Freedom Insurance Group Ltd
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Freedom Insurance Group Ltd
ABN:	14 608 717 728
Reporting period:	For the year ended 30 June 2017
Previous period:	For the year ended 30 June 2016

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	86.3%	to	53,663
Profit from ordinary activities after tax attributable to the owners of Freedom Insurance Group Ltd	up	365.4%	to	14,064
Profit for the year attributable to the owners of Freedom Insurance Group Ltd	up	365.4%	to	14,064

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
Refer to the 'Review of operations' section of the Directors' report accompanying this Appendix 4E for further commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	20.30	6.77

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

---

9. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

---

10. Attachments

Details of attachments (if any):

The Directors' Report and Financial Statements of Freedom Insurance Group Ltd for the year ended 30 June 2017 is attached.

---

11. Signed

Signed ___________________________ Date: 22 August 2017

Keith Cohen
Managing Director
Sydney

Freedom Insurance Group Ltd

(Formerly known as Freedom Insurance Group Pty Limited)

ABN 14 608 717 728

Directors' Report and Financial Statements - 30 June 2017

Directors	David Hancock Keith Cohen Stephen Menzies Andrew Jensen Katrina Glendinning
Company secretaries	Malcolm McCool Anand Sundaraj
Registered office	Levels 12 and 13 20 Bond Street Sydney, NSW 2000 Tel: 1300 884 488
Share register	Computershare Investor Services Pty Limited Yarra Falls, 452 Johnston Street Abbotsford, VIC 3067 Tel: 1300 787 272 or + 61 3 9415 4232
Auditor	Crowe Horwath Sydney Level 15, 1 O'Connell Street Sydney, NSW 2000
Stock exchange listing	Freedom Insurance Group Ltd shares are listed on the Australian Securities Exchange (ASX code: FIG)
Website	www.freedominsurance.com.au
Business objectives	Freedom Insurance Group Ltd has used cash and cash equivalents held at the time of listing, in a way consistent with its stated business objectives.

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Freedom Insurance Group Ltd (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2017.

Directors
The following persons were directors of Freedom Insurance Group Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

David Hancock - Chairman	(appointed 18 October 2016)
Keith Cohen	
Stephen Menzies	(appointed 18 October 2016)
Andrew Jensen	(appointed 18 October 2016)
Katrina Glendinning	(appointed 18 October 2016)
Brian Pillemer	(resigned 18 October 2016)
Harvey Light	(resigned 18 October 2016)

Principal activities
The Group is an insurance business that specialises in the development, distribution and administration of risk life insurance products that are issued by Australian Prudential Regulation Authority ('APRA') regulated life insurers. The Group is not an APRA regulated life insurer.

The focus is on straightforward life insurance products that are simple to understand and convenient for customers to obtain.

There was no change in the principal activities during the financial year.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations
The net profit for the Group after income tax was $14,064,000 (30 June 2016: $3,022,000).

The Group’s revenue includes a mix of commission revenue comprising upfront commission and, fees generated by policy sale and ongoing commission and fees; net present value trail commission movement; and administration fees related to the 'in force' book of policies.

During the year, the Group recorded approximately $64.4 million of new policy sales. Direct policy sales, which represents policies sold by the Group, increased 93% on the prior year to approximately $58.3 million. Indirect policy sales, which includes policies sold by third party brokers and advisers associated with the Group’s Spectrum Wealth Advisers business, grew 15% on the prior year to approximately $6.1 million. These new business sales and ongoing focus on customer retention contributed to the value of the Group’s in force book of policies increasing by approximately 66% during the prior year to approximately $109.2 million at year end.

At 30 June 2017, Freedom’s policies insured approximately 280,000 individuals compared to approximately 167,000 individuals at 30 June 2016.

Commission revenue increased by 98% to $31,673,000, from $15,981,000 in the prior year, due to the strong growth in new business sales and the enlarged book of in force policies. New business sales were assisted by the acquisition of an increased number of leads acquired during the year and an expanded sales capability.

Increase in the net present value trail commission contributed $20,123,000 to revenue, compared to $11,578,000 in the prior year. This increase reflected the larger value of the Group’s in force book of policies.

The Group’s main operating expenses are employee benefit expenses, and expenses associated with upfront customer acquisition and ongoing policy administration.

Reflecting the growth in the Company's sales activity and servicing requirements of existing policies, employee benefit costs increased by 44.4% on the prior year to $17,239,000. At 30 June 2017, the Company employed 218 employees on a full time equivalent basis, compared to 171 at 30 June 2016.

Marketing and promotion including internal lead generation costs grew 3.0% on the prior year to $6,722,000. Lower per unit lead generation costs enabled the Company to acquire a greater number of sales leads than budgeted, supporting strong growth. This also contributed to total marketing costs increasing at a lower rate than the growth in sales revenue.

Total expenses were impacted by one-off costs totalling $1,291,000 related to the Company's listing on the Australian Securities Exchange ('ASX'), as detailed in 'Significant changes in the state of affairs' below.

Finance costs were $919,000, approximately $348,000 lower than the prior year, due to repayment of net debt from the proceeds of the Group's December 2016 capital raising.

Driven by increased earnings, income tax expense increase by approximately 196% on the prior year to $6,195,000, representing approximately 30.6% of profit before income tax for the year.

The statutory financial results for the financial year ended 30 June 2017 and 30 June 2016 were:

	2017 $'000	2016 $'000	Change $'000	Change %
Revenue	53,663	28,812	24,851	86%
Expenses	33,404	23,687	9,717	41%
Profit before tax	20,259	5,125	15,134	295%
Profit after tax	14,064	3,022	11,042	365%

Significant changes in the state of affairs
On 23 September 2016, the Company converted from a private to a public company and changed its name from Freedom Insurance Group Pty Ltd to Freedom Insurance Group Ltd.

On 19 September 2016, the Company established The Freedom Employee Option Plan. One grant has been made under the Plan being the issue to management of 2,830,000 share options in the Company. The share options issued were subject to an Initial Public Offering ('IPO') and securities exchange listing. The vesting of options is also subject to performance and service criteria.

On 7 October 2016, NobleOak Life Ltd and the Group mutually agreed to terminate their Product Development and Distribution Agreement for new business. In February 2017, the Group began the transition to Swiss Re Life & Health Ltd ('Swiss Re') as the insurer of the products that it distributes. The transition for all products was completed by 30 June 2017.

On 28 November 2016, the Company converted convertible loans payable and accrued interest of $9,305,000 into 33,232,683 ordinary shares at 28 cents per share, a discount of 20% on face value.

On 29 November 2016, the Company was admitted to the Official List of ASX Limited with the ASX code "FIG" and official quotation of the ordinary shares in the Company commenced on 1 December 2016. Ahead of being admitted to the ASX, the Company raised $15,000,000 (before share issue costs), by issuing 42,857,142 ordinary shares at 35 cents per share, as part of the Group's IPO.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations
The Group has launched the following three new products during the financial year as it continues to develop products that are straightforward and simple to understand for customers:

- Freedom Loan Protection;
- Freedom Essential Life; and
- Freedom Premium Life

These are the first of the newly developed products since transitioning to Swiss Re as the insurer. Management expects to scale up its distribution activities with these products and is committed to ongoing product innovation.

