration comprises Cash salaries and fees and superannuation.
2. FY18 STI paid in the FY19 year.
3. Value of shares issued during the year on exercise of performance rights.

Short-term incentives for the financial year ended 30 June 2019

The specific KPIs and weighting for FY19 for our Managing Director and CFO which constitutes 80% of their total STI are:

KPI Weighting	Mark Fitzgibbon (MD/CEO)	Michelle McPherson (CFO/DCEO)
Growth		
Group underlying operating revenue	10%	–
Profitability		
Group underlying operating profit	40%	40%
Underlying EPS	20%	20%
Cost control		
Group underlying management expense ratio (excluding acquisition costs)	–	20%
Customer satisfaction		
arhi customer satisfaction	20%	10%
People		
Employee engagement metric	5%	5%
Group lost time injury frequency rate	5%	5%

Short-term performance targets are set for achieving specific financial business and individual performance outcomes and awards are made relative to stretch performance. Due to the commercial and strategic nature of the STI targets for our other Executives, nib does not disclose the specific KPIs for these key management personnel.

Actual FY19 STIs awarded and forfeited (as a percentage of total STI) for each Executive are set out below. A more detailed description of performance against STI performance hurdles is shown on page 31.

	FY19 STI Bonus				FY18 STI Bonus			
	Leadership Component Awarded	Performance Component Awarded	Total Awarded	Forfeited	Leadership Component Awarded	Performance Component Awarded	Total Awarded	Forfeited
	%	%	%	%	%	%	%	%
Mark Fitzgibbon	80.0%	90.5%	88.4%	11.6%	100.0%	89.4%	91.5%	8.5%
Rob Hennin	90.0%	66.0%	70.8%	29.2%	85.0%	91.5%	90.2%	9.8%
David Kan	90.0%	65.3%	70.2%	29.8%	100.0%	76.0%	80.3%	19.7%
Wendy Lenton	80.0%	81.4%	81.1%	18.9%	80.0%	84.9%	84.0%	16.0%
Rhod McKensey	80.0%	85.2%	84.2%	15.8%	90.0%	90.8%	90.6%	9.4%
Michelle McPherson	80.0%	85.2%	84.2%	15.8%	100.0%	79.3%	83.5%	16.5%
Brendan Mills	80.0%	81.3%	81.0%	19.0%	85.0%	80.9%	81.7%	18.3%
Roslyn Toms	80.0%	86.9%	85.5%	14.5%	75.0%	82.8%	81.2%	18.8%
Justin Vaughan	80.0%	85.9%	84.8%	15.2%	75.0%	94.7%	90.8%	9.2%
Group average	82.2%	80.9%	81.1%	18.9%	87.8%	85.6%	86.0%	14.0%

Long-term incentives for the financial year ended 30 June 2019

nib LTI performance rights vest in accordance with the achievement of the following vesting conditions:

Vesting Condition 1	Vesting Condition 2
50% of the performance rights (Tranche 1)	50% of the performance rights (Tranche 2)
Total shareholder return targets (TSR Hurdle) for the relevant performance period are met	Earnings per share growth targets (EPS Hurdle) for the relevant performance period are met

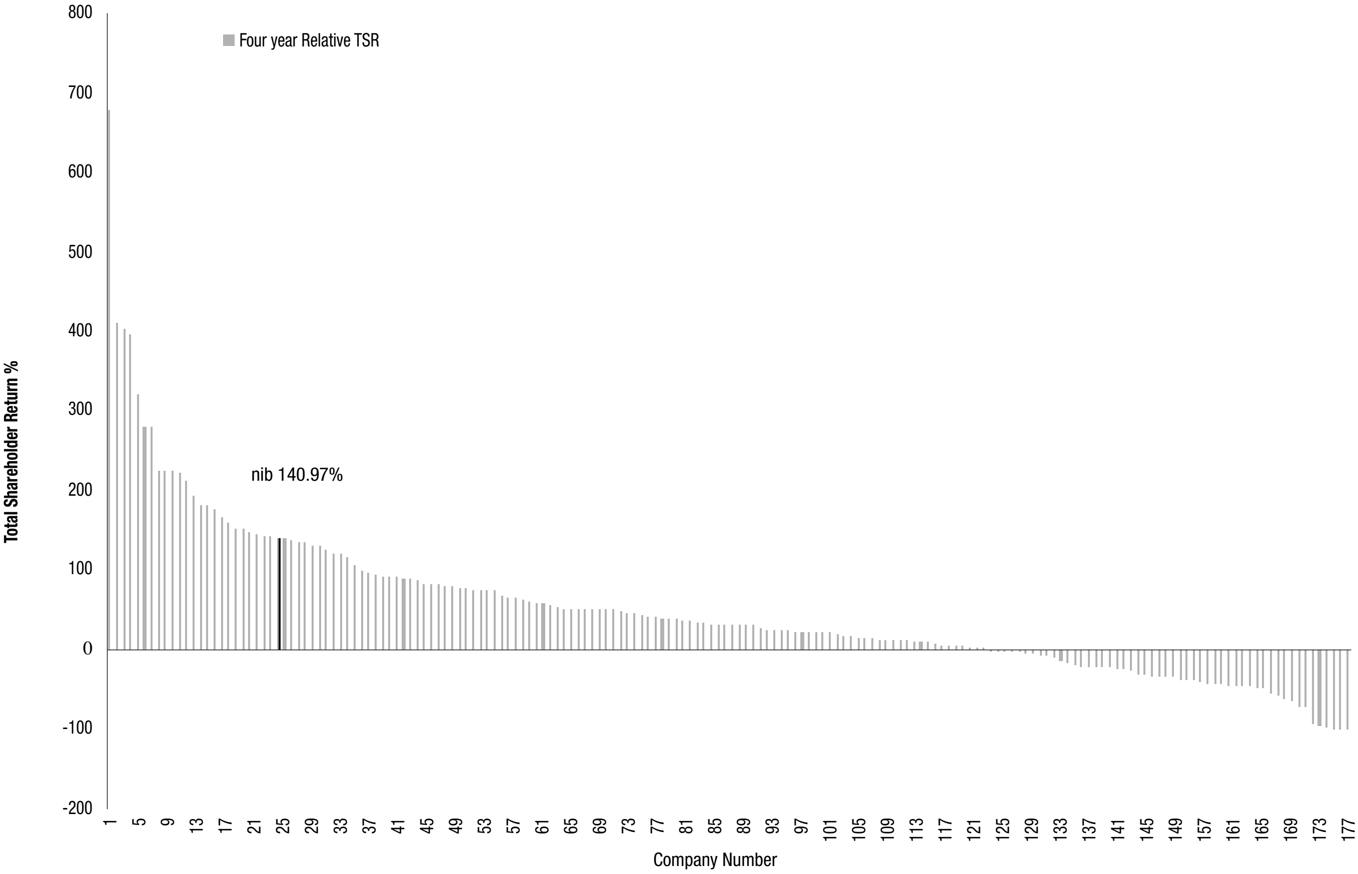
TSR Hurdle (Tranche 1) – 100% vesting

For the four year performance period ended 30 June 2019, nib's TSR was ranked at the 86th percentile to our peer group (S&P/ASX 200). As per the TSR vesting conditions for the FY16-FY19 LTI (as set out below) this translates to a 100% vesting of the performance rights for tranche 1.

nib's TSR performance compared to the relevant peer group	Performance of Tranche 1 performance rights vesting
>= 75th percentile	100%
>= 50th percentile to 74th percentile	Pro-rata straight line vesting between 50% and 100%
< 50th percentile	0%

EXECUTIVE REMUNERATION FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019 continued

Long-term incentives for the financial year ended 30 June 2019 continued



Source: IRESS (as at 30 June 2019).

Statutory EPS Hurdle (Tranche 2) – 100% vesting

For the 12 months to 30 June 2019 nib's statutory EPS was 32.9 cps. As per the Statutory EPS vesting conditions for the FY16-FY19 LTI (as set out below) this translates to Statutory EPS CAGR of 17.4% from the base Statutory EPS of 17.3cps and 100% vesting of the performance rights for tranche 2.

Percentage of performance rights vesting	FY16-FY19 LTIP
	17.3 cps
100%	24.4 cps
75%	22.7 cps
50%	21.0 cps
25%	19.5 cps
0%	nil

For the purpose of the calculation, 25% to 50% will be discrete thresholds, with performance above the 50% entitlement calculated on a pro rata basis to a maximum entitlement of 100%.

LINKING REMUNERATION WITH PERFORMANCE

The components of remuneration that are linked to performance are the STI and LTI plans. Set performance indicators determine 80% of the STI award, while 20% is assessed on the leadership of each Executive.

Commercially sensitive and strategic milestone targets were set for some of our Executives which are dependent and assessed on their segment and area of responsibility.

The following table shows key performance indicators for the Group over the last five years:

Financial results		FY19 $m	FY18 $m	FY17 $m	FY16 $m	FY15 $m
Growth						
Group underlying operating revenue		2,421.6	2,235.1	2,004.5	1,873.1	1,639.3
Profitability						
nib Group underlying operating profit		201.8	184.8	153.7	132.0	81.7
Underlying EPS	cps	35.4	31.9	27.7	22.9	18.3
Cost Control						
Group underlying management expense ratio excluding acquisition costs	%	6.5	6.2	6.6	6.3	5.9

Results against KPIs (excluding leadership component) are detailed in the table below.

KPI	Result
Growth	
Group underlying operating revenue	Group underlying operating revenue is up 8.5% to $2.4 billion, with approximately 65% of maximum STI awarded for this target.
Profitability	
nib Group underlying operating profit	Group underlying operating profit is up 9.2% to $201.8 million, with 100% of maximum STI awarded for this target.
Underlying EPS	Underlying EPS of 35.4cps up 11.1%, with 100% of maximum STI awarded for this target.
Cost control	
Group underlying management expense ratio excluding acquisition costs	Approximately 54% of maximum STI awarded for this target.
Customer satisfaction	
arhi customer satisfaction	Approximately 95% of maximum STI awarded for this target.
People	
Employee engagement metric	STI awarded for New Zealand target.
Group lost time injury frequency rate	100% of maximum STI awarded for this target.

EXECUTIVE EMPLOYMENT CONDITIONS

Executive contracts summarise employment terms and conditions, including remuneration arrangements and compensation.

A significant portion of remuneration for our Executives is performance based through STI and LTI arrangements. Executives have claw-back arrangements and a malus condition in place for performance-based remuneration such as STI and LTI received.

The table below provides a summary of the agreements.

	Service agreement effective	Term of agreement	Termination provision
Mark Fitzgibbon (MD/CEO)	1 July 2010	Open contract with notice period	The agreement may be terminated early by nib giving notice with immediate effect or by the relevant Executive giving three months notice.
Rob Hennin (CEO NZ)	6 May 2013	Open contract with notice period	
David Kan (GEINB)	19 December 2014	Open contract with notice period	
Wendy Lenton (GEPC)	28 August 2017	Open contract with notice period	
Rhod McKensey (GEARHI)	1 July 2014	Open contract with notice period	
Michelle McPherson (CFO/DCEO)	1 July 2010	Open contract with notice period	
Brendan Mills (CIO)	1 June 2012	Open contract with notice period	
Roslyn Toms (GELCRO)	1 May 2017	Open contract with notice period	
Justin Vaughan (GEBPR)	1 August 2013	Open contract with notice period	

Termination payments

For our Australian Executives with open contracts effective pre-August 2014, the Group may terminate the Executive's contract with 12 months written notice and may make a payment in lieu of all or part of the notice period. For our Australian Executives with open contracts effective post August 2014, the Group may terminate the Executive's contract with six months written notice and may make a payment in lieu of all or part of the notice period. In the case of a New Zealand Executive, the Group may terminate the Executive's contract with nine months written notice and may make a payment in lieu of all or part of the notice period.

The Executive may also receive the following benefits upon termination:

- a pro-rata STI payment based on the period of the financial year during which the Executive was employed and the Board's assessment of the Executive's performance against the key performance indicators as at the date of termination; and/or
- the Board has discretion to determine that all or a portion of unvested performance rights of a participant of the LTIP are to be vested upon termination.

At the 2011 Annual General Meeting nib received shareholder approval for the payment of termination benefits that may exceed the 12 month salary limit on termination benefits under the Corporations Act 2001. In response to shareholder feedback, the Board has since determined that this approval will only be undertaken for Executives who held this position at the date of shareholder approval. The only current Executives this approval would be applicable to are Mark Fitzgibbon (MD/CEO), Michelle McPherson (Deputy CEO/CFO) and Rhod McKensey (Group Executive Australian Residents Health Insurance).

Minimum shareholding requirements

While nib does not set minimum shareholding requirements on our Executives, the Board's view is that the deferral arrangements under the STI and LTI means all Executives have an appropriate minimum equity holding.

NON-EXECUTIVE DIRECTOR REMUNERATION

Fees and payments to Non-Executive Directors reflect the Board role, market fee levels, and the objective of the Group to attract highly skilled and experienced non-executive directors.

Non-Executive Director fees

Our Non-Executive Directors are paid a base fee and an additional fee for being members of other nib Board Committees. Non-Executive Director fees are reviewed annually by the Committee and approved by the Board.

In February 2018, nib engaged the services of EY to conduct a benchmarking and market remuneration analysis, which the Committee used together with a range of other factors and supplementary data to inform our FY19 and FY20 analysis. nib typically seeks external remuneration data every two years, with this information previously provided in May 2016 to inform our FY17 and FY18 analyses. The Committee considered the data provided by EY together with supplementary data, in setting Non-Executive Director fees for FY20.

Non-Executive Director fees are determined within the $1.9 million aggregate nib Directors' fee pool limit. This includes Non-Executive Directors on the nib holdings limited Board, our nib New Zealand subsidiary, as well as our nib Travel business. Directors' fees and superannuation are paid out of this pool. Travel allowances, non-monetary benefits and retirement benefits are not included in this pool. The current aggregate fee pool was set at the AGM in November 2017.

The following table shows the fees (inclusive of superannuation) for nib's Australian Boards and committees:

	2019 $	2018 $
Base fees		
Chairman	311,000	300,000
Other Non-Executive Directors	129,000	124,400
Additional fees*		
Audit committee		
Chairman	32,000	31,950
Member	13,500	12,900
Investment committee		
Chairman	18,000	17,500
Member	10,500	10,300
Risk and Reputation committee		
Chairman	32,000	25,750
Member	13,500	12,900
People and Remuneration committee		
Chairman	32,000	25,750
Member	13,500	12,900
Nomination committee		
Chairman	–	–
Member	–	–

* The Chairman of the Board does not receive additional fees for involvement in committees.

NON-EXECUTIVE DIRECTOR REMUNERATION continued

Non-Executive Director fees continued

The following fees (inclusive of superannuation) for the New Zealand boards and committees have applied:

	2019 $	2018 $
NZ Base fees		
Chairman*	76,000	71,610
Member	41,000	39,500
NZ Board, Audit, Risk and Compliance committee		
Chairman	10,000	9,600
Member	–	–

* The Chairman of the NZ Board is not a member of the nib holdings Board.

Principle 2 of nib's Corporate Governance Statement (which is available at ww.nib.com.au/shareholders/company-profile/corporate-governance) includes the committee membership of each of nib's NEDs (Non -Executive Directors).

Minimum shareholding requirements

nib requires all Non-Executive Directors (nib holdings limited only) to hold a minimum of 50% of their first year's total annual base director's fee in shares, which is to be accumulated within three years of appointment (based on the share price at the date of joining the Board). All current Non-Executive Directors (nib holdings limited) comply with this requirement as at 30 June 2019.

DETAILED DISCLOSURE OF EXECUTIVE REMUNERATION

The following table shows details of the remuneration expense recognised for the Group's Key Management Personnel. The remuneration is measured in accordance with the requirements of the accounting standards with additional information provided for performance rights vested during the year.

	Short-term employee benefits			Post-employment benefits		Long-term benefits	Termination benefits	Share-based payments			
Executives	Cash salary and fees[1] $	Cash bonus[6] $	Non-monetary benefits[4] $	Superannuation $	Retirement benefits $	Long service leave $	Termination benefits $	Bonus[5,6] $	Performance rights expense $	Performance rights additional value at vesting[7] $	Total $
2019											
Mark Fitzgibbon	1,094,658	616,241	21,451	25,000	–	18,589	–	616,241	439,813	1,053,674	3,885,667
Rob Hennin	446,816	160,243	16,462	36,752	–	–	–	156,423	89,400	181,291	1,087,387
David Kan	536,857	189,804	7,889	20,531	–	–	–	189,804	92,906	97,505	1,135,296
Wendy Lenton	380,708	133,694	9,603	20,531	–	–	–	133,694	18,678	–	696,908
Rhod McKensey	624,663	270,888	5,431	23,723	–	10,712	–	270,888	125,912	250,245	1,582,462
Michelle McPherson	623,718	270,888	12,027	24,630	–	10,715	–	270,888	139,916	332,564	1,685,346
Brendan Mills	362,726	128,628	3,994	20,531	–	6,615	–	128,628	68,265	162,262	881,649
Roslyn Toms	363,134	130,302	7,318	20,531	–	6,240	–	130,302	26,508	–	684,335
Justin Vaughan	356,853	131,987	6,545	25,000	–	41,649	–	131,987	65,118	147,511	906,650
	4,790,133	**2,032,675**	**90,720**	**217,229**	**–**	**94,520**	**–**	**2,028,855**	**1,066,516**	**2,225,052**	**12,545,700**
2018											
Mark Fitzgibbon[6]	1,057,492	590,643	37,853	25,000	–	17,371	–	590,643	609,269	1,187,183	4,115,454
Rob Hennin[6]	383,591	145,308	11,313	31,022	–	–	–	143,719	119,538	248,532	1,083,023
David Kan[6]	502,874	122,150	10,727	20,049	–	–	–	122,150	117,049	–	894,999
Wendy Lenton[2]	316,816	84,783	11,290	18,567	–	–	–	84,783	22,252	–	538,491
Rhod McKensey[6]	567,742	212,888	8,009	25,000	–	9,945	–	212,888	168,073	344,452	1,548,997
Michelle McPherson[6]	586,453	184,611	16,540	25,000	–	10,209	–	184,611	190,740	386,180	1,584,344
Brendan Mills[6]	343,409	82,279	3,711	20,049	–	6,125	–	82,279	92,316	143,181	773,349
Roslyn Toms[6]	326,758	124,194	6,527	20,049	–	9,008	–	87,431	34,164	–	608,131
Justin Vaughan	352,930	98,237	6,515	20,049	–	–	–	98,237	87,356	114,640	777,964
	4,438,065	**1,645,093**	**112,485**	**204,785**	**–**	**52,658**	**–**	**1,606,741**	**1,440,757**	**2,424,168**	**11,924,752**

1. Includes cash salary and fees and short-term compensated absences, such as annual leave entitlements accrued but not taken during the year.
2. Wendy Lenton was appointed Group Executive People and Culture on 28 August 2017. Prior to Ms Lenton's appointment she was paid $69,804 in consultancy fees in addition to amounts disclosed above.
4. Non-monetary benefits includes insurance cover and cost of benefits and associated Fringe Benefits Tax.
5. Includes bonus share rights. Refer to Share-based payments.
6. There was a miscalculation made in the 2016 and 2017 STI allocations which resulted in overpayments to the Executive team totalling $85,097 over the two years and spread across eligible Executives. This amount is being repaid to the company by the executives affected.
7. The Performance rights additional value at vesting represents the difference between fair value at grant date and the value at vesting date which is not included in statutory remuneraton.

DETAILED DISCLOSURE OF NON-EXECUTIVE REMUNERATION

Details of the remuneration of the Directors of the nib holdings group are set out in the following tables.

	Short-term employee benefits		Post-employment benefits		
Non-Executive Directors	Cash salary and fees $	Non-monetary benefits $	Superannuation $	Retirement benefits $	Total $
2019					
Steve Crane	290,469	–	20,531	–	311,000
Lee Ausburn	159,361	–	15,139	–	174,500
Jacqueline Chow	142,466	–	13,534	–	156,000
Philip Gardner (until 31/8/18)	26,484	–	2,516	–	29,000
Anne Loveridge	215,525	–	20,475	–	236,000
Christine McLoughlin	159,361	–	15,139	–	174,500
Donal O'Dywer	158,853	–	15,091	–	173,944
	1,152,519	**–**	**102,425**	**–**	**1,254,944**
2018					
Steve Crane	279,951	–	20,049	–	300,000
Lee Ausburn	148,904	–	14,146	–	163,050
Harold Bentley (until 30/9/17)	32,163	–	25,000	–	57,163
Jacqueline Chow (from 5/4/18)	32,335	–	3,072	–	35,407
Philip Gardner	153,151	–	14,549	–	167,700
Anne Loveridge	190,902	–	18,136	–	209,038
Christine McLoughlin	148,904	–	14,146	–	163,050
Donal O'Dywer	137,169	–	13,031	–	150,200
	1,123,479	**–**	**122,128**	**–**	**1,245,608**

EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL

Reconciliation of performance rights held by KMP

The numbers of performance rights over ordinary shares in the Company held during the financial year by each Executive of nib holdings limited are set out below.

