FREEDOM INSURANCE GROUP

Freedom Insurance Group Ltd

(Formerly known as Freedom Insurance Group Pty Limited)

ACN 608 717 728

Directors' Report and Financial Statements - 30 June 2016

Contents
30 June 2016

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 2016.

Directors
The following persons were directors of Freedom Insurance Group Ltd from the date of incorporation (13 October 2015) up to the date of this report, unless otherwise stated:

Keith Cohen
Brian Pillemer
Harvey Light

Principal activities
The Group is a specialist risk focused insurance business which provides a range of life insurance solutions to Australian consumers.

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 profit for the Group after providing for income tax amounted to $3,022,000 (30 June 2015: $2,566,000).

During the financial year the Group undertook a reorganisation and subsequent acquisition, refer to 'Significant changes in the state of affairs' below. The current financial year results represents the Group comprising of:

- Insurance Network Services Australia Pty Ltd and its subsidiaries for the entire year;
- Freedom Insurance Investments Pty Ltd for the entire year;
- Freedom Insurance Group Pty Ltd from 16 December 2015 to 30 June 2016; and
- Finwealth Holdings Pty Ltd and its subsidiaries from 18 December 2015 to 30 June 2016.

The comparative year results reflects Insurance Network Services Australia Pty Ltd and its subsidiaries and Freedom Insurance Investments Pty Ltd only.

Significant changes in the state of affairs
The Company was incorporated on 13 October 2015.

On 16 December 2015, convertible loan notes payable totalling $2,000,000 were converted in to 10,416,667 ordinary shares in the Company.

Corporate/group reorganisation - Freedom Insurance Group Pty Ltd, Insurance Network Services Australia Pty Ltd and Freedom Insurance Investments Pty Ltd
In December 2015, the Group underwent a corporate reorganisation. Freedom Insurance Group Pty Ltd became the parent company of the Group. The reorganisation has been accounted for as a capital reorganisation, as detailed in note 2 to the financial statements.

Acquisition of Finwealth Holdings Pty Ltd
On 18 December 2015, the Company acquired 100% of the share capital of Finwealth Holdings Pty Ltd for the total consideration transferred of $6,334,000. The consideration was settled by $735,000 cash and 23,330,086 ordinary shares in the Company valued at $5,599,000.

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
On 23 September 2016, the Company converted from a private to a public company and therefore 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 are subject to an initial public offering proceeding and the Company being listed on a recognised securities exchange by 30 June 2017. 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 to new business following a short period that will allow for the Group to transition to Swiss Re Life & Health Ltd ('Swiss Re') as the insurer of the products that it distributes. This is expected to occur during February 2017 to coincide with the initial product launch under the proposed replacement Swiss Re arrangement at which time the NobleOak agreement will be closed to new business and the agreement will terminate. The Group is expected to enter into a formal Product Development and Distribution Agreement with Swiss Re for these purposes on or about 17 October 2016.

No other matter or circumstance has arisen since 30 June 2016 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 is advanced in its plans to raise additional capital to support its business plans, by undertaking an Initial Public Offering ('IPO') on the Australian Securities Exchange ('ASX'). The IPO is scheduled to take place within the next financial year.

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

Information on directors

Name:	Keith Cohen
Title:	Managing Director and Chief Executive Officer
Qualifications:	Keith holds a Bachelor of Science degree from the University of Cape Town and is a Fellow of the Institute of Actuaries of Australia and the UK.
Experience and expertise:	Keith is a co-founder of Freedom Insurance. Keith has been responsible for leading the development and execution of the Group's long term strategy with a view to creating shareholder value. Keith is responsible for the day-to-day management decisions and has been critical to the success to date including the development of insurer relationships from inception to the more recent acquisition of Finwealth Holdings Pty Ltd. 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. Keith is also a Non-Executive Director on the NobleOak Board.

Name:	Brian Pillemer
Title:	Non-Executive Director
Qualifications:	Brian holds a Bachelor of Accounting Science (Honours) degree from the University of South Africa 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 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. Currently Brian is an Executive Director of PPS Mutual Pty Ltd which he co-founded in November 2013.

Name:	Harvey Light
Title:	Director and Head of Operations
Experience and expertise:	Harvey has over 25 years' experience in 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.

