annual report

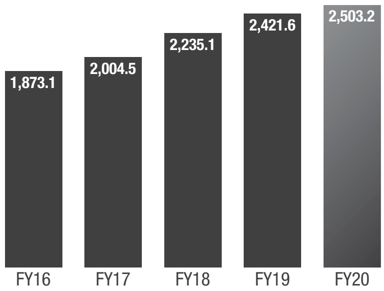
2020

table of contents

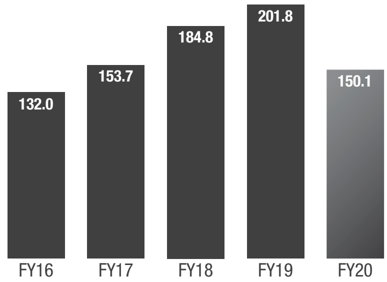
nib holdings limited
ABN 51 125 633 856

group performance highlights

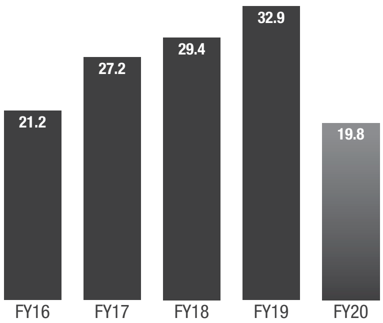
Total underlying revenue
$m



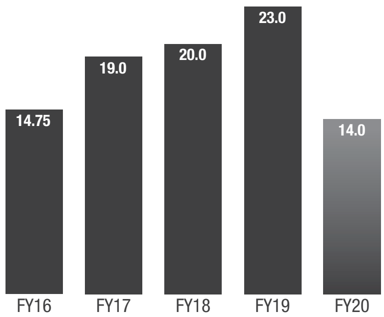
Underlying operating profit
$m



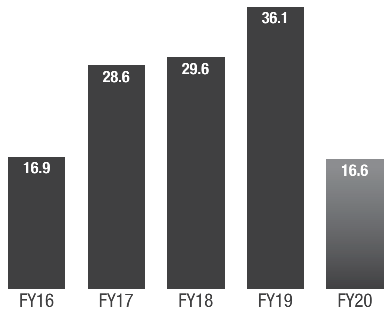
Statutory EPS
cps



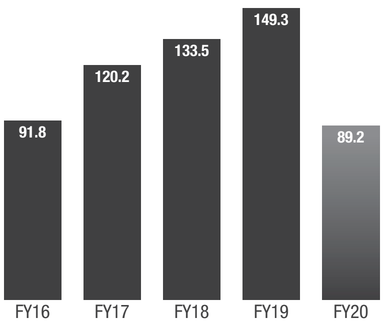
Dividends
cps



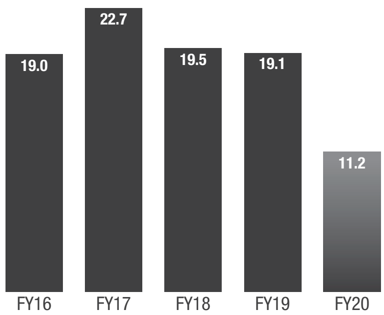
Net investment income
$m



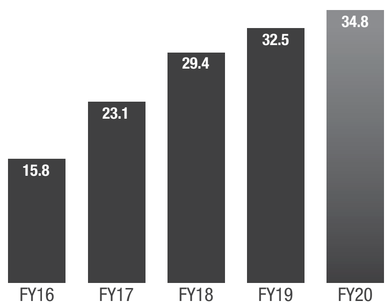
Net profit after tax
$m



Return on invested capital[1]
%



Group NPS



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

business strategy

our purpose **your better health**

personalised healthcare

Harness data science and digital technologies to better “personalise” our relationship with members and travellers, the products and services we deliver or connect them with. We especially help them, their doctors and other clinicians make more informed healthcare decisions.

affordability and sustainability

Improve the affordability of our financial protection through improved operating efficiency, disciplined claims management and better risk management. Focus upon and promote “purpose” and our role in society.

grow the core (arhi)

Strive for above “system” organic growth with measured brand and acquisition investment, prudent product design, 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 grow adjacent business and with that enterprise value and business risk diversification.

Support Honeysuckle Health as an engine beneath “personalisation” and disease risk management.

racing the red queen (RRQ)

Create competitive advantage across the nib Group through constant innovation, our RRQ principles and, recruiting, developing and retaining world class talent.

supporting our members, employees and the community through COVID-19

for the year ended 30 June 2020

Our Members

1 April 2020 premium changes postponed until
1 OCTOBER 2020

Expanded cover for **COVID-19** related treatment and additional Extras psychology benefits at
NO COST

24/7

24/7 medical and non-medical assistance hotline

Latest **COVID-19** health related information provided to members and the community on nib's digital channels, including the
CHECK UP

A range of financial hardship support and premium relief options

ACCESS TO TELEHEALTH CONSULTATIONS
for a range of health services

Free antenatal and early parenting
ONLINE CLASSES

$250 wellness benefit for
FRONTLINE HEALTHCARE WORKERS

Our Community

$1.5 MILLION
donated to community and clinical initiatives in Australia and New Zealand with nib foundation

nib foundation

100,000
surgical masks donated to healthcare and allied health workers

FOOD HAMPERS
and health packs to support international students

Our Employees

Up to two weeks
SPECIAL PAID LEAVE

Ergonomics package to support
WORK FROM HOME

Chairman's report

The devastation of COVID-19 made FY20 as extraordinary as any I've ever encountered in my executive and non-executive director corporate career. While secondary to the tragedy of widespread death and suffering, the pandemic has devastated consumer confidence and destroyed or put at risk, so many businesses.

As you would expect, the Board is acutely aware of the challenges COVID-19 presents the nib Group and very focused upon supporting our members, travellers, employees and business sustainability. The commercial challenges are many and include maintaining growth in difficult market conditions, forecasting and managing claims experience in unpredictable circumstances as well as ensuring the nib Group remains well capitalised and ready to meet a range of possible future scenarios.

Despite the disruption of COVID-19, FY20 was another year of good progress in fulfilling our purpose of "Your Better Health".

We funded over 350,000 hospital admissions and almost 3.6 million dental, optical and other ancillary visits. We took a giant stride in our ambitions to make our value proposition for members and travellers as much about healthcare "prevention" as it is "cure" with the creation of Honeysuckle Health. In partnership with global healthcare company Cigna, Honeysuckle Health will deliver data science led insight and guidance for a more personalised approach to disease prevention, management and treatment.

Complementing nib's direct efforts, our nib foundation contributed $2.1 million towards various initiatives consistent with its charter of supporting the health and wellbeing of the communities we serve. This included $1 million to help fund programs over the next four years specifically focussed on 'closing the gap' in health outcomes for Aboriginal and Torres Strait Islander peoples. We very much see community health and wellbeing as the centre piece of our sustainability agenda.

Our commercial results for FY20 were somewhat "mixed" with COVID-19 a key factor.

Pleasingly, Group revenue grew 3.4% to $2.5 billion with our flagship Australian Residents Health Insurance (arhi) business increasing policyholders by 1.9% to now cover almost 1.2 million people, in an overall market that grew just 0.4%. Similarly, New Zealand performed well growing its revenue by 11.4% and policyholders 7.4% to cover more than 225,000 people.

Unfortunately, restrictions on foreign entry into Australia severely impacted our international students and workers (iihi) business while the global impacts of COVID-19 caused significant disruption to our nib Travel operations.

We experienced a decline in operating margins compared to the previous financial year across all segments although, other than for travel they remain solid and generated a return on invested capital of 11.2% for the Group.

Our Managing Director expands upon the FY20 results further on. It is worth me observing here, that while acknowledging macroeconomic stress, the Board has every confidence in the Group strategy, outlook and underlying commercial performance. The reduction in statutory earnings per share (EPS) to 19.8 cents per share (down 40.0%) wasn't welcomed and there are clearly hurdles across the Group, most notably nib Travel which is operating in a very difficult market. Yet FY20 was a year of multiple COVID-19 related distortions and not an accurate reflection of underlying performance of the nib Group.

We especially believe the company has so far navigated the difficulties of COVID-19 well. We've taken a wide range of initiatives to protect and support our members, travellers, employees and general community. I encourage shareholders to read our 2020 Sustainability Report available at nib.com.au/shareholders.

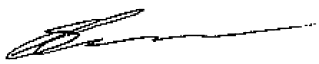
While in no way celebrating the misery of COVID-19, we also see opportunity. The pandemic has clearly heightened throughout the community the risk of disease and the need for protection. It has accelerated our plans to better predict disease risk amongst our members and prevent or better manage those risks. It is causing us to move even faster with investment in digital health and how we service members and travellers.

We have decided to make a final dividend of 4.0 cents per share, fully franked bringing the full year dividend to 14.0 cents per share, representing 71% of net profit after tax. In making the final distribution we have been cognisant of the need to balance and return to our shareholders with regulatory guidance and maintaining a strong capital position in a COVID-19 context.

As shareholders expect, succession planning and ensuring we have the right skills mix, diversity and experience on our Board and in our senior management ranks remains a priority for the Board. As part of nib's succession planning, Non-Executive Director, Christine McLoughlin announced she will retire from the Board in September this year.

Christine is one of Australia's most respected and astute company Directors, and nib has been fortunate to have her serve on our Board for almost 10 years. She has made a wonderful contribution to nib's growth and success during this time especially as Chair Risk and Reputation Committee. I would like to thank her for her passion, insights and leadership at nib over almost a decade. In parallel, we welcome David Gordon who joined the Board in May 2020.

I would like to thank my Board colleagues for their leadership and contribution during FY20. And of course, I want to thank our Executive management team and all of our people for what the Board believes was exemplary performance in extremely difficult conditions.



Steve Crane

Managing Director's report

There's not a lot I can add to Steve's account of COVID-19 and its implications across the nib Group in FY20. Suffice to note here, the crisis has required extraordinary agility and adaptation. Within weeks we had our entire workforce operating remotely, deferred Government approved premium increases and expanded health insurance coverage at no additional cost to members for COVID-19 related treatment. We also made significant investments in community health and wellbeing such as the supply of surgical masks to frontline healthcare workers and a $500,000 donation to Lifeline (to mention just a few).

So far our total COVID-19 support package is valued at more than $45 million. And of course, there was no respite from the demands of "business as usual" and us meeting the everyday needs and expectations of our members and travellers.

Our full year underlying operating profit (UOP) of $150.1 million was on the surface disappointing. Very importantly, it includes a provision for deferred claims of $98.8 million representing 80% of what we best estimate were COVID-19 related "savings" during the financial year. Without the provision, UOP would have been $248.9 million which is closer to our cash result for the year (net operating cash inflow was $211.6 million).

This provisioning is a sensible step as it is certain there will be a "catch up" in treatment deferred during the peak of COVID-19 in FY20. However, only time will tell the accuracy of the provision, and at the time of writing, the threat of COVID-19 and its impact on treatment levels has by no means passed.

As Steve mentions, COVID-19 factors have blurred what were otherwise some good results across the Group. Worth highlighting here:

- Group premium revenue grew to $2.5 billion up 3.4% on FY19. It was just $901.4 million in FY10.
- arhi premium revenue grew by almost 3% to over $2.1 billion, notwithstanding the six month postponement of the 1 April 2020 premium increase which reduced revenue by approximately $15 million for FY20. And even after the provisioning for deferred claims, arhi's net profit margin was still a respectable 6.4% consistent with our target.

  Importantly, we saw some impressive growth in the final quarter which helped contribute to net growth of 1.9% for the full year – about 41% of total industry growth for FY20.
- iihi premium revenue grew to $123.1 million, an increase of 11.8% on FY19 and although UOP of $22.2 million was down 36.4% it still constituted a strong net profit margin of 17.1%.

  The COVID-19 downturn meant this business did not contribute as much as we expected to Group earnings in FY20. Nevertheless, we are very confident our international students and workers businesses will bounce back once the pandemic is behind us or we've better adapted to live with it. It will remain an important source of business and earnings diversification.
- NZ premium revenue grew 11.4% to $240.1 million and UOP 18.2% to $23.4 million with a strong 9.8% net profit margin. We are New Zealand's second largest health insurer and increased consumer awareness of the value of private health insurance was experienced due to the pandemic appears to be mirroring the same experience in Australia.

Statutory EPS of 19.8 cps compared unfavorably with 32.9 cps in FY19 due to a combination of lower profit margins and investment income which fell to $16.6 million versus $36.1 million in FY19.

It's extremely hard to forecast what improvement we might reasonably expect in FY21 and beyond given the ongoing COVID-19 volatility and, on this basis, we continue to suspend earnings guidance.

Nevertheless, we have every confidence in the private health sector and see a future in which nib will play an expanded role in healthcare. The new joint venture we have forged with Cigna, Honeysuckle Health, is a critical piece in this strategy. As Steve mentions, members and travellers can look forward to a future in which we are as much about protecting the health of our members and travellers as we are supporting their treatment. And it's all based upon individual needs informed by artificial intelligence and data science.

Across the Group we have a genuine belief and philosophy that what's good for the communities in which we operate is also good for nib. It explains the efforts and investment we're making around sustainability or as often described ESG (Environmental, Social and Governance). There are five principles underpinning our sustainability efforts, which our set out in our 2020 Sustainability Report. All are important, yet as a healthcare business we especially view population health as the greatest opportunity for nib to a make a difference. Already in New Zealand we are actively supporting a Māori iwi, Ngāti Whātua Ōrākei with some great results and we're looking to emulate that initiative in other geographies.

My thanks to our Board of Directors, Executive management team and all employees for their efforts and contribution to the nib Group in what have been extraordinary circumstances.

Mark Fitzgibbon

nib Group

$2.5b
total Group revenue
up 3.4%

$150.1m
Group UOP
down 25.6%

$16.6m
net investment income
down 54.0%

$89.2m
NPAT
down 40.3%

19.8cps
statutory EPS
down 40.0%

14.0cps
full year dividend

nib Group (nib) achieved a sound operating result in financial year 2020 (FY20), notwithstanding the significant economic and global health impact of COVID-19. While the pandemic has created disruption and challenges for many industries and organisations, nib's business strategy, member-first focus and operational capability has us in good shape to continue to deliver ongoing value for shareholders.

As both our Chairman and Managing Director have highlighted in their reviews of the latest year, nib's focus has been supporting our members, travellers, employees and the community through this challenging period. From financial hardship support and postponement of premium increases for our health insurance members, to donating together with nib foundation, $1.5 million to community and clinical initiatives, our response to the pandemic has been driven by our guiding principle of "your better health". Already our COVID-19 member and community support package across the Group is more than $45 million.

nib's 2020 Sustainability Report provides further details of our COVID-19 response to meet the ongoing health and financial support needs of key stakeholders across the Group.

In terms of financial performance, FY20 net profit after tax (NPAT) was $89.2 million (down 40.3%), with the result impacted by a decline in Group underlying operating profit (UOP) of 25.6% to $150.1 million and investment income down 54.0% to $16.6 million.

Group UOP includes a provision set aside for an expected claims catch-up as members access the healthcare treatment that was disrupted due to COVID-19. This is in recognition of the fact that the need for these treatments has not disappeared with most simply postponed. We expect members over the course of FY21 will catch-up this treatment with a provision of $98.8 million across the Group provided to meet this return of claims activity.

The Board declared a full year dividend of 14.0 cents per share fully franked (FY19: 23.0 cents per share), representing a payout ratio of 71% of FY20 NPAT. The full year dividend comprises an interim dividend of 10.0 cents per share and a final dividend of 4.0 cents per share.

The final dividend will be paid to shareholders on 6 October 2020 with nib's Dividend Reinvestment Plan (DRP) available to eligible shareholders.

Australian residents health insurance | arhi

$2.1b
premium revenue
up 2.9%

$133.6m
UOP
down 10.6%

35.3
net promoter score

Our core earnings driver arhi again led the way, accounting for 89.0% of Group UOP. While arhi's UOP of $133.6 million was down 10.6% on FY19, the result includes a $90.4 million COVID-19 claims provision.

In the face of challenging market conditions arhi grew premium revenue to $2.1 billion. This was an increase of 2.9% and delivered a net profit margin of 6.4%. arhi's premium revenue growth was impacted by our postponement of the 1 April 2020 price increase for six months to provide financial relief to members during the pandemic. Premium revenue growth would have otherwise been 3.7%.

We continue to realise the benefits of our diversified and multi-channel distribution strategy, with net policyholder growth of 1.9% compared to 0.4% for the industry. Overall arhi accounted for 41.5% of total private health insurance industry growth during FY20.

As the health insurer of choice for almost 1.2 million Australians, we've been swift and deliberate in our response to support our members who during the year have endured drought, bushfires and more recently the financial and health uncertainty of COVID-19.

In addition to financial hardship assistance, we've also provided broader coverage for COVID-19 related treatment and further psychology benefits at no additional cost to our members. Due to the impact of social distancing and lockdown measures on many health services, we've offered new benefits for telehealth consultations across a range of health services and introduced free antenatal and early parenting online classes, helping our members to continue accessing the care they need.

And recognising the efforts of our frontline healthcare workers to prepare our health system during the pandemic, we provided eligible members a $250 rebate to support their health and wellbeing in a way that best suits them.

An ongoing focus on operational efficiencies to not only reduce management expenses (down 5.5%) but also enhance the member experience has continued to deliver mutual benefit during the year. Improving the speed and turnaround times of processing and paying claims through automation initiatives has been one area of attention.

In most cases, of the 4.8 million claims submitted by members for payment in FY20, 78% were processed and ready for payment within 24 hours of receiving a completed claim. Our focus on delivering against member expectations and digital first approach saw our Net Promoter Score[1] climb from 32.5 (FY19) to 35.3 (FY20).

1. Excludes GU Health.

International inbound health insurance | iihi

$123.1m
premium revenue
up 11.8%

$22.2m
UOP
down 36.4%

47.1/43.2
NPS – international workers / students

Our iihi business produced a sound operating performance despite the headwinds faced as a result of COVID-19 related international travel restrictions.

iihi's track-record of strong top line growth continued with premium revenue up 11.8% to $123.1 million. Net policyholder growth was 6.3% despite slowing student and worker arrivals due to the pandemic, with the business surpassing 200,000 persons covered.

Consistent with the first half 2020 result, claims expense growth for the full year of almost 46% reflects a combination of policyholder growth as well as an increase in members accessing medical services. This margin and earnings compression mirrors a conscious effort to enhance member value, with the business still delivering a healthy net margin of 17.1% (FY19: 31.1%), in line with expectations with UOP of $22.2 million down 36.4%.

Recognising that our international members are facing unique challenges due to the pandemic and living away from home, we've introduced a range of support measures including premium relief, coverage for telehealth services, free health and hygiene packages as well as partnering with OzHarvest to provide 54,000 meals for students struggling to make ends meet.

Despite an uncertain outlook in terms of Australia's future international student and worker intake, the iihi business remains well positioned to navigate current market conditions and capitalise on growth opportunities when they emerge.

nib New Zealand

$240.1m
premium revenue
up 11.4%

$23.4m
UOP
up 18.2%

32.9
net promoter score

nib New Zealand delivered a positive operating performance with the business improving revenue and earnings. UOP increased 18.2% to $23.4 million, and includes an $8.4 million COVID-19 deferred claims provision.

Our organic growth strategy continued to yield results with net policyholder growth of 7.4%, with success in growing our corporate group and whitelabel channel, which includes leading brand, the New Zealand Automobile Association.

Supporting our Kiwi members and communities to stay safe and healthy throughout the COVID-19 pandemic has been a priority. In addition to financial hardship measures and expanded coverage for COVID-19 related treatment, we extended cover for GP and specialist consultations through telehealth consultations, assisting members to continue accessing healthcare during the severe lockdown restrictions. We also extended treatment pre-approval from three to six months, meaning our members did not need to reapply for surgery approval if they experienced delays in accessing hospital treatment.

Our population health initiative with Māori iwi, Ngāti Whātua Ōrākei, continues to focus on improving population health and wellness as well as helping members access healthcare. The partnership aims to tackle barriers that Māori experience in the public system such as cost, choice, waiting times and accessibility. During the year the program surpassed more than 3,900 lives covered, with COVID-19 Alert Level 4 restrictions limiting the rollout of onsite health management programs.

nib Travel

$129.4m
GWP
down 15.3%

$(19.7)m
UOP
down 398.5%

64.2
Sales NPS

Our travel insurance business, nib Travel, was significantly impacted by COVID-19 with the global and domestic leisure travel one of the hardest hit sectors.

As a result the business made a UOP loss of $19.7 million for the year.

In response, a number of cost saving initiatives have been implemented including scaling back our workforce. The focus for FY21 remains on reducing operational expenses with a heavy emphasis on right-sizing the cost base and improving operating efficiency in preparation for any return to travel.

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

As for most corporations, the dynamic nature of the COVID-19 pandemic during the final months of the financial year has proven to be a true test of resilience for nib. In terms of the Principle Risks, COVID-19 has thrown up many new scenarios for us to assess, design new responses to and then execute upon – all in real time. Impacts of the pandemic have been apparent across all the different risk types: insurance, financial, strategic and operational.

So far, nib has been able to leverage from our solid foundations for managing risk in order to facilitate efficacious outcomes. The maintenance of sound business continuity plans (BCPs) and pandemic plans during this period is one example, whereby nib has continued to operate effectively during a period of significant stress, based on previous investment into robust control frameworks. Our BCPs have enabled us to rapidly redeploy people, assets and resources in order to maintain service levels for our Members and Travellers. Having strong fundamentals has allowed us to quickly refocus on strategic risks and opportunities. We have subsequently shown agility in providing increased value to our Members via initiatives such as: postponement of premium increases, cover for telehealth services, 24/7 health assistance and financial hardship support.

Whilst there is positivity ahead as the health impacts of the pandemic abate, nib will continue to monitor and manage our Principal Risks closely within what is likely to be a challenging macro-economic environment.

