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1 October 2021

Company Announcements Office
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

2021 Annual Report - nib holdings limited

Please find attached nib's 2021 Annual Report which was distributed to nib shareholders today.

nib's 2021 Annual Report can also be viewed online at nib.com.au/shareholders.

Yours sincerely,

Roslyn Toms
Company Secretary

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This announcement has been authorised for release by Roslyn Toms, nib Company Secretary.

nib

annual report

2021

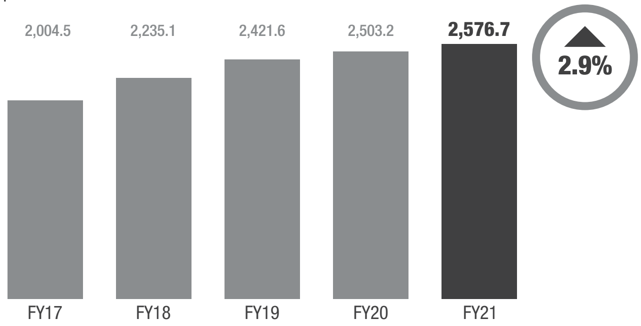
table of contents

nib holdings limited
ABN 51 125 633 856

group performance highlights

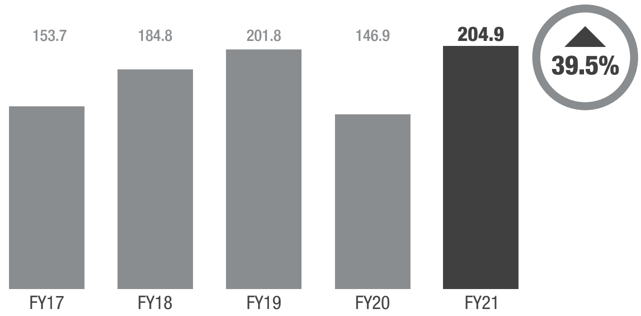
Total underlying revenue

$m



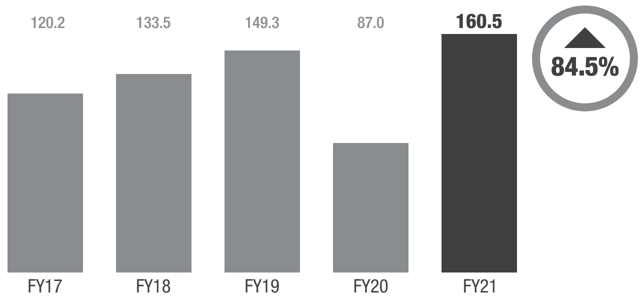
Underlying operating profit

$m



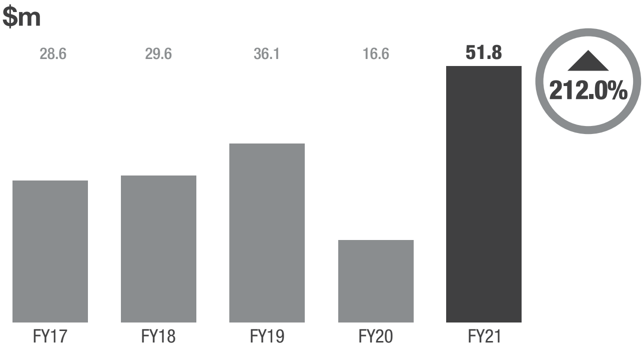
Net profit after tax

$m



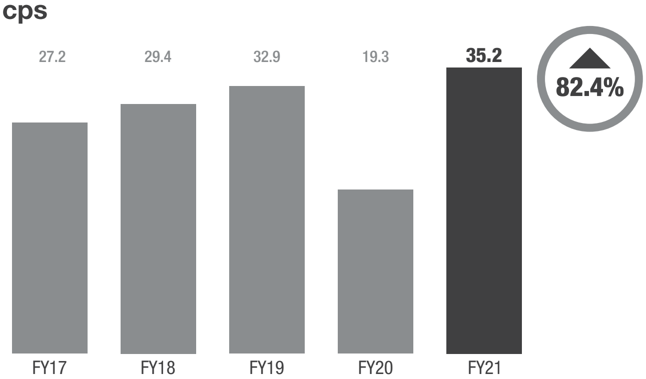
Net investment income

$m



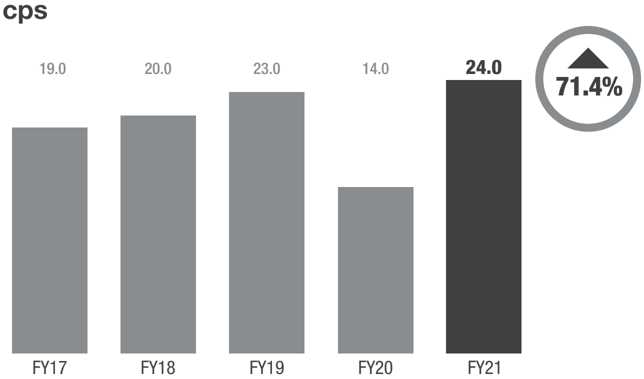
Statutory EPS

cps



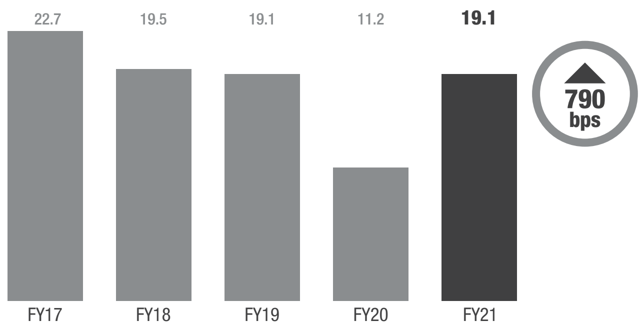
Dividends

cps

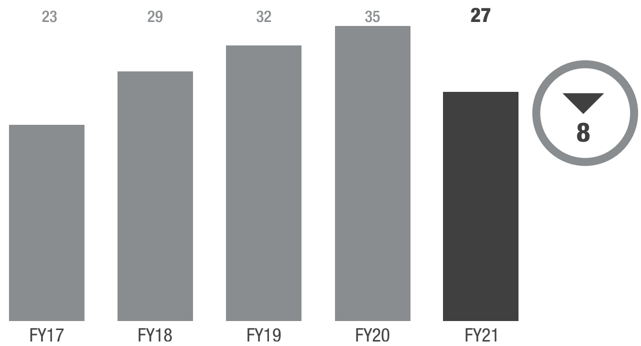


Return on invested capital[1]

%



Group NPS



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

our purpose
your better health

Personalisation
We apply data science in developing deep insight into the health risk of individuals and how it is best managed as well as equip them with integrated digital tools for engagement with us and the healthcare system.

PHI expansion
Expand our value proposition and differentiate in existing PHI markets by making membership as much about supporting good health as it is the treatment of sickness and injury. We grow the PHI market and our share.

New markets
Enter and grow new markets with a non-PHI membership offering, treatment packages specific to a wide range of conditions and needs, and differentiate and grow our travel product.

Claims cost effectiveness
Better contain treatment and claims cost inflation through more precise and effective disease prevention and management, which is then passed through to members and travellers in the form of more competitive premiums and/or improved service and benefits.

Honeysuckle Health
Revenue through Honeysuckle Health and its wide range of health risk management products and services.

Government programs
Aspire to improve health outcomes and the health care of discrete populations on behalf of Government and other healthcare payers.

Organisational capability
We continue to develop organisational talent and advanced technological capability across the Group.

Sustainability
We approach our environmental, social and governance responsibilities with sincerity, conviction and effectiveness.

Ongoing support for members, employees and the community **through COVID-19**

As the pandemic has continued to evolve, so has the support we've provided to our members, employees and the general community, which to date totals more than $45 million.

As announced with our FY21 results, we will also return an additional $15 million of claims savings to eligible members. The member and community support package includes expanded coverage for COVID-19 related treatment for all members, financial relief in the form of premium credits, delayed premium increases, waivers or suspensions, and access to telehealth services on an ongoing basis so members can continue to look after their health from the comfort of home.

Together with nib foundation, we also provided $1.5 million in funding to community and clinical initiatives dedicated to supporting the mental health and wellbeing of Australians and Kiwis.

In addition, nib Group employees were given up to two weeks special paid leave, an ergonomics package to support their work from home set up as well as access to a number of health and wellbeing initiatives to help keep them connected and healthy while working from home.

Learn more about our full COVID-19 member and community support package at nib.com.au/covid19

Sustainability

We recognise that how we go about our business, including the examples we set, directly and indirectly impact the communities in which we operate and their sustainability.

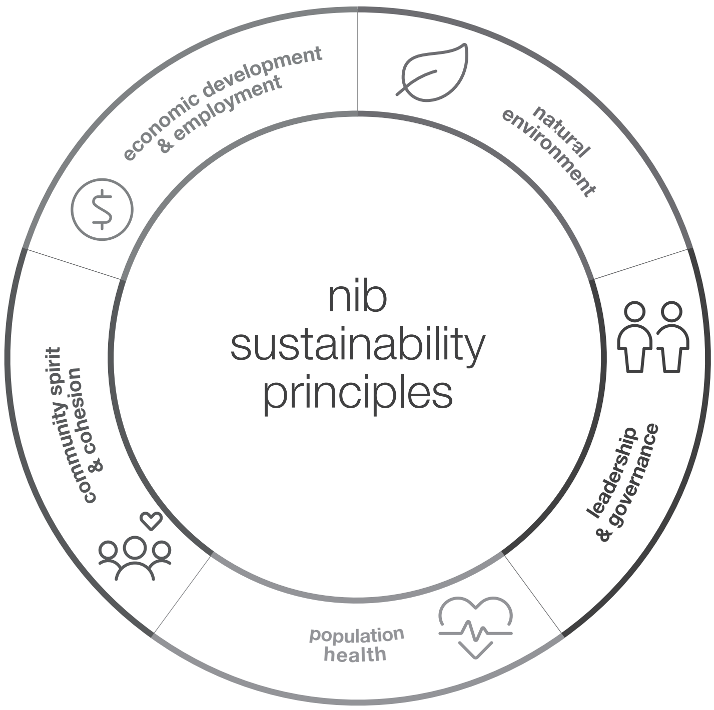
We profoundly believe the prosperity and sustainability of nib depends upon that of the communities we serve. And that commercial returns follows only our success both in fulfilling our purpose and community expectations.

We approach our social and environmental responsibilities with sincerity, conviction and effectiveness. And we've done exactly that during the financial year despite the many challenges posed by COVID-19.

Highlights include:

- Transitioning to renewable energy at all nib-controlled locations and commitment to be carbon neutral by the end of FY22.
- Supporting Ngãti Whãtua Õrãkei iwi members through health management programs and introduction of Kaiãrahi (iwi health navigators).
- Introducing our first-ever Diversity and Inclusion Action Plan to foster a sense of community where everyone is welcome, contributes and belongs.
- Development of nib's Responsible Investment Policy which has enhanced our SRI screening of our investment portfolio.
- Launching our Reflect Reconciliation Action Plan (RAP).
- Rethinking how our people work through *Life at nib* – our new distributed work policy which focuses on hybrid working.
- Publishing our inaugural Modern Slavery Statement and undertaking supplier questionnaire assessments using a risk-based approach.
- Over $2.7 million in total community funding including $1 million nib foundation investment towards chronic disease prevention.
- Kicking off our Payer to Partner (P2P) journey as we seek to become a true health partner for our members.

You can read more in our FY21 Sustainability Report which will be available at nib.com.au/shareholders/company-profile/sustainability from October 2021.



Chairman's report

I was honoured to be elected Chairman of the company in July this year. nib is a wonderful organisation with a long and proud history of innovation, growth and achievement since its inception in 1952. Together with my fellow directors, our Executive Management team and everyone at nib, I'm excited to be part of the company's continued progress and expansion. There is a 'buzz' across the company that augers well for the future.

Financial year 2021 (FY21) will of course be remembered as a year in which we all felt the full impact of the COVID-19 pandemic. Absent the kind of devastating armed conflicts of the first half of last century, for most of us it is easily the most significant global event in our lifetimes. While its implications for the nib Group and businesses generally are too vast to cover here, I will attempt to provide some insight into what the Group has had to deal with and how.

I should highlight that, from the pandemic's outset, our focus has been, and continues to be, on the health and wellbeing of our members, travellers, communities and employees. To date nib has provided $45 million in COVID-19 support in the form of deferred premium increases, waived or suspended premiums, additional COVID-19 related coverage and multiple community donations. In addition, as announced with our FY21 results, we will return $15 million of claims savings to eligible members as part of our ongoing member and community support package. We anticipate further support while ever the pandemic persists.

Importantly, the dire conditions didn't prevent us from meeting the healthcare needs of our members. In FY21 we funded 378,900 hospital claims and over 3.9 million dental, optical, and other ancillary claims across the Group with a total value of $2.0 billion compared to $1.9 billion in FY20. The pandemic certainly didn't slow the momentum we're building towards making the value proposition for members as much about their good health and wellbeing as it is their financial protection. Indeed, FY21 marked a milestone in the transformation of nib into a good health focussed business. Mark covers this in a little more detail in his Managing Director's report.

Group commercial and financial performance was strong despite some parts of the business taking strain under the pressures of the pandemic and restrictions on international travel. Mark makes mention of the headline financial numbers and this report provides further details. Shareholders, I believe, can take confidence from the resilience shown across the Group and our expectation of a positive outlook for private health insurance, and that as the pandemic passes, those affected businesses will recover quickly.

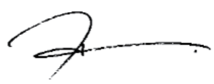
In the fullness of time, I think FY21 will also mark a point when our social and environmental responsibilities to the communities we serve became all the more poignant. Already we are very committed to the well established principles of sustainability, and have much to show for our efforts including our Reconciliation Action Plan (RAP), our Diversity and Inclusion Plan and over $2.7 million in funding for numerous community health initiatives, including through our hard working nib foundation.

Yet the potential for us having the greatest impact on the health of our society lies ahead in the form of more deliberate and precise population health management. We intend to play a more active role in improving community health outcomes and redressing terrible gaps in care, especially between indigenous and non-indigenous people, whilst always maintaining the primacy of our members' choice of healthcare provider.

Overall, the nib Group is in very good shape. We continue to grow with increased profitability, we are well capitalised and there is no shortage of opportunity ahead. Your Board declared a final dividend of 14.0 cents per share, fully franked, bringing the full year dividend to 24.0 cents per share.

I want to acknowledge and farewell our long-serving Chairman, Steve Crane, who retired from the Board in July 2021. Steve made an extraordinary contribution to the company over the past decade and will be very much missed. I also welcome Peter Harmer as a new independent Non-Executive Director. Peter brings over 40 years' experience in the Australian and international insurance and financial sectors.

Finally, my sincere thanks and gratitude to our people, from our employees on the frontline and our team leaders, to our Executive Management team and my fellow Board colleagues, for all their hard work and persistence in such an extraordinary year. nib is built on its people and we are fortunate to have a truly great team.



David Gordon

Managing Director's report

The extraordinary disruption and tragedy for so many brought on by the pandemic didn't stop us posting another strong result in FY21. Group underlying revenue grew 2.9% to $2.6 billion, underlying operating profit by 39.5% to $204.9 million and earnings per share by 82.4% to 35.2 cents. Return on invested capital (ROIC), my favoured measure, was an impressive 19.1%.

In relation to earnings and year on year comparisons, it's worth me highlighting the impact of the pandemic on business activity and accounting. Neither FY21 nor FY20 can be considered 'normal' given the 'see sawing' of healthcare treatment and claims experience as well as extraordinary initiatives taken to support members which David has already described.

Nevertheless, accounting principles have done their job well and the commercial results reliably reflect good progress in our preeminent aim of 'your better health'. In our flagship Australian Residents Health insurance (arhi) we added over 26,000 policyholders at a growth rate of 4.2% and in New Zealand over 5,500 policyholders (excluding international students) at a growth rate of 5.0%. While it wasn't as positive for our international students and workers and travel businesses, we're very confident they will bounce back post-pandemic. Pre-pandemic these two businesses combined contributed $41.5 million UOP in FY19. In FY21 they incurred losses of $19.5 million. It speaks of opportunity ahead.

FY21 will come to be known as the foundation year for transforming our business and becoming as much about good health and preventing the risk of disease, as it is about supporting people once they're already sick or injured. Our 'Payer to Partner' (P2P) strategy saw developments on many fronts across the Group, none more evident than the escalating effort and investment in Honeysuckle Health. Honeysuckle Health is a joint venture with global healthcare company, Cigna. It is deploying advanced data science (big data, machine learning, digital engagement) to predict risk at an individual and population level and then more precisely prevent, manage or treat the risk. Honeysuckle Health's potential to change the way we think about healthcare and the place of 'prevention over cure' cannot be overstated.

Nobody celebrates the havoc and misery of the pandemic. If there is any silver lining it is the heightened community awareness of disease risk and the need to better manage that risk, as well as its influence in accelerating investment in data-led insight, improved practice and the technology of the kind we're embracing. Importantly, we have the will and capacity to invest in P2P and relevant technology.

Through our joint venture with Chinese pharmaceutical company, Tasly, we now have a licence to sell health insurance in China and made our first sales in July. It's a small but crucial step, and while the business won't be profitable for another year or two, the medium to long term opportunity is considerable.

Another significant development related to the pandemic has been our shift to our distributed working strategy 'Life at nib'. Essentially, our 1,200 people now work wherever they choose and are only required to attend a workplace 'hub' when necessary, such as induction, training, business planning, project collaboration, and celebration. I deliberately say pandemic 'related' because underneath the change is the power of modern technology to automate activity and connect people.

Our members, travellers, shareholders, and other key constituents, such as doctors, should all look forward to further progress in bringing P2P to life and nib supporting a better healthcare system and outcomes for people and communities. As David observes, there is no better opportunity for us to contribute to society. Done well, this will all translate into further commercial success and increased enterprise value.

Mark Fitzgibbon

nib Group

$2.6b
total Group revenue
up 2.9%

$204.9m
Group UOP
up 39.5%

$51.8m
net investment income
up 212.0%

$160.5m
NPAT
up 84.5%

35.2cps
statutory EPS
up 82.4%

24.0cps
full year dividend
up 71.4%

In a challenging year impacted by the pandemic, nib has delivered a strong financial result while continuing to support its members, travellers, employees and communities.

nib Group reported an underlying operating profit (UOP) of $204.9 million compared with $146.9 million last year. The increase is largely due to the strong growth of our Australian residents health insurance (arhi) business, coupled with nib New Zealand's stable performance. However, both the international inbound and travel businesses were significantly impacted by border closures, each reporting a loss despite cost reduction and business efficiency measures implemented through the year.

Group UOP includes a reassessment of the COVID-19 deferred claims liability provision set aside last year to account for current and future catch up and risk equalisation experience. Given continuing uncertainty related to the pandemic, a $34.0 million provision has been retained for further expected claims catch-up.

Since the onset of COVID-19, nib has continued to support its members and travellers with a broad range of initiatives and ongoing programs, including financial support, new health services, expanded coverage for COVID-19 related treatment and other community health programs. As highlighted in last year's Annual Report, the initial support package totalled $45 million (across the FY20 and FY21 financial years) and nib has announced a further $15 million in FY22.

In line with government health requirements, nib successfully shifted its workforce worldwide from office to remote working without interruption to service delivery and operations. nib subsequently has embraced the opportunity of a distributed working model providing employees with support and flexibility of workplace.

nib continued to focus on business transformation through investment in technology, automation, and consolidation of operating centres to further enhance our member and traveller services and improve business efficiency. This resulted in the removal of some roles and functions, notably in nib Travel and the closure of the arhi retail network. Employees impacted by the change were offered redeployment or supported in the transition to alternative employment. Given the devastating impact of COVID-19 on the travel sector, nib Travel qualified and received $4.2 million in government wage subsidies ($3.8 million JobKeeper in Australia, $0.4 million in Ireland), noting that, despite this assistance, the business still made a UOP loss of $13.6 million (FY20 loss $19.7 million).

The increase in nib Group net profit after tax (NPAT) to $160.5 million (up 84.5%) also benefited from strong investment income of $51.8 million (up 212.0%), which recovered from the volatile investment market conditions last year.

The Board declared a final dividend of 14.0 cents per share fully franked resulting in a full year dividend of 24.0 cents per share, representing a payout ratio of 68.2% of FY21 NPAT. The final dividend will be payable on 5 October 2021 with a record date of 3 September 2021. The Dividend Reinvestment Plan (DRP) is available to eligible shareholders.

Australian residents health insurance | arhi

$2.2b
premium revenue
up 4.9%

$211.8m
UOP
up 62.4%

25
net promoter score
down 10

nib's core arhi business, delivered a strong result. The increase in UOP to $211.8 million (up 62.4%) was primarily driven by policyholder growth and favourable claims impacts related to COVID-19 compared with last year, including lower industry claims experience, favourable risk equalisation and a partial release of the COVID-19 claims provision established last year. This contributed to a higher net margin of 9.7% compared with 6.2% last year.

Net policyholder growth of 4.2% was well above the industry average growth rate of 3.1%. This was in part driven by heightened community awareness of the need for financial protection and risk of disease as a result of the pandemic, resumption of previously suspended policies, and the benefits of arhi's diversified and multi-channel distribution strategy. arhi's 645,152 policyholders represent 1.22 million members and more than 9% of Australians with private health insurance.

Total claims expense increased by 0.9% to $1.7 billion, impacted by lower risk equalisation contribution and a $55.9 million partial release of the COVID-19 provision, offset by a 12.5% increase in nib member claims expense. While there was some catch-up of deferred healthcare treatment during FY21, this was lower than initially assumed. Ongoing pandemic concerns and measures to limit transmission of the virus, such as lockdowns, appear to have further delayed treatment, especially in the aged population as reflected in lower industry risk equalisation. While forecasting future claims remains difficult at this time, a $34.0 million provision has been retained for further catch-up of deferred claims in relation to COVID-19.

nib has announced a $15 million ex-gratia payment to be provided to arhi members in FY22. This is in addition to the ongoing financial hardship assistance and broader coverage for COVID-19 related treatment provided to members at no additional cost. Other offerings provided during the year, including telehealth consultations, online classes and personalised wellbeing digital applications, are continuing to assist members' access to healthcare support at home.

Management expenses of $223.1 million include investment in personalisation initiatives and operational efficiencies. nib will continue investment in these growth and business transformation projects with a focus on improving health services to its members.