Company secretaries
Malcolm McCool was appointed company secretary on 13 October 2015. He has a Bachelor degree in both Law and Commerce from the University of New South Wales.

Malcolm initially joined the Group in 2011 to help facilitate the next phase of its development and has primarily been involved in project type initiatives relating to relationships with insurers and reinsurers and product and benefit fund design. 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 group.

Anand Sundaraj was appointed joint company secretary on 29 July 2016. He has a Bachelor degree in Laws (Honours) and a Bachelor of Science degree from Monash University 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
Matters arising during the year were dealt with by circular resolution of the directors..

There were no meetings of directors held during the year ended 30 June 2016.

Indemnity and insurance of officers
The Company has not indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable.

During the financial year, Insurance Network Services Australia Pty Ltd, a subsidiary of 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.

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

Keith Cohen Managing Director	Harvey Light Director

14 October 2016

Crowe Horwath Sydney
ABN 97 895 683 573
Member Crowe Horwath International
Level 15 1 O'Connell Street
Sydney NSW 2000 Australia
Tel +61 2 9262 2155
Fax +61 2 9262 2190
www.crowehorwath.com.au

The Board of Directors
Freedom Insurance Group Ltd
Level 11, 20 Bond St Sydney NSW 2000
GPO Box 5182
Sydney NSW 2001

Dear Board Members

Freedom Insurance Group Pty 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 Limited and its Controlled Entities for the financial period ended 30 June 2016, 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
Partner

Date this 14th day of October 2016

Crowe Horwath Sydney is a member of Crowe Horwath International, a Swiss verein. Each member of Crowe Horwath is a separate and independent legal entity. Liability limited by a scheme approved under Professional Standards Legislation other than for the acts or omissions of financial services licensees.

Freedom Insurance Group Ltd
(Formerly known as Freedom Insurance Group Pty Limited)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue	4	28,812	19,069
Expenses			
Employee benefits expense	5	(11,935)	(6,819)
Depreciation expense		(21)	(36)
Management and professional fees		(419)	(1,111)
Marketing and promotion		(5,623)	(3,868)
Occupancy costs		(767)	(351)
Telecommunication and information technology expense		(1,718)	(1,394)
Non-operating expenses	5	(1,255)	-
Other expenses		(682)	(631)
Finance costs	5	(1,267)	(979)
Profit before income tax expense		5,125	3,880
Income tax expense	6	(2,103)	(1,314)
Profit after income tax expense for the year attributable to the owners of Freedom Insurance Group Ltd		3,022	2,566
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Freedom Insurance Group Ltd		3,022	2,566
		Cents	**Cents**
Basic earnings per share	28	2.06	1.94
Diluted earnings per share	28	2.06	1.94

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

Freedom Insurance Group Ltd
(Formerly known as Freedom Insurance Group Pty Limited)
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Assets			
Current assets			
Cash and cash equivalents	7	7,119	1,301
Trade and other receivables	8	4,095	2,413
Income tax receivable	6	-	44
Net present value of trail commission		3,165	1,393
Other	9	655	480
Total current assets		15,034	5,631
Non-current assets			
Other financial assets	10	3,477	3,477
Property, plant and equipment		-	21
Intangibles	11	5,818	-
Net present value of trail commission		20,498	9,792
Total non-current assets		29,793	13,290
Total assets		44,827	18,921
Liabilities			
Current liabilities			
Trade and other payables	12	3,828	2,158
Borrowings	13	11,631	2,000
Income tax	6	16	-
Employee benefits		153	56
Provisions	14	7,776	3,385
Total current liabilities		23,404	7,599
Non-current liabilities			
Borrowings - loans payable		-	3,000
Deferred tax	6	4,475	2,220
Employee benefits		53	23
Total non-current liabilities		4,528	5,243
Total liabilities		27,932	12,842
Net assets		16,895	6,079
Equity			
Contributed capital	15	8,416	810
Reserves	16	688	500
Retained profits		7,791	4,769
Total equity		16,895	6,079

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

Freedom Insurance Group Ltd
(Formerly known as Freedom Insurance Group Pty Limited)
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	Contributed capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2014	810	-	2,203	3,013
Profit after income tax expense for the year	-	-	2,566	2,566
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	2,566	2,566
Transactions with owners in their capacity as owners:				
Equity component of convertible notes issued (note 16)	-	500	-	500
Balance at 30 June 2015	810	500	4,769	6,079