			Vested and exercised		Forfeited			Balance at the end of the year	
Name & Grant dates	Balance at start of the year Unvested	Granted as compensation	Number	%	Number	%	Other changes	Vested and exercisable	Unvested
Mark Fitzgibbon									
22 Dec 2014 (FY15 – FY18 LTIP)	234,714	–	234,714	100%	–	0%	–	–	–
22 Jan 2016 (FY16 – FY19 LTIP)	284,320	–	–	–	–	–	–	–	284,320
5 Dec 2016 (FY17 – FY20 LTIP)	225,978	–	–	–	–	–	–	–	225,978
15 Dec 2017 (FY18 – FY21 LTIP)	222,298	–	–	–	–	–	–	–	222,298
23 Nov 2018 (FY19 – FY22 LTIP)	–	215,962	–	–	–	–	–	–	215,962
Rob Hennin									
22 Dec 2014 (FY15 – FY18 LTIP)	40,384	–	40,384	100%	–	0%	–	–	–
22 Jan 2016 (FY16 – FY19 LTIP)	49,492	–	–	–	–	–	–	–	49,492
5 Dec 2016 (FY17 – FY20 LTIP)	56,623	–	–	–	–	–	–	–	56,623
15 Dec 2017 (FY18 – FY21 LTIP)	42,252	–	–	–	–	–	–	–	42,252
23 Nov 2018 (FY19 – FY22 LTIP)	–	40,324	–	–	–	–	–	–	40,324
David Kan									
13 May 2015 (FY15 – FY18 LTIP)	22,956	–	22,956	100%	–	0%	–	–	–
22 Jan 2016 (FY16 – FY19 LTIP)	56,450	–	–	–	–	–	–	–	56,450
5 Dec 2016 (FY17 – FY20 LTIP)	55,824	–	–	–	–	–	–	–	55,824
15 Dec 2017 (FY18 – FY21 LTIP)	43,930	–	–	–	–	–	–	–	43,930
23 Nov 2018 (FY19 – FY22 LTIP)	–	41,880	–	–	–	–	–	–	41,880
Wendy Lenton									
15 Dec 2017 (FY18 – FY21 LTIP)	28,699	–	–	–	–	–	–	–	28,699
23 Nov 2018 (FY19 – FY22 LTIP)	–	31,909	–	–	–	–	–	–	31,909
Brendan Mills									
22 Dec 2014 (FY15 – FY18 LTIP)	36,145	–	36,145	100%	–	0%	–	–	–
22 Jan 2016 (FY16 – FY19 LTIP)	41,394	–	–	–	–	–	–	–	41,394
5 Dec 2016 (FY17 – FY20 LTIP)	39,858	–	–	–	–	–	–	–	39,858
15 Dec 2017 (FY18 – FY21 LTIP)	31,365	–	–	–	–	–	–	–	31,365
23 Nov 2018 (FY19 – FY22 LTIP)	–	30,747	–	–	–	–	–	–	30,747
Rhod McKensey									
22 Dec 2014 (FY15 – FY18 LTIP)	55,744	–	55,744	100%	–	0%	–	–	–
22 Jan 2016 (FY16 – FY19 LTIP)	69,787	–	–	–	–	–	–	–	69,787
5 Dec 2016 (FY17 – FY20 LTIP)	77,708	–	–	–	–	–	–	–	77,708
15 Dec 2017 (FY18 – FY21 LTIP)	61,151	–	–	–	–	–	–	–	61,151
23 Nov 2018 (FY19 – FY22 LTIP)	–	59,801	–	–	–	–	–	–	59,801
Michelle McPherson									
22 Dec 2014 (FY15 – FY18 LTIP)	74,081	–	74,081	100%	–	0%	–	–	–
22 Jan 2016 (FY16 – FY19 LTIP)	89,819	–	–	–	–	–	–	–	89,819
5 Dec 2016 (FY17 – FY20 LTIP)	79,717	–	–	–	–	–	–	–	79,717
15 Dec 2017 (FY18 – FY21 LTIP)	62,727	–	–	–	–	–	–	–	62,727
23 Nov 2018 (FY19 – FY22 LTIP)	–	59,801	–	–	–	–	–	–	59,801
Roslyn Toms									
27 Oct 2017 (FY17 – FY20 LTIP)	6,530	–	–	–	–	–	–	–	6,530
15 Dec 2017 (FY18 – FY21 LTIP)	30,751	–	–	–	–	–	–	–	30,751
23 Nov 2018 (FY19 – FY22 LTIP)	–	29,508	–	–	–	–	–	–	29,508
Justin Vaughan									
22 Dec 2014 (FY15 – FY18 LTIP)	32,859	–	32,859	100%	–	0%	–	–	–
22 Jan 2016 (FY16 – FY19 LTIP)	37,633	–	–	–	–	–	–	–	37,633
5 Dec 2016 (FY17 – FY20 LTIP)	39,077	–	–	–	–	–	–	–	39,077
15 Dec 2017 (FY18 – FY21 LTIP)	30,751	–	–	–	–	–	–	–	30,751
23 Nov 2018 (FY19 – FY22 LTIP)	–	30,154	–	–	–	–	–	–	30,154

To date nib's practice has been to source equity for remuneration awards from shares purchased on market. Accordingly, there was no dilution from Executive new issue equity awards in 2019.

EQUITY INSTRUMENTS HELD BY KEY MANAGEMENT PERSONNEL continued

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are:

LTIP	Grant date	Date vested and exercisable	Expiry date	Exercise price	Value per performance right at grant date	Performance achieved	% Vested
FY15-FY18	22 December 2014	1 September 2018	1 September 2018	nil	$2.6689	100.0%	100.0%
FY15-FY18	13 May 2015	1 September 2018	1 September 2018	nil	$3.2289	100.0%	100.0%
FY16-FY19	22 January 2016	1 September 2019	1 September 2019	nil	$3.0246	to be determined	n/a
FY17-FY20	5 December 2016	1 September 2020	1 September 2020	nil	$4.0096	to be determined	n/a
FY17-FY20	27 October 2017	1 September 2020	1 September 2020	nil	$4.0096	to be determined	n/a
FY18-FY21	15 December 2017	1 September 2021	1 September 2021	nil	$6.0813	to be determined	n/a
FY19-FY22	23 November 2018	1 September 2022	1 September 2022	nil	$4.4194	to be determined	n/a

Share holdings

The number of shares in the Company held during the financial year by each Director of nib holdings limited and other Key Management Personnel of the Group, including their personally related parties, are set out below.

2019	Balance at the start of the year	Granted during the year as compensation	Other changes during the year	Balance at the end of the year
Ordinary shares				
Directors of nib group				
Steve Crane	250,000	–	–	250,000
Lee Ausburn	50,885	–	–	50,885
Jacqueline Chow	4,000	–	46,000	50,000
Philip Gardner	150,000	–	(150,000)	–
Anne Loveridge	23,885	–	–	23,885
Christine McLoughlin	110,885	–	–	110,885
Donal O’Dwyer	41,485	–	–	41,485
Other key management personnel of the Group				
Mark Fitzgibbon	2,113,969	326,275	(140,000)	2,300,244
Rob Hennin	139,313	63,128	154	202,595
David Kan	54,846	41,892	(54,784)	41,954
Wendy Lenton	–	13,143	–	13,143
Rhoderic McKensey	505,693	88,746	–	594,439
Michelle McPherson	794,702	102,699	(65,000)	832,401
Brendan Mills	143,430	48,900	(34,126)	158,204
Roslyn Toms	10,263	13,554	(5,718)	18,099
Justin Vaughan	73,159	48,088	(29,219)	92,028

1. Philip Gardner retired as a Director on 31 August 2018, with the change in shareholding reflecting Philip no longer being a Director.

2018	Balance at the start of the year	Granted during the year as compensation	Other changes during the year	Balance at the end of the year
Ordinary shares				
Directors of nib group				
Steve Crane	250,000	–	–	250,000
Lee Ausburn	50,000	–	885	50,885
Harold Bentley	50,000	–	(50,000)	–
Jacqueline Chow	–	–	4,000	4,000
Philip Gardner	150,000	–	–	150,000
Anne Loveridge	12,500	–	11,385	23,885
Christine McLoughlin	110,000	–	885	110,885
Donal O’Dwyer	40,600	–	885	41,485
Other key management personnel of the Group				
Mark Fitzgibbon	2,025,838	358,131	(270,000)	2,113,969
Rob Hennin	63,579	75,734	–	139,313
David Kan	31,766	23,080	–	54,846
Wendy Lenton	–	–	–	–
Rhoderic McKensey	398,739	106,954	–	505,693
Michelle McPherson	707,190	116,627	(29,115)	794,702
Brendan Mills	97,776	49,499	(3,845)	143,430
Roslyn Toms	11,155	2,770	(3,662)	10,263
Justin Vaughan	29,219	43,940	–	73,159

In addition to the above shareholding in nib holdings limited, David Kan holds one share in both nib Options Holdings (Thailand) Co Ltd and nib Options (Thailand) Co Ltd, and Michelle McPherson holds one share in nib Options Holdings (Thailand) Co Ltd, as this is a requirement to operate this business in Thailand.

Other transactions with key management personnel

The wife of Philip Gardner, (a Director until 31 August 2018), is a director and shareholder of XO Digital Pty Limited and Enigma Communications Pty Limited. The nib holdings limited Group has entered into contracts with XO Digital Pty Limited for software development and maintenance, and Enigma Communications Pty Limited for graphic design and creative services. The contracts were based on normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of the Group:

a) Amounts recognised as expense

	2019[1] $	2018 $
Software maintenance	–	15,333
Advertising and promotions	245,955	147,282
Printing and stationery	7,265	16,200
	253,220	**178,815**

1. For the period of directorship, 1 July 2018 to 31 August 2018.

corporate governance statement

for the year ended 30 June 2019

The nib Board and management are committed to achieving and demonstrating the highest standards of corporate governance and ensuring compliance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (3rd edition).

The Board is dedicated to, and responsible for, actively promoting ethical and responsible decision making and practices at nib to ensure that practices are in place to maintain confidence in nib's integrity.

The 2019 Corporate Governance Statement is dated as at 30 June 2019 and reflects the corporate governance practices in place throughout the 2019 financial year. The Corporate Governance Statement was approved by the Board on 16 August 2019. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.nib.com.au/shareholders/company-profile/corporate-governance.

financial report

for the year ended 30 June 2019

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consolidated income statement

for the year ended 30 June 2019

	Notes	2019 $m	2018 $m
Premium revenue	6	2,372.6	2,186.9
Outwards reinsurance premium expense	6	(31.8)	(24.3)
Net premium revenue		**2,340.8**	**2,162.6**
Claims expense		(1,563.2)	(1,469.5)
Reinsurance and other recoveries revenue		15.6	9.9
RESA levy		(229.5)	(206.4)
State levies		(34.0)	(32.3)
Decrease / (increase) in premium payback liability		(0.3)	4.0
Claims handling expenses	7	(18.4)	(18.6)
Net claims incurred		**(1,829.8)**	**(1,712.9)**
Other underwriting revenue		**3.6**	**3.0**
Acquisition costs	7	(171.0)	(149.4)
Other underwriting expenses	7	(146.6)	(125.3)
Underwriting expenses		**(317.6)**	**(274.7)**
Underwriting result		**197.0**	**178.0**
Other income	6	78.2	70.5
Other expenses	7	(89.6)	(79.0)
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method	33	(1.0)	(0.5)
Operating profit		**184.6**	**169.0**
Finance costs	7	(7.7)	(6.3)
Investment income	6	38.6	31.6
Investment expenses	7	(2.5)	(2.0)
Profit before income tax		**213.0**	**192.3**
Income tax expense	8	(63.7)	(58.8)
Profit for the year		**149.3**	**133.5**
Profit for the year is attributable to:			
Owners of nib holdings limited		149.8	132.4
Non-controlling interests		–	1.1
Charitable foundation	33	(0.5)	–
		149.3	**133.5**

		Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	26	32.9	29.4
Diluted earnings per share	26	32.9	29.4
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share	26	32.9	29.4
Diluted earnings per share	26	32.9	29.4

The above Consolidated Income Statement should be read in conjunction with the accompanying notes

consolidated statement of comprehensive income

for the year ended 30 June 2019

	Notes	2019 $m	2018 $m
Profit for the year		**149.3**	**133.5**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	24	3.4	(2.6)
Income tax related to these items	8	(0.9)	0.6
Other comprehensive income for the year, net of tax		**2.5**	**(2.0)**
Total comprehensive income for the year		**151.8**	**131.5**
Total comprehensive income for the year is attributable to:			
Owners of nib holdings limited		152.3	130.4
Non-controlling interests		–	1.1
Charitable foundation	33	(0.5)	–
		151.8	131.5

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes

consolidated balance sheet

as at 30 June 2019

	Notes	2019 $m	2018 $m
ASSETS			
Current assets			
Cash and cash equivalents	9	164.7	192.2
Receivables	10	81.3	78.6
Financial assets at amortised cost	11	73.9	–
Financial assets at fair value through profit or loss	11	742.7	731.9
Deferred acquisition costs	12	49.7	45.4
Total current assets		**1,112.3**	**1,048.1**
Non-current assets			
Receivables	10	1.8	1.7
Financial assets at fair value through profit or loss	11	1.5	3.0
Investments accounted for using the equity method	33	11.7	2.1
Deferred acquisition costs	12	65.5	65.3
Property, plant and equipment	13	13.2	10.4
Intangible assets	14	348.1	316.9
Total non-current assets		**441.8**	**399.4**
Total assets		**1,554.1**	**1,447.5**
LIABILITIES			
Current liabilities			
Payables	15	197.7	195.3
Borrowings	16	1.4	1.1
Outstanding claims liability	17	143.3	152.2
Unearned premium liability	18	219.3	205.1
Premium payback liability	19	3.2	3.7
Provision for employee entitlements	20	4.8	4.2
Current tax liabilities		10.2	5.7
Other liabilities	21	0.4	0.4
Total current liabilities		**580.3**	**567.7**
Non-current liabilities			
Payables	15	10.0	4.6
Borrowings	16	232.5	229.5
Unearned premium liability	18	38.1	32.7
Premium payback liability	19	16.1	14.4
Provision for employee entitlements	20	3.4	2.4
Deferred tax liabilities	8	37.2	33.6
Other liabilities	21	4.3	4.8
Total non-current liabilities		**341.6**	**322.0**
Total liabilities		**921.9**	**889.7**
Net assets		**632.2**	**557.8**
EQUITY			
Contributed equity	22	115.2	112.3
Retained profits	23	498.9	445.5
Reserves	24	0.5	–
Capital and reserves attributable to owners of nib holdings limited		**614.6**	**557.8**
Non-controlling interests		–	–
Charitable foundation	33	17.6	–
Total equity		**632.2**	**557.8**

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes

consolidated statement of changes in equity

as at 30 June 2019

	Notes	Attributable to owners of nib holdings limited Contributed equity $m	Retained profits $m	Reserves $m	Total $m	Non-controlling interests $m	Charitable foundation $m	Total equity $m
Balance at 1 July 2017		**25.0**	**399.0**	**4.6**	**428.6**	**(1.0)**	**–**	**427.6**
Profit for the year		–	132.4	–	132.4	1.1	–	133.5
Movement in foreign currency translation, net of tax	24	–	–	(2.0)	(2.0)	–	–	(2.0)
Transfer to retained profits on sale of land and buildings, net of tax	24	–	1.1	(1.1)	–	–	–	–
Total comprehensive income for the year		**–**	**133.5**	**(3.1)**	**130.4**	**1.1**	**–**	**131.5**
Transactions with owners in their capacity as owners:								
Contributions of equity net of transaction costs and tax	22	88.0	–	–	88.0	–	–	88.0
Transactions with non-controlling interests	22	–	–	–	–	(0.1)	–	(0.1)
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	22	(5.0)	–	–	(5.0)	–	–	(5.0)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees	22	4.3	–	(3.0)	1.3	–	–	1.3
Employee performance rights – value of employee services	24	–	–	1.5	1.5	–	–	1.5
Dividends paid	25	–	(87.0)	–	(87.0)	–	–	(87.0)
		87.3	**(87.0)**	**(1.5)**	**(1.2)**	**(0.1)**	**–**	**(1.3)**
Balance at 30 June 2018		**112.3**	**445.5**	**–**	**557.8**	**–**	**–**	**557.8**
Balance at 30 June 2018 as originally presented		**112.3**	**445.5**	**–**	**557.8**	**–**	**–**	**557.8**
Adjustment on adoption of AASB 9, net of tax	23	–	(0.1)	–	(0.1)	–	–	(0.1)
Adjustment on adoption of AASB 15, net of tax	23	–	(0.8)	–	(0.8)	–	–	(0.8)
Restated balance at 1 July 2018		**112.3**	**444.6**	**–**	**556.9**	**–**	**–**	**556.9**
Profit for the year		–	149.8	–	149.8	–	(0.5)	149.3
Movement in foreign currency translation, net of tax	24	–	–	2.5	2.5	–	–	2.5
Total comprehensive income for the year		**–**	**149.8**	**2.5**	**152.3**	**–**	**(0.5)**	**151.8**
Consolidation of Charitable foundation		–	–	–	–	–	18.1	18.1
		–	**–**	**–**	**–**	**–**	**18.1**	**18.1**
Transactions with owners in their capacity as owners:								
Ordinary shares issued	22	4.2	–	–	4.2	–	–	4.2
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	22	(6.0)	–	–	(6.0)	–	–	(6.0)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees	22	4.7	–	(3.1)	1.6	–	–	1.6
Employee performance rights – value of employee services	24	–	–	1.1	1.1	–	–	1.1
Dividends paid	25	–	(95.5)	–	(95.5)	–	–	(95.5)
		2.9	**(95.5)**	**(2.0)**	**(94.6)**	**–**	**–**	**(94.6)**
Balance at 30 June 2019		**115.2**	**498.9**	**0.5**	**614.6**	**–**	**17.6**	**632.2**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

consolidated statement of cash flows

for the year ended 30 June 2019

	Notes	2019 $m	2018 $m
Cash flows from operating activities			
Receipts from policyholders and customers (inclusive of goods and services tax)		2,506.6	2,316.4
Payments to policyholders and customers		(1,840.1)	(1,677.1)
Receipts from outwards reinsurance contracts		16.1	8.3
Payments for outwards reinsurance contracts		(32.9)	(23.3)
Payments to suppliers and employees (inclusive of goods and services tax)		(418.7)	(390.5)
		231.0	**233.8**
Dividends received		0.3	–
Interest received		9.2	7.5
Distributions received		16.5	15.7
Transaction costs relating to acquisition of business	32	(5.3)	(3.3)
Interest paid		(7.2)	(6.3)
Income taxes paid		(60.0)	(67.5)
Net cash inflow from operating activities	9	**184.5**	**179.9**
Cash flows from investing activities			
Proceeds from disposal of other financial assets at fair value through profit or loss		284.3	268.9
Payments for other financial assets at fair value through profit or loss		(349.1)	(347.0)
Proceeds from sale of assets classified as held for sale		–	1.9
Proceeds from sale of property, plant and equipment and intangibles		–	0.1
Payments for property, plant and equipment and intangibles	13,14	(28.6)	(20.3)
Net cash from consolidation of Charitable foundation	33	13.8	–
Payment for acquisition of business combination, net of cash acquired	32	(24.2)	(85.3)
Payments for investments in associates and joint ventures		(10.6)	(0.3)
Net cash (outflow) from investing activities		**(114.4)**	**(182.0)**
Cash flows from financing activities			
Proceeds from issue of shares	22	4.2	89.5
Proceeds from borrowings	16	–	80.5
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	22	(6.0)	(5.0)
Share issue transaction costs	22	–	(2.1)
Transactions with non-controlling interests		–	(0.1)
Dividends paid to the company's shareholders	25	(95.5)	(87.0)
Net cash inflow / (outflow) from financing activities		**(97.3)**	**75.8**
Net increase / (decrease) in cash and cash equivalents		(27.2)	73.7
Cash and cash equivalents at beginning of the year		191.1	117.5
Effects of exchange rate changes on cash and cash equivalents		(0.6)	(0.1)
Cash and cash equivalents at the end of the year		**163.3**	**191.1**
Reconciliation to Consolidated Balance Sheet			
Cash and cash equivalents	9	164.7	192.2
Borrowings – overdraft	16	(1.4)	(1.1)
		163.3	**191.1**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

notes to the consolidated financial statements

for the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of nib holdings limited and its subsidiaries.

Significant and other accounting policies that summarise the measurement basis used and are relevant to the understanding of financial statements are provided throughout the notes to the financial statements.

a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards (and interpretations issued by the Australian Accounting Standards Board) and the *Corporations Act 2001*. nib holdings limited is a for-profit entity for the purpose of preparing the financial statements.

i) Compliance with IFRS

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

ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and investment properties.

iii) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current year.

b) Principles of consolidation

i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of nib holdings limited ("parent entity") as at 30 June 2019 and the results of all subsidiaries for the year then ended. nib holdings limited and its subsidiaries together are referred to in this financial report as the Group.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated 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 32(c)).

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 are changed where necessary to ensure consistency with the policies adopted by the Group.

ii) Associates

Associates are all entities over which the group has significant influence but not control or joint control. This is generally the case where the group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

b) Principles of consolidation continued

iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of nib holdings limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset.

c) Foreign currency translation

i) Functional and presentation currency

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

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the income statement, within finance costs. All other foreign exchange gains and losses are presented in the income statement on a net basis within other income or other expenses.Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

iii) Group companies

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

d) Assets backing private health insurance liabilities

As part of the investment strategy, the Group actively manages its investment portfolio to ensure that a portion of its investments mature in accordance with the expected pattern of future cash flows arising from private health insurance liabilities.

The Group has determined that all financial assets of nib health funds limited, nib nz limited and Grand United Corporate Health Limited are held to back private health insurance liabilities.

e) Rounding of amounts

The company is of a kind referred to in Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with that Instrument to the nearest hundred thousand dollars, or in certain cases, the nearest dollar.

f) New and amended standards adopted by the Group

The Group has adopted all of the new or amended accounting standards and interpretations issued by the AASB that are mandatory for the current reporting period.

Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

i) AASB 9 Financial Instruments

The Group has applied AASB 9 Financial Instruments from 1 July 2018.

The standard introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI').

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch).

New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity.

New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

The adoption of AASB 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with transitional provisions in AASB 9 comparative figures have not been restated.

The Group has applied the simplified approach to measuring expected credit losses, as a result an additional provision of $0.1 million was raised against retained profits earnings as at 1 July 2018.

ii) AASB 15 Revenue from Contracts with Customers

The Group has adopted AASB15 from 1 July 2018.