Our NPS was impacted by the price increase deferral, with multiple member pricing notifications during the year and work is underway to enhance members experience and improve affordability.

Payer to Partner (P2P), our organisational transformation to move towards a health partner, was mobilised in the second half of FY21 commencing with a strategic planning phase identifying key streams of work aligned with the business strategy. Although in its preliminary stage, P2P has delivered a number of health programs to assist nib members with chronic conditions, including the Limber pilot, a physical therapy digital application.

International inbound health insurance | iihi

$115.5m
premium revenue
down 6.2%

$(5.9)m
UOP
down 126.6%

36/45
net promoter scores workers/students
down 11/up 2

The iihi business, comprising international students and workers, continues to be heavily impacted by COVID-19 with border closures limiting growth and contributing to a step-up in claims.

Premium revenue decreased by 6.2% to $115.5 million, which is reflective of the 6.5% net decline in policyholders, driven by lower student numbers and partially offset by some growth in workers.

Despite the decline in policyholders, claims expense increased by 38.8% on last year, largely due to a step-up in claims by students. With the sharp reduction in voluntary repatriation of students during study breaks, the use of health care services has increased, including certain higher-cost services such as pregnancy. The limited intake of new students has also shifted the tenure mix.

We continue to support our international members impacted by COVID-19 with financial hardship assistance, coverage for telehealth services and COVID-related treatment. Through the nib foundation we have partnered with Batyr to develop and deliver educational mental health programs designed specifically for international students in universities across the country.

The pandemic has highlighted the importance of international students and temporary migration for the Australian economy. As borders reopen, we expect international students and workers to again return, although the timing is uncertain. The iihi business remains well positioned to address the current claims experience, capitalise on future growth, and further improve the efficiency and quality of services through digitisation.

nib New Zealand

$258.6m
premium revenue
up 7.7%

$24.1m
UOP
up 3.0%

34
net promoter score
up 1

nib New Zealand delivered another good result, reporting a UOP of $24.1 million, 3.0% above last year (which was itself a strong year) and despite uncertainties and disruptions due to COVID-19. The result includes the full release of the $8.4 million COVID-19 provision, matching the expected claims catch-up for deferred health treatment.

The increased premium revenue of $258.6 million (up 7.7%) was driven by policyholder growth and premium adjustments. Net policyholders grew by 1.6% impacted by the decrease in international students due to COVID-19 travel restrictions. Excluding students, policyholders grew by 5.0%, supported by the performance of channels including group, adviser and whitelabel partner, the New Zealand Automobile Association.

Measures were implemented at the onset of the pandemic to provide a range of support services to members, including financial hardship assistance. During the year, the business remained focused on improving operating performance and system efficiency, requiring a step up in technology infrastructure investment.

Net Promoter Score growth reflects the ongoing improvements in the member journey experience.

nib New Zealand continues to work with its key partners and members on rolling out population health initiatives to deliver significant health and wellness benefits to the community. This includes 'BodyWOF' which provides health check and health information as part of our drive to encourage proactive wellbeing.

nib Travel

$17.0m
GWP
down 86.9%

($13.6)m
UOP
down 31.0%

58
Sales NPS
down 6

nib Travel continues to be impacted by the pandemic and associated border closures and travel restrictions. The business made a UOP loss of $13.6 million, which was a 31.0% improvement on last year's loss as the business moved quickly to right size its cost base and adapt products in response to the pandemic. Pleasingly, as conditions improved in last quarter of FY21, notably in the US, nib Travel's revenue also strongly rebounded compared to the experience in previous quarters, albeit at considerably lower levels than pre-COVID conditions.

The significant decline in sales was partially offset by cost saving initiatives implemented during the year, including workforce reduction and efficiency improvements, which resulted in lower operating expenses by over 50%.

Disruptive travel in the current environment contributed to the fall in Net Promoter Score as customers are less likely to recommend a travel insurer in times of heightened travel restrictions.

During the year, and in preparation for return to travel next year, products were updated with additional COVID-19 cover. The focus for FY22 continues to be cost discipline, operating efficiency improvements through digitisation, and agility with resources as offshore regions start to reopen.

Principal risks and uncertainties

nib has established policies and systems 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, which is available on our website at nib.com.au.

nib continues to closely monitor the uncertainty and impacts of COVID-19 on its risk profile. As this uncertainty continues into FY22, nib will carry on making enhancements to its control systems in order to optimise outcomes related to both financial and non-financial risks.

Further to the Sustainability risks and approaches detailed on our website at nib.com.au/shareholders, principal risks and uncertainties that could affect nib's operations, strategies and overall performance are listed in the table below.

Insurance risks	
Risk description	**Risk management strategies**
Claims inflation and affordability The risk of rapidly inflated claims costs derived from health service providers (including hospitals, ancillary providers and medical specialists). Impacts could include lower affordability of health insurance products, weaker financial margins and profitability.	nib has structured management systems for monitoring claims behaviours and experience. Included are processes to validate timely and accurate payment of claims in accordance with policy conditions. A high priority is placed upon the negotiation, establishment and renewal of key provider contracts, to ensure acceptable terms, service utilisation rates and claiming processes are in place. nib recognises the importance of improving product value and affordability for Members, resulting in ongoing strategic investments in initiatives including: development of provider networks to improve price certainty and value, tools to assist members in making informed financial decisions and a Payer to Partner (P2P) strategy to target chronic conditions through Health Management Programs. A strong focus also exists on premium affordability through the annual pricing submission process. Further details on claims inflation risk are included in Notes to the Consolidated Financial Statement 3a).
Government policies and regulations Risks relating to potentially significant and/or unexpected changes to the regulatory policy settings and incentives for private health insurance. e.g. risk equalisation arrangements supporting the community rating principle, PHI Rebates and Life Time Health Cover Loading. Financial impacts resulting from this risk could be either positive or negative.	nib actively monitor early developments in PHI policy via industry, media and government circulars, channels and forums. nib is an active contributor to PHI reforms consultation processes conducted by regulators including Australian Prudential Regulation Authority (APRA) and the Department of Health, in order to help shape improved outcomes for nib Members. nib's risk analysis processes include impact assessment of potential changes arising from government policy and resulting changes to products e.g. sustainable premium pricing. nib is represented within industry forums including Private Healthcare Australia (PHA) and seeks to work collaboratively with other industry stakeholders to present practical solutions. As reforms go-live, nib maintain appropriate resources for external communications (members, strategic partners, media, investor relations) to ensure effective communication and understanding of changes to targeted audiences. nib invest in rapid implementation of initiatives to improve customer value and lower costs e.g. early adoption of age-based discounts.
Pricing risk	There are operational risks associated with pricing and forecasting involving process, people and systems. 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. Further details on pricing risk are included in Notes to the Consolidated Financial Statement 3a).

Financial risks	
Risk description	**Risk management strategies**
Investment and capital management Risks related to the performance of nib's investment portfolio, impacting profitability, financial position and ensuring stakeholder expectations are fulfilled.	nib's Investment Committee provides oversight of this risk. The Committee considers the investment strategy and investment risk management practices, investment performance in order to meet Return on Investment (ROI) objectives and outlook, and compliance with the investment component of nib's Capital Management Plan.

Principal risks and uncertainties continued

Financial risks continued	
Risk description	**Risk management strategies**
General economic conditions The environment in which nib operates may experience challenging conditions as a result of general uncertainty about future Australian and international economic conditions.	nib recognises that its 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. nib monitor economic conditions and complete regular stress testing of key variables to validate capital management planning processes.
Strategic risks	
Risk description	**Risk management strategies**
Performance of adjacent (non-Australian Residents Health Insurance) businesses In addition to its Australian regulated health insurance business, nib has diversified its business and identified adjacent earnings opportunities, such as International (Inbound) Health Insurance, New Zealand health insurance, and nib Travel insurance. The performance of these adjacent businesses impacts on nib's overall operating result and 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. The key risk mitigation strategies for this diversification strategy involve detailed financial analysis, monitoring and leveraging from establishing capital management systems and capabilities. Furthermore, compliance with regulatory capital management requirements for Australian residents health insurance provides mitigation against contagion risks i.e. in the event of prolonged periods of financial stress impacting the adjacent businesses. In terms of the latest strategic initiatives, nib is pursuing aligned transformation opportunities including P2P, digitisation, and enhanced organisation capability. These risks are controlled by strategic planning and prioritisation processes that are overseen and approved by the Board. Adjacent business opportunities involve detailed analysis on risk opportunities – considering potential upside and downside.
Operational risks	
Risk description	**Risk management strategies**
Business continuity Risks of events such as natural disasters or a major failure or inadequacy in information technology systems, have an adverse impact on nib's earnings, assets and reputation.	nib invests in highly resilient practices, systems, providers and people. A business continuity management framework is in place and overseen by Senior Management and the Board Risk & Reputation Committee. 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. Similarly, for other notable types of operational risks such as data management, outsourcing, fraud, people, and health and safety risks – nib oversees the management of these risks by management, divisional risk committees, the Executive Risk Committee and the Board Risk and Reputation Committee.
Cyber security This risk involves a failure to mitigate/manage a cyber attack or major security incident. Such an issue could result in adverse impacts to nib's members, disruption to business continuity, non-compliance with regulations and data standards and negative reputational effects.	As part of nib's increased investment and reliance on technology to conduct an efficient and cost effective business, nib has similarly invested in a proportionate cyber security controls systems and framework. nib's approaches and governance practices for cyber security risks have been developed in accordance with relevant international technology standards, taking consideration of applicable industry and regulatory standards. Oversight is provided by the Executive Risk Committee and the Board Risk and Reputation Committee.

Operational risks continued	
Risk description	**Risk management strategies**
Regulatory compliance and legal risks Risks relating to failure to comply with specific regulations as part of conducting health insurance business and meeting listing requirements of the ASX. Non-compliance with regulatory requirements can lead to a range of impacts including financial penalties, cancellation of authorisations and/or negative reputational impacts. Legal risk could involve civil proceedings in courts of various jurisdictions. nib may also be exposed to litigation in the future over claims.	nib has structured approaches to risk management including a compliance management framework incorporating: compliance strategy, culture and governance practices. nib's program includes systems and processes for identifying compliance obligations as well as monitoring and measuring of compliance performance. Oversight is provided by the Executive Risk Committee and the Board Risk and Reputation Committee.

Climate change risk

In FY19, nib conducted a climate change scenario assessment in line with the Task Force on Climate-related Financial Disclosures (TCFD) framework to understand the climate-change related risks and opportunities for our business based on potential future climate scenarios. The analysis identified a number of transition and physical risks for nib Group, including a number of risks specific to our health and travel insurance products. Subsequently, each year Environmental, Social, Governance (ESG) and climate change have been considered as part of nib's Annual Key Enterprise Risk (KER) Review.

Due to materiality and time horizon (versus the strategic plan), climate change risk was not determined to be a KER for our business. However, it has been incorporated into the Group risk management framework (RMF) to ensure appropriate ongoing oversight and management. This includes integrating climate change in business unit risk assessments and establishing a 'bottom-up' risk register.

We are also committed to limiting our impact on the environment by reducing our overall carbon emissions and have made a commitment to become carbon neutral by the end of FY22.

Five year summary

		2021 $m	2020 $m	2019 $m	2018 $m	2017 $m
Consolidated Income Statement						
Net premium revenue		2,548.8	2,439.6	2,340.8	2,162.6	1,943.1
Net claims incurred[1]		(1,985.5)	(1,933.4)	(1,811.4)	(1,694.3)	(1,545.8)
Gross margin		**563.3**	**506.2**	**529.4**	**468.3**	**397.3**
Other underwriting revenue		3.8	3.5	3.6	3.0	1.0
Management expenses		(337.4)	(332.2)	(329.1)	(287.1)	(242.1)
Underwriting result		**229.7**	**177.5**	**203.9**	**184.2**	**156.2**
Other income		24.1	60.1	77.2	69.5	60.4
Other expenses		(44.1)	(86.7)	(78.3)	(68.4)	(62.6)
Share of net profit/(loss) of associates and joint ventures		(4.8)	(4.0)	(1.0)	(0.5)	(0.3)
Underlying operating profit		**204.9**	**146.9**	**201.8**	**184.8**	**153.7**
Amortisation of acquired intangibles		(8.0)	(10.4)	(9.2)	(8.4)	(7.6)
Impairment of intangibles		(8.8)	(8.0)	(1.0)	–	–
One-off transactions, merger, acquisition and new business implementation costs		(2.1)	(13.6)	(7.0)	(7.4)	4.5
Statutory operating profit		**186.0**	**114.9**	**184.6**	**169.0**	**150.6**
Finance income and costs		(6.8)	(9.7)	(7.7)	(6.3)	(4.8)
Net investment income		51.8	16.6	36.1	29.6	28.6
Profit before tax		**231.0**	**121.8**	**213.0**	**192.3**	**174.4**
Tax		(70.5)	(34.8)	(63.7)	(58.8)	(54.2)
NPAT		**160.5**	**87.0**	**149.3**	**133.5**	**120.2**
Consolidated Balance Sheet						
Total assets		1,702.8	1,677.8	1,554.1	1,447.5	1,136.1
Equity		706.2	603.1	632.2	557.8	427.6
Debt		232.3	232.9	233.9	230.6	153.2
Share Performance						
Number of shares	m	457.7	456.8	455.6	454.8	439.0
Weighted average number of shares – basic	m	457.2	456.1	455.4	450.6	439.0
Weighted average number of shares – diluted	m	457.2	456.1	455.4	450.6	439.0
Basic earnings per share	cps	35.2	19.3	32.9	29.4	27.2
Diluted earnings per share	cps	35.2	19.3	32.9	29.4	27.2
Share price at year end	$	6.51	4.61	7.67	5.73	5.75
Dividend per share – ordinary	cps	24.00	14.00	23.00	20.00	19.00
Dividend payout ratio – ordinary	%	68.2	71.0	70.0	68.5	70.0
Other financial data						
ROIC[2]	%	19.1	11.2	19.1	19.5	22.7
Group underlying operating revenue	$m	2,576.7	2,503.2	2,421.6	2,235.1	2,004.5
Operating cash flow	$m	108.7	207.6	184.5	179.9	171.7

1 Net incurred claims differs to the face of the Consolidated Income Statement and Segment Reporting as this table includes claims handling expenses in management expenses.
2 ROIC calculated using average shareholders' equity including non-controlling interests and average interest-bearing debt over a rolling 12 month period.

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 2021.

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:

David Gordon	Mark Fitzgibbon
Lee Ausburn	Jacqueline Chow
Anne Loveridge	Donal O'Dwyer

Steve Crane retired as Chair and Director on 29 July 2021, and Christine McLoughlin retired as a Director on 25 September 2020.

Peter Harmer was appointed a Director on 29 July 2021.

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.

The Group also undertakes 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 12 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 12.

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:

	2021 $m	2020 $m
Final dividend for the year ended 30 June 2020 of 4.0 cents (2019 – 13.0 cents) per fully paid share paid on 6 October 2020	18.3	59.2
Interim dividend for the year ended 30 June 2021 of 10.0 cents (2020 – 10.0 cents) per fully paid share paid on 6 April 2021	45.6	45.5
	63.9	**104.7**

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 $64.1 million (14.0 cents per fully paid ordinary share) to be paid on 5 October 2021 out of retained profits at 30 June 2021.

Matters subsequent to the end of the financial year

In July 2021, the Board approved the return of $15.0 million in additional claims savings to members due to COVID-19 impacts by way of an ex gratia payment on their next premium payment between the period 1 September and 31 December 2021.

No other matter or circumstance has arisen since 30 June 2021 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:

David Gordon
– Chair
LLB (University of NSW),
BCom (University of NSW),
MAICD
Age: 60

Independent
Non-Executive Director

David was appointed to the Board of nib holdings limited in May 2020 and Chair since 29 July 2021. He is also a member of the 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 grow and harness their digital capability to successfully explore and develop new products and markets.

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.

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

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

Other commitments
David is Chair of Ordermentum Pty Ltd, Shippit Pty Ltd, Genesis Capital Manager 1 Pty Ltd, and General Homecare Holdings Pty Ltd.

He is also a Non-Executive Director of Stilmark Holdings Pty Ltd and international not-for-profit organisation, High Resolves Pty Ltd.

Interests in shares and performance rights
Direct: 30,000 shares in nib holdings limited.

Mark Fitzgibbon
– Chief Executive Officer
and Managing Director
MBA (University of Technology Sydney),
MA (Macquarie University), ALCA
(Charles Sturt University), FAICD
Age: 61

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.

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.

Directorships of listed entities
None.

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

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

Interests in shares and performance rights
Direct: 1,739,708 ordinary shares in nib holdings limited.

Indirect: 824,621 ordinary shares in nib holdings limited held by Fitzy (NSW) Pty Ltd.

- 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.
- 314,792 performance rights under FY21-FY24 Long Term Incentive Plan which may vest from 1 September 2024.

Lee Ausburn
MPharm (University of Sydney),
BPharm (University of Sydney),
Dip Hosp Pharm (University of Sydney), FAICD
Age: 67

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.

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.

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.

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
Director of medical device company, SomnoMed Ltd.

Interests in shares and performance rights
Indirect: 20,000 ordinary shares in nib holdings limited held by Leedoc Pty Ltd and 30,885 ordinary shares in nib holdings limited held by MIML Pension Consolidator (Lee Ausburn).

Jacqueline Chow
BSc (Hons) (University of New South Wales),
MBA (Northwestern University, Chicago), GAICD
Age: 49

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, People and Remuneration Committee and Investment 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.

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.

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

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

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.

Information on Directors continued

Peter Harmer
Harvard Advanced Management Program
Age: 60

Independent Non-Executive Director

Peter was appointed to the Board of nib holdings limited in July 2021. He is a member of Risk and Reputation Committee, People and Remuneration Committee, Investment Committee and Nomination Committee.

He is also a Director of nib health funds limited.

Industry experience
Peter has over 40 years' experience in the Australian and international insurance and financial sectors, including over 30 years in a senior executive capacity.

He has a deep understanding of the global insurance and reinsurance markets and has driven the improvement of business and customer experiences through digital innovation. During his career, Peter accelerated digital engagement through re-examining customer journeys to understand pain points and introduced the right tools and technology to help improve the overall customer experience.

In addition, he has been focused on the development and design of agile working methodologies combined with Human Centred Design thinking to ensure best practice in employee productivity, performance, health and wellbeing.

Other business and market experience
Peter was formerly Chief Executive Officer of Insurance Australia Group (IAG), CGU Insurance, Aon Limited UK, Aon Risk Services Australia Pacific and Aon Re Australia and has successfully lead business' growth agendas, major acquisitions, and industry roll-ups.

Prior to his role as Chief Executive Officer at IAG, he took up a secondment role as Chief Digital Officer to help drive IAG's digital strategy. This included building a centralised capability to improve the customer experience through the utilisation of new technology and data insights.

Directorships of listed entities
Peter is currently Director of Commonwealth Bank of Australia and AUB Group Limited.

Former directorships of listed entities in the past three years
Executive Director of Insurance Australia Group (IAG).

Other commitments
Peter is Non-Executive Director of Lawcover Pty Ltd. He is also a member of the Advisory Council for Bain & Company, and an Executive Mentor with Merrick & Co ANZ.

Interests in shares and performance rights
None.

Anne Loveridge
BA (Hons) (University of Reading), FCA, GAICD
Age: 59

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 the highly regulated financial services sector, including health insurance.

She has extensive knowledge of financial and regulatory reporting, risk management and compliance frameworks. She also has over five years' experience as a Non-Executive Director for ASX-listed entities in the financial services sector.

Through senior leadership roles, Anne also has championed the role of leadership, performance and culture in successfully driving change.

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 in the UK and Australia, where she was a Senior Partner and Deputy Chair of the Australian Firm.

Anne 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, in 2015, 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 and a Non-Executive Director of National Australia Bank Limited.

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

Other commitments
Anne is Chair of Bell Shakespeare Limited and Non-Executive Director of Destination NSW. She is also a Member of Chief Executive Women.

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

Donal O'Dwyer
MBA (Manchester Business School), BE (University College, Dublin)
Age: 68

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 Chair of the Investment 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 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.

Former Directors
Steve Crane retired from the Board on 29 July 2021. Steve had been a Chair and Non-Executive Director since September 2010.

Christine McLoughlin retired from the Board on 25 September 2020. Christine had been a Non-Executive Director since March 2011.

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 and sustainability across the nib group businesses in Australia and its global operations. Ms Toms 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 2021, and the numbers of meetings attended by each Director are noted below. All directors may attend Committee meetings even if they are not a member of a Committee. The table below excludes the attendance of Directors at Committee meetings where they were not a Committee member*.

	Board		Audit Committee		Risk and Reputation Committee		People and Remuneration Committee		Investment Committee		Nomination Committee	
Name	Held[3]	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
S Crane	15	15	–	–	–	–	–	–	–	–	2	2
M Fitzgibbon	15	15	–	–	–	–	–	–	–	–	2	2
L Ausburn	15	15	–	–	5	5	6	6	–	–	2	2
J Chow[1]	15	14	6	6	5	5	6	6	4	4	2	2
D Gordon	15	15	6	6	–	–	6	6	–	–	2	2
A Loveridge	15	15	6	6	5	5	–	–	4	4	2	2
C McLoughlin[2]	5	5	2	2	2	2	–	–	–	–	n/a	n/a
D O'Dwyer	15	15	–	–	5	5	6	6	4	4	2	2

* Committee memberships changed in July 2021 following the retirement of Steve Crane and appointment of Peter Harmer.
1. J Chow was appointed to the Investment Committee on 27 August 2020.
2. C McLoughlin retired as a director on 25 September 2020. The stated number of meetings held for Ms McLoughlin are those that were convened during the financial year prior to her retirement. No meetings of the Nomination Committee were held in the financial year prior to her retirement.
3. Includes four unscheduled board meetings called at short notice.

Remuneration Report

The Remuneration Report is set out on pages 21 to 42 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
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
27 November 2020	1 September 2024	nil	714,784
8 April 2021	1 September 2024	nil	2,134

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 32, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

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

Insurance of officers

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

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 20.

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

David Gordon
Director

Anne Loveridge
Director

Newcastle, NSW
20 August 2021

pwc

Auditor's Independence Declaration

As lead auditor for the audit of nib holdings limited for the year ended 30 June 2021, 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
20 August 2021

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MESSAGE FROM THE BOARD

Dear Shareholder

On behalf of the Board, I am pleased to present our 2021 Remuneration Report.