Management are confident that the prospects of the consolidated entity will continue to improve in the foreseeable future.

Environmental regulation
The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	David Hancock
Title:	Chairman (appointed on 18 October 2016)
Qualifications:	David holds a Bachelor of Business degree and is a member of the Australian Institute of Company Directors.
Experience and expertise:	David has over 30 years of broad experience in financial services. Prior to joining Freedom, David held the position of Chief Executive Officer of listed insurer TOWER Insurance Limited and is a former Executive General Manager at the Commonwealth Bank of Australia, performing a variety of roles across capital markets, fixed income and equities. He has also held several board and senior positions on publicly-listed companies and has held senior roles in JPMorgan where he was a Managing Director with responsibilities in New Zealand, Australia and Asia across various operations.
Other current directorships:	Afterpay Holdings Ltd (ASX: AFY); Tower Limited (NZE: TWR and ASX: TWR)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and the Remuneration and Nomination Committee
Interests in shares:	142,858 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Keith Cohen
Title:	Chief Executive Officer and Managing Director
Qualifications:	Keith holds a Bachelor of Science degree and is a fellow of the Institute of Actuaries of Australia and the United Kingdom.
Experience and expertise:	Keith is a co-founder of Freedom Insurance and has been responsible for leading the development and execution of the Company's long term strategy. He is responsible for the day-to-day management decisions and has been critical to the success of the Company including the development of insurer relationships from inception to the more recent acquisition of Spectrum. Keith has extensive experience in the life insurance industry and was also the founder and Managing Director of Australian Life Insurance Group from 2002 to 2009. Prior to this, Keith was also a director of various Westpac companies, including Westpac Life Insurance Services Limited, Westpac General Insurance Limited, Westpac Financial Services Limited, Westpac Financial Consultants Limited and Westpac Custodian Nominees Limited. Before joining Westpac as the Chief Actuary in 1996, Keith was Deputy General Manager – Development Actuary at Sage Life Limited in South Africa.
Other current directorships:	NobleOak Life Limited
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	41,283,885 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Stephen Menzies
Title:	Non-Executive Director (appointed 18 October 2016)
Qualifications:	Stephen hold a Masters of Laws, Bachelor of Laws and Bachelor of Economics
Experience and expertise:	Stephen has extensive knowledge in corporate law and corporate restructures. Stephen is an experienced lawyer and business consultant who specialises in securities issues, funds management and corporate finance. He has significant corporate transactional experience, acting for various companies and investment banks in the implementation of complex structured transactions. He has also had extensive involvement in public company takeovers and corporate restructures, as well as both public and private equity issues. Stephen was a partner at Ashurst from 2006 to 2014. He has also acted as a senior enforcement officer at the Australian Securities Commission. He holds directorships in public companies and chairs the Advisory Board of the Centre for Quantum Computation and Communication Technology.
Other current directorships:	Platinum Asset Management Limited (ASX: PTM); Century Australia Investments Limited (ASX: CYA)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and the Remuneration and Nomination Committee
Interests in shares:	142,858 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Andrew Jensen
Title:	Non-Executive Director (appointed 18 October 2016)
Qualifications:	Andrew is a graduate member of the Institute of Company Directors and a fellow of the Institute of Public Accountants.
Experience and expertise:	Andrew has significant experience in corporate finance with extensive knowledge in the management of all aspects of the finance function with strong commercial, strategic, mergers & acquisitions, and change management experience. He has financially led companies engaged in various fields including telecommunications & technology, real estate, financial services and the franchising sectors in Australia and internationally. Andrew is an accomplished Chief Financial Officer ('CFO') with over 16 years' experience in senior finance and management roles. He served as an Executive Director and CFO of BuyNew Group Ltd and is currently a Non-Executive Director. He is also a Non-Executive Director of Better Choice Home Loans Pty Ltd. Prior to this, Andrew was the CFO and director of VGC Food Group Pty Ltd, CFO of Digicel PNG (Papua New Guinea) part of Digicel Group Limited (Digicel), and CFO of real estate group Ray White for 8 years.
Other current directorships:	iBuyNew Group Limited (ASX: IBN) (Previously known as Disruptive Investment Group Ltd (ASX: DVI)
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee
Interests in shares:	142,858 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Katrina Glendinning
Title:	Non-Executive Director (appointed on 18 October 2016)
Qualifications:	Katrina holds a Bachelor of Economics degree, is a member of the Institute of Chartered Accountants in Australia, a Fellow of FINSIA, and is a graduate of the Australian Institute of Company Directors.
Experience and expertise:	Katrina is an experienced financial services executive, with over 25 years of experience across a diverse range of products, investors and regulatory regimes. She has extensive experience across operations, finance, risk and compliance in both start up and established entities. Katrina is Executive Director of Pengana Capital Limited and Hunter Hall Investment Management Limited, and Chief Financial Officer of Pengana Capital Group Limited (ASX: PCG). Prior to joining Pengana, Katrina was an Executive Vice President at BT Funds Management where she held a number of roles from 1993 to 2002. During this period she was a representative of BT Funds Management Ltd, BT Portfolio Services Pty Ltd and BT Securities Ltd. Prior to BT, Katrina worked at Price Waterhouse in Audit.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee
Interests in shares:	142,858 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

Name:	Brian Pillemer
Title:	Former Non-Executive Director (resigned on 18 October 2016)
Qualifications:	Brian holds a Bachelor of Accounting Science degree and is a fellow of the Australian Society of Certified Practising Accountants.
Experience and expertise:	Brian is a co-founder of Freedom Insurance and original Chief Financial Officer. Prior to this Brian was a co-founder, executive director and Head of Distribution at Australian Life Insurance Group from 2002 to 2009. Before that Brian was at Westpac Bank for 19 years including roles as National Manager of Business Development for Westpac Insurance as well as Chief Manager of Finance & Planning for the Westpac Financial Services Group.
Other current directorships:	PPS Mutual Pty Limited
Former directorships (last 3 years):	None
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director
Interests in rights:	Not applicable as no longer a director
Contractual rights to shares:	Not applicable as no longer a director

Name:	Aaron Harvey Light
Title:	Former Non-Executive Director (resigned 18 October 2016) and Head of Shared Services
Experience and expertise:	Harvey has over 25 years' experience in Information Technology ('IT') and Administration management, primarily in the insurance environment working for companies including HIH and Allianz. Harvey was part of the management team that founded and ran Australian Life Insurance Group from 2002 to 2009 and had total responsibility for establishing and managing Administration and IT services for the Group.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	Not applicable as no longer a director
Interests in options:	Not applicable as no longer a director
Interests in rights:	Not applicable as no longer a director
Contractual rights to shares:	Not applicable as no longer a director

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretaries

Malcolm McCool has a Bachelor degree in both Law and Commerce. He has been with the Group since 2011. He is a senior lawyer with 30 years' experience in a range of corporate legal and management positions in the financial services industry. For much of that period he has been involved in the life insurance industry and has developed a unique mix of legal, product, process development and business and management skills that are ideally suited to a specialist life insurance business such as the Freedom Insurance.