The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduces a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of AASB 15 resulted in an additional unearned revenue adjustment of $1.1 million and associated deferred tax asset of $0.3 million, both raised against retained earnings as at 1 July 2018.

notes to the consolidated financial statements continued

for the year ended 30 June 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

g) New accounting standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

Title of standard	Nature of change and impact	Mandatory application date
AASB 16 Leases	AASB 16 will primarily affect the accounting of leases by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinctions between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all the lease contracts. The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating lease expenses will be replaced with interest and depreciation. The Group expects to recognise right-of-use assets of approximately \$61.7 million on 1 July 2019, lease liabilities of \$78.4 million and deferred tax assets of \$5.0 million. Overall net assets will be approximately \$11.8 million lower. The Group expects that net profit after tax will decrease by approximately \$1.3 million for FY20 as a result of adopting the new rules. Underlying Operating Profit (UOP) used to measure segment results is expected to increase by approximately \$4.0 million, as the interest on the lease liability is excluded from this measure.	Mandatory for financial years commencing on or after 1 January 2019. The Group will adopt the standard from 1 July 2019.
AASB 17 Insurance Contracts	On 19 July 2017, Australian Accounting Standard Board issued AASB 17 Insurance Contracts, incorporating the recently issued IFRS 17 Insurance Contracts. This will replace AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. IFRS 17 will change the accounting for insurance contracts by nib. The standard introduces three new measurement approaches for accounting for insurance contracts. These include the Building Block Approach for long term contracts, the Premium Allocation Approach for short term contracts and a Variable Fee Approach for direct participating products. The Group, being the Ultimate Parent nib holdings limited and its subsidiaries, has formed a project team to assess the impact of this change on the operations and financial statements of the business. This assessment has identified that a number of key requirements of AASB 17 remain subject to interpretation. We note the ongoing potential for changes in interpretation of the standard and on 27 July 2019 the International Accounting Standards Board issued an Exposure Draft on the proposed amendments to IFRS 17. The International Accounting Standards Board continues to address challenges identified in relation to the practical implementation of the standard. Initial investigation into the application for the standard indicates it is likely that the Premium Allocation Approach will apply to the majority of the Group's insurance contracts and will simplify the implementation of the standard.	Mandatory for financial years commencing on or after 1 January 2022. At this stage, the Group does not intend to adopt the standard before its effective date.

2. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The Group makes estimates and assumptions in respect of certain key assets and liabilities. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key areas in which critical estimates are applied are:

Note 12	Deferred acquisition costs
Note 14	Goodwill and indefinite life intangibles impairment and useful life of brand names and trademarks
Notes 10 and 17	Outstanding claims liability
Notes 18 and 19	Liability adequacy test
Note 19	Premium payback liabilities
Note 29	Contingent liabilities

3. RISK MANAGEMENT

The Board of nib is ultimately responsible for the Group's risk management framework and oversees the Groups operations by ensuring that management operates within the approved risk appetite statement. The Board approved the Group's overall risk management strategy, risk appetite and policies and practices to ensure that risks are identified and managed within the context of this appetite.

The Board's sub committees, including the Audit Committee and the Risk and Reputation Committee assist the Board in the execution of its responsibilities. The responsibilities of these Committees are detailed in their respective Charters.

The Group's risk management framework is based on a three lines of defence model and provides defined risk ownership responsibilities with functionally independent oversight and assurance. The Group manages risks through:

- the governance structure established by the Board,
- implementation of the risk management framework by management,
- oversight of the risk management framework by the Risk function,
- the Group's internal policies and procedures designed to identify and mitigate risks,
- internal audit which provides independent assurance to the Board regarding the appropriateness, effectiveness and adequacy of controls over activities where risks are perceived to be high,
- regular risk and compliance reporting to the Board and relevant Board Committees,
- application of solvency and capital adequacy standards for nib health funds limited, Grand United Corporate Health Limited (both regulated by APRA) and nib New Zealand (regulated RBNZ).

The Group's objective is to manage the Group's risks in line with the Board approved risk appetite statement. Various procedures are in place to identify, mitigate and monitor the risks faced by the Group. Management are responsible for understanding and managing risks, including financial and non-financial risks. The Group's exposure to all high and critical risks, and other Key Enterprise Risks, is reported quarterly to the Board via the Risk and Reputation Committee.

During the year we continued to invest in and strengthen our resourcing and capability to reflect our strong commitment to risk and compliance in alignment with the requirements within APRA Prudential Standard 220 – Risk Management.

The financial condition and operations of the Group are affected by a number of Principle Risks and Uncertainties. High level descriptions of these risks are included in the Operating and Financial Review (see pages 3 to 11), including Insurance Risks, Financial Risks, Strategic Risks and Operational Risks as categorised in nib's Risk Management Strategy. Realisation of these risks can have both financial and / or non-financial impacts.

Further material is contained in the notes below on the exposures and mitigation of specific risks with discrete financial impacts.

Category	Risks
Insurance risks	Pricing Claims inflation Risk equalisation (Australia only)
Financial risks	Fair value interest rate risk Foreign exchange risk Price risk Credit risk Liquidity risk Capital management (see Note 27)

a) Insurance risk

Insurance risk is the risk that inadequate or inappropriate underwriting, claims management, product design and pricing will expose the Group to financial loss from claims expenditure exceeding the amount implicit in premium income.

Insurance risk is seen as a key risk to our PHI focused businesses. There are a number of sources of risk that as a collective require nib to closely review and monitor our control strategies. These risks have Board oversight. These sources include:

Description	Exposure	Mitigation
Pricing risk	Forecasting and pricing is a core capability within the Group. Without effective controls there is potential for poor quality forecasting. This could result in a range of negative outcomes, including: pricing decisions that do not align with nib strategic goals, material impact to nib financial performance; and failure to comply with ASX Listing Rule Continuous Disclosure obligations. Control failures could also impact annual pricing approval decisions by the Minister for Health. Amendments or rejections of price applications could have a negative impact on nib's operating and financial performance.	This risk is managed by establishing product premiums through the use of actuarial models based on historical claims costs and forecast claims inflation. Pricing recommendations are externally reviewed by the Appointed Actuary. The Group works collaboratively with Government, regulators and other stakeholders to improve health insurance premium affordability through industry reforms and health policy setting.
Claims inflation (supply side costs)	The Group is subject to significant claims inflation which may not be adequately covered by premium price increases and/or product design changes. In Australia the principle of community rating prevents private health insurers from improperly discriminating between people who are or wish to be insured, on the basis of their health status, age, race, gender, religious beliefs, sexuality, frequency of need of health care, lifestyle or claims history.	Claims patterns are monitored and premiums calculated accordingly. Governance, contractual and control procedures are in place for key benefits and provider relationships. Maintenance of reserves in excess of minimum solvency and capital requirements allows the Group to withstand increased levels of claims inflation.
Risk equalisation special account arrangements	Risk equalisation arrangements apply to the registered health insurance industry in Australia. Under these arrangements all registered health insurers effectively provide reinsurance support so that the industry as a whole shares the hospital cost of high risk groups irrespective of whether those claims are attributable to a policyholder of a particular fund.	Risk equalisation provides some protection to high cost claims however exposes the Group to claims from other health insurers. Actuarial models are used to monitor past experience and predict future costs, premiums are calculated accordingly.

3. RISK MANAGEMENT continued

b) Fair value interest rate risk

Description	Exposure	Mitigation
Risk of fluctuations in interest rates impacting the Group's financial performance or the fair value of its financial instruments.	The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk if the borrowings are carried at fair value. The Group's borrowings at variable rate were denominated in Australian and New Zealand Dollars. The Group's other interest rate risks arise from: • receivables; • financial assets at amortised cost; • financial assets at fair value through profit or loss; and • cash and cash equivalents. All other receivables are non-interest bearing. There is an interest-bearing component of financial assets at fair value through profit or loss.	The Group mitigates interest rate risk on long term borrowings by maintaining an appropriate gearing ratio and monitoring and forecasting key indicators such as interest expense coverage. nib receives advice on its investments from its asset consultants.

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

	2019		2018	
	Weighted average interest rate %	Balance $m	Weighted average interest rate %	Balance $m
Bank loans	3.0%	232.5	3.1%	229.5
Net exposure to cash flow interest rate risk		**232.5**		**229.5**

The bank overdraft comprised of the closing positive balance of the bank account, adjusted for unpresented cheques and outstanding deposits is not included in bank loans.

An analysis by maturities is provided at 3(f).The table below summarises the sensitivity of the Group's financial assets and financial liabilities to interest rate risk.

	2019					2018				
Interest rate risk		–100bps		+100bps			–100bps		+100bps	
	Carrying amount $m	Profit $m	Equity $m	Profit $m	Equity $m	Carrying amount $m	Profit $m	Equity $m	Profit $m	Equity $m
Financial assets										
Cash and cash equivalents	164.7	(1.1)	(1.1)	1.1	1.1	192.2	(1.3)	(1.3)	1.3	1.3
Other receivables	23.0	(0.1)	(0.1)	0.1	0.1	17.9	(0.1)	(0.1)	0.1	0.1
Financial assets at amortised cost	73.9	0.5	0.5	(0.5)	(0.5)	–	–	–	–	–
Financial assets at fair value through profit or loss	744.2	7.7	7.7	(7.6)	(7.6)	734.9	6.6	6.6	(6.6)	(6.6)
Financial liabilities										
Bank loans	(232.5)	1.7	1.7	(1.7)	(1.7)	(229.5)	1.6	1.6	(1.6)	(1.6)
Premium payback liability	(19.3)	(0.7)	(0.7)	0.7	0.7	(18.1)	(0.6)	(0.6)	0.7	0.7
Total increase / (decrease)	**754.0**	**8.0**	**8.0**	**(7.9)**	**(7.9)**	**697.4**	**6.2**	**6.2**	**(6.1)**	**(6.1)**

c) Foreign exchange risk

Description	Exposure	Mitigation
Risk of fluctuations in foreign exchange rates impacting the Group's financial performance.	The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency translation risk through its subsidiaries located in overseas jurisdictions. In accordance with the policy set out in Note 1(c), foreign exchange gains or losses arising on translation of the Group's foreign operations to the Group's Australian dollar presentation currency are recognised directly in equity. Foreign exchange gains or losses arising on assets and liabilities denominated in foreign currencies are recognised directly in profit and loss.	The Group does not hedge this risk.

The table below summarises the sensitivity of the Group's equity to a 10% strengthening and weakening of the Australian dollar against the foreign currency, with all other variables held constant.

	2019					2018				
Foreign exchange risk		–10%		+10%			–10%		+10%	
	Exposure $m	Profit $m	Equity $m	Profit $m	Equity $m	Exposure $m	Profit $m	Equity $m	Profit $m	Equity $m
Brazilian real	–	–	–	–	–	0.1	–	–	–	–
Canadian dollar	–	–	–	–	–	0.1	–	–	–	–
Chinese Yuan	0.1	–	–	–	–	–	–	–	–	–
European euro	–	–	–	–	–	3.1	(0.1)	(0.1)	0.1	0.1
Great Britain pound	–	–	–	–	–	0.3	–	–	–	–
New Zealand dollar	65.2	–	(6.5)	–	6.5	62.8	–	(6.3)	–	6.3
United States dollar	0.3	–	–	–	–	1.1	(0.1)	0.1	0.1	(0.1)
Thai baht	0.3	–	–	–	–	0.3	–	–	–	–
Total increase / (decrease)	**65.9**	**–**	**(6.5)**	**–**	**6.5**	**67.7**	**(0.2)**	**(6.3)**	**0.2**	**6.3**

3. RISK MANAGEMENT continued

d) Price risk

Description	Exposure	Mitigation
Risk of fluctuations in price of equity securities impacting the Group's fair value of its financial instruments.	The Group is exposed to equity securities price risk. This arises from investments held by the Group and classified on the balance sheet as at fair value through profit or loss. The Group is not exposed to commodity price risk.	To manage its price risk the Group has adopted an investment strategy which delivers a diversified portfolio with a heavier weighting to defensive assets versus growth assets.

Profit after tax for the year would increase/decrease as a result of gains/losses on equity securities classified as at fair value through profit or loss. The table below summarises the sensitivity of the Group's financial assets to price risk.

	2019					2018				
Other price risk		–10% unit price		+10% unit price			–10% unit price		+10% unit price	
	Carrying amount $m	Profit $m	Equity $m	Profit $m	Equity $m	Carrying amount $m	Profit $m	Equity $m	Profit $m	Equity $m
Financial assets										
Financial assets at fair value through profit or loss	744.2	(10.5)	(10.5)	10.5	10.5	734.9	(9.9)	(9.9)	9.9	9.9
Total increase / (decrease)	**744.2**	**(10.5)**	**(10.5)**	**10.5**	**10.5**	**734.9**	**(9.9)**	**(9.9)**	**9.9**	**9.9**

Methods and assumptions used in preparing sensitivity analysis

The after tax effect on profit and equity of movements in foreign exchange, interest rate and price have been calculated using 'reasonably possible' changes in the risk variables, based on recent interest rate and market movements.

An interest rate change of 100 basis points will directly affect interest received on cash and cash equivalents and other receivables. An interest rate change of 100 basis points will inversely affect the unit price of fixed interest investments; this change has been calculated by multiplying the average duration of underlying investments in each portfolio by the interest rate change. All other investments are not directly affected by interest rate changes but would be revalued through profit or loss as their unit price changes.

e) Credit risk

Description	Exposure	Mitigation
Risk that a counterparty will default on its contractual obligations, or from the decline in the credit quality of a financial instrument, resulting in financial loss to the Group.	Credit risk arises from: • cash and cash equivalents; • financial assets and deposits with banks and financial institutions; • favourable derivative financial instruments; and • credit exposures to policyholders and the Department of Human Services (Private Health Insurance Premiums Reduction Scheme). The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date is the carrying amount, net of any provisions for impairment loss, as disclosed in the balance sheet and notes to the financial statements. Apart from the Department of Human Services the Group does not have any material credit risk to any other single debtor or group of debtors under financial instruments entered into.	Directly managed term deposits are held with institutions that have at least an A-2 credit rating. Term deposits held within portfolios managed by investment asset consultants are in accordance with the relevant investment policy statement. nib receives advice from its asset consultants. Credit risk for premium receivables are minimal due to the diversification of policyholders. The Private Health Insurance Premiums Reduction Scheme receivable is due from a government organisation under legislation.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Other receivables	2019 $m	2018 $m
Counterparties with external credit rating	1.0	–
Group 1 – new debtors (relationship less than 6 months)	2.3	–
Group 2 – existing debtors with no defaults in the past	19.6	17.7
Group 3 – existing debtors with some defaults in the past. All defaults were fully recovered.	0.1	0.2
	23.0	**17.9**

Cash at bank and short-term bank deposits	2019 $m	2018 $m
A-1+	117.5	–
A-1	14.7	161.9
A-2	30.4	26.6
B	2.1	–
Sub investment grade	–	3.7
	164.7	**192.2**

Financial assets at amortised cost	2019 $m	2018 $m
Short-term deposits		
A-1+	73.9	–
	73.9	**–**

3. RISK MANAGEMENT continued

e) Credit risk continued

Financial assets at fair value through profit or loss	2019 $m	2018 $m
Short-term deposits		
A-1+	75.0	–
A-1	–	95.1
Interest-bearing securities[1]		
AAA	129.2	121.9
AA	221.7	212.6
A	95.9	103.4
BBB	65.9	59.2
Sub investment grade	5.2	5.0
Unclassified	0.4	(3.2)
	593.3	**594.0**

1. The financial assets at fair value through profit or loss with credit risk are held in unit trusts. The above table summarises the underlying investments of the unit trusts.

f) Liquidity risk

Description	Exposure	Mitigation
Risk that the Group won't be able to meet its financial obligations as they fall due, because of lack of liquid assets or access to funding on acceptable terms.	Liquidity risk arises from: • trade creditors; • other payables; and • borrowings	The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and holding a high percentage of highly liquid investments. The bank overdraft within borrowings comprises the closing positive balances of the bank account, adjusted for unpresented cheques and outstanding deposits. There are no overdraft facilities.

Maturities of financial liabilities

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

Group at 30 June 2019	≤ 1 month $m	1-3 months $m	3-12 months $m	1-5 years $m	> 5 years $m	Total contractual cash flows $m	Carrying amount $m
Financial Liabilities							
Trade creditors	16.4	0.5	0.5	0.1	–	17.5	17.5
Other payables	84.0	13.2	3.5	10.1	1.0	111.8	111.8
Borrowings	0.2	1.4	4.8	240.3	–	246.7	233.9
	100.6	**15.1**	**8.8**	**250.5**	**1.0**	**376.0**	**363.2**

Group at 30 June 2018	≤ 1 month $m	1-3 months $m	3-12 months $m	1-5 years $m	> 5 years $m	Total contractual cash flows $m	Carrying amount $m
Financial Liabilities							
Trade creditors	17.4	0.5	0.3	–	–	18.2	18.2
Other payables	84.7	9.8	1.8	4.9	0.8	102.0	102.0
Borrowings	0.2	1.7	5.7	241.2	–	248.8	230.6
	102.3	**12.0**	**7.8**	**246.1**	**0.8**	**369.0**	**350.8**

4. FAIR VALUE MEASUREMENT

a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows below the table.

The following tables present the Group's assets and liabilities measured and recognised at fair value at 30 June 2019 and 30 June 2018:

Group at 30 June 2019	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Cash and cash equivalents and deposits at call	164.7	–	–	164.7
Receivables	–	1.8	–	1.8
Financial assets at amortised cost				
Short-term deposits	73.9	–	–	73.9
Financial assets at fair value through profit or loss				
Equity securities	133.2	1.2	–	134.4
Interest-bearing securites	476.6	41.7	–	518.3
Mortgage trusts	–	0.4	–	0.4
Property trusts	2.4	0.8	12.9	16.1
Short-term deposits	75.0	–	–	75.0
Total assets	**925.8**	**45.9**	**12.9**	**984.6**

Group at 30 June 2018	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Cash and cash equivalents and deposits at call	192.2	–	–	192.2
Receivables	–	1.7	–	1.7
Financial assets at amortised cost				
Short-term deposits	–	–	–	–
Financial assets at fair value through profit or loss				
Equity securities	121.6	3.1	–	124.7
Interest-bearing securites	469.7	29.2	–	498.9
Mortgage trusts	–	0.5	–	0.5
Property trusts	2.0	0.6	13.1	15.7
Short-term deposits	95.1	–	–	95.1
Total assets	**880.6**	**35.1**	**13.1**	**928.8**

There were no transfers between level 1 and level 2 during the year.

The Group's policy is to recognise transfers into and transfers out of the fair value hierarchy levels as at the end of the reporting period.

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

4. FAIR VALUE MEASUREMENT continued

a) Fair value hierarchy continued

Level 1	The fair value of financial instruments traded in active markets (such as financial assets at fair value through profit or loss) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.
Level 2	The fair value of financial instruments that are not traded in active markets (for example interest bearing securities) is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. These instruments are included in level 2.
Level 3	If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The use of quoted market prices or dealer quotes for similar instruments.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

All of the resulting fair value estimates for financial instruments are included in level 2.

In the circumstances where a valuation technique for financial instruments is based on significant unobservable inputs, those instruments are included in level 3. For the Group this includes the valuation of certain property trusts.

c) Fair value measurements using significant unobservable inputs (level 3)

The Group's level 3 investments comprise units in property trusts which hold illiquid investments in unlisted property.

The following table presents the changes in level 3 instruments for the year ended 30 June 2019 and 30 June 2018:

	2019 $m	2018 $m
Fair value measurement as at 1 July	13.1	–
Acquisition of business	–	4.9
Purchased	0.6	9.5
Sales	(1.3)	(1.2)
Change in fair value	0.5	(0.1)
Fair value measurement at end of period	**12.9**	**13.1**

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy level as at the end of the reporting period.

i) Transfers between levels 2 and 3	There were no transfers between the levels of the fair value hierarchy during the year. There were also no changes during the year to any of the valuation techniques applied as of 30 June 2018.
ii) Valuation process	The valuation of unlisted property is based on unit prices provided by investment managers.

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements:

Description	Fair value $m	Unobservable inputs	Relationship of unobservable inputs to fair value
At 30 June 2019 Unlisted property trusts	12.9	Redemption price	Higher/(lower) redemption price (+/- 10%) would increase/(decrease) fair value by $1.3m
At 30 June 2018 Unlisted property trusts	13.1	Redemption price	Higher/(lower) redemption price (+/- 10%) would increase/(decrease) fair value by $1.3m

d) Fair values of other financial instruments

The Group also had another financial instrument which was not measured at fair value in the balance sheet. This had the following fair value as at 30 June 2019 and 30 June 2018:

	2019		2018	
Non-current borrowings	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Bank loans	232.5	232.5	229.5	229.5

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values due to their short-term nature.

5. SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to Executive management. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director/Chief Executive Officer (MD/CEO).

The MD/CEO assesses the performance of the operating segments based on underlying operating profit. This measurement basis excludes from the operating segments the effects of non-recurring gain on sale of controlling interest of Whitecoat business and profit on sale of the head office building, and non-recurring expenditure such as integration costs, merger and acquisition costs, new business implementation costs and amortisation of acquired intangibles.

No information regarding assets, liabilities and income tax is provided for individual Australian Residents Health Insurance and International (Inbound) Health Insurance segments to the MD/CEO. Furthermore, investment income and expenditure for Australia is not allocated to individual Australian segments as this type of activity is driven by the central treasury function, which manages the cash position of the Australian companies.

Management has determined the operating segments based on the reports reviewed by the MD/CEO that are used to make strategic decisions.