The nib Group delivered strong results for the financial year 2021 (FY21), despite the ongoing impact of the COVID-19 pandemic, in particular on our iihi and travel businesses. Our total shareholder return (TSR) for the year was 45.0% compared to 27.8% for the ASX200. Statutory earnings per share grew to 35.2 cents, a pleasing result which compares favourably to our pre-pandemic earnings.

Our purpose of 'your better health' continues to guide our decision-making. We maintained our focus on business transformation through investment in technology and automation as we seek to enhance our member and traveller services, as well as ensure we can deliver on our purpose and help our members and travellers live healthier lives.

During the year, we made a number of organisational changes which saw the consolidation or removal of some roles across the Group. This was particularly evident within our retail network following its closure and our travel business given travel restrictions associated with the pandemic. To support these employees, we explored all possible avenues to redeploy them to other roles across the nib Group or support their transition into alternative employment.

nib Travel qualified for and received $4.2 million in government wage subsidies ($3.8 million JobKeeper in Australia, $0.4 million in Ireland) which was excluded from results when determining Executive short term incentives (STI) outcomes for FY21. This support enabled us to retain many of our nib Travel employees and assist our customers while the COVID-19 pandemic caused significant disruption to their travel plans.

While nib Travel's profitability was significantly impacted by the pandemic, nib's core businesses performed well. We did not apply for government assistance for the remainder of the nib Group, which makes up more than 99% of underlying revenue.

Aligning remuneration with shareholder interests

Our executive remuneration and reward strategy remains consistent with previous years. We continue to consult with a range of stakeholders, including major shareholders and shareholder interest groups, to ensure it supports our business objectives, is market competitive, sustainable and aligned to shareholder interests. The Board was pleased that shareholders again voted overwhelmingly in favour of our Remuneration Report and Managing Director's Long-Term Incentive (LTI) Plan at last year's Annual General Meeting.

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.

Throughout the year, the regulatory environment continued to evolve, in particular with regard to governance and remuneration arrangements as outlined in APRA's draft new prudential standards on remuneration (CPS 511) and the draft Financial Accountability Regime (FAR) recently released by Treasury. We continue to support the intent of these regulatory changes and believe that strengthening the link between remuneration and accountability is a good thing for consumers and shareholders alike.

In FY21 we took another step forward in aligning our Executive remuneration framework with the proposed regulatory changes by introducing an equal balance of financial and non-financial measures into our STI plan, recognising the important role of non-financial value drivers in delivering long-term shareholder value. This is in addition to the progress we have made in recent years including:

- deferral and escrow arrangements for remuneration relating to nib's STI and LTI Plans respectively;
- clearly defined clawback and malus conditions within our STI and LTI Plans; and
- applying a 'risk gate' assessment for our STI Plan where our People and Remuneration and Risk and Reputation Committees together with our Chief Risk Officer evaluate our risk culture and risk management to confirm Executive performance warrants reward.

As the FAR and CPS 511 regulatory changes are finalised over the coming year, we will continue to review our remuneration and governance frameworks to ensure they remain appropriate and continue to drive strong outcomes for shareholders.

Executive changes

Following the executive departures highlighted in the FY20 report, we were pleased to promote three of our existing senior leaders to positions on the executive team effective from 1 October 2020. Martin Adlington, James Barr and Anna Gladman all bring extensive experience in their respective areas of responsibility and have already made a strong contribution to the executive team during the past year.

It is pleasing that we were able to fill these key leadership positions internally which is a testament to the strong succession pipeline and growth culture we celebrate at nib. We believe in giving our people opportunities and the Board is confident that we have the right executive team in place to lead the organisation and deliver sustainable and strong returns for shareholders in the years to come.

Executive reward in FY22

As indicated to shareholders in last year's Remuneration Report, there was no increase to the Managing Director/Chief Executive Officer's (MD/CEO) remuneration in FY21 and generally no increases for our Executive Management team and Business Unit Heads, except for minor adjustments to reflect changes in responsibility for some individuals. Likewise, Non-Executive Director fees remained at FY20 levels given the market conditions and general uncertainty created by COVID-19.

In setting remuneration arrangements for FY22, the Board considered remuneration benchmarking data, along with company performance, the external competitive market and shareholders' views. As a result, the Board approved fixed remuneration increases for Executives ranging between 2.5% and 8.6% to ensure that remuneration levels remain competitive and appropriately reflect the responsibility of each Executive. Non-Executive Director fees will be increased by 2.5%, with the exception of the NZ Chairman who will receive a 7% increase to reflect movement in the NZ market.

Culture, diversity and inclusion

At nib, we are committed to promoting an inclusive culture where individual differences are valued and our people can bring their authentic selves to work and feel empowered to offer new ideas and perspectives. In March 2021, we launched our inaugural Diversity and Inclusion Action Plan which defines our three year commitment and actions to deliver on our vision; to foster a sense of community where everyone is welcome, contributes and belongs.

We also launched our nib Reflect Reconciliation Action Plan in October 2020, which has provided an opportunity for us to reflect, listen and learn what it means to genuinely reconcile and build meaningful and trusted relationships with our Aboriginal and Torres Strait Islander communities.

Our most recent employee engagement survey highlighted nib's strong and stable engagement with an overall score of 69%. This was a pleasing result given the uncertainty, disruption and pressures our employees have faced over the past year due to COVID-19.

While COVID-19 has presented its challenges, it's also given us a unique opportunity to redefine the way our employees work at nib. Unlike some companies who have directed their employees to return to the office, we believe there will be no return to our past work practices beyond the pandemic. We've committed to and embraced a culture that gives our employees flexibility and choice about where, when and how they work, while ensuring we provide meaningful opportunities to come together for connection, innovation and creativity.

Board changes

As highlighted in the incoming Chairman's report, we bid farewell to Steve Crane after 10 years as Chairman of the Board. Steve was instrumental in nib's growth over the last decade and has always been a strong supporter of our people helping to develop a strong culture at nib. The Board is thankful for Steve's extraordinary contribution to the company and we wish him every success in his future endeavours.

We also welcomed Peter Harmer as an Independent Non-Executive Director in July 2021. Peter brings over 40 years' experience in the Australian and international insurance and financial sectors, including over 30 years in a senior executive capacity. Peter's addition to the Board ensures we continue to have the right mix of skills, diversity and experience to build further on nib's success.
Peter became a member of the People and Remuneration Committee from August 2021.

On behalf of the Board I thank our employees for their continued commitment to our members, travellers and the organisation.

As always, we welcome your feedback on our 2021 Remuneration Report.

Lee Ausburn
Chair

People and Remuneration Committee

contents

Key terms used in this report

FY20	Financial year ended 30 June 2020
FY21	Financial year ended 30 June 2021
FY22	Financial year ended 30 June 2022
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

Remuneration overview

our remuneration principles

- Aligned to shareholder value creation
- Rewards sustainable performance
- Market competitive
- Simple and transparent
- Recognises the role of non-financial value drivers
- Supports prudent risk management and conduct

	Fixed Remuneration (FR)	Short-Term Incentive (STI)	Long-Term Incentive (LTI)
Rationale	Provides market competitive remuneration to attract and retain high calibre talent. Reflects role size and accountability.	Rewards Executives for achievement against predetermined financial and non-financial performance measures.	Rewards Executives for creating sustainable, long-term shareholder value.
Structure	Base salary, superannuation and short-term benefits (e.g. insurance cover)	50% paid in cash 25% deferred into shares, restricted 1 year 25% deferred into shares, restricted 2 years	Rights to shares with no dividend equivalent payments. Vesting is subject to performance over a four year period, with 50% of the award held in escrow for a further 2 years.
Approach	Reviewed annually against relevant comparator group remuneration benchmarks. For Australia-based Executives the comparator groups are: • ASX listed companies with a market capitalisation 50-200% of nib • ASX listed companies within the financial services and healthcare sectors with a market capitalisation 33-300% of nib For the CEO nib NZ, the primary comparator group is a select group of listed and unlisted companies within the financial services sector in NZ.	**Quantum** • Maximum opportunity of 125% of FR for the CEO (between 30% and 100% for other Executives) **Performance Measures** • 50% financial measures (30% for the GELCRO), being revenue growth, profitability and cost control. • 50% non-financial measures (70% for the GELCRO), being member/ traveler satisfaction, employee engagement, safety and other role-specific measures. See page 30 for further information on the STI Plan.	**Quantum** • Maximum face value allocation of 125% of FR for the CEO (between 20% and 60% for other Executives) **Performance Measures:** • Relative TSR (50%) • Statutory EPS (50%) See page 31 for further information on the LTI Plan.

Remuneration outcomes – FY21 snapshot

	MD/CEO	Other Executives
Fixed Remuneration Increase	**0%**	**0%***
STI awarded	**77%** of maximum	**68%** to **78%** of maximum
LTI which reached the end of its performance period on 30 June 2021	**64%** of the award vested, being: • 58% vesting for the TSR hurdle • 71% vesting for the EPS hurdle	

* The Group Executive Legal and Chief Risk Officer received a 6.5% increase to fixed remuneration following organisation structure changes that resulted in increased scope and responsibility.

Key management personnel

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

Name	Position	Term as KMP
Chairman		
Steve Crane	Chairman Chair, Nomination Committee	Full year
Current Non-Executive Directors		
Lee Ausburn	Chair, People and Remuneration Committee Member, Risk and Reputation Committee Member, Nomination Committee	Full year
Jacqueline Chow	Chair, Risk and Reputation Committee Member, People and Remuneration Committee Member, Audit Committee Member, Nomination Committee	Full year
David Gordon	Member People and Remuneration Committee Member Audit Committee Member Nomination Committee	Full year
Anne Loveridge	Chair, 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	Full year
Donal O'Dwyer	Chair, Investment Committee Member, People and Remuneration Committee Member, Risk and Reputation Committee Member, Nomination Committee	Full year
Former Non-Executive Director		
Christine McLoughlin	Member Audit Committee Member Nomination Committee	Until 30 September 2020
Managing Director and CEO		
Mark Fitzgibbon	Managing Director/Chief Executive Officer (MD/CEO)	Full year
Current Executives		
Martin Adlington	Group Chief People Officer (CPO)	From 1 October 2020
James Barr	Chief Executive, International Visitors (CE IV)	From 1 October 2020
Edward Close	Chief Executive, Australian Residents Health Insurance (CE ARHI)	Full year
Nick Freeman	Group Chief Financial Officer (CFO)	Full year
Anna Gladman	Chief Executive, nib Travel (CE TRAVEL)	From 1 October 2020
Rob Hennin	Chief Executive Officer, nib New Zealand (CEO NZ)	Full year
Brendan Mills	Group Chief Information Officer (CIO)	Full year
Matt Paterson	Group Chief Operations Officer (COO)	Full year
Roslyn Toms	Group Executive, Legal and Chief Risk Officer (GELCRO)	Full year
Former Executive		
Mellissa Naidoo	Group Executive Health and Chief Medical Officer (GEHCMO)	From 1 October 2020 until 30 April 2021

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 conducts 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 reward 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 (until July 2021)

Peter Harmer (from August 2021)

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

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.

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 hurdles, 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.

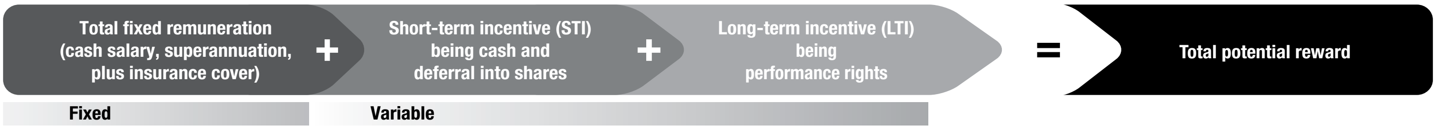
If the Board becomes aware of a material misstatement of our financial accounts or statements, and nib has awarded an Executive an incentive payment or award, short or long-term, having regard to misstatement, the Board may (at its absolute discretion), require the Executive to:

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

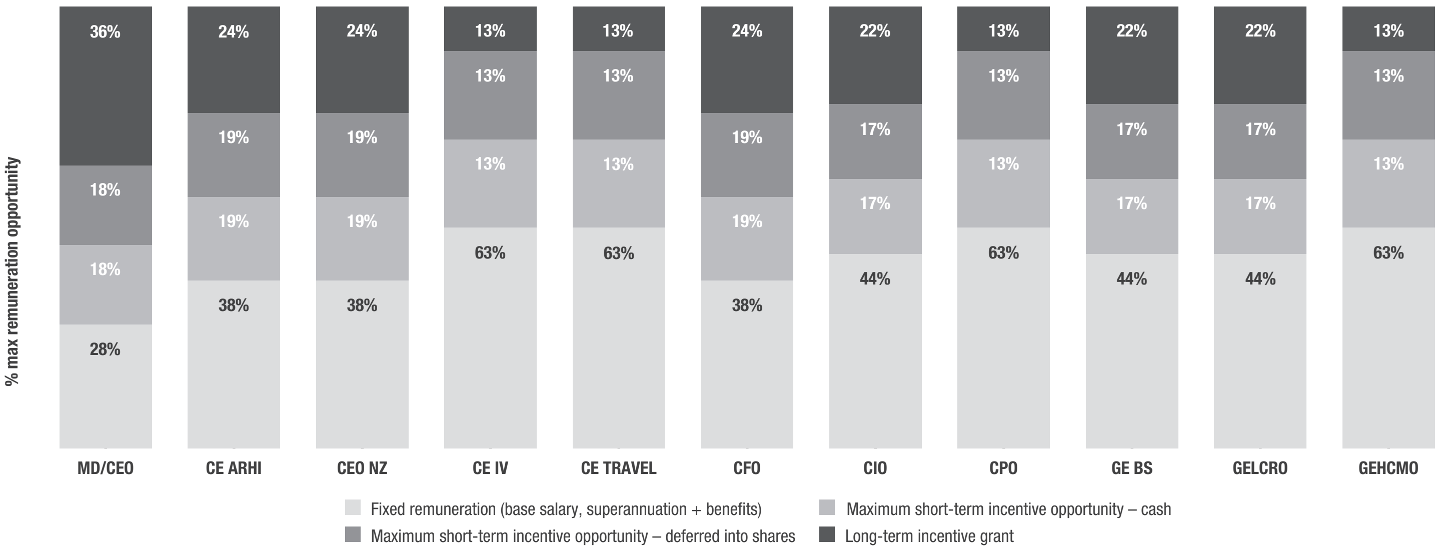
When granting a variable remuneration component for each Executive relating to the performance period, such as STI and LTI Awards, the Board also ensures any governance, adverse risk taking, or audit issues are factored into the quantum of payments to each Executive. To support this, a risk gate assessment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

Executive remuneration mix

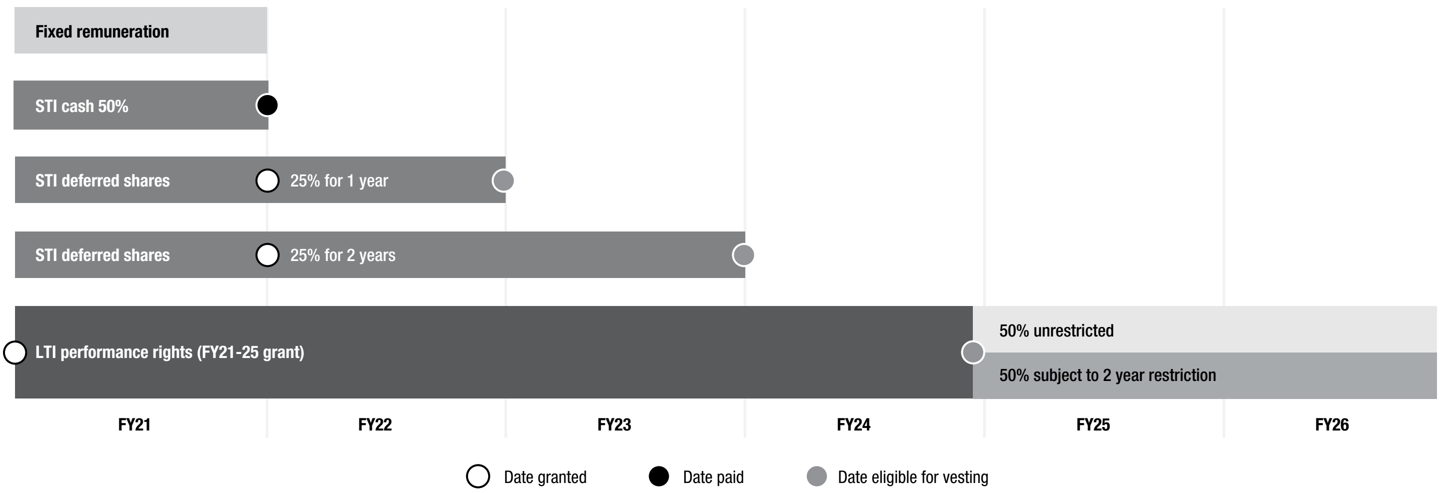
The remuneration structure for each executive is made up of the following components:



The graph below illustrates the FY21 remuneration mix for our Executives based on maximum total remuneration opportunity. Any variations in 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.



The following diagram provides an illustrative indication of how 2021 financial year remuneration will be delivered to Executives:



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 the 50th and 75th percentile of 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.

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

In May 2021, we engaged EY to provide remuneration benchmarking data which the Committee considered along with a range of other factors in determining the FY22 remuneration review. While the Committee typically seeks guidance from external remuneration advisors every two years, due to the Board's decision not to increase executive remuneration in FY21, this was the first time in three years that our executive management team's salaries had been externally benchmarked.

The information provided by EY did not constitute a remuneration recommendation in relation to KMP as defined by Division 1 of part 1.2 of Chapter 1 of the Corporations Act 2001.

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 the CEO NZ): this includes ASX200 companies within 50-200% of nib's market capitalisation.
- Australian industry-based comparator group (all roles except the CEO NZ): This includes selected ASX200 financial services and healthcare companies within 33-300% of nib's market capitalisation: 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 executive reward for FY22, the Board considered the remuneration data along with a range of other factors, including the performance of the company, the external competitive market and shareholders' views. Based on this review, the Board approved fixed remuneration increases ranging between 2.5% and 8.6% to ensure remuneration levels remain competitive and aligned to market rates.

Details of FY21 and FY22 fixed remuneration levels for all Executives are provided below:

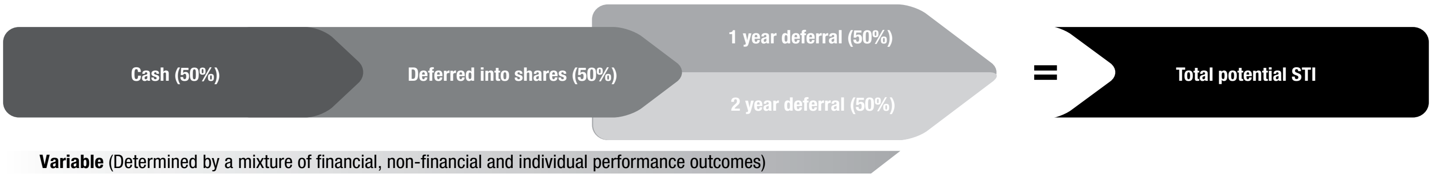
	Total fixed remuneration[1] $	
Executives	**FY22**	**FY21**
Mark Fitzgibbon	1,172,000	1,143,300
Martin Adlington	390,500	371,694
James Barr	390,500	371,694
Edward Close	517,500	479,000
Nick Freeman	687,000	670,000
Anna Gladman	390,500	371,694
Rob Hennin[2]	NZD 572,500	NZD 530,000
Brendan Mills	461,500	450,000
Matt Paterson	461,500	450,000
Roslyn Toms	461,500	425,000

1. Includes base salary and superannuation.
2. Includes base salary and employer contributions to KiwiSaver, reflected in New Zealand dollars.

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 MD/CEO potential STI is 125% of TFR with other Executives in a range of 30%-100% of TFR. Actual outcomes are determined on performance criteria based on two components:

1. Individual and leadership assessment, which makes up 15% 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.

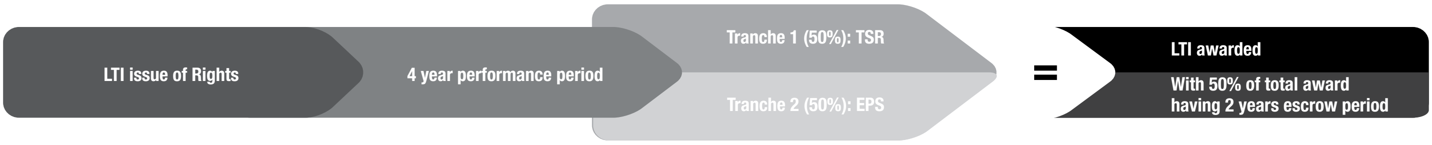
2. Company performance assessment that makes up 85% of the total STI. The performance component is assessed against predetermined financial and non-financial performance milestones for each Executive and is weighted accordingly (for FY21 this is set out on page 33). In some instances, an Executive's STI assessment may also include strategic milestones, which can be assessed over multi-year periods.

The table on page 33 details the remuneration outcomes for the MD/CEO against performance criteria for the FY21 STI award. The table on page 33 shows the STI award for each Executive for FY21 and previous year relating to their performance against both components of the STI.

A condition of acceptance for each Executive in the STI Plan is the requirement 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.

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 and regulatory requirements.

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 2021

Actual remuneration for each Executive in FY21 included a fixed component, as well as a variable or at risk component, made up of an STI payment and LTI award.

The table below details remuneration received by Executives during the financial year, including:

- fixed pay and other benefits paid during the financial year
- the value of STI awards (cash and shares held in escrow) received during the financial year; and
- the value of prior years' deferred LTI awards that vested during the financial year.

Statutory remuneration disclosures prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards differ to the numbers presented below, as they include expensing for equity grants that are yet to realise or may never be realised. Statutory remuneration table is presented on page 38.