Anand Sundaraj (appointed joint company secretary on 29 July 2016) has a Bachelor degree in Laws and a Bachelor of Science degree and is admitted as a solicitor of the Supreme Courts of New South Wales and Victoria. Anand is a principal of Whittens McKeough & Sundaraj Pty Ltd, a commercial law firm based in Sydney. Prior to joining Whittens McKeough & Sundaraj Pty Ltd, Anand worked at international law firms Allen & Overy, King & Wood Mallesons and Herbert Smith Freehills, as well as for global investment bank Credit Suisse. He specialises in providing legal advice on mergers and acquisitions and capital raisings for both publicly listed and privately held entities. He also advises on funds management and general securities law matters including ASX Listing Rules compliance.

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board		Remuneration and Nomination Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
David Hancock	9	9	1	1	2	2
Keith Cohen	9	9	-	-	-	-
Stephen Menzies	9	9	1	1	2	2
Andrew Jensen	9	9	1	1	2	2
Katrina Glendinning	9	9	1	1	2	2

Held: represents the number of meetings held during the time the director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration and Nomination Committee is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the Group depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration
Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The non-executive directors may be paid additional or special remuneration if at the request of the Board they perform any extra services or make special exertions. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive share options or other incentives. There are no retirement benefit schemes for non-executive directors, other than statutory superannuation contributions.

ASX listing rules require the total aggregate non-executive directors' remuneration be determined periodically by a general meeting. No amount has yet been approved by shareholders in a general meeting. The prospectus issued on 28 October 2016 set the annual base fee for the chairman at $110,000 and $65,000 to other non-executive directors. Fees are inclusive of superannuation payments, where applicable.

Each of the non-executive directors has entered into an appointment letter with the Company, confirming the terms of their appointment, their roles and responsibilities and the Company’s expectations of them as directors.

Executive remuneration
The Group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable 'at risk' components.

The executive remuneration and reward framework has four components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

During the financial year ended 30 June 2017, the Board has paid discretionary bonus payments to executives upon successful IPO which is in line with the Prospectus dated 28 October 2016. For future periods, the short-term incentives ('STI') program will be designed to align the targets of the business units with the performance hurdles of executives. STI payments will be granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved.

The long-term incentives ('LTI') include long service leave and share-based payments (Employee share scheme).

Employee share scheme
The Group's Employee Option Plan ('EOP') was established in 2016 to offer options to employees to encourage their long term performance and service on a tax concessional basis. A broader Employee Incentive Plan ('EIP') has been established during the financial year which is a flexible employee incentive plan suitable for both local and overseas participation.

The EIP enables the Group, to offer executives (and other selected employees) a range of different interests or Awards to reward and drive performance, retain senior management and other selected employees and to offer broad based employee share ownership.

These interests or Awards available under the EIP includes performance rights, options, cash rights, service rights, deferred shares, stock appreciation rights and exempt shares.

The Board has the discretion to determine which executives and employees are eligible to participate in the EIP, and what type of award suits the remuneration or incentive purpose. The definition of employee under the EIP rules includes any full time or permanent part time employee or officer and a director of the Company. Directors, including non-executive directors, are only eligible to participate in the EIP if approved by shareholders.

The options granted during the financial year and disclosed in the remuneration report reflect options granted under the EOP. There were no options granted under the EIP during this financial year.

LTI to KMP are currently delivered in the form of share options. The number of options granted is based on the Prospectus dated 28 October 2016 and is issued to KMP at no cost.

Options granted to KMP usually vest over three to five years (the ‘Performance Period’) depending on tranches, subject to the satisfaction of performance conditions. For options granted on 19 September 2016 (‘Grant Date’), the Performance Period was from the Group’s listing and concludes on following dates for each tranche:

- Tranche 1: 23 September 2019
- Tranche 2: 31 March 2020
- Tranche 3: 31 March 2021

The performance conditions for the LTI options are currently based on the compound annual growth rate (‘CAGR’) of the Group’s IPO share issue price per security. IPO share issue price was selected as the performance condition for the LTI since it serves as a good measure of economic value of the Group since listing and is a key component in delivering sustained growth in shareholder wealth. The Performance Period and applicable performance conditions for any future LTI opportunities will be determined by the Board and specified in the relevant offer document.

The percentage of options that vest and become exercisable, if any, is determined by reference to the vesting schedule, summarised as follows:

CAGR of IPO share issue price over the Performance Period	% of options that become exercisable
Less than 15% per annum	None
At least 15% per annum	25%
Between 15% and 25% per annum	Interpolated vesting on a straight line basis between 25% (15% CAGR) and 100% (25% CAGR)
At least 25% per annum	100%

If KMP ceases employment for cause, the unvested options will lapse unless the Board determines otherwise. In other circumstances, the options will remain on issue with a broad discretion for the Board to vest or lapse some or all of the options. The Board will ordinarily lapse options in the case of resignation.

Group performance and link to remuneration
As mentioned above, the Board has made discretionary payments to some KMP upon the successful listing of the Company on the ASX. The Board plans to implement the remuneration incentives program in future to appropriately incentivise executives based on measures which are aligned to performance targets of the Group.

The performance measure that drives LTI vesting is the CAGR of the Company's IPO share issue price over the relevant performance period. The Company's share price at 30 June 2017 was 92 cents per share.

Use of remuneration consultants
During the financial year, the Group engaged the services of Crichton and Associates to design and implement the Employee Option Plan. This has resulted in share-based payments remuneration in the form of options (LTI) being implemented. Crichton and Associates were paid $5,000 for these services.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the Group are set out in the following tables.

The key management personnel of the Group consisted of the following directors of Freedom Insurance Group Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:
- David Hancock (appointed 18 October 2016)
- Keith Cohen
- Stephen Menzies (appointed 18 October 2016)
- Andrew Jensen (appointed 18 October 2016)
- Katrina Glendinning (appointed 18 October 2016)

And the following person:
- Jenny Andrews (Chief Financial Officer)

For the year ended 30 June 2016, the Group was not required to prepare a remuneration report in accordance with the Corporations Act 2001. Therefore, the remuneration report information is for the year ended 30 June 2017 only.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
David Hancock (Chairman)*	83,714	-	-	7,953	-	-	91,667
Stephen Menzies*	54,163	-	-	-	-	-	54,163
Andrew Jensen*	49,467	-	-	4,699	-	-	54,166
Katrina Glendinning*	49,467	-	-	4,699	-	-	54,166
Executive Directors:							
Keith Cohen	715,221	50,000	13,195	29,167	4,277	-	811,860
Other Key Management Personnel:							
Jenny Andrews	297,851	150,000	-	30,595	3,276	9,552	491,274
	1,249,883	200,000	13,195	77,113	7,553	9,552	1,557,296

* Represents remuneration from date of appointment to 30 June 2017

Service agreements
Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Keith Cohen
Title:	Chief Executive Officer and Managing Director
Agreement commenced:	1 July 2015
Term of agreement:	Ongoing
Details:	Keith is entitled to receive a total remuneration of $714,000 per annum (comprising base salary and superannuation). Keith is also entitled to five weeks' paid annual leave each year during the term of his employment. In addition, Keith was entitled to a cash bonus of $50,000 upon successful listing of the Company to the ASX. Keith's employment agreement may be terminated by Keith or the Group by giving at least six months' notice in writing, or where terminated by the Group, by making payment in lieu of notice and requiring Keith to not work during the notice period or to work for only part of the notice period. The Group may terminate Keith's employment immediately and without pay in certain circumstances, including for wilful misconduct, failure to obey lawful and reasonable directions, a breach of the confidentiality obligations or failing to comply with any Group policy or procedure. Keith may terminate his employment immediately by giving written notice to the Group, if the Group breaches a material obligation under the employment agreement and where that breach is capable of being remedied, the Group fails to remedy such breach within 14 days of receipt of a notice from Keith setting out the details of the breach. Keith's employment contract also includes a post-termination restraint period of 12 months'. The enforceability of the restraint clause is subject to usual legal requirements.