The MD/CEO considers the business from both a geographic and product perspective and has identified four reportable segments:	
Australian Residents Health Insurance	nib’s core product offering within the Australian private health insurance industry
New Zealand Residents Health Insurance	nib’s core product offering within the New Zealand private health insurance industry
International (Inbound) Health Insurance	nib’s offering of health insurance products for international students and workers
nib Travel	nib’s distribution of travel insurance products

5. SEGMENT REPORTING continued

	For the year ending 30 June 2019					
	Australian Residents Health Insurance $m	International (Inbound) Health Insurance $m	New Zealand Health Insurance $m	nib Travel $m	Unallocated to segments $m	Total $m
Premium revenue	2,026.2	125.8	215.6	5.0	–	2,372.6
Outwards reinsurance premium expense	(13.0)	(15.7)	(0.1)	(3.0)	–	(31.8)
Net premium revenue	**2,013.2**	**110.1**	**215.5**	**2.0**	**–**	**2,340.8**
Claims expense	(1,381.0)	(49.6)	(129.7)	(2.9)	–	(1,563.2)
Reinsurance and other recoveries revenue	5.5	7.2	–	2.9	–	15.6
RESA	(229.5)	–	–	–	–	(229.5)
State levies	(34.0)	–	–	–	–	(34.0)
Decrease in premium payback liability	–	–	(0.3)	–	–	(0.3)
Claims handling expenses	(14.5)	(1.8)	(1.7)	(0.4)	–	(18.4)
Net claims incurred	**(1,653.5)**	**(44.2)**	**(131.7)**	**(0.4)**	**–**	**(1,829.8)**
Other underwriting revenue	**2.8**	**0.7**	**–**	**0.1**	**–**	**3.6**
Acquisition costs	(117.4)	(14.7)	(36.6)	(2.3)	–	(171.0)
Other underwriting expenses	(95.1)	(17.0)	(27.4)	(0.2)	–	(139.7)
Underwriting expenses	**(212.5)**	**(31.7)**	**(64.0)**	**(2.5)**	**–**	**(310.7)**
Underwriting result	**150.0**	**34.9**	**19.8**	**(0.8)**	**–**	**203.9**
Other income	–	–	–	72.4	4.8	77.2
Other expenses	–	–	–	(65.0)	(13.3)	(78.3)
Share of net profit / (loss) of associates and joint ventures	(0.5)	–	–	–	(0.5)	(1.0)
Underlying operating profit / (loss)	**149.5**	**34.9**	**19.8**	**6.6**	**(9.0)**	**201.8**
Items not included in underlying operating profit						
Amortisation of acquired intangibles	(1.9)	(1.6)	(3.4)	(2.3)	–	(9.2)
One-off transactions, merger, acquisition and new business implementation costs	–	–	–	–	(8.0)	(8.0)
Finance costs					(7.7)	(7.7)
Investment income					38.6	38.6
Investment expenses					(2.5)	(2.5)
Profit before income tax from continuing operations						**213.0**
Inter-segment other income[1]	1.1	0.5	–	–	–	1.6
Depreciation and amortisation	4.3	1.2	3.4	4.0	11.9	24.8
Total assets	1,079.1		205.4	151.4	118.2	1,554.1
Total liabilities	553.5		62.5	21.7	284.2	921.9
Insurance liabilities						
Outstanding claims liability	125.6		15.8	1.9	–	143.3
Unearned premium liability	236.3		20.1	1.0	–	257.4
Premium payback liability	–		19.3	–	–	19.3
Total	**361.9**		**55.2**	**2.9**	**–**	**420.0**

1. Inter-segment other income is eliminated on consolidation and not included in operating profit.

	For the year ending 30 June 2018					
	Australian Residents Health Insurance $m	International (Inbound) Health Insurance $m	New Zealand Health Insurance $m	nib Travel $m	Unallocated to segments $m	Total $m
Premium revenue	1,879.9	108.9	198.1	–	–	2,186.9
Outwards reinsurance premium expense	(8.7)	(15.6)	–	–	–	(24.3)
Net premium revenue	**1,871.2**	**93.3**	**198.1**	**–**	**–**	**2,162.6**
Claims expense	(1,309.8)	(42.5)	(117.2)	–	–	(1,469.5)
Reinsurance and other recoveries revenue	4.0	5.9	–	–	–	9.9
RESA	(206.4)	–	–	–	–	(206.4)
State levies	(32.3)	–	–	–	–	(32.3)
Decrease in premium payback liability	–	–	4.0	–	–	4.0
Claims handling expenses	(15.2)	(1.5)	(1.9)	–	–	(18.6)
Net claims incurred	**(1,559.7)**	**(38.1)**	**(115.1)**	**–**	**–**	**(1,712.9)**
Other underwriting revenue	**1.6**	**1.4**	**–**	**–**	**–**	**3.0**
Acquisition costs	(104.6)	(9.9)	(34.9)	–	–	(149.4)
Other underwriting expenses	(77.3)	(17.1)	(24.7)	–	–	(119.1)
Underwriting expenses	**(181.9)**	**(27.0)**	**(59.6)**	**–**	**–**	**(268.5)**
Underwriting result	**131.2**	**29.6**	**23.4**	**–**	**–**	**184.2**
Other income	–	–	–	66.1	3.4	69.5
Other expenses	–	–	–	(58.0)	(10.4)	(68.4)
Share of net profit / (loss) of associates and joint ventures	(0.5)	–	–	–	–	(0.5)
Underlying operating profit / (loss)	**130.7**	**29.6**	**23.4**	**8.1**	**(7.0)**	**184.8**
Items not included in underlying operating profit						
Amortisation of acquired intangibles	(1.2)	(1.4)	(3.6)	(2.2)	–	(8.4)
One-off transactions, merger, acquisition and new business implementation costs	–	–	–	–	(7.4)	(7.4)
Finance costs					(6.3)	(6.3)
Investment income					31.6	31.6
Investment expenses					(2.0)	(2.0)
Profit before income tax from continuing operations						**192.3**
Inter-segment other income[1]	9.5	–	0.4	0.1	–	10.0
Depreciation and amortisation	9.7	3.3	6.8	4.3	0.3	24.4
Total assets	1,072.9		193.8	119.8	61.0	1,447.5
Total liabilities	546.9		57.8	13.2	271.8	889.7
Insurance liabilities						
Outstanding claims liability	138.0		14.2	–	–	152.2
Unearned premium liability	220.2		17.6	–	–	237.8
Premium payback liability	–		18.1	–	–	18.1
Total	**358.2**		**49.9**	**–**	**–**	**408.1**

1. Inter-segment other income is eliminated on consolidation and not included in operating profit.

6. REVENUE AND OTHER INCOME

	2019 $m	2018 $m
Premium revenue	2,372.6	2,186.9
Outwards reinsurance premiums	(31.8)	(24.3)
Net premium revenue	**2,340.8**	**2,162.6**
Agency fee	0.4	0.3
Sundry income	3.2	2.7
Other underwriting revenue	**3.6**	**3.0**
Other income		
Travel insurance commission	72.4	66.1
Life and funeral insurance commission and other commissions	2.8	2.6
Deferred profit on sale and leaseback of head office building	0.4	0.4
Insurance recoveries	1.0	1.0
Sundry income	1.6	0.4
	78.2	**70.5**
Investment income		
Interest	9.2	7.7
Net realised gain (loss) on financial assets at fair value through profit or loss	18.2	17.2
Net unrealised gain (loss) on financial assets at fair value through profit or loss	10.9	6.7
Dividends	0.3	–
	38.6	**31.6**

a) Accounting policy

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into account the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

i) Premium revenue

Premium revenue comprises premiums from private health insurance contracts held by policyholders.

Premium revenue is recognised when it has been earned. Premium revenue is recognised from the attachment date over the period of the contract. The attachment date is from when the insurer accepts the risk from the insured under the insurance contract. Revenue is recognised in accordance with the pattern of the incidence of risk expected over the term of the contract.

The proportion of the premium received or receivable not earned in the income statement at the reporting date is recognised in the balance sheet as an unearned premium liability. Any non-current portion is discounted based on expected settlement dates.

Premiums on unclosed business are brought to account using estimates based on payment cycles nominated by the policyholder.

ii) Investment income	Net fair value gains or losses on financial assets classified as at fair value through profit or loss are recognised in the period. Interest income is recognised using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.
iii) Outwards reinsurance	Premiums ceded to reinsurers under insurance contracts held by the Group are recognised as an outwards reinsurance expense and are recognised in the income statement from the attachment date over the period of indemnity of the reinsurance contract in accordance with the expected pattern of the incidence of risk ceded.
iv) Revenue from travel insurance commission	Revenue in the form of commissions is recognised when the sale of an insurance policy to a customer occurs. Revenue is also generated on travel services activities and recognised as the service is performed.

7. EXPENSES

	2019 $m	2018 $m
Expenses by function		
Claims handling expenses	18.4	18.6
Acquisition costs	171.0	149.4
Other underwriting expenses	146.6	125.3
Other expenses	89.6	79.0
Finance costs	7.7	6.3
Investment expenses	2.5	2.0
Total expenses (excluding direct claims expenses)	**435.8**	**380.6**
Expenses by nature		
Amortisation of acquired intangibles	9.2	8.4
Bank charges	5.1	4.6
Communications, postage and telephone expenses	5.6	5.5
Depreciation and amortisation	15.6	16.0
Employee costs	155.3	135.8
Finance costs	7.7	6.3
Impairment of brand name	1.0	–
Information technology expenses	18.6	12.5
Investment expenses	2.5	2.0
Marketing expenses – excluding commissions	52.4	49.0
Marketing expenses – commissions	106.9	93.9
Merger, acquisition and new business implementation costs	8.0	6.5
Operating lease rental expenses	12.9	9.5
Professional fees	18.1	17.0
Other expenses	16.9	13.6
Total expenses (excluding direct claims expenses)	**435.8**	**380.6**

8. TAXATION

a) Income tax

	Note	2019 $m	2018 $m
i) Income tax expense			
Recognised in the income statement			
Current tax expense		64.5	54.1
Deferred tax expense		(0.3)	4.4
Under (over) provided in prior years		(0.4)	0.1
Under (over) provided in prior years – research and development tax credit		(0.1)	0.2
		63.7	**58.8**
Income tax expense is attributable to:			
Profit from continuing operations		63.7	58.8
Aggregate income tax expense		**63.7**	**58.8**
Deferred income tax expense included in income tax expense comprises:			
(Increase) / decrease in deferred tax assets	8(b)	(0.9)	3.7
Increase / (decrease) in deferred tax liabilities	8(c)	0.6	0.7
		(0.3)	**4.4**
ii) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax expense		**213.0**	**192.3**
Tax at the Australian tax rate of 30% (2018: 30%)		63.9	57.7
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Sundry items		1.0	1.0
Net assessable trust distributions		0.3	0.2
Imputation credits and foreign tax credits		(1.1)	(0.8)
Adjustment for current tax of prior periods		(0.4)	0.1
Adjustment for current tax of prior periods – research and development tax credit		(0.1)	0.2
Unrecognised tax losses and deferred tax assets		–	0.2
Differences in foreign tax rates		0.1	0.2
Income tax expense		**63.7**	**58.8**
iii) Tax expense relating to items of other comprehensive income			
Foreign currency translations	24	0.9	(0.6)
		0.9	**(0.6)**
iv) Amounts recognised directly to equity			
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited or credited to equity:			
Share issue costs	22	–	0.6
Transfer from revaluation reserve on sale of land and buildings	24	–	0.1
		–	**0.7**

b) Deferred tax assets

	Notes	2019 $m	2018 $m
The balance comprises temporary differences attributable to:			
Deferred profit on sale and leaseback of head office building		1.4	1.5
Depreciation and amortisation		1.2	–
Employee benefits		5.7	4.9
Premium payback liabilities		5.1	4.7
Unrealised losses on investments		–	0.4
		13.4	**11.5**
Other			
Loss allowance		0.5	0.5
Income receivables		0.4	–
Investment in associates and joint ventures		0.2	–
Merger and acquisition costs		–	0.1
Outstanding claims		0.3	1.6
Provisions		6.1	5.7
Share issue costs		0.4	0.5
Tax losses		0.5	0.2
		8.4	**8.6**
Total deferred tax assets		**21.8**	**20.1**
Set-off of deferred tax liabilities pursuant to set-off provisions	8(c)	(21.8)	(20.1)
Net deferred tax assets		**–**	**–**
Recovery of total deferred tax assets:			
Deferred tax assets to be recovered within 12 months		8.5	11.2
Deferred tax assets to be recovered after more than 12 months		13.3	8.9
		21.8	**20.1**

Movements	Note	Deferred profit on sale and leaseback $m	Depreciation and amortisation $m	Employee benefits $m	Premium payback liabilites $m	Unrealised losses on investments $m	Other $m	Total $m
At 1 July 2017		1.7	–	4.1	6.0	2.8	4.3	18.9
(Charged)/credited to the income statement		(0.2)	–	0.5	(1.1)	(1.9)	(1.0)	(3.7)
(Charged)/credited directly to other comprehensive income		–	–	–	(0.2)	–	–	(0.2)
(Charged)/credited directly to equity		–	–	–	–	–	0.6	0.6
Acquisition of businesses		–	–	0.3	–	(0.5)	4.7	4.5
Balance at 30 June 2018 as originally presented		**1.5**	**–**	**4.9**	**4.7**	**0.4**	**8.6**	**20.1**
Adjustment on adoption of AASB 15		–	–	–	–	–	0.3	0.3
Restated balance at 1 July 2018		**1.5**	**–**	**4.9**	**4.7**	**0.4**	**8.9**	**20.4**
(Charged)/credited to the income statement		(0.1)	1.2	0.5	0.2	(0.4)	(0.5)	0.9
(Charged)/credited directly to other comprehensive income		–	–	–	0.2	–	–	0.2
(Charged)/credited directly to equity		–	–	–	–	–	–	–
Acquisition of business	32	–	–	0.3	–	–	–	0.3
At 30 June 2019		**1.4**	**1.2**	**5.7**	**5.1**	**–**	**8.4**	**21.8**

8. TAXATION continued

c) Deferred tax liabilities

	Notes	2019 $m	2018 $m
The balance comprises temporary differences attributable to:			
Brands and trademarks and customer contracts and relationships		22.8	21.3
Deferred acquisition costs		32.4	31.3
Depreciation and amortisation		–	0.1
Unrealised foreign exchange gains		1.1	0.6
Unrealised gains on investments		2.5	–
		58.8	**53.3**
Other			
Investment in associates and joint ventures		–	0.1
Unearned premium liability		0.2	0.3
		0.2	**0.4**
Total deferred tax liabilities		**59.0**	**53.7**
Set-off of deferred tax liabilities pursuant to set-off provisions	8(b)	(21.8)	(20.1)
Net deferred tax liabilities		**37.2**	**33.6**
Recovery of total deferred tax liabilities:			
Deferred tax liabilities to be settled within 12 months		17.4	13.6
Deferred tax liabilities to be settled after more than 12 months		41.6	40.1
		59.0	**53.7**

Movements	Note	Brands and trademarks and customer contracts and relationships $m	Deferred acquisition costs $m	Depreciation and amortisation $m	Unrealised foreign exchange losses $m	Unrealised gains on investments $m	Other $m	Total $m
At 1 July 2017		15.4	28.4	0.4	0.9	–	0.7	45.8
(Charged)/credited to the income statement		(1.9)	3.1	(0.4)	0.1	–	(0.2)	0.7
(Charged)/credited directly to other comprehensive income		(0.3)	(0.2)	–	(0.4)	–	–	(0.9)
(Charged)/credited directly to equity		–	–	–	–	–	(0.1)	(0.1)
Acquisition of businesses		8.1	–	0.1	–	–	–	8.2
Balance at 30 June 2018 as originally presented		**21.3**	**31.3**	**0.1**	**0.6**	**–**	**0.4**	**53.7**
Adjustment on adoption of AASB 15		–	–	–	–	–	–	–
Restated balance at 1 July 2018		**21.3**	**31.3**	**0.1**	**0.6**	**–**	**0.4**	**53.7**
At 1 July 2018		21.3	31.3	0.1	0.6	–	0.4	53.7
(Charged)/credited to the income statement		(2.4)	0.8	(0.1)	–	2.5	(0.2)	0.6
(Charged)/credited directly to other comprehensive income		0.3	0.3	–	0.5	–	–	1.1
Acquisition of business	32	3.6	–	–	–	–	–	3.6
At 30 June 2019		**22.8**	**32.4**	**–**	**1.1**	**2.5**	**0.2**	**59.0**

d) Accounting policy

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

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

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

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

nib holdings limited and its wholly-owned Australian controlled entities are a tax consolidated group. nib options pty limited and its wholly-owned Australian controlled entities were a separate tax consolidated group prior to joining the nib holdings limited tax consolidated group on 4 January 2018. As a consequence, the entities within each group are taxed as a single entity and the deferred tax assets and liabilities of these entities are set-off in the consolidated financial statements.

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.

9. CASH AND CASH EQUIVALENTS

	2019 $m	2018 $m
Cash at bank and cash on hand	124.2	88.7
Short term deposits and deposits at call	40.5	103.5
	164.7	**192.2**

a) Accounting policy

Cash and cash equivalents, and bank overdrafts, are carried at face value of the amounts deposited or drawn. For the purpose of the presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

b) Risk exposure

The Group's exposure to interest rate risk is discussed in Note 3(b). The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents mentioned above.

c) Reconciliation of profit after income tax to net cash inflow from operating activities

	2019 $m	2018 $m
Profit for the year	149.3	133.5
Net (gain) / loss on disposal of property, plant and equipment	0.6	0.1
Deferred profit on sale and leaseback of head office building	(0.4)	(0.4)
Fair value (gain) / loss on other financial assets through profit or loss	(10.3)	(6.2)
Share of net (profit) / loss of associates and joint ventures	1.0	0.5
Non-cash employee benefits expense – share-based payments	1.0	1.5
Depreciation and amortisation	24.8	24.4
Impairment of brand name	1.0	–
Net exchange differences	(1.8)	2.0
Change in operating assets and liabilities, net of effect from purchase of controlled entity		
Decrease (increase) in receivables	(2.8)	5.3
Decrease (increase) in deferred acquisition costs	(4.6)	(9.0)
Decrease (increase) in deferred tax assets	0.1	4.9
Increase (decrease) in trade payables	10.3	11.2
Increase (decrease) in unearned premium liability	19.6	13.4
Increase (decrease) in premium payback liability	1.1	(4.9)
Increase (decrease) in current tax liabilities	4.0	(13.2)
Increase (decrease) in deferred tax liabilities	0.1	(0.8)
Increase (decrease) in provisions	(8.5)	17.6
Net cash flow from operating activities	**184.5**	**179.9**

d) Net debt

This section sets out an analysis and movements in net debt:

	2019 $m	2018 $m
Cash and cash equivalents	164.7	192.2
Liquid investments	742.7	731.9
Borrowings – repayable within one year	(1.4)	(1.1)
Borrowings – repayable after one year	(232.5)	(229.5)
Net debt	**673.5**	**693.5**
Cash and liquid investments	907.4	924.1
Gross debt – fixed interest rates	–	–
Gross debt – variable interest rates	(233.9)	(230.6)
	673.5	**693.5**

	Cash / Bank overdraft $m	Liquid investments $m	Borrowings due within 1 year $m	Borrowings due after 1 year $m	Total $m
Net debt as at 1 July 2017	119.0	626.1	(1.5)	(151.7)	**591.9**
Cash flows	2.8	58.1	0.4	(80.5)	**(19.2)**
Acquisition of business	70.4	27.9	–	–	**98.3**
Foreign exchange adjustments	–	(3.3)	–	2.7	**(0.6)**
Other non-cash movements	–	23.1	–	–	**23.1**
Net debt as at 30 June 2018	**192.2**	**731.9**	**(1.1)**	**(229.5)**	693.5
Net debt as at 1 July 2018	**192.2**	**731.9**	**(1.1)**	**(229.5)**	693.5
Cash flows	(40.7)	69.7	(0.3)	–	**28.7**
Net cash and liquid investments from consolidation of Charitable foundation	13.8	4.0	–	–	**17.8**
Foreign exchange adjustments	(0.6)	1.1	–	(3.0)	**(2.5)**
Other non-cash movements	–	(64.0)	–	–	**(64.0)**
Net debt as at 30 June 2019	**164.7**	**742.7**	**(1.4)**	**(232.5)**	673.5

Liquid investments comprise current investments that are traded in an active market, being the Group's financial assets at amortised cost and financial assets at fair value through profit or loss.

e) Off-balance sheet arrangements

nib Travel Pty Limited (nib Travel), a wholly owned subsidiary of nib holdings limited, operates bank accounts held in their name on behalf of their underwriters in accordance with contractual terms governing the arrangements. These accounts are not considered part of the cash and cash equivalents of nib Travel as they do not have the control over the cash. At 30 June 2019 this amounted to $29,858,140 (2018: $14,032,703).

10. RECEIVABLES

	2019 $m	2018 $m
Current		
Premium receivable	11.2	11.7
Private Health Insurance Premiums Reduction Scheme receivable	36.9	39.2
Other receivables	21.2	16.2
Provision for loss allowance	(1.8)	(1.7)
Prepayments	8.1	7.0
Expected future reinsurance recoveries undiscounted		
on claims paid	3.9	4.2
on outstanding claims	1.8	2.0
	81.3	**78.6**
Non-current		
Other receivables	1.8	1.7
	1.8	**1.7**

As at 30 June 2019, current receivables of the Group with a nominal value of $1.782 million (2018: $1.716 million) were impaired. The individually impaired receivables relate to premium receivables.

The loss allowance as at 30 June 2019 (on adoption of AASB 9) was determined as follows for both premium receivables and other receivables:

Group at 30 June 2019		Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	%	4%	6%	10%	18%	
Gross carrying amount – premium receivables	$m	5.5	2.2	1.3	2.2	11.2
Gross carrying amount – other receivables	$m	18.6	1.3	0.7	0.6	21.2
Loss allowance	$m	**0.9**	**0.2**	**0.2**	**0.5**	**1.8**

The closing loss allowances for premium receivables and other receivables as at 30 June 2019 reconcile to the opening loss allowances as follows:

	Premium receivables 2019 $m	Other receivables 2019 $m
1 July – calculated under AASB 139	**1.6**	**0.1**
Amounts restated through opening retained earnings	0.1	–
Opening loss allowance as at 1 July 2018 – calculated under AASB 9	**1.7**	**0.1**
Increase / (decrease) in loss allowance recognised in profit or loss during the year	(0.1)	0.1
At 30 June	**1.6**	**0.2**

As of 30 June 2019 and 30 June 2018 no receivables were past due but not impaired.

a) Accounting policy

i) Premium receivables	Amounts due from policyholders are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking this initially recognised amount and reducing it for an allowance for expected credit losses. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, premium receivables have been grouped based on shared risk characteristics. The amount of expected credit losses is recognised in the Consolidated Income Statement.
ii) Other receivables	Other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Other receivables are generally due for settlement within 30 days. The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, other receivables have been grouped based on shared risk characteristics. The amount of expected credit losses is recognised in the Consolidated Income Statement. When a receivable becomes uncollectible it is written off against the expected credit loss account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Consolidated Income Statement.
iii) Impairment of financial assets	The Group recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the Group's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain. Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate. For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.
iv) Interest rate risk	Information about the Group's exposure to interest rate risk in relation to other receivables is provided in Note 3.
v) Fair value and credit risk	Due to the short-term nature of current receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.
vi) Risk exposure	The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. Refer to Note 3 for more information on the risk management policy of the Group and the credit quality of the Group's receivables.
vii) Reinsurance and other recoveries receivable	Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, incurred but not reported (IBNR), and unexpired risk liabilities are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims (see Note 17).