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 15)	8,781	-	-	8,781
Return of capital (note 15)	(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

Freedom Insurance Group Ltd
(Formerly known as Freedom Insurance Group Pty Limited)
Statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	2015 $'000
Cash flows from operating activities			
Profit before income tax expense for the year		5,125	3,880
Adjustments for:			
Depreciation and amortisation		21	36
Finance costs - non-cash		383	500
Interest received		(15)	(9)
Interest and other finance costs paid		884	479
		6,398	4,886
Increase in trade and other receivables		(1,400)	(1,079)
Increase in prepayments		(77)	(229)
Increase in other operating assets		(11,578)	(6,635)
Increase in trade and other payables		820	1,349
Increase in employee benefits		127	13
Increase in other provisions		4,341	657
		(1,369)	(1,038)
Interest received		15	9
Interest and other finance costs paid		(884)	(479)
Income taxes refunded		32	-
Net cash used in operating activities		(2,206)	(1,508)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	26	(321)	-
Payments for investments		-	(1,959)
Payments for property, plant and equipment		-	(4)
Payments for security deposits		(98)	-
Net cash used in investing activities		(419)	(1,963)
Cash flows from financing activities			
Proceeds from issue of shares	15	1,182	-
Proceeds from borrowings	13	8,910	3,875
Payments for share buy-backs	15	(1,675)	-
Repayment of borrowings		26	-
Net cash from financing activities		8,443	3,875
Net increase in cash and cash equivalents		5,818	404
Cash and cash equivalents at the beginning of the financial year		1,301	897
Cash and cash equivalents at the end of the financial year	7	7,119	1,301

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 Pty Ltd ('Company' or 'parent entity') as an individual entity and the consolidated entity consisting of Freedom Insurance Group Pty 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 Pty Ltd's functional and presentation currency.

Freedom Insurance Group Ltd is an unlisted 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 14 October 2016. 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, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised 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, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

Notwithstanding the net current liabilities of $8,370,000 (2015: $1,968,000) and net cash outflow from operations of $2,206,000 (2015: $1,508,000) the directors believe that the going concern basis is appropriate for the preparation and presentation of the financial statements.

The directors are confident that they will be able to complete a capital raising in the next 12 months that will provide the Group with sufficient funding to meet its minimum expenditure commitments, fund growth initiatives and support its planned level of overhead expenditures. If the capital raising is not sufficient the Company will need to renegotiate the terms of the loan and convertible notes

In the unlikely event the matters referred to above result in a negative outcome, then the going concern basis may not be appropriate with the result that the Group may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the financial statements. No allowance for such circumstances has been made in the financial statements.

Basis of preparation

Group reorganisation and comparative information
In December 2015, Freedom Insurance Group Pty Ltd (now renamed Freedom Insurance Group Ltd) ('the legal parent') acquired Insurance Network Services Australia Pty Ltd and Freedom Insurance Investments Pty Ltd (collectively the 'legal subsidiaries'). The reorganisation has been accounted for as a capital reorganisation. The financial statements are therefore presented as if Freedom Insurance Group Pty Ltd had been the parent company of the Group throughout the periods presented. No reclassifications or adjustments to previously reported figures and no changes in the operations of the Group resulted from this change. Refer to the 'Business combinations' accounting policy for further explanation of the accounting for this transaction.

Note 2. Significant accounting policies (continued)

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 Pty Ltd as at 30 June 2016 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.

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. Refer to the 'Business combinations' accounting policy for further details. 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.

Note 2. Significant accounting policies (continued)

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.

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 2016 over 95% (2015: 100%) of the Group's external revenue was derived from sales to one major customer.

Note 4. Revenue

	Consolidated	
	2016	2015
	$'000	$'000
Sales revenue		
Commissions	15,981	10,994
Net present value trail commission movement	11,578	6,635
Rebates	547	1,334
Administration fees	685	97
	28,791	19,060
Other revenue		
Interest	15	9
Other revenue	6	-
	21	9
Revenue	28,812	19,069

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.