Name:	Jenny Andrews
Title:	Chief Financial Officer
Agreement commenced:	1 April 2014
Term of agreement:	Ongoing
Details:	Jenny is entitled to receive a total remuneration of $330,000 per annum (comprising base salary and superannuation). In addition, Jenny is entitled to a total cash bonus of up to $150,000 for IPO related performance KPI's. Jenny is also entitled to four weeks' paid annual leave each year during the term of her employment.

Jenny's employment may be terminated by giving at least three months' notice in writing, or where terminated by the Group, by making payment in lieu of notice and requiring her to not work during the notice period or to work for only part of the notice period. The Group may terminate her employment immediately and without pay in certain circumstances, including for wilful misconduct, failure to obey lawful and reasonable directions, a breach of the confidentiality obligations or failing to comply with any Group policy or procedure.

Other senior members of management are either engaged as a consultant under a consultancy agreement or a party to a contract of employment with Group. These agreements document annual based services fees or base salary and any incentive arrangements, as determined by the Board from time to time; confidentiality provisions; ownership of intellectual property provisions and a non-compete restraint following the termination of engagement or employment. Notice of termination provisions and leave entitlements vary depending on the laws of the jurisdiction in which the related party arrangements.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
19 September 2016	23 September 2019	23 September 2020	$0.10	$0.030
19 September 2016	31 March 2020	31 March 2021	$0.10	$0.020
19 September 2016	31 March 2021	30 June 2021	$0.10	$0.020

Options granted carry no dividend or voting rights.

Details of options over ordinary shares granted, vested and lapsed for directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Number of options granted	Value of options granted $	Value of options vested $	Number of options lapsed	Value of options lapsed $
Jenny Andrews	375,000	9,552	-	-	-
Jenny Andrews	100,000	1,966	-	-	-
Jenny Andrews	75,000	1,174	-	-	-

Additional information
The earnings of the Group since listing are summarised below:

	2017 $'000
Sales revenue	53,457
EBITDA	21,181
Profit after income tax	14,064

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2017
Share price at financial year end ($)	0.92
Basic earnings per share (cents per share)	6.73
Diluted earnings per share (cents per share)	6.66

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
David Hancock	-	-	142,858	-	142,858
Keith Cohen*	41,283,885	-	-	-	41,283,885
Stephen Menzies**	-	-	142,858	-	142,858
Andrew Jensen***	-	-	142,858	-	142,858
Katrina Glendinning	-	-	142,858	-	142,858
Jenny Andrews	5,139,050	-	-	-	5,139,050
	46,422,935	-	571,432	-	46,994,367

* Held indirectly through Keith Charles Cohen and Jeanette Patricia Cohen ATF Cohen Family Trust
** Held indirectly through Gyton Pty Ltd ATF Gyton Pty Ltd Superannuation Fund
*** Held indirectly through Andrew Jensen and Kate Jensen ATF A & K Jensen Super Fund

Option holding
The number of options over ordinary shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Jenny Andrews	-	550,000	-	-	550,000
	-	550,000	-	-	550,000

Loans to key management personnel and their related parties
There were no loans to key management personnel and their related parties at the current reporting date.

Other transactions with key management personnel and their related parties
During the financial year, payments for recruitment services from Jeanette Cohen (family member of Keith Cohen) of $24,000 were made.

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Freedom Insurance Group Ltd under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
19 September 2016	23 September 2020	$0.10	1,935,000
19 September 2016	31 March 2021	$0.10	510,000
19 September 2016	30 June 2021	$0.10	385,000
			2,830,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Freedom Insurance Group Ltd issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the directors on a full indemnity basis, for costs incurred, in their capacity as a director, for which they may be held personally liable. This includes indemnity against all losses or liabilities (including all reasonable legal costs) incurred by the director as an officer of the Company or a related body corporate.

During the financial year, the Company, paid a premium in respect of a contract to insure the directors and executives of the Company against a liability 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.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 21 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 21 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Crowe Horwath Sydney
There are no officers of the Company who are former partners of Crowe Horwath Sydney.

Rounding of amounts
The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

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 immediately after this directors' report.

Auditor
Crowe Horwath Sydney continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

David Hancock Chairman	Keith Cohen Managing Director

22 August 2017
Sydney

Crowe Horwath

Crowe Horwath Sydney
ABN 97 895 683 573
Member Crowe Horwath International

Audit and Assurance Services

Level 15 1 O'Connell Street
Sydney NSW 2000
Australia

Tel +61 2 9262 2155
Fax +61 2 9262 2190
www.crowehorwath.com.au

22 August 2017

The Board of Directors
Freedom Insurance Group Ltd
Levels 12 and 13
20 Bond Street
Sydney NSW 2000

Dear Board Members

Freedom Insurance Group Ltd and its Controlled Entities

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Freedom Insurance Group Ltd and its Controlled Entities.

As lead audit partner for the audit of the financial report of Freedom Insurance Group Ltd and its Controlled Entities for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

L Russell

LEAH RUSSELL
Senior Partner

Freedom Insurance Group Ltd
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Revenue	4	53,663	28,812
Expenses			
Employee benefits expense	5	(17,239)	(11,935)
Depreciation expense		(3)	(21)
Management and professional fees		(1,486)	(419)
Marketing and promotion		(6,722)	(5,623)
Occupancy costs		(1,366)	(767)
Telecommunication and information technology expense		(2,781)	(1,718)
Non-operating expenses	5	(1,291)	(1,255)
Other expenses		(1,597)	(682)
Finance costs	5	(919)	(1,267)
Total expenses		(33,404)	(23,687)
Profit before income tax expense		20,259	5,125
Income tax expense	6	(6,195)	(2,103)
Profit after income tax expense for the year attributable to the owners of Freedom Insurance Group Ltd		14,064	3,022
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Freedom Insurance Group Ltd		14,064	3,022
		Cents	Cents
Basic earnings per share	31	6.73	2.06
Diluted earnings per share	31	6.66	2.06

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	7	26,856	7,119
Trade and other receivables	8	4,492	4,095
Net present value of trail commission		5,936	3,165
Other	9	275	655
Total current assets		37,559	15,034
Non-current assets			
Other financial assets	10	3,702	3,477
Intangibles	12	5,818	5,818
Net present value of trail commission		37,850	20,498
Total non-current assets		47,370	29,793
Total assets		84,929	44,827
Liabilities			
Current liabilities			
Trade and other payables	13	4,213	3,828
Borrowings	14	-	11,631
Income tax payable	6	1,924	16
Employee benefits		355	153
Provisions	15	15,415	7,776
Total current liabilities		21,907	23,404
Non-current liabilities			
Deferred tax	6	8,410	4,475
Employee benefits		119	53
Total non-current liabilities		8,529	4,528
Total liabilities		30,436	27,932
Net assets		54,493	16,895
Equity			
Contributed capital	16	32,589	8,416
Reserves	17	49	688
Retained profits		21,855	7,791
Total equity		54,493	16,895