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 policy holders reducing their cover. During the COVID-19 pandemic, nib has rapidly deployed a series of initiatives to help improve the value proposition and to partially allay affordability challenges being faced by Members.
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. COVID-19 has created additional challenges for our pricing processes in Australia and New Zealand. Our annual pricing increase was postponed until October. Pricing risks relating to economic conditions and government policy continue to be closely monitored.
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 Life Time 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. The assumption is that nib continue to operate in challenging conditions for the near term based on pandemic-related economic contraction in Australia and global markets.

Principal risks and uncertainties continued

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 affect nib's profits. The industry-specific impacts of COVID-19 on nib's travel and inbound international health insurance are an example of this risk in practice.
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. The COVID-19 pandemic is an example of a significant business continuity event that has required nib to activate its mitigation strategies to ensure effective continuity of service.
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. During COVID-19, nib has responded to the dynamic WHS challenges by launching a series of targeted initiatives including programs for: ergonomic reimbursements, increased Employee Assistance Program (EAP) sessions for employees and their immediate family members, flu vaccinations as well as information and training modules related to mental health.

Five year summary

		2020 $m	2019 $m	2018 $m	2017 $m	2016 $m
Consolidated Income Statement						
Net premium revenue		2,439.6	2,340.8	2,162.6	1,943.1	1,818.7
Net claims incurred		(1,933.4)	(1,811.4)	(1,694.3)	(1,545.8)	(1,481.0)
Gross margin		**506.2**	**529.4**	**468.3**	**397.3**	**337.7**
Other underwriting revenue		**3.5**	**3.6**	**3.0**	**1.0**	**–**
Management expenses		(329.0)	(329.1)	(287.1)	(242.1)	(209.3)
Underwriting result		**180.7**	**203.9**	**184.2**	**156.2**	**128.4**
Other income		60.1	77.2	69.5	60.4	54.4
Other expenses		(86.7)	(78.3)	(68.4)	(62.6)	(50.8)
Share of net profit / (loss) of associates and joint ventures		(4.0)	(1.0)	(0.5)	(0.3)	–
Underlying operating profit		**150.1**	**201.8**	**184.8**	**153.7**	**132.0**
Amortisation of acquired intangibles		(10.4)	(9.2)	(8.4)	(7.6)	(7.8)
Impairment of intangibles		(8.0)	(1.0)	–	–	–
One-off transactions, merger, acquisition and new business implementation costs		(13.6)	(7.0)	(7.4)	4.5	(3.4)
Statutory operating profit		**118.1**	**184.6**	**169.0**	**150.6**	**120.8**
Finance costs		(9.7)	(7.7)	(6.3)	(4.8)	(5.3)
Net investment income		16.6	36.1	29.6	28.6	16.9
Profit before tax		**125.0**	**213.0**	**192.3**	**174.4**	**132.4**
Tax		(35.8)	(63.7)	(58.8)	(54.2)	(40.6)
NPAT		**89.2**	**149.3**	**133.5**	**120.2**	**91.8**
Consolidated Balance Sheet						
Total assets		1,682.5	1,554.1	1,447.5	1,136.1	1,045.6
Equity		606.4	632.2	557.8	427.6	386.1
Debt		232.9	233.9	230.6	153.2	151.9
Share Performance						
Number of shares	m	456.8	455.6	454.8	439.0	439.0
Weighted average number of shares – basic	m	456.1	455.4	450.6	439.0	439.0
Weighted average number of shares – diluted	m	456.1	455.4	450.6	439.0	439.0
Basic earnings per share	cps	19.8	32.9	29.4	27.2	21.2
Diluted earnings per share	cps	19.8	32.9	29.4	27.2	21.2
Underlying earnings per share[1]	cps	24.7	35.4	31.9	27.7	22.9
Share price at year end	$	4.61	7.67	5.73	5.75	4.22
Dividend per share – ordinary	cps	14.00	23.00	20.00	19.00	14.75
Dividend payout ratio – ordinary	%	71.0	70.0	68.5	70.0	70.0
Other financial data						
ROIC	%	11.2	19.1	19.5	22.7	19.0
Group underlying operating revenue	$m	2,503.2	2,421.6	2,235.1	2,004.5	1,873.1
Operating cash flow	$m	211.6	184.5	179.9	171.7	148.4

1. Underlying earnings per share is the Basic earnings per share adjusted for one off transactions

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 2020.

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

David Gordon was appointed as a Director on 29 May 2020.

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, it also specialises in the sale and distribution of travel insurance policies globally.

During the year, the Group commenced specialist health care data science services through its joint venture with Cigna, Honeysuckle Health.

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 4 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.

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 4 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.

Dividends

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

	2020 $m	2019 $m
Final dividend for the year ended 30 June 2019 of 13.0 cents (2018 – 11.0 cents) per fully paid share paid on 30 September 2019	59.2	50.0
Interim dividend for the year ended 30 June 2020 of 10.0 cents (2019 – 10.0 cents) per fully paid share paid on 7 April 2020	45.5	45.5
	104.7	**95.5**

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 $18.3 million (4.0 cents per fully paid ordinary share) to be paid on 6 October 2020 out of retained profits at 30 June 2020.

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 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.

Environmental regulation

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

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
– Chair
BCom (University of Newcastle), FAICD, SF Fin

Independent Non-Executive Director

Industry experience
Steve has more than 40 years' of financial market experience, as well as a long and successful history of directorships of publicly-listed companies.

He began his career at AMP, working in funds management. When ABN AMRO acquired BZW Australia and New Zealand in 1998, Steve became Chief Executive and remained in this role until his retirement. Since then, he has been a member of boards in a variety of different sectors including banking, investment fund management, retail, property, resources and superannuation.

Steve has expertise in developing and leading international businesses, reviewing, scrutinising and implementing corporate strategy, people leadership and government interactions at senior levels.

Directorships of listed entities
Steve is a Non-Executive Director of APA, including APT Pipelines Limited and SCA Property Group.

Former directorships of listed entities in the past three years
None.

Other business and market experience
Steve has previously been a Non-Executive Director of Bank of Queensland, Transfield Services Limited, Investa Property Group (Chair), Foodland Associates, Adelaide Bank Limited, Adelaide Managed Funds, Investment Banking and Securities Association (Chair), APA Ethane Limited and a Trustee of ARIA (a Commonwealth employee superannuation fund).

Other commitments
Steve is Chair of Taronga Conservation Society Australia and Chair of Global Valve Technology Limited.

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

Mark Fitzgibbon
– Chief Executive Officer and Managing Director
MBA (University of Technology Sydney), MA (Macquarie University), ALCA (Charles Sturt University), FAICD

Executive Director

Mark joined nib in October 2002 as Chief Executive Officer. In 2007 as Managing Director, he led nib through its demutualisation and listing on the Australian Securities Exchange (ASX) being admitted to the S&P/ASX 100 in 2019.

Mark is a Director of nib health funds limited, as well as many other nib holdings limited's subsidiaries. He is also a member of nib holding's Nomination Committee.

Industry experience
Mark has held executive positions at a number of large Australian organisations, including local government councils and peak bodies.

Leading nib for almost 20 years, Mark has transformed the business from a regionally based (Newcastle, NSW) private health insurer into one of Australia's fastest growing and innovative health funds.

As Managing Director, Mark's strategic focus has been to grow and diversify nib's business and with that earnings by leveraging nib's capability, systems and people. This has seen nib grow significantly in recent years organically and inorganically, both in existing and new markets.

Directorships of listed entities
None.

Former directorships of listed entities in the past three years
None.

Other business and market experience
Mark has previously served as CEO of both the national and NSW peak industry bodies for licensed clubs, as well as holding several General Manager positions in local government.

Other commitments
Mark is currently a Director of Private Healthcare Australia.

Interests in shares and performance rights
Direct: 1,875,847 ordinary shares in nib holdings limited.

Indirect: 724,621 ordinary shares in nib holdings limited held by Fitzy (NSW) Pty Ltd.

- 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.
- 200,632 performance rights under FY20-FY23 Long Term Incentive Plan which may vest from 1 September 2023.

Information on Directors continued

Lee Ausburn
MPharm (University of Sydney), BPharm (University of Sydney), Dip Hosp Pharm (University of Sydney), FAICD

Independent Non-Executive Director

Lee was appointed to the Board of nib holdings limited in November 2013. She is Chair of the People and Remuneration Committee and a member of the Risk and Reputation Committee and Nomination Committee.

She is also a Director of nib health funds limited.

Industry experience
With more than 30 years' experience in the pharmaceuticals industry, Lee has a wealth of knowledge in the global health industry.

Lee is a pharmacist with experience in retail and hospital pharmacy, as well as in academia. She had a long career in the pharmaceutical industry with Merck Sharp and Dohme (Australia) Pty Ltd and was previously Vice President – Asia for Merck and Co Inc with responsibility for the company's operations across nine countries.

At Merck and Co Inc, Lee built high performing organisations with enhanced ethical and compliance frameworks, across the Asia Pacific region. She also has extensive marketing experience with customer centric approaches that had proven results with the region growing strongly under her leadership. Operating in a highly regulated industry, Lee also developed strong regulatory and government relations skills.

She also has experience operating joint ventures, including chairing the Far East Operating Board, overseeing the successful Merck-Schering Plough Asia Pacific Joint Venture from 2003 to 2007.

Directorships of listed entities
Lee is currently a Director of pharmaceutical wholesaling and pharmacy retail business, Australian Pharmaceutical Industries Ltd.

Former directorships of listed entities in the past three years
SomnoMed Ltd.

Other business and market experience
Lee was previously a member (2010-2015) and President (2015-2017) of the Pharmacy Foundation at the University of Sydney.

She's also been an industry representative on the Australian Government's Pharmaceutical Health and Rational Use of Medicines Committee (1993-1996) and the Drug Utilisation Subcommittee (1995-1997).

In NSW, she was a Board member of NSW Health's Clinical Excellence Commission and the Agency for Clinical Innovation (2010-2014), established to enhance quality and safety in NSW hospitals.

Lee is currently a Mentor for Women on Boards.

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
B.Sc (Hons) (University of New South Wales), MBA (Northwestern University, Chicago), GAICD

Independent Non-Executive Director

Jacqueline was appointed to the Board of nib holdings limited in April 2018. She is Chair of the Risk and Reputation Committee and a member of the Nomination Committee, Audit Committee and People and Remuneration Committee.

She is also a Director of nib health funds limited.

Industry experience
Jacqueline 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. Her early career concentrated on business analytics, brand equity and marketing.

With a reputation for driving growth and performance in global businesses, she is passionate about unlocking value through the entire value chain by growing consumer demand through disruptive technologies, innovation and digital platforms.

Directorships of listed entities
Jacqueline is currently a Non-Executive Director of Coles Group Limited.

Former directorships of listed entities in the past three years
None.

Other business and market experience
Jacqueline has significant global experience driving strategic growth and innovation across customer and consumer brands for the likes of Fonterra, Campbell Arnott's and the Kellogg Company.

She was previously Deputy Chair of Global Dairy Platform and a Director of Fisher & Paykel Appliances in New Zealand, Dairy Partners Americas, the Riddet Institute (Massey University NZ) and The Arnott's Foundation.

In her role with McKinsey & Company RTS, she advises clients across resources, retail, financial services, telecommunications and consumer sectors on organisational change and high performance culture.

Other commitments
Jacqueline is a Non-Executive Director of the Australia-Israel Chamber of Commerce and a senior advisor with McKinsey & Company RTS. She is also a member of Chief Executive Women.

Interests in shares and performance rights
Direct: 50,000 shares in nib holdings limited.

David Gordon
LLB (University of NSW),
BCom (University of NSW)

Independent
Non-Executive Director

David was appointed to the Board of nib holdings limited in May 2020. He is also a member of the Audit Committee, People and Remuneration Committee and Nomination Committee.

He is also a Director of nib health funds limited.

Industry experience
David has over 20 years' experience as a director of both public and private companies and has spent more than 30 years working in corporate advisory roles to Australian and international organisations. He brings extensive knowledge of mergers and acquisitions, as well as capital raisings, IPOs and joint ventures.

David also has a proven track record in guiding businesses to harness their digital asset capability to successfully explore and grow new markets.

Directorships of listed entities
David is currently Chair of Accent Group Limited.

Former directorships of listed entities in the past three years
Non-Executive Director and Chair of Ten Network Holdings Limited.

Other business and market experience
David has held a number of senior roles with Freehills (Partner) and boutique investment bank Wentworth Associates (acquired by Investec in 2001). In addition, he founded independent corporate advisory and investment firm, Lexicon Partners in 2001, where he still serves as Founding Principal.

Other commitments
David is Chair of Ordermentum Pty Ltd and General Homecare Holdings Pty Ltd.

He is also a Non-Executive Director of Genesis Capital Investment Management Pty Ltd, General Medical Holdings Pty Ltd, Stilmark Holdings Pty Ltd and international not-for-profit organisation, High Resolves Pty Ltd.

Anne Loveridge
BA (Hons) (University of Reading), FCA, GAICD

Independent
Non-Executive Director

Anne was appointed to the Board of nib holdings limited in February 2017. She is the Chair of the Audit Committee and a member of the Investment Committee, Risk and Reputation Committee and Nomination Committee.

She is also Chair of nib nz holdings limited's Board, Audit, Risk and Compliance Committee.

In addition, Anne is a Director of nib health funds limited and nib nz holdings limited's subsidiaries.

Industry experience
Anne has over 35 years' of experience in banking, wealth management, private equity and property.

She has extensive knowledge of financial and regulatory reporting, risk management controls and compliance frameworks. She also has experience as a Committee Chairperson and Non-Executive Director for three other ASX-listed organisations.

Formally trained as a Chartered Accountant, Anne has a breadth of experience in financial reporting, auditing, risk, ethics and regulatory affairs following her 31 years with PwC Australia, where she retired as Partner and Deputy Chair in 2015.

Through senior leadership roles in the firm, Anne also has experience and a focus on leadership, performance and culture. She was specifically involved in the creation of targets, mentoring and development programs for senior executives, as well as evaluating organisational training programs to identify areas of bias.

Anne Loveridge is entitled to receive a retirement benefit from PwC as part of her retirement plan. The amount of the payment was determined at the time of retirement, based on role and tenure with the firm. The benefit is not impacted by the revenue, profits or earnings of PwC. Anne has declared her previous relationship with PwC to the nib Board and the Board is satisfied that it does not affect her independence as Non-Executive Director and does not constitute a conflict of interest. The nib Board has in place mechanisms to manage conflicts of interest where they arise.

Directorships of listed entities
Anne is a Non-Executive Director of Platinum Asset Management (Chair of the Audit, Risk and Compliance Committee) and a Non-Executive Director of National Australia Bank Limited (Chair of the Remuneration Committee).

Former directorships of listed entities in the past three years
None.

Other commitments
Anne is Chair of Australian theatre company, Bell Shakespeare Limited.

Interests in shares and performance rights
Direct: 23,885 shares in nib holdings limited.

Information on Directors continued

Christine McLoughlin
BA, LLB (Hons) (Australian National University), FAICD

Independent Non-Executive Director

Christine McLoughlin was appointed to the Board of nib holdings limited in March 2011. She is a member of the Risk and Reputation Committee, Audit Committee and Nomination Committee.

Ms McLoughlin is also a Director of nib health funds limited.

Industry experience
Christine McLoughlin has more than 25 years' of experience in business with roles as Chair, Director and executive within multiple listed, private and not-for-profit organisations.

Ms McLoughlin is an accomplished company director and business leader, having held senior executive positions in financial services in Australia and internationally. She has also served on the boards of ASX 50 companies in financial services, telecommunications, resources, and infrastructure for the past 12 years. Christine is recognised for achievements in driving continuous improvements in organisational culture and performance, and deep experience in regulatory processes and governance.

Directorships of listed entities
Ms McLoughlin is Chairman of Suncorp Group Limited including Chairman of the Nomination Committee and an ex-officio member of the Audit, Customer, People and Remuneration, and Risk Committees.

Former directorships of listed entities in the past three years
Whitehaven Coal Limited and Spark Infrastructure RE Limited.

Other business and market experience
Christine was formerly Chairman, Venues NSW, Deputy Chair of The Smith Family, inaugural Chair of the Australian Payments Council. She was also a Director of each of Westpac's insurance businesses, as well as the Australian Nuclear Science & Technology Organisation and Victoria's Transport Accident Commission.

In April 2020, Christine was appointed by the Federal Government as the Private Sector Representative for Australia for the G20 Empowerment and Progression of Women's Economic Representation (EMPOWER). She has also been involved in several significant Government assignments.

Other commitments
Christine is Chancellor-elect of the University of Wollongong. She is also Chairman and Co-Founder of the Minerva Network and a Director of the McGrath Foundation. She is also a member of the Chief Executive Women, a Fellow of the Australian Institute of Company Directors and a Telstra Business Woman of the Year in 2000.

Interests in shares and performance rights
Indirect: 110,885 ordinary shares in nib holdings limited held by Dundas Street Investments Pty Ltd

Donal O'Dwyer
MBA (Manchester Business School), BE (University College, Dublin)

Independent Non-Executive Director

Donal was appointed to the Board of nib holdings limited in March 2016. He is Chair of the Investment Committee, and a member of the Risk and Reputation Committee, People and Remuneration Committee and Nomination Committee.

He is also a Director of nib health funds limited.

Industry experience
Donal has a deep knowledge of the health industry globally, after more than 35 years in senior executive and Non-Executive Director roles within the healthcare products and medical device sectors.

Starting his career as a qualified civil engineer, he went on to gain experience in business, science, engineering, manufacturing and management. During his tenure with Baxter Healthcare, he rose through the ranks from plant manager to President of the Cardiovascular Group Europe, gaining a sound understanding of the inner workings of business strategy and fiscal management, from the floor of the factory through to the boardroom. He then worked for Cordis (the cardiovascular device franchise of Johnson & Johnson) – initially as European President and later, when he located to the US, he served as Worldwide President.

In his role as member of the nib Risk and Reputation Committee, Donal has a strong interest in environmental, social and governance factors and how these performance indicators can help promote long-term financial success.

Directorships of listed entities
Donal is a Non-Executive Director of Cochlear Ltd, Mesoblast Ltd (Chair of the Nomination and Remuneration Committee) and Fisher & Paykel Healthcare Corporation Ltd.

Former directorships of listed entities in the past three years
Chair of CardieX Limited (formerly AtCor Medical Holdings Limited).

Interests in shares and performance rights
Indirect: 41,485 ordinary 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 2020, 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[2]	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
S Crane	21	21	6	6*	4	4*	6	6*	4	3*	3	3
M Fitzgibbon	21	21	6	6*	4	4*	6	6*	4	4*	3	3
L Ausburn	21	21	6	6*	4	4	6	6	4	2*	3	3
J Chow	21	21	6	6	4	4	6	6	4	3*	3	3
D Gordon[1]	2	2	–	–	–	–*	–	–	1	1*	–	–
A Loveridge	21	20	6	6	4	4	6	6*	4	4	3	3
C McLoughlin	21	20	6	6	4	4	6	5*	4	1*	3	3
D O'Dwyer	21	20	6	6*	4	4	6	6	4	4	3	3

* 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. David Gordon was appointed as a Director on 29 May 2020. The stated number of meetings held for Mr Gordon are those that were convened during the term of his appointment.
2. Includes nine unscheduled meetings, seven of which were held in March and April 2020 in response to COVID-19.

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.

Remuneration report

The Remuneration Report is set out on pages 20 to 40 of the Annual Report and forms part of this Report.

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
5 December 2016	1 September 2020	nil	489,374
27 October 2017	1 September 2020	nil	6,530
15 December 2017	1 September 2021	nil	459,149
23 November 2018	1 September 2022	nil	422,078
11 December 2019	1 September 2023	nil	380,171
28 February 2020	1 September 2023	nil	32,836

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 32 – 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; and
- 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.

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. Amounts in the Directors' 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
23 August 2020

Auditor's Independence Declaration

As lead auditor for the audit of nib holdings limited for the year ended 30 June 2020, 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.

SK Fergusson
Partner
PricewaterhouseCoopers

Newcastle
23 August 2020

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

MESSAGE FROM THE BOARD

Dear Shareholder

nib's purpose of Your Better Health guides our decision-making to help our members and travellers make more informed healthcare choices, better transact with healthcare systems and generally lead healthier lives. Our purpose also sets the guiding principles in developing our remuneration strategy, ensuring alignment with the interests of our members, travellers, employees, shareholders, and the community's expectations.

Like most industry sectors and organisations around the globe, the unheralded effects of COVID-19 have caused significant business disruption during fiscal year 2020 (FY20). While nib hasn't been immune to the impacts of the pandemic crisis, our response has been swift, deliberate and considerate of the needs of all our stakeholders. I encourage our shareholders to read this year's Sustainability Report for further information on what we've done in response to COVID-19 to support our employees, members, travellers and the community.

We've also been cognisant of the significant economic and health impacts of the coronavirus and the flow-on consequences to our remuneration and executive reward strategy for this year and beyond. And while COVID-19 has created challenges for some of our business operations this year, your Board is confident nib's business strategy and very capable Executive Management team have us well placed to continue to deliver sustainable and strong returns for our shareholders.

As a Board we take an active role in understanding the conduct and culture of our organisation to further strengthen the inculcation of the nib values as well as customer focused behaviour. In addition to customer service metrics such as Net Promoter Score, the Board receive regular updates and reporting on employee engagement and risk management insights to track our progress and identify areas for further improvement. And while we acknowledge our business will continue to evolve over time, we're confident we have the leadership and insights to maintain our long-standing healthy workplace culture.

Aligning remuneration with shareholder interests

Our executive remuneration and reward strategy hasn't materially changed in recent years. We continue to regularly consult with a range of industry stakeholders, including major shareholders and shareholder interest groups, to ensure it supports our business objectives, is market competitive, sustainable and aligned to shareholder interests. Pleasingly, at last year's Annual General Meeting our shareholders again voted overwhelmingly in favour of our Remuneration Report and Managing Director's Long-Term Incentive Plan.