			STI applicable to the FY20 year paid in Sept 2020 (FY21)[2]			
Actual Remuneration Received (non-statutory)	**Total fixed remuneration[1] $**	**Total termination payments $**	**Cash $**	**Shares held in escrow $**	**LTI vested in FY21[3] $**	**Total reward (received or available) $**
Mark Fitzgibbon	1,143,300	–	275,536	275,536	298,461	1,992,833
Martin Adlington	359,195	–	51,249	–	–	410,444
James Barr	359,194	–	53,759	–	–	412,953
Edward Close	479,000	–	63,076	46,924	–	589,000
Nick Freeman	669,999	–	2,159	2,159	–	674,317
Anna Gladman	388,743	–	54,214	–	–	442,957
Rob Hennin	513,349	–	142,589	139,844	74,787	870,569
Brendan Mills	450,000	–	81,450	81,450	52,645	665,545
Mellissa Naidoo (until 30/4/21)	350,943	235,676	30,103	–	–	616,722
Matt Paterson	450,000	–	38,105	38,105	–	526,210
Roslyn Toms	418,525	–	78,423	78,423	8,624	583,995
	5,582,248	**235,676**	**870,663**	**662,441**	**434,517**	**7,785,545**

1. Total fixed remuneration comprises cash salaries and fees, superannuation and leave entitlements paid on termination.
2. FY20 STI paid in the FY21 year.
3. Value of shares issued during the year on exercise of performance rights.

Short-term incentives for the financial year ended 30 June 2021

For the FY21 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 MD/CEO's FY21 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.

The table below summarises performance versus target against each FY21 STI component for the MD/CEO for both financial and non-financial measures based on 30 June 2021 actuals.

Category and Measure		Weighting	Scorecard result: Threshold (25%)	Scorecard result: Target (75%)	Scorecard result: Maximum (100%)	STI Award	Comment
Financial Measures (50% weighting)							
Growth	arhi underlying operating revenue[1]	10.0%				10.0%	Strong financial performance resulted in 48.6% out of 50% STI awarded.
	Group underlying operating revenue[1]	10.0%				8.6%	
Profitability	Group underlying operating profit[2]	10.0%				10.0%	Group UOP above target, but fell slightly below the 'maximum' award due to the impacts of COVID-19 on the travel and international visitors businesses.
	Group statutory earnings per share[3]	10.0%				10.0%	
Cost control	Group operating expenses	10.0%				10.0%	
Performance Assessment – Financial Measures		**50.0%**				**48.6%**	
Non-Financial Measures (50% weighting)							
Member satisfaction	Net promoter score[4]	18.0%				1.7%	NPS target achieved in 1 of 5 segments, STI outcome was impacted by higher weighting to arhi member satisfaction which did not achieve target. Employee engagement score was favourable at 69%, however the stretch target set for STI purposes was not achieved. Strong results across all other non-financial measures.
	Member complaints	2.0%				2.0%	
People and safety	Employee engagement score	5.0%				1.3%	
	Group lost time injury frequency rate	10.0%				9.4%	
Leadership	Leadership assessment	15.0%				13.5%	
Performance Assessment – Non-Financial Measures		**50.0%**				**27.9%**	
Total Assessment/Outcome		**100.0%**				**76.5%**	

1 Premium revenue, other underwriting revenue and other income from non-underwriting businesses, excluding one-off transactions.
2 Underwriting result, other income and expenses including non-underwriting businesses. It excludes amortisation of acquired intangibles, one-off transactions (integration of acquired business, establishment of business costs as well as extraordinary legal fees), merger and acquisition costs, finance costs, net investment income and income tax.
3 Adjusted for M&A costs and change in accounting policy for capitalisation of Software-as-a-Service (SaaS) costs.
4 arhi, iihi, nz, nib travel.

Actual FY21 STIs awarded and forfeited (as a percentage of total STI) for each Executive are set out below:

	FY21 STI Bonus		FY20 STI Bonus	
	Total Awarded %	Forfeited %	Total Awarded %	Forfeited %
Mark Fitzgibbon	76.5%	23.5%	38.6%	61.4%
Martin Adlington	73.6%	26.4%	39.4%	60.6%
James Barr	69.0%	31.0%	39.4%	60.6%
Edward Close	77.7%	22.3%	39.4%	60.6%
Nick Freeman	75.0%	25.0%	26.2%	73.8%
Anna Gladman	68.5%	31.5%	26.2%	73.8%
Rob Hennin	74.5%	25.5%	57.8%	42.2%
Brendan Mills	73.6%	26.4%	45.3%	54.7%
Matt Paterson	68.5%	31.5%	52.0%	48.0%
Roslyn Toms	72.6%	27.4%	49.1%	50.9%
Group average	72.9%	27.1%	36.9%	63.1%

Executive remuneration for the financial year ended 30 June 2021 continued

Long-term incentives for the financial year ended 30 June 2021

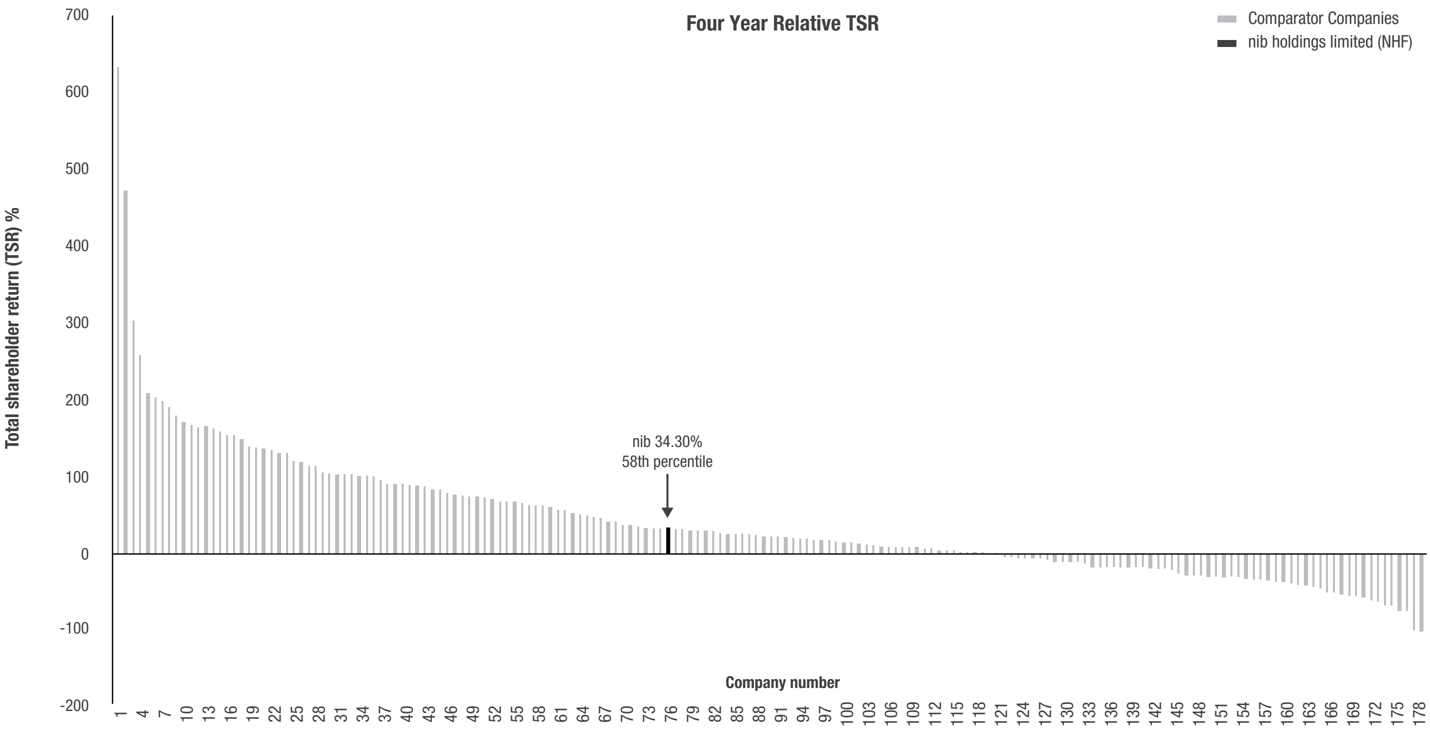
nib LTI performance rights vest in accordance with the achievement of the following vesting conditions:

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 2021, nib's TSR was ranked at the 58th percentile to our peer group (S&P/ASX 200). As per the TSR vesting conditions for the FY18-FY21 LTI (as set out below) this translates to a 58% 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: Orient Capital (as at 30 June 2021).

Statutory EPS Hurdle (Tranche 2)

For the 12 months to 30 June 2021 nib's statutory EPS was 35.2 cps. As per the Statutory EPS vesting conditions for the FY18-FY21 LTI (as set out below) this translates to Statutory EPS CAGR of 6.67% from the base Statutory EPS of 27.2 cps and 70.54% vesting of the performance rights for tranche 2.

Percentage of performance rights vesting	FY18-FY21 LTIP
100%	38.4 cps
75%	35.7 cps
50%	33.1 cps
25%	30.6 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 85% of the STI award, while 15% is assessed on the leadership of each Executive. Refer table on page 33 for summary of performance versus target against each FY21 STI component for the MD/CEO. The Five Year Summary on page 12 details the Group's financial performance and KPI results for the last five 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.

		Termination provisions	
	Service agreement effective	Notice by nib	Notice by employee
Mark Fitzgibbon (MD/CEO)	Permanent	12 months	3 months
Martin Adlington (CPO)	Permanent	3 months	3 months
James Barr (CE IV)	Permanent	3 months	3 months
Edward Close (CE ARHI)	Permanent	6 months	6 months
Nick Freeman (CFO)	Permanent	9 months[1]	6 months
Anna Gladman (CE TRAVEL)	Permanent	3 months	3 months
Rob Hennin (CEO NZ)	Permanent	9 months	3 months
Brendan Mills (CIO)	Permanent	12 months	3 months
Matt Paterson (COO)	Permanent	6 months	6 months
Roslyn Toms (GE LCRO)	Permanent	6 months	3 months

1 Reduces to 6 months after completion of two years' service.

Termination payments

Where notice is given by nib, the Group 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 May 2021, 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 FY22 analysis. While the Committee typically seeks guidance from external remuneration advisors every two years, due to the Board's decision not to increase NED fees in FY21, this was the first time in three years that our NED fees were externally benchmarked. For FY22 the Board approved a 2.5% increase for all Directors except for the NZ Chair where a 7% increase was approved to reflect movement in the NZ market.

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:

	2021 $	2020 $
Base fees		
Chairman	318,800	318,800
Other Non-Executive Directors	132,200	132,200
Additional fees*		
Audit committee		
Chairman	32,800	32,800
Member	13,800	13,800
Investment committee		
Chairman	18,500	18,500
Member	10,800	10,800
Risk and Reputation committee		
Chairman	32,800	32,800
Member	13,800	13,800
People and Remuneration committee		
Chairman	32,800	32,800
Member	13,800	13,800
Nomination committee		
Chairman	–	–
Member	–	–

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

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

	2021 $	2020 $
NZ Base fees[1]		
Chairman[2]	78,290	79,777
Member (AU domiciled)[3]	42,000	42,000
Member (NZ domiciled)	41,519	42,308
NZ Board, Audit, Risk and Compliance committee[1]		
Chairman (AU domiciled)[3]	10,300	10,300
Member	–	–

1 All amounts are converted to AUD.
2 The Chairman and NZ domiciled Directors of the NZ Board are not members of the nib holdings limited Board.
3 The AU domiciled Director, Anne Loveridge, is also member of the nib holdings limited 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 (MSR)

The Board reviewed the minimum shareholding requirements for Non-Executive Directors during FY21 which resulted in an increase to the minimum shareholding requirement. All Non-Executive Directors (nib holdings limited only) are now required to hold a minimum of 100% of their first year's total annual base director's fee in shares, which is to be accumulated within four 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 2021, or are within the four year requirement to achieve MSR.

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 $
2021										
Mark Fitzgibbon	1,107,870	546,335	25,462	26,569	19,041	–	546,335	805,810	40,227	3,117,649
Martin Adlington[5]	339,967	63,146	5,986	21,694	5,982	–	40,898	7,715	–	485,388
James Barr[6]	329,299	59,198	3,702	21,694	(212)	–	38,341	7,715	–	459,737
Edward Close	483,976	185,810	1,927	21,694	–	–	186,052	52,520	–	931,979
Nick Freeman	685,512	251,107	12,674	21,694	–	–	251,107	67,302	–	1,289,396
Anna Gladman[7]	388,984	62,225	6,139	22,589	–	–	38,066	17,701	–	535,704
Rob Hennin	466,858	180,994	18,080	38,210	–	–	178,250	152,369	10,080	1,044,841
Brendan Mills	431,724	132,399	2,708	21,694	7,491	–	132,399	115,344	7,097	850,856
Mellissa Naidoo (until 30/4/21)[8]	315,771	–	4,389	21,694	–	235,676	–	–	–	577,530
Matt Paterson	447,288	123,223	4,562	21,694	–	–	123,223	40,040	–	760,030
Roslyn Toms	391,897	121,498	6,977	21,694	7,078	–	121,498	116,059	(1,654)	785,047
	5,389,146	**1,725,935**	**92,606**	**260,920**	**39,380**	**235,676**	**1,656,169**	**1,382,575**	**55,750**	**10,838,157**

1 Includes cash salary and fees and short-term compensated absences, such as annual leave entitlements accrued 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 Martin Adlington was appointed Chief People Officer on 1 October 2020. Before this appointment he was the company's Acting General Manager, People and Culture (not a KMP position). Amounts shown above include all Mr Adlington's remuneration during the reporting period, whether as Chief People Officer or otherwise. Amounts received in his position as Chief People Officer amounted to $377,728, made up of cash salary of $262,441, cash bonus of $40.898, non-monetary benefits of $4,875, superannuation of $16,271, long service leave of $4,631 and share based payments of $48,612.

6 James Barr was appointed Chief Executive, International Visitors on 1 October 2020. Before this appointment he was the company's General Manager, International Visitors (not a KMP position). Amounts shown above include all Mr Barr's remuneration during the reporting period, whether as Chief Executive, International Visitors, or otherwise. Amounts received in his position as Chief Executive, International Visitors amounted to $358,724, made up of cash salary of $256,723, cash bonus of $38,341, non-monetary benefits of $2,897, superannuation of $16,271, long service leave of ($1,563) and share based payments of $46,053.

7 Anna Gladman has been the company's Chief Executive, nib Travel since 2 September 2019. Ms Gladman's position was elevated to a KMP role on 1 October 2020. Amounts shown above include all Ms Gladman's remuneration during the reporting period, including amounts earned prior to her elevation to KMP. Amounts received in the KMP position amounted to $392,951, made up of cash salary of $278,212, cash bonus of $38,066, non-monetary benefits of $4,637, superannuation of $16,271 and share based payments of $55,767.

8 Mellisa Naidoo was appointed Group Executive Health and Chief Medical Officer on 1 October 2020. Before this appointment she was the company's Chief Medical Officer (not a KMP position). Amounts shown above include all Ms Naidoo's remuneration during the reporting period, whether as Group Executive Health and Chief Medical Officer, or otherwise. Amounts received in her position as Group Executive Health and Chief Medical Officer amounted to $469,541, made up of cash salary of $214,549, non-monetary benefits of $3,046, superannuation of $16,271 and termination benefits $235,676.

	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	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	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**

Detailed disclosure of non-executive remuneration

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

	Short-term employee benefits		Post-employment benefits	
Non-Executive Directors	Cash salary and fees $	Non-monetary benefits $	Superannuation $	Total $
2021				
Steve Crane	297,106	–	21,694	318,800
Lee Ausburn	163,288	–	15,512	178,800
Jacqueline Chow	201,729	–	–	201,729
David Gordon	156,334	–	4,676	161,010
Anne Loveridge	236,653	–	5,247	241,900
Christine McLoughlin (until 30/9/2020)	31,818	4,830	3,023	39,671
Donal O'Dywer	162,831	–	15,469	178,300
	1,249,759	**4,830**	**65,621**	**1,320,210**
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 29/5/2020)	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**

* Non-monetary benefits for Christine McLoughlin include a retirement gift and associated fringe benefits tax.

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.

Name and Grant dates	Balance at the start of the year Unvested	Granted as compensation	Vested and exercised Number	Vested and exercised %	Lapsed Number	Lapsed %	Other Changes	Balance at the end of the year Vested and exercisable	Balance at the end of the year Unvested
Mark Fitzgibbon									
5 Dec 2016 (FY17 – FY20 LTIP)	225,978	–	64,404	28.5%	161,574	71.5%	–	–	–
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
27 Nov 2020 (FY21 – FY24 LTIP)	–	314,792	–	–	–	–	–	–	314,792
Martin Adlington									
27 Nov 2020 (FY21 – FY24 LTIP)	–	12,247	–	–	–	–	–	–	12,247
James Barr									
27 Nov 2020 (FY21 – FY24 LTIP)	–	12,247	–	–	–	–	–	–	12,247
Edward Close									
28 Feb 2020 (FY20 – FY23 LTIP)	20,063	–	–	–	–	–	–	–	20,063
27 Nov 2020 (FY21 – FY24 LTIP)	–	63,305	–	–	–	–	–	–	63,305
Nick Freeman									
27 Nov 2020 (FY21 – FY24 LTIP)	–	88,548	–	–	–	–	–	–	88,548
Anna Gladman									
11 Dec 2019 (FY20 – FY23 LTIP)	10,416	–	–	–	–	–	–	–	10,416
27 Nov 2020 (FY21 – FY24 LTIP)	–	16,374	–	–	–	–	–	–	16,374
Rob Hennin									
5 Dec 2016 (FY17 – FY20 LTIP)	56,623	–	16,138	28.5%	40,485	71.5%	–	–	–
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
27 Nov 2020 (FY21 – FY24 LTIP)	–	64,197	–	–	–	–	–	–	64,197
Brendan Mills									
5 Dec 2016 (FY17 – FY20 LTIP)	39,858	–	11,360	28.5%	28,498	71.5%	–	–	–
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
27 Nov 2020 (FY21 – FY24 LTIP)	–	49,560	–	–	–	–	–	–	49,560
Mellissa Naidoo									
8 Apr 2021 (FY21 – FY24 LTIP)	–	12,861	–	–	12,861	–	–	–	–
Matt Paterson									
28 Feb 2020 (FY20 – FY23 LTIP)	12,773	–	–	–	–	–	–	–	12,773
27 Nov 2020 (FY21 – FY24 LTIP)	–	49,560	–	–	–	–	–	–	49,560
Roslyn Toms									
27 Oct 2017 (FY17 – FY20 LTIP)	6,530	–	1,861	28.5%	4,669	71.5%	–	–	–
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
27 Nov 2020 (FY21 – FY24 LTIP)	–	43,954	–	–	–	–	–	–	43,954
8 Apr 2021 (FY21 – FY24 LTIP)	–	2,134	–	–	–	–	–	–	2,134

Equity instruments held by Key Management Personnel continued

Reconciliation of performance rights held by KMP continued

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 2021.

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
FY17-FY20	5 December 2016	1 September 2020	1 September 2020	nil	$4.0096	28.5%	28.5%
FY17-FY20	27 October 2017	1 September 2020	1 September 2020	nil	$4.0096	28.5%	28.5%
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
FY21-FY24	27 November 2020	1 September 2024	1 September 2024	nil	$4.4760	to be determined	n/a
FY21-FY24	8 April 2021	1 September 2024	1 September 2024	nil	$4.4760	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.