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 2016 $'000	Consolidated 2015 $'000
Profit before income tax includes the following specific expenses:		
Employee benefits expense		
Wages, salaries and other benefits	11,039	6,269
Defined contribution superannuation expense	896	550
Total employee benefits expense	11,935	6,819
Non-operating expense		
Capital raising related costs	1,112	-
Stamp duty	38	-
Relocation costs	105	-
Total non-operating expense	1,255	-
Finance costs		
Interest and finance charges paid/payable	949	479
Unwind of compound financial instrument	318	500
Finance costs expensed	1,267	979
Rental expense relating to operating leases		
Minimum lease payments	669	321

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 2016 $'000	Consolidated 2015 $'000
Income tax expense		
Current tax	17	-
Deferred tax - origination and reversal of temporary differences	2,086	1,314
Aggregate income tax expense	2,103	1,314
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	2,086	1,314
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	5,125	3,880
Tax at the statutory tax rate of 30%	1,538	1,164
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses	258	-
Unwind of compound financial instrument	95	150
	1,891	1,314
Prior year temporary differences not recognised now recognised	212	-
Income tax expense	2,103	1,314

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	360	519
Accrued expenses	271	131
S40-880 blackhole deduction	258	-
Provision for clawback	1,784	486
Net present value trail commission	(7,099)	(3,356)
Other	(49)	-
Deferred tax liability	(4,475)	(2,220)
Movements:		
Opening balance	(2,220)	(906)
Charged to profit or loss	(2,086)	(1,314)
Additions through business combinations (note 26)	(169)	-
Closing balance	(4,475)	(2,220)

Note 6. Income tax (continued)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Income tax refund due		
Income tax refund due	-	44

	Consolidated 2016 $'000	Consolidated 2015 $'000
Provision for income tax		
Provision for income tax	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.

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 Pty 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 2016 $'000	Consolidated 2015 $'000
Cash at bank	6,325	1,089
Cash on deposit	794	212
	7,119	1,301

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 2016 $'000	Consolidated 2015 $'000
Trade receivables	4,291	2,010
Less: Provision for impairment of receivables	(208)	-
	4,083	2,010
Other receivables	1	28
Receivable from related parties	11	-
Loans receivable	-	375
	4,095	2,413

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

	Consolidated 2016 $'000	Consolidated 2015 $'000
Additions through business combinations	213	-
Unused amounts reversed through profit or loss	(5)	-
Closing balance	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.

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

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	
	2016 $'000	2015 $'000
Prepayments	529	452
Security deposits	126	28
	655	480

Note 10. Non-current assets - other financial assets

	Consolidated	
	2016 $'000	2015 $'000
Investment in Noble Oak Life Ltd - unlisted held at cost	3,477	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 - intangibles

	Consolidated	
	2016 $'000	2015 $'000
Goodwill - at cost	5,818	-

Goodwill arose on the acquisition of Finwealth Holdings Pty Ltd during the year, as detailed in note 26. 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.

Note 11. Non-current assets - intangibles (continued)

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 12. Current liabilities - trade and other payables

	Consolidated	
	2016 $'000	2015 $'000
Trade payables	1,008	1,274
Payable to related parties	-	70
Commissions payable	682	-
Other creditors	1,228	546
Accruals	910	268
	3,828	2,158

Refer to note 18 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 13. Current liabilities - borrowings

	Consolidated	
	2016 $'000	2015 $'000
Convertible notes payable	8,631	2,000
Loans payable	3,000	-
	11,631	2,000

Refer to note 18 for further information on financial instruments.

Convertible notes payable
On 16 December 2015, convertible notes payable of $2,000,000 were extinguished by being converted in 10,416,667 ordinary shares in the Company, at a discount rate of 20% on face value.

On 18 December 2015, new convertible notes were issued with the Group receiving $6,410,000. The equity component on inception was $579,000. The redemption date is 28 November 2016, or if the Company lists on the ASX they automatically convert into ordinary shares in the Company, at a discount rate of 20% on face value. Interest is charged at an annual rate of 10% applied daily.

On 22 June 2016, further convertible notes were issued with the Group receiving an additional $2,500,000. The equity component on inception was $109,000. The redemption date is 28 November 2016, or if the Company lists on the ASX they automatically convert into ordinary shares in the Company, at a discount rate of 20% on face value. Interest is charged at an annual rate of 10% applied daily.