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.

During the year we have seen the regulatory environment continue to evolve, particularly with regard to governance and remuneration arrangements as outlined in APRA's draft new prudential standards on remuneration (CPS511).

Overall nib is supportive of the intent of CPS511 to strengthen the link between remuneration and accountability. In fact, we think we've made sound progress in recent years in aligning our Executive remuneration framework with the changes proposed by APRA, including:

- deferral and escrow arrangements for remuneration relating to nib's Short-Term Incentive (STI) and Long-Term Incentive (LTI) Plans respectively;
- introducing clawback and malus conditions within our STI and LTI Plans;
- applying a 'risk gate' assessment for our STI Plan where our People and Remuneration Committee and Chief Risk Officer evaluate our risk culture and risk management to confirm Executive performance warrants reward; and
- a mix of financial and non-financial performance metrics and hurdles within our STI Plan.

While the draft standard is subject to final adoption and implementation by APRA, nib expects it will have an impact on our overall remuneration and governance frameworks, which we plan to adopt from financial year 2022.

Executive reward for FY20 and beyond

As indicated to shareholders in last year's Remuneration Report, based on our external benchmarks, the Managing Director/Chief Executive Officer's (MD/CEO) total fixed remuneration for FY20 increased by 2.5%, reflecting our intent to position our Executive remuneration at between 50% and 75% of the companies we benchmark. Similar adjustments were made to the rest of the Executive Management team, consistent with this approach. STI and LTI frameworks were unchanged, apart from changes in metrics to reflect 2020 priorities. However, the FY20 STI awards were significantly lower reflecting some commercial targets not being achieved as well as a deliberate moderation to the awards as a COVID-19 related austerity measure.

For FY21 there will be no increase in the MD/CEO's fixed or variable remuneration and generally no increases across the Executive Management and Senior Management teams. Some minor adjustments will be made reflecting significant organisational changes (see below) and increased depth and breadth of responsibility.

Non-Executive Director fees for FY21 will also be held steady. The Board believes that given current market conditions, and particularly the impacts and economic uncertainty created by COVID-19, this is the correct course of action.

Executive changes

We undertook a significant review and realignment of Executive responsibilities in March 2020. Behind the changes were various opportunities to improve business performance and reduce operating costs. A new Executive structure saw the departure of three executives without replacement, the creation of a new executive position and the elevation of two roles to the Executive. There was a material net saving associated with the changes. We thank the three Executives who left the company. Their contribution to our progress has been enormous and we wish them every future success.

We also bid farewell to our long serving Group Chief Financial Officer (CFO) Michelle McPherson who accepted another role in pursuit of her career ambitions. Michelle's contribution to the company and its growth is incalculable. She played a key role in nib's success, particularly nib's 2007 demutualisation and ASX listing. We wish her every success as well. Nick Freeman has since joined nib as Group CFO and has extensive knowledge of the health sector and financial services as well as experience working for large ASX-listed multi-national organisations.

In December 2019 we announced our joint venture with global health services company Cigna to establish Honeysuckle Health, a specialist healthcare data science and services company. Leading Honeysuckle Health as Chief Executive Officer is Rhod McKensey who was Group Executive of our arhi business. Rhod was replaced by Ed Close who was previously a senior manager within arhi.

Each member of the new executive will, from FY21, be regarded as a Key Management Personnel (KMP) for reporting purposes. Remuneration for those new Executives is consistent with existing policy and practice.

Renewal and succession planning

Ensuring we have the right skills, diversity and experience both at a Board and senior management level is integral to our continued success.

As the Chairman has touched on in his year in review, Non-Executive Director Christine McLoughlin will retire from the nib Board in September 2020. As the previous Chair of nib's People and Remuneration Committee, Christine played a pivotal and guiding role in shaping our approach to people and remuneration as well as Board succession planning. Orderly renewal and transition remains a focus for the Board and we were fortunate to welcome David Gordon as a Non-Executive Director. David is a high-calibre, well-credentialed Director, who is already making a meaningful and valuable contribution to the nib Board.

As outlined there has been a number of changes in our Executive team. The Board is of the view the changes strengthen succession planning across the company and is actively assessing future scenarios and possibilities.

The Chairman, in his report, has already noted the extraordinary efforts of our people during the year. Calendar year 2020 has presented numerous challenges for many communities. From supporting our members and travellers through personal and financial hardship as a result of the Australian drought and bushfires, to responding to their needs and great uncertainty as a result of the global pandemic, our employees have been at the frontline of our operations. Through it all they have put the interests and wellbeing of our members and travellers front and centre to deliver on our purpose. This is a tremendous reflection of nib's workplace culture and values. On behalf of our Directors I thank our employees for their outstanding effort and dedication throughout the year.

As always, we welcome your feedback on our 2020 Remuneration Report.

Yours sincerely

Lee Ausburn
Chair

People and Remuneration Committee

CONTENTS

Key terms used in this report

FY19	Financial year ended 30 June 2019
FY20	Financial year ended 30 June 2020
FY21	Financial year ended 30 June 2021
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
PARCO	People and Remuneration Committee
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	
Edward Close *(from 1 January 2020)*	Group Executive Australian Residents Health Insurance (GE ARHI)
Nick Freeman *(from 22 June 2020)*	Group Chief Financial Officer (CFO)
Rob Hennin	Chief Executive Officer – New Zealand (CEO NZ)
Brendan Mills	Chief Information Officer (CIO)
Matt Paterson *(from 3 February 2020)*	Group Executive Business Services (GE BS)
Roslyn Toms	Group Executive Legal and Chief Risk Officer (GE LCRO)
David Kan *(until 31 March 2020)*	Group Executive International and New Business (GE INB)
Wendy Lenton *(until 31 March 2020)*	Group Executive People and Culture (GE PC)
Rhod McKensey *(until 31 December 2019)*	Group Executive Australian Residents Health Insurance (GE ARHI)
Michelle McPherson *(until 20 March 2020)*	Deputy Chief Executive Officer/Chief Financial Officer (DCEO/CFO)
Glenn Treadwell *(from 23 March 2020 until 22 June 2020)*	Acting Chief Financial Officer (Acting CFO)
Justin Vaughan *(until 31 March 2020)*	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	Chair Risk and Reputation Committee (from 1 October 2019) Member People and Remuneration Committee Member Audit Committee Member Nomination Committee
David Gordon *(from 29 May 2020)*	Member People and Remuneration Committee Member Audit Committee Member Nomination Committee
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 (until 30 September 2019) Member Audit Committee Member Nomination Committee
Donal O'Dwyer	Chairman Investment Committee Member People and Remuneration Committee Member Risk and Reputation Committee Member Nomination Committee

Our Remuneration Governance

board

Responsible for the Governance of the company, including ensuring nib's remuneration framework and executive reward outcomes are transparent and suitably robust, and aligned with the interests of our members, travellers, employees, shareholders, and the community's expectations.

Considers recommendations from PARCO regarding changes to nib Group's Executive reward and recognition framework including long-term and short term incentive arrangements. The Board is responsible for assessing the performance of the MD/CEO.

parco

The role of PARCO is to ensure nib's remuneration framework supports nib's business strategy assisting and advising the Board on:

- remuneration strategy, policies and practices
- setting measurable diversity and inclusion targets and reviewing the nib Diversity and Inclusion Policy
- reviewing the People and Culture strategy, succession planning processes and annual engagement survey
- reviewing the company values and the inculcation of those values throughout the organisation; and
- monitoring employee engagement and culture.

risk gateway assessment

PARCO conduct a formal assessment of each Executive with input from nib's Risk and Reputation Committee as well as nib's Chief Risk Officer to confirm performance warrants award.

shareholders and other stakeholders

nib Board and PARCO representatives seek feedback from industry stakeholders, including major shareholders and shareholder interest groups, to assist in remuneration decisions.

external remuneration advisers

PARCO regularly engages external remuneration advisors to assist in Executive salary benchmarking against a comparator group of companies.

management

The MD/CEO is responsible for assessing the performance of other Executives which is subject to Board approval.

The role of our People and Remuneration Committee (Committee) is to ensure alignment of nib's remuneration framework and executive rewards strategy against the short and long-term performance of the nib Group, assessed through a combination of financial and non-financial measures. The Committee also has an ongoing role to assess remuneration and performance to ensure it is consistent with shareholder and community expectations.

As part of this process the Committee seeks advice and feedback from a range of external stakeholders from time-to-time, including remuneration consultants, specialists, major shareholders and shareholder advisory groups.

When assessing our remuneration framework strategy, the Committee ensures there is a clear link to nib's culture and values as well as risk management and business strategy. Guiding this process is an intent to create a workplace and environment that attracts, retains, develops and appropriately rewards our people.

External factors such as the operating environment, 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

David Gordon

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

The structure of our Executive remuneration arrangements are set against a comparator group of listed organisations or peers, which nib determines in consultation with external remuneration advisors. The aim is to position the fixed remuneration of our Executive Management team between the 50th and 75th percentile of benchmarked companies. The Committee also considers shareholder views when setting the remuneration of our MD/CEO and Executive Management team, with feedback shared by the Committee.

The Committee typically seeks guidance from external remuneration advisors every two years. This was last undertaken in 2018. Given current macro-economic factors, in particular the impacts of COVID-19 and the decision by the Committee not to increase KMP remuneration for FY21 (including MD/CEO, Executive Management and Senior Management Team), nib has not sought external remuneration data this year.

nib will revisit the need for an external review in FY21 as part of the Committee's annual remuneration appraisal, taking into consideration the performance of the company, the external competitive market, the macro-economic landscape and shareholders' views.

The companies that make up our peer group for assessing benchmark remuneration data 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); and
- New Zealand industry-based comparator group (nib New Zealand Chief Executive Officer only): both listed and unlisted financial services companies in New Zealand.

In setting remuneration, the Committee strives to align executive reward with shareholders' interests and returns. We think this balance is appropriate as we've seen over time ongoing value creation for our shareholders.

Executive remuneration structure

Executive remuneration is based on nib's performance assessed using a combination of metrics and time frames, ensuring reward is linked to decision-making and performance, aligned to our values and culture, is sustainable, consistent with our long-term business strategy and shareholder value creation.

nib's remuneration framework and executive reward strategy provides a mix of fixed and variable remuneration assessed against short and long-term performance. 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) financial and non-financial 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 Statutory 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). All Executives' performance-based incentives (STI and LTI) include claw-back arrangements and a malus condition.

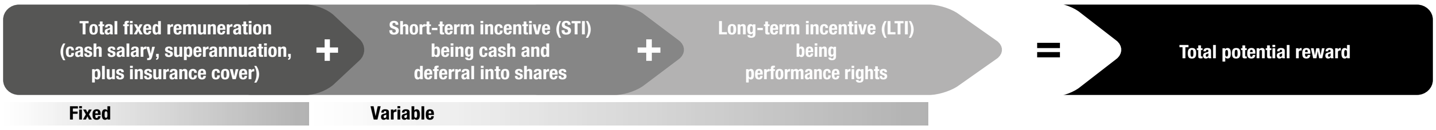
If the Board becomes aware of a material misstatement of our financial accounts or statements, and nib has awarded an Executive an incentive payment or award, short or long-term, having regard to misstatement, the Board may (at its absolute discretion), require the Executive to:

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

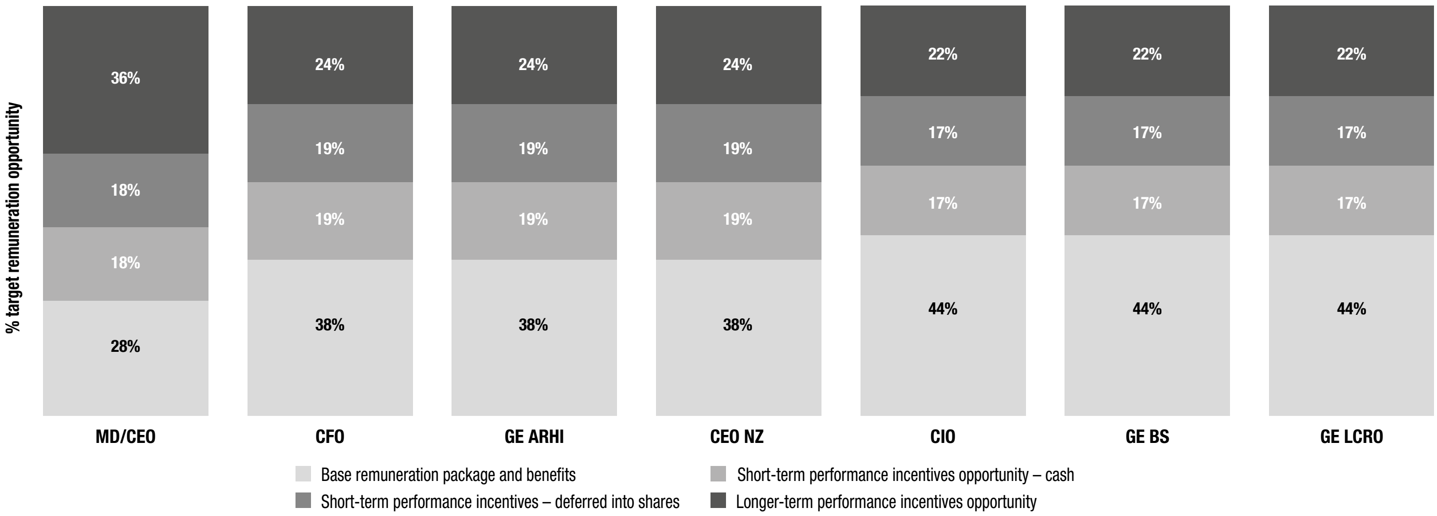
When granting a variable remuneration component for each Executive relating to the performance period, such as STI and LTI Awards, the Board also ensure any governance, adverse risk taking, or audit issues are factored into the quantum of payments to each Executive. To support this, a risk gate assessment is applied for our STI Plan where our People and Remuneration Committee and Chief Risk Officer evaluate the risk culture and risk management to confirm Executive performance warrants award.

Executive remuneration mix

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



The graph below illustrates the FY20 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 reflects their core responsibilities and duties, which 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 Executive remuneration is set between 50% and 75% of our benchmarked companies, with consideration to adjust based on the size and specialty of the role, as well as the skills and experience of the Executive.

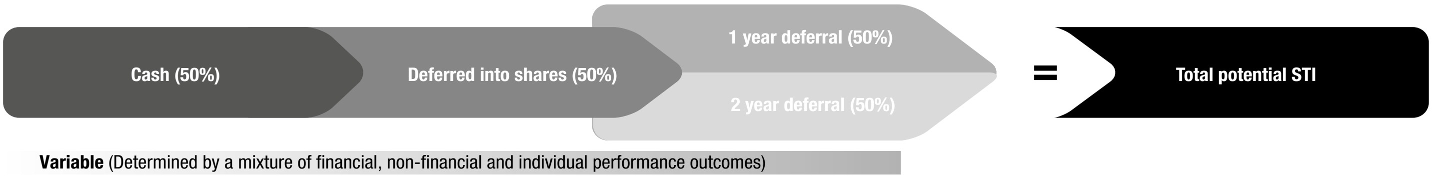
Adjustments to an Executive's remuneration are generally only made where their remuneration is below benchmarked companies or there is a material change in the Executive's responsibilities. Once set, there is no adjustment to fixed remuneration for individual or company out-performance.

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 other Executives (with approval of the resulting STI awards subject to a Committee risk gate assessment prior to Board approval).

Due to the importance of risk management, compliance and behaviour, our People and Remuneration Committee conduct a formal assessment of each Executive prior to the award of the STI with input from nib's Risk and Reputation Committee and nib's Chief Risk Officer.

The CEO/MD potential STI is 125% of TFR with other Executives in a range of 60%-100% of TFR. Actual outcomes are determined on performance criteria 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 recognise the contribution our Executives make 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
   - Shareholder communication and return
   - Operations and Culture
   - Board/Joint Ventures
   - Financial management
   - 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.

   nib does not disclose individual performance hurdles and metrics of the STI for the MD/CEO if they are commercially or strategically sensitive.

2. Company 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 FY20 this is set out on page 30). In some instances, an Executive's STI assessment may also include strategic milestones, which can be assessed over multi-year periods.

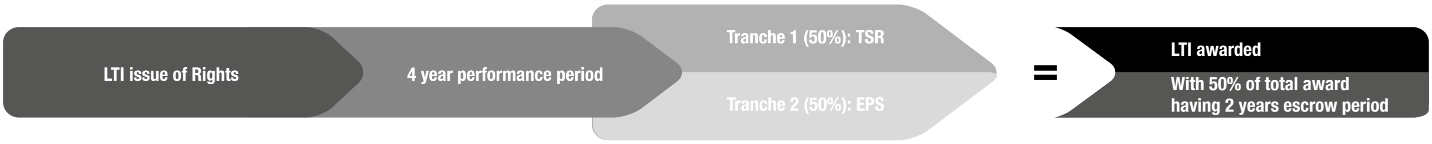
The table on page 30 details the remuneration outcomes for the CEO/MD against performance criteria for the FY20 STI award. The table on page 30 shows the STI award for each Executive for FY20 and previous year relating to their performance against both components of the STI. In assessing the STI awarded for the CEO/MD and Executive for FY20, the Committee in light of COVID-19 deliberately moderated the FY20 STI leadership component as an austerity measure.

A condition of acceptance for each Executive in the STI Plan is the requirement that 50% of the STI be deferred into shares, with 50% having a one year deferral and the remaining 50% deferred for two years. These shares are subject to a risk of forfeiture during the deferral period under bad leaver and clawback conditions.

Executive remuneration mix – variable remuneration continued

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 2020

Actual remuneration for each Executive in FY20 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 FY20, including STI and LTI component for prior years' performance. 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 FY20 and which was originally reported under accounting standards in the year they were granted.

	Total fixed remuneration[1] $	Total termination payments $	STI applicable to the FY19 year paid in Sept 2019 (FY20)[2] Cash $	STI applicable to the FY19 year paid in Sept 2019 (FY20)[2] Shares held in escrow $	LTI vested in FY20[3] $	Total reward (received or available) $
Mark Fitzgibbon	1,143,300	–	616,241	616,241	2,039,598	4,415,380
Edward Close	361,311	–	54,038	–	–	415,349
Nick Freeman (from 22/6/20)	17,765	–	–	–	–	17,765
Rob Hennin	504,608	–	159,507	158,263	355,036	1,177,414
Brendan Mills	432,042	–	128,628	128,628	296,944	986,242
Matt Paterson (from 3/2/20)	187,500	–	–	–	–	187,500
Roslyn Toms	399,100	–	130,302	130,302	–	659,704
David Kan (until 31/3/20)	556,776	374,456	189,804	189,804	404,950	1,715,790
Wendy Lenton (until 31/3/20)	329,728	252,203	133,694	133,694	–	849,319
Rhod McKensey (until 31/12/19)	628,386	–	270,888	270,888	500,624	1,670,786
Michelle McPherson (until 20/3/20)	715,397	–	270,888	270,888	644,326	1,901,499
Glenn Treadwell	391,509	–	77,235	–	–	468,744
Justin Vaughan (until 31/3/20)	364,086	473,831	131,987	131,987	269,964	1,371,855
	6,031,508	**1,100,490**	**2,163,212**	**2,030,695**	**4,511,442**	**15,837,347**

1. Total fixed remuneration comprises Cash salaries and fees, superannuation and leave entitlements paid on termination.
2. FY19 STI paid in the FY20 year.
3. Value of shares issued during the year on exercise of performance rights.

Short-term incentives for the financial year ended 30 June 2020

For the FY20 STI, the Board considered a number of financial and non-financial performance measures to be appropriate metrics and hurdles. The performance outcomes against these measures are reflected in the CEO/MD's FY20 remuneration outcomes. nib Executives were subject to similar performance assessments, reflecting their area of responsibility and function within the nib Group.

Short-term performance targets are set for achieving specific financial and non-financial business and individual performance outcomes, with awards made relative to true outperformance. Due to the commercial and strategic nature of some STI targets for Executives, nib does not disclose some specific KPIs for key management personnel, including the MD/CEO.

Given the COVID-19 impact, the STI metrics were calculated based on actual FY20 results and also based on February 2020 actuals plus four months forecast. There was little difference between the two methods. The Board then applied discretion downwards to reflect current environment and community and shareholder expectations. Despite our Executives showing strong leadership throughout the COVID-19 crisis, the Board applied downward discretion on the leadership component of STI for all Executives.

Executive remuneration for the financial year ended 30 June 2020 continued

Short-term incentives for the financial year ended 30 June 2020 continued

The table below summarises performance versus target against each FY20 STI component for the MD/CEO for both financial and non-financial measures based on 30 June 2020 actuals.

Category and Measure		Weighting	Performance Assessment	Comment
Company Performance Assessment (80% weighting)				
Growth	Group underlying operating revenue	8.0%	6.1%	Group revenue above 2019 and budget
Profitability	Group underlying operating profit	32.0%	0.0%	Below budget
Profitability	Group statutory earnings per share[1]	8.0%	0.0%	Below budget
Cost control	Group operating expenses	16.0%	12.7%	Good expense control
Member satisfaction	Member satisfaction (NPS)[2]	8.0%	2.7%	Good member results
People and safety	Employee engagement	4.0%	2.0%	Good result
People and safety	Group lost time injury frequency	4.0%	3.1%	Strong result
Total Company Performance Assessment		**80.0%**	**26.6%**	
Leadership Assessment (20% weighting)				
Leadership				
Strategic planning				
Shareholder communication and return				
Operations and culture		20.0%	12.0%	
Board/Joint Ventures				
Financial management				
Public image and professional development				
Total Leadership Assessment		**20.0%**	**12.0%**	
Total Assessment / Outcome		**100.0%**	**38.6%**	

1 adjusted for M&A costs.
2 arhi, iihi, nz, nib travel.