2021	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	–	–	(150,000)	–	100,000
Lee Ausburn	50,885	–	–	–	–	50,885
Jacqueline Chow	50,000	–	–	–	–	50,000
David Gordon	–	–	30,000	–	–	30,000
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	2,602,968	123,861	–	(160,000)	–	2,564,329
Martin Adlington	–	–	657	–	18,494	19,151
James Barr	–	–	657	–	23,241	23,898
Edward Close	702	10,125	–	–	–	10,827
Nick Freeman	–	466	–	–	–	466
Anna Gladman	–	–	–	–	–	–
Rob Hennin	228,149	46,315	59	–	–	274,523
Brendan Mills	178,162	28,936	–	(97,029)	–	110,069
Mellissa Naidoo	–	–	1,278	–	(1,278)	–
Matt Paterson	–	8,223	–	–	–	8,223
Roslyn Toms	36,263	18,784	–	(10,000)	–	45,047

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 2021

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 (4th 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 2021 Corporate Governance Statement is dated as at 30 June 2021 and reflects the corporate governance practices in place throughout the 2021 financial year. The Corporate Governance Statement was approved by the Board on 29 July 2021. 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 2021

consolidated income statement

for the year ended 30 June 2021

	Notes	2021 $m	2020[1] $m
Premium revenue	6	2,580.8	2,473.1
Outwards reinsurance premium expense	6	(32.0)	(33.5)
Net premium revenue		**2,548.8**	**2,439.6**
Claims expense		(1,753.9)	(1,666.3)
Reinsurance and other recoveries revenue		15.9	16.4
RESA levy		(213.8)	(247.3)
State levies		(36.0)	(35.0)
(Increase)/decrease in premium payback liability		2.3	(1.2)
Claims handling expenses	7	(19.4)	(21.9)
Net claims incurred		**(2,004.9)**	**(1,955.3)**
Other underwriting revenue	6	**3.8**	**3.5**
Acquisition costs	7	(160.4)	(168.5)
Other underwriting expenses	7	(163.7)	(148.5)
Underwriting expenses		**(324.1)**	**(317.0)**
Underwriting result		**223.6**	**170.8**
Other income	6	33.8	60.4
Other expenses	7	(66.6)	(112.3)
Share of net profit/(loss) of associates and joint ventures accounted for using the equity method	33	(4.8)	(4.0)
Operating profit		**186.0**	**114.9**
Finance income	6	0.2	–
Finance costs	7	(7.0)	(9.7)
Investment income	6	54.1	18.6
Investment expenses	7	(2.3)	(2.0)
Profit before income tax		**231.0**	**121.8**
Income tax expense	8	(70.5)	(34.8)
Profit for the year		**160.5**	**87.0**
Profit/(loss) for the year is attributable to:			
Owners of nib holdings limited		161.1	87.9
Charitable foundation	33	(0.6)	(0.9)
		160.5	**87.0**

	Notes	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	26	35.2	19.3
Diluted earnings per share	26	35.2	19.3
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share	26	35.2	19.3
Diluted earnings per share	26	35.2	19.3

1 Comparative information has been restated. For further details, refer to Note 31.

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 2021

	Notes	2021 $m	2020[1] $m
Profit for the year		**160.5**	**87.0**
Other comprehensive income			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations	24	(0.2)	(2.1)
Income tax related to these items	8	–	0.4
Other comprehensive income for the year, net of tax		**(0.2)**	**(1.7)**
Total comprehensive income for the year		**160.3**	**85.3**
Total comprehensive income/(loss) for the year is attributable to:			
Owners of nib holdings limited		160.9	86.2
Charitable foundation	33	(0.6)	(0.9)
		160.3	**85.3**

1 Comparative information has been restated. For further details, refer to Note 31

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

consolidated balance sheet

as at 30 June 2021

	Notes	2021 $m	2020[1] $m
ASSETS			
Current assets			
Cash and cash equivalents	9	213.9	198.0
Receivables	10	93.9	86.4
Financial assets at amortised cost	11	7.7	8.8
Financial assets at fair value through profit or loss	11	870.1	828.6
Deferred acquisition costs	12	55.0	50.7
Current tax assets		1.4	–
Finance lease receivable	15	1.7	–
Total current assets		**1,243.7**	**1,172.5**
Non-current assets			
Financial assets at fair value through profit or loss	11	–	0.4
Investments accounted for using the equity method	33	17.8	17.6
Deferred acquisition costs	12	71.3	66.7
Deferred tax assets	8	–	12.4
Property, plant and equipment	13	7.9	11.4
Intangible assets	14	325.0	334.7
Right-of-use assets	15	26.5	62.1
Finance lease receivable	15	10.6	–
Total non-current assets		**459.1**	**505.3**
Total assets		**1,702.8**	**1,677.8**
LIABILITIES			
Current liabilities			
Payables	16	184.3	191.4
Borrowings	17	1.6	2.0
Claims liabilities	18	217.1	245.9
Unearned premium liability	19	218.1	223.3
Premium payback liability	20	8.2	3.5
Lease liabilities	15	6.9	6.3
Provision for employee entitlements	21	7.6	6.8
Current tax liabilities		2.6	22.5
Total current liabilities		**646.4**	**701.7**
Non-current liabilities			
Payables	16	4.3	6.5
Borrowings	17	230.7	230.9
Unearned premium liability	19	31.3	34.8
Premium payback liability	20	9.5	16.6
Lease liabilities	15	50.7	76.3
Provision for employee entitlements	21	3.2	3.2
Deferred tax liabilities	8	20.5	4.7
Total non-current liabilities		**350.2**	**373.0**
Total liabilities		**996.6**	**1,074.7**
Net assets		**706.2**	**603.1**
EQUITY			
Contributed equity	22	127.2	121.4
Retained profits	23	567.7	470.5
Reserves	24	(4.8)	(5.5)
Capital and reserves attributable to owners of nib holdings limited		**690.1**	**586.4**
Charitable foundation	33	16.1	16.7
Total equity		**706.2**	**603.1**

1 Comparative information has been restated. For further details, refer to Note 31.

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

consolidated statement of changes in equity

as at 30 June 2021

	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 2019 as originally presented		**115.2**	**488.4**	**0.5**	**604.1**	**17.6**	**621.7**
Impact of change in accounting policy	31	–	(1.1)	–	(1.1)	–	(1.1)
Balance at 1 July 2019		**115.2**	**487.3**	**0.5**	**603.0**	**17.6**	**620.6**
Profit/(loss) for the year		–	87.9	–	87.9	(0.9)	87.0
Movement in foreign currency translation, net of tax	24	–	–	(1.7)	(1.7)	–	(1.7)
Total comprehensive income/(loss) for the year		**–**	**87.9**	**(1.7)**	**86.2**	**(0.9)**	**85.3**
Transactions with owners in their capacity as owners:							
Ordinary shares issued	22	7.1	–	–	7.1	–	7.1
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	22	(6.3)	–	–	(6.3)	–	(6.3)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees	22	5.4	–	(3.9)	1.5	–	1.5
Employee performance rights – value of employee services		–	–	(0.4)	(0.4)	–	(0.4)
Dividends paid	25	–	(104.7)	–	(104.7)	–	(104.7)
		6.2	**(104.7)**	**(4.3)**	**(102.8)**	**–**	**(102.8)**
Balance at 30 June 2020		**121.4**	**470.5**	**(5.5)**	**586.4**	**16.7**	**603.1**
Balance at 1 July 2020		**121.4**	**470.5**	**(5.5)**	**586.4**	**16.7**	**603.1**
Profit/(loss) for the year		–	161.1	–	161.1	(0.6)	160.5
Movement in foreign currency translation, net of tax	24	–	–	(0.2)	(0.2)	–	(0.2)
Total comprehensive income/(loss) for the year		**–**	**161.1**	**(0.2)**	**160.9**	**(0.6)**	**160.3**
Transactions with owners in their capacity as owners:							
Ordinary shares issued	22	4.7	–	–	4.7	–	4.7
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust	22	(1.1)	–	–	(1.1)	–	(1.1)
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees	22	2.2	–	(1.0)	1.2	–	1.2
Employee performance rights – value of employee services		–	–	1.9	1.9	–	1.9
Dividends paid	25	–	(63.9)	–	(63.9)	–	(63.9)
		5.8	**(63.9)**	**0.9**	**(57.2)**	**–**	**(57.2)**
Balance at 30 June 2021		**127.2**	**567.7**	**(4.8)**	**690.1**	**16.1**	**706.2**

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

consolidated statement of cash flows

for the year ended 30 June 2021

	Notes	2021 $m	2020[1] $m
Cash flows from operating activities			
Receipts from policyholders and customers (inclusive of goods and services tax)		2,654.6	2,597.3
Payments to policyholders and customers		(2,062.2)	(1,875.2)
Receipts from outwards reinsurance contracts		18.8	15.8
Payments for outwards reinsurance contracts		(39.8)	(32.3)
Payments to suppliers and employees (inclusive of goods and services tax)		(414.7)	(452.5)
		156.7	**253.1**
Dividends received		0.2	0.3
Interest received		2.8	6.2
Distributions received		15.8	15.5
Interest paid		(3.2)	(5.6)
Income taxes paid		(63.6)	(61.9)
Net cash inflow/(outflow) from operating activities	9	**108.7**	**207.6**
Cash flows from investing activities			
Proceeds from disposal of financial assets at fair value through profit or loss		365.8	1,155.2
Payments for financial assets at fair value through profit or loss		(373.0)	(1,181.7)
Proceeds from sale of available-for-sale financial assets		12.9	–
Proceeds from sale of property, plant and equipment and intangibles		0.1	0.1
Payments for property, plant and equipment and intangibles	13,14	(23.6)	(23.0)
Payments for investments in associates and joint ventures	33	(5.7)	(10.0)
Net cash inflow/(outflow) from investing activities		**(23.5)**	**(59.4)**
Cash flows from financing activities			
Proceeds from issue of shares		4.7	7.1
Proceeds from borrowings		–	67.2
Repayment of borrowings		–	(67.2)
Principal elements of lease payments		(9.0)	(10.6)
Shares acquired by the nib Holdings Ltd Share Ownership Plan Trust		(1.1)	(6.3)
Dividends paid to the company's shareholders		(63.9)	(104.7)
Net cash inflow/(outflow) from financing activities		**(69.3)**	**(114.5)**
Net increase/(decrease) in cash and cash equivalents		15.9	33.7
Cash and cash equivalents at beginning of the year		196.0	163.3
Effects of exchange rate changes on cash and cash equivalents		0.4	(1.0)
Cash and cash equivalents at the end of the year		**212.3**	**196.0**
Reconciliation to Consolidated Balance Sheet			
Cash and cash equivalents	9	213.9	198.0
Borrowings – overdraft	17	(1.6)	(2.0)
		212.3	**196.0**

1 Comparative information has been restated. For further details, refer to Note 31.

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 20 August 2021. 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.

The comparatives in the Consolidated Income Statement have been amended between Claims Expense and RESA Levy for $12.3 million between these two line items.

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 2021 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.

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 and nib nz limited are held to back private health insurance liabilities. Financial assets that are not held to back private health insurance liabilities are designated as Financial assets at amortised cost.

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 and interpretations adopted by the Group

The Group has applied the following standard and amendment for the current reporting period commencing 1 January 2020. Any new or amended accounting standards or interpretations that are not yet mandatory have not been early adopted.

- *Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*

The amendment above did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods.

Following the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the Group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Refer to Note 31 Change in Accounting Policy for the impact of this change.

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 2021 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. The Group is also a member of the PHI industry and AASB 17 Insurance Contracts Transition Resource Group (TRG). Initial investigation into the application for the standard indicates it is likely that the Premium Allocation Approach will apply to the Group's insurance contracts. This will simplify the implementation of the standard as no significant modifications to IT systems will be required. Under the Premium Allocation Approach the Group will have the option to expense acquisition costs each year, which would result in the write-off of any Deferred Acquisition Costs and associated tax liabilities to retained profits on implementation.	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. 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

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,
- 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 12), 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.

Similarly to last year, the impact of the COVID-19 pandemic on the global economy has continued to result 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 27)

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	The Group is subject to significant claims inflation which may not be adequately covered by premium price increases and/or product design changes. In Australia the principle of community rating prevents private health insurers from improperly discriminating between people who are or wish to be insured, on the basis of their health status, age, race, gender, religious beliefs, sexuality, frequency of need of health care, lifestyle or claims history.	Claims patterns are monitored and premiums calculated accordingly. Governance, contractual and control procedures are in place for key benefits and provider relationships. Maintenance of reserves in excess of minimum solvency and capital requirements allows the Group to withstand increased levels of claims inflation.
Risk equalisation special account arrangements	Risk equalisation arrangements apply to the registered health insurance industry in Australia. Under these arrangements all registered health insurers effectively provide reinsurance support so that the industry as a whole shares the hospital cost of high risk groups irrespective of 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 has 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 has a defined investment strategy and risk/return objectives, that is aligned to the strategic plan and capital management plans, overseen by the Investment Committee and assisted by asset management consultants.

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

	2021		2020	
	Weighted average interest rate %	Balance $m	Weighted average interest rate %	Balance $m
Bank loans	1.5%	230.7	2.3%	230.9
Net exposure to cash flow interest rate risk		**230.7**		**230.9**

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.

	2021			2020		
Interest rate risk		-100bps	+100bps		-100bps	+100bps
	Carrying amount $m	Profit after tax $m	Profit after tax $m	Carrying amount $m	Profit after tax $m	Profit after tax $m
Financial assets						
Cash and cash equivalents	213.9	(1.5)	1.5	198.0	(1.4)	1.4
Other receivables	27.4	(0.2)	0.2	22.6	(0.2)	0.2
Financial assets at amortised cost	7.7	0.1	(0.1)	8.8	0.1	(0.1)
Financial assets at fair value through profit or loss	870.1	8.1	(8.1)	829.0	13.4	(13.6)
Financial liabilities						
Bank loans	(230.7)	1.7	(1.7)	(230.9)	1.7	(1.7)
Premium payback liability	(17.7)	(0.5)	0.6	(20.1)	(0.7)	0.7

3. Risk management continued

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.

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.

Foreign exchange risk	2021					2020				
		-10%		+10%			-10%		+10%	
	Exposure $m	Profit after tax $m	Equity $m	Profit after tax $m	Equity $m	Exposure $m	Profit after tax $m	Equity $m	Profit after tax $m	Equity $m
New Zealand dollar	75.4	–	(7.5)	–	7.5	65.6	–	(6.5)	–	6.5
Chinese Yuan	12.3	(0.9)	–	0.9	–	8.6	(0.6)	–	0.6	–
Other	4.1	(0.8)	0.8	0.8	(0.8)	6.9	(0.6)	0.2	0.6	(0.2)

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 has a defined investment strategy and risk/return objectives, that is aligned to the strategic plan and capital management plans, overseen by the Investment Committee and assisted by asset management 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.

Other price risk	2021			2020		
		-10% unit price	+10% unit price		-10% unit price	+10% unit price
	Carrying amount $m	Profit after tax $m	Profit after tax $m	Carrying amount $m	Profit after tax $m	Profit after tax $m
Financial assets						
Financial assets at fair value through profit or loss	870.1	(15.8)	15.8	829.0	(11.7)	11.7

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; 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 has a defined investment strategy and risk/return objectives, that is aligned to the strategic plan and capital management plans, overseen by the Investment Committee and assisted by asset management 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	2021 $m	2020 $m
Counterparties with external credit rating	5.0	4.7
Group 1 – new debtors (relationship less than 6 months)	0.2	0.5
Group 2 – existing debtors with no defaults in the past	21.8	17.2
Group 3 – existing debtors with some defaults in the past. All defaults were fully recovered.	0.4	0.2
	27.4	**22.6**

Cash at bank and short-term bank deposits	2021 $m	2020 $m
A-1+	197.8	183.4
A-1	13.5	13.7
A-2	1.0	0.9
B*	1.6	–
	213.9	**198.0**

* Transactional bank account.

3. Risk management continued

Financial assets at amortised cost	2021 $m	2020 $m
Short-term deposits		
A-1+	7.7	8.8
	7.7	**8.8**

Financial assets at fair value through profit or loss	2021 $m	2020 $m
Interest-bearing securities[1]		
AAA	215.5	158.9
AA	364.3	378.6
A	52.7	103.6
BBB	13.2	19.1
	645.7	**660.2**

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 will not 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 2021	≤ 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	15.0	5.2	0.6	–	–	20.8	20.8
Other payables	83.9	12.9	6.9	5.1	–	108.8	108.8
Lease liabilities	0.8	1.6	7.2	36.5	23.3	69.4	57.6
Borrowings	0.1	0.7	2.5	234.5	–	237.8	232.3
	99.8	**20.4**	**17.2**	**276.1**	**23.3**	**436.8**	**419.5**

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**

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 2021 and 30 June 2020:

Group at 30 June 2021	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Assets				
Receivables	–	1.0	–	1.0
Financial assets at fair value through profit or loss				
Equity securities	213.2	–	–	213.2
Interest-bearing securities	605.2	39.2	1.3	645.7
Property trusts	–	–	11.2	11.2
Finance lease receivable	–	12.3	–	12.3
Total assets	**818.4**	**52.5**	**12.5**	**883.4**

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 securities	633.8	26.4	–	660.2
Mortgage trusts	–	0.4	–	0.4
Property trusts	1.8	–	10.5	12.3
Total assets	**791.7**	**28.7**	**10.5**	**830.9**

There were no transfers between level 1, 2 and 3 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.

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

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 and interest bearing securities.

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 and interest bearing securities which are infrequently traded. The following table presents the changes in level 3 instruments for the year ended 30 June 2021 and 30 June 2020:

	2021 $m	2020 $m
Fair value measurement as at 1 July	10.5	12.9
Purchased	1.8	0.7
Sales	(0.6)	(2.2)
Change in fair value	0.7	(0.9)
Exchange differences	0.1	–
Fair value measurement at end of period	**12.5**	**10.5**

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 2020.
ii) Valuation process	The valuation of unlisted property and interest bearing securities 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 2021			
Interest-bearing securities and Unlisted property trusts	12.5	Redemption price	Higher/(lower) redemption price (+/- 10%) would increase/(decrease) fair value by $1.3m
At 30 June 2020			
Unlisted property trusts	10.5	Redemption price	Higher/(lower) redemption price (+/- 10%) would increase/(decrease) fair value by $1.1m

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 2021 and 30 June 2020:

	2021		2020	
Non-current borrowings	**Carrying amount $m**	**Fair value $m**	**Carrying amount $m**	**Fair value $m**
Bank loans	230.7	230.7	230.9	230.9

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 income and 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 commission of other insurance products, corporate expenses, 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 ended 30 June 2021					
	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	2,185.0	135.6	258.9	1.3	–	2,580.8
Outwards reinsurance premium expense	(10.9)	(20.1)	(0.3)	(0.7)	–	(32.0)
Net premium revenue	**2,174.1**	**115.5**	**258.6**	**0.6**	**–**	**2,548.8**
Claims expense	(1,496.1)	(96.2)	(161.0)	(0.6)	–	(1,753.9)
Reinsurance and other recoveries revenue	4.9	10.4	–	0.6	–	15.9
RESA	(213.8)	–	–	–	–	(213.8)
State levies	(36.0)	–	–	–	–	(36.0)
(Increase)/decrease in premium payback liability	–	–	2.3	–	–	2.3
Claims handling expenses	(12.6)	(4.1)	(2.5)	(0.2)	–	(19.4)
Net claims incurred	**(1,753.6)**	**(89.9)**	**(161.2)**	**(0.2)**	**–**	**(2,004.9)**
Other underwriting revenue	**1.8**	**2.0**	**–**	**–**	**–**	**3.8**
Acquisition costs	(106.0)	(12.3)	(41.6)	(0.5)	–	(160.4)
Other underwriting expenses	(104.5)	(21.2)	(31.7)	(0.2)	–	(157.6)
Underlying underwriting expenses	**(210.5)**	**(33.5)**	**(73.3)**	**(0.7)**	**–**	**(318.0)**
Underlying underwriting result	**211.8**	**(5.9)**	**24.1**	**(0.3)**	**–**	**229.7**
Other income	–	–	–	14.0	10.1	24.1
Other expenses	–	–	–	(27.3)	(16.8)	(44.1)
Share of net profit/(loss) of associates and joint ventures	–	–	–	–	(4.8)	(4.8)
Underlying operating profit/(loss)	**211.8**	**(5.9)**	**24.1**	**(13.6)**	**(11.5)**	**204.9**
Items not included in underlying operating profit						
Amortisation of acquired intangibles	(1.9)	(0.8)	(3.4)	(1.9)	–	(8.0)
Impairment of intangibles	–	–	–	(8.8)	–	(8.8)
One-off transactions, merger, acquisition and new business implementation costs	–	–	–	–	(11.8)	(11.8)
Gain on sale of investment in joint venture					9.7	9.7
Finance income					0.2	0.2
Finance costs					(7.0)	(7.0)
Investment income					54.1	54.1
Investment expenses					(2.3)	(2.3)
Profit before income tax from continuing operations						**231.0**
Inter-segment other income[1]	0.1	–	0.1	–	–	0.2
Depreciation and amortisation	2.5	1.7	3.4	1.9	17.2	26.7
Total assets	1,196.3		223.3	146.1	137.1	1,702.8
Total liabilities	628.9		76.4	32.9	258.4	996.6
Insurance liabilities						
Claims liabilities	201.6		15.4	0.1	–	217.1
Unearned premium liability	227.7		21.4	0.3	–	249.4
Premium payback liability	–		17.7	–	–	17.7
Total insurance liabilities	**429.3**		**54.5**	**0.4**	**–**	**484.2**

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

	For the year ended 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[1] $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	(1,448.1)	(71.2)	(144.9)	(2.1)	–	(1,666.3)
Reinsurance and other recoveries revenue	4.9	9.4	–	2.1	–	16.4
RESA	(247.3)	–	–	–	–	(247.3)
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	(92.3)	(20.9)	(28.4)	(0.2)	–	(141.8)
Underlying underwriting expenses	**(202.3)**	**(36.9)**	**(68.0)**	**(3.1)**	**–**	**(310.3)**
Underlying underwriting result	**131.4**	**22.2**	**23.4**	**0.5**	**–**	**177.5**
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	(1.0)	–	–	–	(3.0)	(4.0)
Underlying operating profit/(loss)	**130.4**	**22.2**	**23.4**	**(19.7)**	**(9.4)**	**146.9**
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						**121.8**
Inter-segment other income[2]	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	1,177.0		228.0	157.6	115.2	1,677.8
Total liabilities	676.2		87.5	47.4	263.6	1,074.7
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 insurance liabilities	**457.0**		**66.4**	**0.7**	**–**	**524.1**

1. Comparative information has been restated. For further details, refer to Note 31.
2. Inter-segment other income is eliminated on consolidation and not included in operating profit.

6. Revenue and other income

	2021 $m	2020 $m
Premium revenue	2,580.8	2,473.1
Outwards reinsurance premiums	(32.0)	(33.5)
Net premium revenue	**2,548.8**	**2,439.6**
Agency fee	0.3	0.3
Sundry income	3.5	3.2
Other underwriting revenue	**3.8**	**3.5**
Other income		
Travel insurance commission	12.5	54.1
Commission on other insurance products	2.8	3.1
Gain on sale of investment in joint venture	9.7	–
Wages subsidies	4.2	2.0
Insurance recoveries	0.1	0.3
Sundry income	4.5	0.9
	33.8	**60.4**
Finance income	**0.2**	**–**
Investment income		
Interest	2.8	5.6
Net realised gain (loss) on financial assets at fair value through profit or loss	20.3	34.2
Net unrealised gain (loss) on financial assets at fair value through profit or loss	30.8	(21.5)
Dividends	0.2	0.3
	54.1	**18.6**

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.
v) Finance income	Finance income on sublease is allocated to accounting periods so as to reflect a constant period rate of return on the Group's finance lease. Refer to Note 15 for finance lease receivables.