Note 13. Current liabilities - borrowings (continued)

Loans payable
The $3,000,000 loans payable expires on 28 November 2016 and interest is 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 non-current 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 14. Current liabilities - provisions

	Consolidated	
	2016 $'000	2015 $'000
Clawback provision	7,776	3,385

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 - 2016	Clawback $'000
Carrying amount at the start of the year	3,385
Additional provisions recognised	4,833
Additions through business combinations (note 26)	50
Amounts utilised	(2,858)
Discount rate release	284
Lapse assumption change	2,082
Carrying amount at the end of the year	7,776

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 15. Equity - contributed capital

The share capital dollar value represents the continuation of Insurance Network Services Australia Pty Ltd. The number of shares on issue reflect those of Freedom Insurance Group Ltd.

	Consolidated			
	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares - fully paid	163,633,670	-	8,416	810

Movements in ordinary share capital

Details	Date	Shares	$'000
		-	810
Balance	30 June 2015	-	810
Share issued on incorporation of Freedom Insurance Group Pty 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

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.

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 16. Equity - reserves

	Consolidated	
	2016 $'000	2015 $'000
Convertible note reserve	688	500

Note 16. Equity - reserves (continued)

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	Convertible note $'000	Total $'000
Balance at 1 July 2014	-	-
Equity component of convertible notes issued	500	500
Balance at 30 June 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

Note 17. Equity - dividends

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

Note 18. 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 is not exposed to any significant interest rate risk. Borrowings are at a fixed interest rate in the range of 10.0% to 12.5% payable monthly.

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 Noble Oak Life Ltd (a major Australian Company), which as at 30 June 2016 owed the Group $2,738,000 (61% of trade receivables) (2015: $1,824,000 (91% of trade receivables)). This balance was within its terms of trade and no impairment was made as at 30 June 2016. Balances are regularly paid within the following month.

Note 18. Financial instruments (continued)

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 - 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

Consolidated - 2015	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	-	1,274	-	-	-	1,274
Other payables	-	546	-	-	-	546
Related party payable	-	70	-	-	-	70
Interest-bearing - fixed rate						
Convertible notes payable	15.00%	2,150	-	-	-	2,150
Loans payable	12.50%	375	3,156	-	-	3,531
Total non-derivatives		4,415	3,156	-	-	7,571

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

Note 19. 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 - 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

Consolidated - 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Net present value of trail commission	-	-	11,185	11,185
Total assets	-	-	11,185	11,185

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 29. 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 19. 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	Total $'000
Balance at 1 July 2014	4,550	4,550
Asset arising from current period sales	6,934	6,934
Change in fair value of future trail cash flow expectations	(681)	(681)
Discount unwind	382	382
Balance at 30 June 2015	11,185	11,185
Additions through business combinations (note 26)	1,085	1,085
Asset arising from current period sales	11,255	11,255
Change in fair value of future trail cash flow expectations	(1,792)	(1,792)
Discount unwind	940	940
Change in commission rates	2,918	2,918
Lapse assumption change	(1,928)	(1,928)
Balance at 30 June 2016	23,663	23,663

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	7.7% (2015: 8.4%)	An increase in discount rate by 1% would decrease the asset by $1,053,000 (2015: $505,000). An reduction in discount rate by 1% would increase the asset by $1,144,000 (2015: $548,000).
	Premium age re-rate (where applicable)	7.0% (2015: 7.0%)	An increase in premium age re-rate by 1% would increase the asset by $1,060,000 (2015: $533,000). An reduction in premium age re-rate by 1% would decrease the asset by $992,000 (2015: $499,000).
	Policy lapses	16% (2015: 16%)	An increase in policy lapses by 1% would decrease the asset by $1,074,000 (2015: $587,000). An reduction in policy lapses re-rate by 1% would increase the asset by $1,164,000 (2015: $635,000).

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 19. 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 20. 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	
	2016	2015
	$	$
Audit services - Crowe Horwath Sydney		
Audit or review of the financial statements	194,468	28,984
Other services - Crowe Horwath Sydney		
Preparation of the tax return	21,000	-
Other services	61,703	-
	82,703	-
	277,171	28,984

Note 21. Contingent liabilities

There are no contingent liabilities as at 30 June 2016 or 30 June 2015.