Actual FY20 STIs awarded and forfeited (as a percentage of total STI) for each Executive are set out below.

	FY20 STI Bonus				FY19 STI Bonus			
	Leadership Component Awarded (20% of total)	Performance Component Awarded (80% of total)	Total Awarded	Forfeited	Leadership Component Awarded (20% of total)	Performance Component Awarded (80% of total)	Total Awarded	Forfeited
	%	%	%	%	%	%	%	%
Mark Fitzgibbon	60.0%	33.2%	38.6%	61.4%	80.0%	90.5%	88.4%	11.6%
Edward Close	60.0%	34.2%	39.4%	60.6%	na	na	na	na
Nick Freeman	60.0%	17.7%	26.2%	73.8%	na	na	na	na
Rob Hennin	60.0%	57.3%	57.8%	42.2%	90.0%	66.0%	70.8%	29.2%
Brendan Mills	60.0%	41.5%	45.3%	54.7%	80.0%	81.3%	81.0%	19.0%
Matt Paterson	60.0%	50.0%	52.0%	48.0%	na	na	na	na
Roslyn Toms	60.0%	46.4%	49.1%	50.9%	80.0%	86.9%	85.5%	14.5%
David Kan	0.0%	19.7%	19.7%	80.3%	90.0%	65.3%	70.2%	29.8%
Wendy Lenton	0.0%	19.3%	19.3%	80.7%	80.0%	81.4%	81.1%	18.9%
Rhod McKensey	60.0%	27.4%	39.4%	60.6%	80.0%	85.2%	84.2%	15.8%
Michelle McPherson	50.0%	14.2%	24.2%	75.8%	80.0%	85.2%	84.2%	15.8%
Justin Vaughan	0.0%	25.3%	31.6%	68.4%	80.0%	85.9%	84.8%	15.2%
Group average	44.2%	32.2%	36.9%	63.1%	82.2%	80.9%	81.1%	18.9%

Long-term incentives for the financial year ended 30 June 2020

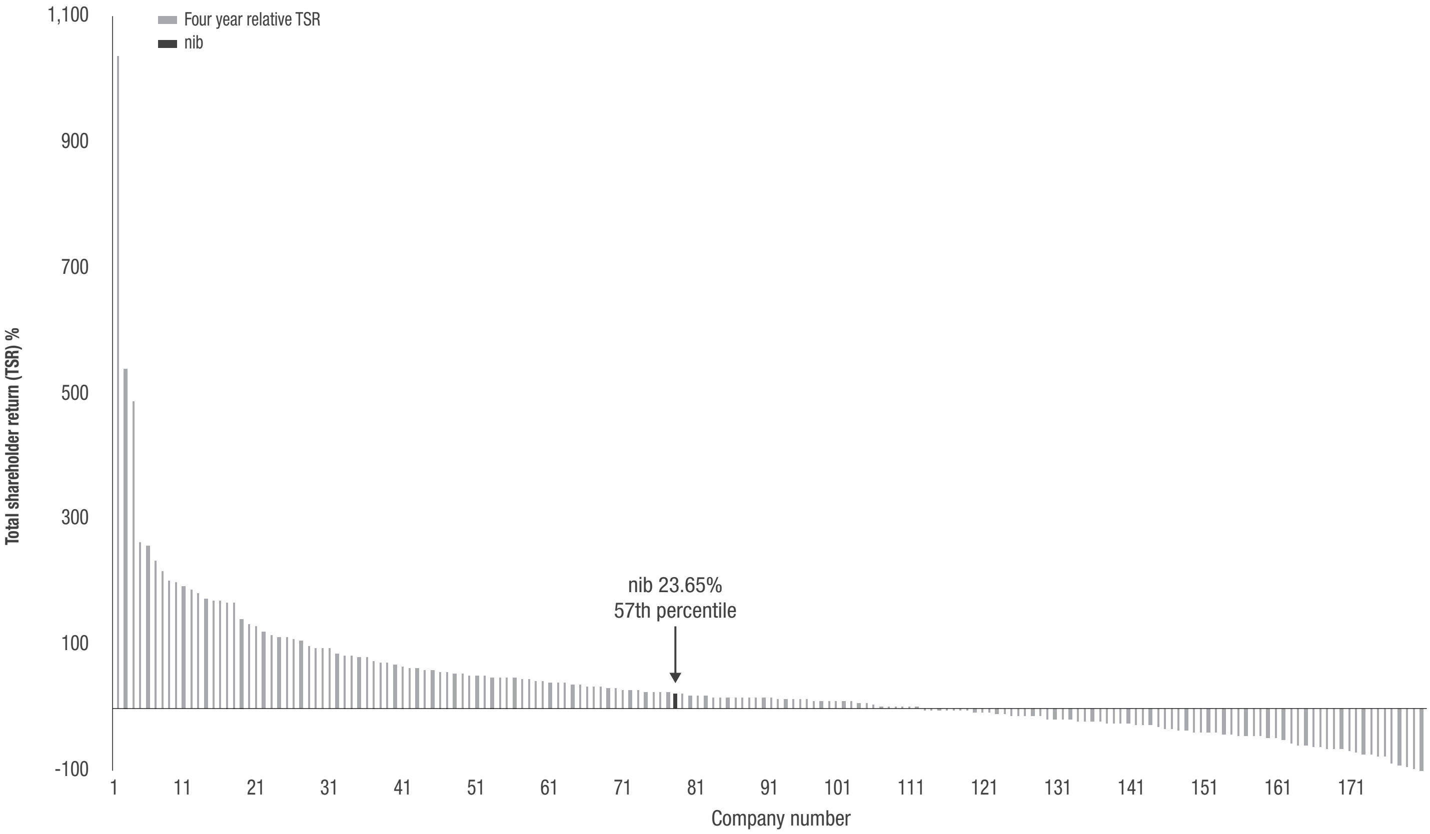
nib LTI performance rights vest in accordance with the achievement of the following vesting conditions:

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)

For the four year performance period ended 30 June 2020, nib's TSR was ranked at the 57th percentile to our peer group (S&P/ASX 200). As per the TSR vesting conditions for the FY17-FY20 LTI (as set out below) this translates to a 57% 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 74%
< 50th percentile	0%



Source: IRESS (as at 30 June 2020).

Executive remuneration for the financial year ended 30 June 2020 continued

Statutory EPS Hurdle (Tranche 2)

For the 12 months to 30 June 2020 nib's statutory EPS was 19.8 cps. As per the Statutory EPS vesting conditions for the FY17-FY20 LTI (as set out below) this translates to Statutory EPS CAGR of 0% from the base Statutory EPS of 21.2cps and nil vesting of the performance rights for Tranche 2.

Percentage of performance rights vesting	FY17-FY20 LTIP
	21.2 cps
100%	29.9 cps
75%	27.8 cps
50%	25.8 cps
25%	23.9 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. Refer table on page 30 for summary of performance versus target against each FY20 STI component for the MD/CEO. The Five Year Summary on page 11 details the Group's financial performance and KPI results for the last 5 years.

Commercial and strategic milestone targets were set for some of our Executives, including the MD/CEO, which are dependent and assessed on their segment and area of responsibility. These metrics are not disclosed due to their commercially sensitive nature.

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.
Edward Close (GE ARHI)	1 January 2020	Open contract with notice period	
Nick Freeman (CFO)	22 June 2020	Open contract with notice period	
Rob Hennin (CEO NZ)	6 May 2013	Open contract with notice period	
Brendan Mills (CIO)	1 June 2012	Open contract with notice period	
Matt Paterson (GE BS)	3 February 2020	Open contract with notice period	
Roslyn Toms (GE LCRO)	1 May 2017	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 Executive this approval would be applicable to is Mark Fitzgibbon (MD/CEO).

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. While nib typically seeks external remuneration data every two years, the Committee decided, given a range of circumstances, there was no need to provide external market data as there will be no increase in Non-Executive Director fees for FY21.

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:

	2020 $	2019 $
Base fees		
Chairman	318,800	311,000
Other Non-Executive Directors	132,200	129,000
Additional fees*		
Audit committee		
Chairman	32,800	32,000
Member	13,800	13,500
Investment committee		
Chairman	18,500	18,000
Member	10,800	10,500
Risk and Reputation committee		
Chairman	32,800	32,000
Member	13,800	13,500
People and Remuneration committee		
Chairman	32,800	32,000
Member	13,800	13,500
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:

	2020 $	2019 $
NZ Base fees		
Chairman*	79,777	76,900
Member	42,300	41,000
NZ Board, Audit, Risk and Compliance committee		
Chairman	10,000	10,000
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 2020.

Detailed disclosure of Executive remuneration

The following table shows details of the remuneration expense recognised for the Group's KMP. 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 $	Non-monetary benefits[2] $	Superannuation $	Long service leave $	Termination benefits $	Bonus[3] $	Performance rights expense $	Performance rights additional value at vesting[4] $	Total $
2020										
Mark Fitzgibbon	1,091,511	275,535	16,809	25,471	19,069	–	275,535	(17,808)	1,394,623	3,080,745
Edward Close[5]	358,717	63,318	1,428	20,990	–	–	46,924	1,382	–	492,759
Nick Freeman (from 22/6/2020)	17,765	2,159	–	–	–	–	2,159	–	–	22,083
Rob Hennin	477,934	147,113	17,121	38,695	–	–	145,869	(10,593)	242,764	1,058,903
Brendan Mills	400,698	81,450	3,031	21,003	7,509	–	81,450	(6,304)	203,042	791,879
Matt Paterson (from 3/2/20)	190,996	38,105	3,123	10,501	–	–	38,105	1,173	–	282,003
Roslyn Toms	384,266	78,423	6,402	21,003	6,664	–	78,423	9,525	–	584,706
David Kan (until 31/3/20)	399,287	41,024	2,976	21,003	46,390	374,456	41,024	(47,022)	276,894	1,156,032
Wendy Lenton (until 31/3/20)	292,982	25,590	4,355	21,003	–	252,203	25,590	(12,232)	–	609,491
Rhod McKensey (until 31/12/19)	328,479	65,316	1,216	12,097	486	–	65,316	(13,360)	342,314	801,864
Michelle McPherson (until 20/3/20)	465,048	57,561	10,771	17,625	1,677	–	57,561	(235,447)	440,573	815,369
Glenn Treadwell[6]	385,610	71,915	5,542	25,000	6,495	–	–	–	–	494,562
Justin Vaughan (until 31/3/20)	283,129	37,934	2,683	24,074	2,682	473,831	37,934	(33,185)	184,595	1,013,677
	5,076,422	**985,443**	**75,457**	**258,465**	**90,972**	**1,100,490**	**895,890**	**(363,871)**	**3,084,805**	**11,204,073**

1 Includes cash salary and fees and short-term compensated absences, such as annual leave entitlements accrued but not taken during the year.
2 Non-monetary benefits includes insurance cover and cost of benefits and associated Fringe Benefits Tax.
3 Includes bonus share rights. Refer to Share-based payments.
4 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 remuneration.
5 Edward Close was appointed Group Executive Australian Residents Health Insurance on 1 January 2020. Before this appointment he was the company's Head of Marketing and Products. Amounts shown above include all Mr Close's remuneration during the reporting period, whether as an Executive Officer or Head of Marketing and Products. Amounts received in his position as Group Executive Australian Residents Health Insurance amounted to $354,479, made up of cash salary of $247,321, cash bonus of $46,924, non-monetary benefits of $1,428, superannuation of $10,501 and share based bonus of $48,305.
6 Glenn Treadwell was appointed acting Chief Financial Officer on 23 March 2020 until 22 June 2020. Before this appointment he was the company's Chief Financial Officer - Divisional (AU) and Corporate Finance. Amounts shown above include all Mr Treadwell's remuneration during the reporting period, whether as an Executive Officer or Chief Financial Officer - Divisional (AU) and Corporate Finance. Amounts received in his position as acting Chief Financial Officer amounted to $181,749, made up of cash salary of $132,232, cash bonus of $41,195, superannuation of $6,250 and long service leave of $2,072.

Detailed disclosure of Executive remuneration continued

	Short-term employee benefits			Post-employment benefits	Long-term benefits	Termination benefits	Share-based payments			
Executives	Cash salary and fees[1] $	Cash bonus $	Non-monetary benefits[2] $	Superannuation $	Long service leave $	Termination benefits $	Bonus[3] $	Performance rights expense $	Performance rights additional value at vesting[4] $	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**

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.

Non-Executive Directors	Cash salary and fees $	Non-monetary benefits $	Superannuation $	Total $
2020				
Steve Crane	297,797	–	21,003	318,800
Lee Ausburn	163,288	–	15,512	178,800
Jacqueline Chow	169,115	–	16,066	185,181
David Gordon (from 29/5/20)	12,740	–	1,210	13,950
Anne Loveridge	231,407	–	10,493	241,900
Christine McLoughlin	146,442	–	6,977	153,419
Donal O'Dywer	162,831	–	15,469	178,300
	1,183,620	**–**	**86,730**	**1,270,350**
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**

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 as at the end of the year	
Name & Grant dates	Balance at the start of the year Unvested	Granted as compensation	Number	%	Number	%	Other Changes	Vested and exercisable	Unvested
Mark Fitzgibbon									
22 Jan 2016 (FY16-FY19 LTIP)	284,320	–	284,320	100%	–	0%	–	–	–
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
11 Dec 2019 (FY20-FY23 LTIP)	–	200,632	–	–	–	–	–	–	200,632
Edward Close									
28 Feb 2020 (FY20-FY23 LTIP)	–	20,063	–	–	–	–	–	–	20,063
Rob Hennin									
22 Jan 2016 (FY16-FY19 LTIP)	49,492	–	49,492	100%	–	0%	–	–	–
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
11 Dec 2019 (FY20-FY23 LTIP)	–	38,648	–	–	–	–	–	–	38,648

Equity instruments held by Key Management Personnel continued

Reconciliation of performance rights held by KMP continued

Name & Grant dates	Balance at the start of the year Unvested	Granted as compensation	Vested and exercised Number	Vested and exercised %	Forfeited Number	Forfeited %	Other Changes	Balance as at the end of the year Vested and exercisable	Balance as at the end of the year Unvested
Brendan Mills									
22 Jan 2016 (FY16-FY19 LTIP)	41,394	–	41,394	100%	–	0%	–	–	–
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
11 Dec 2019 (FY20-FY23 LTIP)	–	28,562	–	–	–	–	–	–	28,562
Matt Paterson									
28 Feb 2020 (FY20-FY23 LTIP)	–	12,773	–	–	–	–	–	–	12,773
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
11 Dec 2019 (FY20-FY23 LTIP)	–	28,014	–	–	–	–	–	–	28,014
David Kan									
22 Jan 2016 (FY16-FY19 LTIP)	56,450	–	56,450	100%	–	0%	–	–	–
5 Dec 2016 (FY17-FY20 LTIP)	55,824	–	–	–	3,349	6%	–	–	52,475
15 Dec 2017 (FY18-FY21 LTIP)	43,930	–	–	–	13,618	31%	–	–	30,312
23 Nov 2018 (FY19-FY22 LTIP)	41,880	–	–	–	23,452	56%	–	–	18,428
11 Dec 2019 (FY20-FY23 LTIP)	–	38,908	–	–	31,515	81%	–	–	7,393
Wendy Lenton									
15 Dec 2017 (FY18-FY21 LTIP)	28,699	–	–	–	8,897	31%	–	–	19,802
23 Nov 2018 (FY19-FY22 LTIP)	31,909	–	–	–	17,869	56%	–	–	14,040
11 Dec 2019 (FY20-FY23 LTIP)	–	29,642	–	–	24,010	81%	–	–	5,632
Rhod McKensey									
22 Jan 2016 (FY16-FY19 LTIP)	69,787	–	69,787	100%	–	0%	–	–	–
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
11 Dec 2019 (FY20-FY23 LTIP)	–	55,551	–	–	–	–	–	–	55,551
Michelle McPherson									
22 Jan 2016 (FY16-FY19 LTIP)	89,819	–	89,819	100%	–	0%	–	–	–
5 Dec 2016 (FY17-FY20 LTIP)	79,717	–	–	–	79,717	100%	–	–	–
15 Dec 2017 (FY18-FY21 LTIP)	62,727	–	–	–	62,727	100%	–	–	–
23 Nov 2018 (FY19-FY22 LTIP)	59,801	–	–	–	59,801	100%	–	–	–
11 Dec 2019 (FY20-FY23 LTIP)	–	55,551	–	–	55,551	100%	–	–	–
Justin Vaughan									
22 Jan 2016 (FY16-FY19 LTIP)	37,633	–	37,633	100%	–	0%	–	–	–
5 Dec 2016 (FY17-FY20 LTIP)	39,077	–	–	–	2,345	6%	–	–	36,732
15 Dec 2017 (FY18-FY21 LTIP)	30,751	–	–	–	9,533	31%	–	–	21,218
23 Nov 2018 (FY19-FY22 LTIP)	30,154	–	–	–	16,886	56%	–	–	13,268
11 Dec 2019 (FY20-FY23 LTIP)	–	28,014	–	–	22,691	81%	–	–	5,323

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 2020.

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
FY16-FY19	22 January 2016	1 September 2019	1 September 2019	nil	$3.0246	100.0%	100.0%
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	$4.4229	to be determined	n/a
FY20-FY23	11 December 2019	1 September 2023	1 September 2023	nil	$6.0675	to be determined	n/a
FY20-FY23	28 February 2020	1 September 2023	1 September 2023	nil	$4.0758	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.

2020	Balance at the start of the year	Granted during the year as compensation	Shares purchased	Shares sold	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	50,000	–	–	–	–	50,000
David Gordon	–	–	–	–	–	–
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	2,300,244	370,224	–	(67,500)	–	2,602,968
Edward Close	–	–	–	–	702	702
Nick Freeman	–	–	–	–	–	–
Rob Hennin	202,595	71,554	–	(46,000)	–	228,149
Brendan Mills	158,204	59,325	–	(39,367)	–	178,162
Matt Paterson	–	–	–	–	–	–
Roslyn Toms	18,099	18,164	–	–	–	36,263
David Kan[1]	41,954	82,909	–	–	(124,863)	–
Wendy Lenton[1]	13,143	18,637	–	–	(31,780)	–
Rhoderic McKensey[1]	594,439	107,549	–	(195,248)	(506,740)	–
Michelle McPherson[1]	832,401	127,581	–	(52,071)	(907,911)	–
Justin Vaughan[1]	92,028	56,032	–	–	(148,060)	–

1. Change in shareholding reflects no longer being a KMP.

Equity instruments held by Key Management Personnel continued

Share holdings continued

2019	Balance at the start of the year	Granted during the year as compensation	Shares purchased	Shares sold	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[1]	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.

Other transactions with key management personnel

There were no transactions with other related parties during the year.

corporate governance statement

for the year ended 30 June 2020

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 2020 Corporate Governance Statement is dated as at 30 June 2020 and reflects the corporate governance practices in place throughout the 2020 financial year. The Corporate Governance Statement was approved by the Board on 28 July 2020. 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 2020

CONTENTS

consolidated income statement

for the year ended 30 June 2020

	Notes	2020 $m	2019 $m
Premium revenue	6	2,473.1	2,372.6
Outwards reinsurance premium expense	6	(33.5)	(31.8)
Net premium revenue		**2,439.6**	**2,340.8**
Claims expense		(1,678.6)	(1,563.2)
Reinsurance and other recoveries revenue		16.4	15.6
RESA levy		(235.0)	(229.5)
State levies		(35.0)	(34.0)
(Increase) / decrease in premium payback liability		(1.2)	(0.3)
Claims handling expenses	7	(21.9)	(18.4)
Net claims incurred		**(1,955.3)**	**(1,829.8)**
Other underwriting revenue	6	**3.5**	**3.6**
Acquisition costs	7	(168.5)	(171.0)
Other underwriting expenses	7	(145.3)	(146.6)
Underwriting expenses		**(313.8)**	**(317.6)**
Underwriting result		**174.0**	**197.0**
Other income	6	60.4	78.2
Other expenses	7	(112.3)	(89.6)
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method	34	(4.0)	(1.0)
Operating profit		**118.1**	**184.6**
Finance costs	7	(9.7)	(7.7)
Investment income	6	18.6	38.6
Investment expenses	7	(2.0)	(2.5)
Profit before income tax		**125.0**	**213.0**
Income tax expense	8	(35.8)	(63.7)
Profit for the year		**89.2**	**149.3**
Profit for the year is attributable to:			
Owners of nib holdings limited		90.1	149.8
Charitable foundation	34	(0.9)	(0.5)
		89.2	**149.3**

	Notes	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	27	19.8	32.9
Diluted earnings per share	27	19.8	32.9
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share	27	19.8	32.9
Diluted earnings per share	27	19.8	32.9

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 2020

	Notes	2020 $m	2019 $m
Profit for the year		**89.2**	**149.3**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	25	(2.1)	3.4
Income tax related to these items	8	0.4	(0.9)
Other comprehensive income for the year, net of tax		**(1.7)**	**2.5**
Total comprehensive income for the year		**87.5**	**151.8**
Total comprehensive income for the year is attributable to:			
Owners of nib holdings limited		88.4	152.3
Charitable foundation	34	(0.9)	(0.5)
		87.5	**151.8**