10. RECEIVABLES continued

b) Accounting policy applied until 30 June 2018

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment is used where there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in profit or loss. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the provision for impairment account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

i) Amounts due from policyholders	Amounts due from policyholders are initially recognised at fair value, being the amounts due. They are subsequently measured at fair value which is approximated by taking this initially recognised amount and reducing it for impairment as appropriate. A provision for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and the value of estimated future cash flows. The impairment charge is recognised in the profit or loss.
ii) Interest rate risk	Information about the Group's exposure to interest rate risk in relation to other receivables is provided in Note 3.
iii) Fair value and credit risk	Due to the short-term nature of current receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.
iv) Risk exposure	The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable mentioned above. Refer to Note 3 for more information on the risk management policy of the Group and the credit quality of the Group's receivables.
v) Reinsurance and other recoveries receivable	Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid, incurred but not reported (IBNR), and unexpired risk liabilities are recognised as revenue. Recoveries receivable are assessed in a manner similar to the assessment of outstanding claims. Recoveries are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims (see Note 17).

11. FINANCIAL ASSETS

a) Financial assets at amortised cost

	2019 $m	2018 $m
Short-term deposits	73.9	–
	73.9	**–**

Changes in fair values of financial assets at amortised cost are recorded in investment income in profit or loss in Note 6.

b) Financial assets at fair value through profit or loss

	2019 $m	2018 $m
Current		
Equity securities	134.4	124.7
Interest-bearing securities	518.3	498.9
Mortgage trusts	0.4	0.2
Property trusts	14.6	13.0
Short-term deposits	75.0	95.1
	742.7	**731.9**
Non-current		
Mortgage trusts	–	0.3
Property trusts	1.5	2.7
	1.5	**3.0**

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in profit or loss in Note 6.

The redemption terms for investments in certain managed trusts can be varied by their responsible entities in response to market conditions. For those investments which cannot be redeemed entirely within one year from reporting date, the amounts have been allocated between current and non-current in accordance with the maximum percentage redeemable within one year as per the most recent advice from the manager at the end of the reporting period.

c) Accounting policy

i) Classification

The Group classifies its financial assets into the following measurement categories:

- those to be measured at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the relevant cash flows.

The Group has determined that financial assets held by entities in the Group that are health insurers are classified as fair value through profit or loss as they are held to back insurance liabilities. These assets are managed in accordance with agreed investment mandate agreements on a fair value basis and are reported to the Board on this basis.

A financial asset is measured at amortised cost only if both of the following conditions are met:

- it is held within a business model which objective is to hold assets in order to collect contractual cash flows, and
- the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

11. FINANCIAL ASSETS continued

c) Accounting policy continued

ii) Measurement	Financial assets at fair value through profit or loss are recognised initially at fair value. All other financial assets are recognised initially at fair value plus directly attributable transaction costs. Subsequent to the initial recognition, for financial assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held as described below. Reclassification of debt investments is done when and only when its business model for managing those assets changes. For investments in equity instruments, the fair value will be recorded in profit or loss, unless the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.
iii) Debt instruments	Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the company classifies its debt instruments: *Amortised cost* Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in profit or loss using the effective interest rate method. *Fair value through other comprehensive income (FVOCI)* Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversal of impairment losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in profit or loss using the effective interest rate method. *Fair value through profit or loss (FVPL)* Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at FVPL and is not part of a hedging relationship is recognised in profit or loss and presented net within investment gains/(losses) in the period in which it arises. Interest income from these financial assets is included in the profit or loss using the effective interest rate method.
iv) Equity instruments	The Group subsequently measures all investments in equity instruments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Changes in the fair value of financial assets at fair value through profit or loss are recognised in investment gains/(losses) in the statement of profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

v) Impairment	The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its financial assets carried at amortised cost. The recognition of impairment depends on whether there has been a significant increase in credit risk. Debt investments at amortised cost are considered to be low credit risk, and thus the impairment provision is determined as 12 months ECL.
vi) Risk exposure	Information about the Group's exposure to price risk and interest rate risk is provided in Note 3.

d) Accounting policy applied until 30 June 2018

The Group applied AASB 9 retrospectively, but has elected to not restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

i) Investments and other financial assets	The Group classifies its financial assets into financial assets at fair value through profit or loss and available for sale financial assets.
ii) Financial assets and liabilities	Financial assets are designated at fair value through profit or loss. Initial recognition is at fair value, being acquisition cost, in the balance sheet and subsequent measurement is at fair value with any resultant fair value gains or losses recognised in the profit or loss. Shares, fixed interest securities, options and units in trusts listed on stock exchanges are initially recognised at cost and the subsequent fair value adjustment is taken as the quoted bid price of the instrument at the balance sheet date. All purchases and sales of financial assets that require delivery of the asset within the timeframe established by regulation or market convention ("regular way" transactions) are recognised at trade date, being the date on which the Group commits to buy or sell the asset. In cases where the point between trade and settlement exceeds this time frame, the transaction is recognised at settlement date. Financial assets are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and the Group has transferred substantially all the risks and rewards of ownership. Investments and other financial assets of nib holdings limited are also designated as at fair value through the profit or loss as they are managed and their performance is evaluated on a fair value basis, in accordance with a documented investment policy, and information is provided internally on that basis to the entity's key management personnel.
iii) Risk exposure	Information about the Group's exposure to price risk and interest rate risk is provided in Note 3.

12. DEFERRED ACQUISITION COSTS

	2019 $m	2018 $m
Current	**49.7**	**45.4**
Non-current	**65.5**	**65.3**

Movements in the deferred acquisition costs are as follows:

	2019 $m	2018 $m
Balance at beginning of year	110.7	101.6
Acquisition costs deferred during the period	54.9	57.1
Amortisation expense	(51.5)	(47.1)
Exchange differences	1.1	(0.9)
	115.2	**110.7**

Deferred acquisition costs by segment are as follows:

	2019 $m	2018 $m
Australian Residents Health Insurance	84.9	83.7
New Zealand Residents Health Insurance	25.5	23.1
International (Inbound) Health Insurance	4.8	3.9
	115.2	**110.7**

a) Accounting policy

Direct acquisition costs incurred in obtaining health insurance contracts, including broker commissions, are deferred and recognised as assets where they can be reliably measured and where it is probable that they will give rise to premium revenue that will be recognised in the consolidated income statement in subsequent reporting periods. This pattern of amortisation reflects the earning pattern of the corresponding premium revenue.

b) Critical accounting judgements and estimates

i) Australian Residents Health Insurance

Deferred acquisition costs are amortised on a straight line basis over a period of 5 years (2018: 5 years), in accordance with the expected pattern of the incidence of risk under the open ended insurance contracts to which they relate, which includes expectations of customers remaining insured.

The Group pays an upfront commission to retail brokers on signing up new members to the business. These upfront commissions will give rise to future premium revenue beyond the current period and are able to be measured and directly associated with a particular insurance contract. The Group does not capitalise the indirect administration costs associated with acquiring new members due to the difficulty in measurement. The Group considers the duration of a health insurance contract to be an open ended agreement as the Group stands ready to continue to insure its customers under continuing policies. The Group uses average retention rates to determine the appropriate customer contract life and related amortisation period for customers who purchase insurance through these broker channels. The analysis included extrapolating historical lapse rates for broker acquired customers but truncating the data at 10 years in order to allow for the inherent distortion created by extrapolating historical data. This analysis and management's expectations of future lapse supports the amortisation period of 5 years. The Group re-performs this analysis at least every six months for reassessment. A decrease in the expected contract periods of one year would increase amortisation expense by $14.0 million for 30 June 2019.

The recoverability of the related deferred acquisition costs is also considered as part of the liability adequacy test performed. As described in Note 18, the Group has no deficiency in the unearned premium liability at 30 June 2019.

Alternative view

General insurers amortise deferred acquisition costs usually over one year, as their policies generally have a defined term of one year. With health insurance, if the contract term is considered to be only the term to which the customer has agreed to, or paid to, the deferred acquisition cost would be amortised over a period of between one and two months, which is the period paid in advance by the customer. However, the Group believes that does not reflect the open ended nature of a health insurance contract, the contract periods to which future premium revenue will arise, nor the expected pattern of the incidence of risk under the insurance contracts to which the costs relate. For these reasons the Group believes the current adopted treatment is more appropriate.

ii) nib New Zealand

The Group incurs upfront commission costs that will give rise to future premium revenue and are able to be directly associated with a particular insurance contract. These costs are deferred and amortised over the life of the insurance contract. The Group does not capitalise the indirect administration costs associated with acquiring new members due to the difficulty in identifying and associating those indirect costs with acquiring particular insurance contracts.

There are two key assumptions required to recognise the acquisition costs over the life of the insurance contract:

- the period of the insurance contract is assumed to be the average length of insurance for nib nz limited policyholders who are the subject of an upfront commission; and
- the average length of insurance for nib nz limited policyholders who are the subject of an upfront commission is calculated by extrapolating historical lapse rates for that group of policyholders.

The recoverability of the related deferred acquisition costs is also considered through an assessment of the net present value of the future estimated cash flows for policies that are subject to commission, and as part of the liability adequacy test performed. As described in Note 18, the Group has no deficiency in the unearned premium liability at 30 June 2019.

13. PROPERTY, PLANT & EQUIPMENT

	Note	Plant & Equipment $m	Leasehold Improvements $m	Total $m
At 1 July 2017				
Cost		18.9	12.5	31.4
Accumulated depreciation and impairment		(14.1)	(5.5)	(19.6)
Net book amount		**4.8**	**7.0**	**11.8**
Year ended 30 June 2018				
Opening net book amount		4.8	7.0	11.8
Additions		1.6	1.2	2.8
Acquisition of subsidiary		0.1	–	0.1
Assets included in a disposal group classified as held for sale and other disposals		–	(0.1)	(0.1)
Depreciation charge for the year		(2.4)	(1.8)	(4.2)
Exchange differences		–	–	–
Closing net book amount		**4.1**	**6.3**	**10.4**
At 30 June 2018				
Cost		18.7	13.5	32.2
Accumulated depreciation and impairment		(14.6)	(7.2)	(21.8)
Net book amount		**4.1**	**6.3**	**10.4**
Year ended 30 June 2019				
Opening net book amount		4.1	6.3	10.4
Additions		2.8	4.0	6.8
Acquisition of business	32	0.1	–	0.1
Disposals		–	(0.1)	(0.1)
Depreciation charge for the year		(2.2)	(1.8)	(4.0)
Exchange differences		–	–	–
Closing net book amount		**4.8**	**8.4**	**13.2**
At 30 June 2019				
Cost		20.3	17.3	37.6
Accumulated amortisation and impairment		(15.5)	(8.9)	(24.4)
Net book amount		**4.8**	**8.4**	**13.2**

a) Accounting policy

All property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

- Plant and equipment 3 to 10 years
- Leasehold improvements 3 to 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (see Note 14(a)(v)).

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

14. INTANGIBLE ASSETS

	Note	Goodwill $m	Software $m	Brands and Trademarks $m	Customer Contracts and relationships $m	Total $m
At 1 July 2017						
Cost		135.0	77.5	28.9	47.1	288.5
Accumulated amortisation and impairment		–	(47.1)	(4.8)	(18.0)	(69.9)
Net book amount		**135.0**	**30.4**	**24.1**	**29.1**	**218.6**
Year ended 30 June 2018						
Opening net book amount		135.0	30.4	24.1	29.1	218.6
Additions		–	17.5	–	–	17.5
Acquisition of subsidiary		75.8	1.1	4.8	22.5	104.2
Disposals		–	(0.1)	–	–	(0.1)
Amortisation charge for the year		–	(13.8)	(1.2)	(5.2)	(20.2)
Exchange differences		(1.7)	(0.3)	–	(1.1)	(3.1)
Closing net book amount		**209.1**	**34.8**	**27.7**	**45.3**	**316.9**
At 30 June 2018						
Cost		209.1	91.7	33.6	68.0	402.4
Accumulated amortisation and impairment		–	(56.9)	(5.9)	(22.7)	(85.5)
Net book amount		**209.1**	**34.8**	**27.7**	**45.3**	**316.9**
Year ended 30 June 2019						
Opening net book amount		209.1	34.8	27.7	45.3	316.9
Additions		–	21.8	–	–	21.8
Acquisition of business	32	16.4	–	–	11.9	28.3
Disposals		–	(0.4)	–	–	(0.4)
Amortisation charge for the year		–	(13.4)	(1.3)	(6.1)	(20.8)
Impairment charge		–	–	(1.0)	–	(1.0)
Exchange differences		1.9	0.3	–	1.1	3.3
Closing net book amount		**227.4**	**43.1**	**25.4**	**52.2**	**348.1**
At 30 June 2019						
Cost		227.4	112.9	32.6	81.7	454.6
Accumulated amortisation and impairment		–	(69.8)	(7.2)	(29.5)	(106.5)
Net book amount		**227.4**	**43.1**	**25.4**	**52.2**	**348.1**

a) Accounting policy

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 acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, and is carried at cost less accumulated impairment losses.
ii) Software	Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from two and a half years to five years.

iii) Brands and trademarks	Brands and trademarks acquired as part of a business combination are carried at fair value at the date of acquisition less accumulated amortisation. Amortisation is calculated on the asset's estimated useful life which is five years for IMAN Australian Health Plans Pty Ltd and 10 years for Grand United Corporate Health Limited. Brands and trademarks acquired with World Nomads Group in July 2015 have an indefinite useful life and are carried at fair value at the date of acquisition, less impairment losses.
iv) Customer Contracts and relationships	Customer contracts and relationships acquired as part of a business combination are recognised separately from goodwill. The customer contracts 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, which is • 10 years for both nib nz limited and Grand United Corporate Health Limited; • approximately 2.5 years for World Nomads Group; and • 5 to 10 years for QBE Travel.
v) Impairment	Goodwill and intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

b) Impairment tests for goodwill and indefinite life intangibles

Goodwill and Indefinite life intangibles such as brands and trademarks are allocated to a cash-generating unit (CGU) which may be at a level lower than operating segments.

The recoverable amount of a CGU is determined based on a value-in-use calculation. The value-in-use calculation uses cash flow projections based on financial budgets and forecast forward projections approved by management covering a three-year period. The recoverable amount exceeds the carrying value of the goodwill or indefinite life intangibles.

Goodwill	Australian Residents Health Insurance Australia $m	International Workers Health Insurance Australia $m	New Zealand Residents Health Insurance New Zealand $m	nib Travel Group[1] Australia $m	Grand United Corporate Health Insurance Australia $m	Total $m
At 30 June 2019	7.1	18.4	42.0	84.1	75.8	227.4
At 30 June 2018	7.1	18.4	40.1	67.7	75.8	209.1

1. Includes acquisition of QBE Travel of $16.4 million.

Brands and trademarks	WorldNomads.com $m	Travel Insurance Direct $m	Suresave $m	Total $m
At 30 June 2019	12.7	5.2	2.9	20.8
At 30 June 2018	12.7	6.2	2.9	21.8

14. INTANGIBLE ASSETS continued

c) Key assumptions used for value-in-use calculations

The assumptions used for the cash flow projections for the first three years are in line with the current Board approved budget with the exception of Travel Insurance Direct for which the board approved budget has been adjusted given recent performance of the brand. Key assumptions include policyholder growth, claims ratio and the discount factor.

Policyholder growth is calculated by forecasting the number of sales each month based on budgeted advertising and promotions spend, less the number of expected lapses each month. Claims ratios are targeted that generate price increases that maintain price competitiveness, cover expected increases in claims costs, do not adversely affect the funds capital adequacy position and enable funding of future business growth.

Cash flows beyond the three-year period are extrapolated into perpetuity assuming a growth factor of 2.5% with the exception of Travel Insurance Direct as shown below. The Group has applied a post-tax discount rate to discount the forecast future attributable post tax cash flows.

These assumptions have been used for analysis of each CGU. Management determined policyholder growth and claims ratios based on past performance and its expectations for the future.

d) Significant estimate: Impact of possible changes in key assumptions

During the year the Travel Insurance Direct brand name was impaired down to $5.2 million due to a change in the underlying assumptions. A further deterioration in assumptions would result in a future impairment of the brand name.

In both 2019 and 2018 with the exception of the Travel Insurance Direct brand name there were no reasonably possible changes in any of the key assumptions that would have resulted in an impairment write-down of goodwill and indefinite life intangibles in any CGU.

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them.

	Policyholder growth		Claims ratio		Long-term growth rate		Pre-tax discount rate	
Goodwill	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
Australian Residents Health Insurance[1]	1.4	3.8	83.5	83.6	2.5	3.0	10.3	10.1
International Workers Health Insurance[1]	3.8	10.9	27.0	33.8	2.5	3.0	10.3	10.1
New Zealand Residents Health Insurance	5.4	6.7	60.0	58.9	2.5	3.0	11.0	10.5
Grand United Corporate Health Insurance[2]	2.4	1.4	81.3	81.1	2.5	3.0	10.3	10.1

1. Excluding Grand United Corporate Health Insurance.
2. Australian Residents Health Insurance only.

	Gross written premium growth rate		Long-term growth rate		Pre-tax discount rate	
Goodwill	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
nib Travel	9.6	18.1	2.5	3.0	10.3	10.1

The following table sets out the key assumptions for those CGUs that have significant indefinite life intangibles allocated to them.

	Gross written premium growth rate		Royalty rate		Long-term growth rate		Pre-tax discount rate	
Brandnames and trademarks	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %	2019 %	2018 %
WorldNomads.com	19.1	21.7	2.5	2.5	2.5	3.0	10.3	10.1
Travel Insurance Direct	0.0	13.7	2.0	2.0	0.0	3.0	10.3	10.1
Suresave	14.6	6.1	1.5	1.5	2.5	3.0	10.3	10.1

15. PAYABLES

	2019 $m	2018 $m
Current		
Outwards reinsurance expense liability – premiums payable to reinsurers	6.9	8.0
Trade creditors	17.5	18.2
Other payables	111.8	102.0
RESA payable[1]	53.1	59.8
Annual leave payable	8.4	7.3
	197.7	**195.3**
Non-current		
Other payables	10.0	4.6
	10.0	**4.6**

1. Risk Equalisation Special Account (RESA) levy, represents expenses incurred under Risk Equalisation Trust Fund arrangements which are provided for within the legislation to support the principle of community rating.

Annual leave payable is accrued annual leave. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken within the next 12 months.

	2019 $m	2018 $m
Annual leave obligation expected to be settled after 12 months	**0.7**	**0.5**

a) Accounting policy

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

i) Risk Equalisation Special Account levy	The Risk Equalisation Special Account Levy is accrued based on the industry survey of eligible paid claims to be submitted to APRA. If a private health insurer notifies APRA of a material variation in paid claims which can be quantified, the Group adjusts the risk equalisation expense.

16. BORROWINGS

	2019 $m	2018 $m
Current		
Bank overdraft	1.4	1.1
	1.4	**1.1**
Non-current		
Bank loans (secured)	232.5	229.5
	232.5	**229.5**

The bank overdraft comprises the closing positive balance of the bank account, adjusted for unpresented cheques and outstanding deposits.

The Group has a line-of-credit facility for corporate credit cards issued to nib employees for a total of $3.2 million. Outstanding amounts as at 30 June 2019 are included in Current Liabilities – Payables under Trade Creditors.

Movements in the bank loans (secured) are as follows:

	2019 $m	2018 $m
Balance at beginning of period	229.5	151.7
Proceeds from borrowings	–	80.5
Exchange differences	3.0	(2.7)
Balance at end of period	**232.5**	**229.5**

a) Accounting policy

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as non-current liabilities if the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

b) Secured liabilities

nib holdings limited has both AUD $80.5 million and AUD $85.0 million variable rate loans with NAB with maturity dates of 31 October 2020 and 16 December 2021 respectively. Both loans are carried at amortised cost.

nib nz holdings limited, a wholly owned subsidiary of nib holdings limited, has a NZD $70.0 million variable rate term loan facility with ANZ with a maturity date of 18 December 2020. The bank loan is secured by the shares in nib nz holdings limited and a negative pledge that imposes covenants on the Group.

The above loans have the following covenants that must be met by the Group:

Financial Covenant	Ratio as at 30 June 2019
Group Gearing Ratio will not be more than 45%	27.6%
Group Interest Cover Ratio will not be less than 3:1.	29:1

nib holdings limited has provided a guarantee and indemnity to the ANZ Bank New Zealand on behalf of nib nz holdings limited in respect of the NZD $70 million term loan facility.

nib holdings limited has subordinated any amounts owing to it from nib nz holdings limited and nib nz limited in favour of all other creditors of these companies.

c) Risk exposure

Information on the sensitivity of the Group's profit and equity to interest rate risk on borrowings is provided in Note 3.