The above statement of financial position should be read in conjunction with the accompanying notes

Freedom Insurance Group Ltd
Statement of changes in equity
For the year ended 30 June 2017

Consolidated	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2015	810	500	4,769	6,079
Profit after income tax expense for the year	-	-	3,022	3,022
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	3,022	3,022
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 16)	8,781	-	-	8,781
Return of capital (note 16)	(1,675)	-	-	(1,675)
Transfer on conversion of loans payable (note 16)	500	(500)	-	-
Equity component of convertible notes issued (note 16)	-	688	-	688
Balance at 30 June 2016	8,416	688	7,791	16,895

Consolidated	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2016	8,416	688	7,791	16,895
Profit after income tax expense for the year	-	-	14,064	14,064
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	14,064	14,064
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 16)	23,485	-	-	23,485
Share-based payments (note 32)	-	49	-	49
Transfer on conversion of loans payable (note 16)	688	(688)	-	-
Balance at 30 June 2017	32,589	49	21,855	54,493

The above statement of changes in equity should be read in conjunction with the accompanying notes

Freedom Insurance Group Ltd
Statement of cash flows
For the year ended 30 June 2017

	Note	Consolidated 2017 $'000	2016 $'000
Cash flows from operating activities			
Profit before income tax expense for the year		20,259	5,125
Adjustments for:			
Depreciation and amortisation		3	21
Share-based payments		49	-
Finance costs - non-cash		738	383
Interest received		(140)	(15)
Interest and other finance costs paid		181	884
		21,090	6,398
Increase in trade and other receivables		(397)	(1,400)
Decrease/(increase) in prepayments		254	(77)
Increase in other operating assets		(20,123)	(11,578)
Increase/(decrease) in trade and other payables		(31)	820
Increase in employee benefits		268	127
Increase in other provisions		7,639	4,341
		8,700	(1,369)
Interest received		140	15
Interest and other finance costs paid		(181)	(884)
Income taxes refunded		-	32
Net cash from/(used in) operating activities		8,659	(2,206)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	27	-	(321)
Payments for investments		(225)	-
Payments for property, plant and equipment	11	(3)	-
Proceeds/(payments) from/(to) security deposits		126	(98)
Net cash used in investing activities		(102)	(419)
Cash flows from financing activities			
Proceeds from issue of shares	16	15,000	1,182
Payments for share buy-backs	16	-	(1,675)
Share issue transaction costs		(820)	-
(Repayments)/proceeds of borrowings		(3,000)	8,936
Net cash from financing activities		11,180	8,443
Net increase in cash and cash equivalents		19,737	5,818
Cash and cash equivalents at the beginning of the financial year		7,119	1,301
Cash and cash equivalents at the end of the financial year	7	26,856	7,119

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover both Freedom Insurance Group Ltd ('Company' or 'parent entity') as an individual entity and the consolidated entity consisting of Freedom Insurance Group Ltd and the entities it controlled at the end of, or during, the year (the 'Group'). The financial statements are presented in Australian dollars, which is Freedom Insurance Group Ltd's functional and presentation currency.

Freedom Insurance Group Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Levels 12 and 13
20 Bond Street
Sydney, NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 August 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

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 ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, the revaluation of available-for-sale financial assets and derivative financial instruments.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Freedom Insurance Group Ltd at 30 June 2017 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those 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 the 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 de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Note 2. Significant accounting policies (continued)

The acquisition of common control subsidiaries is accounted for at book value. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current. Derivatives are classified as current or non-current depending on the expected period of realisation.

Impairment of non-financial assets
Goodwill is subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are reviewed 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits
The liability for annual leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Note 2. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

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

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Operating segments

Identification of reportable operating segments

The Group operates in one segment being the provision of insurance policies, principally in Australia. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The operating segment information is the same information as provided throughout the financial statements and is therefore not duplicated.

Major customers

During the year ended 30 June 2017 over 58% (2016: 95%) of the Group's external revenue was derived from sales to one major customer.

Note 4. Revenue

	Consolidated	
	2017 $'000	2016 $'000
Sales revenue		
Commissions	31,673	15,981
Net present value trail commission movement	20,123	11,578
Rebates	-	547
Administration fees	1,661	685
	53,457	28,791
Other revenue		
Interest	140	15
Other revenue	66	6
	206	21
Revenue	53,663	28,812

Accounting policy for revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Note 4. Revenue (continued)

Commissions
Upfront commissions are fees that are earned upon the sale of a new insurance policy. Early termination by customers may trigger a clawback of revenue in the event of early termination by customers as specified in agreements with insurance providers. These clawbacks are provided for as a provision.

Trail commissions are ongoing fees for customers introduced to insurance providers. Trail commissions represents commissions earned calculated as a percentage of the value of the underlying policies. The Group is entitled to receive trail commissions without having to perform further services. On initial recognition, trail revenue and receivables are recognised at fair value, being the net present value of expected future cash flows of trail commission, discounted using discounted cash flow valuation techniques.

Subsequent to initial recognition and measurement, the net present value trail commission asset is measured at amortised cost. The carrying amount of the asset is adjusted to reflect actual and revised estimated cash flows by recalculating the carrying amount through computing the present value of estimated future cash flows at the original effective interest rate. The resulting adjustment is recognised as revenue in profit or loss.

Rebates, administration fees and other revenue
Revenue is recognised when it is received or when the right to receive payment is established.

Note 5. Expenses

	Consolidated	
	2017 $'000	2016 $'000
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
Wages, salaries and other benefits	15,937	11,039
Defined contribution superannuation expense	1,302	896
Total employee benefits expense	17,239	11,935
Non-operating expense		
Capital raising related costs	1,291	1,112
Stamp duty	-	38
Relocation costs	-	105
Total non-operating expense	1,291	1,255
Finance costs		
Interest and finance charges paid/payable	549	949
Unwind of compound financial instrument	370	318
Finance costs expensed	919	1,267
Rental expense relating to operating leases		
Minimum lease payments	1,347	669

Accounting policies for leases
Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Accounting policies for leases
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 6. Income tax

	Consolidated 2017 $'000	Consolidated 2016 $'000
Income tax expense		
Current tax	1,909	17
Deferred tax - origination and reversal of temporary differences	4,286	2,086
Aggregate income tax expense	6,195	2,103
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	4,286	2,086
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	20,259	5,125
Tax at the statutory tax rate of 30%	6,078	1,538
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	6	258
Unwind of compound financial instrument	111	95
	6,195	1,891
Prior year temporary differences not recognised now recognised	-	212
Income tax expense	6,195	2,103

	Consolidated 2017 $'000	Consolidated 2016 $'000
Amounts credited directly to equity		
Deferred tax assets	(351)	-

Note 6. Income tax (continued)

	Consolidated 2017 $'000	Consolidated 2016 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	360
Accrued expenses	353	271
S40-880 blackhole deduction	433	258
Provision for clawback	3,648	1,784
Net present value trail commission	(13,136)	(7,099)
Other	(59)	(49)
	(8,761)	(4,475)
Amounts recognised in equity:		
Capital raising costs	351	-
Deferred tax liability	(8,410)	(4,475)
Movements:		
Opening balance	(4,475)	(2,220)
Charged to profit or loss	(4,286)	(2,086)
Credited to equity	351	-
Additions through business combinations (note 27)	-	(169)
Closing balance	(8,410)	(4,475)

	Consolidated 2017 $'000	Consolidated 2016 $'000
Provision for income tax		
Provision for income tax	1,924	16

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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.