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

consolidated balance sheet

as at 30 June 2020

	Notes	2020 $m	2019 $m
ASSETS			
Current assets			
Cash and cash equivalents	9	198.0	164.7
Receivables	10	86.4	81.3
Financial assets at amortised cost	11	8.8	73.9
Financial assets at fair value through profit or loss	11	828.6	742.7
Deferred acquisition costs	12	50.7	49.7
Total current assets		**1,172.5**	**1,112.3**
Non-current assets			
Receivables	10	–	1.8
Financial assets at fair value through profit or loss	11	0.4	1.5
Investments accounted for using the equity method	34	17.6	11.7
Deferred acquisition costs	12	66.7	65.5
Deferred tax assets	8	12.4	–
Property, plant and equipment	13	11.4	13.2
Intangible assets	14	339.4	348.1
Right-of-use assets	15	62.1	–
Total non-current assets		**510.0**	**441.8**
Total assets		**1,682.5**	**1,554.1**
LIABILITIES			
Current liabilities			
Payables	16	191.4	197.7
Borrowings	17	2.0	1.4
Claims liabilities	18	245.9	143.3
Unearned premium liability	19	223.3	219.3
Premium payback liability	20	3.5	3.2
Lease liabilities	15	6.3	–
Provision for employee entitlements	21	6.8	4.8
Current tax liabilities		23.9	10.2
Other liabilities	22	–	0.4
Total current liabilities		**703.1**	**580.3**
Non-current liabilities			
Payables	16	6.5	10.0
Borrowings	17	230.9	232.5
Unearned premium liability	19	34.8	38.1
Premium payback liability	20	16.6	16.1
Lease liabilities	15	76.3	–
Provision for employee entitlements	21	3.2	3.4
Deferred tax liabilities	8	4.7	37.2
Other liabilities	22	–	4.3
Total non-current liabilities		**373.0**	**341.6**
Total liabilities		**1,076.1**	**921.9**
Net assets		**606.4**	**632.2**
EQUITY			
Contributed equity	23	121.4	115.2
Retained profits	24	473.8	498.9
Reserves	25	(5.5)	0.5
Capital and reserves attributable to owners of nib holdings limited		**589.7**	**614.6**
Charitable foundation	34	16.7	17.6
Total equity		**606.4**	**632.2**

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

consolidated statement of changes in equity

as at 30 June 2020

	Notes	Attributable to owners of nib holdings limited Contributed equity $m	Retained profits $m	Reserves $m	Total $m	Charitable foundation $m	Total equity $m
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		–	(0.1)	–	(0.1)	–	(0.1)
Adjustment on adoption of AASB 15, net of tax		–	(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	25	–	–	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	23	4.2	–	–	4.2	–	4.2
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	23	(6.0)	–	–	(6.0)	–	(6.0)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees	23	4.7	–	(3.1)	1.6	–	1.6
Employee performance rights – value of employee services		–	–	1.1	1.1	–	1.1
Dividends paid	26	–	(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**
Balance at 30 June 2019 as originally presented		**115.2**	**498.9**	**0.5**	**614.6**	**17.6**	**632.2**
Adjustment on adoption of AASB 16, net of tax	15	–	(10.5)	–	(10.5)	–	(10.5)
Restated balance at 1 July 2019		**115.2**	**488.4**	**0.5**	**604.1**	**17.6**	**621.7**
Profit for the year		–	90.1	–	90.1	(0.9)	89.2
Movement in foreign currency translation, net of tax	25	–	–	(1.7)	(1.7)	–	(1.7)
Total comprehensive income for the year		**–**	**90.1**	**(1.7)**	**88.4**	**(0.9)**	**87.5**
Transactions with owners in their capacity as owners:							
Ordinary shares issued	23	7.1	–	–	7.1	–	7.1
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	23	(6.3)	–	–	(6.3)	–	(6.3)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees	23	5.4	–	(3.9)	1.5	–	1.5
Employee performance rights – value of employee services		–	–	(0.4)	(0.4)	–	(0.4)
Dividends paid	26	–	(104.7)	–	(104.7)	–	(104.7)
		6.2	**(104.7)**	**(4.3)**	**(102.8)**	**–**	**(102.8)**
Balance at 30 June 2020		**121.4**	**473.8**	**(5.5)**	**589.7**	**16.7**	**606.4**

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 2020

	Notes	2020 $m	2019 $m
Cash flows from operating activities			
Receipts from policyholders and customers (inclusive of goods and services tax)		2,597.3	2,506.6
Payments to policyholders and customers		(1,875.2)	(1,840.1)
Receipts from outwards reinsurance contracts		15.8	16.1
Payments for outwards reinsurance contracts		(32.3)	(32.9)
Payments to suppliers and employees (inclusive of goods and services tax)		(448.5)	(418.7)
		257.1	**231.0**
Dividends received		0.3	0.3
Interest received		6.2	9.2
Distributions received		15.5	16.5
Transaction costs relating to acquisition of business		–	(5.3)
Interest paid		(5.6)	(7.2)
Income taxes paid		(61.9)	(60.0)
Net cash inflow from operating activities	9	**211.6**	**184.5**
Cash flows from investing activities			
Proceeds from disposal of financial assets at fair value through profit or loss		1,155.2	284.3
Payments for financial assets at fair value through profit or loss		(1,181.7)	(349.1)
Proceeds from sale of property, plant and equipment and intangibles		0.1	–
Payments for property, plant and equipment and intangibles	13,14	(27.0)	(28.6)
Net cash from consolidation of Charitable foundation		–	13.8
Payment for acquisition of business combination, net of cash acquired		–	(24.2)
Payments for investments in associates and joint ventures	34	(10.0)	(10.6)
Net cash (outflow) from investing activities		**(63.4)**	**(114.4)**
Cash flows from financing activities			
Proceeds from issue of shares		7.1	4.2
Proceeds from borrowings		67.2	–
Repayment of borrowings		(67.2)	–
Principal elements of lease payments		(10.6)	–
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust		(6.3)	(6.0)
Dividends paid to the company's shareholders		(104.7)	(95.5)
Net cash inflow / (outflow) from financing activities		**(114.5)**	**(97.3)**
Net increase / (decrease) in cash and cash equivalents		33.7	(27.2)
Cash and cash equivalents at beginning of the year		163.3	191.1
Effects of exchange rate changes on cash and cash equivalents		(1.0)	(0.6)
Cash and cash equivalents at the end of the year		**196.0**	**163.3**
Reconciliation to Consolidated Balance Sheet			
Cash and cash equivalents	9	198.0	164.7
Borrowings – overdraft	17	(2.0)	(1.4)
		196.0	**163.3**

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

1. Summary of significant accounting policies

The financial statements are for the consolidated entity consisting of nib holdings limited and its subsidiaries. nib holdings limited is a company limited by shares, incorporated and domiciled in Australia.

The Financial Report was authorised for issue by the Directors on 23 August 2020. The company has the power to amend and reissue the Financial Report.

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.

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 claims liabilities and financial assets and liabilities at fair value through profit or loss.

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 2020 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 33(b)).

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.

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 16 Leases

The Group has adopted AASB 16 retrospectively from 1 July 2019, but has not restated comparatives for FY19, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019.

The impact on the consolidated financial performance and position of the Group from the adoption of AASB 16 is detailed in note 15.

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 2020 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 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. 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 2023. 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 COVID-19 pandemic has impacted the Group's assessment of these assumptions and forward looking estimates, and management have accordingly adjusted them to reflect the change in risk. The Provision for deferred and suspended claims included within Claims liabilities is a new liability for this financial year as a result of COVID-19. Specifics of the impact on estimates are detailed in each note.

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
Note 18	Claims liabilities – Outstanding claims liability and Provision for deferred and suspended claims
Note 19	Liability adequacy test
Note 20	Premium payback liabilities
Note 30	Contingent liabilities

3. Risk management

The Board of nib is ultimately responsible for the Group's risk management framework and oversees the Group's 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, Investment 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, and
- application of solvency and capital adequacy standards for nib health funds limited (regulated by APRA) and nib New Zealand (regulated by 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 risk management systems and practices to reflect our strong commitment to risk and compliance in alignment with APRA Prudential Standard CPS 220 – Risk Management.

The financial condition and operations of the Group are affected by a number of Principal Risks and Uncertainties. High level descriptions of these risks are included in the Operating and Financial Review (see pages 4 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.

The impact of the COVID-19 pandemic on the global economy has resulted in increased insurance and financial risk to the Group. This heightened level of uncertainty and risk is managed as part of the Group's Risk Management Framework.

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 28)

3. Risk management continued

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 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 healthcare, lifestyle or claims history.	Claims patterns are monitored and premiums calculated accordingly. Governance, contractual and control procedures are in place for key benefits & 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 the policyholder or private health fund related to the claim.	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.

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:

	2020		2019	
	Weighted average interest rate %	Balance $m	Weighted average interest rate %	Balance $m
Bank loans	2.3%	230.9	3.0%	232.5
Net exposure to cash flow interest rate risk		**230.9**		**232.5**

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.

The Group's sensitivity to interest rate risk has increased with the COVID-19 associated economic impact. The Group has shown the impact of a change in 100 bps to reflect this increased risk.

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.

	2020					2019				
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	198.0	(1.4)	(1.4)	1.4	1.4	164.7	(1.1)	(1.1)	1.1	1.1
Other receivables	22.6	(0.2)	(0.2)	0.2	0.2	23.0	(0.1)	(0.1)	0.1	0.1
Financial assets at amortised cost	8.8	0.1	0.1	(0.1)	(0.1)	73.9	0.5	0.5	(0.5)	(0.5)
Financial assets at fair value through profit or loss	829.0	13.4	13.4	(13.6)	(13.6)	744.2	7.7	7.7	(7.6)	(7.6)
Financial liabilities										
Bank loans	(230.9)	1.7	1.7	(1.7)	(1.7)	(232.5)	1.7	1.7	(1.7)	(1.7)
Premium payback liability	(20.1)	(0.7)	(0.7)	0.7	0.7	(19.3)	(0.7)	(0.7)	0.7	0.7
Total increase / (decrease)	**807.4**	**12.9**	**12.9**	**(13.1)**	**(13.1)**	**754.0**	**8.0**	**8.0**	**(7.9)**	**(7.9)**

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 in equity through other comprehensive income. 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.

3. Risk management continued

c) Foreign exchange risk continued

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.

	2020					2019				
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	0.5	(0.1)	0.1	0.1	(0.1)	–	–	–	–	–
Canadian dollar	0.2	–	–	–	–	–	–	–	–	–
Chinese Yuan	8.6	(0.6)	–	0.6	–	0.1	–	–	–	–
European euro	2.2	(0.1)	–	0.1	–	–	–	–	–	–
Great Britain pound	2.2	(0.2)	–	0.2	–	–	–	–	–	–
New Zealand dollar	65.6	–	(6.5)	–	6.5	65.2	–	(6.5)	–	6.5
United States dollar	1.5	(0.2)	0.1	0.2	(0.1)	0.3	–	–	–	–
Thai baht	0.3	–	–	–	–	0.3	–	–	–	–
Total increase / (decrease)	**81.1**	**(1.2)**	**(6.3)**	**1.2**	**6.3**	**65.9**	**–**	**(6.5)**	**–**	**6.5**

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. nib receives advice from its asset consultants.

The Group's increased risk relating to price of equity securities as a result of COVID-19 is mitigated by the heavier weighting of the Group's investments 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.

	2020					2019				
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	829.0	(11.7)	(11.7)	11.7	11.7	744.2	(10.5)	(10.5)	10.5	10.5
Total increase / (decrease)	829.0	(11.7)	(11.7)	11.7	11.7	744.2	(10.5)	(10.5)	10.5	10.5

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.

The Group's credit risk assessments and loss allowances have been updated for the increased risk of default as a result of the COVID-19 pandemic.

Other receivables	2020 $m	2019 $m
Counterparties with external credit rating	4.7	1.0
Group 1 – new debtors (relationship less than 6 months)	0.5	2.3
Group 2 – existing debtors with no defaults in the past	17.2	19.6
Group 3 – existing debtors with some defaults in the past. All defaults were fully recovered.	0.2	0.1
	22.6	**23.0**

Cash at bank and short-term bank deposits	2020 $m	2019 $m
A-1+	183.4	117.5
A-1	13.7	14.7
A-2	0.9	30.4
B	–	2.1
	198.0	**164.7**

Financial assets at amortised cost	2020 $m	2019 $m
Short-term deposits		
A-1+	8.8	73.9
	8.8	**73.9**

3. Risk management continued

e) Credit risk continued

Financial assets at fair value through profit or loss	2020 $m	2019 $m
Short term deposits		
A-1+	–	75.0
Interest-bearing securities[1]		
AAA	158.9	129.2
AA	378.6	221.7
A	103.6	95.9
BBB	19.1	65.9
Sub investment grade	–	5.2
Unclassified	–	0.4
	660.2	**593.3**

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; • lease liabilities; 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 2020	< 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	12.9	0.6	0.3	–	–	13.8	13.7
Other payables	80.9	17.7	10.9	6.8	1.0	117.3	117.3
Lease liabilities	0.9	2.6	6.7	41.0	56.8	108.0	82.6
Borrowings	0.2	0.9	3.0	234.9	–	239.0	232.9
	94.9	**21.8**	**20.9**	**282.7**	**57.8**	**478.1**	**446.5**

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**

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 2020 and 30 June 2019:

Group at 30 June 2020	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Receivables	–	1.9	–	1.9
Financial assets at fair value through profit or loss				
Equity securities	156.1	–	–	156.1
Interest-bearing securites	633.8	26.4	–	660.2
Mortgage trusts	–	0.4	–	0.4
Property trusts	1.8	–	10.5	12.3
Short-term deposits	–	–	–	–
Total assets	**791.7**	**28.7**	**10.5**	**830.9**

Group at 30 June 2019	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Receivables	–	1.8	–	1.8
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	**687.2**	**45.9**	**12.9**	**746.0**

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.

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 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.

4. Fair value measurement continued

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 2020 and 30 June 2019:

	2020 $m	2019 $m
Fair value measurement as at 1 July	12.9	13.1
Purchased	0.7	0.6
Sales	(2.2)	(1.3)
Change in fair value	(0.9)	0.5
Fair value measurement at end of period	**10.5**	**12.9**

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 2019.
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 2020			
Unlisted property trusts	10.5	Redemption price	Higher/(lower) redemption price (+/- 10%) would increase/(decrease) fair value by $1.1m
At 30 June 2019			
Unlisted property trusts	12.9	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 2020 and 30 June 2019:

	2020		2019	
Non-current borrowings	Carrying amount $m	Fair value $m	Carrying amount $m	Fair value $m
Bank loans	230.9	230.9	232.5	232.5

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 expenditure such as integration costs, merger and acquisition costs, new business implementation costs, amortisation of acquired intangibles and impairment of 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

‘Unallocated to segments’ includes life and funeral insurance commission, corporate and share registry, share of profit / (loss) of Honeysuckle Health and China joint ventures and charitable foundation as they do meet the quantitative requirements for reportable segments.

5. Segment reporting continued

	For the year ending 30 June 2020					
	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	2,085.0	139.7	240.5	7.9	–	2,473.1
Outwards reinsurance premium expense	(12.7)	(16.6)	(0.4)	(3.8)	–	(33.5)
Net premium revenue	**2,072.3**	**123.1**	**240.1**	**4.1**	**–**	**2,439.6**
Claims expense	(1,460.4)	(71.2)	(144.9)	(2.1)	–	(1,678.6)
Reinsurance and other recoveries revenue	4.9	9.4	–	2.1	–	16.4
RESA	(235.0)	–	–	–	–	(235.0)
State levies	(35.0)	–	–	–	–	(35.0)
(Increase) / decrease in premium payback liability	–	–	(1.2)	–	–	(1.2)
Claims handling expenses	(15.5)	(3.4)	(2.5)	(0.5)	–	(21.9)
Net claims incurred	**(1,741.0)**	**(65.2)**	**(148.6)**	**(0.5)**	**–**	**(1,955.3)**
Other underwriting revenue	**2.4**	**1.2**	**(0.1)**	**–**	**–**	**3.5**
Acquisition costs	(110.0)	(16.0)	(39.6)	(2.9)	–	(168.5)
Other underwriting expenses	(89.1)	(20.9)	(28.4)	(0.2)	–	(138.6)
Underwriting expenses	**(199.1)**	**(36.9)**	**(68.0)**	**(3.1)**	**–**	**(307.1)**
Underwriting result	**134.6**	**22.2**	**23.4**	**0.5**	**–**	**180.7**
Other income	–	–	–	54.1	6.0	60.1
Other expenses	–	–	–	(74.3)	(12.4)	(86.7)
Share of net profit / (loss) of associates and joint ventures accounted for using the equity method	(1.0)	–	–	–	(3.0)	(4.0)
Underlying operating profit / (loss)	**133.6**	**22.2**	**23.4**	**(19.7)**	**(9.4)**	**150.1**
Items not included in underlying operating profit						
Amortisation of acquired intangibles	(1.9)	(1.5)	(3.4)	(3.6)	–	(10.4)
Impairment of intangibles	–	–	–	(8.0)	–	(8.0)
One-off transactions, merger, acquisition and new business implementation costs	–	–	–	–	(13.6)	(13.6)
Finance costs					(9.7)	(9.7)
Investment income					18.6	18.6
Investment expenses					(2.0)	(2.0)
Profit before income tax from continuing operations						**125.0**
Inter-segment other income[1]	3.4	0.2	0.1	–	–	3.7
Depreciation and amortisation	2.7	1.8	3.5	3.6	16.1	27.7
Total assets	1,181.7		228.0	157.6	115.2	1,682.5
Total liabilities	677.6		87.5	47.4	263.6	1,076.1
Insurance liabilities						
Claims liabilities	220.4		25.1	0.4	–	245.9
Unearned premium liability	236.6		21.2	0.3	–	258.1
Premium payback liability	–		20.1	–	–	20.1
Total	**457.0**		**66.4**	**0.7**	**–**	**524.1**

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

	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)
(Increase) / 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 accounted for using the equity method	(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)
Impairment of intangibles	–	–	–	(1.0)	–	(1.0)
One-off transactions, merger, acquisition and new business implementation costs	–	–	–	–	(7.0)	(7.0)
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						
Claims liabilities	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.

6. Revenue and other income

	2020 $m	2019 $m
Premium revenue	2,473.1	2,372.6
Outwards reinsurance premiums	(33.5)	(31.8)
Net premium revenue	**2,439.6**	**2,340.8**
Agency fee	0.3	0.4
Sundry income	3.2	3.2
Other underwriting revenue	**3.5**	**3.6**
Other income		
Travel insurance commission	54.1	72.4
Life and funeral insurance commission and other commissions	3.1	2.8
Insurance recoveries	0.3	1.0
Sundry income	2.9	2.0
	60.4	**78.2**
Investment income		
Interest	5.6	9.2
Net realised gain (loss) on financial assets at fair value through profit or loss	34.2	18.2
Net unrealised gain (loss) on financial assets at fair value through profit or loss	(21.5)	10.9
Dividends	0.3	0.3
	18.6	**38.6**

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. Refer to Note 10(a)(iii) for impairment of financial assets.
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) Income from travel insurance commission	Income in the form of commissions is recognised when the sale of an insurance policy to a customer occurs. Income is also generated on travel services activities and recognised as the service is performed.

7. Expenses

	Notes	2020 $m	2019 $m
Expenses by function			
Claims handling expenses		21.9	18.4
Acquisition costs		168.5	171.0
Other underwriting expenses		145.3	146.6
Other expenses		112.3	89.6
Finance costs		9.7	7.7
Investment expenses		2.0	2.5
Total expenses (excluding direct claims expenses)		**459.7**	**435.8**
Expenses by nature			
Amortisation of acquired intangibles		10.4	9.2
Bank charges		5.1	5.1
Communications, postage and telephone expenses		5.6	5.6
Depreciation and amortisation		17.3	15.6
Depreciation of right-of-use assets	15	7.5	–
Employee costs		164.7	155.3
Finance costs		5.5	7.7
Finance costs – interest on lease liabilities	15	4.2	–
Impairment of intangibles		8.0	1.0
Information technology expenses		21.8	18.6
Investment expenses		2.0	2.5
Marketing expenses – excluding commissions		45.3	52.4
Marketing expenses – commissions		115.7	106.9
Merger, acquisition and new business implementation costs		9.7	8.0
Operating lease rental expenses		–	12.9
Professional fees		18.3	18.1
Other expenses		18.6	16.9
Total expenses (excluding direct claims expenses)		**459.7**	**435.8**

8. Taxation

a) Income tax

	Notes	2020 $m	2019 $m
i) Income tax expense			
Recognised in the income statement			
Current tax expense		77.2	64.5
Deferred tax expense		(40.0)	(0.3)
Under (over) provided in prior years		(1.4)	(0.4)
Under (over) provided in prior years – research and development tax credit		–	(0.1)
		35.8	**63.7**
Income tax expense is attributable to:			
Profit from continuing operations		35.8	63.7
Aggregate income tax expense		**35.8**	**63.7**
Deferred income tax expense included in income tax expense comprises:			
(Increase) / decrease in deferred tax assets	8(b)	(33.4)	(0.9)
Increase / (decrease) in deferred tax liabilities	8(c)	(6.6)	0.6
		(40.0)	**(0.3)**
ii) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax expense		**125.0**	**213.0**
Tax at the Australian tax rate of 30% (2019: 30%)		37.5	63.9
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Sundry items		0.5	1.0
Net assessable trust distributions		0.2	0.3
Imputation credits and foreign tax credits		(0.7)	(1.1)
Adjustment for current tax of prior periods		(1.4)	(0.4)
Adjustment for current tax of prior periods – research and development tax credit		–	(0.1)
Unrecognised tax losses and deferred tax assets		0.1	–
Differences in foreign tax rates		(0.4)	0.1
Income tax expense		**35.8**	**63.7**
iii) Tax expense relating to items of other comprehensive income			
Foreign currency translations		(0.4)	0.9
		(0.4)	**0.9**
iv) Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		0.3	–
Potential tax benefit at 30%		**0.1**	**–**

b) Deferred tax assets

	Notes	2020 $m	2019 $m
The balance comprises temporary differences attributable to:			
Claims liabilities		30.7	0.3
Depreciation and amortisation		0.6	1.2
Employee benefits		6.1	5.7
Lease liabilities		23.8	–
Premium payback liabilities		5.2	5.1
Provisions		5.7	6.1
Unrealised losses on investments		4.0	–
		76.1	**18.4**
Other			
Deferred profit on sale and leaseback of head office building		–	1.4
Loss allowance		0.6	0.5
Income receivables		0.4	0.4
Investment in associates and joint ventures		1.4	0.2
Share issue costs		0.2	0.4
Tax losses		0.2	0.5
		2.8	**3.4**
Total deferred tax assets		**78.9**	**21.8**
Set-off of deferred tax liabilities pursuant to set-off provisions	8(c)	(66.5)	(21.8)
Net deferred tax assets		**12.4**	**–**
Recovery of total deferred tax assets:			
Deferred tax assets to be recovered within 12 months		41.0	8.5
Deferred tax assets to be recovered after more than 12 months		37.9	13.3
		78.9	**21.8**