7. Expenses

	Notes	2021 $m	2020[1] $m
Expenses by function			
Claims handling expenses		19.4	21.9
Acquisition costs		160.4	168.5
Other underwriting expenses		163.7	148.5
Other expenses		66.6	112.3
Finance costs		7.0	9.7
Investment expenses		2.3	2.0
Total expenses (excluding direct claims expenses)		**419.4**	**462.9**
Expenses by nature			
Amortisation of acquired intangibles		8.0	10.4
Bank charges		3.0	5.1
Communications, postage and telephone expenses		4.8	5.6
Depreciation and amortisation		18.7	16.5
Depreciation of right-of-use assets	15	5.3	7.5
Impairment of right-of-use assets	15	1.1	–
Employee costs		150.9	164.7
Finance costs		3.4	5.5
Finance costs – interest on lease liabilities	15	3.6	4.2
Impairment of intangibles		8.8	8.0
Information technology expenses		27.7	25.8
Investment expenses		2.3	2.0
Marketing expenses – excluding commissions		35.7	45.3
Marketing expenses – commissions		104.4	115.7
Merger, acquisition and new business implementation costs		0.3	9.7
Professional fees		27.4	18.3
Other expenses		14.0	18.6
Total expenses (excluding direct claims expenses)		**419.4**	**462.9**

1. Comparative information has been restated. For further details, refer to Note 31.

8. Taxation

a) Income tax

	Notes	2021 $m	2020[1] $m
i) Income tax expense			
Recognised in the income statement			
Current tax expense		42.8	76.2
Deferred tax expense		28.2	(40.0)
Under (over) provided in prior years		(0.5)	(1.4)
		70.5	**34.8**
Income tax expense is attributable to:			
Profit from continuing operations		70.5	34.8
Aggregate income tax expense		**70.5**	**34.8**
Deferred income tax expense included in income tax expense comprises:			
(Increase)/decrease in deferred tax assets	8(b)	29.2	(33.4)
Increase/(decrease) in deferred tax liabilities	8(c)	(1.0)	(6.6)
		28.2	**(40.0)**
ii) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit from continuing operations before income tax expense		**231.0**	**121.8**
Tax at the Australian tax rate of 30% (2020: 30%)		69.3	36.5
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Goodwill impairment		2.3	–
Sundry items		(0.4)	0.5
Net assessable trust distributions		0.2	0.2
Imputation credits and foreign tax credits		(0.7)	(0.7)
Adjustment for current tax of prior periods		(0.5)	(1.4)
Unrecognised tax losses and deferred tax assets		–	0.1
Differences in foreign tax rates		0.3	(0.4)
Income tax expense		**70.5**	**34.8**
iii) Tax expense relating to items of other comprehensive income			
Foreign currency translations		–	(0.4)
		–	**(0.4)**
iv) Tax losses			
Unused tax losses for which no deferred tax asset has been recognised		–	0.3
Potential tax benefit at 30%		**–**	**0.1**

1. Comparative information has been restated. For further details, refer to Note 31.

b) Deferred tax assets

	Notes	2021 $m	2020 $m
The balance comprises temporary differences attributable to:			
Claims liabilities		11.7	30.7
Employee benefits		6.0	6.1
Lease liabilities		17.2	23.8
Premium payback liabilities		4.5	5.2
Provisions		5.9	5.7
Unrealised losses on investments		–	4.0
		45.3	**75.5**
Other			
Depreciation and amortisation		0.1	0.6
Loss allowance		0.6	0.6
Income receivables		0.4	0.4
Investment in associates and joint ventures		2.6	1.4
Share issue costs		0.1	0.2
Tax losses		0.6	0.2
		4.4	**3.4**
Total deferred tax assets		**49.7**	**78.9**
Set-off of deferred tax liabilities pursuant to set-off provisions	8(c)	(49.7)	(66.5)
Net deferred tax assets		**–**	**12.4**
Recovery of total deferred tax assets:			
Deferred tax assets to be recovered within 12 months		23.4	41.0
Deferred tax assets to be recovered after more than 12 months		26.3	37.9
		49.7	**78.9**

Movements	Claims liabilities $m	Employee benefits $m	Lease liabilities $m	Premium payback liabilities $m	Provisions $m	Unrealised losses on investments $m	Other $m	Total $m
At 1 July 2019	**0.3**	**5.7**	**25.2**	**5.1**	**6.1**	**–**	**3.2**	**45.6**
(Charged)/credited to the income statement	**30.4**	0.4	(1.5)	0.4	(0.4)	4.0	0.1	33.4
(Charged)/credited directly to other comprehensive income	–	–	0.1	(0.3)	–	–	0.1	(0.1)
At 30 June 2020	**30.7**	**6.1**	**23.8**	**5.2**	**5.7**	**4.0**	**3.4**	**78.9**
At 1 July 2020	**30.7**	**6.1**	**23.8**	**5.2**	**5.7**	**4.0**	**3.4**	**78.9**
(Charged)/credited to the income statement	(19.0)	(0.1)	(6.6)	(0.7)	0.2	(4.0)	1.0	(29.2)
(Charged)/credited directly to other comprehensive income	–	–	–	–	–	–	–	–
At 30 June 2021	**11.7**	**6.0**	**17.2**	**4.5**	**5.9**	**–**	**4.4**	**49.7**

8. Taxation continued

c) Deferred tax liabilities

	Notes	2021 $m	2020 $m
The balance comprises temporary differences attributable to:			
Brands and trademarks and customer contracts and relationships		15.2	17.7
Deferred acquisition costs		37.2	34.7
Right-of-use assets		11.5	17.9
Unrealised foreign exchange gains		0.6	0.8
Unrealised gains on investments		5.6	–
		70.1	**71.1**
Other			
Unearned premium liability		0.1	0.1
		0.1	**0.1**
Total deferred tax liabilities		**70.2**	**71.2**
Set-off of deferred tax liabilities pursuant to set-off provisions	8(b)	(49.7)	(66.5)
Net deferred tax liabilities		**20.5**	**4.7**
Recovery of total deferred tax liabilities:			
Deferred tax liabilities to be settled within 12 months		14.7	15.4
Deferred tax liabilities to be settled after more than 12 months		55.5	55.8
		70.2	**71.2**

Movements	Brands and trademarks and customer contracts and relationships $m	Deferred acquisition costs $m	Right-of-use assets $m	Unrealised foreign exchange losses $m	Unrealised gains on investments $m	Other $m	Total $m
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**
At 1 July 2020	**17.7**	**34.7**	**17.9**	**0.8**	**–**	**0.1**	**71.2**
(Charged)/credited to the income statement	(2.5)	2.5	(6.4)	(0.2)	5.6	–	(1.0)
(Charged)/credited directly to other comprehensive income	–	–	–	–	–	–	–
At 30 June 2021	**15.2**	**37.2**	**11.5**	**0.6**	**5.6**	**0.1**	**70.2**

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. Details of tax consolidated group are detailed in Note 36 a) ii).

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

	2021 $m	2020 $m
Cash at bank and cash on hand	148.3	141.6
Short-term deposits and deposits at call	65.6	56.4
	213.9	**198.0**

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

	2021 $m	2020[1] $m
Profit for the year	160.5	87.0
Net (gain)/loss on disposal of property, plant and equipment	0.9	0.1
Profit on sale of joint venture investment	(9.7)	–
Fair value (gain)/loss on other financial assets through profit or loss	(33.3)	4.6
Share of net (profit)/loss of associates and joint ventures	4.8	4.0
Non-cash employee (benefits)/expense – share-based payments	1.7	(0.4)
Depreciation and amortisation	26.7	26.9
Depreciation of right-of-use assets and interest on leases	8.9	11.7
Impairment of right-of-use assets	1.1	–
Impairment of intangibles	8.8	8.0
Net exchange differences	0.1	0.9
Change in operating assets and liabilities, net of effect from purchase of controlled entity		
Decrease (increase) in receivables	(11.3)	(3.3)
Decrease (increase) in deferred acquisition costs	(8.9)	(2.2)
Decrease (increase) in deferred tax assets	–	(8.6)
Increase (decrease) in trade payables	(9.0)	(8.3)
Increase (decrease) in unearned premium liability	(8.8)	0.7
Increase (decrease) in premium payback liability	(2.3)	0.8
Increase (decrease) in current tax liabilities	(21.2)	12.7
Increase (decrease) in deferred tax liabilities	28.1	(31.4)
Increase (decrease) in provisions	(28.4)	104.4
Net cash flow from operating activities	**108.7**	**207.6**

1. Comparative information has been restated. For further details, refer to Note 31.

9. Cash and cash equivalents continued

d) Net debt

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

	2021 $m	2020 $m
Cash and cash equivalents	213.9	198.0
Liquid investments	858.9	818.1
Borrowings – repayable within one year	(1.6)	(2.0)
Borrowings – repayable after one year	(230.7)	(230.9)
Lease liabilities	(57.6)	(82.6)
Net debt	**782.9**	**700.6**
Cash and liquid investments	1,072.8	1,016.1
Gross debt – variable interest rates	(232.3)	(232.9)
Lease liabilities	(57.6)	(82.6)
Net debt	**782.9**	**700.6**

	Assets			Liabilities from financing activities		
	Cash and cash equivalents $m	Liquid investments $m	Sub-total $m	Borrowings $m	Lease liabilities $m	Net Debt Total $m
As 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
As at 30 June 2020	**198.0**	**818.1**	**1,016.1**	**(232.9)**	**(82.6)**	**700.6**
Cash flows	15.4	(13.4)	2.0	0.4	10.4	12.8
Acquisition – leases	–	–	–	–	(1.0)	(1.0)
Foreign exchange adjustments	0.5	(0.4)	0.1	0.2	0.2	0.5
Other non-cash movements	–	54.6	54.6	–	15.4	70.0
As at 30 June 2021	**213.9**	**858.9**	**1,072.8**	**(232.3)**	**(57.6)**	**782.9**

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 its name on behalf of its 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 2021 this amounted to $30,360,856 (2020: $23,510,009).

10. Receivables

	2021 $m	2020 $m
Current		
Premium receivable	14.3	11.9
Private Health Insurance Premiums Reduction Scheme receivable	41.7	38.2
Other receivables	27.4	22.6
Provision for loss allowance	(2.5)	(1.9)
Prepayments	9.7	9.4
Expected future reinsurance recoveries undiscounted		
on claims paid	1.1	3.8
on outstanding claims	2.2	2.4
	93.9	**86.4**

As at 30 June 2021, current receivables of the Group with a nominal value of $2.532 million (2020: $1.928 million) were impaired.

The loss allowance as at 30 June 2021 and 2020 was determined as follows for both premium receivables and other receivables:

Group at 30 June 2021		Current	More than 30 days past due	More than 60 days past due	More than 120 days past due	Total
Expected loss rate	%	5%	17%	8%	9%	
Gross carrying amount – premium receivables	$m	13.7	0.4	0.2	–	14.3
Gross carrying amount – other receivables	$m	16.6	0.2	1.1	9.5	27.4
Loss allowance	**$m**	**1.4**	**0.1**	**0.1**	**0.9**	**2.5**

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**

The closing loss allowances for premium receivables and other receivables as at 30 June 2021 and 2020 reconcile to the opening loss allowances as follows:

	Premium receivables $m	Other receivables $m	Total $m
1 July 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**
Increase/(decrease) in loss allowance recognised in profit or loss during the year	(0.2)	0.9	0.7
Receivables written off during the year as uncollectible	–	(0.1)	(0.1)
At 30 June 2021	**1.3**	**1.2**	**2.5**

As of 30 June 2021 and 30 June 2020 no receivables were past due but not impaired.

10. Receivables continued

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

	2021 $m	2020 $m
Short-term deposits	7.7	8.8
	7.7	**8.8**

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

	2021 $m	2020 $m
Current		
Equity securities	213.2	156.1
Interest-bearing securities	645.7	660.2
Property trusts	11.2	12.3
	870.1	**828.6**
Non-current		
Mortgage trusts	–	0.4
	–	**0.4**

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) Recognition and derecognition

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

11. Financial assets continued

iii) 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.
iv) 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.
v) 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.
vi) 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.
vii) Risk exposure	Information about the Group's exposure to price risk and interest rate risk is provided in Note 3.

12. Deferred acquisition costs

	2021 $m	2020 $m
Current	**55.0**	**50.7**
Non-current	**71.3**	**66.7**

Movements in the deferred acquisition costs are as follows:

	2021 $m	2020 $m
Balance at beginning of year	117.4	115.2
Acquisition costs deferred during the period	67.9	60.9
Amortisation expense	(58.9)	(58.2)
Exchange differences	(0.1)	(0.5)
	126.3	**117.4**

Deferred acquisition costs by segment are as follows:

	2021 $m	2020 $m
Australian Residents Health Insurance	89.0	86.0
New Zealand Residents Health Insurance	33.5	27.0
International (Inbound) Health Insurance	3.8	4.4
	126.3	**117.4**

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 (2020: 5 years), in accordance with the expected pattern of the incidence of risk under the open ended insurance contracts to which they relate, which includes expectations of customers remaining insured.

The Group pays an upfront commission to retail brokers on signing up new members to the business. These upfront commissions will give rise to future premium revenue beyond the current period and are able to be measured and directly associated with a particular insurance contract. The Group does not capitalise the indirect administration costs associated with acquiring new members due to the difficulty in measurement. The Group considers the duration of a health insurance contract to be an open ended agreement as the Group stands ready to continue to insure its customers under continuing policies. The Group uses average retention rates to determine the appropriate customer contract life and related amortisation period for customers who purchase insurance through these broker channels. The analysis included extrapolating historical lapse rates for broker acquired customers but truncating the data at 10 years in order to allow for the inherent distortion created by extrapolating historical data. This analysis and management's expectations of future lapse supports the amortisation period of 5 years. The Group re-performs this analysis at least every six months for reassessment. A decrease in the expected contract periods of one year would increase amortisation expense by $14.3 million for 30 June 2021. An increase in the expected contract periods of one year would decrease amortisation expense by $11.3 million for 30 June 2021.

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 2021.

12. Deferred acquisition costs continued

b) Critical accounting judgements and estimates (continued)

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 19, the Group has no deficiency in the unearned premium liability at 30 June 2021.

13. Property, plant and equipment

	Plant and Equipment $m	Leasehold Improvements $m	Total $m
At 1 July 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
Depreciation charge for the year	(2.3)	(1.8)	(4.1)
Closing net book amount	**4.6**	**6.8**	**11.4**
At 30 June 2020			
Cost	22.2	17.5	39.7
Accumulated depreciation and impairment	(17.6)	(10.7)	(28.3)
Net book amount	**4.6**	**6.8**	**11.4**
Year ended 30 June 2021			
Opening net book amount	4.6	6.8	11.4
Additions	0.6	0.5	1.1
Disposals	(0.2)	(0.7)	(0.9)
Depreciation charge for the year	(2.2)	(1.5)	(3.7)
Closing net book amount	**2.8**	**5.1**	**7.9**
At 30 June 2021			
Cost	19.9	13.2	33.1
Accumulated amortisation and impairment	(17.1)	(8.1)	(25.2)
Net book amount	**2.8**	**5.1**	**7.9**

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[1] $m
At 1 July 2019					
Cost	227.4	110.4	32.6	81.7	452.1
Accumulated amortisation and impairment	–	(68.8)	(7.2)	(29.5)	(105.5)
Net book amount	**227.4**	**41.6**	**25.4**	**52.2**	**346.6**
Year ended 30 June 2020					
Opening net book amount	227.4	41.6	25.4	52.2	346.6
Additions	–	20.7	–	–	20.7
Disposals	–	(0.1)	–	–	(0.1)
Amortisation charge for the year	–	(14.2)	(1.2)	(7.4)	(22.8)
Impairment charge	–	–	(5.8)	(2.2)	(8.0)
Exchange differences	(0.9)	(0.3)	–	(0.5)	(1.7)
Closing net book amount	**226.5**	**47.7**	**18.4**	**42.1**	**334.7**
At 30 June 2020					
Cost	226.5	129.3	32.6	80.7	469.1
Accumulated amortisation and impairment	–	(81.6)	(14.2)	(38.6)	(134.4)
Net book amount	**226.5**	**47.7**	**18.4**	**42.1**	**334.7**
Year ended 30 June 2021					
Opening net book amount	226.5	47.7	18.4	42.1	334.7
Additions	–	22.5	–	–	22.5
Disposals	–	(0.1)	–	–	(0.1)
Amortisation charge for the year	–	(15.3)	(1.0)	(6.7)	(23.0)
Impairment charge	(7.6)	–	(1.2)	–	(8.8)
Exchange differences	(0.2)	–	–	(0.1)	(0.3)
Closing net book amount	**218.7**	**54.8**	**16.2**	**35.3**	**325.0**
At 30 June 2021					
Cost	218.7	153.2	32.6	80.6	485.1
Accumulated amortisation and impairment	–	(98.4)	(16.4)	(45.3)	(160.1)
Net book amount	**218.7**	**54.8**	**16.2**	**35.3**	**325.0**

1 Comparative information has been restated. For further details, refer to Note 31.

14. Intangible assets continued

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 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. *Change of accounting policy* The Group previously capitalised costs incurred in configuring or customising Software-as-a-Service (SaaS) arrangements as intangible assets, as the Group considered that it would benefit from those costs to implement the SaaS arrangements over the expected renewable term of the arrangements. Following the IFRS Interpretations Committee agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the Group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangement. Refer to Note 31 Change in accounting policy for the impact of this change on the financial statements.
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; • 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	Unallocted to CGUs $m	Total $m
At 30 June` 2021	80.2	21.1	40.9	76.5	–	218.7
At 30 June 2020	80.2	21.1	41.1	84.1	–	226.5

Brands and Trademarks	$m	$m	$m	$m	$m	$m
At 30 June 2021	3.0	–	–	13.2	–	16.2
At 30 June 2020	3.5	–	–	14.9	–	18.4

Customer Contracts and relationships	$m	$m	$m	$m	$m	$m
At 30 June 2021	14.2	–	14.4	6.7	–	35.3
At 30 June 2020	16.5	–	17.8	7.8	–	42.1

Software[1]	$m	$m	$m	$m	$m	$m
At 30 June 2021	–	–	–	–	54.8	54.8
At 30 June 2020	–	–	–	–	47.7	47.7

Total	$m	$m	$m	$m	$m	$m
At 30 June 2021	97.4	21.1	55.3	96.4	54.8	325.0
At 30 June 2020	100.2	21.1	58.9	106.8	47.7	334.7

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	Unallocted to CGUs $m	Total $m
At 30 June 2021	17.2	–	14.4	6.7	54.8	93.1
At 30 June 2020	20.0	–	17.8	7.8	47.7	93.3

Indefinite life	$m	$m	$m	$m	$m	$m
At 30 June 2021	80.2	21.1	40.9	89.7	–	231.9
At 30 June 2020	80.2	21.1	41.1	99.0	–	241.4

Total	$m	$m	$m	$m	$m	$m
At 30 June 2021	97.4	21.1	55.3	96.4	54.8	325.0
At 30 June 2020	100.2	21.1	58.9	106.8	47.7	334.7

14. Intangible assets continued

The definite and indefinite life brand names allocated to nib Travel Group CGU (included in Brands and Trademarks table on previous page) are as follows:

Brands and Trademarks	WorldNomads.com $m	Travel Insurance Direct $m	Total $m
At 30 June 2021	12.7	0.5	13.2
At 30 June 2020	12.7	2.2	14.9

d) Impairment tests for goodwill and intangibles

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

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.

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.

During the year, the nib Travel Group CGU goodwill was impaired by $7.6 million and the Travel Insurance Direct brand name was partially impaired by $1.2 million, due to the ongoing impact of COVID-19 and an increase in the discount rate applied to the CGU. The impairment has been included in Other expenses on the Consolidated Income Statement.

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.

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 at (7.0)%. 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 Group

The assumptions for nib Travel Group have been updated for the ongoing impact of COVID-19 on the travel industry, to which nib is exposed via the nib Travel Group CGU.

FY22 to FY25 cash-flows are based on nib internal budget assumptions, and scenarios on the reopening of borders and the timing of return to inflation-adjusted pre-COVID-19 revenue levels (from 1H20 revenues). These have been set with reference to external industry forecasts, as well as Federal Budget expectations. Resumption of international tourism is assumed to increase internationally in late 2021, and from Australia in mid-2022 (calendar periods). A gradual recovery is assumed, with reduced volumes initially and full return to pre-COVID levels in FY24 (2020: FY24).

Terminal growth rates of 2.5% compound annual growth rate has been applied for growth beyond FY25.

nib travel is in the process of securing new underwriting arrangements with a range of outcomes possible. As such the goodwill impairment assessment has also been based on the probability weighted range of outcomes that could reasonably be expected to occur with the arrangements on top of the other assumptions outlined in this Note.

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

During the year the nib Travel Group CGU goodwill was impaired by $7.6 million and the Travel Insurance Direct brand name was partially impaired by $1.2 million, based on the assumptions in section e). A further deterioration in assumptions would result in a future impairment of goodwill and the Travel Insurance Direct brand name.

Should the travel industry return back to pre-COVID-19 levels of activity be delayed by one year (i.e. from FY24 to FY25) a further impairment of approximately $16.0 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.

The range of reasonable possible outcomes from the process of securing new underwriting arrangements for nib Travel was no impairment through to an additional impairment of the nib Travel CGU by $1.1 million.

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) below, 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.

	Policyholder growth		Claims ratio		Long-term growth rate		Pre-tax discount rate	
Goodwill	**2021 %**	**2020 %**	**2021 %**	**2020 %**	**2021 %**	**2020 %**	**2021 %**	**2020 %**
Australian Residents Health Insurance	2.7	1.7	83.2	83.6	2.5	2.5	12.2	10.4
International Workers Health Insurance	2.8	2.1	43.7	43.7	2.5	2.5	12.2	10.4
New Zealand Residents Health Insurance	8.9	6.3	63.8	62.6	2.5	2.5	11.2	9.9

	Revenue growth rate (forecast years)		Long-term growth rate		Pre-tax discount rate	
	2021 %	**2020 %**	**2021 %**	**2020 %**	**2021 %**	**2020 %**
nib travel	3.7	2.5	2.5	2.5	14.8	11.0

1H20 revenues have been assumed to represent pre-COVID levels of activity which have then been run rated. Expected FY25 revenue represents a 3.7% pa compound annual growth rate (CAGR) from 1H20.

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	**106.4**	**106.4**	**–**

Change in recoverable value	Movement in variable	Change in recoverable value $m	Excess/(deficit) in carrying value $m
Change in revenue across FY22 – FY25	+10.0%	11.1	11.1
	-10.0%	(11.1)	(11.1)
Change in pre-tax discount rate	+1.0%	(9.7)	(9.7)
	-1.0%	11.4	11.4
Change in long-term growth rate	+1.0%	13.3	13.3
	-1.0%	(10.6)	(10.6)

14. Intangible assets continued

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

Brandnames and trademarks	Revenue growth rate (forecast years) 2021 %	Revenue growth rate (forecast years) 2020 %	Royalty rate 2021 %	Royalty rate 2020 %	Long-term growth rate 2021 %	Long-term growth rate 2020 %	Pre-tax discount rate 2021 %	Pre-tax discount rate 2020 %
WorldNomads.com	3.7	2.5	2.5	2.5	2.5	2.5	14.8	11.0

15. Lease assets and liabilities

a) Right-of-use assets

	2021 $m	2020 $m
Right-of-use assets – properties	26.5	62.1
	26.5	**62.1**

Additions to the right-of-use assets during the 2021 financial year was $1.0 million (2020: $1.8 million).

b) Finance lease receivables

	2021 $m	2020 $m
Current	**1.7**	**–**
Non-current	**10.6**	**–**

Minimum undiscounted lease payments receivable on the sublease are as follows:

	2021 $m	2020 $m
Within 1 year	1.9	–
Between 1 and 2 years	2.0	–
Between 2 and 3 years	2.1	–
Between 3 and 4 years	2.2	–
Between 4 and 5 years	2.3	–
Later than 5 years	2.6	–
	13.1	**–**

c) Lease liabilities

	2021 $m	2020 $m
Current	6.9	6.3
Non-current	50.7	76.3

d) Amounts recognised in the consolidated income statement

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

	Notes	2021 $m	2020 $m
Finance income	6	0.2	–
Gain on recognition of finance sublease (included in other income)	6	2.5	–
Depreciation charge of right-of-use assets – properties	7	5.3	7.5
Impairment of right-of-use assets – properties	7	1.1	–
Finance costs – interest on lease liabilities	7	3.6	4.2
Expenses relating to short-term leases (included in other expenses)	7	0.1	0.2

The total cash outflow for leases in 2021 was $9.03 million (2020: $10.6 million).

e) Accounting policy

As a lessee

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.