Note 6. Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Tax consolidated group
Freedom Insurance Group Ltd (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 7. Current assets - cash and cash equivalents

	Consolidated	
	2017 $'000	2016 $'000
Cash at bank	18,021	6,325
Cash on deposit	8,835	794
	26,856	7,119

Accounting policy for cash and cash equivalents
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.

Note 8. Current assets - trade and other receivables

	Consolidated	
	2017 $'000	2016 $'000
Trade receivables	4,646	4,291
Less: Provision for impairment of receivables	(154)	(208)
	4,492	4,083
Other receivables	-	1
Receivable from related parties	-	11
	4,492	4,095

Note 8. Current assets - trade and other receivables (continued)

Impairment of receivables
Movements in the provision for impairment of receivables are as follows:

	Consolidated 2017 $'000	Consolidated 2016 $'000
Opening balance	208	-
Additions through business combinations	-	213
Unused amounts reversed through profit or loss	(54)	(5)
Closing balance	154	208

Past due but not impaired
Receivables are within trading terms and are neither past due nor impaired.

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 9. Current assets - other

	Consolidated 2017 $'000	Consolidated 2016 $'000
Prepayments	275	529
Security deposits	-	126
	275	655

Note 10. Non-current assets - other financial assets

	Consolidated 2017 $'000	Consolidated 2016 $'000
Investment in NobleOak Life Ltd - unlisted held at cost	3,702	3,477

Accounting for investments
The investment has been designated as an available-for-sale asset. It was initially measured at fair value and subsequently carried at cost less accumulated impairment losses. The investment is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Impairment losses are taken to profit or loss.

Note 11. Non-current assets - property, plant and equipment

	Consolidated	
	2017 $'000	2016 $'000
Plant and equipment - at cost	159	156
Less: Accumulated depreciation	(159)	(156)
	-	-

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 12. Non-current assets - intangibles

	Consolidated	
	2017 $'000	2016 $'000
Goodwill - at cost	5,818	5,818

Goodwill arose on the acquisition of Finwealth Holdings Pty Ltd during the year ended on 30 June 2016, as detailed in note 27. The goodwill has been allocated to the single cash-generating unit.

The recoverable amount of the goodwill has been determined based on fair value less cost of disposal.

The recoverable amount exceeded the carrying amount and no impairment was required. Management believes there are no key assumptions on which the recoverable amount is based that would cause its carrying amount to exceed its recoverable amount.

Accounting policy for goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	$'000	$'000
Trade payables	875	1,008
Commissions payable	1,168	682
Other creditors	1,135	1,228
Accruals	1,035	910
	4,213	3,828

Refer to note 19 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 14. Current liabilities - borrowings

	Consolidated	
	2017	2016
	$'000	$'000
Convertible notes payable	-	8,631
Loans payable	-	3,000
	-	11,631

Refer to note 19 for further information on financial instruments.

Convertible notes payable
The convertible notes were automatically converted into ordinary shares in the Company, at a discount rate of 20% on face value on the listing of the Company on the Australian Securities Exchange. Interest was charged at an annual rate of 10% applied daily

Loans payable
The $3,000,000 loans payable expired on 28 November 2016 and was repaid. Interest was charged at an annual rate of 12.5% applied daily.

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

Note 15. Current liabilities - provisions

	Consolidated 2017 $'000	Consolidated 2016 $'000
Clawback provision	15,415	7,776

Clawback provision
The provision represents the present value of the estimated future amounts that the Group is likely to pay back to insurers at the reporting date. The provision is estimated based on historical clawback information, prior sales levels and any recent trends that may suggest future clawbacks could differ from historical amounts.

Movements in provision
Movements in the provision during the current financial year is set out below:

Consolidated - 2017	Clawback $'000
Carrying amount at the start of the year	7,776
Additional provisions recognised	11,877
Amounts utilised	(6,155)
Discount rate release	653
Lapse assumption change	1,264
Carrying amount at the end of the year	15,415

Accounting policy for provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Note 16. Equity - contributed capital

	Consolidated 2017 Shares	Consolidated 2016 Shares	Consolidated 2017 $'000	Consolidated 2016 $'000
Ordinary shares - fully paid	239,723,495	163,633,670	32,589	8,416

Note 16. Equity - contributed capital (continued)

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2015	-	810
Share issued on incorporation of Freedom Insurance Group Ltd	13 October 2015	1	-
Shares issued on capital reorganisation - Insurance Network Services Australia Pty Ltd	16 December 2015	123,995,214	-
Shares issued on capital reorganisation - Freedom Insurance Investments Pty Ltd	16 December 2015	7,946,224	-
Conversion of loan notes payable into shares	16 December 2015	10,416,667	2,000
Transfer of reserve on conversion of loan notes payable into shares	16 December 2015	-	500
Share-buy back	17 December 2015	(6,979,522)	(1,675)
Issue of shares on business combination - Finwealth Holdings Pty Ltd	18 December 2015	23,330,086	5,599
Issue of shares	22 June 2016	4,925,000	1,182
Balance	30 June 2016	163,633,670	8,416
Share issue	24 November 2016	42,857,142	15,000
Conversion of convertible notes payable and accrued interest into shares	28 November 2016	33,232,683	9,305
Transfer of reserve on conversion of convertible notes payable into shares	28 November 2016	-	688
Share issue costs		-	(1,171)
Tax on share issue costs		-	351
Balance	30 June 2017	239,723,495	32,589

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group's objectives when managing capital is to maintain a good debt to equity ratio, provide the shareholders with adequate return and to ensure that the Group can fund its operations and continue as a going concern.

The Groups debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 17. Equity - reserves

	Consolidated 2017 $'000	Consolidated 2016 $'000
Share-based payments reserve	49	-
Convertible note reserve	-	688
	49	688

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Convertible note reserve
The reserve is used to recognise the value of the conversion feature in convertible notes and loans payable.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments $'000	Convertible note $'000	Total $'000
Balance at 1 July 2015	-	500	500
Transfer to share capital on conversion of note	-	(500)	(500)
Equity component of convertible notes issued	-	688	688
Balance at 30 June 2016	-	688	688
Transfer to share capital on conversion of loans payable	-	(688)	(688)
Share-based payments	49	-	49
Balance at 30 June 2017	49	-	49

Note 18. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Note 19. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis and ageing analysis.

Risk management is carried out by senior management under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance reports to the Board on a monthly basis.

Market risk

Foreign currency risk and price risk
The Group is not exposed to any significant foreign exchange risk or price risk.

Interest rate risk
The Group has some exposure to interest rate risk via earnings on cash at bank.