Movements	Claims liabilities $m	Depreciation and amortisation $m	Employee benefits $m	Lease liabilities $m	Premium payback liabilities $m	Provisions $m	Unrealised losses on investments $m	Other $m	Total $m
Balance at 30 June 2018 as originally presented	**1.6**	**–**	**4.9**	**–**	**4.7**	**5.7**	**0.4**	**2.8**	**20.1**
Adjustment on adoption of AASB 15	–	–	–	–	–	–	–	0.3	0.3
Restated balance at 1 July 2018	**1.6**	**–**	**4.9**	**–**	**4.7**	**5.7**	**0.4**	**3.1**	**20.4**
(Charged)/credited to the income statement	(1.3)	1.2	0.5	–	0.2	0.4	(0.4)	0.3	0.9
(Charged)/credited directly to other comprehensive income	–	–	–	–	0.2	–	–	–	0.2
Acquisition of business	–	–	0.3	–	–	–	–	–	0.3
Balance at 30 June 2019 as originally presented	**0.3**	**1.2**	**5.7**	**–**	**5.1**	**6.1**	**–**	**3.4**	**21.8**
Adjustment on adoption of AASB 16	–	–	–	25.2	–	–	–	(1.4)	23.8
Restated balance at 1 July 2019	**0.3**	**1.2**	**5.7**	**25.2**	**5.1**	**6.1**	**–**	**2.0**	**45.6**
(Charged)/credited to the income statement	30.4	(0.7)	0.4	(1.5)	0.4	(0.4)	4.0	0.8	33.4
(Charged)/credited directly to other comprehensive income	–	0.1	–	0.1	(0.3)	–	–	–	(0.1)
At 30 June 2020	**30.7**	**0.6**	**6.1**	**23.8**	**5.2**	**5.7**	**4.0**	**2.8**	**78.9**

8. Taxation continued

c) Deferred tax liabilities

	Notes	2020 $m	2019 $m
The balance comprises temporary differences attributable to:			
Brands and trademarks and customer contracts and relationships		17.7	22.8
Deferred acquisition costs		34.7	32.4
Right-of-use assets		17.9	–
Unrealised foreign exchange gains		0.8	1.1
Unrealised gains on investments		–	2.5
		71.1	**58.8**
Other			
Income receivables		–	–
Unearned premium liability		0.1	0.2
		0.1	**0.2**
Total deferred tax liabilities		**71.2**	**59.0**
Set-off of deferred tax liabilities pursuant to set-off provisions	8(b)	(66.5)	(21.8)
Net deferred tax liabilities		**4.7**	**37.2**
Recovery of total deferred tax liabilities:			
Deferred tax liabilities to be settled within 12 months		15.4	17.4
Deferred tax liabilities to be settled after more than 12 months		55.8	41.6
		71.2	**59.0**

Movements	Brands and trademarks and customer contracts and relationships $m	Deferred acquisition costs $m	Depreciation and amortisation $m	Right-of-use assets $m	Unrealised foreign exchange losses $m	Unrealised gains on investments $m	Other $m	Total $m
Balance 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	3.6	–	–	–	–	–	–	3.6
Balance as at 30 June 2019 as originally presented	**22.8**	**32.4**	**–**	**–**	**1.1**	**2.5**	**0.2**	**59.0**
Adjustment on adoption of AASB 16	–	–	–	19.4	–	–	–	19.4
Restated balance at 1 July 2019	**22.8**	**32.4**	**–**	**19.4**	**1.1**	**2.5**	**0.2**	**78.4**
(Charged)/credited to the income statement	(5.0)	2.4	–	(1.4)	–	(2.5)	(0.1)	(6.6)
(Charged)/credited directly to other comprehensive income	(0.1)	(0.1)	–	(0.1)	(0.3)	–	–	(0.6)
At 30 June 2020	**17.7**	**34.7**	**–**	**17.9**	**0.8**	**–**	**0.1**	**71.2**

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. 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

	2020 $m	2019 $m
Cash at bank and cash on hand	141.6	124.2
Short-term deposits and deposits at call	56.4	40.5
	198.0	**164.7**

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

	2020 $m	2019 $m
Profit for the year	89.2	149.3
Net (gain) / loss on disposal of property, plant and equipment	0.1	0.6
Deferred profit on sale and leaseback of head office building	–	(0.4)
Fair value (gain)/loss on other financial assets through profit or loss	4.6	(10.3)
Share of net (profit) / loss of associates and joint ventures	4.0	1.0
Non-cash employee benefits expense – share-based payments	(0.4)	1.0
Depreciation and amortisation	27.7	24.8
Depreciation of right-of-use assets and interest on leases	11.7	–
Impairment of intangibles	8.0	1.0
Net exchange differences	0.9	(1.8)
Change in operating assets and liabilities, net of effect from purchase of controlled entity		
Decrease (increase) in receivables	(3.3)	(2.8)
Decrease (increase) in deferred acquisition costs	(2.2)	(4.6)
Decrease (increase) in deferred tax assets	(8.6)	0.1
Increase (decrease) in trade payables	(8.3)	10.3
Increase (decrease) in unearned premium liability	0.7	19.6
Increase (decrease) in premium payback liability	0.8	1.1
Increase (decrease) in current tax liabilities	13.7	4.0
Increase (decrease) in deferred tax liabilities	(31.4)	0.1
Increase (decrease) in provisions	104.4	(8.5)
Net cash flow from operating activities	**211.6**	**184.5**

d) Net debt

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

	2020 $m	2019 $m
Cash and cash equivalents	198.0	164.7
Liquid investments	818.1	731.4
Borrowings – repayable within one year	(2.0)	(1.4)
Borrowings – repayable after one year	(230.9)	(232.5)
Lease liabilities	(82.6)	–
Net debt	**700.6**	**662.2**
Cash and liquid investments	1,016.1	896.1
Gross debt – fixed interest rates	–	–
Gross debt – variable interest rates	(232.9)	(233.9)
Lease liabilities	(82.6)	–
Net debt	**700.6**	**662.2**

		Assets			Liabilities from financing activities		
	Note	Cash and cash equivalents $m	Liquid investments $m	Sub-total $m	Borrowings $m	Lease liabilities $m	Total $m
Net debt as at 1 July 2018		**192.2**	**721.7**	**913.9**	**(230.6)**	**–**	**683.3**
Cash flows		(40.7)	(4.6)	(45.3)	(0.3)	–	(45.6)
Net cash and liquid investments from consolidation of Charitable foundation		13.8	4.0	17.8	–	–	17.8
Foreign exchange adjustments		(0.6)	1.1	0.5	(3.0)	–	(2.5)
Other non-cash movements		–	9.2	9.2	–	–	9.2
Net debt as at 30 June 2019		**164.7**	**731.4**	**896.1**	**(233.9)**	**–**	**662.2**
Recognised on adoption of AASB 16	15	–	–	–	–	(87.6)	(87.6)
Restated net debt at 1 July 2019		**164.7**	**731.4**	**896.1**	**(233.9)**	**(87.6)**	**574.6**
Cash flows		34.2	66.2	100.4	(0.5)	10.6	110.5
Acquisition – leases		–	–	–	–	(1.8)	(1.8)
Foreign exchange adjustments		(0.9)	(2.1)	(3.0)	1.5	0.1	(1.4)
Other non-cash movements		–	22.6	22.6	–	(3.9)	18.7
Net debt as at 30 June 2020		**198.0**	**818.1**	**1,016.1**	**(232.9)**	**(82.6)**	**700.6**

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 2020 this amounted to $23,510,009 (2019: $29,858,140).

10. Receivables

	2020 $m	2019 $m
Current		
Premium receivable	11.9	11.2
Private Health Insurance Premiums Reduction Scheme receivable	38.2	36.9
Other receivables	22.6	21.2
Provision for loss allowance	(1.9)	(1.8)
Prepayments	9.4	8.1
Expected future reinsurance recoveries undiscounted		
on claims paid	3.8	3.9
on outstanding claims	2.4	1.8
	86.4	**81.3**
Non-current		
Other receivables	–	1.8
	–	**1.8**

As at 30 June 2020, current receivables of the Group with a nominal value of $1.928 million (2019: $1.782 million) were impaired.

The loss allowance as at 30 June 2020 and 2019 was determined as follows for both premium receivables and other receivables:

Group at 30 June 2020		Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	%	4%	5%	5%	15%	
Gross carrying amount – premium receivables	$m	10.5	0.7	0.4	0.3	11.9
Gross carrying amount – other receivables	$m	16.1	1.4	1.5	3.6	22.6
Loss allowance	**$m**	**1.1**	**0.1**	**0.1**	**0.6**	**1.9**

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 2020 and 2019 reconcile to the opening loss allowances as follows:

	Premium receivables $m	Other receivables $m	Total $m
1 July – calculated under AASB 139	**1.6**	**0.1**	**1.7**
Amounts restated through opening retained earnings	0.1	–	0.1
Opening loss allowance as at 1 July 2018 – calculated under AASB 9	**1.7**	**0.1**	**1.8**
Increase / (decrease) in loss allowance recognised in profit or loss during the year	(0.1)	0.1	–
At 30 June 2019	**1.6**	**0.2**	**1.8**
Increase / (decrease) in loss allowance recognised in profit or loss during the year	(0.1)	0.3	0.2
Receivables written off during the year as uncollectible	–	(0.1)	(0.1)
At 30 June 2020	**1.5**	**0.4**	**1.9**

As of 30 June 2020 and 30 June 2019 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 amortised cost less 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 Premium revenue on 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 18).

11. Financial assets

a) Financial assets at amortised cost

	2020 $m	2019 $m
Short-term deposits	8.8	73.9
	8.8	**73.9**

Interest income on 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

	2020 $m	2019 $m
Current		
Equity securities	156.1	134.4
Interest-bearing securities	660.2	518.3
Mortgage trusts	–	0.4
Property trusts	12.3	14.6
Short-term deposits	–	75.0
	828.6	**742.7**
Non-current		
Mortgage trusts	0.4	–
Property trusts	–	1.5
	0.4	**1.5**

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.

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 income 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.

12. Deferred acquisition costs

	2020 $m	2019 $m
Current	**50.7**	**49.7**
Non-current	**66.7**	**65.5**

Movements in the deferred acquisition costs are as follows:

	2020 $m	2019 $m
Balance at beginning of year	115.2	110.7
Acquisition costs deferred during the period	60.9	54.9
Amortisation expense	(58.2)	(51.5)
Exchange differences	(0.5)	1.1
	117.4	**115.2**

Deferred acquisition costs by segment are as follows:

	2020 $m	2019 $m
Australian Residents Health Insurance	86.0	84.9
New Zealand Residents Health Insurance	27.0	25.5
International (Inbound) Health Insurance	4.4	4.8
	117.4	**115.2**

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 (2019: 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 $13.8 million for 30 June 2020.

The recoverability of the related deferred acquisition costs is also considered as part of the liability adequacy test performed. As described in Note 19, the Group has no deficiency in the unearned premium liability at 30 June 2020.

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 2020.

13. Property, plant & equipment

	Plant & Equipment $m	Leasehold Improvements $m	Total $m
At 1 July 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 subsidiary	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 depreciation and impairment	(15.5)	(8.9)	(24.4)
Net book amount	**4.8**	**8.4**	**13.2**
Year ended 30 June 2020			
Opening net book amount	4.8	8.4	13.2
Additions	2.1	0.2	2.3
Disposals	–	–	–
Depreciation charge for the year	(2.3)	(1.8)	(4.1)
Exchange differences	–	–	–
Closing net book amount	**4.6**	**6.8**	**11.4**
At 30 June 2020			
Cost	22.2	17.5	39.7
Accumulated amortisation and impairment	(17.6)	(10.7)	(28.3)
Net book amount	**4.6**	**6.8**	**11.4**

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

	Goodwill $m	Software $m	Brands and Trademarks $m	Customer Contracts and relationships $m	Total $m
At 1 July 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 subsidiary	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**
Year ended 30 June 2020					
Opening net book amount	227.4	43.1	25.4	52.2	348.1
Additions	–	24.7	–	–	24.7
Disposals	–	(0.1)	–	–	(0.1)
Amortisation charge for the year	–	(15.0)	(1.2)	(7.4)	(23.6)
Impairment charge	–	–	(5.8)	(2.2)	(8.0)
Exchange differences	(0.9)	(0.3)	–	(0.5)	(1.7)
Closing net book amount	**226.5**	**52.4**	**18.4**	**42.1**	**339.4**
At 30 June 2020					
Cost	226.5	135.9	32.6	80.7	475.7
Accumulated amortisation and impairment	–	(83.5)	(14.2)	(38.6)	(136.3)
Net book amount	**226.5**	**52.4**	**18.4**	**42.1**	**339.4**

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.

14. Intangible assets continued

a) Accounting policy continued

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) Allocation of goodwill and intangible assets to CGUs

Goodwill	**Australian Residents Health Insurance Australia $m**	**International Workers Health Insurance Australia $m**	**New Zealand Residents Health Insurance New Zealand $m**	**nib travel Group Australia $m**	**Grand United Corporate Health Insurance Australia $m**	**Unallocated to segments $m**	**Total $m**
At 30 June 2020	80.2	21.1	41.1	84.1	–	–	226.5
At 30 June 2019	7.1	18.4	42.0	84.1	75.8	–	227.4
Brands and Trademarks	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
At 30 June 2020	3.5	–	–	14.9	–	–	18.4
At 30 June 2019	–	0.6	–	20.8	4.0	–	25.4
Customer Contracts and relationships	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
At 30 June 2020	16.5	–	17.8	7.8	–	–	42.1
At 30 June 2019	18.7	–	21.9	11.6	–	–	52.2
Software[1]	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
At 30 June 2020	–	–	–	–	–	52.4	52.4
At 30 June 2019	–	–	–	–	–	43.1	43.1
Total	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
At 30 June 2020	100.2	21.1	58.9	106.8	–	52.4	339.4
At 30 June 2019	25.8	19.0	63.9	116.5	79.8	43.1	348.1

1. Software is shown as unallocated as it is predominately a shared services function.

c) Allocation of definite life and indefinite life assets to CGUs

Definite life	Australian Residents Health Insurance Australia $m	International Workers Health Insurance Australia $m	New Zealand Residents Health Insurance New Zealand $m	nib travel Group Australia $m	Grand United Corporate Health Insurance Australia $m	Unallocated to segments $m	Total $m
At 30 June 2020	20.0	–	17.8	7.8	–	52.4	98.0
At 30 June 2019	18.7	0.6	21.9	11.6	75.8	43.1	171.7
Indefinite life	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
At 30 June 2020	80.2	21.1	41.1	99.0	–	–	241.4
At 30 June 2019	7.1	18.4	42.0	104.9	4.0	–	176.4
Total	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**	**$m**
At 30 June 2020	100.2	21.1	58.9	106.8	–	52.4	339.4
At 30 June 2019	25.8	19.0	63.9	116.5	79.8	43.1	348.1

The indefinite life brand names allocated to nib travel CGU are as follows:

Brands and Trademarks	WorldNomads.com $m	Travel Insurance Direct $m	Suresave $m	Total $m
At 30 June 2020	12.7	2.2	–	14.9
At 30 June 2019	12.7	5.2	2.9	20.8

d) Impairment tests for goodwill and intangibles

Goodwill and intangibles are allocated to a cash-generating unit (CGU).

On 31 December 2019, the ownership of Grand United Corporate Health Limited was transferred from nib holdings limited to nib health funds limited and accounted for as a transaction between entities under common control and the associated Grand United goodwill and brand name intangibles allocated across both arhi and iwhi CGU.

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 four-year period.

An asset is considered impaired when its balance sheet carrying amount exceeds its estimated recoverable amount, which is defined as the higher of its fair value less cost of disposal and its value in use.

Whilst the recoverability assessment for each of the CGUs has not identified an impairment, certain individual brand name assets and distribution arrangements have been determined as impaired collectively by $8.0 million (FY19: $1.0 million).

The estimates used in calculating value-in-use are highly sensitive, and depend on assumptions specific to the nature of the Group's activities. Actual cash flows and values could vary significantly from forecasted future cash flows and related values derived from discounting techniques.

14. Intangible assets continued

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

The assumptions used for the cash flow projections for the first four years are in line with the current forecast forward projections. 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 four-year period are extrapolated into perpetuity assuming a growth factor of 2.5% with the exception of Travel Insurance Direct Brand 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.

i) nib Travel

The assumptions have been updated for the expected economic impact of COVID-19. COVID-19 has particularly impacted the travel industry to which nib is exposed via the nib Travel Group Australia CGU.

Based on probability weighted scenario modelling, a key assumption in the nib Travel Group Australia CGU is that the travel industry returns back to pre-COVID-19 levels of activity by FY24. The following process has been utilised in forecasting cashflows for the nib Travel Group Australia CGU:

- FY21 to FY23 utilise nib internal Budgets. A gradual recovery back to pre-COVID-19 levels by FY24 has been forecast, with any recovery not starting until Calendar Year 2021.
- In determining what constitutes this CGU returning back to pre-COVID-19 levels of activity in FY24:
  - 1H20 revenues have been assumed to represent pre-COVID levels of activity which have then been run rated;
  - A 2.5% pa compound annual growth rate (CAGR) has been utilised to forecast expected revenue in FY24, consistent with the terminal growth rate also applied; and
  - Expense ratios have been applied in FY24 with reference to internal budget ratios as well as FY18 and FY19 actual ratios.
- It is assumed that this level of activity is appropriate to be included in the calculation of the Terminal Growth Value in the Value in Use calculation. Implied revenue CAGR's out to FY24 are 8% from the FY19 base (noting this year did not include the full year effect of the QBE acquisition), 19% from the FY20 base (noting that COVID-19 has impacted this year) and 2.5% from the 1H20 base annualised.

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

During the year the Travel Insurance Direct brand name was impaired down to $2.2 million and the Suresave brand name was impaired down to nil, due to a change in the underlying assumptions and brand strategy. A further deterioration in assumptions would result in a future impairment of the Travel Insurance Direct brand name.

For the nib Travel Group Australia CGU, using the assumptions in section e), and also those outlined in the tables below, the nib Travel Group Australia CGU was not impaired. Should the travel industry return back to pre-COVID-19 levels of activity be delayed by one year (i.e. from FY24 to FY25) an impairment of approximately $1.0 million would be present. Given the high level of uncertainty around whether the travel industry will return to pre-COVID-19 levels, the nib Travel Group Australia CGU will continually be assessed as more information evolves. Sensitivity to changes in other key assumptions has been outlined in the table below.

Other than as noted in the sensitivity table in Note 14(f) on page 81, there are no reasonably possible changes in key assumptions that would impair the reported CGUs.

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

Goodwill	Policyholder growth 2020 %	Policyholder growth 2019 %	Claims ratio 2020 %	Claims ratio 2019 %	Long-term growth rate 2020 %	Long-term growth rate 2019 %	Pre-tax discount rate 2020 %	Pre-tax discount rate 2019 %
Australian Residents Health Insurance	1.7	1.4	83.6	83.5	2.5	2.5	10.4	10.3
International Workers Health Insurance	2.1	3.8	43.7	27.0	2.5	2.5	10.4	10.3
New Zealand Residents Health Insurance	6.3	5.4	62.6	60.0	2.5	2.5	9.9	11.0
Grand United Corporate Health Insurance[1]	na	2.4	na	81.3	na	2.5	na	10.3

1. On 31 December 2019, the Grand United Corporate Health business was acquired by nib health funds limited and the associated goodwill allocated across both arhi and iwhi CGU.

	Revenue growth rate (forecast years) 2020 %	Revenue growth rate (forecast years) 2019 %	Long-term growth rate 2020 %	Long-term growth rate 2019 %	Pre-tax discount rate 2020 %	Pre-tax discount rate 2019 %
nib travel	2.5	9.6	2.5	2.5	11.0	10.3

The following table outlines the sensitivity to reasonably possible changes in assumptions that would lead to an impairment.

Sensitivity to changes in assumptions	Carrying value $m	Recoverable value $m	Difference $m
nib Travel Group CGU	**109.4**	**119.4**	**10.0**

Change in recoverable value	Movement in variable	Change in recoverable value $m	Adjusted recoverable value $m
Change in revenue across FY21 – FY24	+10.0%	17.2	136.6
	-10.0%	(17.2)	102.2
Change in pre-tax discount rate	+1.0%	(15.7)	103.7
	-1.0%	15.7	135.1
Change in Long-term Growth Rate	+1.0%	16.8	136.2
	-1.0%	(16.8)	102.6

The following table sets out the key assumptions for the indefinite life for the brand names and trademarks for the nib Travel CGUs.

Brandnames and trademarks	Revenue growth rate (forecast years) 2020 %	Revenue growth rate (forecast years) 2019 %	Royalty rate 2020 %	Royalty rate 2019 %	Long term growth rate 2020 %	Long term growth rate 2019 %	Pre-tax discount rate 2020 %	Pre-tax discount rate 2019 %
WorldNomads.com	2.5	19.1	2.5	2.5	2.5	2.5	11.0	10.3
Travel Insurance Direct	(7.0)	0.0	2.0	2.0	(7.0)	0.0	11.0	10.3

15. Right-of-use assets and lease liabilities

a) Right-of-use assets

	2020 $m	2019 $m
Right-of-use assets – properties	62.1	–
	62.1	**–**

Movements in right-of-use assets are as follows:

	2020 $m	2019 $m
Adoption of AASB 16	67.9	–
Additions	1.8	–
Depreciation charge	(7.5)	–
Leases surrendered	(0.3)	–
Foreign exchange adjustments	0.2	–
Right-of-use assets at end of period	**62.1**	**–**

b) Lease liabilities

	2020 $m	2019 $m
Current	**6.3**	**–**
Non-current	**76.3**	**–**

c) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts related to leases.