Note 22. Commitments

	Consolidated	
	2016	2015
	$'000	$'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	1,071	275
One to five years	4,728	-
	5,799	275

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 23. Related party transactions

Parent entity
Freedom Insurance Group Ltd is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 27.

Key management personnel
Disclosures relating to key management personnel are set out in note 24.

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

	Consolidated	
	2016 $	2015 $
Payment for other expenses:		
Fees paid for recruitment services to key management personnel	48,000	23,000

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

	Consolidated	
	2016 $	2015 $
Current receivables:		
Receivable due from INSA Management Services Australia Pty Ltd.	11,316	-
Current payables:		
Payable due to INSA Management Services Australia Pty Ltd.	-	69,964

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

Note 24. 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	
	2016 $	2015 $
Short-term employee benefits	1,596,032	867,541
Post-employment benefits	120,445	-
	1,716,477	867,541

Note 25. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2016 $'000	Parent 2015 $'000
Loss after income tax	(413)	-
Total comprehensive income	(413)	-

Statement of financial position

	Parent 2016 $'000	Parent 2015 $'000
Total current assets	3,513	-
Total assets	47,655	-
Total current liabilities	8,533	-
Total liabilities	8,108	-
Equity		
Contributed capital	39,272	-
Convertible note reserve	688	-
Accumulated losses	(413)	-
Total equity	39,547	-

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity has not guaranteed the debts of its subsidiaries as at 30 June 2016.

Parent entity information
Parent entity financial information relates to Freedom Insurance Group Pty Ltd. The Company was incorporated on 13 October 2015 and the information presented is from 13 October 2015 to 30 June 2016. Therefore there is no comparative information.

Contingent liabilities
The parent entity had no contingent liabilities as at 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 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 26. Business combinations

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 acquired business contributed revenues of $785,000 and profit after tax of $151,000 to the Group for the period from 18 December 2015 to 30 June 2016. If the acquisition occurred on 1 July 2015, the full year contributions would have been revenues of $1,495,000 and profit after tax of $213,000. The values identified in relation to the acquisition are provisional as at 30 June 2016.

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 Pty 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 26. 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.

Corporate/group reorganisation - Freedom Insurance Group Pty Ltd ('FIG'), Insurance Network Services Australia Pty Ltd ('INSA') and Freedom Insurance Investments Pty Ltd ('FII')
FIG was incorporated on 13 October 2015. In December 2015, the shareholders of the former parent company INSA approved a formal business entity reorganisation, whereby FIG became the parent of the Group. This transaction is referred to as a group reorganisation and accounted for as follows:

- the cost of the acquisition, and amount recognised as contributed capital to affect the transaction, is based on the notional amount of shares that INSA and FII would have needed to issue to acquire the same shareholding percentage in FIG at the acquisition date;
- retained earnings and other equity balances in the financial statements at acquisition date are those of INSA and FII;
- the equity structure in the financial statements (the number and type of equity instruments issued) at the date of the acquisition reflects the equity structure of FIG, including the equity instruments issued by FIG to effect the acquisition;
- no 'new' goodwill has been recognised as a result of the combination;
- the results for the financial year ended 30 June 2016 comprise the consolidated results for the year of INSA and FII together with the results of FIG from 16 December 2015 to 30 June 2016 and the consolidated results of Finwealth Holdings Pty Ltd from 18 December 2015 to 30 June 2016; and
- the comparative results represents the consolidated results of INSA (including its subsidiaries) and FII only.

Note 27. 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:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
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%	-
Insurance Network Services Australia Pty Ltd	Australia	100%	100%
Finwealth Holdings Pty Ltd	Australia	100%	-
Spectrum Wealth Advisers Pty Ltd	Australia	100%	-

* Freedom Insurance Investments Pty Ltd was consolidated in the prior year, as it was previously controlled via the same shareholders and directors as Insurance Network Services Australia Pty Ltd. The shares in Freedom Insurance Investments Pty Ltd were acquired as part of the group reorganisation in December 2015.