Note 19. Financial instruments (continued)

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group trades only with recognised creditworthy third parties (life insurance funds), and as such no collateral is required. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Specifically, the Group has a credit risk exposure with Swiss Re Life & Health Ltd (a major Australian Company), which as at 30 June 2017 owed the Group $3,208,000 (69% of trade receivables) (2016: $nil (0% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2017. Balances are regularly paid within the following month.

Credit risk exposure also extends to future revenue which has been brought to account through the net present value trail commission asset, less the clawback provision as disclosed in the statement of financial position and notes to the financial statements.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2017	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	875	-	-	-	875
Commissions payable	-	1,168	-	-	-	1,168
Other payables	-	1,135	-	-	-	1,135
Total non-derivatives		3,178	-	-	-	3,178

Consolidated - 2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	1,008	-	-	-	1,008
Commissions payable	-	682	-	-	-	682
Other payables	-	1,228	-	-	-	1,228
Interest-bearing - fixed rate						
Loans payable	12.50%	3,156	-	-	-	3,156
Convertible notes payable	10.00%	9,346	-	-	-	9,346
Total non-derivatives		15,420	-	-	-	15,420

Note 19. Financial instruments (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 20. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Net present value of trail commission	-	-	43,786	43,786
Total assets	-	-	43,786	43,786

Consolidated - 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Net present value of trail commission	-	-	23,663	23,663
Total assets	-	-	23,663	23,663

There were no transfers between levels during the financial year.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2 and level 3
A fair value is placed on trail commission using judgements and estimates as outlined in note 33. That is, the present value of expected future commissions using a discounted cash flow approach. The key assumptions used, based on internally observable data, and the impact of changes in those key assumptions are quantified below.

Note 20. Fair value measurement (continued)

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Trail commission asset $'000
Balance at 1 July 2015	11,185
Additions through business combinations (note 27)	1,085
Asset arising from current period sales	11,255
Change in fair value of future trail cash flow expectations	(1,792)
Discount unwind	940
Change in commission rates	2,918
Lapse assumption change	(1,928)
Balance at 30 June 2016	23,663
Asset arising from current period sales	23,277
Change in fair value of future trail cash flow expectations	(3,880)
Discount unwind	1,895
Lapse assumption change	(1,169)
Balance at 30 June 2017	43,786

The level 3 assets and liabilities unobservable inputs and sensitivity are as follows:

Description	Key assumptions/ unobservable inputs	Rate (weighted average)	Sensitivity
Net present value of trail commission asset	Discount rate	8.2% (2016: 7.7%)	An increase in discount rate by 1% would decrease the asset by $2,007,000 (2016: $1,053,000). An reduction in discount rate by 1% would increase the asset by $2,183,000 (2016: $1,144,000).
	Premium age re-rate (where applicable)	7% (2016: 7.0%)	An increase in premium age re-rate by 1% would increase the asset by $2,020,000 (2016: $1,060,000). An reduction in premium age re-rate by 1% would decrease the asset by $1,887,000 (2016: $992,000).
	Policy lapses	14.67% (2016: 16%)	An increase in policy lapses by 1% would decrease the asset by $2,031,000(2016: $1,074,000). An reduction in policy lapses re-rate by 1% would increase the asset by $2,196,439 (2016: $1,164,000).

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 20. Fair value measurement (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 21. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Crowe Horwath Sydney, the auditor of the Company:

	Consolidated	
	2017 $	2016 $
Audit services - Crowe Horwath Sydney		
Audit or review of the financial statements	75,000	194,468
Other services - Crowe Horwath Sydney		
Preparation of the tax return	25,795	21,000
Other services	120,300	61,703
	146,095	82,703
	221,095	277,171

Note 22. Contingent liabilities

There are no contingent liabilities as at 30 June 2017 or 30 June 2016.

Note 23. Commitments

	Consolidated	
	2017 $'000	2016 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,491	1,071
One to five years	3,840	4,728
	5,331	5,799

Operating lease commitments represents contracted amounts for offices under non-cancellable operating leases expiring on 1 May 2021. The lease has fixed 4% increase each year. On renewal, the terms of the lease is renegotiated.

Note 24. Related party transactions

Parent entity
Freedom Insurance Group Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2017 $	Consolidated 2016 $
Payment for other expenses:		
Fees paid for recruitment services to KMP	24,000	48,000

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2017 $	Consolidated 2016 $
Current receivables:		
Receivable due from INSA Management Services Australia Pty Ltd.	-	11,316

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated 2017 $	Consolidated 2016 $
Short-term employee benefits	1,463,078	1,596,032
Post-employment benefits	77,113	120,445
Long-term benefits	7,553	-
Share-based payments	9,552	-
	1,557,296	1,716,477

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017 $'000	2016 $'000
Loss after income tax	(1,566)	(413)
Total comprehensive income	(1,566)	(413)

Statement of financial position

	Parent	
	2017 $'000	2016 $'000
Total current assets	2,258	3,513
Total assets	62,886	47,655
Total current liabilities	1,290	8,533
Total liabilities	1,372	8,108
Equity		
Contributed capital	63,444	39,272
Share-based payments reserve	49	-
Convertible note reserve	-	688
Accumulated losses	(1,979)	(413)
Total equity	61,514	39,547

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity is a party to a deed of cross guarantee (refer note 29), under which it guarantees the debts of certain of its subsidiaries as at 30 June 2017 and 30 June 2016.

Parent entity information
The Company was incorporated on 13 October 2015 and the comparative information presented is from 13 October 2015 to 30 June 2016.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 27. Business combinations

Comparative period acquisition
On 18 December 2015 the Group acquired 100% of the ordinary shares of Finwealth Holdings Pty Ltd, which owned 100% of Spectrum Wealth Advisers Pty Ltd, for the total consideration transferred of $6,334,000. This is one of the fastest growing adviser dealer groups with more than 270 risk focused advisers located across Australia. The goodwill of $5,818,000 represents the synergies expected to be obtained by the combined Group. The values identified in relation to the acquisition are final as at 30 June 2017.

No amount of goodwill is deductible for tax purposes.

Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	414
Trade receivables (net of provision of $213,000)	282
Net present value trail commissions	900
Trade payables	(250)
Provision for income tax	(11)
Deferred tax liability	(169)
Clawback provision	(50)
Bond payable	(600)
Net assets acquired	516
Goodwill	5,818
Acquisition-date fair value of the total consideration transferred	6,334
Representing:	
Cash paid or payable to vendor	735
Freedom Insurance Group Ltd shares issued to vendor	5,599
	6,334
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	6,334
Less: cash and cash equivalents	(414)
Less: shares issued by the Company as part of the consideration	(5,599)
Net cash used	321

Accounting policy for business combinations
The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Note 27. Business combinations (continued)

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
	Principal place of business /	2017	2016
Name	Country of incorporation	%	%
Customer Contact Pty Ltd	Australia	100%	100%
Freedom Insurance Pty Ltd	Australia	100%	100%
Freedom Insurance Administration Pty Ltd	Australia	100%	100%
Freedom Insurance Investments Pty Ltd	Australia	100%	100%
Insurance Network Services Australia Pty Ltd	Australia	100%	100%
Finwealth Holdings Pty Ltd	Australia	100%	100%
Spectrum Wealth Advisers Pty Ltd	Australia	100%	100%

Note 29. Deed of cross guarantee

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

Freedom Insurance Group Ltd (head entity)
Customer Contact Pty Ltd
Freedom Insurance Pty Ltd
Freedom Insurance Administration Pty Ltd
Freedom Insurance Investments Pty Ltd
Insurance Network Services Australia Pty Ltd
Finwealth Holdings Pty Ltd
Spectrum Wealth Advisers Pty Ltd

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

Note 29. Deed of cross guarantee (continued)

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Freedom Insurance Group Ltd, they also represent the 'Extended Closed Group'.