	Notes	2020 $m	2019 $m
Depreciation charge of right-of-use assets – properties	7	7.5	–
Finance costs – interest on lease liabilities	7	4.2	–
Expenses relating to short-term leases (included in other expenses)	7	0.2	–

The total cash outflow for leases in 2020 was $10.6m.

d) Adoption of AASB 16 Leases

i) Adjustments recognised on adoption of AASB 16

Prior to the adoption of AASB 16, leases previously classified as operating leases under the principles of AASB 117 Leases were disclosed in the expense note. On adoption of AASB 16, the Group has elected to use the modified retrospective approach and has recognised lease liabilities and corresponding right-of-use asset on the balance sheet. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 5.0%.

	$m
Operating lease commitments disclosed as at 30 June 2019	92.6
Discounted using the lessee's incremental borrowing rate of at the date of initial application	(32.8)
(Less): outgoings recognised on a straight-line basis as expense	(7.6)
Add/(less): adjustments as a result of a different treatment of extension and termination options	35.4
Lease liability recognised as at 1 July 2019	**87.6**
Of which are:	
Current lease liabilities	10.5
Non-current lease liabilities	77.1
	87.6

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy resulted in the recognition of right-of-use assets and lease liabilities while increasing deferred tax assets and decreasing other liabilities in the balance sheet on 1 July 2019 as below:

		$m
Right-of-use assets – properties	increased by	67.9
Deferred tax assets	increased by	4.4
Lease liabilities	increased by	87.6
Other liabilities	decreased by	4.8

The net impact on retained earnings on 1 July 2019 was a decrease of $10.5m.

The adjustments differ from the amounts disclosed in the FY19 Annual report due to a revision in the incremental borrowing rate performed prior to adoption.

Impact on segment disclosures and earnings per share

Underlying operating profit, segment assets and segment liabilities for June 2020 all increased as a result of the change in accounting policy. Lease liabilities are now included in segment liabilities, whereas finance lease liabilities were previously excluded from segment liabilities.

The following segments were affected by the change in policy:

	Underlying operating profit $m	Segment assets $m	Segment liabilities $m
Australian Residents Health Insurance	1.3	28.9	(38.5)
International (Inbound) Health Insurance	0.3	6.3	(8.4)
New Zealand Health Insurance	0.4	9.4	(12.5)
nib Travel	1.0	15.4	(20.4)
Unallocated to segments	0.1	2.1	(2.8)
	3.1	**62.1**	**(82.6)**

Earnings per share decreased by 0.1c per share for the 12 months to 30 June 2020 as a result of the adoption of AASB 16.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

15. Right-of-use assets and lease liabilities continued

e) Accounting policy

The Group leases various offices and retail stores. Rental contracts are typically made for fixed periods of 3 to 15 years but may have extension options as described in (i) below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Prior to the 2020 financial year, leases of property were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

i) Extension and termination options

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts.

16. Payables

	2020 $m	2019 $m
Current		
Outwards reinsurance expense liability – premiums payable to reinsurers	8.1	6.9
Trade creditors	13.7	17.5
Other payables	110.8	111.8
RESA payable[1]	48.4	53.1
Annual leave payable	10.4	8.4
	191.4	**197.7**
Non-current		
Other payables	6.5	10.0
	6.5	**10.0**

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.

	2020 $m	2019 $m
Annual leave obligation expected to be settled after 12 months	**1.1**	**0.7**

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.

17. Borrowings

	2020 $m	2019 $m
Current		
Bank overdraft	2.0	1.4
	2.0	**1.4**
Non-current		
Bank loans	230.9	232.5
	230.9	**232.5**

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 2020 are included in Current Liabilities – Payables under Trade Creditors.

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

	2020 $m	2019 $m
Balance at beginning of period	232.5	229.5
Proceeds from borrowings	67.2	–
Repayment of borrowings	(67.2)	–
Exchange differences	(1.6)	3.0
Balance at end of period	**230.9**	**232.5**

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) Bank loans

During the year the Group refinanced its debt facilities and now has the following loans in place.

nib holdings limited has both AUD $80.5 million and AUD $85.0 million variable rate loans with NAB with maturity dates of 9 December 2022 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 loan with NAB with a maturity date of 9 December 2022.

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

Financial Covenant	Ratio as at 30 June 2020
Group Gearing Ratio will not be more than 45%	28.3%
Group Interest Cover Ratio[1] will not be less than 3:1.	20:1

1. Following adoption of AASB 16 Leases, interest excludes interest on lease liabilities.

nib holdings limited has provided a guarantee and indemnity to NAB 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.

18. Claims liabilities

The note name was changed in FY20 from Outstanding Claims Liability to Claims Liabilities to incorporate the Provision for deferred and suspended claims.

Outstanding Claims Liability	2020 $m	2019 $m
Outstanding claims – central estimate of the expected future payment for claims incurred[1]	112.6	112.2
Risk margin	9.8	8.4
Claims handling costs	2.0	1.8
Gross outstanding claims liability	**124.4**	**122.4**
Outstanding claims – expected payment to the RESA[2] in relation to the central estimate	21.3	19.4
Risk margin	1.4	1.5
Net outstanding claims liability	**147.1**	**143.3**
Provision for deferred and suspended claims		
Provision for deferred and suspended claims	98.8	–
	98.8	**–**
Total claims liabilities	**245.9**	**143.3**

1. Includes $0.4 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.

18. Claims liabilities continued

a) Outstanding claims liability

Movements in the gross outstanding claims are as follows:

	2020 $m	2019 $m
Gross outstanding claims at beginning of period	122.4	131.6
Risk margin	(8.4)	(9.4)
Administration component	(1.8)	(1.9)
Central estimate at beginning of period	**112.2**	**120.3**
Change in claims incurred for the prior year	2.3	(14.5)
Claims paid in respect of the prior year	(112.1)	(104.6)
Claims incurred during the period (expected)	1,576.9	1,573.4
Claims paid during the period	(1,466.4)	(1,463.0)
Effect of changes in foreign exchange rates	(0.3)	0.6
Central estimate at end of period	**112.6**	**112.2**
Risk margin	9.8	8.4
Administration component	2.0	1.8
Gross outstanding claims at end of period	**124.4**	**122.4**

i) 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 for Australian Health Funds segments, a chain ladder method for all valuation classes was used. This assumes that the development pattern of the current claims will be consistent with the historical experience. The Bornhuetter-Ferguson method was not given any weight for this reporting period due to its reliance on the prior forecast and the increased difficulty in forecasting future claims experience due to the impact of COVID-19 on utilisation.

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.

ii) Actuarial assumptions

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

	2020			2019		
	Hospital %	Medical %	General %	Hospital %	Medical %	General %
Australian Residents Health Insurance						
Assumed proportion paid to date	92.1%	91.6%	98.6%	92.1%	91.7%	98.2%
Expense rate	1.1%	1.1%	1.1%	1.2%	1.2%	1.2%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	5.5%	5.5%	5.5%	6.1%	6.1%	6.1%
Risk equalisation rate	27.6%	27.6%	0.0%	25.0%	25.0%	0.0%
Risk margin for risk equalisation	6.5%	6.5%	0.0%	7.6%	7.6%	0.0%
International Students Health Insurance						
Assumed proportion paid to date	72.7%	91.5%	99.3%	75.7%	88.5%	98.5%
Expense rate	4.0%	4.0%	4.0%	4.2%	4.2%	4.2%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	29.4%	29.4%	29.4%	24.4%	24.4%	24.4%
International Workers Health Insurance						
Assumed proportion paid to date	72.1%	86.2%	93.4%	76.4%	85.7%	93.3%
Expense rate	4.5%	4.5%	4.5%	4.9%	4.9%	4.9%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	29.4%	29.4%	29.4%	16.7%	16.7%	16.7%
NZ Health Insurance	Surgical %	Medical %		Surgical %	Medical %	
Assumed proportion paid to date	89.0%	88.7%		89.9%	85.9%	
Expense rate	3.0%	3.0%		2.3%	2.3%	
Discount rate	0.0%	0.0%		0.0%	0.0%	
Risk margin	7.0%	7.0%		6.9%	6.9%	

The risk margin of the underlying liability has been estimated to equate to a probability of adequacy of 95% (June 2019: 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. The risk margin for the International Workers Health Insurance segment was increased to be in line with that of the International Students Health Insurance segment in response to increased variability in payment experience increasing the uncertainty of outstanding claims estimation.

18. Claims liabilities continued

a) Outstanding claims liability continued

iii) 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.
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 2019: 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.

iv) Sensitivity analysis – impact of key variables

		Profit after tax		Equity	
			2020		2020
			$m		$m
Recognised amounts in the financial statements attributable to owners of nib holdings limited			**90.1**		**589.7**
Variable	**Movement in variable**	**Adjustments**	**Adjusted amounts**	**Adjustments**	**Adjusted amounts**
		$m	$m	$m	$m
Chain ladder development factors	+0.5%	(12.0)	78.1	(12.0)	577.7
	-0.5%	12.0	102.1	12.0	601.7
Expense rate	+1.0%	(0.9)	89.2	(0.9)	588.8
	-1.0%	0.9	91.0	0.9	590.6
Risk equalisation allowance	+2.5%	(1.4)	88.7	(1.4)	588.3
	-2.5%	1.4	91.5	1.4	591.1
Risk margin	+1.0%	(1.0)	89.1	(1.0)	588.7
	-1.0%	1.0	91.1	1.0	590.7

b) Provision for deferred and suspended claims

i) Critical accounting judgements and estimates

On 12 March 2020, the World Health Organisation declared the outbreak of coronavirus (COVID-19) a global pandemic. Due to the temporary closure of elective surgery and reduced access to ancillary benefits, Private Health Insurers (PHIs) in both Australia and New Zealand experienced unusually low claims volumes in March, April and May 2020.

Given the lower claims activity, the Group believes it has an obligation to recognise a provision for deferred claims based on a present constructive obligation resulting from a past event under relevant accounting standards. In nib's case, the event (COVID-19) which occurred in March 2020 has triggered the deferral of claims activity and benefits that would have otherwise been provided to members. If cover remains in place, a responsibility exists to provide for these claims that would have ordinarily been incurred under normal circumstances. nib members with continuing cover would have had an expectation to use and therefore claim on hospital, surgical and ancillary services had the pandemic not arisen, notwithstanding the backlog of activity. The provision is therefore management's estimate of the percentage of claims which did not occur in FY20 that are anticipated to be deferred to FY21.

In estimating the provision, three key steps were undertaken:

1. **Estimating the gross reduction in claims due to temporary closure of elective surgery and reduced access to ancillary benefits.** Incurred claims estimates produced at 30 June 2020 as part of the year end outstanding claims provisioning process were compared to the forecast produced leading up to March 2020 when COVID-19 impacted claims activity. The difference between forecast and actual incurred was calculated by modality (claim type) to estimate the financial impact of COVID-19 across the March to June 2020 period.
2. **Estimating risk equalisation levy impact (Australian claims only).** The risk equalisation impact of COVID-19 was estimated by applying consistent ratios used for the risk equalisation amounts in outstanding claims.
3. **Applying a deferral rate.** Certain factors need to be considered when assessing that not all estimated savings translate to a claims payment backlog at balance date. For example:
   a. there has continued to be lapses of memberships in the normal course of business;
   b. some types of private health benefits, particularly in the ancillary category, are less likely to have been deferred; and
   c. catch up of benefits between ancillary and hospital categories differs due to capacity in facilities, lead time to arrange procedures etc.

   nib's deferral rates have been estimated as follows:

   - 80% of Australian claims reduction in 2020 (representing 85% hospital and 70% ancillary estimated claims reduction); and
   - 90% of New Zealand (estimated hospital and ancillary claims savings),

   to be deferred on the basis that this represents the 2021 financial year claims which are expected to be inflated above normal trends due to COVID-19.

Risks and uncertainties have been taken into account in the measurement of the liability and are reflected in the key inputs and judgements. The key risks associated in estimating the components of the provision is the under/over estimation of the claims deferral rate and to a lesser extent, the under/over estimation of the claims savings (net of risk equalisation impact).

This provision is expected to fully unwind over the next twelve months based on expected claims activity and payment patterns.

ii) Sensitivity analysis – Impact of key variables

			Profit after tax 2020 $m		Equity 2020 $m
Recognised amounts in the financial statements attributable to owners of nib holdings limited			**90.1**		**589.7**

Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		$m	$m	$m	$m
Reduction in claims activity	+2.0%	(1.3)	88.8	(1.3)	588.4
	-2.0%	1.3	91.4	1.3	591.0
Claims deferral rate	+10.0%	(7.8)	82.3	(7.8)	581.9
	-10.0%	7.8	97.9	7.8	597.5

19. Unearned premium liability and unexpired risk liability

a) Unearned premium liability

	2020 $m	2019 $m
Current	223.3	219.3
	223.3	**219.3**
Non-current	34.8	38.1
	34.8	**38.1**

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

Movements in the unearned premium liability are as follows:

	2020 $m	2019 $m
Unearned premium liability as at 1 July	257.4	237.8
Deferral of premiums on contracts written in the period	220.0	224.7
Earning of premiums written in previous periods	(219.3)	(205.1)
Unearned premium liability as at 30 June	**258.1**	**257.4**

b) Unexpired risk liability

No deficiency was identified as at 30 June 2020 and 2019 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 2019: 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 2020 and 2019 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.

20. Premium payback liability

	2020 $m	2019 $m
Current	**3.5**	**3.2**
Non-current	**16.6**	**16.1**

Movements in the premium payback liability are as follows:

	2020 $m	2019 $m
Gross premium payback liability at beginning of period	19.3	18.1
Value of payments currently being processed	(0.7)	(0.6)
Risk margin	(0.5)	(0.5)
Central estimate at beginning of period	**18.1**	**17.0**
Funding/new accrued	2.3	2.5
Unwind discount rate	0.3	0.3
Interest rate movement impact	0.8	0.8
Premium payback payments	(2.2)	(3.3)
Others	(0.5)	(0.1)
Effect of changes in foreign exchange rates	(0.4)	0.9
Central estimate at end of the period	**18.4**	**18.1**
Value of payments currently being processed	1.1	0.7
Risk margin	0.6	0.5
Total premium payback liability as at end of period	**20.1**	**19.3**

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:

	2020	2019
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	0.3%–0.4%	1.2%–1.3%
Risk margin	3.1%	2.8%

The risk margin has been estimated to equate to a 95% probability of adequacy (2019: 95%).

20. 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 2020 $m	Equity 2020 $m
Recognised amounts in the financial statements attributable to owners of nib holdings limited	**90.1**	**589.7**

Variable	Movement in variable	Adjustments	Adjusted amounts	Adjustments	Adjusted amounts
		$m	$m	$m	$m
Lapse rate	+1.0%	0.4	90.5	0.4	590.1
	-1.0%	(0.4)	89.7	(0.4)	589.3
Discount rate	+1.0%	0.7	90.8	0.7	590.4
	-1.0%	(0.7)	89.4	(0.7)	589.0
Risk margin	+1.0%	(0.1)	90.0	(0.1)	589.6
	-1.0%	0.1	90.2	0.1	589.8

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 2020 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 2020 (2019: nil) that resulted in an unexpired risk liability needing to be recognised.

21. Provision for employee entitlements

	2020 $m	2019 $m
Current		
Long service leave	4.8	4.4
Termination benefits	2.0	0.4
	6.8	**4.8**
Non-current		
Long service leave	3.2	3.4
	3.2	**3.4**

Amounts not expected to be settled within the next 12 months

The current provision for long service leave 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.

	2020 $m	2019 $m
Long service leave obligation expected to be settled after 12 months	4.2	3.7
	4.2	**3.7**

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.

22. Other liabilities

	2020 $m	2019 $m
Current		
Deferred profit on sale and leaseback of head office building	–	0.4
	–	**0.4**
Non-current		
Deferred profit on sale and leaseback of head office building	–	4.3
	–	**4.3**

On 1 July 2019, the balance of the deferred profit on sale and leaseback of head office building was recognised against right-of-use assets on adoption of AASB 16 Leases, refer to note 15.

23. Contributed equity

a) Share capital

	2020 $m	2019 $m
Ordinary shares		
Fully paid	**127.4**	**120.3**
Other equity securities		
Treasury shares	**(6.0)**	**(5.1)**
Total contributed equity	**121.4**	**115.2**

b) Movements in share capital

Date	Details	No. of shares	Price $	$m
30 Jun 2018	**Balance**	**454,848,869**		116.1
1 Jul 2018	Opening balance	454,848,869	–	116.1
5 Oct 2018	Shares issued – Dividend reinvestment plan	702,509	5.99	4.2
30 Jun 2019	**Balance**	**455,551,378**		**120.3**
1 Jul 2019	Opening balance	455,551,378	–	120.3
30 Sep 2019	Shares issued – Dividend reinvestment plan	533,454	7.32	3.9
7 Apr 2020	Shares issued – Dividend reinvestment plan	734,694	4.30	3.2
30 Jun 2020	**Balance**	**456,819,526**		**127.4**

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 36 for more information.

Date	Details	No. of shares	$m
30 Jun 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 Jun 2019	**Balance**	**920,760**	**5.1**
	Acquisition of shares by the Trust	1,062,658	6.3
	Employee share issue – LTIP	(628,895)	(3.9)
	Employee share issue – STI	(283,080)	(1.5)
30 Jun 2020	**Balance**	**1,071,443**	**6.0**

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.

24. Retained profits

	2020 $m	2019 $m
Balance at the beginning of the year	498.9	445.5
Net profit	90.1	149.8
Adjustment on adoption of AASB 9	–	(0.1)
Adjustment on adoption of AASB 15	–	(0.8)
Adjustment on adoption of AASB 16	(10.5)	–
Dividends	(104.7)	(95.5)
Balance at the end of the year	**473.8**	**498.9**

25. Reserves

	2020 $m	2019 $m
Share-based payments	1.5	3.3
Share-based payments exercised	(10.2)	(7.7)
Foreign currency translation	3.2	4.9
	(5.5)	**0.5**

Movements in reserves

	Notes	2020 $m	2019 $m
Share-based payments			
Balance at the beginning of the year		3.3	3.2
Performance rights expense		(0.4)	1.1
Transfer to share-based payments exercised reserve on exercise of performance rights		(1.4)	(1.0)
Balance at the end of the financial year		**1.5**	**3.3**
Share-based payments exercised			
Balance at the beginning of the year		(7.7)	(5.6)
Transfer from share-based payments reserve on exercise of performance rights		1.4	1.0
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees		(3.9)	(3.1)
Balance at the end of the financial year		**(10.2)**	**(7.7)**
Foreign currency translation			
Balance at the beginning of the year		4.9	2.4
Currency translation differences arising during the year – gross		(2.1)	3.4
Deferred tax	8(a)(iii)	0.4	(0.9)
Balance at the end of the financial year		**3.2**	**4.9**

Nature and purpose of reserves

i) 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.
ii) 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.
iii) 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.

26. Dividends

a) Ordinary shares

	2020 $m	2019 $m
Final dividend for the year ended 30 June 2019 of 13.0 cents (2018 - 11.0 cents) per fully paid share paid on 30 September 2019		
Fully franked based on tax paid at 30%	59.2	50.0
Interim dividend for the year ended 30 June 2020 of 10.0 cents (2019 - 10.0 cents) per fully paid share paid on 7 April 2020		
Fully franked based on tax paid at 30%	45.5	45.5
Total dividends provided for or paid	**104.7**	**95.5**

b) Dividends not recognised at year end

	2020 $m	2019 $m
In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of 4.0 cents (2019 - 13.0 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 6 October 2020 out of retained profits at 30 June 2020, but not recognised as a liability at the end of the year, is:	**18.3**	**59.2**

c) Franked dividends

The franked portion of the final dividends recommended after 30 June 2020 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 2020.

	2020 $m	2019 $m
Franking credits available for subsequent financial years to equity holders of parent entity based on a tax rate of 30%	**105.4**	**80.6**

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.

27. Earnings per share

		2020	2019
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic/diluted EPS	$m	90.1	149.8
Weighted average number of ordinary shares	#m	456.1	455.4
Basic / Diluted EPS	cents	**19.8**	**32.9**

27. Earnings per share continued

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 1,790,138 performance rights granted (2019 - 2,390,899) 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 2020. These performance rights could potentially dilute basic earnings per share in the future.

28. 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 2020 the Group had available capital of $57.0 million above our internal benchmark (after allowing for the payment of a fully franked final ordinary dividend of 4.0 cents per share, totalling $18.3 million, in October 2020).

Below is a reconciliation of net assets to available capital as at 30 June 2020 (after allowing for payment of a final dividend):

		2020 $m
Net assets		**606.4**
Less:	nib health fund capital required	(444.5)
	nib nz capital required	(94.9)
	Investment in associates	(17.5)
	Capital required looking forward 12 months	(24.7)
	nib nz intangibles	(32.9)
	iihi intangibles	(21.4)
	nib travel intangibles	(113.5)
	Charitable foundation	(16.7)
	Borrowings	230.9
	Other assets and liabilities	4.1
	Final dividend	(18.3)
Available capital (after allowing for payment of final dividend)		**57.0**

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 19.8% 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 $58.8 million in August 2019 and $32.2 million in February 2020 to nib holdings limited.

At 31 December 2019 nib health funds limited acquired the net assets of Grand United Corporate Health Limited.

The surplus assets over benchmark at 30 June 2020 and 2019 were as follows:

	2020 $m	2019 $m
Total assets nib health funds limited (excluding unclosed business contributions – unearned)	1,193.7	842.5
Capital adequacy requirement	769.4	540.9
Surplus assets for Capital Adequacy	**424.3**	**301.6**
Net assets nib health funds limited	464.7	332.0
Internal capital target	444.5	290.1
Surplus assets over internal capital target	**20.2**	**41.8**

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.