17. OUTSTANDING CLAIMS LIABILITY

	2019 $m	2018 $m
Outstanding claims – central estimate of the expected future payment for claims incurred[1]	112.2	120.3
Risk margin	8.4	9.4
Administration component	1.8	1.9
Gross outstanding claims liability	**122.4**	**131.6**
Outstanding claims – expected payment to the RESA[2] in relation to the central estimate	19.4	19.1
Risk margin	1.5	1.5
Net outstanding claims liability	**143.3**	**152.2**

1. Includes $1.9 million of outstanding claims for nib Travel's underwriting company Nomadic Insurance Benefits Limited which is 100% reinsured.
2. Risk Equalisation Special Account (RESA) Levy represents expenses incurred under Risk Equalisation Trust Fund arrangements which are provided for within the legislation to support the principle of community rating.

Movements in the gross outstanding claims are as follows:

	2019 $m	2018 $m
Gross outstanding claims at beginning of period	131.6	104.9
Risk margin	(9.4)	(6.6)
Administration component	(1.9)	(1.6)
Central estimate at beginning of period	**120.3**	**96.7**
Change in claims incurred for the prior year	(14.5)	(10.2)
Claims paid in respect of the prior year	(104.6)	(93.6)
Claims incurred during the period (expected)	1,573.4	1,465.9
Claims paid during the period	(1,463.0)	(1,347.9)
Acquisition of business	–	10.0
Effect of changes in foreign exchange rates	0.6	(0.6)
Central estimate at end of period	**112.2**	**120.3**
Risk margin	8.4	9.4
Administration component	1.8	1.9
Gross outstanding claims at end of period	**122.4**	**131.6**

a) Actuarial methods and critical accounting judgements and estimates

Provision is made at the period end for the liability for outstanding claims which is measured as the central estimate of the expected payments against claims incurred but not settled at the reporting date under private health insurance contracts issued by the Group. The expected future payments include those in relation to claims reported but not yet paid and claims incurred but not yet reported. This 'central estimate' of outstanding claims is an estimate which is intended to contain no intentional over or under estimation. For this reason the inherent uncertainty in the central estimate must also be considered and a risk margin is added. The estimated cost of claims includes allowances for Risk Equalisation Special Account (RESA) consequences and claims handling expense. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In calculating the estimated cost of unpaid claims, the Group uses estimation techniques based upon statistical analysis of historical experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims, including changes in the Group's processes which might accelerate or slow down the development and/or recording of paid or incurred claims, compared with the statistics from previous periods. The calculation is determined taking into account one month of actual post-balance date claims.

The risk margin is based on an analysis of the past experience of the Group. This analysis examines the volatility of past payments that is not explained by the model adopted to determine the central estimate. This past volatility is assumed to be indicative of the future volatility. The central estimates are calculated gross of any risk equalisation recoveries. A separate estimate and risk margin is made of the amounts that will be recoverable from or payable to the RESA based upon the gross provision.

The outstanding claims estimate for Australian segments is derived based on three valuation classes, namely hospital and prostheses services combined, medical services, and general treatment. For the New Zealand segment the outstanding claims estimate is derived based on two valuation classes, surgical and medical. This analysis is supplemented by more granular analysis within classes as appropriate.

In calculating the estimated cost of unpaid claims two methods are used. For recent service months for hospital and medical, and for all months for general treatment, a chain ladder method is used; this assumes that the development pattern of the current claims will be consistent with historical experience. For hospital and medical, for recent service months the Bornhuetter-Ferguson method is given some weight, which progressively blends payment experience and prior forecasts of incurred costs.

As most claims for health funds are generally settled within one year, no discounting of claims is usually applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material. Accordingly, reasonable changes in assumptions would not have a material impact on the outstanding claims balance.

b) Actuarial assumptions

The following assumptions have been made in determining the outstanding claims liability for claims incurred 12 months to the following financial years:

	2019			2018		
Australian Residents Health Insurance	Hospital %	Medical %	General %	Hospital %	Medical %	General %
Assumed proportion paid to date	92.1%	91.7%	98.2%	90.6%	90.9%	98.1%
Expense rate	1.2%	1.2%	1.2%	1.3%	1.3%	1.3%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	6.1%	6.1%	6.1%	6.4%	6.4%	6.4%
Risk equalisation rate	25.0%	25.0%	0.0%	21.5%	21.5%	0.0%
Risk margin for risk equalisation	7.6%	7.6%	0.0%	7.9%	7.9%	0.0%
International Students Health Insurance						
Assumed proportion paid to date	75.7%	88.5%	98.5%	67.3%	85.6%	100.0%
Expense rate	4.2%	4.2%	4.2%	3.5%	3.5%	3.5%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	24.4%	24.4%	24.4%	24.9%	24.9%	24.9%
International Workers Health Insurance						
Assumed proportion paid to date	76.4%	85.7%	93.3%	75.6%	86.7%	94.1%
Expense rate	4.9%	4.9%	4.9%	4.6%	4.6%	4.6%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	16.7%	16.7%	16.7%	16.3%	16.3%	16.3%
NZ Health Insurance	Surgical %	Medical %		Surgical %	Medical %	
Assumed proportion paid to date	89.9%	85.9%		89.0%	85.1%	
Expense rate	2.3%	2.3%		2.1%	2.1%	
Discount rate	0.0%	0.0%		0.0%	0.0%	
Risk margin	6.9%	6.9%		6.9%	6.9%	

The risk margin of the underlying liability has been estimated to equate to a probability of adequacy of 95% (June 2018: 95%) for the Group. The risk margin within each territory allows for diversification across the entity. The benefit of diversification across the Group is again allocated to the Australian Residents Health Insurance segment. Although the variability assumptions used in determining the risk margins are unchanged from the prior year for each Australian segment, differences appear due to the incorporation of Grand United Corporate Health Limited into 2018 numbers.

17. OUTSTANDING CLAIMS LIABILITY continued

c) Process used to determine assumptions

The Group conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying variables. The valuations included in the reported results are calculated using certain assumptions about these variables as disclosed above. The movement in any key variable will impact the performance and equity of the Group. The table below describes how a change in each assumption will affect the insurance liabilities.

Key variable	Description	Impact of movement in variable
Chain ladder development factors	Chain ladder development factors were selected based on observations of historical claim payment experience. Particular attention was given to the development of the most recent 12 months.	An increase or decrease in the chain ladder factors would lead to a higher or lower projection of the ultimate liability and a corresponding increase or decrease in claims expense respectively.
Bornhuetter-Ferguson unpaid factors	Bornhuetter-Ferguson unpaid factors were selected based on historical patterns of payment (by development) to ultimate incurred claims. That is, the proportion of ultimate incurred claims to be paid by development month is selected based on observations from the historical development. This "unpaid proportion" is then multiplied by a prior forecast of incurred claims for each service month to determine the outstanding claims estimate.	An increase or decrease in the level of unpaid factors would lead to a higher or lower projection of the ultimate liability and a corresponding increase or decrease on claims expense respectively.
Expense rate	Claims handling expenses were calculated by reference to past experience of total claims handling costs as a percentage of total past payments.	An estimate for the internal costs of handling claims is included in the outstanding claims liability. An increase or decrease in the expense rate assumption would have a corresponding impact on claims expense.
Discount rate	As most claims for health funds are generally settled within one year, no discounting of claims is applied as the difference between the undiscounted value of claims payments and the present value of claims payments is not likely to be material.	N/A
Risk equalisation allowance	In simplified terms, each organisation is required to contribute to the risk equalisation pool or is paid from the pool to equalise their hospital claims exposure to policyholders aged over 55 years of age and in respect of high cost claims. This is the allowance made in respect of the claims incurred but not yet paid.	An estimate for the risk equalisation cost is included in the outstanding claims liability. An increase or decrease in the risk equalisation allowance would have a corresponding impact on RESA Levy.
Risk margin	The risk margin has been based on an analysis of the past experience of the Group. This analysis examined the volatility of past payments that has not been explained by the model adopted to determine the central estimate. This past volatility has been assumed to be indicative of the future volatility and has been set at a level estimated to equate to a probability of adequacy of 95% at a consolidated level (June 2018: 95%).	An estimate of the amount of uncertainty in the determination of the central estimate. An increase or decrease in the risk margin would have a corresponding impact on claims expense.

d) Sensitivity analysis – impact of key variables

			Profit after tax 2019 $m		Equity 2019 $m
Recognised amounts in the financial statements attributable to owners of nib holdings limited			**149.8**		**614.6**
Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		$m	$m	$m	$m
Chain ladder development factors	+0.5%	(11.8)	138.0	(11.8)	602.8
	-0.5%	11.8	161.6	11.8	626.4
Bornhuetter-Ferguson unpaid factors	+2.0%	(3.8)	146.0	(3.8)	610.8
	-2.0%	3.8	153.6	3.8	618.4
Expense rate	+1.0%	(0.8)	149.0	(0.8)	613.8
	-1.0%	0.8	150.6	0.8	615.4
Risk equalisation allowance	+2.5%	(1.5)	148.3	(1.5)	613.1
	-2.5%	1.5	151.3	1.5	616.1
Risk margin	+1.0%	(0.9)	148.9	(0.9)	613.7
	-1.0%	0.9	150.7	0.9	615.5

18. UNEARNED PREMIUM LIABILITY AND UNEXPIRED RISK LIABILITY

a) Unearned premium liability

	2019 $m	2018 $m
Current	219.3	205.1
	219.3	**205.1**
Non-current	38.1	32.7
	38.1	**32.7**

The unearned premium liability reflects premiums paid in advance by customers.

Movements in the unearned premium liability are as follows:

	2019 $m	2018 $m
Unearned premium liability as at 1 July	237.8	203.6
Acquisition of business	–	20.9
Deferral of premiums on contracts written in the period	224.7	188.0
Earning of premiums written in previous periods	(205.1)	(174.7)
Unearned premium liability as at 30 June	**257.4**	**237.8**

b) Unexpired risk liability

No deficiency was identified as at 30 June 2019 and 2018 that resulted in an unexpired risk liability needing to be recognised.

c) Critical accounting judgements and estimates

A liability adequacy test is required to be performed for the period over which the insurer is “on risk” in respect of premiums paid in advance. At each reporting date, the adequacy of the unearned premium liability is assessed by considering current estimates of all expected future cash flows relating to future claims arising from the rights and obligations created. If the sum of 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 is deemed to be deficient, with the deficiency being recorded in the income statement and an unexpired risk liability created. The Group applies a risk margin to achieve a 75% (June 2018: 75%) probability of adequacy for future claims which is lower than the 95% achieved in the estimate of the outstanding claims liability, refer to Note 17(b) as the former is in effect an impairment test used to test the sufficiency of the unearned premium liability whereas the latter is a measurement accounting policy used in determining the carrying value of the outstanding claims liability. No deficiency was identified as at 30 June 2019 and 2018 that resulted in an unexpired risk liability needing to be recognised.

This test is also extended beyond recognised unearned premium liability to include premiums renewable until the next repricing review, usually 1 April each year.

19. PREMIUM PAYBACK LIABILITY

	2019 $m	2018 $m
Current	**3.2**	**3.7**
Non-current	**16.1**	**14.4**

Movements in premium payback liability are as follows:

	2019 $m	2018 $m
Gross premium payback liability at beginning of period	18.1	23.0
Adjustment to ensure reserve exceeds current payout on early lapse	–	(0.1)
Value of payments currently being processed	(0.6)	(0.9)
Risk margin	(0.5)	(0.6)
Central estimate at beginning of period	**17.0**	**21.4**
Funding/new accrued	2.5	2.7
Unwind discount rate	0.3	0.5
Interest rate movement impact	0.8	0.4
Premium payback payments	(3.3)	(7.1)
Others	(0.1)	(0.1)
Effect of changes in foreign exchange rates	0.9	(0.8)
Central estimate at end of the period	**18.1**	**17.0**
Adjustment to ensure reserve exceeds current payout on early lapse	–	–
Value of payments currently being processed	0.7	0.6
Risk margin	0.5	0.5
Total premium payback liability as at end of period	**19.3**	**18.1**

Risk exposure

Information about the Group's exposure to interest rate risk in relation to premium payback liability is provided in Note 3(b).

a) Actuarial methods and critical accounting judgements and estimates

The premium payback liability represents the accrued amount of premium expected to be repaid to certain New Zealand health insurance policyholders. A number of nib nz limited's health insurance policies have a benefit whereby policyholders receive a proportion of premiums paid less claims received over the life of their policy, "premium payback", if certain conditions are met. This liability represents a long term health insurance contract liability. The liability was determined based on the discounted value of accumulated excess of premiums over claims at an individual policy level, adjusted for GST recoveries and expected future lapses.

A risk margin at 95% probability of sufficiency was estimated by assuming there are no future lapses. Most of the premium payback reserve is held in respect of a group of customers where the historical lapse rate is already very low.

The following assumptions have been made in determining the premium payback liability:

	2019	2018
Lapse rate until 3 years from premium payback date	2.0% – 10.0%	2.0% – 10.0%
Lapse rate within 3 years of premium payback date	0.0% – 1.0%	0.0% – 1.0%
Expense rate	0.0%	0.0%
Discount rate for succeeding and following year	1.2% – 1.3%	1.8% – 2.2%
Risk margin[1]	2.8%	2.6%

1. The risk margin has been estimated to equate to a 95% probability of adequacy (2018: 95%).

19. PREMIUM PAYBACK LIABILITY continued

b) Sensitivity analysis

i) Summary

The Group conducts sensitivity analysis to quantify the exposure to risk of changes in the key underlying actuarial assumptions. The movement in any key variable will impact the performance and equity of the Group. The table below provides a description of the processes used to determine these assumptions, as well as how a change in each assumption will affect the insurance liabilities.

Key variable	Description	Impact of movement in variable
Lapse rate	Rate used in calculating the discounted provision to allow for expected lapses, based on historical experience.	An increase or decrease in the lapse assumption would have an inverse impact on the premium payback liability and risk margin.
Discount rate	Rate used in calculating the discounted provision to allow for expected investment income, based on current yields on New Zealand government debt (risk free rates).	An increase or decrease in the discount rate assumption would have an inverse impact on the premium payback liability.
Risk margin	An estimate of the amount of uncertainty in the determination of the central estimate.	An increase or decrease in the risk margin would have a corresponding impact on the premium payback liability.

ii) Impact of key variables

			Profit after tax 2019 $m		Equity 2019 $m
Recognised amounts in the financial statements attributable to owners of nib holdings limited			**149.8**		**614.6**
Variable	**Movement in variable**	**Adjustments**	**Adjusted amounts**	**Adjustments**	**Adjusted amounts**
		$m	$m	$m	$m
Lapse rate	+1.0%	0.4	150.2	0.4	615.0
	-1.0%	(0.4)	149.4	(0.4)	614.2
Discount rate	+1.0%	0.7	150.5	0.7	615.3
	-1.0%	(0.7)	149.1	(0.7)	613.9
Risk margin	+1.0%	(0.1)	149.7	(0.1)	614.5
	-1.0%	0.1	149.9	0.1	614.7

c) Unexpired risk liability

A liability adequacy test was performed allowing for the expected cash flows of each policy over the entire product life.

The future cash flows include

- Reserves held at 30 June 2019 including the risk margin;
- Expected future payments for claims, policy paybacks and management expenses; and
- Expected future revenue from premiums and investment income.

No deficiency was identified at 30 June 2019 (2018: nil) that resulted in an unexpired risk liability needing to be recognised.

20. PROVISION FOR EMPLOYEE ENTITLEMENTS

	2019 $m	2018 $m
Current		
Long service leave	4.4	4.0
Termination benefits	0.4	0.2
	4.8	**4.2**
Non-current		
Long service leave	3.4	2.4
	3.4	**2.4**

Amounts not expected to be settled within the next 12 months

The current provision for long service leave and retirement benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of the provision or require payment within the next 12 months. The following amounts reflect leave that is not to be expected to be taken or paid within the next 12 months.

	2019 $m	2018 $m
Long service leave obligation expected to be settled after 12 months	3.7	3.3
	3.7	**3.3**

a) Accounting policy

i) Short-term obligations	Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. The portion not expected to be settled within 12 months is discounted based on expected settlement dates. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rate paid or payable.
ii) Other long-term employee benefit obligations	The liability for long service leave is the amount of the future benefit that employees have earned in return for their service in the current and prior periods. The liability is calculated using expected future increases in wage and salary rates and expected settlement dates, and is discounted using G100 treasury discount rates at the balance sheet date which have the maturity dates approximating to the terms of nib's obligations.
iii) Bonus plans	A liability for employee benefits in the form of bonus plans is recognised in other creditors when at least one of the following conditions is met: • there are formal terms in the plan for determining the amount of the benefit, or • the amounts to be paid are determined before the time of completion of the financial report, or • past practice gives clear evidence of the amount of the obligation. Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.
iv) Termination benefits	Liabilities for termination benefits, not in connection with the acquisition of an entity or operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised with those employees affected that the terminations will be carried out without possibility of withdrawal. The liabilities for termination benefits are recognised as current provisions, as liabilities for termination benefits are expected to be settled within 12 months of reporting date.

21. OTHER LIABILITIES

	2019 $m	2018 $m
Current		
Deferred profit on sale and leaseback of head office building	0.4	0.4
	0.4	**0.4**
Non-current		
Deferred profit on sale and leaseback of head office building	4.3	4.8
	4.3	**4.8**

a) Accounting policy

The deferred profit relates to the sale and leaseback of the head office building at 22 Honeysuckle Drive, Newcastle in February 2016. The excess of the proceeds received over fair value relating to the leaseback portion of the building was deferred and is amortised over the lease term of 15 years. The subsequent leasing agreement is treated as an operating lease. The non-current portion of the deferred profit will be amortised between 2016 and the end of the lease term.

22. CONTRIBUTED EQUITY

a) Share capital

	2019 $m	2018 $m
Ordinary shares		
Fully paid	**120.3**	**116.1**
Other equity securities		
Treasury shares	**(5.1)**	**(3.8)**
Total contributed equity	**115.2**	**112.3**

b) Movements in share capital

Date	Details	No. of shares	Price $	$m
1 July 2017	Opening balance	439,004,182	–	28.1
26 Sep 2017	Shares issued – Institutional placement[1]	10,619,470	5.65	60.0
27 Oct 2017	Shares issued – Share purchase plan[1]	5,225,217	5.65	29.5
	Share issue transaction costs	–	–	(2.1)
	Deferred tax component	–	–	0.6
30 June 2018	**Balance**	**454,848,869**		**116.1**
1 July 2018	Opening balance	454,848,869	–	116.1
5 Oct 2018	Shares issued – Dividend reinvestment plan	702,509	5.99	4.2
30 June 2019	**Balance**	**455,551,378**		**120.3**

1. The majority of the shares issued during FY18 were used to fund the acquisition of Grand United Corporate Health Limited.

c) Treasury shares

Treasury shares are shares in nib holdings limited that are held by the nib Holdings Ltd Share Ownership Plan Trust (trust) for the purpose of issuing shares under the Group's Executive management Short-Term Incentive and Long-Term Incentive share plans. See Note 35 for more information.

Date	Details	No. of shares	$m
1 July 2017	**Balance**	**588,573**	**3.1**
	Acquisition of shares by the Trust	802,394	5.0
	Employee share issue – LTIP	(559,057)	(3.0)
	Employee share issue – STI	(217,678)	(1.3)
30 June 2018	**Balance**	**614,232**	**3.8**
	Acquisition of shares by the Trust	1,052,953	6.0
	Employee share issue – LTIP	(496,883)	(3.1)
	Employee share issue – STI	(249,542)	(1.6)
30 June 2019	**Balance**	**920,760**	**5.1**

22. CONTRIBUTED EQUITY continued

d) Accounting policy

i) Ordinary shares	Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental cost (net of income taxes) is recognised directly in equity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.
ii) Employee share trust	The Group has formed a trust to administer the Group's executive management Short-Term Incentive and Long Term-Incentive share plans. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group. Shares held by the nib Holdings Ltd Share Ownership Plan Trust are disclosed as treasury shares and deducted from contributed equity.

23. RETAINED PROFITS

	2019 $m	2018 $m
Balance at the beginning of the year	445.5	399.0
Net profit	149.8	132.4
Adjustment on adoption of AASB 9	(0.1)	–
Adjustment on adoption of AASB 15	(0.8)	–
Transfer from revaluation reserve on sale of land and buildings, net of tax	–	1.1
Dividends	(95.5)	(87.0)
Balance at the end of the year	**498.9**	**445.5**

24. RESERVES

	2019 $m	2018 $m
Revaluation surplus – property, plant and equipment	–	–
Share-based payments	3.3	3.2
Share-based payments exercised	(7.7)	(5.6)
Foreign currency translation	4.9	2.4
	0.5	**–**

Movements in reserves

	Notes	2019 $m	2018 $m
Revaluation surplus – property, plant and equipment			
Balance at the beginning of the year		–	1.1
Transfer to retained profits on sale of land and buildings – gross		–	(1.2)
Deferred tax	8(a)(iv)	–	0.1
Balance at the end of the financial year		**–**	**–**
Share-based payments			
Balance at the beginning of the year		3.2	2.5
Performance right expense		1.1	1.5
Transfer to share-based payments exercised reserve on exercise of performance rights		(1.0)	(0.8)
Balance at the end of the financial year		**3.3**	**3.2**
Share-based payments exercised			
Balance at the beginning of the year		(5.6)	(3.4)
Transfer from share-based payments reserve on exercise of performance rights		1.0	0.8
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees		(3.1)	(3.0)
Balance at the end of the financial year		**(7.7)**	**(5.6)**
Foreign currency translation			
Balance at the beginning of the year		2.4	4.4
Currency translation differences arising during the year – gross		3.4	(2.6)
Deferred tax	8(a)(iii)	(0.9)	0.6
Balance at the end of the financial year		**4.9**	**2.4**

a) Nature and purpose of reserves

i) Revaluation surplus – property, plant and equipment	The property, plant and equipment revaluation surplus is used to record increments and decrements on the revaluation of non-current assets.
ii) Share-based payments	The share-based payments reserve is used to recognise the fair value of performance rights and bonus share rights issued to employees but not exercised.
iii) Share-based payments exercised	The share-based payments exercised reserve is used to recognise the difference between fair value of performance rights and bonus share rights accumulated in the share based payments reserve and cost of exercising the rights.
iv) Foreign currency translation	Exchange rate differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in Note 1(c) and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

25. DIVIDENDS

a) Ordinary shares

	2019 $m	2018 $m
Final dividend for the year ended 30 June 2018 of 11.0 cents (2017 – 10.5 cents) per fully paid share paid on 5 October 2018		
Fully franked based on tax paid at 30%	50.0	46.1
Interim dividend for the year ended 30 June 2019 of 10.0 cents (2018 – 9.0 cents) per fully paid share paid on 2 April 2019		
Fully franked based on tax paid at 30%	45.5	40.9
Total dividends provided for or paid	**95.5**	**87.0**

b) Dividends not recognised at year end

	2019 $m	2018 $m
In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of 13.0 cents (2018 - 11.0 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 30 September 2019 out of retained profits at 30 June 2019, but not recognised as a liability at the end of the year, is:	**59.2**	**50.0**

c) Franked dividends

The franked portion of the final dividends recommended after 30 June 2019 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2019.