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, e.g. 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.

As a lessor

The Group is a sub-lessor (intermediate lessor) of the right-of-use assets. The Group classifies the sublease as a finance lease or an operating lease by assessing if the lease transfers substantially all the risks and rewards with reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

15. Lease assets and liabilities continued

e) Accounting policy continued

For subleases classified as finance lease, the sub-lessor derecognises the right-of-use asset relating to the head lease that it transfers to the sublease and recognises the net investment in the sublease; any difference between the right-of-use assets and the net investment in the finance sublease is recognised in profit or loss. At the commencement date, net investment in the finance lease is measured at an amount equal to the present value of the lease payments for the underlying right-of-use assets during the lease term. The Group recognises finance income over the lease term, based on a pattern reflecting a constant period rate of return on the lessor's net investment in the lease.

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.

The minimum non-discounted cash flows associated with the extensions that have not been recognised is $21.6 million.

16. Payables

	2021 $m	2020 $m
Current		
Outwards reinsurance expense liability – premiums payable to reinsurers	0.3	8.1
Trade creditors	20.8	13.7
Claims payable	55.4	57.3
Other payables	49.1	53.5
RESA payable[1]	48.2	48.4
Annual leave payable	10.5	10.4
	184.3	**191.4**
Non-current		
Other payables	4.3	6.5
	4.3	**6.5**

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.

	2021 $m	2020 $m
Annual leave obligation expected to be settled after 12 months	**1.5**	**1.1**

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 an 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

	2021 $m	2020 $m
Current		
Bank overdraft	1.6	2.0
	1.6	**2.0**
Non-current		
Bank loans	230.7	230.9
	230.7	**230.9**

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 $2.3 million. Outstanding amounts as at 30 June 2021 are included in Current Liabilities – Payables under Trade Creditors.

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

	2021 $m	2020 $m
Balance at beginning of period	230.9	232.5
Proceeds from borrowings	–	67.2
Repayment of borrowings	–	(67.2)
Exchange differences	(0.2)	(1.6)
Balance at end of period	**230.7**	**230.9**

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 AUD $85.0 million variable rate loan with NAB to extend its maturity date to 16 December 2023. It also has a AUD $80.5 million variable rate loan with NAB with a maturity date of 9 December 2022. 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 2021
Group Gearing Ratio[1] will not be more than 45%	25.2%
Group Interest Cover Ratio[1] will not be less than 3:1.	70:1

1. Excludes lease liabilities and associated interest.

17. Borrowings continued

nib holdings limited has provided a guarantee and indemnity to NAB on behalf of nib nz holdings limited in respect of the NZD $70.0 million term loan facility.

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

Outstanding Claims Liability	2021 $m	2020 $m
Outstanding claims – central estimate of the expected future payment for claims incurred[1]	140.8	112.6
Risk margin	14.8	9.8
Claims handling costs	2.1	2.0
Gross outstanding claims liability	**157.7**	**124.4**
Outstanding claims – expected payment to the RESA[2] in relation to the central estimate	24.1	21.3
Risk margin	1.3	1.4
Net outstanding claims liability	**183.1**	**147.1**
Provision for deferred and suspended claims		
Provision for deferred and suspended claims	34.0	98.8
	34.0	**98.8**
Total claims liabilities	**217.1**	**245.9**

1. Includes $0.1 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.

a) Outstanding claims liability

Movements in the gross outstanding claims are as follows:

	2021 $m	2020 $m
Gross outstanding claims at beginning of period	124.4	122.4
Risk margin	(9.8)	(8.4)
Administration component	(2.0)	(1.8)
Central estimate at beginning of period	**112.6**	**112.2**
Change in claims incurred for the prior year	(2.5)	2.3
Claims paid in respect of the prior year	(107.8)	(112.1)
Claims incurred during the period (expected)	1,804.7	1,576.9
Claims paid during the period	(1,666.0)	(1,466.4)
Effect of changes in foreign exchange rates	(0.2)	(0.3)
Central estimate at end of period	**140.8**	**112.6**
Risk margin	14.8	9.8
Administration component	2.1	2.0
Gross outstanding claims at end of period	**157.7**	**124.4**

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. To account for inherent uncertainty in the central estimate a risk margin is added. 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. The estimated cost of claims includes allowances for Risk Equalisation Special Account (RESA) consequences and claims handling expense. The central estimates are calculated gross of any recoveries. A separate estimate and risk margin is made of the amounts that will be recoverable based upon the gross provision. The Group takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures.

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 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.

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. Accordingly, reasonable changes in assumptions would not have a material impact on the outstanding claims balance.

nib notified the regulatory authorities in December 2020 that it had become aware of issues in its risk equalisation reporting, involving the inclusion of certain claims that may be ineligible. At balance date the Group recorded an increase in its risk equalisation estimate of $3.4 million including risk margin in relation to the matter. The risk margin of the underlying liability has been estimated to equate to a probability of adequacy of 95% (June 2020: 95%) for the Group.

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:

	2021			2020		
	Hospital %	Medical %	General %	Hospital %	Medical %	General %
Australian Residents Health Insurance						
Assumed proportion paid to date	90.8%	91.8%	98.5%	92.1%	91.6%	98.6%
Expense rate	0.8%	0.8%	0.8%	1.1%	1.1%	1.1%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	6.5%	6.5%	6.5%	5.5%	5.5%	5.5%
Risk equalisation rate	20.8%	20.8%	0.0%	27.6%	27.6%	0.0%
Allowance for risk equalisation claims eligibility (incl. risk margin)	3.4%	3.4%	0.0%	0.0%	0.0%	0.0%
Risk margin for risk equalisation	6.5%	6.5%	0.0%	6.5%	6.5%	0.0%
International Students Health Insurance						
Assumed proportion paid to date	69.9%	90.5%	98.1%	72.7%	91.5%	99.3%
Expense rate	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	29.3%	29.3%	29.3%	29.4%	29.4%	29.4%
International Workers Health Insurance						
Assumed proportion paid to date	78.2%	88.3%	93.2%	72.1%	86.2%	93.4%
Expense rate	3.5%	3.5%	3.5%	4.5%	4.5%	4.5%
Discount rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Risk margin	29.3%	29.3%	29.3%	29.4%	29.4%	29.4%

18. Claims liabilities continued

a) Outstanding claims liability continued

NZ Health Insurance	2021 Surgical %	2021 Medical %	2020 Surgical %	2020 Medical %
Assumed proportion paid to date	91.8%	92.0%	89.0%	88.7%
Expense rate	3.2%	3.2%	3.0%	3.0%
Discount rate	0.0%	0.0%	0.0%	0.0%
Risk margin	5.1%	5.1%	7.0%	7.0%

The risk margin of the underlying liability has been estimated to equate to a probability of adequacy of 95% (June 2020: 95%) for the Group.

The risk margin within each territory is set at the probability of adequacy adopted for the local accounts and is 95% in Australia (June 2020: 95%) and 75% in New Zealand (June 2020: 95%) with the benefit of diversification across the Group now negligible after adjustment to achieve an overall Group probability of adequacy of 95%.

The assumptions show the allowance for ineligible risk equalisation claims at the 95th percentile of sufficiency, expressed as an additional margin to the estimated outstanding claims expense. The risk margin for risk equalisation is applied to estimated outstanding risk equalisation liabilities excluding the allowance for ineligible claims.

iii) Impact of changes in key variables relating to insurance liability

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 both historical and forecast total claims handling costs as a percentage of historical and forecast claims 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 process of estimating insurance liabilities is uncertain by nature due to the difficulty of estimating outcomes of events that will occur in the future. A risk margin is estimated to increase reserves to a level that is expected to provide a 95% probability of sufficiency for the outstanding claims liability, based on an analysis of past group payment experience volatility (June 2020: 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.

The table below describes how a change in each assumption will affect the profit after tax.

Variable	Movement in variable	2021 Profit after tax $m	2020 Profit after tax $m
Chain ladder development factors	+0.5%	(13.0)	(12.0)
	-0.5%	13.0	12.0
Expense rate	+1.0%	(1.1)	(0.9)
	-1.0%	1.1	0.9
Risk equalisation allowance	+2.5%	(1.9)	(1.4)
	-2.5%	1.9	1.4
Risk margin	+1.0%	(1.2)	(1.0)
	-1.0%	1.2	1.0

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 with unusually low claim volumes again experienced during the various State lockdowns in FY21.

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 (impacts of COVID-19 on the availability of and access to procedures since 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 cost of claims which might have occurred up until 30 June but did not as a result of COVID-19 impacts and are therefore deferred at that date.

In estimating the provision, four 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 across the period from March 2020 to 30 June 2021 as part of the 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 2020 to June 2021 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 (percentage of the gross reduction in claims to date due to COVID-19 that is expected to be caught up in later periods).** 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;
   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:

   – 34% (June 2020: 80%) of gross Australian claims reduction in 2021; and
   – 90% (June 2020: 90%) of New Zealand,

   to be deferred on the basis that this represents the 2021 and 2022 financial year claims which are expected to be inflated above normal trends due to COVID-19.
4. **Deducting the catch up of claims to date.** Incurred claims estimates for this year ended 30 June 2021 were compared to February 2020 forecast incurred claims (pre COVID-19 impacted claims activity). The difference between actual incurred and prior period incurred was calculated by modality (claim type) and used to estimate the catch up of claims to date.

At 30 June 2021 the liability remaining is only for Australian hospital claims and associated risk equalisation levy. No liability remains for Australian ancillary claims and New Zealand claims.

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).

18. Claims liabilities continued

Movements in the deferred and suspense claims are as follows:

	2021 $m	2020 $m
Net Deferred and Suspended Claims at beginning of period	98.8	–
Claims handling costs	(0.8)	–
Gross Deferred and Suspended Claims at beginning of period	**98.0**	**–**
Change in deferred and suspended claims estimate for prior period	(46.1)	–
Deferred and suspended claims provision made during the period	24.6	98.0
Deferred and suspended claims paid during the period	(42.7)	–
Gross Deferred and Suspended Claims at end of period	**33.8**	**98.0**
Claims handling costs	0.2	0.8
Net Deferred and Suspended Claims at end of period	**34.0**	**98.8**

The table below describes how a change in the estimate relating to deferred and suspended claims provision disclosed above will affect the profit after tax.

Variable	Movement in variable	2021 Profit after tax $m	2020 Profit after tax $m
Reduction in claims activity	+2.0%	(0.5)	(1.3)
	-2.0%	0.5	1.3
Claims deferral rate	+10.0%	(7.0)	(7.8)
	-10.0%	7.0	7.8
Catch up of claims to date	+20.0%	4.8	–
	-20.0%	(4.8)	–

19. Unearned premium liability and unexpired risk liability

a) Unearned premium liability

	2021 $m	2020 $m
Current	**218.1**	**223.3**
Non-current	**31.3**	**34.8**

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

Movements in the unearned premium liability are as follows:

	2021 $m	2020 $m
Unearned premium liability as at 1 July	258.1	257.4
Deferral of premiums on contracts written in the period	214.6	220.0
Earning of premiums written in previous periods	(223.3)	(219.3)
Unearned premium liability as at 30 June	**249.4**	**258.1**

b) Unexpired risk liability

No deficiency was identified as at 30 June 2021 and 2020 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 2020: 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 18(a)(ii) 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 2021 and 2020 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

	2021 $m	2020 $m
Current	**8.2**	**3.5**
Non-current	**9.5**	**16.6**

Movements in the premium payback liability are as follows:

	2021 $m	2020 $m
Gross premium payback liability at beginning of period	20.1	19.3
Value of payments currently being processed	(1.1)	(0.7)
Risk margin	(0.6)	(0.5)
Central estimate at beginning of period	**18.4**	**18.1**
Funding/new accrued	2.7	2.3
Unwind discount rate	0.2	0.3
Interest rate movement impact	(0.5)	0.8
Premium payback payments	(4.4)	(2.2)
Others	(0.3)	(0.5)
Effect of changes in foreign exchange rates	(0.1)	(0.4)
Central estimate at end of the period	**16.0**	**18.4**
Value of payments currently being processed	1.2	1.1
Risk margin	0.5	0.6
Total premium payback liability as at end of period	**17.7**	**20.1**

Risk exposure

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

a) Actuarial methods and critical accounting judgements and estimates

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

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

20. Premium payback liability continued

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

	2021	2020
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	0.57% - 1.00%	0.3% - 0.4%
Risk margin	2.7%	3.1%

The risk margin has been estimated to equate to a 95% probability of adequacy (2020: 95%).

b) Sensitivity analysis

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.

The table below describes how a change in each assumption will affect the profit after tax.

		2021	2020
Variable	Movement in variable	Profit after tax $m	Profit after tax $m
Lapse rate	+1.0%	0.3	0.4
	-1.0%	(0.3)	(0.4)
Discount rate	+1.0%	0.6	0.7
	-1.0%	(0.5)	(0.7)
Risk margin	+1.0%	(0.1)	(0.1)
	-1.0%	0.1	0.1

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:

- Expected future payments for claims including risk margin;
- Expected future payments for policy paybacks and management expenses; and
- Expected future revenue from premiums and investment income.

No deficiency was identified at 30 June 2021 (2020: nil) that resulted in an unexpired risk liability needing to be recognised.

21. Provision for employee entitlements

	2021 $m	2020 $m
Current		
Long service leave	4.8	4.8
Termination benefits	2.8	2.0
	7.6	**6.8**
Non-current		
Long service leave	3.2	3.2
	3.2	**3.2**

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.

	2021 $m	2020 $m
Long service leave obligation expected to be settled after 12 months	4.4	4.2
	4.4	**4.2**

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 effected 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. Contributed equity

a) Share capital

	2021 $m	2020 $m
Ordinary shares		
Fully paid	**132.1**	**127.4**
Other equity securities		
Treasury shares	**(4.9)**	**(6.0)**
Total contributed equity	**127.2**	**121.4**

b) Movements in share capital

Date	Details	No. of shares	Price $	$m
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**
1 Jul 2020	Opening balance	456,819,526		127.4
6 Oct 2020	Shares issued – Dividend reinvestment plan	346,540	4.22	1.5
6 Apr 2021	Shares issued – Dividend reinvestment plan	576,137	5.52	3.2
30 June 2021	**Balance**	**457,742,203**		**132.1**

c) Treasury shares

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

Date	Details	No. of shares	$m
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**
	Acquisition of shares by the Trust	223,679	1.1
	Employee share forfeiture	52,071	–
	Employee share issue – LTIP	(141,334)	(1.0)
	Employee share issue – STI	(192,022)	(1.2)
30 June 2021	**Balance**	**1,013,837**	**4.9**

d) Accounting policy

i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental cost (net of income taxes) is recognised directly in equity.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

ii) Employee share trust

The Group has formed a trust to administer the Group's executive management Short-Term Incentive and Long-Term Incentive share plans. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the Group.

Shares held by the nib Holdings Ltd Share Ownership Plan Trust are disclosed as treasury shares and deducted from contributed equity.

23. Retained profits

	2021 $m	2020[1] $m
Balance at the beginning of the year	470.5	497.8
Net profit attributable to owners of nib holdings limited	161.1	87.9
Adjustment on adoption of AASB 16	–	(10.5)
Dividends	(63.9)	(104.7)
Balance at the end of the year	**567.7**	**470.5**

1 Comparative information has been restated. For further details, refer to Note 31.

24. Reserves

	2021 $m	2020 $m
Share-based payments	2.6	1.5
Share-based payments exercised	(10.4)	(10.2)
Foreign currency translation	3.0	3.2
	(4.8)	**(5.5)**

Movements in reserves

	Notes	2021 $m	2020 $m
Share-based payments			
Balance at the beginning of the year		1.5	3.3
Performance rights expense		1.9	(0.4)
Transfer to share-based payments exercised reserve on exercise of performance rights		(0.8)	(1.4)
Balance at the end of the financial year		**2.6**	**1.5**
Share-based payments exercised			
Balance at the beginning of the year		(10.2)	(7.7)
Transfer from share-based payments reserve on exercise of performance rights		0.8	1.4
Issue of shares held by nib Holdings Ltd Share Ownership Plan Trust to employees		(1.0)	(3.9)
Balance at the end of the financial year		**(10.4)**	**(10.2)**
Foreign currency translation			
Balance at the beginning of the year		3.2	4.9
Currency translation differences arising during the year – gross		(0.2)	(2.1)
Deferred tax	8(a)(iii)	–	0.4
Balance at the end of the financial year		**3.0**	**3.2**

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.

25. Dividends

a) Ordinary shares

	2021 $m	2020 $m
Final dividend for the year ended 30 June 2020 of 4.0 cents (2019 – 13.0 cents) per fully paid share paid on 6 October 2020		
Fully franked based on tax paid at 30%	18.3	59.2
Interim dividend for the year ended 30 June 2021 of 10.0 cents (2020 – 10.0 cents) per fully paid share paid on 6 April 2021		
Fully franked based on tax paid at 30%	45.6	45.5
Total dividends provided for or paid	**63.9**	**104.7**

b) Dividends not recognised at year end

	2021 $m	2020 $m
In addition to the above dividends, since the end of the year the Directors have recommended the payment of a final dividend of 14.0 cents (2020 – 4.0 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 5 October 2021 out of retained profits at 30 June 2021, but not recognised as a liability at the end of the year, is:	**64.1**	**18.3**

c) Franked dividends

The franked portion of the final dividends recommended after 30 June 2021 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 2021.

	2021 $m	2020 $m
Franking credits available for subsequent financial years to equity holders of parent entity based on a tax rate of 30%	**121.4**	**105.4**

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

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

d) Accounting policy

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

26. Earnings per share

		2021	2020[1]
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic/diluted EPS	$m	161.1	87.9
Weighted average number of ordinary shares	#m	457.2	456.1
Basic/Diluted EPS	cents	**35.2**	**19.3**

1 Comparative information has been restated. For further details, refer to Note 31.

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 34. The total 2,011,152 performance rights granted (2020 – 1,790,138) 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 2021. These performance rights could potentially dilute basic earnings per share in the future.

27. Capital management

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

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

nib holdings limited

At 30 June 2021 the Group had available capital of $65.7 million above our internal benchmark (after allowing for the payment of a fully franked final ordinary dividend of 14.0 cents per share, totalling $64.1 million, in October 2021).

Below is a reconciliation of net assets to available capital as at the reporting end date (after allowing for payment of a final dividend):

		2021 $m	2020 $m
Net assets		**706.2**	**603.1**
Less:	nib health fund capital required	(514.4)	(444.5)
	nib nz capital required	(100.0)	(94.9)
	Investment in associates	(17.8)	(17.5)
	Capital required looking forward 12 months	(9.7)	(24.7)
	nib nz intangibles	(31.5)	(32.9)
	iihi intangibles	(18.4)	(21.4)
	nib travel intangibles	(102.7)	(113.5)
	Charitable foundation	(16.1)	(16.7)
	Borrowings	230.7	230.9
	Other assets and liabilities	3.5	4.1
	Final dividend	(64.1)	(18.3)
Available capital (after allowing for payment of final dividend)		**65.7**	**53.7**

nib health funds limited

nib health funds 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:	(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:	(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 21.2% 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 $30.7 million in August 2020 and $58.8 million in February 2021 to nib holdings limited.

The surplus assets over benchmark at 30 June 2021 and 2020 were as follows:

	2021 $m	2020 $m
Total assets nib health funds limited (excluding unclosed business contributions – unearned)	1,216.5	1,198.8
Capital adequacy requirement	823.7	792.6
Surplus assets for Capital Adequacy[1]	**392.8**	**406.2**
Net assets nib health funds limited	540.2	461.4
Internal capital target	514.4	444.5
Surplus assets over internal capital target	**25.8**	**16.9**

1. Surplus assets for Capital Adequacy based on most recent APRA return.

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 $4.7 million in February 2021 to nib nz holdings limited.

The surplus assets over benchmark at 30 June 2021 and 2020 are as follows:

	2021 $m	2020 $m
Actual Solvency Capital	38.7	30.4
Minimum Solvency Capital	13.2	12.6
Solvency Margin	**25.5**	**17.8**
Net assets nib nz limited	111.4	97.1
Capital Adequacy Coverage Ratio	2.93	2.42
Internal benchmark	2.25xMSC	2.25xMSC
Internal benchmark requirement	29.6	28.3
Surplus assets over internal benchmark	**9.1**	**2.1**

28. Commitments for expenditure

a) Capital expenditure commitments

	2021 $m	2020 $m
Payable:		
– not longer than one year	1.9	1.5
	1.9	**1.5**

b) Charitable foundation commitments

	2021 $m	2020 $m
Payable:		
– not longer than one year	–	0.9
– longer than one year and not longer than five years	–	0.2
	–	**1.1**

29. Contingent liabilities

a) 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 $70.0 million term loan facility.

nib holdings limited has in place a commitment to fund advances up to NZD $10.0 million to nib nz holdings limited upon written request. NZD $2.1 million has been drawn down as at 30 June 2021. 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 valid from 1 January 2021 to 31 December 2021.

30. Events occurring after the balance sheet date

In July 2021, the Board approved the return of $15.0 million in additional claims savings to members due to COVID-19 impacts by way of an ex gratia payment on their next premium payment between the period 1 September and 31 December 2021.

There have been no other matters or circumstances that have arisen since the end of the financial year that has significantly affected, or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

31. Change in accounting policy

The Group previously capitalised costs incurred in configuring or customising Software-as-a-Service (SaaS) arrangements as intangible assets, as the Group considered that it would benefit from those costs to implement the SaaS arrangements over the expected renewable term of the arrangements. Following the IFRS Interpretations Committee (IFRIC) agenda decision on Configuration or Customisation Costs in a Cloud Computing Arrangement in March 2021, the Group has reconsidered its accounting treatment and adopted the treatment set out in the IFRS IC agenda decision, which is to recognise those costs as intangible assets only if the implementation activities create an intangible asset that the entity controls and the intangible asset meets the recognition criteria. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the suppliers of the SaaS arrangement to significantly customise the cloud-based software for the Group, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the arrangements.