The surplus assets over benchmark at 30 June 2019 was:

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

28. Capital management continued

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 $6.8 million in August 2019 and NZD $6.7 million in February 2020 to nib nz holdings limited.

Given the economic uncertainty partly as a result of COVID-19, the RBNZ issued a letter on 22 July 2020 asking licensed insurers to refrain from the payment of dividends or other unnecessary reductions in insurer capital amounts, until the RBNZ advises a change in this position. In accordance with the RBNZ instructions, nib nz limited is not proposing a dividend at this time. Ordinarily, unless funds are retained for strategic purposes, a dividend would be declared in August.

The surplus assets over benchmark at 30 June 2020 and 2019 are as follows:

	2020 $m	2019 $m
Actual Solvency Capital	30.4	31.7
Minimum Solvency Capital	12.6	11.2
Solvency Margin	**17.8**	**20.5**
Net assets nib nz limited	97.1	97.6
Capital Adequacy Coverage Ratio	2.42	2.83
Internal benchmark	2.25xMSC	2.00xMSC
Internal benchmark requirement	28.3	22.3
Surplus/(deficit) assets over internal benchmark	**2.1**	**9.4**

29. Commitments for expenditure

a) Capital expenditure commitments

	2020 $m	2019 $m
Payable:		
– not longer than one year	1.5	1.5
	1.5	**1.5**

b) Charitable foundation commitments

	2020 $m	2019 $m
Payable:		
– not longer than one year	0.9	1.2
– longer than one year and not longer than five years	0.2	0.5
	1.1	**1.7**

30. 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 intended to press its proceedings against nib. The matter has been set down for hearing on 6 December 2020. Due to the nature of the matter, the outcome is uncertain.

b) Guarantees and financial support

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

nib holdings limited has in place a commitment to fund advances up to NZD $10 million to nib nz holdings limited upon written request. Any advances would be on the same terms as contained in current intercompany loans between nib holdings limited and nib nz holdings limited.

nib holdings limited has given an undertaking to extend financial support to a number of other subsidiaries within the Group, and Footprints Fundraising Inc. (Footprints) by subordinating repayment of debts owed by the entities to nib holdings limited, in favour of all other creditors. The amount owed from Footprints at balance date is $24,135. 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 for Footprints is provided for a minimum period of twelve months from 28 November 2019.

31. 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.

32. Remuneration of auditors

	2020 $	2019 $
a) PricewaterhouseCoopers Australia		
Audit and review of financial reports	837,697	763,542
Other statutory assurance services	180,400	108,246
Other services		
Tax compliance services	–	4,080
International tax consulting and tax advice on mergers and acquisitions	1,416	44,011
Accounting advice and support including one-off transactions	47,940	72,914
Consulting services	24,480	26,418
Total remuneration of PricewaterhouseCoopers Australia	**1,091,933**	**1,019,211**
b) Network firms of PricewaterhouseCoopers Australia		
Audit and review of financial reports	289,521	277,727
Other statutory assurance services	12,996	12,353
Total remuneration of network firms of PricewaterhouseCoopers	**302,517**	**290,080**
Total auditors' remuneration	**1,394,450**	**1,309,291**

33. Business combination

a) Prior year

As disclosed in the annual report for the year ended 30 June 2019, the acquisition of QBE's travel insurance business was provisionally determined as the fair values of assets and liabilities may change upon finalisation of the purchase price allocation and alignment with Group accounting policies.

The acquisition has now been finalised and there were no changes from the provisional amounts disclosed in the Annual Report ended 30 June 2019.

b) 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.

34. Interest 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):

		Beneficial ownership by Consolidated entity	
	Place of Incorporation	2020 %	2019 %
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 Transico Pty Ltd	Australia	100	N/A
Grand United Corporate Health 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
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
nib Travel Services Limited	Cayman Islands	100	100
Nomadic Insurance Benefits Holdings Limited	Ireland	100	100
nib Travel Services Europe 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
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

34. Interest in other entities continued

a) Subsidiaries and trusts continued

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

The constitution of nib foundation limited (as trustee for the nib foundation trust) was changed in FY19 in 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) Interest in associates and joint ventures

During the year, nib holdings limited (parent entity) entered into a joint venture with Cigna Holdings Overseas, Inc. (Cigna) to incorporate Honeysuckle Health Pty Limited, a specialist healthcare data science and services company. nib and Cigna invested $10.0 million each in start-up funding.

Set out below are the associates and joint ventures of the Group as at 30 June 2020 which, in the opinion of the Directors, are material to the Group. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business / country of incorporation	% of ownership interest		Nature of relationship	Measurement method	Carrying amount $m	
		2020	2019			2020	2019
Honeysuckle Health Pty Ltd	Australia	50.0%	N/A	Joint venture	Equity	8.4	–
Sino-Australia Insurance Consulting Co., Ltd	China	75.1%	75.1%	Joint venture	Equity	6.4	7.6
Kangaroo Insurance Broker Co., Ltd.	China	24.9%	24.9%	Joint venture	Equity	2.1	2.4
Total equity accounting investments						**16.9**	**10.0**

1. Honeysuckle Health Pty Ltd is a specialist healthcare data science and services company. It is a strategic investment complementing the Group's health insurance business.
2. Sino-Australia Insurance Consulting Co., Ltd and Kangaroo Insurance Broker Co., Ltd currently offers health checks and will offer lump-sum critical illness products across China. It is a strategic investment which utilises the Group's knowledge and expertise in health insurance but will limit the Group's exposure to underwriting risk through a reduced equity holding.

i) Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for those joint ventures and associates that are material to the Group. The information disclosed reflects the amounts presented in the financial statements of the relevant associates and joint ventures and not the Group's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

	Honeysuckle Health Pty Ltd		Sino-Australia Insurance Consulting Co., Ltd		Kangaroo Insurance Broker Co., Ltd.	
Summarised balance sheet	**2020 $m**	**2019 $m**	**2020 $m**	**2019 $m**	**2020 $m**	**2019 $m**
Current assets						
Cash and cash equivalents	17.8	–	4.8	7.5	2.6	2.7
Other current assets	0.2	–	3.4	2.6	8.1	8.2
Total current assets	**18.0**	**–**	**8.2**	**10.1**	**10.7**	**10.9**
Non-current assets	**0.8**	**–**	**0.7**	**0.2**	**0.1**	**0.1**
Current liabilities						
Financial liabilities (excluding trade payables)	1.4	–	0.3	0.1	2.5	1.2
Other current liabilities	0.1	–	–	–	–	0.1
Total current liabilities	**1.5**	**–**	**0.3**	**0.1**	**2.5**	**1.3**
Total non-current liabilities	**0.4**	**–**	**–**	**–**	**–**	**–**
Net assets	**16.9**	**–**	**8.6**	**10.2**	**8.3**	**9.7**
Reconciliation to carrying amounts:						
Opening net assets	–	–	10.2	–	9.7	–
Initial investment	20.0	–	–	10.6	–	10.8
Profit / (loss) for the period	(3.1)	–	(1.6)	(0.4)	(1.4)	(1.1)
Other comprehensive income	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–
Closing net assets	**16.9**	**–**	**8.6**	**10.2**	**8.3**	**9.7**
Group's share in %	50.0%	–	75.1%	75.1%	24.9%	24.9%
Group's share in $	8.4	–	6.4	7.6	2.1	2.4
Goodwill	–	–	–	–	–	–
Carrying amount	**8.4**	**–**	**6.4**	**7.6**	**2.1**	**2.4**
Summarised statement of comprehensive income						
Revenue	–	–	1.2	–	–	–
Interest income	–	–	0.1	0.1	–	–
Depreciation and amortisation	(0.1)	–	(0.1)	–	–	–
Interest expense	–	–	–	–	–	–
Income tax expense	–	–	–	–	–	–
Profit / (loss) from continuing operations	**(3.1)**	**–**	**(1.6)**	**(0.4)**	**(1.4)**	**(1.1)**
Profit / (loss) from discontinued operations	–	–	–	–	–	–
Profit / (loss) for the period	(3.1)	–	(1.6)	(0.4)	(1.4)	(1.1)
Other comprehensive income / (loss)	–	–	–	–	–	–
Total comprehensive income / (loss)	**(3.1)**	**–**	**(1.6)**	**(0.4)**	**(1.4)**	**(1.1)**
Dividends received from associates and joint venture entities	**–**	**–**	**–**	**–**	**–**	**–**

34. Interest in other entities continued

c) Interest in associates and joint ventures continued

ii) Individually immaterial associates

In addition to the interests in associates disclosed above, the Group also has interests in an individually immaterial associate that is accounted for using the equity method.

	2020 $m	2019 $m
Aggregate carrying amount of individually immaterial associates and joint ventures	**0.7**	**1.6**
Aggregate amounts of the Group's share of:		
Profit/(loss) from continuing operations	(1.0)	(0.5)
Total comprehensive income	**(1.0)**	**(0.5)**

35. 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

	2020 $	2019 $
Short-term employee benefits	7,320,944	8,066,047
Post-employment benefits	345,195	319,656
Other long-term benefits	90,972	94,521
Termination benefits	1,100,490	–
Share-based payments	3,616,824	5,320,420
	12,474,425	**13,800,644**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 20 to 40.

c) Transactions with other related parties

There were no transactions with other related parties during the year.

36. 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 37 .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:

	2020 Number of rights	2019 Number of rights
Balance at the start of the year	2,304,220	2,261,017
Granted as compensation	546,774	540,086
Exercised	(628,895)	(496,883)
Other forfeitures	(431,961)	–
Balance at the end of the year	**1,790,138**	**2,304,220**
Vested and exercisable at the end of the year	**–**	**–**

The valuation methodology inputs for performance rights granted during the year ended 30 June 2020 included:

a) Performance rights are granted for no consideration and vest subject to nib holdings limited EPS and TSR hurdle
b) Exercise price: $nil (2019: $nil)
c) Grant date: 11 December 2019 and 28 February 2020 (2019: 23 November 2018)
d) Expiry date: 1 September 2023 (2019: 1 September 2022)
e) Share price at grant date: $6.0675 (2019: $4.4194)
f) Expected dividend yield: Dividends are assumed based on the expected dividend payout ratio is 60% to 70% of normalised net profit after tax (with the potential for special dividends above this range)

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.

	2020	2019
Number of shares purchased on-market under the plan to participating employees	69,440	67,199

The shares were allocated in two tranches. The first tranche of shares were for allocated on 21 August 2019 following nib's FY19 full year results presentation at a volume weighted average price of $7.07. The remaining tranche of shares were allocated on 26 February 2020 following nib's FY19 half year results presentation at a volume weighted average price of $4.75.

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.

	2020	2019
Number of shares purchased on-market under the plan to participating employees	4,780	4,503

The shares were allocated in two tranches. The first tranche of shares were allocated on 21 August 2019 following nib's FY19 full year results presentation at a volume weighted average price of $7.07. The remaining tranche of shares were allocated on 26 February 2020 following nib's FY20 half year results presentation at a volume weighted average price of $4.75.

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.

36. Share-based payments continued

d) nib Salary Sacrifice Plan and Matching Plan continued

	2020	2019
Number of shares purchased on-market under the plan to participating employees	56,712	46,214

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.

	2020	2019
Number of shares purchased on-market under the plan to participating employees	3,386	4,097

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, 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 23(c).

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

g) Expenses arising from share-based payments transactions

	2020 $m	2019 $m
Shares purchased on-market under ESAP and ESPS	0.4	0.4
Shares purchased on-market under nib salary sacrifice plan and matching plan and salary sacrifice (NZ) rules and matching plan (NZ)	0.4	0.3
Performance rights granted under LTIP	(0.4)	1.1
Shares purchased on market under STI	2.0	1.6
	2.4	**3.4**

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 23(d)(i). 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.

37. Parent entity financial information

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

	2020 $m	2019 $m
Balance Sheet		
Current assets	120.9	94.8
Non-current assets	739.7	734.6
Total assets	**860.6**	**829.4**
Current liabilities	29.0	10.7
Non-current liabilities	165.5	165.7
Total liabilities	**194.5**	**176.4**
NET ASSETS	**666.1**	**653.0**
Share capital	396.5	389.4
Share-based payments	(8.7)	(4.4)
Retained profits	278.3	268.0
Total Equity	**666.1**	**653.0**
Profit for the year	**115.1**	**160.3**
Total comprehensive income for the year	**115.1**	**160.3**

Refer to Note 30 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.

directors' declaration

for the year ended 30 June 2020

In the Directors' opinion:

a) the financial statements and notes set out on pages 42 to 111 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 2020 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

Anne Loveridge

Steve Crane
Director

Anne Loveridge
Director

Newcastle, NSW
23 August 2020

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 2020 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 2020
- the Consolidated Income Statement for the year then ended
- 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 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 (including Independence Standards)* (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.

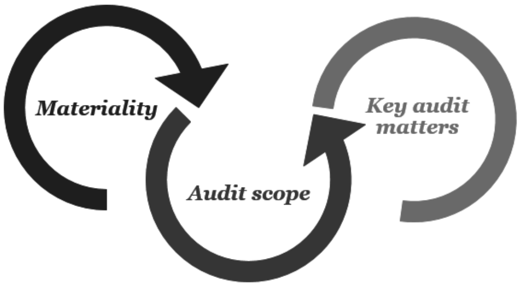
Our audit approach

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

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

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 $6.2 million, 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 Group made subjective judgements, for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- PwC specialists in taxation and information technology, along with PwC valuations and actuarial experts have assisted during the audit.
- We decided the nature, timing and extent of work that needed to be performed by us and the component auditor operating under our instruction. We then structured our audit approach as follows:
    - We audited the financial information of the Group and focused on entities within the Group that are financially significant to the Group.
    - For the procedures carried out by the component auditor, we decided on the level of involvement required from us to be able to conclude whether sufficient appropriate audit evidence had been obtained. Our involvement included issuing written instructions, holding discussions, review of key workpapers, and review of reporting to us by the component auditor.
    - 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.

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*
Estimation of claims liabilities *(Refer to note 18) [$245.9 million]* *a) Outstanding claims liability [$147.1 million]* 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. 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 used July 2020 claims payment data to assist in determining the liability at 30 June 2020. 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 over the outstanding claims liability included, amongst others: ● Evaluating the design effectiveness and implementation of relevant controls over claims payments, including key data reconciliations and the Group's review of the estimates. ● We were assisted by PwC actuarial experts to evaluate the Group's actuarial practices and the provisions established. Our audit procedures included, amongst others: o Testing on a sample basis of the claims data underpinning the outstanding claims liability valuation o Testing the mathematical accuracy of the Group's actuarial model and evaluating whether the Group's actuarial methodologies were consistent with accepted industry practice. o Assessing the selection of the actuarial method used to measure outstanding claims this year and the justification for changes in methods and assumptions. o Assessing the appropriateness of key actuarial assumptions. We challenged these assumptions by comparing them with our expectations based on the Group's historical experience, audit of subsequent payment patterns, and our own industry knowledge. o Assessing the approach to setting the risk margin in accordance with the requirements of Australian Accounting Standards, including an assessment of the reasonableness of the actuarial calculation of the probability of adequacy. o Reconciling the results of the outstanding claims liability valuation to the financial statements and considering the adequacy of the disclosures in relation to the outstanding claims liability.

Key audit matter	How our audit addressed the key audit matter

b) Provision for deferred and suspended claims [$98.8m]
 	
We focused on this balance because of its size, the unusual circumstances that have given rise to this provision, and the complexity and judgements involved in the estimation process.
 	
As described in Note 18, this provision has been recognised to reflect the constructive obligation that the Group has to pay claims after 30 June 2020 that would ordinarily have been paid prior to 30 June 2020 if it were not for the temporary closure of elective surgery and reduced access to ancillary benefits as a result of the COVID-19 pandemic.
 	
The estimation of the provision required estimating the savings due to the gross reduction in claims due to temporary closure of elective surgery and reduced access to ancillary benefits, netted by the impact on the risk equalisation adjustment and quantifying the percentage of these savings to be deferred to the next financial year: the deferral is on the basis that this amount is what 2021 financial year claims will be inflated by above normal trends due to COVID-19. The Group used July 2020 claims payment data to assist in determining the provision at 30 June 2020.
 	
This is a key audit matter due to the complexities in estimating the proportion of the deferred claims that are expected to be paid post balance date.
	Our audit procedures over the provision for deferred and suspended claims included, among others:
	
	• Evaluating the appropriateness of the Group's accounting policy to recognise deferred claims as a result of the COVID-19 pandemic against applicable Australian Accounting Standard requirements.
	
	• Gained an understanding of the impacts of COVID-19 on claims payment patterns
	
	• Evaluating the adequacy of the process for determining the provision, including audit over relevant data inputs into the provisioning model and review processes over the model's outputs.
	
	• Together with PwC actuarial experts, we:
	  ○ Considered the appropriateness of the Group's methodologies used to determine claims deferred to future periods including consideration of reasonable alternatives.
	  ○ Assessed for reasonableness the key assumptions applied by the Group in determining the impact COVID-19 has had in deferring claims to future periods.
	
	• Assessed the adequacy of disclosure of the provision in the financial report against the requirements of the applicable Australian Accounting Standards.

Impairment testing of goodwill and indefinite lived intangibles *(Refer to note 14) [$244.9 million]* The Group's goodwill relates to the Australian Residents Health Insurance, International Workers Health Insurance, New Zealand Residents Health Insurance & nib Travel Cash Generating Units (CGUs) ($226.5m) and indefinite lived intangible assets relating to brands ($18.4m). Impairment testing of goodwill and indefinite lived intangibles was a key audit matter because of the judgement involved in the determination and application of assumptions and cash flow forecasts within the 'value in use' modelling. The subjectivity of the assessment has heightened in 2020 due to the effects of the COVID-19 pandemic increasing uncertainty in respect of estimating future cash	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. • With the assistance of valuation experts, we considered the appropriateness of the value in use calculation methodology and tested the model for mathematical accuracy. • Considered whether the cash flows for the forecast period, the forecast nib Travel expense to income ratio, 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.

Key audit matter	*How our audit addressed the key audit matter*
flows, particularly in relation to the travel insurance business. The outcome of the nib Travel impairment assessment in particular is sensitive to the values attributed to a number of key assumptions. Note 14 details these key assumptions and the impact they have on this impairment assessment.	• Considered the reasonableness of management's assessment of COVID-19 risks in the cash flow forecasts by reference to publicly available information regarding possible implications of the pandemic on the travel industry. • We tested the reasonableness of the relevant assumptions used in management's determination of the impairment of the Travel Insurance Direct and SureSave Brands. • With the assistance of PwC valuations experts, we considered whether the discount rates adopted by management, 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 assessment to increases in the discount rates. • Considered the reasonableness of the terminal growth rate assumptions by reference to external market data. • Assessed the adequacy of the related disclosures in Note 14 in light of the requirements of Australian Accounting Standards.

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 2020, 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.

pwc

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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 20 to 40 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of nib holdings limited for the year ended 30 June 2020 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

Sferguson

SK Fergusson
Partner

Newcastle
23 August 2020

shareholder information

The shareholder information set out below was applicable as at 31 August 2020.

A. DISTRIBUTION OF EQUITY SECURITIES

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

	Class of equity security
1 – 1,000	58,401
1,001 – 5,000	68,375
5,001 – 10,000	9,300
10,001 – 100,000	828
100,001 and over	60
	136,964

There were 3,921 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	71,381,922	15.63
J P Morgan Nominees Australia Pty Limited	44,388,849	9.72
Citicorp Nominees Pty Limited	26,995,166	5.91
National Nominees Limited	13,839,661	3.03
BNP Paribas Noms Pty Ltd	8,128,195	1.78
BNP Paribas Nominees Pty Ltd	4,964,819	1.09
Citicorp Nominees Pty Limited	3,770,904	0.83
Mr Mark Anthony Fitzgibbon	1,438,864	0.31
CPU Share Plans Pty Ltd	1,293,997	0.28
Mrs Michelle McPherson	907,911	0.20
HSBC Custody Nominees (Australia) Limited	868,906	0.19
HSBC Custody Nominees (Australia) Limited	782,146	0.17
Powerwrap Limited	780,739	0.17
HSBC Custody Nominees (Australia) Limited-GSCO ECA	745,228	0.16
Fitzy (NSW) Pty Ltd	724,621	0.16
BNP Paribas Nominees Pty Ltd	650,491	0.14
AMP Life Limited	563,538	0.12
UBS Nominees Pty Ltd	431,772	0.09
Mr John Arthur Foyle Turner	430,000	0.09
Australian Executor Trustees Limited	412,687	0.09
	183,500,416	**40.16**

Unquoted equity securities

	Number on issue	Number of holders
Performance rights issued under the nib holdings Long-term Incentive Plan	1,790,138	11

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

for the year ended 30 June 2020

DIRECTORS

Chairman

Steve Crane

Managing Director/Chief Executive Officer

Mark Fitzgibbon

Lee Ausburn

Jacqueline Chow

David Gordon

Anne Loveridge

Christine McLoughlin

Donal O'Dwyer

COMPANY SECRETARIES

Roslyn Toms

Jordan French

EXECUTIVE MANAGEMENT

Managing Director/Chief Executive Officer

Mark Fitzgibbon

Group Chief Financial Officer

Nick Freeman

Group Executive – Australian Residents Health Insurance

Edward Close

Group Executive – nib New Zealand

Rob Hennin

Group Executive – Legal and Chief Risk Officer

Roslyn Toms

Group Chief Information Officer

Brendan Mills

Group Executive – Business Services

Matt Paterson

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of nib holdings limited will be held as a virtual meeting on Thursday, 5 November 2020 at 1pm (AEDT). Shareholders will be able to participate in the AGM in a number of ways with details to be provided in the Notice of Meeting.

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