	2019 $m	2018 $m
Franking credits available for subsequent financial years to equity holders of parent entity based on a tax rate of 30%	**80.6**	**63.8**

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- Franking credits that will arise from the payment of the amount of the provision for income tax;
- Franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- Franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

d) Accounting policy

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 financial year but not distributed at balance date.

26. EARNINGS PER SHARE

		2019 $m	2018 $m
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic/diluted EPS	$m	149.8	132.4
Weighted average number of ordinary shares	#m	455.4	450.6
Basic / Diluted EPS	cents	**32.9**	**29.4**

a) Accounting policy

i) Basic earnings per share	Basic earnings per share is calculated by dividing: • the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares • by the weighted average number of ordinary shares outstanding during the financial year.
ii) Diluted earnings per share	Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: • the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and • the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

b) Information concerning the classification of shares

i) Performance rights	Performance rights granted to employees under the nib holdings Long-Term Incentive Plan are considered to be potential ordinary shares and are only included in the determination of diluted earnings per share to the extent to which they are dilutive. The performance rights have not been included in the determination of basic earnings per share. Details relating to the performance rights are set out in the Remuneration Report on page 37. The total 2,390,899 performance rights granted (2018 – 2,381,654) are not included in the calculation of diluted earnings per share because they are contingently issuable ordinary shares and conditions were not satisfied at 30 June 2019. These performance rights could potentially dilute basic earnings per share in the future.

27. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group has a number of levers, including adjusting the amount of dividends paid to shareholders, returning capital to shareholders, issuing new shares, selling assets, raising or reducing debt or buying back shares.

nib holdings limited

At 30 June 2019 the Group had available capital of $95.7 million above our internal benchmark (after allowing for the payment of a fully franked final ordinary dividend of 13.0 cents per share, totalling $59.2 million, in September 2019).

Below is a reconciliation of net assets to available capital as at 30 June 2019 (after allowing for payment of a final dividend):

		2019 $m
Net assets		**632.2**
Less:	nib health fund capital required	(290.2)
	nib nz capital required	(87.3)
	Grand United capital required	(40.1)
	Joint venture in China capital required	(10.0)
	nib nz intangibles	(34.9)
	Grand United intangibles	(98.5)
	iihi intangibles	(19.1)
	nib travel intangibles	(123.6)
	Charitable foundation	(18.1)
	Borrowings	232.5
	Other assets and liabilities	12.0
	Final dividend	(59.2)
Available capital (after allowing for payment of final dividend)		**95.7**

nib health funds limited and Grand United Corporate Health Limited

nib health funds limited and Grand United Corporate Health Limited, controlled entities, are required to comply with the Solvency and Capital Adequacy Standards under Schedule 2 and 3 of the Private Health Insurance (Health Benefits Fund Administration) Rules 2007, the Rules are made for the purposes of Part 4-4 of the *Private Health Insurance Act 2007*.

To comply with the Solvency Standard, nib health funds limited and Grand United Corporate Health Limited:	(i)	must ensure that, at all times, the value of cash must be equal to or greater than a specified cash management amount, plus any solvency supervisory adjustment (Section 4.2 of the Solvency Standard);
	(ii)	must have, and comply with, a board endorsed, liquidity management plan designed to ensure compliance with the solvency requirements described above, and set minimum liquidity requirements and management action triggers (Section 4.3 of the Solvency Standard).

To comply with the Capital Adequacy Standard, nib health funds limited and Grand United Corporate Health Limited:	(i)	must ensure that at all times the value of its assets is not less than the amounts calculated under Section 4.2 (a) and (b) of the Capital Adequacy Standard (Capital Adequacy Requirement);
	(ii)	must have, and comply with, a written, board endorsed capital management policy.

nib health funds limited has a capital management plan which establishes a target for capital held in excess of the regulatory requirement; the aim is to keep a sufficient buffer in line with the Board's attitude to and tolerance for risk. The internal capital target ensures nib has a minimum level of capital given certain stressed capital scenarios. This currently approximates to 14.4% of total projected premiums for the next 12 months.

Any capital in excess of the benchmark, taking a 12-month forward looking view, will be reduced by way of dividend to nib holdings limited. nib health funds limited paid dividends of $56.9 million in September 2018 and $61.1 million in February 2019 to nib holdings limited.

The surplus assets over benchmark at 30 June 2019 and 2018 were as follows:

	2019 $m	2018 $m
Total assets nib health funds limited (excluding unclosed business contributions – unearned)	842.5	818.2
Capital adequacy requirement	540.9	530.4
Surplus assets for Capital Adequacy	301.6	287.8
Net assets nib health funds limited	332.0	322.2
Internal capital target	290.2	282.8
Surplus assets over internal capital target	41.8	39.4

27. CAPITAL MANAGEMENT continued

Grand United Corporate Health Limited has a capital management plan which establishes a target for capital held in excess of the regulatory requirement; the aim is to maintain a sufficient buffer in line with the Board's risk appetite and risk tolerances. The internal capital target ensures Grand United maintain the preferred range of capital adequacy ratio (CAR) given certain stressed capital scenarios. Grand United targets the lower end of this CAR range currently approximating to 1.35x the Capital Adequacy Requirement.

Any capital in excess of the benchmark, taking a 12-month forward looking view, will be reduced by way of dividend to nib holdings limited. Grand United Corporate Health Limited paid dividends of $25.1 million in September 2018 and $10.7 million in February 2019 to nib holdings limited for the year.

The surplus assets over benchmark at 30 June 2019 and 2018 are as follows:

	2019 $m	2018 $m
Total assets Grand United Corporate Health Limited (per Capital Adequacy Standard)	121.8	130.4
Capital adequacy requirement	80.7	77.9
Surplus assets for Capital Adequacy	41.1	52.5
Net assets Grand United Corporate Health Limited	53.0	70.3
Internal capital target	40.1	45.0
Surplus assets over internal capital target	12.9	25.3

nib nz limited

nib nz limited, a controlled entity, is required to comply with the *Solvency Standard for Non-Life Insurance Business (2014)* published by the Reserve Bank of New Zealand (RBNZ). The Solvency Standards determine the Minimum Solvency Capital (MSC) required. A requirement of nib nz limited's insurance licence is that it maintains capital above the MSC.

The overriding objective underpinning nib nz limited's capital management approach is to operate with a level of capital judged to be commercially prudent and within the bounds of the Board's risk appetite which achieves a balance between:	Maintaining a buffer above the RBNZ MSC for nib nz limited;
	Maintaining a level of capital that ensures an appropriate financial strength rating; and
	Avoiding holding an excessive level of capital, which would otherwise act to reduce returns on capital for the Group.

Any capital in excess of the benchmark, taking a 12-month forward looking view, will be reduced by way of dividend to nib nz holdings limited, unless management decide to retain funds for strategic purposes. nib nz limited paid dividends of NZD $6.2 million in August 2018 and NZD $6.8 million in February 2019 to nib nz holdings limited.

The surplus assets over benchmark at 30 June 2019 and 2018 are as follows:

	2019 $m	2018 $m
Actual Solvency Capital	31.7	28.2
Minimum Solvency Capital	11.2	10.4
Solvency Margin	20.5	17.8
Net assets nib nz limited	97.6	91.8
Capital Adequacy Coverage Ratio	2.83	2.71
Internal benchmark	2.00 x MSC	2.00 x MSC
Internal benchmark requirement	22.3	20.8
Surplus/(deficit) assets over internal benchmark	9.4	7.4

28. COMMITMENTS FOR EXPENDITURE

a) Operating lease commitments

	2019 $m	2018 $m
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
– not longer than one year	11.7	12.5
– longer than one year and not longer than five years	39.6	41.7
– longer than five years	41.3	54.5
	92.6	**108.7**

The Group entered into an agreement to lease Auckland premises for a lease term of 6 years commencing 1st November 2014. As part of the lease a $0.9 million bank guarantee was required.

b) Capital expenditure commitments

	2019 $m	2018 $m
Payable:		
– not longer than one year	1.5	3.5
	1.5	**3.5**

c) Charitable foundation commitments

	2019 $m	2018 $m
Payable:		
– not longer than one year	1.2	–
– longer than one year and not longer than five years	0.5	–
	1.7	**–**

29. CONTINGENT LIABILITIES

a) Australian Competition and Consumer Commission (ACCC) allegations

On 30 May 2017, the Australian Competition and Consumer Commission (ACCC) instituted proceedings in the Federal Court against nib health funds limited (nib). The ACCC alleges that nib engaged in misleading and deceptive conduct, unconscionable conduct and made false or misleading representations by failing to notify certain customers in relation to changes made to its Medigap Scheme. nib denies the ACCC's allegations and intends to defend the claims. In the event that the Court finds in favour of the ACCC, nib may have potential liabilities, including pecuniary penalties. The matter was unsuccessfully mediated in October 2017 and was set down for hearing in June 2018. The hearing date was vacated by the Court in June 2018, as a result of a then-outstanding Full Federal Court decision in similar proceedings brought by the ACCC against Medibank Private Limited (MPL), which had been resolved by the Federal Court at first instance against the ACCC. In December 2018, the Full Federal Court dismissed the ACCC's appeal of the first instance judgment against it in favour of the MPL. The ACCC has since indicated that it presses its proceedings against nib. The matter has yet been set down for a new hearing date. Due to the nature of the matter, the outcome is uncertain. Costs incurred to date have been partially recoverable under nib's corporate insurance program and reflected in the Annual Report.

b) Other Contingencies

nib operates in a highly regulated industry where guidance is issued from a number of stakeholders including, ASIC, APRA and the Department of Health. From time to time nib will be required to modify practices and health fund rules as a result of new or clarified guidance, which exposes nib to risks and potential liabilities.

Management are not aware of any material financial consequences as a result of updated guidance or changes made to practices and fund rules during the year. Management are continuing to investigate the full impact of Department of Health Circular PHI 75/18 issued on 19 December 2018 providing guidance to insurers regarding their statutory requirement to pay hospital benefits in circumstances where an insured person receives treatment that is both covered and not covered under a single episode of care. Any potential obligation arising from this review cannot be accurately assessed as the investigation is ongoing.

nib seeks to respond to evolving stakeholder expectations. The recent Final Report from the *Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry* highlighted concerns regarding the conduct of some businesses including sales practices (and payments to intermediaries) and monitoring of compliance by regulators. Future implications for nib, if any, that result from the evolving expectations are as yet unknown.

c) Guarantees and financial support

nib holdings limited has provided a guarantee and indemnity to the ANZ Bank New Zealand on behalf of nib nz holdings limited in respect of the NZD $70 million term loan facility.

nib holdings limited has given an undertaking to extend financial support to nib options pty limited, Realsurgeons pty limited, Realself pty limited and nib Global Pty Limited by subordinating repayment of debts owed by the entities to nib holdings limited, in favour of all other creditors. This undertaking has been provided as a result of each of these subsidiaries experiencing deficiencies of capital and reserves, and is intended to enable the entities to continue their operations and fulfil all financial obligations now and in the future. The undertaking is provided for a minimum period of twelve months from 16 August 2019, or if earlier, to the date of sale of the entities should this occur.

30. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

There have not been any matters or circumstances that have arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

31. REMUNERATION OF AUDITORS

	2019 $	2018 $
a) PricewaterhouseCoopers Australia		
1. Audit services		
Audit and review of financial report and other audit work under the *Corporations Act 2001*	763,542	701,953
Total remuneration for audit services	**763,542**	**701,953**
2. Non-audit services		
Audit-related services		
Audit of regulatory returns	108,246	101,966
Total remuneration for audit-related services	**108,246**	**101,966**
Taxation services		
Tax compliance services	4,080	80,562
International tax consulting and tax advice on mergers and acquisitions	44,011	82,465
Total remuneration for taxation services	**48,091**	**163,027**
Other services		
Accounting advice and support including one off transactions	72,914	266,872
Review of regulatory returns	26,418	11,628
Cyber security consulting services	–	9,000
Total remuneration for other services	**99,332**	**287,500**
Total remuneration for non-audit services	**255,669**	**552,493**
Total remuneration of PricewaterhouseCoopers Australia	**1,019,211**	**1,254,446**
b) Network firms of PricewaterhouseCoopers Australia		
1. Audit services		
Audit and review of financial report and other audit work under the *Corporations Act 2001*	277,727	203,356
Total remuneration for audit services	**277,727**	**203,356**
2. Non-audit services		
Audit-related services		
Audit of regulatory returns	12,353	11,800
Total remuneration for audit-related services	**12,353**	**11,800**
Taxation services		
Tax compliance services	–	26,238
Tax consulting services	–	11,507
Total remuneration for taxation services	–	**37,745**
Total remuneration for non-audit services	**12,353**	**49,545**
Total remuneration of network firms of PricewaterhouseCoopers	**290,080**	**252,901**
Total auditors' remuneration	**1,309,291**	**1,507,347**

32. BUSINESS COMBINATION

a) Summary of acquisition

On 13 May 2019, nib Travel Pty Limited, a wholly-owned subsidiary acquired QBE's travel insurance business for a consideration of $24.2 million.

QBE Travel has an extensive distribution network including partnerships with well known Australian brands, as well as a national network of more than 2,000 travel insurance agents. The business will be rebranded as nib Travel and is the exclusive travel insurance partner of Qantas across Australia and New Zealand.

Details of the provisional purchase consideration are as follows:

	$m
Provisional purchase consideration	
Cash	24.2
Total provisional purchase consideration	**24.2**

The provisional fair values of the assets and liabilities recognised as a result of the acquisition are as follows:

	Provisional fair value $m
Property, plant and equipment	0.1
Intangible assets: Distribution relationships	11.9
Deferred tax assets	0.3
Payables	(0.3)
Deferred tax liabilities	(3.6)
Provision for employee entitlements	(0.6)
Net identifiable assets acquired	**7.8**
Add: Goodwill	16.4
Net assets acquired	**24.2**

The goodwill is attributable to the future profitability of the acquired business. None of the goodwill is deductible for tax purposes.

i) Acquisition related costs

Total acquisition related costs of $5.3 million are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

ii) Revenue and profit contribution

The acquired business contributed $3.2 million to Group revenue and $0.2 million to net profit after tax for the period 13 May 2019 to 30 June 2019. If the acquisition had occurred on 1 July 2018, consolidated pro-forma revenue and profit for the year ended 30 June 2019 would have been $2,443.8 million and $150.5 million respectively. These amounts have been calculated using the subsidiary's results.

b) Provisional purchase consideration – cash outflow

	$m
Outflow of cash to acquire business, net of cash acquired	
Cash consideration	24.2
Outflow of cash – investing activities	**24.2**

c) Accounting policy

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 values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. 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. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

33. INTERESTS IN OTHER ENTITIES

a) Subsidiaries and trusts

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1(b):

	Place of Incorporation	Beneficial ownership by Consolidated entity 2019 %	2018 %
nib holdings limited	Australia		
nib health funds limited	Australia	100	100
nib servicing facilities pty limited	Australia	100	100
nib Life pty limited	Australia	100	100
nib Global Pty Limited	Australia	100	100
IMAN Australian Health Plans Pty Limited	Australia	100	100
nib nz holdings limited	New Zealand	100	100
nib nz limited	New Zealand	100	100
nib Options Pty Limited	Australia	100	100
Realsurgeons Pty Limited	Australia	100	100
Realself Pty Limited	Australia	100	100
nib Options Holdings (Thailand) Co Limited	Thailand	100	100
nib Options (Thailand) Co Limited	Thailand	100	100
Digital Health Ventures Pty Limited	Australia	50	50
nib Philippines Pty Limited	Australia	100	100
nib Asia Pty Limited	Australia	100	100
Nuo Ban Business Information Consulting (Shanghai) Co. Ltd	China	100	100
nib International Student Services Pty Ltd	Australia	100	100
Grand United Corporate Health Limited	Australia	100	100
nib Travel Pty Limited (formerly World Nomads Group Pty Limited)	Australia	100	100
WNG Services Pty Limited	Australia	100	100
nib International Assistance Pty Limited (formerly World Experiences Assist Pty Limited)	Australia	100	100
Suresave Pty Limited	Australia	100	100
SureSave Net Limited	New Zealand	100	100
Sure-Save.net Pty Ltd	Australia	100	100
Travel Insurance Direct Holdings Pty Limited	Australia	100	100
Travel Insurance Direct Pty Ltd	Australia	100	100
Travel Insurance Direct (New Zealand) Ltd	New Zealand	100	100
Cheap Travel Insurance Pty Limited	Australia	100	100
nib Travel Insurance Distribution Pty Limited (formerly Holiday Travel Insurance Pty Limited)	Australia	100	100
Surecan Technology Pty Ltd	Australia	100	100
The World Nomads Group Holdings Pty Ltd	Australia	100	100
World Nomads Pty Ltd	Australia	100	100
World Nomads Inc	United States of America	100	100
World Nomads Limited	United Kingdom	100	100
World Nomads (Canada) Ltd	Canada	100	100
WorldNomads.com Pty Ltd	Australia	100	100
nib Travel Services (Australia) Pty Limited (formerly Cerberus Special Risks Pty Limited)	Australia	100	100
Get Insurance Group Pty Limited	Australia	100	100
World Experiences International Holdings Pty Ltd	Australia	100	100
World Experiences Seguros De Viagrem Brasil LTDA	Brazil	100	100

		Beneficial ownership by Consolidated entity	
	Place of Incorporation	2019 %	2018 %
Nomadic Insurance Limited	Cayman Islands	100	100
Nomadic Insurance Benefits Holdings Limited	Ireland	100	100
Nomadic Insurance Benefits Limited	Ireland	100	100
World Nomads Travel Lifestyle (Europe) Ltd	Ireland	100	100
nib Travel Services Ireland Limited	Ireland	100	100
Travellr Pty Limited	Australia	100	100
Travel Insurance Compared Pty Limited	Australia	100	100
TravelClear Pty Limited	Australia	100	100
Travellers Assistance Group Pty Limited (deregistered on 15 February 2018)	Australia	100	100
Hello Travel Insurance Pty Limited	Australia	100	100
World Experiences Pty Limited	Australia	100	100
World Experiences Group Pty Limited	Australia	100	100
World Experiences Travel Pty Limited	Australia	100	100

nib holdings limited also controls the following trusts:

- nib Holdings Ltd Share Ownership Plan Trust
- nib salary sacrifice plan and matching plan trust
- nib Salary Sacrifice (NZ) and Matching Plan (NZ) Trust
- nib holdings – nib nz Employee Share Purchase Scheme Trust

b) Consolidation of nib foundation trust and nib foundation limited

During the year, the constitution of nib foundation limited (as trustee for the nib foundation trust) was changed to enable receipt of unclaimed dividends of the parent entity (nib holdings limited) to fund charitable donations to the community. Due to this change, the parent is required to consolidate the nib foundation trust. The assets of the nib foundation trust are shown as restricted in use and the retained earnings are shown as a restricted reserve of the Group given they can only be distributed for charitable purposes under the constitution of nib foundation trust and are not available to owners of nib holdings limited.

c) Non-controlling interests (NCI)

There are no non-controlling interests at 30 June 2019 and 2018.

d) Interest in associates and joint ventures

The Group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	2019 $m	2018 $m
Aggregate carrying amount of individually immaterial associates and joint ventures	**11.7**	**2.1**
Aggregate amounts of the Group's share of:		
Profit/(loss) from continuing operations	(1.0)	(0.5)
Total comprehensive income	**(1.0)**	**(0.5)**

34. RELATED PARTY TRANSACTIONS

a) Related party transactions with key management personnel

Key management personnel are entitled to insurance policies provided at a discount dependant on length of service. These are provided under normal terms and conditions.

There were no other related party transactions during the year, as there were no transactions where either party had the presence of control, joint or significant influence to affect the financial and operating policies of the other entity.

b) Key management personnel compensation

	2019 $	2018 $
Short-term employee benefits	8,066,047	7,319,125
Post-employment benefits	319,656	326,913
Other long-term benefits	94,521	52,659
Termination benefits	–	–
Share-based payments	5,320,420	3,047,497
	13,800,644	**10,746,192**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 20 to 39.

c) Transactions with other related parties

i) Purchases from entities controlled by key management personnel

The Group acquired the following goods and services from entities that are controlled by a close family member of one of the Group's key management personnel:

- advertising and promotions
- printing and stationery
- software development and maintenance

Further details of the above transactions with key management personnel are disclosed in the Remuneration Report on page 39.

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

There are no outstanding balances at the end of the reporting period in relation to transactions with related parties.

35. SHARE-BASED PAYMENTS

a) Long-term incentive plan (LTIP)

Performance rights to acquire shares in nib holdings limited are granted to Executives under the Long Term Incentive Plan (LTIP). Information relating to the LTIP is included in the Remuneration Report on page 38. The nib Holdings Ltd Share Ownership Plan Trust administers the Group's Executive management Short-Term Incentive and Long-Term Incentive Share Plans. This Trust has been consolidated in accordance with Note 1(b).