Note 28. Earnings per share

	Consolidated 2016 $'000	Consolidated 2015 $'000
Profit after income tax attributable to the owners of Freedom Insurance Group Ltd	3,022	2,566
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	146,434,762	131,941,438
Weighted average number of ordinary shares used in calculating diluted earnings per share	146,434,762	131,941,438
	Cents	**Cents**
Basic earnings per share	2.06	1.94
Diluted earnings per share	2.06	1.94

The weighted average number of ordinary shares for the comparative period has been adjusted to give effect to the capital reorganisation which occurred during the financial year.

Convertible notes have been excluded from the 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 29. 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.

Accounting for the internal restructure at Initial Public Offering ('IPO')
During the financial year, an internal restructure took place in preparation of the listing of the Group on the Australian Securities Exchange ('ASX'). This resulted in a newly incorporated company, Freedom Insurance Group Pty Ltd (now renamed Freedom Insurance Group Ltd), becoming the legal parent of the Group, in preparation for the IPO.

The Group elected to account for the restructure as a capital reorganisation rather than a business combination. In the directors' judgement, the continuation of the existing accounting values most appropriately reflects the substance of the internal restructure. As such, the financial statements of the new Group have been presented as a continuation of the pre-existing consolidated accounting values of assets and liabilities in Insurance Network Services Australia Pty Ltd's financial statements.

In adopting this approach the directors note that there is an alternate view that such a restructure could be accounted for as a business combination that follows the legal structure of Freedom Insurance Group Pty Ltd being the acquirer. If this view had been taken, the net assets of the Group would have been uplifted to fair value, with consequential impacts on profit or loss and the statement of financial position. An IASB project on accounting for common control transactions is likely to address such restructures in the future. However, the precise nature of any new requirements and the timing of these are uncertain. In any event, history indicates that any potential changes are unlikely to require retrospective amendments to the financial statements.

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 19 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.

Note 29. Critical accounting judgements, estimates and assumptions (continued)

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.

Business combinations
Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the Group taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 30. 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 2016. 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 will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

Note 30. New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

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 will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

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 but the impact of its adoption is yet to be assessed by the Group.

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 31. Events after the reporting period

On 23 September 2016, the Company converted from a private to a public company and therefore 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 are subject to an initial public offering proceeding and the Company being listed on a recognised securities exchange by 30 June 2017. The vesting of options is also subject to performance and service criteria.

Note 31. Events after the reporting period (continued)

On 7 October 2016, NobleOak Life Ltd and the Group mutually agreed to terminate their Product Development and Distribution Agreement to new business following a short period that will allow for the Group to transition to Swiss Re Life & Health Ltd ('Swiss Re') as the insurer of the products that it distributes. This is expected to occur during February 2017 to coincide with the initial product launch under the proposed replacement Swiss Re arrangement at which time the NobleOak agreement will be closed to new business and the agreement will terminate. The Group is expected to enter into a formal Product Development and Distribution Agreement with Swiss Re for these purposes on or about 17 October 2016.

No other matter or circumstance has arisen since 30 June 2016 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 2016 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Keith Cohen
Managing Director

Harvey Light
Director

14 October 2016

Crowe Horwath Sydney
ABN 97 895 683 573
Member Crowe Horwath International
Level 15 1 O'Connell Street
Sydney NSW 2000 Australia
Tel +61 2 9262 2155
Fax +61 2 9262 2190
www.crowehorwath.com.au

Independent Auditor's Report to the Members of Freedom Insurance Group Ltd and its Controlled Entities

Report on the Financial Report

We have audited the accompanying financial report of Freedom Insurance Group Ltd and its Controlled Entities, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the company and the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statement comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Freedom Insurance Group Limited and its Controlled Entities, would be in the same terms if given to the directors as at the time of this auditor's report.

Auditor's Opinion

In our opinion:

a. the financial report of Freedom Insurance Group Ltd and its Controlled Entities is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the period ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Material uncertainty regarding continuation as a going concern

Without qualifying our opinion, we draw attention to Note 2 of the financial statements that indicates that the accounts have been prepared on a going concern basis which is dependent on the ability of the Company to raise additional funding through an IPO. In the unlikely event the matter referred above results in a negative outcome, the going concern basis may not be appropriate with the result that the Company may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those stated in the financial report.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

L Russell

LEAH RUSSELL
Partner

Dated this 14th day of October 2016