As a result of this change in accounting policy, the Group has determined that costs totalling $9.0 million ($4.3 million relating to FY21 and $4.7 million to prior periods, of which $3.2 million relates to FY20 and $1.5 million to FY19) relating to the implementation of SaaS arrangements would need to be expensed when they were incurred.

The change in policy has been applied retrospectively and comparative information has been restated. This had the following impact on the amounts recognised in the financial statements:

Consolidated Income Statement	Restated 2020 $m	Change 2020 $m	Previously reported 2020 $m
Other underwriting expenses	(148.5)	(3.2)	(145.3)
Underwriting expenses	**(317.0)**	**(3.2)**	**(313.8)**
Underwriting result	**170.8**	**(3.2)**	**174.0**
Operating profit	**114.9**	**(3.2)**	**118.1**
Profit before income tax	**121.8**	**(3.2)**	**125.0**
Income tax expense	(34.8)	1.0	(35.8)
Profit for the year	**87.0**	**(2.2)**	**89.2**
Profit/(loss) for the year is attributable to:			
Owners of nib holdings limited	87.9	(2.2)	90.1
	87.0	**(2.2)**	**89.2**

	Cents	Cents	Cents
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company			
Basic earnings per share	19.3	(0.5)	19.8
Diluted earnings per share	19.3	(0.5)	19.8
Earnings per share for profit attributable to the ordinary equity holders of the company			
Basic earnings per share	19.3	(0.5)	19.8
Diluted earnings per share	19.3	(0.5)	19.8

31. Change in accounting policy continued

Consolidated Balance Sheet	Restated 2020 $m	Change 2020 $m	Previously Reported 2020 $m
ASSETS			
Intangible assets	334.7	(4.7)	339.4
Total assets	**1,677.8**	**(4.7)**	**1,682.5**
LIABILITIES			
Current tax liabilities	22.5	(1.4)	23.9
Total liabilities	**1,074.7**	**(1.4)**	**1,076.1**
Net assets	**603.1**	**(3.3)**	**606.4**
EQUITY			
Retained profits	470.5	(3.3)	473.8
Capital and reserves attributable to owners of nib holdings limited	**586.4**	**(3.3)**	**589.7**
Total equity	**603.1**	**(3.3)**	**606.4**

Consolidated Statement of Cash Flows	Restated 2020 $m	Change 2020 $m	Previously Reported 2020 $m
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of goods and services tax)	(452.5)	4.0	(448.5)
Net cash inflow/(outflow) from operating activities	**207.6**	**4.0**	**211.6**
Cash flows from investing activities			
Payments for property, plant and equipment and intangibles	(23.0)	(4.0)	(27.0)
Net cash inflow/(outflow) from investing activities	**(59.4)**	**(4.0)**	**(63.4)**

32. Remuneration of auditors

	2021 $	2020 $
a) PricewaterhouseCoopers Australia		
Audit and review of financial reports	993,865	837,697
Other statutory assurance services	153,988	180,400
Other services		
Tax compliance services	12,563	–
International tax consulting and tax advice on mergers and acquisitions	–	1,416
Accounting advice and support including one-off transactions	–	47,940
Regulatory returns advice	24,786	24,480
Regulatory returns agreed upon procedures	21,420	–
Total remuneration of PricewaterhouseCoopers Australia	**1,206,622**	**1,091,933**
b) Network firms of PricewaterhouseCoopers		
Audit and review of financial reports	336,534	289,521
Other statutory assurance services	13,258	12,996
Total remuneration of network firms of PricewaterhouseCoopers	**349,792**	**302,517**
Total auditors' remuneration	**1,556,414**	**1,394,450**

33. 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	2021 %	2020 %
nib holdings limited	Australia		
nib health funds limited	Australia	100	100
nib servicing facilities pty limited	Australia	100	100
nib Life pty limited	Australia	100	100
nib Global Pty Limited	Australia	100	100
IMAN Australian Health Plans Pty Limited	Australia	100	100
nib nz holdings limited	New Zealand	100	100
nib nz limited	New Zealand	100	100
nib Options Pty Limited	Australia	100	100
Realsurgeons Pty Limited	Australia	100	100
Realself Pty Limited	Australia	100	100
nib Options Holdings (Thailand) Co Limited	Thailand	100	100
nib Options (Thailand) Co Limited	Thailand	100	100
Digital Health Ventures Pty Limited	Australia	50	50
nib Philippines Pty Limited	Australia	100	100
nib Asia Pty Limited	Australia	100	100
Nuo Ban Business Information Consulting (Shanghai) Co. Ltd	China	100	100
nib International Student Services Pty Ltd	Australia	100	100
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	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	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	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

33. Interest in other entities 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) is to enable receipt of unclaimed dividends of the parent entity (nib holdings limited) to fund charitable donations to the community. 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

Set out below are the associates and joint ventures of the Group as at 30 June 2021 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 2021	% of ownership interest 2020	Nature of relationship	Measurement method	Carrying amount $m 2021	Carrying amount $m 2020
Honeysuckle Health Pty Ltd	Australia	50.0%	50.0%	Joint venture	Equity	5.6	8.4
Aohua Insurance Consulting Co Ltd (formerly Sino-Australia Insurance Consulting Co., Ltd)	China	75.1%	75.1%	Joint venture	Equity	8.2	6.4
Kangaroo Technologies Ltd (formerly Kangaroo Insurance Broker Co., Ltd.)	China	24.9%	24.9%	Joint venture	Equity	4.0	2.1
Total material equity accounting investments						**17.8**	**16.9**

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.

Aohua Insurance Consulting Co Ltd and Kangaroo Technologies 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.

During the financial year nib Asia Pty Limited (a wholly-owned subsidiary) invested a further $3.8 million in Aohua Insurance Consulting Co Ltd and $1.9 million in Kangaroo Technologies Ltd for the acquisition of an underwriting business, whilst maintaining ownership interest percentage.

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		Aohua Insurance Consulting Co Ltd		Kangaroo Technologies Ltd	
Summarised balance sheet	**2021 $m**	**2020 $m**	**2021 $m**	**2020 $m**	**2021 $m**	**2020 $m**
Current assets						
Cash and cash equivalents	12.9	17.8	5.3	4.8	10.8	2.6
Other current assets	0.9	0.2	5.1	3.4	2.3	8.1
Total current assets	**13.8**	**18.0**	**10.4**	**8.2**	**13.1**	**10.7**
Non-current assets	**0.7**	**0.8**	**1.0**	**0.7**	**5.3**	**0.1**
Current liabilities						
Financial liabilities (excluding trade payables)	2.4	1.4	0.3	0.3	2.5	2.5
Other current liabilities	0.3	0.1	0.1	–	–	–
Total current liabilities	**2.7**	**1.5**	**0.4**	**0.3**	**2.5**	**2.5**
Total non-current liabilities	**0.6**	**0.4**	**–**	**–**	**–**	**–**
Net assets	**11.2**	**16.9**	**11.0**	**8.6**	**15.9**	**8.3**
Reconciliation to carrying amounts:						
Opening net assets	16.9	–	8.6	10.2	8.3	9.7
Investment	–	20.0	5.1	–	7.6	–
Profit/(loss) for the period	(5.7)	(3.1)	(2.7)	(1.6)	–	(1.4)
Other comprehensive income	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–
Closing net assets	**11.2**	**16.9**	**11.0**	**8.6**	**15.9**	**8.3**
Group's share in %	50.0%	50.0%	75.1%	75.1%	24.9%	24.9%
Group's share in $	5.6	8.4	8.2	6.4	4.0	2.1
Goodwill	–	–	–	–	–	–
Carrying amount	**5.6**	**8.4**	**8.2**	**6.4**	**4.0**	**2.1**
Summarised statement of comprehensive income						
Revenue	5.5	–	6.6	1.2	0.7	–
Interest income	–	–	–	0.1	–	–
Depreciation and amortisation	(0.3)	(0.1)	(0.1)	(0.1)	(0.1)	–
Interest expense	–	–	(0.1)	–	–	–
Income tax expense	–	–	–	–	–	–
Profit/(loss) from continuing operations	**(5.7)**	**(3.1)**	**(2.7)**	**(1.6)**	**–**	**(1.4)**
Profit/(loss) from discontinued operations	–	–	–	–	–	–
Profit/(loss) for the period	(5.7)	(3.1)	(2.7)	(1.6)	–	(1.4)
Other comprehensive income/(loss)	–	–	–	–	–	–
Total comprehensive income/(loss)	**(5.7)**	**(3.1)**	**(2.7)**	**(1.6)**	**–**	**(1.4)**
Dividends received from associates and joint venture entities	**–**	**–**	**–**	**–**	**–**	**–**

33. Interest in other entities continued

ii) Individually immaterial associates

During the year, the Group disposed of the investment in the Whitecoat joint venture, resulting in a one-off profit of $9.7 million. In the event that certain pre-determined revenues are achieved by Whitecoat over three years post sale, additional consideration may be receivable. No contingent asset has been recognised as at 30 June 2021.

	2021 $m	2020 $m
Aggregate carrying amount of individually immaterial associates and joint ventures	–	0.7
Aggregate amounts of the Group's share of:		
Profit/(loss) from continuing operations	–	(1.0)
Total comprehensive income	**–**	**(1.0)**

34. Related party transactions

a) Related party transactions with key management personnel

Key management personnel are entitled to insurance policies provided at a discount dependant on length of service; in all other respects the policies are on 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

	2021 $	2020 $
Short-term employee benefits	8,462,275	7,320,944
Post-employment benefits	326,543	345,195
Other long-term benefits	39,379	90,972
Termination benefits	235,676	1,100,490
Share-based payments	3,094,494	3,616,824
	12,158,367	**12,474,425**

Detailed remuneration disclosures are provided in the Remuneration Report on pages 21 to 42.

c) Transactions with other related parties

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

35. Share-based payments

a) Long-term incentive plan (LTIP)

Performance rights to acquire shares in nib holdings limited are granted to Executives under the Long Term Incentive Plan (LTIP). Information relating to the LTIP is included in the Remuneration Report on page 34. 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:

	2021 Number of rights	2020 Number of rights
Balance at the start of the year	1,790,138	2,304,220
Granted as compensation	716,918	546,774
Exercised	(141,334)	(628,895)
Other forfeitures	(354,570)	(431,961)
Balance at the end of the year	**2,011,152**	**1,790,138**
Vested and exercisable at the end of the year	–	–

The valuation methodology inputs for performance rights granted during the year ended 30 June 2021 included:

a) Performance rights are granted for no consideration and vest subject to nib holdings limited EPS and TSR hurdle.
b) Exercise price: $nil (2020: $nil)
c) Grant date: 27 November 2020 and 8 April 2021 (2020: 11 December 2019 and 28 February 2020)
d) Expiry date: 1 September 2024 (2020: 1 September 2023)
e) Share price at grant date: $4.4760 (2020: $6.0675)
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.

	2021	2020
Number of shares purchased on-market under the plan to participating employees	64,894	69,440

The shares were allocated in two tranches. The first tranche of shares were for allocated on 26 August 2020 following nib's FY20 full year results presentation at a volume weighted average price of $4.66. The remaining tranche of shares were allocated on 24 February 2021 following nib's FY21 half year results presentation at a volume weighted average price of $5.66.

35. Share-based payments continued

c) nib NZ Employee Share Purchase Scheme (ESPS)

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

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

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

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

	2021	2020
Number of shares purchased on-market under the plan to participating employees	1,685	4,780

The shares were allocated in two tranches. The first tranche of shares were for allocated on 26 August 2020 following nib's FY20 full year results presentation at a volume weighted average price of $4.66. The remaining tranche of shares were allocated on 24 February 2021 following nib's FY21 half year results presentation at a volume weighted average price of $5.66.

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.

	2021	2020
Number of shares purchased on-market under the plan to participating employees	52,814	56,712

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.

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.

	2021	2020
Number of shares purchased on-market under the plan to participating employees	3,657	3,386

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, CE ARHI and CEO NZ the maximum target bonus opportunity is 100% of the remuneration package with 50% of the calculated entitlement deferred into shares. For the CIO, COO and GELCRO the maximum target bonus opportunity is 80% of the remuneration package with 50% of the calculated entitlement deferred into shares. For other executives the maximum entitlement is 40% of the remuneration package with 50% of the calculated entitlement deferred into shares.

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

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

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

g) Expenses arising from share-based payments transactions

	2021 $m	2020 $m
Shares purchased on-market under ESAP and ESPS	0.3	0.4
Shares purchased on-market under nib salary sacrifice plan and matching plan and salary sacrifice (NZ) rules and matching plan (NZ)	0.3	0.4
Performance rights granted under LTIP	1.7	(0.4)
Shares purchased on-market under STI	0.9	2.0
	3.2	**2.4**

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-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The nib holdings Long-Term Incentive Plan is administered by the nib Holdings Ltd Share Ownership Plan Trust; see Note 22(d)(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.

36. Parent entity financial information

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

	2021 $m	2020 $m
Balance Sheet		
ASSETS		
Current assets	89.4	120.9
Non-current assets	744.0	739.7
Total assets	**833.4**	**860.6**
Current liabilities	20.2	29.0
Non-current liabilities	165.5	165.5
Total liabilities	**185.7**	**194.5**
NET ASSETS	**647.7**	**666.1**
EQUITY		
Share capital	401.1	396.5
Share-based payments	(7.9)	(8.7)
Retained profits	254.5	278.3
Total Equity	**647.7**	**666.1**
Profit for the year	**40.0**	**115.1**
Total comprehensive income for the year	**40.0**	**115.1**

Refer to Note 29 for contingent liabilities of parent entity.

a) Accounting policy

The financial information for the parent entity, nib holdings limited, has been prepared on the same basis as the consolidated financial statements, except as set out below.

i) Investments in subsidiaries, associates and joint venture entities	Investments in subsidiaries, associates and joint venture entities are accounted for at cost less any provision for impairment 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 2021

In the Directors' opinion:

a) the financial statements and notes set out on pages 44 to 110 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 2021 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

David Gordon
Director

Anne Loveridge
Director

Newcastle, NSW
20 August 2021

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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- 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 & 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.

PricewaterhouseCoopers, ABN 52 780 433 757
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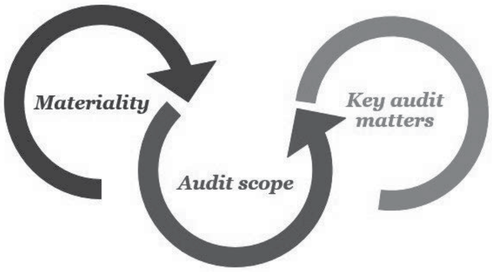
Our audit approach

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

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



Materiality

- For the purpose of our audit we used overall Group materiality of $11.1 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 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 in relation to inherently uncertain future events.
- PwC specialists in 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 as well as the component auditor operating under our instruction. 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.

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 Committee.

Key audit matter	*How our audit addressed the key audit matter*
Estimation of claims liabilities *(Refer to note 18) [$217.1 million]* *a) Outstanding claims liability [$183.1 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 statistical analysis 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 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 estimation of the outstanding claims liability included, amongst others: ● Developing an understanding of how the Group identified the relevant methods, assumptions and sources of data, and the need for changes in them, that are appropriate for developing the estimates in the context of the Australian Accounting Standards. ● Developing an understanding of the relevant control activities associated with developing the estimate. ● Evaluating the design effectiveness and implementation of relevant controls over claims payments. ● Together with PwC actuarial experts, evaluated the Group's actuarial practices and the estimates established. These procedures included, amongst others: ○ Assessing the appropriateness of data used to develop the estimates. ○ Testing on a sample basis, the accuracy of the claims data used in the outstanding claims liability valuation. ○ Assessing the appropriateness of the Group's methods for developing the estimate by reference to the nature of the estimate and the business, industry and environment in which the Group operates. ○ Evaluating the appropriateness of the significant assumptions used to develop the estimates. This included assessing the assumptions by comparing them to the Group's historical experience, audit of

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Key audit matter	*How our audit addressed the key audit matter*
	subsequent payment patterns, and our own industry knowledge. ○ Assessing the approach to setting the risk margin, including an assessment of the appropriateness of the actuarial calculation of the probability of adequacy. ○ Testing the mathematical accuracy of the Group's actuarial model. ○ Reconciling the results of the outstanding claims liability valuation to the financial statements and assessing the reasonableness of the disclosures made in the financial statements, including those related to estimation uncertainty.
b) Provision for deferred and suspended claims [$34.0 million] 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 2021 that would ordinarily have been paid prior to 30 June 2021 if it were not for the temporary unavailability 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 unavailability of elective surgery and reduced access to ancillary benefits, netted by the impact on the risk equalisation adjustment, less amounts determined to have been caught up during the financial year ended 30 June 2021 and quantifying the percentage of these savings that will be caught up as claims after year end. 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 estimation of the provision for deferred and suspended claims included, amongst others: • Evaluating the appropriateness of the Group's accounting policy to recognise deferred claims as a result of the COVID-19 pandemic. • Developing an understanding of the impacts of COVID-19 on claims payment patterns in the previous and current financial years. • Evaluating the adequacy of the process for determining the provision, including audit procedures over relevant data inputs into the provision model and review processes in place over the model's outputs. • Together with PwC actuarial experts, evaluated the estimation process and the estimates established. This included assessing and evaluating the appropriateness of the Group's significant assumptions and methods used for determining claims deferred to future periods including consideration of reasonable alternatives. • Reconciling the provision for deferred and suspended claims to the financial statements and assessing the reasonableness of the disclosures made in the financial statements, including those related to estimation uncertainty.

Key audit matter	*How our audit addressed the key audit matter*
Impairment testing of goodwill and indefinite lived intangibles *(Refer to note 14) [$234.9 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) ($218.7m) and indefinite lived intangible assets relating to brands ($16.2m). 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 was greater than normal due to the effects of the COVID-19 pandemic increasing uncertainty in respect of estimating future cash flows, particularly in relation to the travel insurance business. The outcome of the nib travel Group CGU impairment assessment is particularly 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.	Our audit procedures over the impairment testing of goodwill and indefinite lived intangibles included, among others: ● Assessing 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. ● Together with PwC valuation experts, evaluated the appropriateness of the value in use calculation methodology. These procedures included, amongst others: ○ Considering whether the forecast cash flows, including probability weighted cash flows as applicable, were appropriate and based on supportable assumptions. Assessing the appropriateness of key assumptions by comparing actual cash flows to previous forecasts, and comparing assumptions underpinning the cash flows to corroborative evidence including industry data. ○ Assessing the appropriateness of the Group's assessment of COVID-19 impacts on the nib Travel CGU cash flow forecasts by reference to publicly available information regarding possible implications of the pandemic on the travel industry. ○ Assessing whether the discount rates adopted by the Group, including components calculated using management's expert, reflected the risks of the CGUs by comparing the discount rate to external market data. ○ Evaluating the appropriateness of the terminal growth rate assumptions by reference to external market data. ○ Assessing the appropriateness of the design and testing the mathematical accuracy of the value in use model. ● Assessing the appropriateness of the disclosures made in note 14, including those related to estimation uncertainty, against 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 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 21 to 42 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of nib holdings limited for the year ended 30 June 2021 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

SK Fergusson
Partner

Newcastle
20 August 2021

shareholder information

as at 31 August 2021

The shareholder information set out below was applicable as at 31 August 2021.

A. DISTRIBUTION OF EQUITY SECURITIES

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

	Number of holders
1 – 1,000	57,727
1,001 – 5,000	66,297
5,001 – 10,000	9,053
10,001 – 100,000	815
100,001 and over	67
	133,959

There were 577 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	76,781,000	16.77
CITICORP NOMINEES PTY LIMITED	33,999,128	7.43
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	33,045,560	7.22
NATIONAL NOMINEES LIMITED	15,798,859	3.45
BNP PARIBAS NOMS PTY LTD	7,731,251	1.69
BNP PARIBAS NOMINEES PTY LTD	5,440,256	1.19
CITICORP NOMINEES PTY LIMITED	4,381,265	0.96
MIRRABOOKA INVESTMENTS LIMITED	1,350,000	0.29
MR MARK ANTHONY FITZGIBBON	1,296,366	0.28
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	1,239,620	0.27
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD	1,050,124	0.23
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,013,776	0.22
CPU SHARE PLANS PTY LTD	960,641	0.21
BNP PARIBAS NOMINEES PTY LTD	913,923	0.20
POWERWRAP LIMITED	889,889	0.19
FITZY (NSW) PTY LTD	824,621	0.18
BNP PARIBAS NOMS PTY LTD	769,996	0.17
AMP LIFE LIMITED	732,813	0.16
MRS MICHELLE MCPHERSON	587,911	0.13
MODANE PTY LTD	459,744	0.10
	189,266,743	**41.35**

Unquoted equity securities

	Number on issue	Number of holders
Performance rights issued under the nib holdings Long-term Incentive Plan	2,011,152	14

C. SUBSTANTIAL HOLDERS

In a substantial holding notice dated 30 August 2019, Vanguard Group advised that as at 27 August 2019, it had an interest in 28,858,838 ordinary shares, which represented 5.018% of nib's ordinary shares at this time.

D. VOTING RIGHTS

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

Ordinary shares

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

Performance rights

No voting rights.

corporate directory

DIRECTORS

Chairman

David Gordon

Managing Director/Chief Executive Officer

Mark Fitzgibbon

Lee Ausburn

Jacqueline Chow

Peter Harmer

Anne Loveridge

Donal O'Dwyer

COMPANY SECRETARIES

Roslyn Toms

Jordan French

EXECUTIVE MANAGEMENT

Managing Director/Chief Executive Officer

Mark Fitzgibbon

Chief People Officer

Martin Adlington

Chief Executive – International Visitors

James Barr

Chief Executive – Australian Residents Health Insurance

Edward Close

Chief Financial Officer

Nick Freeman

Chief Executive – nib travel

Anna Gladman

Group Executive – nib New Zealand

Rob Hennin

Chief Information Officer

Brendan Mills

Group Chief Operations Officer

Matt Paterson

Group Executive – Legal and Chief Risk Officer

Roslyn Toms

NOTICE OF ANNUAL GENERAL MEETING

The AGM of nib holdings limited will be held as a virtual meeting on Thursday, 4 November 2021. 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

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AUDITOR

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PricewaterhouseCoopers Centre
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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

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