Set out below is a summary of performance rights granted under the plan:

2019	Balance at start of the year	Granted as compensation	Exercised	Other forfeitures	Balance at the end of the year	Vested and exercisable	Unvested
Mark Fitzgibbon	967,310	215,962	(234,714)	–	948,558	–	948,558
Michelle McPherson	306,344	59,801	(74,081)	–	292,064	–	292,064
Rhod McKensey	264,390	59,801	(55,744)	–	268,447	–	268,447
Rob Hennin	188,752	40,324	(40,384)	–	188,692	–	188,692
Brendan Mills	148,762	30,747	(36,145)	–	143,364	–	143,364
Justin Vaughan	140,319	30,154	(32,859)	–	137,614	–	137,614
Wendy Lenton	28,699	31,909	–	–	60,608	–	60,608
Roslyn Toms	37,281	29,508	–	–	66,789	–	66,789
David Kan	179,160	41,880	(22,956)	–	198,084	–	198,084
Total	**2,261,017**	**540,086**	**(496,883)**	**–**	**2,304,220**	**–**	**2,304,220**

2018	Balance at start of the year	Granted as compensation	Exercised	Other forfeitures	Balance at the end of the year	Vested and exercisable	Unvested
Mark Fitzgibbon	1,018,798	222,298	(273,786)	–	967,310	–	967,310
Michelle McPherson	332,677	62,727	(89,060)	–	306,344	–	306,344
Rhod McKensey	282,676	61,151	(79,437)	–	264,390	–	264,390
Rob Hennin	203,816	42,252	(57,316)	–	188,752	–	188,752
Brendan Mills	150,417	31,365	(33,020)	–	148,762	–	148,762
Justin Vaughan	136,006	30,751	(26,438)	–	140,319	–	140,319
Wendy Lenton	–	28,699	–	–	28,699	–	28,699
Roslyn Toms	–	37,281	–	–	37,281	–	37,281
David Kan	135,230	43,930	–	–	179,160	–	179,160
Total	**2,259,620**	**560,454**	**(559,057)**	**–**	**2,261,017**	**–**	**2,261,017**

b) Employee Share Acquisition (tax exempt) Plan (ESAP)

Eligible Australian employees were offered the opportunity to receive part of their salary in the form of shares. All permanent employees who were an employee at the date the offer was made were eligible to participate in the scheme. Employees may elect not to participate in the scheme.

ESAP is administered by the Board. Shares granted to the employees by the Board were acquired on-market via a third party trustee plan company.

Under the plan, participating employees were allocated an aggregate market value up to $1,000 worth of fully paid ordinary shares in nib holdings limited. Subsequent offers under ESAP are at the Board's discretion.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment. In all other respects shares rank equally with other fully-paid ordinary shares on issue.

	2019	2018
Number of shares purchased on market under the plan to participating employees	67,199	152,600

The shares were allocated in two tranches. The first tranche of shares were for allocated on 22 August 2018 following nib's FY18 full year results presentation at a volume weighted average price of $6.42. The remaining tranche of shares were allocated on 20 February 2019 following nib's FY19 half year results presentation at a volume weighted average price of $5.57.

35. SHARE-BASED PAYMENTS continued

c) nib NZ Employee Share Purchase Scheme (ESPS)

The scheme rules were adopted on 7 November 2013. On 9 December 2013 eligible employees were offered the opportunity to receive part of their salary in the form of shares. All full-time and permanent part-time employees who were an employee as at 9 December 2013 and the date shares were allocated to employees were eligible to participate in the scheme. Employees may elect not to participate in the scheme.

ESPS is administered by the Board. Shares granted to the employees by the Board were acquired on-market via a third party trustee plan company.

Under the scheme, participating employees were allocated an aggregate market value up to NZD $1,000 worth of fully paid ordinary shares in nib holdings limited. Subsequent offers under ESPS are at the Board's discretion.

Shares issued under the scheme may not be sold until the earlier of three years after issue or cessation of employment. In all other respects shares rank equally with other fully-paid ordinary shares on issue.

	2019	2018
Number of shares purchased on market under the plan to participating employees	4,503	19,840

The shares were allocated in two tranches. The first tranche of shares were for allocated on 22 August 2018 following nib's FY18 full year results presentation at a volume weighted average price of $6.42. The remaining tranche of shares were allocated on 20 February 2019 following nib's FY19 half year results presentation at a volume weighted average price of $5.57

d) nib Salary Sacrifice Plan and Matching Plan

Business unit managers were offered the opportunity to receive part of their salary in the form of shares, with an additional amount of shares contributed by the Company. Employees may elect not to participate in the plan.

The plan is administered by the Board. Shares granted to the employees by the Board were acquired on-market via a third party trustee plan company.

Under the plan, participating employees were allocated an aggregate market value up to $10,000 worth of fully paid ordinary shares in nib holdings limited, made up of $5,000 salary sacrifice and $5,000 matching company component. Subsequent offers under the plan are at the Board's discretion.

Shares issued under the plan may not be sold until the earlier of three or seven years after issue, or cessation of employment. In all other respects shares rank equally with other fully paid ordinary shares on issue.

	2019	2018
Number of shares purchased on market under the plan to participating employees	46,214	49,216

e) Salary Sacrifice Plan (NZ) and Matching Plan (NZ)

The plan rules were adopted on 28 October 2013. On 9 December 2013 New Zealand business unit managers were offered the opportunity to receive part of their salary in the form of shares, with an additional amount of shares contributed by the Company. Employees may elect not to participate in the plan.

The plan is administered by the Board. Shares granted to the employees by the Board were acquired on-market via a third party trustee plan company.

Under the plan, participating employees were allocated an aggregate market value up to NZD $10,000 worth of fully paid ordinary shares in nib holdings limited, made up of NZD $5,000 salary sacrifice and NZD $5,000 matching company component. Subsequent offers under the plan are at the Board's discretion.

Shares issued under the scheme may not be sold until the earlier of three or seven years after issue, or cessation of employment. In all other respects shares rank equally with other fully paid ordinary shares on issue.

	2019	2018
Number of shares purchased on market under the plan to participating employees	4,097	4,725

f) Short-Term Performance Incentive (STI)

All eligible employees have a STI opportunity. For the MD/CEO the maximum target bonus opportunity is 125% of the base remuneration package with 50% of the calculated entitlement to be deferred into shares. For the CFO/DCEO, GEARHI, GEINB and CEO NZ the maximum target bonus opportunity is 100% of the remuneration package with 50% of the calculated entitlement deferred into shares. For other executives the maximum entitlement is 80% of the remuneration package with 50% of the calculated entitlement deferred into shares.

The nib Holdings Ltd Share Ownership Plan Trust administers the Group's Executive management Short-Term Incentive and Long-Term Incentive Share Plans. This Trust has been consolidated in accordance with Note1(b).

Shares issued by the Trust to the employees are acquired on-market prior to the issue. Shares held by the Trust and not yet issued to employees at the end of the reporting period are shown as treasury shares in financial statements; see Note 22(b).

Shares were purchased on market and brokerage fees are borne by nib health funds limited.

g) Expenses arising from share-based payments transactions

	2019 $m	2018 $m
Shares purchased on market under ESAP and ESPS	0.4	1.0
Shares purchased on market under nib salary sacrifice plan and matching plan and salary sacrifice (NZ) rules and matching plan (NZ)	0.3	0.3
Performance rights granted under LTIP	1.1	1.5
Shares purchased on market under STI	1.6	1.3
	3.4	**4.1**

h) Accounting policy

The fair value of performance rights granted under the nib holdings Long-Term Incentive Plan is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the performance rights granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions and the impact of any non-vesting conditions. Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Group revises its estimate of the number of performance rights that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The nib holdings Long-Term Incentive Plan is administered by the nib Holdings Ltd Share Ownership Plan Trust; see Note 22(d)(ii). When the performance rights are exercised, the trust transfers the appropriate amount of shares to the employee.

Under the Employee Share Acquisition (tax exempt) Plan, the nib Salary Sacrifice Plan and Matching Plan and the Short-Term Performance Incentive, shares are acquired on-market and expensed.

36. PARENT ENTITY FINANCIAL INFORMATION

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

	2019 $m	2018 $m
Balance Sheet		
ASSETS		
Current assets	94.8	56.8
Non-current assets	734.6	698.7
Total assets	**829.4**	**755.5**
Current liabilities	10.7	3.9
Non-current liabilities	165.7	165.5
Total liabilities	**176.4**	**169.4**
NET ASSETS	**653.0**	**586.1**
EQUITY		
Share capital	389.4	385.2
Share-based payments	(4.4)	(2.4)
Retained profits	268.0	203.3
Total Equity	**653.0**	**586.1**

	2019 $m	2018 $m
Profit for the year	**160.3**	**91.0**
Total comprehensive income for the year	**160.3**	**91.0**

Refer to Note 29 for contingent liabilities of parent entity.

a) Accounting policy

The financial information for the parent entity, nib holdings limited, 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 nib holdings limited. 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	nib holdings limited and its wholly-owned Australian controlled entities have implemented the tax consolidated legislation. The head entity, nib holdings limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a standalone taxpayer in its own right. In addition to its own current and deferred tax amounts, nib holdings limited 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 nib holdings limited for any current tax payable assumed and are compensated by nib holdings limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to nib holdings limited 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 is 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.

37. COMPANY DETAILS

nib holdings limited is a company limited by shares, incorporated and domiciled in Australia. The registered office of the company is:

22 Honeysuckle Drive
NEWCASTLE NSW 2300

The Financial Report was authorised for issue by the Directors on 16 August 2019. The company has the power to amend and reissue the Financial Report.

directors' declaration

for the year ended 30 June 2019

In the Directors' opinion:

a. the financial statements and notes set out on pages 41 to 117 are in accordance with the *Corporations Act 2001*, including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

b. there are reasonable grounds to believe that nib holdings limited will be able to pay its 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.

The Directors have been given declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

On behalf of the Board

Steve Crane
Director

Anne Loveridge
Director

Newcastle, NSW
16 August 2019

independent auditor's report

to the Members of nib holdings limited

for the year ended 30 June 2019

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Independent auditor's report

To the members of nib holdings limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of nib holdings limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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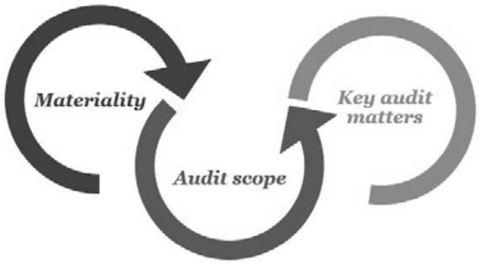
Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality

- For the purpose of our audit we used overall Group materiality of $10.7m, which represents approximately 5% of the Group's profit before tax.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Group profit before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured.
- We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.

Audit Scope

- The nib holdings limited group provides health and medical insurance to Australian and New Zealand residents, medical insurance to international inbound workers and students, as well as distributing travel insurance products both in Australia and internationally.
- Our audit focused on where the consolidated entity made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- We decided the nature, timing and extent of work that needed to be performed by us and component auditors from PwC New Zealand operating under our instruction. We then structured our audit approach as follows:
  - We audited the financial information of the nib holdings limited group and focused on entities within the group that have financial significance;
  - For the procedures carried out by PwC New Zealand, we decided on the level of involvement required

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from us to be able to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included issuing written instructions, holding discussions and reporting throughout the year with the component auditors

- We performed further audit procedures at a Group level, including over the consolidation of the Group's reporting units and the preparation of the financial report.

- PwC specialists in actuarial and information technology assisted the audit.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	*How our audit addressed the key audit matter*
Amortisation and recoverability of Australian residents health insurance (arhi) Deferred Acquisition Costs (DAC)) *(Refer to note 12) [$84.9m]* The Group recognises a DAC asset for the upfront commission paid to retail brokers on signing new members. The Group considers the duration of a health insurance contract to be an open ended agreement as the Group insure their customers under continuing policies. The DAC is required to be amortised over the expected customer contract life, which the Group, at 30 June 2019, measures at 5 years, being the expected tenure period for an arhi customer policy. The Group is also required to assess whether the DAC is recoverable. This is determined by assessing whether the arhi unearned premiums, net of associated DAC, are adequate to cover future claims on those related policies. This is a key audit matter as • there is judgement and estimation made in relation to future claims estimates which are an input in the required calculation of recoverability of the DAC asset. • judgement is made over the expected tenure of an arhi customer remaining with the Group	We tested the accuracy of acquisition costs capitalised by vouching a sample of acquisition costs to supporting documentation. Our actuarial team re-performed the Group's calculation for the expected arhi policyholder contract life. This was based on historical customer lapse periods. We agreed that the policyholder contract life of 5 years was applied to the DAC in order to calculate amortisation expense for the year. We performed testing over the accuracy of the amortisation calculations. We also checked the accuracy and reasonableness of the calculation for any potential loss making contracts and note that there is no deficiency recognised. We tested the assumptions and inputs into the recoverability assessment including: • expected claims experience; • risk margins; • claims handling costs; • policy administration expenses; and • the period over which the test was conducted.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td>This calculation of the expected customer contract life is inherently difficult to estimate as, although it is based on the most up to date information of arhi customer lapse experienced by the Group, it is susceptible to change as more data becomes available.</td><td></td></tr>
<tr><td>Impairment testing of the nib Travel goodwill and indefinite lived intangibles
(Refer to note 14) [nib travel Group Goodwill $67.7m, Indefinite life intangible assets $20.8m]
Included within the intangible asset balance, nib has goodwill and brand names in relation to the acquisition of nib Travel (previously World Nomads Group) in July 2015 of $67.7m and $20.8m respectively.
We focused our work in particular on the nib Travel goodwill and brand names, given it's recent performance and that they comprised 37% (2018: 32%) of the Group's intangible assets value.
In preparing the value in use model used to assess the value of this intangible asset, the Group makes a number of key assumptions that are judgemental.
These assumptions are discussed in detail in note 14 which indicates that the value in use model remains sensitive to a range of assumptions, in particular to the gross written premium growth rates of the business.</td><td>We performed the following procedures, amongst others:
• Assessed whether the division of the Group into Cash Generating Units (CGUs), was consistent with our knowledge of the Group's operations and internal Group reporting.
• Agreed that forecast cash flows used in the impairment model were derived from the Board approved budgets.
• Considered whether the cash flows for the forecast period (three years) and the terminal value were reasonable and based on supportable assumptions. We assessed the reasonableness of key assumptions by comparing actual cash flows to previous forecasts, and comparing assumptions underpinning the cash flows to corroborative evidence including industry data.
• Performed sensitivity analysis on the assumptions. We determined that the calculations were more sensitive to assumptions for gross written premium growth and related costs, and focused our testing on these assumptions.
• We tested the reasonableness of the assumptions used in the calculation of the partial impairment of the Travel Insurance Direct Brand.
• Considered whether the discount rate, including components calculated by management's expert, reflected the risks of the CGUs by comparing the discount rate to external market data. We also tested the sensitivity of the impairment test by increasing the discount rate.
• Assessed the adequacy of the related disclosures in note 14 in light of the requirements of Australian Accounting Standards.</td></tr>
</table>

Estimation of outstanding claims liability *(Refer to note 17) $141.8m* We focused on this balance because of the size of the liability and the complexity and judgements involved in the estimation process. The liability is an estimate of expected payments to customers for incurred but not settled insurance claims as at 30 June 2019. This includes an estimate for known and reported claims as well as incurred but not yet reported claims. Determining a central estimate involves significant judgement and is based on a number of factors including historical claims rates, timeliness of reporting of claims and evidence around any changes in the cost of claims. The Group use July 2019 claims payment data to assist in determining the liability at 30 June 2019. The estimation of outstanding claims relied on the quality of the underlying data. It involved complex and subjective judgements about future events, both internal and external to the business, for which small changes in assumptions can result in material impacts to the estimate.	Our audit procedures included, amongst others, evaluating the design effectiveness and implementation of key controls over claims payments, including key data reconciliations and the Group's review of the estimates. We were assisted by our actuarial experts to understand and evaluate the Group's actuarial practices and the provisions established. Our audit procedures included: • Evaluating whether the Group's actuarial methodologies were consistent with accepted industry practice. • Assessing the selection of the actuarial method used to measure claims this year and justification for changes in methods and assumptions. • Assessed the appropriateness of key actuarial assumptions. We challenged these assumptions by comparing them with our expectations based on the Group's historical experience, current trends and our own industry knowledge. • Assessing the Probability of Adequacy of the liability and the adopted risk margin. We reconciled this data for accuracy and reviewed the assumptions made for reasonableness.
Litigation and regulatory action, including related disclosures *(Refer to note 29)* We focused on this area because the Group operates in a highly regulated industry and is therefore subject to legal, regulatory and competition matters. In assessing and measuring potential liabilities of the Group, the Group are required to make judgements based on available information of the probability and estimation of potential financial outcomes, which may be dependent on legal and regulatory processes. These judgements are subject to inherent uncertainty. In particular, the Group have had to consider the impact of the Australian Competition and Consumer Commission (ACCC) matter as disclosed in note 29 of the financial statements.	Our procedures included, amongst others: • confirming our understanding of the Group's processes for identifying and assessing the impact of legal, regulatory and competition matters; • discussing legal and regulatory matters with Group Executive Legal and Chief Risk Officer and external legal counsel and sought and obtained access to relevant documents in order to develop our understanding of these matters.; and • for outstanding legal and regulatory matters, we considered the Group's judgement as to whether there is potential material financial exposure for the Group. We assessed the adequacy of the related disclosures in note 29 in light of the requirements of Australian Accounting Standards.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 20 to 39 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of nib holdings limited for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Matters relating to the electronic presentation of the audited financial report

This auditor's report relates to the financial report of nib holdings limited for the year ended 30 June 2019 included on nib holdings limited's web site. The directors of the Company are responsible for the integrity of nib holdings limited's web site. We have not been engaged to report on the integrity of this web site. The auditor's report refers only to the financial report named above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

PricewaterhouseCoopers

PricewaterhouseCoopers

C. Mara

Caroline Mara
Partner

Newcastle
16 August 2019

shareholder information

The shareholder information set out below was applicable as at 31 August 2019.

A. DISTRIBUTION OF EQUITY SECURITIES

Analysis of numbers of equity security holders by size of holding:

	Class of equity security
1 - 1,000	58,732
1,001 – 5,000	69,566
5,001 – 10,000	9,319
10,001 – 100,000	732
100,001 and over	54
	138,403

There were 352 holders of less than a marketable parcel of ordinary shares.

B. EQUITY SECURITY HOLDERS

The 20 largest quoted equity security holders

The names of the 20 largest holders of quoted equity securities are listed below:

	Ordinary Shares	
	Number held	Percentage of issued shares %
HSBC Custody Nominees (Australia) Limited	68,375,042	15.01
J P Morgan Nominees Australia Pty Limited	37,369,892	8.20
Citicorp Nominees Pty Limited	28,144,455	6.18
National Nominees Limited	11,951,833	2.62
BNP Paribas Noms Pty Ltd	8,979,473	1.97
BNP Paribas Nominees Pty Ltd	6,558,526	1.44
HSBC Custody Nominees (Australia) Limited-Gsco Eca	3,024,557	0.66
UBS Nominees Pty Ltd	2,882,496	0.63
HSBC Custody Nominees (Australia) Limited	2,598,764	0.57
AMP Life Limited	1,616,265	0.35
Citicorp Nominees Pty Limited	1,534,491	0.34
Mr Mark Anthony Fitzgibbon	1,400,704	0.31
CPU Share Plans Pty Ltd	1,133,462	0.25
Morgan Stanley Australia Securities (Nominee) Pty Limited	1,128,095	0.25
Warbont Nominees Pty Ltd	894,172	0.20
HSBC Custody Nominees (Australia) Limited	810,561	0.18
Mrs Michelle McPherson	766,742	0.17
Fitzy (NSW) Pty Ltd	690,621	0.15
Merrill Lynch (Australia) Nominees Pty Limited	659,855	0.14
BNP Paribas Nominees Pty Ltd	587,848	0.13
	181,107,854	**39.76**

Unquoted equity securities

	Number on issue	Number of holders
Performance rights issued under the nib holdings Long-term Incentive Plan	2,390,899	10

C. SUBSTANTIAL HOLDERS

There were no substantial holders.

D. VOTING RIGHTS

The voting rights attaching to each class of equity securities are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Performance rights

No voting rights.

corporate directory

DIRECTORS

Chairman
Steve Crane

Managing Director/Chief Executive Officer
Mark Fitzgibbon

Lee Ausburn

Jacqueline Chow

Anne Loveridge

Christine McLoughlin

Donal O'Dwyer

COMPANY SECRETARIES

Roslyn Toms

Jordan French

EXECUTIVE MANAGEMENT

Managing Director/Chief Executive Officer
Mark Fitzgibbon

Deputy Chief Executive Officer and Chief Financial Officer
Michelle McPherson

Group Executive Australian Residents Health Insurance
Rhod McKensey

Group Executive International and New Business
David Kan

Group Executive – nib New Zealand
Rob Hennin

Group Executive – Legal and Chief Risk Officer
Roslyn Toms

Chief Information Officer
Brendan Mills

Group Executive – Benefits and Provider Relations
Justin Vaughan

Group Executive – People and Culture
Wendy Lenton

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of nib holdings limited will be held on Wednesday, 30 October 2019 at 11am (AEDT) at Amora Hotel, 11 Jamison Street. Sydney NSW 2000.

A formal Notice of the Meeting is being distributed with the Annual Report.

SHARE REGISTER

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
1300 664 316

STOCK EXCHANGE LISTING

nib holdings limited shares (nhf) are listed on the Australian Securities Exchange.

PRINCIPAL REGISTERED OFFICE IN AUSTRALIA

22 Honeysuckle Drive
Newcastle NSW 2300
13 14 63

AUDITOR

PricewaterhouseCoopers
PricewaterhouseCoopers Centre
Level 3, 45 Watt Street
Newcastle NSW 2300

LEGAL ADVISERS

King & Wood Mallesons
Level 61, Governor Philip Tower

1 Farrer Place
Sydney NSW 2000

BANKERS

National Australia Bank Limited
1 Old Castle Hill Road
Castle Hill NSW 2154

WEBSITE

nib.com.au

nib.com.au