The statement of profit or loss and other comprehensive income and statement of financial position are the same as the Group and therefore have not been separately disclosed.

Note 30. Non-cash investing and financing activities

	Consolidated	
	2017 $'000	2016 $'000
Shares issued on conversion of notes	9,305	-

Note 31. Earnings per share

	Consolidated	
	2017 $'000	2016 $'000
Profit after income tax attributable to the owners of Freedom Insurance Group Ltd	14,064	3,022

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	208,923,971	146,434,762
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	2,209,726	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	211,133,697	146,434,762

	Cents	Cents
Basic earnings per share	6.73	2.06
Diluted earnings per share	6.66	2.06

Convertible notes have been excluded from the 2016 diluted earnings per share calculations as they are anti-dilute.

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Freedom Insurance Group Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

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 shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 32. Share-based payments

The Freedom Employee Option Plan was established in compliance with the employee share scheme legislation in Australia enactive from 1 July 2015 to encourage the Group to offer options to employees and directors to encourage their long term performance and service on a tax concessional basis.

Note 32. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
19/09/2016	23/09/2020	$0.10	-	1,935,000	-	-	1,935,000
19/09/2016	31/03/2021	$0.10	-	510,000	-	-	510,000
19/09/2016	30/06/2021	$0.10	-	385,000	-	-	385,000
			-	2,830,000	-	-	2,830,000
Weighted average exercise price			$0.00	$0.10	$0.00	$0.00	$0.10

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.43 years.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
19/09/2016	23/09/2020	$0.35	$0.10	31.34%	-	1.54%	$0.030
19/06/2016	31/03/2021	$0.35	$0.10	31.34%	-	1.54%	$0.020
19/06/2016	30/06/2021	$0.35	$0.10	31.34%	-	1.54%	$0.020

Accounting policy for share-based payments
Equity-settled compensation benefits are provided to employees and directors.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees and directors in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Note 32. Share-based payments (continued)

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 33. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Net present value ('NPV') of trail commission
The Group recognises trail commission revenue at the time of being entitled to the upfront commission on sale of an insurance premium, rather than on the basis of actual payments received. This method of revenue recognition requires management to make certain estimates and assumptions including, but are not limited to, lapse rates, discount rates and its associated risk free rate, and price increases. The Group receives trail commission income for the life of the settled insurance policy. Management have determined that there are three key assumptions: (i) Discount rate - determining the appropriate discount rate requires a degree of judgement; (ii) Premium age re-rate or price increase - the rate is affected by the policy type and the age of the individual lives insured. Historical premium increases are used as a base to which adjustments may be applied to take into account current and expected market conditions; and (iii) Policy lapses - the rate of policy lapses are affected by many variables including the age of particular policies and market conditions. Historical lapse rates are used as a base to which adjustments may be applied to take into account current and expected market conditions. Refer to note 20 for key assumptions used.

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Clawback provision
Upfront fees received from certain insurance providers can be clawed back in the event of early termination. The clawback period ranges from nil to two years, depending on agreements. The Group provides for this liability based upon historic average rates of attrition and recognises revenue net of these clawback amounts.

Note 34. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2017. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group is in the process of assessing the impact of AASB 9 and is not yet able to reasonably estimate the impact on its financial statements. The Group will adopt this standard from 1 July 2018 at the same time as AASB 15 'Revenue from Contracts with Customers'.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group is currently assessing potential impacts of the standard on its financial statements. We believe the most significant impact, if any, will relate to the accounting for trail commission revenue. While it is anticipated that the impact on adoption of the standard will be minimal, the Group is not yet able to reasonably estimate the full impact on its financial statements. The Group will adopt this standard from 1 July 2018.

Note 34. New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 and the main lease being the Sydney premises in which the Group operates, will be brought onto the statement of financial position as an asset with a corresponding liability. The Group is in the process of assessing the impact of AASB 16 and is not yet able to reasonably estimate the impact on its financial statements.

Other amending accounting standards
Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the Group as their amendments provide either clarification of existing accounting treatment or editorial amendments.

Note 35. Events after the reporting period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 29 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

David Hancock
Chairman

Keith Cohen
Managing Director

22 August 2017
Sydney

Crowe Horwath Sydney
ABN 97 895 683 573
Member Crowe Horwath International

Audit and Assurance Services

Level 15 1 O'Connell Street
Sydney NSW 2000
Australia

Tel +61 2 9262 2155
Fax +61 2 9262 2190
www.crowehorwath.com.au

Freedom Insurance Group Ltd

Independent Auditor's Report Freedom Insurance Group Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Freedom Insurance Group Ltd. (the Company and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

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

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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 of the current period. These 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.

Key Audit Matter	How our Audit Addressed the Key Audit Matter
Valuation of Trail Commission – Refer to Note 20	
The Group has significant trail commission assets that are calculated using modelling techniques that involve the use of forward-looking assumptions and risk adjustments. Management have used judgement to establish the methodology, assumptions and adjustments used in the model, as described in Notes 4 and 20. This matter is a key audit matter because of the complexity and subjectivity involved in performing the valuation.	We involved our technical specialists to assess the appropriateness of the model used for the valuation. We performed a retrospective analysis of the Group's past estimates against actual performance and challenged the current period forecasts in areas where previous forecasts were not achieved and/or where future uncertainty is greater or volatility is expected. We challenged the key assumptions that support the valuation of the trail commission assets as follows: ▪ The discount rate was assessed for consistency within the context of the valuation and based on our knowledge of the Group and the industry. ▪ The lapse rate was compared to industry data and historical data for the Group; and ▪ Age and annual price increases were reviewed against contracts and historical data for the Group.
Valuation of Clawback Provision – Refer to Note 15	
Clawbacks arise when policies are cancelled in the first year, the value being dependent on the timing of cancellation. Management have raised a provision for these clawbacks, using judgement to estimate the timing and number of cancellations expected, as described in Note 15. This matter is a key audit matter because of the risk that the provision could be misstated due to a change in volume and timing of clawbacks.	We evaluated the assumptions used by management when calculating the provision by: ▪ Comparing to historical data for the Group; ▪ Understanding trends in the industry and challenging management where the assumptions appeared to be inconsistent; and ▪ Performing sensitivity analysis. We performed a retrospective analysis of the Group's past estimates against actual performance and challenged the current period forecasts in areas where previous forecasts were not achieved and/or where future uncertainty is greater or volatility is expected. We involved our technical specialists for assessing the appropriateness of the model used in the calculation.

Information Other than the Financial Report and Auditor's Report Thereon
The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017 but does not include the financial report and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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.

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 has 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report
We have audited the Remuneration Report included in pages 8 to 14 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Freedom Insurance Group Ltd., for the year ended 30 June 2017, 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.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

L Russell

LEAH RUSSELL
Senior Partner

Date this 22nd day of August 2017